

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM S-3  
REGISTRATION STATEMENT  
UNDER  
THE SECURITIES ACT OF 1933

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

DELAWARE  
(State or other jurisdiction of  
incorporation or organization)

13-3386776  
(IRS Employer  
Identification No.)

21557 TELEGRAPH ROAD  
SOUTHFIELD, MICHIGAN 48086-5008  
(810) 746-1500  
(Address, including zip code, and telephone number,  
including area code, of Registrant's principal executive offices)

JAMES H. VANDENBERGHE  
21557 TELEGRAPH ROAD  
SOUTHFIELD, MICHIGAN 48086-5008  
(810) 746-1500  
(Name, address, including zip code, and telephone number,  
including area code, of agent for service)

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APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO PUBLIC: As soon as practicable after the registration statement becomes effective.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. / /

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

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

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

CALCULATION OF REGISTRATION FEE

TITLE OF EACH CLASS OF SECURITIES TO BE REGISTERED	NUMBER OF SHARES TO BE REGISTERED(1)	PROPOSED MAXIMUM OFFERING PRICE PER SHARE(2)	PROPOSED MAXIMUM AGGREGATE OFFERING PRICE(1)(2)	AMOUNT OF REGISTRATION FEE
Common Stock, \$.01 par value.....	17,250,000	\$38.57	\$665,332,500	\$229,425

- (1) Includes 2,250,000 shares to cover the Underwriters' over-allotment options.
- (2) Estimated solely for purposes of calculating the registration fee pursuant to Rule 457(c) on the basis of the average of the high and low prices reported on the New York Stock Exchange Composite Tape on June 10, 1996.

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THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(A) OF THE SECURITIES ACT OF 1933 OR UNTIL THIS REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(A), MAY DETERMINE.

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## EXPLANATORY NOTE

This Registration Statement covers the registration of 17,250,000 shares of Common Stock, \$.01 par value per share, of Lear Corporation for sale in underwritten public offerings (the "Offerings") in the United States and Canada (the "U.S. Offering") and outside the United States and Canada (the "International Offering"). The complete Prospectus relating to the U.S. Offering (the "U.S. Offering Prospectus") follows immediately after this Explanatory Note. Following the U.S. Offering Prospectus is an alternate cover page and alternate back cover page for the Prospectus to be used in the International Offering (the "International Prospectus" and, together with the U.S. Offering Prospectus, the "Prospectuses"). Otherwise, the International Prospectus will be identical to the U.S. Offering Prospectus.

INFORMATION CONTAINED HEREIN IS SUBJECT TO COMPLETION OR AMENDMENT. A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION. THESE SECURITIES MAY NOT BE SOLD NOR MAY OFFERS TO BUY BE ACCEPTED PRIOR TO THE TIME THE REGISTRATION STATEMENT BECOMES EFFECTIVE. THIS PROSPECTUS SHALL NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY NOR SHALL THERE BE ANY SALE OF THESE SECURITIES IN ANY STATE IN WHICH SUCH OFFER, SOLICITATION OR SALE WOULD BE UNLAWFUL PRIOR TO REGISTRATION OR QUALIFICATION UNDER THE SECURITIES LAWS OF ANY SUCH STATE.

Subject to Completion, dated June 12, 1996

PROSPECTUS

15,000,000 Shares  
LEAR CORP. LOGO

COMMON STOCK

Of the 15,000,000 shares of Common Stock ("Common Stock") of Lear Corporation ("Lear" or the "Company") being offered hereby, 7,500,000 shares are being offered by the Company and 7,500,000 shares are being offered by certain stockholders of the Company (the "Selling Stockholders"). See "Selling Stockholders." The Company will not receive any of the proceeds from the sale of Common Stock by the Selling Stockholders. Of the 15,000,000 shares of Common Stock being offered hereby, 12,000,000 shares are being offered initially in the United States and Canada by the U.S. Underwriters (the "U.S. Offering") and 3,000,000 shares are being offered initially outside the United States and Canada by the International Managers (the "International Offering" and, together with the U.S. Offering, the "Offerings"). The public offering price and underwriting discounts and commissions per share are identical for both Offerings. See "Underwriting." Concurrently with the Offerings, the Company is undertaking a public offering (the "Note Offering") of \$200,000,000 principal amount of subordinated notes due 2006. The Offerings are not conditioned upon the consummation of the Note Offering.

The Company's Common Stock is listed on the New York Stock Exchange under the symbol "LEA." On June 11, 1996, the reported last sale price of the Common Stock on the New York Stock Exchange Composite Tape was \$38 1/2 per share.

SEE "RISK FACTORS" COMMENCING ON PAGE 11 HEREIN FOR CERTAIN FACTORS THAT SHOULD BE CONSIDERED BY PROSPECTIVE INVESTORS.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

	Price to Public	Underwriting Discounts and Commissions(1)	Proceeds to Company(2)	Proceeds to Selling Stockholders
Per Share.....	\$	\$	\$	\$
Total(3).....	\$	\$	\$	\$

- (1) Lear and the Selling Stockholders have agreed to indemnify the U.S. Underwriters, the International Managers and certain other persons against certain liabilities, including liabilities under the Securities Act of 1933, as amended. See "Underwriting."
- (2) Before deducting expenses payable by Lear estimated at \$ .
- (3) The Selling Stockholders have granted the U.S. Underwriters and the International Managers a 30-day option to purchase up to an aggregate of 2,250,000 additional shares of Common Stock on the same terms and conditions as set forth above solely to cover over-allotments, if any. If such option is exercised in full, the total Price to Public, Underwriting Discounts and Commissions and Proceeds to Selling Stockholders will be \$ , \$ and \$ , respectively. See "Underwriting."

The shares of Common Stock offered by this Prospectus are offered by the U.S. Underwriters subject to prior sale, to withdrawal, cancellation or modification of the offer without notice, to delivery to and acceptance by the U.S. Underwriters and to certain further conditions. It is expected that delivery of certificates for shares will be made at the offices of Lehman Brothers Inc., New York, New York, on or about , 1996.

LEHMAN BROTHERS  
DONALDSON, LUFKIN & JENRETTE  
SECURITIES CORPORATION  
MORGAN STANLEY & CO.  
INCORPORATED  
PAINWEBBER INCORPORATED



LEAR CORPORATION LOGO

INTERIOR PRODUCT CAPABILITIES

[A PICTURE OF A FORD WINDSTAR SEAT SYSTEM]

[A PICTURE OF A FORD WINDSTAR]

[A PICTURE OF A CHEVROLET CAVALIER DOOR PANEL]

[A PICTURE OF A CHEVROLET CAVALIER]

[DIAGRAM OF AN AUTOMOTIVE INTERIOR]

[A PICTURE OF A SAAB 9000]

[A PICTURE OF A SAAB 9000 HEADLINER]

[A PICTURE OF A JEEP GRAND CHEROKEE]

[A PICTURE OF A JEEP GRAND CHEROKEE FLOOR SYSTEM]

IN CONNECTION WITH THE OFFERINGS, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE COMMON STOCK AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH TRANSACTIONS MAY BE EFFECTED ON THE NEW YORK STOCK EXCHANGE, IN THE OVER-THE-COUNTER MARKET OR OTHERWISE. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

DURING THE OFFERINGS, CERTAIN PERSONS AFFILIATED WITH PERSONS PARTICIPATING IN THE DISTRIBUTION MAY ENGAGE IN TRANSACTIONS FOR THEIR OWN ACCOUNTS OR FOR THE ACCOUNTS OF OTHERS IN THE COMMON STOCK OF THE COMPANY PURSUANT TO EXEMPTIONS FROM RULES 10b-6, 10b-7, AND 10b-8 UNDER THE SECURITIES EXCHANGE ACT OF 1934.

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 AVAILABLE INFORMATION

The Company is subject to the informational reporting requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and in accordance therewith files periodic reports and other information with the Securities and Exchange Commission (the "Commission"). The registration statement ("Registration Statement") (which term encompasses any amendments thereto) and the exhibits thereto filed by the Company with the Commission, as well as the reports and other information filed by the Company with the Commission, may be inspected at the public reference facilities maintained by the Commission at Room 1024, Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549 and are also available for inspection and copying at the regional offices of the Commission located at Seven World Trade Center, 13th Floor, New York, New York 10048, and Citicorp Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661, and at the New York Stock Exchange located at 20 Broad Street, New York, New York 10005. Copies of such material may also be obtained from the Public Reference Section of the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549 at prescribed rates.

The Company has filed with the Commission a Registration Statement under the Securities Act of 1933, as amended (the "Securities Act"), with respect to the shares of Common Stock offered hereby. This Prospectus does not contain all the information set forth in the Registration Statement and the exhibits and schedules thereto, to which reference is hereby made. Statements made in this Prospectus as to the contents of any contract, agreement or other document referred to are not necessarily complete. With respect to each such contract, agreement or other document filed as an exhibit to the Registration Statement or to a document incorporated by reference herein, reference is hereby made to the exhibit for a more complete description of the matter involved and each such statement shall be deemed qualified in its entirety by such reference.

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

The following documents filed by the Company with the Commission are incorporated in this Prospectus by reference and made a part hereof:

- (a) the Company's Annual Report on Form 10-K for the year ended December 31, 1995;
- (b) the Company's Quarterly Report on Form 10-Q for the period ended March 30, 1996;
- (c) the Company's Current Report on Form 8-K dated May 22, 1996;
- (d) the audited consolidated financial statements of Automotive Industries Holding, Inc. and the notes thereto included on pages 3 through 36 of the Company's Current Report on Form 8-K dated August 28, 1995; and
- (e) the Company's Registration Statement on Form 8-A filed on April 1, 1994, as amended by Amendment No. 1 on Form 8-A/A filed on April 5, 1994.

All documents subsequently filed by the Company pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act subsequent to the date of this Prospectus and prior to the termination of the Offerings shall be deemed to be incorporated by reference in this Prospectus and to be a part hereof from the date of filing such documents. Any statement contained herein or in a document incorporated or deemed to be incorporated herein by reference shall be deemed to be modified or superseded for purposes of this Prospectus to the extent that a statement contained in any subsequently filed document which is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Prospectus.

The Company will provide, without charge, to each person to whom a copy of this Prospectus is delivered, on the written or oral request of such person, a copy of any or all of the documents incorporated herein by reference (other than exhibits thereto, unless such exhibits are specifically incorporated by reference into the information that this Prospectus incorporates). Written or telephone requests for such copies should be directed to the Company's principal office: Lear Corporation, 21557 Telegraph Road, P.O. Box 5008, Southfield, Michigan 48086-5008, Attention: Director of Investor Relations (telephone: (800) 413-5327).

## PROSPECTUS SUMMARY

The following summary is qualified in its entirety by the more detailed information and consolidated financial statements appearing elsewhere or incorporated by reference in this Prospectus. As used in this Prospectus, 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, including the operations of the Company's AI Division and Masland Division, are conducted through wholly-owned subsidiaries of Lear Corporation. Effective as of May 9, 1996, Lear changed its name from "Lear Seating Corporation" to "Lear Corporation." Unless otherwise indicated, all information contained in this Prospectus is based on the assumption that the Underwriters' over-allotment option is not exercised.

On May 30, 1996, Lear, through its wholly-owned subsidiary, PA Acquisition Corp. ("Acquisition Corp."), commenced an offer to purchase (the "Tender Offer") all of the outstanding shares of common stock of Masland Corporation ("Masland"). The Tender Offer is currently scheduled to expire on June 26, 1996. The Tender Offer is conditioned on, among other things, there having been tendered a majority of the outstanding shares ("Shares") of Masland's common stock on a fully diluted basis. Following consummation of the Tender Offer, the Company will cause Acquisition Corp. to be merged with and into Masland, such that Masland will become a wholly-owned subsidiary of Lear (the "Merger"). The consummation of the Merger is subject to the satisfaction or waiver of a number of conditions, including the approval of the Merger by the requisite vote of the stockholders of Masland. Under the General Corporation Law of the State of Delaware (the "Delaware Law"), the stockholder vote necessary to approve the Merger will be the affirmative vote of at least a majority of the Shares. Accordingly, if the Company, through Acquisition Corp., acquires a majority of Masland's outstanding Shares, it will have the voting power required to approve the Merger without the affirmative vote of any other stockholders of Masland. Furthermore, if the Company acquires at least 90% of the outstanding Shares pursuant to the Tender Offer or otherwise, the Company would be able to effect the Merger pursuant to the "short-form" merger provisions of Section 253 of the Delaware Law, without prior notice to, or any action by, any other stockholder of Masland. In such event, the Company intends to effect the Merger as promptly as practicable following the purchase of the Shares in the Tender Offer. If the Company acquires a majority of the Shares in the Tender Offer, but less than 90%, it will take all action necessary, in accordance with the Delaware Law, Masland's certificate of incorporation and by-laws and applicable securities laws to convene a meeting of stockholders of Masland as promptly as possible to approve the Merger. In such event, it is anticipated that the Merger would not be completed until 45 days or longer after the date of the consummation of the Tender Offer. Unless otherwise indicated, this Prospectus assumes that the Tender Offer and the Merger have been consummated.

## THE COMPANY

## GENERAL

Lear is the largest independent supplier of automotive interior systems in the estimated \$40 billion global automotive interior market and the tenth largest independent automotive supplier in the world. The Company's principal products include: finished automobile and light truck seat systems; interior trim products, such as door panels and headliners; and component products, such as seat frames, seat covers and various blow molded plastic parts. The Company's extensive product offerings were recently expanded through the acquisition of Masland Corporation ("Masland"), a leading Tier I designer and manufacturer of automotive floor and acoustic systems and interior and luggage trim components. This acquisition, together with the August 1995 acquisition of Automotive Industries Holding, Inc. ("AI" or "Automotive Industries"), has made Lear the world's largest independent automotive supplier with the ability to design, engineer, test and deliver products for a total vehicle interior. As original equipment manufacturers ("OEMs") continue their worldwide expansion and seek ways to improve their vehicle quality while simultaneously reducing the costs of various vehicle components, management believes that suppliers such as Lear will be increasingly asked 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.

The Company has experienced substantial growth in market presence and profitability over the last five years both as a result of internal growth as well as acquisitions. The Company's sales have grown from approximately \$1.1 billion for the year ended June 30, 1991 to approximately \$4.7 billion for the year ended



December 31, 1995, a compound annual growth rate of 38%. After giving pro forma effect to the AI and Masland acquisitions, the Company sales would have been approximately \$5.7 billion for the year ended December 31, 1995. The Company's operating income has grown from approximately \$44.7 million for the year ended June 30, 1991 to approximately \$244.8 million for the year ended December 31, 1995, a compound annual growth rate of 46%.

The Company's present customers include 24 OEMs, the most significant of which are Ford, General Motors, Fiat, Chrysler, Volvo, Saab, Volkswagen, Audi and BMW. As of June 1, 1996, after giving pro forma effect to the acquisition of Masland, the Company would have employed approximately 40,000 people in 19 countries and operated 131 manufacturing, research, design, engineering, testing and administration facilities.

#### STRATEGY

The Company's principal objective is to expand its position as the leading independent supplier of automotive interior systems in the world. To this end, the Company's strategy is to capitalize on two significant trends in the automotive industry: (i) the outsourcing of automotive components and systems by OEMs; and (ii) the consolidation and globalization of the OEMs' supply base. Outsourcing of interior components and systems has increased in response to competitive pressures on OEMs to improve quality and reduce capital needs, costs of labor, overhead and inventory. Consolidation among automotive industry suppliers has occurred as OEMs have more frequently awarded long-term sole source contracts to the most capable global suppliers. Increasingly, the criteria for selection include not only cost, quality and responsiveness, but also certain full-service capabilities including design, engineering and project management support. With the recent acquisitions of AI and Masland, Lear has substantial manufacturing capabilities in four of the five principal automotive interior segments: seat systems; floor and acoustic systems; door panels; and headliners. The Company intends to enter into the remaining interior segment, instrument panels, through strategic alliances, acquisitions, supplier relationships and/or joint ventures.

Elements of the Company's strategy include:

- Strong Relationships with the OEMs. The Company's management has developed strong relationships with its 24 OEM customers which allow Lear to identify business opportunities and customer needs in the early stages of vehicle design. Management believes that working closely with OEMs in the early stages of designing and engineering automotive interior systems and components gives it a competitive advantage in securing new business. Lear maintains an excellent reputation with the OEMs for timely delivery and customer service and for providing world class quality at competitive prices.

- Global Presence. In 1995, more than two-thirds of total worldwide vehicle production occurred outside of the United States and Canada. 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 South America, South Africa, the Pacific Rim and elsewhere, giving it the capability to provide its products on a global basis to its OEM customers. In 1995, the Company's sales outside the United States and Canada, after giving pro forma effect to the AI and Masland acquisitions, would have grown to approximately \$1.7 billion, or approximately 30% of the Company's total pro forma sales.

- Increased Interior Content. OEMs increasingly view the interior of the vehicle as a major selling point to their customers. A major focus of Lear's research and development efforts is to identify new interior features that make vehicles safer and more comfortable, while continuing to appeal to consumer preferences. The development of these features has been, and management believes will continue to be, an important factor in the Company's future growth.

- Product Technology and Product Design Capability. Lear has made substantial investments in product technology and product design capability to support its products. The Company maintains four advanced technical centers (in Southfield, Michigan, Rochester Hills, Michigan, Plymouth, Michigan and Turin, Italy) where it develops and tests current and future products to determine compliance with safety standards, 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. At its 16 customer-dedicated engineering centers, specific program applications are developed and tested. The Company has also made substantial investments in advanced computer aided design, engineering and manufacturing ("CAD/CAM") systems.

- Lean Manufacturing Philosophy. Lear's "lean manufacturing" philosophy seeks to eliminate waste and inefficiency in its own operations and in those of its customers and suppliers. All of the Company's seat system facilities and many of its other manufacturing facilities are linked by computer directly to those of the Company's suppliers and customers. These facilities receive components from their suppliers on a just-in-time ("JIT") basis, and deliver interior systems and components to their customers on a sequential just-in-time basis, which provides products to an OEM's manufacturing facility in the color and order in which the products are used. This process minimizes inventories and fixed costs for both the Company and its customers and enables the Company to deliver products on as little as 90 minutes' notice.

- Growth 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 automotive industry trends. These acquisitions complement Lear's existing capabilities and provide new growth opportunities. The Company's recent acquisitions have expanded its OEM customer base and worldwide presence and enhanced its relationships with existing customers. The Company's most recent acquisitions have also given it a significant presence in the non-seating segments of the automobile and light truck interior market. In 1995, after giving pro forma effect to the AI and Masland acquisitions, the Company's sales of non-seating systems and components would have been approximately \$1.4 billion, or approximately 25% of the Company's total pro forma sales.

Implementation of the Company's strategy has resulted in rapid growth of the Company's net sales from approximately \$159.8 million in the fiscal year ended June 30, 1983 to approximately \$4.7 billion in the year ended December 31, 1995, a compound annual growth rate of approximately 33%. This increase in sales has been achieved through internal growth as well as through acquisitions. In 1995, the Company was the leading independent supplier to the \$40 billion global automotive interior market, with a 12% share after giving pro forma effect to the AI and Masland acquisitions. The Company's North American content per vehicle has increased from \$12 in 1983 to \$227 in 1995. In Europe, the Company's content per vehicle has grown from \$3 in 1983 to \$102 in 1995.

#### RECENT ACQUISITIONS

The Company is acquiring all of the issued and outstanding common stock of Masland (the "Masland Acquisition") for an aggregate purchase price of approximately \$459.6 million (including the assumption of Masland's existing indebtedness, net of cash and cash equivalents, of \$64.7 million and the payment of fees and expenses of \$10 million in connection with the acquisition). The acquisition of Masland gives the Company substantial capabilities to produce automotive floor and acoustic systems, which the Company did not previously have. In 1995, Masland held a leading 38% share of the estimated \$1 billion North American floor and acoustic systems market. Masland is also a major supplier of interior and luggage compartment trim components and other acoustical products which are designed to minimize noise and vibration for passenger cars and light trucks. Masland supplies the North American operations of Ford, Chrysler, General Motors, Honda, Isuzu, Mazda, Mitsubishi, Nissan, Subaru and Toyota, as well as the European operations of Nissan, Peugeot and Saab. Masland has had a continuous relationship with Ford, its largest customer, since 1922. For its fiscal year ended June 30, 1995, Masland had net sales, EBITDA, operating income and net income of \$496.6 million, \$62.2 million, \$47.0 million and \$21.3 million, respectively.

In August 1995, the Company acquired all of the issued and outstanding common stock of Automotive Industries, 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 acquisition of AI (the "AI Acquisition") afforded Lear a significant presence in the door panel and headliner segments of the interior market, which account for approximately 15% of the global automotive interior market. The AI

Acquisition also gave the Company access to AI's premier program management systems, CAD/CAM capabilities, product and process variety and technological expertise.

The acquisitions of AI and Masland have solidified the Company's position as the leading independent automotive interior supplier in the world. Currently, Lear has manufacturing capabilities in four of the five principal automotive interior segments: seat systems; floor and acoustic systems; door panels; and headliners. Lear intends to enter into the remaining segment, instrument panels, through strategic alliances, acquisitions, supplier relationships and/or joint ventures. Management believes that the Company's ability to offer OEMs a total interior system provides Lear with a competitive advantage as OEMs continue to reduce their supplier base while demanding improved quality and additional Tier I services. Management believes that as the outsourcing and supplier consolidation trends continue, OEMs will increasingly seek global suppliers, such as Lear, to provide total interiors, resulting in greater value from the on-going integration of the Lear, AI and Masland businesses and long-term growth opportunities for the Company.

In addition to the AI and Masland acquisitions, since 1990 Lear has completed five additional strategic acquisitions. In December 1994, the Company acquired the primary automotive seat systems supplier to Fiat and certain related businesses (the "Fiat Seat Business" or the "FSB"), establishing Lear as the leading independent supplier of automotive seat systems in Europe. In 1993, the Company significantly expanded its operations in North America by purchasing certain portions of the North American seat cover and seat systems business (the "NAB") of Ford (the "NAB Acquisition"). In 1991 and 1992, the Company acquired the seat systems businesses of Saab in Sweden and Finland and of Volvo in Sweden. In addition to broadening the Company's geographic coverage, these acquisitions, like the AI and Masland acquisitions, have expanded the Company's customer base and solidified relationships with existing customers.

The Company's principal executive offices are located at 21557 Telegraph Road, Southfield, Michigan 48086-5008. Its telephone number at that location is (800) 413-5327.

#### NOTE OFFERING

Concurrently with the Offerings, the Company is undertaking a public offering of \$200 million aggregate principal amount of subordinated notes due 2006 (the "Notes"). The Note Offering is conditioned in its entirety upon the consummation of the Offerings. The Offerings are not, however, conditioned upon the consummation of the Note Offering. The net proceeds to the Company from the Note Offering will be used to repay indebtedness outstanding under the Credit Agreement (as defined herein).

## THE OFFERINGS

## Common Stock offered by:

The Company.....	7,500,000 shares
The Selling Stockholders.....	7,500,000 shares(1)
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Total Common Stock offered.....	15,000,000 shares
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## Common Stock offered for sale in:

U.S. Offering.....	12,000,000 shares
International Offering.....	3,000,000 shares
Common Stock to be outstanding after the Offerings.....	64,150,532 shares(2)
NYSE Symbol .....	LEA
Use of Proceeds.....	The net proceeds to the Company from the Offerings will be used to repay a portion of the indebtedness outstanding under the Credit Agreement incurred to finance the Masland Acquisition. The Company will not receive any proceeds from the sale of Common Stock by the Selling Stockholders.

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(1) 9,750,000 shares if the Underwriters' over-allotment option is exercised in full.

(2) Excludes 4,468,036 shares of Common Stock issuable upon exercise of options outstanding as of June 1, 1996 and granted pursuant to (i) stock option agreements between the Company and certain management investors, (ii) the Company's 1992 Stock Option Plan, (iii) the Company's 1994 Stock Option Plan and (iv) the Company's 1996 Stock Option Plan. Also excludes (i) 160,653 shares of Common Stock issuable upon exercise of options outstanding as of June 1, 1996 originally granted under the Automotive Industries Holding, Inc. 1992 Key Employee Stock Option Plan and (ii) up to 1,256,791 shares of Common Stock issuable upon exercise of options originally granted under the Masland Corporation 1991 Stock Purchase and Option Plan and the Masland Corporation 1993 Stock Option Incentive Plan which may be converted into options to purchase Common Stock in connection with the Masland Acquisition. The options described in the preceding two sentences are collectively referred to herein as the "Options."

## RISK FACTORS

Investment in the Company's Common Stock involves certain risks discussed under "Risk Factors" that should be considered by prospective investors.

## SUMMARY FINANCIAL DATA OF THE COMPANY

The following summary consolidated financial data were derived from the consolidated financial statements of the Company. The consolidated financial statements of the Company for each of the years ended December 31, 1995, 1994 and 1993 have been audited by Arthur Andersen LLP. The consolidated financial statements of the Company for the three months ended March 30, 1996 and April 1, 1995 are unaudited; however, in the Company's opinion, they reflect all adjustments, consisting only of normal recurring items, necessary for a fair presentation of the financial position and results of operations for such periods. The results for the three months ended March 30, 1996 are not necessarily indicative of the results to be expected for the full year. The summary financial data below should be read in conjunction with the other financial data of the Company included in this Prospectus, the consolidated financial statements of the Company and the notes thereto incorporated by reference in this Prospectus and "Management's Discussion and Analysis of Financial Condition and Results of Operations of the Company."

## LEAR CORPORATION

	AS OF OR FOR THE THREE MONTHS ENDED		AS OF OR FOR THE YEAR ENDED		
	MARCH 30, 1996	APRIL 1, 1995	DECEMBER 31, 1995	DECEMBER 31, 1994	DECEMBER 31, 1993
(DOLLARS IN MILLIONS, EXCEPT PER SHARE AND CONTENT PER VEHICLE DATA)					
<b>OPERATING DATA:</b>					
Net sales.....	\$1,405.8	\$1,043.5	\$4,714.4	\$3,147.5	\$1,950.3
Operating income.....	70.0	47.7	244.8	169.6	79.6
Interest expense(1).....	24.4	14.2	75.5	46.7	45.6
Net income (loss)(2).....	25.8	17.0	91.6	59.8	(13.8)
Net income (loss) per share(2).....	.43	.34	1.74	1.26	(.39)
<b>BALANCE SHEET DATA:</b>					
Total assets.....	\$3,122.2	\$1,797.9	\$3,061.3	\$1,715.1	\$1,114.3
Long-term debt.....	1,033.3	519.9	1,038.0	418.7	498.3
Stockholders' equity.....	612.5	217.1	580.0	213.6	43.2
<b>OTHER DATA:</b>					
EBITDA(3).....	\$ 103.2	\$ 66.1	\$ 336.8	\$ 225.7	\$ 122.2
Depreciation and amortization.....	33.2	18.4	92.0	56.1	42.6
Capital expenditures.....	33.7	23.6	110.7	103.1	45.9
North American content per vehicle(4).....	274	182	227	169	112
European content per vehicle(5).....	107	78	102	48	38
Ratio of EBITDA to interest expense (1)(3).....	4.2x	4.7x	4.5x	4.8x	2.7x
Ratio of earnings to fixed charges(6).....	2.5x	2.9x	2.9x	3.2x	1.5x

(1) Interest expense includes non-cash charges for amortization of deferred financing fees of approximately \$.8 million, \$.6 million, \$2.7 million, \$2.4 million and \$2.6 million for the three months ended March 30, 1996 and April 1, 1995 and for the years ended December 31, 1995, 1994 and 1993, respectively.

(2) After extraordinary charges of \$2.6 million and \$11.7 million (\$.05 and \$.33 per share) for the years ended December 31, 1995 and 1993, respectively, relating to the early extinguishment of debt.

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

(4) "North American content per vehicle" is the Company's net automotive sales in North America divided by total North American vehicle production. "North American vehicle production" comprises car and light truck production in the United States, Canada and Mexico estimated by the Company from industry sources.

(5) "European content per vehicle" is the Company's net automotive sales in Western Europe divided by total Western European vehicle production. "Western European vehicle production" comprises car and light truck production in Western Europe estimated by the Company from industry sources.

(6) "Fixed charges" consist of interest on debt, amortization of deferred financing fees and that portion of rental expenses representative of interest (deemed to be one-third of rental expenses). "Earnings" consist of income (loss) before income taxes, fixed charges, undistributed earnings and minority interest.

## SUMMARY FINANCIAL DATA OF MASLAND CORPORATION

The following summary consolidated financial data were derived from the consolidated financial statements of Masland. The consolidated financial statements of Masland for each fiscal year presented have been audited by Price Waterhouse LLP. The consolidated financial statements of Masland for the nine months ended March 29, 1996 and March 31, 1995 are unaudited; however, in the opinion of Masland's management, they reflect all adjustments, consisting only of normal recurring items, necessary for a fair presentation of the financial position and results of operations for such periods. The results for the nine months ended March 29, 1996 are not necessarily indicative of the results to be expected for the full fiscal year. The summary financial data below should be read in conjunction with the other financial data of Masland included in this Prospectus, the consolidated financial statements of Masland and the notes thereto incorporated by reference in this Prospectus and "Management's Discussion and Analysis of Results of Operations of Masland Corporation."

## MASLAND CORPORATION

	AS OF OR FOR THE NINE MONTHS ENDED		AS OF OR FOR THE FISCAL YEAR ENDED		
	MARCH 29, 1996	MARCH 31, 1995	JUNE 30, 1995	JULY 1, 1994	JULY 2, 1993
(DOLLARS IN MILLIONS, EXCEPT CONTENT PER VEHICLE DATA)					
OPERATING DATA:					
Net sales.....	\$ 343.4	\$ 373.8	\$496.6	\$ 429.9	\$ 353.5
Operating income.....	26.5	34.2	47.0	45.0	25.8
Net income applicable to common stock.....	11.8	15.0	21.3	20.5	11.7
BALANCE SHEET DATA:					
Total assets.....	\$ 276.8	\$ 226.0	\$228.0	\$ 203.8	\$ 197.3
Long-term debt.....	70.8	40.2	37.0	31.4	50.1
Stockholders' equity.....	98.8	82.5	88.2	68.5	60.1
OTHER DATA:					
EBITDA(1).....	\$ 40.2	\$ 46.5	\$ 62.2	\$ 57.6	\$ 37.1
Capital expenditures.....	20.6	14.7	22.0	17.8	18.0
North American content per vehicle(2).....	34	31	33	30	26

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

(2) "North American content per vehicle" is Masland's net automotive sales in North America divided by total North American vehicle production. "North American vehicle production" comprises car and light truck production in the United States, Canada and Mexico estimated by the Company from industry sources.

## SUMMARY PRO FORMA UNAUDITED CONSOLIDATED FINANCIAL DATA

The following summary pro forma unaudited consolidated financial data were derived from and should be read in conjunction with the pro forma unaudited consolidated financial data included elsewhere in this Prospectus. The following summary pro forma unaudited consolidated operating data and other data of the Company for the three months ended March 30, 1996 and for the year ended December 31, 1995 were prepared to illustrate the estimated effects of (i) the Masland Acquisition (including the refinancing of certain debt of Masland with borrowings under the Credit Agreement), (ii) the AI Acquisition (including the refinancing of certain debt of AI with borrowings under the Credit Agreement), (iii) the acquisition of Plastifol GmbH & Co. KG ("Plastifol") by AI in July 1995 prior to the AI Acquisition (the "Plastifol Acquisition"), (iv) the public offering of Common Stock by the Company and the application of the net proceeds therefrom in September 1995 (the "1995 Stock Offering"), (v) the refinancing of the Company's prior credit facility with borrowings under the Credit Agreement, (vi) the completion of the New Credit Agreement and (vii) the Note Offering and the Offerings contemplated hereby and the application of the net proceeds to the Company therefrom to repay indebtedness incurred under the Credit Agreement to finance the Masland Acquisition (collectively, the "Pro Forma Transactions"), as if the Pro Forma Transactions had occurred on January 1, 1995. The following summary pro forma unaudited consolidated balance sheet data were prepared as if the completion of the New Credit Agreement, the Masland Acquisition, the Note Offering and the Offerings contemplated hereby and the application of the net proceeds therefrom to repay indebtedness incurred pursuant to the Credit Agreement to finance the Masland Acquisition had occurred as of March 30, 1996. The following summary pro forma unaudited consolidated financial data do not purport to represent (i) the actual results of operations or financial condition of the Company had the Pro Forma Transactions occurred on the dates assumed or (ii) the results to be expected in the future.

AS OF OR FOR THE THREE MONTHS ENDED MARCH 30, 1996	AS OF OR FOR THE YEAR ENDED DECEMBER 31, 1995
-----	
(DOLLARS IN MILLIONS, EXCEPT PER SHARE AND CONTENT PER VEHICLE DATA)	

## OPERATING DATA:

Net sales.....	\$ 1,527.3	\$ 5,708.0
Operating income.....	81.5	327.1
Interest expense(1).....	29.3	122.5
Net income.....	28.3	105.4
Net income per share.....	.42	1.56

## BALANCE SHEET DATA:

Total assets.....	\$ 3,700.6	
Long-term debt.....	1,223.9	
Stockholders' equity.....	900.0	

## OTHER DATA:

EBITDA(2).....	\$ 120.7	\$ 467.2
Depreciation and amortization.....	39.2	140.1
Capital expenditures.....	41.8	184.2
North American content per vehicle(3).....	308	285
European content per vehicle(4).....	107	111
Ratio of EBITDA to interest expense(1)(2).....	4.1x	3.8x
Ratio of earnings to fixed charges(5).....	2.5x	2.4x

(1) Interest expense includes non-cash charges for amortization of deferred financing of approximately \$1.0 million and \$3.7 million for the three months ended March 30, 1996 and the year ended December 31, 1995, respectively.

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

(3) "North American content per vehicle" is the Company's pro forma net automotive sales in North America divided by total North American vehicle production. "North American vehicle production" comprises car and light truck production in the United States, Canada and Mexico estimated by the Company from industry sources.

(4) "European content per vehicle" is the Company's pro forma net automotive sales in Western Europe divided by total Western European vehicle production. "Western European vehicle production" comprises car and light truck production in Western Europe estimated by the Company from industry sources.

(5) "Fixed charges" consist of interest on debt, amortization of deferred financing fees and that portion of rental expenses representative of interest (deemed to be one-third of rental expenses). "Earnings" consist of income (loss) before income taxes, fixed charges, undistributed earnings and minority interest.

## RISK FACTORS

A potential investor should consider carefully all of the information contained in this Prospectus before deciding whether to purchase the Common Stock offered hereby and, in particular, should consider the following:

## LEVERAGE

A significant portion of the funds needed to finance the Company's recent acquisitions, including the Masland Acquisition and the AI Acquisition, were initially raised through borrowings. As a result, the Company has debt that is greater than its stockholders' equity and a significant portion of the Company's cash flow from operations will be used to service its debt obligations. As of March 30, 1996, after giving effect to the Pro Forma Transactions, the Company would have had total debt of \$1,254.2 million and stockholders' equity of \$900.0 million, producing a total capitalization of \$2,154.2 million, so that total debt as a percentage of total capitalization would have been approximately 58%.

The Company's leverage may have consequences, including the following: (i) the ability of the Company to obtain additional financing for working capital, capital expenditures and debt service requirements or other purposes may be impaired; (ii) the Company may be more highly leveraged than companies with which it competes, which may place it at a competitive disadvantage; (iii) because certain of the Company's obligations under the Credit Agreement and the New Credit Agreement bear interest at floating rates, an increase in interest rates could adversely affect the Company's ability to service its debt obligations; and (iv) the Company may be more vulnerable in the event of a downturn or disruption in its business or in the economy generally. If the Company is unable to generate sufficient cash flow to service its debt obligations, it will have to adopt one or more alternatives, such as reducing or delaying planned expansion and capital expenditures, selling assets, restructuring debt or obtaining additional equity capital. There can be no assurance that any of these strategies could be effected on satisfactory terms.

In addition, the Credit Agreement and the New Credit Agreement, together with the Senior Subordinated Notes (as defined herein), the Subordinated Notes (as defined herein) and the Notes, contain or will contain various restrictive covenants including, among other things, financial covenants relating to the maintenance of minimum operating profit and net worth levels and interest coverage ratios as well as restrictions on indebtedness, guarantees, acquisitions, capital expenditures, investments, loans, liens, dividends and other restricted payments and asset sales. Such restrictions, together with the leveraged nature of the Company, could limit the Company's ability to respond to market conditions, to provide for unanticipated capital investments or to take advantage of business opportunities.

## NATURE OF AUTOMOTIVE INDUSTRY

The Company's principal operations are directly related to domestic and foreign automotive vehicle production. Automobile sales and production are cyclical and can be affected by the strength of a country's general economy. In addition, automobile production and sales can be affected by labor relations issues, regulatory requirements, trade agreements and other factors. A decline in automotive sales and production could result in a decline in the Company's results of operations or financial condition.

## RELIANCE ON MAJOR CUSTOMERS AND SELECTED CAR MODELS

Two of the Company's customers, General Motors and Ford, accounted for approximately 34% and 33%, respectively, of the Company's net sales during fiscal 1995. After giving effect to the Masland Acquisition, sales to General Motors and Ford will continue to represent a similar substantial portion of the Company's total sales. Although the Company has purchase orders from many of its customers, such purchase orders generally provide for supplying the customers' annual requirements for a particular model or assembly plant, renewable on a year-to-year basis, rather than for manufacturing a specific quantity of products. In addition, certain of the Company's manufacturing and assembly plants are dedicated to a single customer's automotive assembly plant. The customer's decision to close any such plant would require the Company to obtain alternate supply agreements, relocate existing business to such facility or close such facility. To date, neither



model discontinuances nor plant closings have had a material adverse effect on the Company because of the breadth of the Company's product lines and the ability of the Company to relocate its facilities with minimal capital expenditures. There can be no assurances that the Company's loss of business with respect to either a particular automobile model or a particular assembly plant would not have a material adverse effect on the Company's results of operations or financial condition in the future.

There is substantial and continuing pressure from the major OEMs to reduce costs, including costs associated with outside suppliers such as the Company. Management believes that the Company's ability to develop new products and to control its own costs, many of which are variable, will allow the Company to remain competitive. However, there can be no assurance that the Company will be able to improve or maintain its gross margins.

#### FOREIGN EXCHANGE RISK

As a result of recent acquisitions and the Company's business strategy, which includes plans for the global expansion of its operations, a significant portion of the Company's revenues and expenses are denominated in currencies other than U.S. dollars. Changes in exchange rates therefore may have a significant effect on the Company's results of operations and financial condition.

#### ANTI-TAKEOVER PROVISIONS

Certain provisions of the Company's Restated Certificate of Incorporation and by-laws, as well as provisions of the Delaware General Corporation Law, may have the effect of delaying, deterring or preventing transactions involving a change of control of the Company, including transactions in which stockholders might otherwise receive a substantial premium for their shares over then current market prices, and may limit the ability of stockholders to approve transactions that they may deem to be in their best interests. For example, under the Restated Certificate of Incorporation, the Board of Directors is authorized to issue one or more classes of preferred stock having such designations, rights and preferences as may be determined by the Board of Directors. In addition, the Board of Directors is divided into three classes, each having a term of three years, with the term of one class expiring each year. A director may be removed from office only for cause. These provisions could delay the replacement of a majority of the Board of Directors and have the effect of making changes in the Board of Directors more difficult than if such provisions were not in place. Further, Section 203 of the Delaware General Corporation Law restricts certain business combinations with any "interested stockholder" as defined in such law. Certain current stockholders of the Company are not, by virtue of their current holdings, deemed to be "interested stockholders" under this statute. This statute also may delay, deter or prevent a change of control of the Company. See "Description of Capital Stock" for additional information regarding these and certain other anti-takeover provisions adopted by the Company.

#### CAUTIONARY STATEMENTS FOR PURPOSES OF THE "SAFE HARBOR" PROVISIONS OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

This Prospectus contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. When used in this document, the words 'anticipate,' 'believe,' 'estimate,' and 'expect' and similar expressions are generally intended to identify forward-looking statements. Prospective 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 the 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) fluctuations in worldwide or regional automobile and light truck production, (iii) labor disputes involving the Company or its significant customers, and (iv) those items identified under "Risk Factors." Should one or more of those risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described herein as anticipated, believed, estimated or expected. The Company does not intend to update these forward-looking statements.

## USE OF PROCEEDS

All the net proceeds to the Company from the Offerings will be used to repay a portion of the indebtedness outstanding under the Credit Agreement which was incurred to finance the Masland Acquisition, bearing a rate of interest as of June 1, 1996 of approximately 6.36%. See "Management's Discussion and Analysis of Financial Condition and Results of Operations of the Company -- Liquidity and Capital Resources." The Company will not receive any proceeds from the sale of Common Stock by the Selling Stockholders.

## COMMON STOCK PRICE RANGE AND DIVIDENDS

The Common Stock is listed for trading on the New York Stock Exchange under the symbol "LEA." The following table sets forth the high and low sale prices of the Common Stock as reported on the New York Stock Exchange for the fiscal periods indicated:

	HIGH -----	LOW -----
1994:		
Second Quarter.....	\$20 1/4	\$16 1/4
Third Quarter.....	19 5/8	16
Fourth Quarter.....	22 1/8	17
1995:		
First Quarter.....	20 7/8	16 5/8
Second Quarter.....	24 1/4	17 7/8
Third Quarter.....	31 1/8	23
Fourth Quarter.....	32 1/4	26 1/4
1996:		
First Quarter.....	34	25 1/4
Second Quarter (through June 11).....	39 1/4	27 1/2

The reported last sale price of the Common Stock on the New York Stock Exchange Composite Tape as of a recent date is set forth on the cover page of this Prospectus.

As of June 1, 1996, there were 249 holders of record of the outstanding Common Stock and the Company estimates that, at such date, there were approximately 6,400 beneficial holders.

The Company has never paid dividends on its Common Stock. Any future payment of dividends is subject to the discretion of the Company's Board of Directors, which may consider the Company's earnings and financial condition and such other factors as it deems relevant. In addition, the Credit Agreement, the New Credit Agreement and the Indentures governing Lear's 11 1/4% Senior Subordinated Notes due 2000 (the "Senior Subordinated Notes") and 8 1/4% Subordinated Notes due 2002 (the "Subordinated Notes") presently contain, and the Indenture relating to the Notes will contain, certain restrictions on the Company's ability to pay dividends. The Company does not intend to pay any cash dividends in the foreseeable future.

## CAPITALIZATION

The following table sets forth the capitalization of the Company at March 30, 1996, after giving effect on a pro forma basis to the Masland Acquisition and the incurrence of indebtedness under the New Credit Agreement and the Credit Agreement to finance such acquisition, and as adjusted to reflect the Note Offering and Offerings contemplated hereby and the application of the net proceeds to the Company therefrom. See "Use of Proceeds" and "Pro Forma Financial Data."

	AS OF MARCH 30, 1996		
	ACTUAL	PRO FORMA	PRO FORMA AS ADJUSTED
(DOLLARS IN MILLIONS)			
<b>Short-term debt:</b>			
Short-term borrowings.....	\$ 17.3	\$ 17.3	\$ 17.3
Current portion of long-term debt.....	12.0	13.0 (1)	13.0
Total short-term debt.....	29.3	30.3	30.3
<b>Long-term debt, less current portion:</b>			
Domestic revolving loans.....	715.5	1,179.5 (2)	704.1(4)
Industrial revenue bonds.....	20.5	22.5 (1)	22.5
Other.....	27.3	27.3	27.3
11 1/4% Senior Subordinated Notes due 2000.....	125.0	125.0	125.0
8 1/4% Subordinated Notes due 2002.....	145.0	145.0	145.0
% Subordinated Notes due 2006.....	--	--	200.0(5)
Total long-term debt, less current portion.....	1,033.3	1,499.3	1,223.9
<b>Stockholders' equity:</b>			
Common stock, par value \$.01 per share; 150,000,000 shares authorized, 56,589,288 shares issued (64,089,288 after adjustment for the Offerings).....	.6	.6	.6
Additional paid-in capital.....	562.9	570.5 (3)	850.4(6)
Notes receivable from sale of Common Stock.....	(.9)	(.9)	(.9)
Treasury stock, 10,230 shares of Common Stock.....	(.1)	(.1)	(.1)
Retained earnings.....	68.0	68.0	68.0
Cumulative translation adjustment.....	(14.5)	(14.5)	(14.5)
Minimum pension liability.....	(3.5)	(3.5)	(3.5)
Total stockholders' equity.....	612.5	620.1	900.0
Total capitalization.....	\$1,675.1	\$2,149.7	\$ 2,154.2
<b>OTHER DATA:</b>			
Debt to total capitalization.....	63.4%	71.2 %	58.2%

(1) Reflects debt assumed in connection with the Masland Acquisition.

(2) Reflects borrowings under the Credit Agreement of (i) \$377.3 million to acquire all of the outstanding common stock of Masland and retire certain stock options of Masland in connection with the Masland Acquisition, (ii) \$75.7 million to retire certain debt assumed in connection with the Masland Acquisition, and (iii) \$11 million to pay estimated fees and expenses related to the Masland Acquisition and the New Credit Agreement. In connection with the Masland Acquisition, the Company incurred \$300 million of indebtedness under the New Credit Agreement, the proceeds of which were used to repay borrowings under the Credit Agreement.

(3) Reflects the issuance of options originally granted under the Masland Corporation 1993 Stock Option Plan which will be converted into options to purchase Common Stock in connection with the Masland Acquisition.

(4) Reflects the application of the net proceeds from the Offerings of \$279.9 million and the Note Offering of \$195.5 million.

(5) Reflects the issuance of \$200 million aggregate principal amount of the Notes.

(6) Reflects the issuance of 7,500,000 shares of Common Stock in the Offerings at \$38 5/8 per share, net of \$9.8 million in estimated fees and expenses.

## PRO FORMA FINANCIAL DATA

The following pro forma unaudited consolidated statements of operations of the Company for the three months ended March 30, 1996 and for the year ended December 31, 1995 were prepared to illustrate the estimated effects of (i) the Masland Acquisition (including the refinancing of certain debt of Masland pursuant to the Credit Agreement), (ii) the AI Acquisition (including the refinancing of certain debt of AI pursuant to the Credit Agreement), (iii) the Plastifol Acquisition, (iv) the 1995 Stock Offering, (v) the refinancing of the Company's prior credit facility with borrowings under the Credit Agreement (vi) the completion of the New Credit Agreement and (vii) the Note Offering and the Offerings contemplated hereby and the application of the net proceeds to the Company therefrom to repay indebtedness incurred pursuant to the Credit Agreement to finance the Masland Acquisition (collectively, the "Pro Forma Transactions"), as if the Pro Forma Transactions had occurred on January 1, 1995.

The following pro forma unaudited consolidated balance sheet (collectively with the pro forma unaudited consolidated statements of operations, the "Pro Forma Statements") was prepared as if the Masland Acquisition, the completion of the New Credit Agreement, and the Note Offering and the Offerings contemplated hereby and the application of the net proceeds therefrom to repay indebtedness incurred pursuant to the Credit Agreement to finance the Masland Acquisition had occurred as of March 30, 1996.

The Pro Forma Statements do not purport to represent (i) the actual results of operations or financial position of the Company had the Pro Forma Transactions occurred on the dates assumed or (ii) the results to be expected in the future.

The pro forma adjustments are based upon available information and upon certain assumptions that management believes are reasonable. The Pro Forma Statements and accompanying notes should be read in conjunction with the historical financial statements of the Company, Masland and AI, including the notes thereto, and the other financial information pertaining to the Company, Masland and AI, including the information set forth in "Capitalization" and related notes thereto, included elsewhere or incorporated by reference in this Prospectus.

## PRO FORMA UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS

THREE MONTHS ENDED MARCH 30, 1996

	LEAR HISTORICAL	MASLAND HISTORICAL(1)	OPERATING AND FINANCING ADJUSTMENTS	PRO FORMA
	(DOLLARS IN MILLIONS, EXCEPT PER SHARE DATA)			
Net sales.....	\$ 1,405.8	\$ 122.5	\$(1.0)(2)	\$1,527.3
Cost of sales.....	1,285.2	99.1	(1.0)(2)	1,383.3
Gross profit.....	120.6	23.4	--	144.0
Selling, general and administrative expenses.....	43.3	10.0	--	53.3
Amortization.....	7.3	.6	1.3(3)	9.2
Operating income.....	70.0	12.8	(1.3)	81.5
Interest expense.....	24.4	1.1	3.8(4)	29.3
Other expense, net.....	3.1	.7	--	3.8
Income before income taxes.....	42.5	11.0	(5.1)	48.4
Income taxes.....	16.7	4.7	(1.3)(5)	20.1
Net income.....	\$ 25.8	\$ 6.3	\$(3.8)	\$ 28.3
Net income per share.....	\$ .43			\$ .42
Weighted average shares outstanding (in millions).....	60.0		7.7(6)	67.7
EBITDA(7).....	\$ 103.2			\$ 120.7

## PRO FORMA UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS

YEAR ENDED DECEMBER 31, 1995

	LEAR HISTORICAL	AI PRO FORMA(8)	MASLAND HISTORICAL(1)	OPERATING AND FINANCING ADJUSTMENTS	PRO FORMA
	(DOLLARS IN MILLIONS, EXCEPT PER SHARE DATA)				
Net sales.....	\$ 4,714.4	\$523.7	\$ 473.2	\$ (3.3)(2)	\$5,708.0
Cost of sales.....	4,311.3	428.9	392.8	(3.3)(2)	5,129.7
Gross profit.....	403.1	94.8	80.4	--	578.3
Selling, general and administrative expenses.....	139.0	36.5	39.3	--	214.8
Amortization.....	19.3	9.5	2.3	5.3(3)	36.4
Operating income.....	244.8	48.8	38.8	(5.3)	327.1
Interest expense.....	75.5	14.0	3.9	29.1(4)	122.5
Other expense, net.....	12.0	--	3.4	--	15.4
Income before income taxes.....	157.3	34.8	31.5	(34.4)	189.2
Income taxes.....	63.1	16.8	14.1	(10.2)(5)	83.8
Income before extraordinary items....	94.2	18.0	17.4	(24.2)	105.4
Extraordinary loss on early extinguishment of debt.....	2.6	--	--	(2.6)(9)	--
Net income.....	\$ 91.6	\$ 18.0	\$ 17.4	\$ (21.6)	\$ 105.4
Net income per share.....	\$ 1.74				\$ 1.56
Weighted average shares outstanding (in millions).....	52.6			15.0(6)	67.6
EBITDA(7).....	\$ 336.8				\$ 467.2

(1) The Masland historical information represents amounts derived from (i) the unaudited results of operations for the three months ended March 29, 1996 and (ii) with respect to the year ended December 31, 1995, the audited results of operations for Masland's fiscal year ended June 30, 1995 and its unaudited results of operations for the six month periods ending December 29, 1995 and December 30, 1994.

(2) Reflects the elimination of net sales from Masland to the Company.

(3) The adjustment to amortization represents the following:

	THREE MONTHS ENDED MARCH 30, 1996	YEAR ENDED DECEMBER 31, 1995
	(DOLLARS IN MILLIONS)	
Amortization of goodwill from the Masland Acquisition.....	\$ 1.9	\$ 7.6
Elimination of the historical goodwill amortization of Masland.....	(.6)	(2.3)
	\$ 1.3	\$ 5.3

(4) Reflects interest expense changes as follows:

	THREE MONTHS ENDED MARCH 30, 1996	YEAR ENDED DECEMBER 31, 1995
	-----	-----
	(DOLLARS IN MILLIONS)	
Reduction of interest due to application of the proceeds from the Offerings.....	\$ (4.6)	\$ (19.6)
Reduction of interest due to application of the proceeds of the 1995 Stock Offering.....	--	(14.7)
Reduction in interest due to application of the proceeds from the Note Offering to repay indebtedness incurred under the Credit Agreement.....	(3.3)	(14.0)
Estimated interest on the Notes at 9 3/8%.....	4.7	18.8
Estimated interest on borrowings to finance the AI Acquisition.....	--	39.6
Elimination of interest on AI debt refinanced.....	--	(12.6)
Estimated interest on borrowings to finance the Masland Acquisition.....	7.6	32.4
Elimination of interest on Masland debt refinanced....	(1.1)	(3.8)
Other changes in interest expense, commitment fees and amortization of deferred finance fees due to the Note Offering, the New Credit Agreement, and the refinancing of the prior credit facility with the Credit Agreement.....	.5	3.0
	-----	-----
	\$ 3.8	\$ 29.1
	=====	=====

(5) Reflects the income tax effects of the operating and financing adjustments.

(6) The adjustment to weighted average shares outstanding represents the following:

	THREE MONTHS ENDED MARCH 30, 1996	YEAR ENDED DECEMBER 31, 1995
	-----	-----
Effect of the issuance of 7.5 million shares pursuant to the Offerings.....	7.5	7.5
Effect of the issuance of 10.0 million shares pursuant to the 1995 Stock Offering.....	--	7.3
Conversion of certain Masland stock options into Lear stock options in connection with the Masland Acquisition.....	.2	.2
	---	---
	7.7	15.0
	===	=====

(7) "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 flow from operations as determined by generally accepted accounting principles.

(8) The AI Pro Forma information reflects (i) AI historical unaudited results of operations for the period from January 1, 1995 through August 17, 1995, the date on which AI was acquired by the Company; (ii) the unaudited historical results of operations of Plastifol from January 1, 1995 through the date of the AI Acquisition and (iii) adjustments to reflect interest on borrowings by AI to finance the Plastifol Acquisition, amortization of goodwill and the related income tax effects of such adjustments. The results from operations of AI for the three months ended March 30, 1996 and for the period subsequent to August 17, 1995 are included in the historical results of the Company.

(9) Reflects the elimination of the extraordinary loss on refinancing of the prior credit facility. Such loss would have been incurred in a prior period had the Pro Forma Transactions taken place as of the beginning of the periods presented.

## PRO FORMA UNAUDITED CONSOLIDATED BALANCE SHEET

AS OF MARCH 30, 1996

	LEAR HISTORICAL	MASLAND HISTORICAL	ACQUISITION AND VALUATION OF MASLAND(1)	OPERATING AND FINANCING ADJUSTMENTS	PRO FORMA
	-----	-----	-----	-----	-----
	(DOLLARS IN MILLIONS)				
ASSETS					
Current Assets:					
Cash and cash equivalents.....	\$ 21.6	\$ 14.0	\$ (463.0)	\$ 463.0(2)	\$ 35.6
Accounts receivable, net.....	879.0	63.4	--	--	942.4
Inventories.....	178.9	18.8	--	--	197.7
Other current assets.....	178.4	28.7	--	--	207.1
	-----	-----	-----	-----	-----
	1,257.9	124.9	(463.0)	463.0	1,382.8
Property, plant and equipment, net.....	648.4	114.7	--	--	763.1
Goodwill and other intangibles, net.....	1,093.5	6.9	296.1	--	1,396.5
Other.....	122.4	30.3	--	5.5(3)	158.2
	-----	-----	-----	-----	-----
	\$3,122.2	\$276.8	\$ (166.9)	\$ 468.5	\$3,700.6
	=====	=====	=====	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY					
Current Liabilities:					
Short-term borrowings.....	\$ 17.3	\$ 6.9	\$ (6.9)	\$ --	\$ 17.3
Accounts payable and drafts.....	881.7	41.1	--	--	922.8
Accrued liabilities.....	395.0	24.6	--	--	419.6
Current portion of long-term debt.....	12.0	1.0	--	--	13.0
	-----	-----	-----	-----	-----
	1,306.0	73.6	(6.9)	--	1,372.7
Long-Term Liabilities:					
Long-term debt.....	1,033.3	70.8	(68.8)	188.6(4)	1,223.9
Deferred national income taxes.....	36.7	7.6	--	--	44.3
Other.....	133.7	26.0	--	--	159.7
	-----	-----	-----	-----	-----
	1,203.7	104.4	(68.8)	188.6	1,427.9
Stockholders' Equity.....	612.5	98.8	(91.2)	279.9(5)	900.0
	-----	-----	-----	-----	-----
	\$3,122.2	\$276.8	\$ (166.9)	\$ 468.5	\$3,700.6
	=====	=====	=====	=====	=====

(1) Assumes a purchase price of \$473.6 million which consists of (i) \$384.9 million to acquire all of the common stock of Masland (\$377.3 million to purchase outstanding shares and \$7.6 million in connection with the retirement of certain stock options of Masland in connection with the Masland Acquisition), (ii) \$78.7 million of debt assumed in connection with the Masland Acquisition and (iii) \$10.0 million to pay estimated fees and expenses related to the Masland Acquisition. The Masland Acquisition was accounted for using the purchase method of accounting and the total purchase cost was allocated first to assets and liabilities based on their respective fair values, with the remainder allocated to goodwill. The allocation of the purchase price above is based on historical costs and management's estimates which may differ from the final allocation.

(2) Reflects proceeds of borrowings under the Credit Agreement of \$463.0 million.

(3) Reflects the capitalization of fees incurred in establishing the New Credit Agreement of \$1.0 million, and fees incurred in connection with the Note Offering of \$4.5 million.

(4) Reflects the effects of the Pro Forma Transactions as follows:

Borrowings under the Credit Agreement to finance the Masland Acquisition.....	\$ 463.0
Issuance of the Notes.....	200.0
Borrowings under the Credit Agreement to pay fees and expenses incurred in establishing the New Credit Agreement and in the Note Offering.....	5.5
Application of the net proceeds of the Offerings.....	(279.9)
Application of the proceeds of the Note Offering.....	(200.0)
	-----
	\$ 188.6
	=====

(5) Reflects the net proceeds of the Offerings.

## SELECTED FINANCIAL DATA OF THE COMPANY

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 each of the fiscal years ended December 31, 1995, 1994 and 1993 and June 30, 1993, 1992 and 1991 have been audited by Arthur Andersen LLP. Effective December 31, 1993, the Company changed its fiscal year end from June 30 to December 31. The consolidated financial statements of the Company for the three months ended March 30, 1996 and April 1, 1995 are unaudited; however, in the Company's opinion, they reflect all adjustments, consisting only of normal recurring items, necessary for a fair presentation of the financial position and results of operations for such periods. The results for the three months ended March 30, 1996 are not necessarily indicative of the results to be expected for the full fiscal year. The selected financial data below should be read in conjunction with the consolidated financial statements of the Company and the notes thereto incorporated by reference in this Prospectus and "Management's Discussion and Analysis of Financial Condition and Results of Operations of the Company."

## LEAR CORPORATION

	AS OF OR FOR THE THREE MONTHS ENDED		AS OF OR FOR THE YEAR ENDED					
	MARCH 30, 1996	APRIL 1, 1995	DECEMBER 31, 1995	DECEMBER 31, 1994	DECEMBER 31, 1993	JUNE 30, 1993	JUNE 30, 1992	JUNE 30, 1991
	(DOLLARS IN MILLIONS, EXCEPT PER SHARE AND CONTENT PER VEHICLE DATA)							
<b>OPERATING DATA:</b>								
Net sales.....	\$1,405.8	\$1,043.5	\$4,714.4	\$3,147.5	\$1,950.3	\$1,756.5	\$1,422.7	\$1,085.3
Gross profit.....	120.6	76.6	403.1	263.6	170.2	152.5	115.6	101.4
Selling, general and administrative expenses.....	43.3	25.8	139.0	82.6	62.7	61.9	50.1	41.6
Incentive stock and other compensation expense(1).....	--	--	--	--	18.0	--	--	1.3
Amortization.....	7.3	3.1	19.3	11.4	9.9	9.5	8.7	13.8
Operating income.....	70.0	47.7	244.8	169.6	79.6	81.1	56.8	44.7
Interest expense(2).....	24.4	14.2	75.5	46.7	45.6	47.8	55.2	61.7
Other expense, net(3).....	3.1	2.1	12.0	8.1	9.2	5.4	5.8	2.2
Income (loss) before income taxes and extraordinary items.....	42.5	31.4	157.3	114.8	24.8	27.9	(4.2)	(19.2)
Income taxes.....	16.7	14.4	63.1	55.0	26.9	17.8	12.9	14.0
Net income (loss) before extraordinary items.....	25.8	17.0	94.2	59.8	(2.1)	10.1	(17.1)	(33.2)
Extraordinary items(4).....	--	--	2.6	--	11.7	--	5.1	--
Net income (loss).....	\$ 25.8	\$ 17.0	\$ 91.6	\$ 59.8	\$ (13.8)	\$ 10.1	\$ (22.2)	\$ (33.2)
Net income (loss) per share before extraordinary items.....	\$ .43	\$ .34	\$ 1.79	\$ 1.26	\$ (.06)	\$ .25	\$ (.62)	\$ (2.01)
Net income (loss) per share.....	\$ .43	\$ .34	\$ 1.74	\$ 1.26	\$ (.39)	\$ .25	\$ (.80)	\$ (2.01)
Weighted average shares outstanding (in millions)(5)....	60.0	49.4	52.6	47.4	35.5	40.0	27.8	16.5
<b>BALANCE SHEET DATA:</b>								
Current assets.....	\$1,257.9	\$ 904.3	\$1,207.2	\$ 818.3	\$ 433.6	\$ 325.2	\$ 282.9	\$ 213.8
Total assets.....	3,122.2	1,797.9	3,061.3	1,715.1	1,114.3	820.2	799.9	729.7
Current liabilities.....	1,306.0	956.8	1,276.0	981.2	505.8	375.0	344.2	287.1
Long-term debt.....	1,033.3	519.9	1,038.0	418.7	498.3	321.1	348.3	386.7
Common stock subject to limited redemption rights, net.....	--	--	--	--	12.4	3.9	3.5	1.8
Stockholders' equity.....	612.5	217.1	580.0	213.6	43.2	75.1	49.4	4.4
<b>OTHER DATA:</b>								
EBITDA(6).....	\$ 103.2	\$ 66.1	\$ 336.8	\$ 225.7	\$ 122.2	\$ 121.8	\$ 91.8	\$ 81.4
Capital expenditures.....	\$ 33.7	\$ 23.6	\$ 110.7	\$ 103.1	\$ 45.9	\$ 31.6	\$ 27.9	\$ 20.9
Number of facilities(7).....	116	82	107	79	61	48	45	40
North American content per vehicle(8).....	\$ 274	\$ 182	\$ 227	\$ 169	\$ 112	\$ 98	\$ 94	\$ 84
European content per vehicle(9)...	\$ 107	\$ 78	\$ 102	\$ 48	\$ 38	\$ 37	\$ 21	\$ 11
Ratio of EBITDA to interest expense(2)(6).....	4.2x	4.7x	4.5x	4.8x	2.7x	2.6x	1.7x	1.3x
Ratio of earnings to fixed charges(10).....	2.5x	2.9x	2.9x	3.2x	1.5x	1.5x	--	--
Fixed charges in excess of earnings(10).....	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 6.5	\$ 20.7

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

(2) Interest expense includes non-cash charges for amortization of deferred financing fees of \$.8 million, \$.6 million, \$2.7 million, \$2.4 million, \$2.6 million, \$3.0 million, \$3.2 million and \$4.1 million for the three months ended March 30, 1996 and April 1, 1995, and for the years ended December 31, 1995, 1994 and 1993, and the fiscal years ended June 30, 1993, 1992 and 1991.

(3) Consists of foreign currency exchange gain or loss, minority interest in net income (loss) of subsidiaries, equity (income) loss 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 automotive sales in North America divided by total North American vehicle production. "North American vehicle production" comprises car and light truck production in the United States, Canada and Mexico estimated by the Company from industry sources.
- (9) "European content per vehicle" is the Company's net automotive sales in Western Europe divided by total Western European vehicle production. "Western European vehicle production" comprises car and light truck production in Western Europe estimated by the Company from industry sources.
- (10) "Fixed charges" consist of interest on debt, amortization of deferred financing fees and that portion of rental expenses representative of interest (deemed to be one-third of rental expenses). "Earnings" consist of income (loss) before income taxes, fixed charges, undistributed earnings and minority interest.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL  
CONDITION AND RESULTS OF OPERATIONS OF THE COMPANY

## RESULTS OF OPERATIONS

Lear's sales have grown rapidly, both internally and through acquisitions, from approximately \$159.8 million in the fiscal year ended June 30, 1983 to approximately \$4.7 billion in the year ended December 31, 1995, a compound annual growth rate of approximately 33%. As a result of this growth, the Company has experienced substantial upfront costs for new programs and new facilities. Such expenses consist of administrative expenses and engineering and design expenses for new seating programs, including pre-production expenses and inefficiencies incurred until the customer reaches normal operating levels. The Company expenses such non-recurring pre-production expenses as they are incurred.

The following chart shows operating results of the Company by principal geographic area.

## GEOGRAPHIC OPERATING RESULTS

	THREE MONTHS ENDED		YEAR ENDED		
	MARCH 30, 1996	APRIL 1, 1995	DECEMBER 31, 1995	DECEMBER 31, 1994	DECEMBER 31, 1993
(DOLLARS IN MILLIONS)					
NET SALES:					
United States and Canada.....	\$ 916.6	\$ 714.4	\$3,108.0	\$2,378.7	\$1,357.0
Europe.....	382.9	276.5	1,325.4	572.5	403.8
Mexico and other.....	106.3	52.6	281.0	196.3	189.5
Net sales.....	<u>\$1,405.8</u>	<u>\$ 1,043.5</u>	<u>\$4,714.4</u>	<u>\$3,147.5</u>	<u>\$1,950.3</u>
OPERATING INCOME (LOSS):					
United States and Canada.....	\$ 56.7	\$ 44.6	\$ 204.8	\$ 155.6	\$ 86.9
Europe.....	9.4	.1	26.5	4.4	(9.6)
Mexico and other.....	3.9	3.0	13.5	9.6	20.3
Unallocated corporate expense(1)....	--	--	--	--	(18.0)
Operating income.....	<u>\$ 70.0</u>	<u>\$ 47.7</u>	<u>\$ 244.8</u>	<u>\$ 169.6</u>	<u>\$ 79.6</u>

(1) Unallocated corporate expense consists of incentive stock option expense and other one-time compensation expense.

Three Months Ended March 30, 1996 Compared With Three Months Ended April 1, 1995

Net sales of \$1,405.8 million in the quarter ended March 30, 1996 surpassed the first quarter of 1995 by \$362.3 million or 34.7%. Sales as compared to prior year benefited primarily from the acquisition of AI in August, 1995 and new business in North America.

Net sales in the United States and Canada of \$916.6 million in the first quarter of 1996 exceeded the comparable period in the prior year by \$202.2 million or 28.3%. Sales in the current quarter benefited from the contribution of \$175.4 million in sales from the AI Acquisition and new Ford passenger car and Chrysler and Ford truck programs introduced within the past twelve months. Partially offsetting the increase in sales was a downturn in production build schedules on mature seat programs by domestic automotive manufacturers and the impact of a General Motors work stoppage in March, 1996.

Net sales in Europe of \$382.9 million increased in the first quarter of 1996 as compared to the first quarter of 1995 by \$106.4 million or 38.5%. Sales in the quarter ended March 30, 1996 benefited from \$42.7 million in sales from the AI Acquisition, additional volume on carryover programs in Italy and favorable exchange rate fluctuations in Sweden, Germany and Italy.

Net sales of \$106.3 million in the first quarter of 1996 in the Company's remaining geographic regions, consisting of Mexico, the Pacific Rim, South Africa and South America, surpassed the first quarter of the prior year by \$53.7 million or 102.1%. Sales in the current quarter benefited from increased Chrysler truck and General Motors passenger car activity in Mexico and from new business operations in Australia, South America and South Africa.

Gross profit (net sales less cost of sales) and gross margin (gross profit as a percentage of net sales) were \$120.6 million and 8.6% for the first quarter of 1996 as compared to \$76.6 million and 7.3% in 1995. Gross profit in the current quarter benefited from the acquisition of AI, the overall growth in sport utility and light truck seat programs in North America and increased sales activity on seat programs in Europe and Mexico.

Selling, general and administrative expenses, including research and development, as a percentage of net sales increased to 3.1% for the quarter ended March 30, 1996 as compared to 2.5% a year earlier. Actual expenditures and the percentage increased in comparison to prior year due to the inclusion of AI's operating expenses and increased U.S. and European engineering and administrative expenses in support of expansion of existing and potential business opportunities.

Operating income and operating margin (operating income as a percentage of net sales) were \$70.0 million and 5.0% for the first quarter of 1996 as compared to \$47.7 million and 4.6% for the first quarter of 1995. For the quarter ended March 30, 1996, operating income benefited from the acquisition of AI, increased market demand on new and ongoing sport utility and light truck seat programs in North America and improved performance at the Company's European and Mexican operations. Partially offsetting the increase in operating income were engineering and administrative support expenses, preproduction and facility costs for new seat programs to be introduced globally within the next twelve months and the adverse impact of the General Motors work stoppage. Non-cash depreciation and amortization charges were \$33.2 million and \$18.4 million for the first quarter of 1996 and 1995, respectively.

Interest expense for the first quarter of 1996 increased by \$10.2 million from the comparable period in the prior year largely as a result of interest incurred on additional debt utilized to finance the AI Acquisition.

Other expenses for the three months ended March 30, 1996, which include state and local taxes, foreign exchange, equity income of non-consolidated affiliates and other non-operating expenses, increased in comparison to prior year due to increased state and local taxes associated with the AI Acquisition.

Net income for the first quarter of 1996 was \$25.8 million, or \$.43 per share, as compared to \$17.0 million, or \$.34 per share, in the prior year first quarter. The provision for income taxes in the current quarter was \$16.7 million, or an effective tax rate of 39.3%, as compared to \$14.4 million, or an effective tax rate of 45.9% in the previous year. The decline in the effective tax rate is primarily due to changes in operating performance and related income levels among the various tax jurisdictions. Earnings per share increased in 1996 by 26.5% despite the impact of the General Motors work stoppage, estimated to be approximately \$.10 per share and an increase in the number of shares outstanding of approximately 10.6 million shares.

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 represented the Company's fourteenth consecutive year of record sales and increased by \$1,566.9 million or 49.8% over net sales for the year ended December 31, 1994. Net sales in the current year benefited from the acquisitions of Automotive Industries on August 17, 1995 and the Fiat Seat Business 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 the current year benefited from the overall increase in North American and European sales activity, 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 the prior year, and costs associated with new business opportunities in the 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 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 to be introduced worldwide within the next twelve months. 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 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 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 fiscal 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 the current year 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, the Pacific Rim, South Africa and South America, increased by \$84.7 million or 43.1% as compared to \$196.3 million in the comparable period in the prior year. 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 the Pacific Rim, South Africa and South America.

#### Year Ended December 31, 1994 Compared With Year Ended December 31, 1993

Net sales of \$3,147.5 million in the year ended December 31, 1994 represented the thirteenth consecutive year of record sales and surpassed sales of \$1,950.3 million in the year ended December 31, 1993 by \$1,197.2 million or 61.4%. Sales in 1994 benefited from internal growth from new programs and increased seat content per vehicle, higher automotive production in the United States and Europe and the NAB Acquisition, which accounted for \$421.0 million of the increase.

Gross profit and gross margin were \$263.6 million and 8.4%, respectively, in the year ended December 31, 1994 as compared to \$170.2 million and 8.7%, respectively, in the year ended December 31, 1993. Gross profit in 1994 surpassed gross profit in 1993 due to the benefit of higher sales volume, including the effect of the NAB Acquisition and the Company's cost reduction programs. Partially offsetting the increase in gross profit were \$23.1 million of expense for engineering and pre-production costs for new facilities in the United States, Canada and Europe, lower margin contribution in Mexico and the \$3.9 million increase in post-retirement health care expenses (SFAS 106).

Selling, general and administrative expenses as a percentage of net sales declined to 2.6% for the year ended December 31, 1994 as compared to 3.2% in the prior year. The increase in actual expenditures was largely the result of administrative support expenses and research and development costs associated with the expansion of domestic and foreign business and expenses related to new business opportunities.

Operating income and operating margin were \$169.6 million and 5.4%, respectively, in the year ended December 31, 1994 and \$79.6 million and 4.1%, respectively, in the year ended December 31, 1993. The 113.1% increase in operating income was attributable to the benefits of higher sales volume, including the effect of the NAB Acquisition, non-recurring incentive stock and other compensation expense of \$18.0 million in 1993 and the Company's cost reduction programs. Partially offsetting the increase in operating income were new facility and engineering costs for future seat programs, reduced margins in Mexico and the effect of the adoption of SFAS 106. Non-cash depreciation and amortization charges were \$56.1 million and \$42.6 million, respectively, for the years ended December 31, 1994 and 1993.

Other expense for the year ended December 31, 1994, including state and local taxes, foreign exchange gains and losses, minority interests and equity in income of affiliates, decreased in comparison to the prior year as the non-recurring write-off of equipment associated with a discontinued program in Germany and non-seating related assets in the United States, along with a foreign exchange gain, offset state and local tax expense associated with the NAB Acquisition. Interest expense in 1994 increased in relation to 1993 as additional debt incurred to finance the NAB Acquisition and higher short-term interest expense in Europe

offset the benefits derived from the refinancing of subordinated debt at a lower interest rate and the Company's initial public offering of Common Stock in April 1994.

Net income for the year ended December 31, 1994 was \$59.8 million, or \$1.26 per share, as compared to a net loss of \$13.8 million, or \$.39 per share, realized in the year ended December 31, 1993. The net income of \$59.8 million in 1994 reflects a \$55.0 million provision for national income taxes of which \$26.0 million relates to foreign operations. Further contributing to the improvement in 1994 net income was the extraordinary expense in 1993 of \$11.7 million for the early extinguishment of debt.

#### United States and Canadian Operations

Net sales in the United States and Canada increased by 75.3% from \$1,357.0 million in the year ended December 31, 1993 to \$2,378.7 million for the year ended December 31, 1994. Sales for the year ended December 31, 1994 benefited from the full year contribution of the NAB Acquisition, vehicle production increases on mature seating programs, incremental volume on new Chrysler truck, Ford truck and Ford passenger car programs and sales generated by a lead vendor program under which the Company assumed management of components for a seat program with Ford.

Operating income and operating margin were \$155.6 million and 6.5%, respectively, in the year ended December 31, 1994 and \$86.9 million and 6.4%, respectively, in the year ended December 31, 1993. Operating income and operating margin in 1994 as compared to the prior year benefited from the NAB Acquisition, the overall increase in vehicle production and cost reduction programs which offset new program costs for new facilities, administrative expenses associated with the expansion of business and increased research and development expenses.

#### European Operations

Net sales in Europe increased by 41.8% to \$572.5 million for the year ended December 31, 1994 compared to \$403.8 million for the year ended December 31, 1993. The sales increase was due primarily to the addition of new seat programs in Germany and England and vehicle production increases on established programs in Germany, Sweden and Austria.

Operating income in Europe was \$4.4 million in the fiscal year ended December 31, 1994 compared to an operating loss of \$9.6 million sustained in the year ended December 31, 1993. Operating income in 1994 as compared to the prior year benefited from the higher sales levels and cost reduction programs at existing seat and seat component facilities. Partially offsetting the increase in operating income were incremental costs associated with the start-up of a new seat facility in England and the introduction of a replacement component program within an established facility in Germany.

#### Mexican Operations

Net sales in Mexico were \$196.3 million in the year ended December 31, 1994 and \$189.5 million in the year ended December 31, 1993. Sales for the year ended December 31, 1994 surpassed the prior year due to new Chrysler truck and Ford passenger car seat programs and incremental volume on mature Ford programs. Partially offsetting the increase in net sales was the product phase out of a mature truck program and participation in customer cost reduction programs.

Operating income and operating margin in Mexico were \$10.2 million and 5.2%, respectively, in the year ended December 31, 1994 and \$20.3 million and 10.7%, respectively, in the prior year. Operating income and operating margin in 1994 declined in relation to the prior year as a result of the Company's participation in customer cost reduction programs and costs associated with the introduction of replacement products at new and established facilities.

#### LIQUIDITY AND CAPITAL RESOURCES

On August 17, 1995, the Company entered into a secured revolving credit agreement with a syndicate of financial institutions (the "Credit Agreement") providing for borrowings in the principal amount of up to \$1.5 billion. Borrowings under the Credit Agreement have been used to finance a portion of the AI and Masland Acquisitions, to refinance certain existing indebtedness of AI and Masland at the time of their

acquisition by Lear, to refinance the Company's prior \$500 million credit facility and for general corporate purposes. As of March 30, 1996, after giving pro forma effect to the Masland Acquisition, the incurrence of indebtedness under the New Credit Agreement in connection with the Masland Acquisition (described below) and the Note Offering and the Offerings and the application of the net proceeds therefrom, the Company would have had \$760.2 million outstanding under the Credit Agreement (\$56.1 million of which was outstanding under letters of credit), with \$1,014.8 million unused and available. In addition the Company would have had \$40.8 million of long term debt outstanding with various governmental authorities, banks and other financial institutions as well as \$470.0 million of subordinated debt.

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

Borrowings under the Credit Agreement and the New Credit Agreement bear interest at the election of the Company, at a floating rate of interest equal to (i) the higher of Chemical Bank's prime lending rate and the federal funds rate plus .5% or (ii) the Eurodollar Rate (as defined in the Credit Agreement) plus a borrowing margin of .5% to 1.0%. The applicable borrowing margin is determined based on the level of a specified financial ratio of the Company. Under the Credit Agreement, Lear is permitted to convert variable rate interest obligations on up to an aggregate of \$500 million in principal amount of indebtedness into fixed rate interest obligations.

Amounts available under the Credit Agreement and the New Credit Agreement will be reduced by an aggregate amount of \$750 million prior to maturity on September 30, 2001. The Company's scheduled principal payments on long-term debt, including debt assumed in connection with the Masland Acquisition, are approximately \$9.0 million, \$11.5 million, \$7.6 million, \$5.5 million and \$128.2 million for the remainder of 1996 and for the full years 1997, 1998, 1999 and 2000, respectively.

As of March 30, 1996, the Company had net cash and cash equivalents of \$21.6 million. The Company's actual cash availability on the date hereof will be less than at March 30 because of greater working capital needs during the current quarter. Nevertheless, the Company believes that cash flows from operations and funds available under existing credit facilities (principally the Credit Agreement) will be sufficient to meet its future debt service obligations, projected capital expenditures and working capital requirements, as well as to provide the flexibility to fund future acquisitions.

Concurrently with the Offerings, the Company is undertaking the Note Offering, which is conditioned in its entirety upon the consummation of the Offerings. The Offerings are not, however, conditioned upon the consummation of the Note Offering. The Notes will be subordinated in right of payment to all existing and future senior indebtedness of the Company, including the indebtedness evidenced by the Credit Agreement, the New Credit Agreement and the Senior Subordinated Notes. The Notes will rank pari passu in right of payment with the Subordinated Notes. The net proceeds to the Company from the Note Offering will be used to repay indebtedness outstanding under the Credit Agreement.

The Credit Agreement and the New Credit Agreement, together with the Senior Subordinated Notes, the Subordinated Notes and the Notes, impose or will impose various restrictions and covenants on the Company, including, among other things, financial covenants relating to the maintenance of minimum operating profit and net worth levels and interest coverage ratios as well as restrictions on indebtedness, guarantees, acquisitions, capital expenditures, investments, loans, liens, dividends and other restricted payments and asset sales. Such restrictions, together with the leveraged nature of the Company, could limit the Company's ability to respond to market conditions, to provide for unanticipated capital investments or to take advantage of business opportunities.

## CAPITAL EXPENDITURES

During the year ended December 31, 1995, the Company's capital expenditures aggregated approximately \$110.7 million. For the years ended December 31, 1994 and 1993, capital expenditures of the Company were \$103.1 million and \$45.9 million, respectively. For 1996, the Company anticipates capital expenditures of approximately \$175.0 million, reflecting a full year of AI operations and approximately \$10.0 million relating to the Masland Division.

## 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 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 facilities in Mendon, Michigan and Troy, 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 four Superfund sites where liability has not been completely determined. The Company has also been identified as a PRP at four 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 four Superfund sites. Expected liability, if any, at the four 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 FASB issued SFAS No. 123, "Accounting for Stock-Based Compensation", which must be 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 expects to adopt the statement by disclosing the effects of the fair value method in the notes to its 1996 financial statements.



## SELECTED FINANCIAL DATA OF MASLAND CORPORATION

The following summary consolidated financial data were derived from the consolidated financial statements of Masland. The consolidated financial statements of Masland for each of fiscal years 1995, 1994 and 1993 have been audited by Price Waterhouse LLP. The consolidated financial statements of Masland for the nine months ended March 29, 1996 and March 31, 1995 are unaudited; however, in the opinion of Masland's management, they reflect all adjustments, consisting only of normal recurring items, necessary for a fair presentation of the financial position and results of operations for such periods. The results for the nine months ended March 29, 1996 are not necessarily indicative of the results to be expected for the full fiscal year. The selected financial data below should be read in conjunction with the consolidated financial statements of Masland and the notes thereto incorporated by reference in this Prospectus and "Management's Discussion and Analysis of Results of Operations of Masland Corporation."

## MASLAND CORPORATION

	AS OF OR FOR THE NINE MONTHS ENDED		AS OF OR FOR THE FISCAL YEAR ENDED		
	MARCH 29, 1996	MARCH 31, 1995	JUNE 30, 1995	JULY 1, 1994	JULY 2, 1993
	(DOLLARS IN MILLIONS, EXCEPT CONTENT PER VEHICLE DATA)				
<b>OPERATING DATA:</b>					
Net sales.....	\$ 343.4	\$ 373.8	\$496.6	\$ 429.9	\$ 353.5
Gross profit.....	57.6	68.4	91.2	86.4	62.0
Selling, general and administrative expenses...	29.4	32.6	42.1	39.5	32.7
Amortization.....	1.7	1.6	2.1	1.9	3.5
Operating income.....	26.5	34.2	47.0	45.0	25.8
Interest expense, net.....	3.0	3.4	4.2	3.7	4.3
Other (income) expense, net(1).....	2.3	3.4	4.2	4.4	(.3)
Income before income taxes.....	21.2	27.4	38.6	36.9	21.8
Income taxes.....	9.4	12.4	17.3	15.9	8.7
Net income.....	11.8	15.0	21.3	21.0	13.1
Preferred dividend.....	--	--	--	.5	1.4
Net income applicable to common stock.....	\$ 11.8	\$ 15.0	\$ 21.3	\$ 20.5	\$ 11.7
<b>BALANCE SHEET DATA:</b>					
Current assets.....	\$ 124.9	\$ 111.6	\$110.2	\$ 101.9	\$ 99.0
Total assets.....	276.8	226.0	228.0	203.8	197.3
Current liabilities.....	73.6	75.2	71.7	79.6	70.1
Long-term debt.....	70.8	40.2	37.0	31.4	50.1
Stockholders' equity.....	98.8	82.5	88.2	68.5	60.1
<b>OTHER DATA:</b>					
EBITDA(2).....	\$ 40.2	\$ 46.5	\$ 62.2	\$ 57.6	\$ 37.1
Capital expenditures.....	20.6	14.7	22.0	17.8	18.0
North American content per vehicle(3).....	34	31	33	30	26

(1) Other (income) expense includes minority interest in consolidated subsidiaries.

(2) "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 flow from operations as determined by generally accepted accounting principles.

(3) "North American content per vehicle" is the Company's net automotive sales in North America divided by total North American vehicle production. "North American vehicle production" comprises car and light truck production in the United States, Canada and Mexico estimated by the Company from industry sources.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF  
OPERATIONS OF MASLAND CORPORATION

Nine Months Ended March 29, 1996 Compared with Nine Months Ended March 31, 1995

Net sales decreased \$30.4 million or 8.1% from \$373.8 million for the nine months ended March 31, 1995 to \$343.4 million for the nine months ended March 29, 1996. The net sales decrease was due to lower North American light vehicle production and a slower than anticipated ramp up in production of the redesigned Ford Taurus/Mercury Sable. Also, the fiscal 1995 period included approximately \$6.5 million in sales from the non-automotive business of H.L. Blachford, Inc. ("Blachford") which was divested in March 1995.

Cost of sales as a percentage of net sales increased from 81.7% for the nine months ended March 31, 1995 to 83.2% for the nine months ended March 29, 1996. This cost increase was primarily due to the effect of decreased sales on fixed costs combined with additional costs for several new product and program launches, including the redesigned Ford F-Series pickup and the redesigned Ford Taurus/Mercury Sable.

Selling, general and administrative expenses decreased \$1.3 million or 6.5% from \$19.4 million for the nine months ended March 31, 1995 to \$18.1 million for the nine months ended March 29, 1996. The decrease was primarily due to lower incentive compensation expense and cost savings associated with the Blachford acquisition, which was completed in September 1994. This decrease was partially offset by reorganization expenses related to streamlining, decentralization and customer focus efforts.

Research, development and engineering declined from 3.5% of net sales for the nine months ended March 31, 1995 to 3.3% of net sales for the nine months ended March 29, 1996. Interest expense decreased from \$3.4 million for the nine months ended March 31, 1995 to \$3.0 million for the nine months ended March 29, 1996, primarily due to a decline in interest rates. Other expense decreased \$1.1 million for the nine months ended March 29, 1996 compared to the nine months ended March 31, 1995. The improvement in other expense is primarily due to the nine months ended March 31, 1995 containing the foreign exchange loss resulting from the 50% devaluation of the Mexican peso between December 20, 1994 and March 31, 1995. The effective income tax rates for the nine months ended March 31, 1995 and March 29, 1996 were 41.8% and 39.9%, respectively. The decrease in the effective tax rate was due to a decrease in the state income tax rate in Masland's primary state tax jurisdiction and due to changes in the distribution of income among Masland's various foreign and domestic tax jurisdictions.

Net cash flow provided by operating activities for the first nine months of fiscal 1996 was \$15.7 million. This was the result of net income of \$11.8 million and non-cash charges of \$11.2 million, primarily depreciation, offset by an increase in non-cash working capital of \$7.3 million. Significant non-operating uses of cash were investments of \$23 million in Sommer Masland (U.K.) Ltd. and Precision Fabrics Group, Inc. ("PFG"), capital expenditures of \$20.6 million and dividends on common stock of \$0.05 per share, totaling \$2.0 million.

On July 31, 1995, Masland formed a joint venture, Sommer Masland (U.K.) Ltd. by purchasing 50% of Sommer Allibert S.A.'s existing manufacturing facility in Washington, England for approximately \$8 million. This facility, which supplies Nissan, Peugeot and Saab, has annual sales of approximately \$20 million. Masland and Sommer plan to conduct their acoustic and soft-surface trim business in the United Kingdom exclusively through the joint venture.

On September 27, 1995, Masland invested \$15 million in PFG in exchange for a 29% equity interest. In connection with the investment, Masland received an option to acquire the remainder of PFG for 4.1 million shares of Masland. PFG recently introduced the Precision Technology Airbag which it plans to market to the automotive industry. PFG is presently a technology leader in the development and manufacture of highly engineered lightweight fabrics for the aerospace, medical and computer industries.

## Fiscal Year Ended June 30, 1995 Compared with Fiscal Year Ended July 1, 1994

Net sales increased \$66.7 million, or 15.5%, from \$429.9 million in fiscal 1994 to \$496.6 million in fiscal 1995. About \$33 million of the increase was associated with the acquisition of Blachford. The remaining increase was primarily due to participation on several new vehicles during fiscal 1995, including the Ford Contour/Mystique, the Lincoln Continental/Town Car and the Toyota Avalon and an overall increase in industry automotive vehicle builds during fiscal 1995. The increase in industry vehicle builds was concentrated in the first half of fiscal 1995.

Cost of sales as a percentage of net sales increased from 79.9% in fiscal 1994 to 81.6% in fiscal 1995. This increase in cost of sales as a percentage of net sales was primarily due to lower margins on the acquired business of Blachford, costs incurred on several new product launches and product mix. These increases were partially offset by the effect of the increased sales volume on fixed costs and the impact of various productivity initiatives.

Selling, general and administrative expenses decreased from 5.9% of net sales in fiscal 1994 to 5.0% of net sales in fiscal 1995. This improvement was primarily due to the effect of the increased sales volume on fixed costs, decreased incentive compensation in fiscal 1995, and a nonrecurring charge of \$0.9 million in fiscal 1994 associated with the vesting of certain stock options at the date of Masland's initial public offering.

Research, development and engineering expenses increased 21.1% from \$14.2 million in fiscal 1994 to \$17.2 million in fiscal 1995, primarily due to increased levels of activity regarding new process and product development at Masland's Technical Center in Plymouth, Michigan and due to incremental costs associated with the acquisition of Blachford. Interest expense increased from \$3.7 million in fiscal 1994 to \$4.2 million in fiscal 1995 due to incremental debt arising from the Blachford acquisition and an increase in average interest rates. Other income and expense consists of foreign currency exchange losses in fiscal 1994 and fiscal 1995. The loss of \$1.0 million incurred in fiscal 1995 relates primarily to the 45% devaluation of the Mexican peso subsequent to December 20, 1994. The effective income tax rates for fiscal 1994 and fiscal 1995 were 39.0% and 41.3%, respectively. The increase in the effective income tax rate was due to decreased tax benefits recognized in fiscal 1995 compared to fiscal 1994 associated with tax net operating loss carryforwards and other tax credits and due to changes in the distribution of income among Masland's various foreign and domestic tax jurisdictions.

## Fiscal Year Ended July 1, 1994 Compared to the Fiscal Year Ended July 2, 1993

Net sales increased 21.6% from \$353.5 million in fiscal 1993 to \$429.9 million in fiscal 1994. On May 8, 1993, Masland began to consolidate the results of Amtex, Inc., a 50% owned joint venture ("Amtex"), as a result of entering into a revised Joint Venture Agreement with its joint venture partner. Prior to this date, the results of Amtex were accounted for under the equity method. Had the results of Amtex been consolidated for all of fiscal 1993, sales for that year would have been \$369.4 million and the increase in Masland's sales for fiscal 1994 would have been \$60.5 million or 16.4%. This increase was due to overall increases in North American automotive industry vehicle builds during fiscal 1994 compared to fiscal 1993, and participation on several new vehicles during fiscal 1994, including the Chrysler Neon and the Ford Mustang.

Cost of sales as a percentage of net sales improved from 82.5% in fiscal 1993 to 79.9% in fiscal 1994. This improvement was a result of Masland's continuing efforts to improve productivity and reduce costs and the effect of increased sales on fixed costs in fiscal 1994.

Selling, general and administrative expenses increased by \$2.2 million, but decreased from 6.5% of net sales in fiscal 1993 to 5.9% of net sales in fiscal 1994. The increased costs in fiscal 1994 were primarily due to a charge to expense of \$0.9 million resulting from the immediate vesting of certain stock options concurrent with Masland's initial public offering, the consolidation of Amtex and to increased incentive compensation resulting from improved profitability.

Research, development and engineering expenses increased 47.9% from \$9.6 million in fiscal 1993 to \$14.2 million in fiscal 1994, primarily due to Masland's Technical Center in Plymouth, Michigan becoming fully operational during fiscal 1994 and an increase in engineering personnel and related expenses. Interest expense decreased from \$4.3 million in fiscal 1993 to \$3.7 million in fiscal 1994 due to a decrease in average interest rates and lower average borrowings, partially offset by additional interest expense resulting from the consolidation of Amtex. Earnings of Amtex prior to May 8, 1993 were recorded under the equity method of accounting and were included in other (income) expense, primarily accounting for the change in this balance from income of \$0.5 million for fiscal 1993 to expense of \$0.4 million in fiscal 1994. The effective income tax rates for fiscal 1993 and fiscal 1994 were 39.4% and 39.0%, respectively.

## BUSINESS OF THE COMPANY

## GENERAL

Lear is the largest independent supplier of automotive interior systems in the estimated \$40 billion global automotive interior systems market and the tenth largest independent automotive supplier in the world. The Company's principal products include: finished automobile and light truck seat systems; interior trim products, such as door panels and headliners; and component products, such as seat frames, seat covers and various blow molded plastic parts. The Company's extensive product offerings were recently expanded through the acquisition of Masland, a leading Tier I designer and manufacturer of automotive floor and acoustic systems and interior and luggage trim components. This acquisition, together with the August 1995 acquisition of Automotive Industries, has made Lear the world's largest independent automotive supplier with the ability to design, engineer, test and deliver products for a total vehicle interior. The Company's present customers include 24 original equipment manufacturers ("OEMs"), the most significant of which are Ford, General Motors, Fiat, Chrysler, Volvo, Saab, Volkswagen and BMW. As of June 1, 1996, after giving pro forma effect to the Masland Acquisition, the Company would have employed approximately 40,000 people in 19 countries and operated 131 manufacturing, research and development, product engineering and administration facilities.

The Company has experienced substantial growth in market presence and profitability over the last five years both as a result of internal growth as well as acquisitions. The Company's sales have grown from approximately \$1.1 billion for the year ended June 30, 1991 to approximately \$4.7 billion for the year ended December 31, 1995, a compound annual growth rate of 38%. After giving pro forma effect to the AI and Masland acquisitions, the Company's sales would have been approximately \$5.7 billion for the year ended December 31, 1995. The Company's operating income has grown from \$44.7 million for the year ended June 30, 1991 to \$244.8 million for the year ended December 31, 1995, a compound annual growth rate of 46%.

The increase in the Company's sales and the improvement in its operating performance are attributable primarily to the Company's strategy of capitalizing on two significant trends in the automotive industry: (i) the outsourcing of automotive components and systems by OEMs; and (ii) the consolidation and globalization of the OEMs' supply base. Outsourcing of interior components and systems has increased in response to competitive pressures on OEMs to improve quality and reduce capital needs, costs of labor, overhead and inventory. Consolidation among automotive industry suppliers has occurred as OEMs have more frequently awarded long-term sole source contracts to the most capable global suppliers. Increasingly, the criteria for selection include not only cost, quality and responsiveness, but also certain full-service capabilities, including design, engineering and project management support. OEMs now have rigorous programs for evaluating and rating suppliers, which encompass quality, cost control, reliability of delivery, new technology implementation and overall management. Under these programs, each facility operated by a supplier is evaluated independently. The suppliers who obtain superior ratings from an OEM are considered for new business; those who do not may continue their existing contracts, but are unlikely to be considered for additional business. As a result, the OEMs' new supplier policies will continue to reduce the number of component and system suppliers. The Company believes that OEMs in North America and Europe will continue to pursue outsourcing and supplier consolidation as a means of cost reduction.

The Company has positioned itself as the leading global Tier I supplier of interior systems and components to OEMs. Tier I status typically means that the supplier is awarded a program for a particular vehicle in the early stages of a vehicle's design. The Tier I supplier becomes responsible for total product management, including design, development, component sourcing, quality assurance procedures, manufacture and delivery to the OEM's assembly plant. The OEMs benefit from lower costs, improved quality, timely delivery and the administrative convenience of being able to outsource complete systems to a single supplier or a small group of suppliers.

In 1995, Lear was the leading independent supplier to the total \$40 billion global automotive interior market, with a 12% share after giving pro forma effect to the AI and Masland acquisitions. In addition, the Company in 1995 held a leading 34% share of the estimated \$6.9 billion total North American seat systems market and was the leading independent supplier to the estimated \$5.5 billion total Western European seat

systems market, with a 19% share. The door panel and headliner 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 and headliner requirements.

The Company's North American content per vehicle has increased from \$12 in 1983 to \$227 in 1995. In Western Europe, the content per vehicle has grown from \$3 in 1983 to \$102 in 1995. These increases have resulted from the Company's ability to capitalize on a number of industry trends including outsourcing, greater design responsibility by Tier I suppliers and the increased sophistication of seat systems and other interior products as OEMs add convenience features and luxury items into vehicle models. The increases in content per vehicle also resulted from several recent acquisitions, including Automotive Industries and the Fiat Seat Business. See " -- Recent Acquisitions." In addition, the Company believes it can further increase interior content through the development of more advanced automobile safety features, such as side impact airbags and fully integrated seatbelts.

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 the leading independent supplier of automotive interior systems in the world. To achieve this objective, the Company will continue to pursue a strategy based upon the following elements:

- Strong Relationships with the OEMs. The Company's management has developed strong relationships with its 24 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. Lear maintains an excellent reputation with the 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.

- Global Presence. In 1995, more than two-thirds of total worldwide vehicle production occurred outside of the United States and Canada. Due to opportunities for significant cost savings and improved product quality and consistency, OEMs have increasingly required their suppliers to manufacture interior systems and other components in multiple geographic markets. In recent years, the Company has aggressively expanded its operations in Western Europe and emerging markets in South America, South Africa, the Pacific Rim and elsewhere, giving it the capability to provide its products on a global basis to its OEM customers. A global market presence also affords Lear some protection against cyclical downturns in any single market. During 1995, in furtherance of its global expansion strategy, the Company entered into three joint ventures and expanded its wholly-owned operations into South Africa. The first joint venture agreement was with an affiliate of Industria Espanola del Polieter, S.A., a Spanish corporation, to supply seat systems in Brazil for the Volkswagen Gol. The Company also entered into a joint venture agreement with TeknoSeating S.A., the largest independent automotive supplier in Argentina, to supply seat systems to Volkswagen in Argentina for the Gol and the Cordoba models and with Trambusti, a Brazilian company, to supply seat systems to Fiat in Brazil for the Palio (Fiat's World Car), the Temptra, and several light truck models. In addition, Lear further expanded its presence internationally by opening a facility in South Africa to provide seat systems to BMW. In 1995, the Company's sales outside the United States and Canada, after giving pro forma effect to the AI and Masland acquisitions, would have grown to approximately \$1.7 billion or approximately 30% of the Company's total pro forma sales.

- Increased Interior Content. OEMs increasingly view the interior of the vehicle as a major selling point to their customers. A major focus of Lear's research and development efforts is to identify new interior features that make vehicles safer and more comfortable, while continuing to appeal to consumer preferences. For example, Lear's involvement in 1994 with Volvo and AutoLiv led to the automotive industry's first vehicle with side-impact airbags. In addition, Lear's proprietary Integral Restraint Seat, which will be introduced in GM's 1997 Buick Park Avenue, offers consumers easy access to the vehicle's rear seat as well as improved seat comfort and safety. The development of these and other safety and comfort features has been, and management believes will continue to be, an important factor in the Company's future growth.

- Product Technology and Design Capability. Lear has made substantial investments in technology and design capability to support its products. The Company maintains four research and development centers (in Southfield, Michigan, Rochester Hills, Michigan, Plymouth, Michigan and Turin, Italy) where it develops and tests current and future products to determine compliance with safety standards, 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. At its 16 customer-dedicated product engineering centers, specific program applications are developed and tested. Benchmarking studies are also conducted to aid in developing innovative interior design features. The Company has also made substantial investments to upgrade its advanced computer-aided engineering ("CAE") and computer-aided design/computer-aided manufacturing ("CAD/CAM") systems. Several tools recently added to electronically create a product and evaluate its performance include advanced design modeling software, dynamic crash simulation, linear and non-linear finite element analysis and solids modeling. Lear's "Best-in-Class" testing program incorporates the use of a state-of-the-art programmable vehicle model, which allows the Company to evaluate the actual feel and ergonomic implications of various interior products. In addition, the Company has developed a program management process to ensure that customers' expectations are met. The proprietary "Visions" program allows Lear to manage all aspects of product development. The process ensures that employees, customers and suppliers of the Company work as a team to deliver high quality, cost-effective products on a timely basis.

- Lean Manufacturing Philosophy. Lear's "lean manufacturing" philosophy seeks to eliminate waste and inefficiency in its own operations and in those of its customers and suppliers. The Company believes that it provides superior quality automotive interior products at lower costs than the OEMs. All of the Company's seat system facilities and many of its other manufacturing facilities are linked by computer directly to those of the Company's suppliers and customers. These facilities receive components from their suppliers on a JIT basis, and deliver interior systems and components to customers on a sequential JIT basis, which provides products to an OEM's manufacturing facility in the color and order in which the products are used. The process minimizes inventories and fixed costs for both the Company and its customers and enables the Company to deliver products on as little as 90 minutes' notice. For the year ended December 31, 1995, the Company's overall annual inventory turnover rate was 30 times and up to 200 times in the case of certain of the Company's JIT plants. The Company also minimizes fixed costs by using existing suppliers to the OEMs and the OEMs themselves for certain components. In cases where one of the Company's seating manufacturing facilities is underutilized, the Company is able to redistribute products to increase facility utilization.

- Growth 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. The Company's recent acquisitions have expanded its OEM customer base and worldwide presence and enhanced its relationships with existing customers. The AI and Masland acquisitions also provide the Company a significant presence in the non-seating segments of the automobile and light truck interior market. The Company believes that these markets hold significant growth potential for Lear because currently there is no dominant independent supplier of these products and they are in the early stages of the outsourcing and consolidation process that has contributed to the expansion of the seat systems industry since the early 1980's. In 1995, after giving pro forma effect to the AI and Masland acquisitions, the Company's sales of non-seating systems and components would have been approximately \$1.4 billion, or approximately 25% of the Company's total pro forma sales. The Company will continue to consider strategic acquisitions that expand its global presence, improve its technological capabilities or enhance customer relationships.

## RECENT 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:

## Masland Acquisition

The Company is acquiring Masland for an aggregate purchase price of \$459.6 million (including the assumption of Masland's existing indebtedness, net of cash and cash equivalents, of \$64.7 million and the payment of fees and expenses of \$10 million in connection with the acquisition). In 1995, Masland held a leading 38% share of the estimated \$1 billion North American floor and acoustic systems market. Masland is also a major supplier of interior and luggage compartment trim components and other acoustical products which are designed to minimize noise and vibration for passenger cars and light trucks. Masland supplies the North American operations of Ford, Chrysler, General Motors, Honda, Isuzu, Mazda, Mitsubishi, Nissan, Subaru and Toyota, as well as the European operations of Nissan, Peugeot and Saab. Masland has had a continuous relationship with Ford, its largest customer, since 1922. For its fiscal year ended June 30, 1995, Masland had net sales, EBITDA, operating income and net income of \$496.6 million, \$62.2 million, \$47.0 million and \$21.3 million, respectively.

In addition to the experience and expertise of Masland's management team, the Company believes that the Masland Acquisition will provide Lear with several benefits, including the following:

- Total Interior Systems. The Masland Acquisition enhances Lear's ability to provide a total interior system. Before the acquisition, the Company had manufacturing capabilities in three of the five principal automotive interior system segments. The Masland Acquisition gives Lear manufacturing capabilities and a leading market position in a fourth segment, floor and acoustic systems, leaving instrument panels as the only segment in which the Company does not have a manufacturing capability. Management believes that the ability to offer a total interior system provides Lear with a competitive advantage as OEMs continue to reduce their supplier base while demanding improved quality and additional Tier I services. Integrating the total interior for a model through one supplier provides several benefits to an OEM, including (i) cost reduction, (ii) shorter product development cycles, (iii) improved interior appearance through better fitting components and color, grain and material matching and (iv) greater ability to focus on core competencies.
- Growth Opportunities. Lear's market leadership, expertise and established relationships with European OEMs (Fiat, Opel, Volvo, Saab and BMW) will provide Masland with additional access to the European market. In addition, Lear's entry into global automotive growth areas, particularly in South America and the Asia-Pacific region, affords further growth opportunities for Masland.
- Margin Improvements. Operating margins in the floor and acoustic systems market are generally higher than those in the seating market. Historically, Masland's operating margins have been higher than the Company's and should, therefore, improve the Company's consolidated operating margin. The additional cash flows provided from operations would be available for debt reduction or reinvestment in new growth opportunities worldwide. In addition, the Company believes that additional savings will be realized through purchasing, engineering, manufacturing and administration consolidation.
- Technology. Masland provides the Company with access to leading-edge technology. Its 33,000 square foot Technical Center in Plymouth, Michigan provides complete full service acoustics testing, design, product engineering, systems integration and program management. Masland's acoustics lab offers state-of-the-art instrumentation, testing, and data-analysis capabilities. It also 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 gathering and analysis capabilities, Masland provides precisely controlled laboratory conditions for sophisticated interior and exterior noise, vibration, and harshness (NVH) testing of parts, materials, and systems, including powertrain, exhaust, and suspension components. Masland also owns a 29%



interest in 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.

#### AI Acquisition

In August 1995, the Company acquired all the outstanding common stock of AI, 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 47% of the total combined North American and Western European interior markets. 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. Management believes that OEMs will increasingly ask their lead suppliers to fill the role of "Systems Integrator" to manage the design, purchase and supply of the total vehicle interior. As a result of the AI Acquisition, as well as the Masland Acquisition, Lear is well-positioned to fill this role. The aggregate purchase price for the AI Acquisition was \$885.0 million (including the assumption of \$250.5 million of AI's existing indebtedness and fees and expenses of \$18.1 million). These funds were provided by borrowings under the Credit Agreement.

Prior to its acquisition by Lear, Automotive Industries itself augmented its substantial internal growth with selected strategic acquisitions. The acquisitions allowed AI to expand its interior trim systems product capabilities and substantially increased AI's ability to provide advanced design, engineering and program management services to its customers. At the same time, these acquisitions increased AI's global presence and provided AI access to new customers and new technologies. As a division of Lear, AI continues to consider strategic acquisitions as a means to further growth.

#### 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 the largest automotive seat systems manufacturer 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 will supply 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 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 experience in the seat frame market where it has been a major 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 Automotive Industries and Masland, the Company has expanded its product offerings and can now manufacture and supply its customers with floor systems, headliners and door 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.

The following is the approximate composition by product category of the Company's net sales in the year ended December 31, 1995, after giving pro forma effect to the AI and Masland acquisitions: seat systems, \$3.7 billion; floor and acoustic systems, \$450 million; door panels, \$350 million; headliners, \$100 million; and other component products, \$1.1 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 can provide ergonomic designs which offer styling flexibility at low cost. In addition, the Company is able to incorporate many convenience features and safety improvements into its seat designs, such as storage armrests, rear seat fold down panels, integrated restraint systems, child restraint seats, and side impact air bags.

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 believes that supplying seating for these new vehicle models will provide it with a revenue stream throughout the lives of these models. The Company is currently working with customers in the development of a number of seat systems products to be introduced by automobile manufacturers in the next six years, which it expects will lead to an increase in opportunities in the future. In addition, with the AI and Masland acquisitions, the Company believes it has significant cross-selling opportunities across both customers and vehicle platforms and is well-positioned to expand its position as the leading independent supplier of automotive interior systems in the world.

- 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, through its Masland Division, is the largest supplier of vinyl floor systems in North America, and the only supplier of both carpet and vinyl floor systems. Recently, Masland developed Maslite(TM), a lightweight material which has replaced vinyl accessory mats on selected applications. Maslite(TM) is a superior product with improved performance with the additional significant advantage of 40% less weight than vinyl.

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. The Masland Division's significant experience has enabled it 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, heat and vibration 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.

The Masland Division'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 Masland Division's ability to produce both the dash insulator and the floor system enables the Company 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.

Floor and acoustic systems accounted for approximately 81% of Masland's total revenues in 1995 when it held a leading 38% share in the estimated \$1 billion North American floor and acoustic systems market. In addition, the Masland Division 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 1995, after giving pro forma effect to the AI Acquisition, the Company would have held a leading 16% share of the estimated \$1.6 billion North American door panel market. Management believes that this leadership position has been obtained 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 are highly fragmented and just beginning to experience the outsourcing and/or 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 internally achieve. Through its manufacturing capabilities, the Company also believes that it is one of the most process-diverse suppliers of headliners in North America.

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.

- 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 allows the Company 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 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, through its AI Division, 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 AI's 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 and 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.

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) process, a technique in which fabric is affixed to the underlying foam padding using adhesives. The SureBond(TM) process has several major advantages when compared to traditional methods, including design flexibility, increased quality and lower cost. The SureBond(TM) process, unlike alternative bonding processes, results in a more comfortable seat in which air can circulate freely. The SureBond(TM) process, moreover, is reversible, so that seat covers that are improperly installed can be removed and repositioned properly with minimal materials cost. In addition, the SureBond(TM)

process is not capital intensive when compared to competing bonding technologies. Approximately one-third of the Company's seats are manufactured using the SureBond(TM) process.

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's AI Division uses numerous molding, bonding, trimming and finishing manufacturing processes. The wide variety of manufacturing processes helps to satisfy customers' different cost and functionality specifications. AI'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 AI Division employs many of the same JIT principles used at the Company's seat facilities.

The core technologies used in the AI Division'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 the AI Division's strategy is to focus on more complex, value-added products such as door panels and armrests. The AI Division 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 AI.

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, automobile 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.

The Masland Division produces carpet at its largest 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 Masland customers and speeds product delivery to customer assembly lines, which is done on a JIT basis. Masland'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.

The Company obtains steel, aluminum and foam chemicals used in its seat systems from several producers under various supply arrangements. These materials are supplied under various arrangements and 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. 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.

#### 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, and Suzuki. During the year ended December 31, 1995, after giving pro forma effect to the AI and Masland acquisitions, Ford and General

Motors, the two largest automobile and light truck manufacturers in the world, would have accounted for approximately 36% and 31%, respectively, of the Company's net sales. For additional information regarding customers, foreign and domestic operations and sales, see Note 17, "Geographic Segment Data," to the consolidated financial statements of the Company incorporated by reference in this Prospectus.

In the past six years, in the course of retooling and reconfiguring plants for new models and model changeovers, OEMs have eliminated seating production from certain of their facilities, thereby committing themselves to purchasing seat systems and components 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 on a JIT basis 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 seat systems by the OEM, (iii) a reduction in net overhead expenses and capital investment due to the availability of approximately 60,000 to 80,000 square feet of seat production plant 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 seating 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.

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. As innovative designs are developed which integrate components into a single unit, the potential to provide the Company's customers with additional cost and time savings should significantly increase. With the acquisition of Masland, the Company intends to integrate floor and acoustic systems into its existing marketing strategy.

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, 1995 were comprised of the following vehicle categories: 41% light truck; 23% mid-size; 15% compact and other; 12% luxury/sport; and 9% full-size. The following table presents an overview of the major vehicle models for which the Company or its affiliates

produce seat systems, floor and acoustic systems, interior trim products or other components and the locations of such production:

	UNITED STATES AND CANADA	
BMW:	FORD (CONT):	GENERAL MOTORS (CONT):
3 Series	Ford Windstar Minivan	GMC Sonoma
Z3	Lincoln Continental	GMC Top Kick
SUZUKI:	Lincoln Mark VIII	Oldsmobile 88
Geo Metro	Lincoln Town Car	Oldsmobile Achieva
Geo Tracker	Mercury Cougar	Oldsmobile Aurora
Suzuki Sidekick	Mercury Grand Marquis	Oldsmobile Ciera
Suzuki Swift	Mercury Mystique	Oldsmobile Cutlass Supreme
CHRYSLER:	Mercury Sable	Oldsmobile Eurosport
Chrysler Cirrus	Mercury Tracer	Oldsmobile Silhouette
Chrysler Concorde	Mercury Villager	Pontiac Bonneville
Chrysler LeBaron	SUBARU/ISUZU:	Pontiac Firebird
Chrysler LHS	Isuzu Rodeo	Pontiac Grand Am
Chrysler Sebring	Subaru Legacy	Pontiac Grand Prix
Chrysler Town & Country	GENERAL MOTORS:	Pontiac Sunfire
Dodge Avenger	Buick Century	Pontiac Transport
Dodge Caravan	Buick LeSabre	Prizm
Dodge Dakota Pick-up Truck	Buick Park Avenue	Saturn SC
Dodge Intrepid	Buick Regal	Saturn SL
Dodge Neon	Buick Riviera	HONDA:
Dodge Ram Pick-up Truck	Buick Skylark	Accord
Dodge Ram Van	Cadillac DeVille/Concours	Civic
Dodge Ram Wagon	Cadillac Eldorado	Passport
Dodge Viper	Chevrolet Astro	MAZDA:
Eagle Talon	Chevrolet Beretta	626
Jeep Cherokee	Chevrolet Blazer	B2000
Jeep Grand Cherokee	Chevrolet C/K Pick-up Truck	MX6
Jeep Wrangler	Chevrolet Camaro	MITSUBISHI:
Plymouth Neon	Chevrolet Cavalier	Eclipse
Plymouth Voyager	Chevrolet Corsica	Gallant
FORD:	Chevrolet Corvette	NISSAN:
Ford Aerostar	Chevrolet Kodiak	Altima
Ford Bronco	Chevrolet Lumina/Van	King Cab Pick-up Truck
Ford Contour	Chevrolet Monte Carlo	Quest
Ford Crown Victoria	Chevrolet Express	Sentra
Ford Econoline/Club Wagon	Chevrolet/GMC Suburban	TOYOTA:
Ford Escort	Chevrolet S Pick-up Truck	Avalon
Ford Explorer	Chevrolet Tahoe/GMC Yukon	Camry
Ford F-Series Pick-up Truck	GMC 10-30,15-35	Corolla
Ford Mustang	GMC C/K Pick-up Truck	Tacoma Pick-up Truck
Ford Probe	GMC Savana	
Ford Ranger	GMC Safari	
Ford Taurus		
Ford Taurus SHO		
Ford Thunderbird		
	MEXICO	
BMW:	FORD:	GENERAL MOTORS (CONT.):
3 Series	Ford Contour	Opel Corsa
CHRYSLER:	Ford Escort	Pontiac Sunfire
Chrysler Cirrus	Ford F-Series	NISSAN:
Dodge Neon	Ford Ghia	Pick-up
Dodge Ram	Mercury Mystique	Tsuru
JX Convertible	Mercury Tracer	VOLKSWAGEN:
Plymouth Neon	GENERAL MOTORS:	Golf
	Chevrolet Cavalier	Jetta
	Chevrolet C/K Pick-up Truck	Derby
	Chevrolet Tahoe/GMC Yukon	GPA Minivan

## EUROPE

ALFA ROMEO:	OPEL:	ROVER (CONT):
Alfa 145/146	Astra	400/Saloon
Alfa 155	Corsa/Van	600
Alfa 164	Omega	800
Coupe	Vectra	Discovery
Spider	HONDA:	Land Rover
AUDI:	Accord	Maestro
A Series	Civic	Metro
B Series	JAGUAR:	MGA
BMW:	XK8	Mini
3 Series	X300	R3
5 Series	X330	Range Rover
CHRYSLER:	MAN:	SAAB:
Voyager Eurostar	Heavy Truck	Saab 900
DINA:	LANCIA:	Saab 900 Cabriolet
Heavy Truck	Dedra	Saab 9000
FIAT:	Delta	TOYOTA:
126	Kappa	Carina
500	Thema	Corolla
Barchetta	Y11	VOLVO:
Brava/Bravo	MERCEDES:	800 Series
Coupe 500	200 Series	900 Series
Croma	C-Class	VOLKSWAGEN:
Ducato X230	E-Class	Golf
Punto	S-Class	Passat
Tempra	PORSCHE:	Taro
Tipo	911	Transit
Uno	986 Boxster	Transporter T4
FORD:	RENAULT:	T-4 Multivan
Escort	Cabrio	Viento
Fiesta	ROVER:	
Mondeo	200/New 400	
Scorpio		

## OTHER

FIAT (SOUTH AMERICA):	GENERAL MOTORS --	BMW (SOUTH AFRICA):
Brava/Bravo	HOLDEN (AUSTRALIA):	3 Series
Duno	Acclaim	PEUGEOT (ARGENTINA):
Fiorino	Berlina	306
Palio	Caprice	405
Tempra	Commodore	504
Tipo	Statesman	VOLKSWAGEN (SOUTH AMERICA):
Uno	OPEL (INDONESIA):	Combi
FORD (ARGENTINA):	S-10 Blazer	Gol
Ranger		Polo
		Saveiro
		VOLVO (THAILAND):
		800 Series
		900 Series

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 UAW and the CAW, in order for any of such manufacturers to



obtain components that it currently produces itself from external sources, 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 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 Grand Rapids, Michigan, 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.

The collective bargaining agreements between the UAW and the CAW and each of General Motors, Ford and Chrysler expire in September 1996 and are presently being renegotiated. Among other items, wage, benefit and outsourcing levels are anticipated to be issues in such negotiations. There can be no assurance as to the outcome of such negotiations.

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 79-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 own 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. Automobile 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 automobile 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 technical 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 several 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 technical centers in Southfield, Michigan, Rochester Hills, Michigan, Plymouth, Michigan and Turin, Italy and at 16 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 operations as incurred. Such costs amounted to approximately \$53.3 million, \$21.9 million, and \$16.2 million for the years ended December 31, 1995, 1994 and 1993.

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 8 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.

Through its AI Division, the Company has virtually all technologies and manufacturing processes available for interior trim and under-the-hood 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 center, AI provides comprehensive support to its OEM customers from product development to production.

The Masland Acquisition also provides the Company with access to leading-edge technology. The Masland Division 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 Masland Division, the Company also owns a 29% interest in 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 pursues attractive joint ventures in order to facilitate the exchange of technical information, expand its product offerings, and broaden its customer base. Several of the Company's recent

acquisitions, including Masland and Automotive Industries, have provided the Company with strategic joint ventures. With the Masland Acquisition, Lear acquired an interest in PFG, Sommer Masland (U.K.) Ltd. and Amtex. 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 Amtex joint venture established a relationship with Hayashi Telemu Co., Ltd., the joint venture partner and a leading Japanese automotive interior trim supplier. The AI Acquisition included a 40% interest in Industrias Automotrices Summa, S.A. de C.V., as well as a 33% interest in Guildford Kast Plastifol Ltd., both of which produce interior trim parts for automobiles.

The following is a list of the Company's principal joint ventures and minority-owned affiliates:

	LOCATION	PRODUCT	PERCENTAGE OWNERSHIP
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Amtex*	U.S.A.	Interior trim	50%
General Seating of America, Inc.	U.S.A.	Seat systems	35
General Seating of Canada, Ltd.	Canada	Seat systems	35
Guildford Kast Plastifol Ltd.	England	Interior trim	33
Industrias Automotrices Summa, S.A. de C.V.	Mexico	Interior trim	40
Industrias Cousin Freres	Spain	Seat components	49
Lear Inespo Comercial, Industrial Ltda.*	Brazil	Seat systems	50
Lear Seating Thailand	Thailand	Seat systems and components	49
Markol Automotiv Yan Sanayi Ve Ticart	Turkey	Seat systems	35
Precision Fabrics Group, Inc.	U.S.A.	Fabrics	29
Probel S.A.	Brazil	Seat components	31
Sommer Masland (U.K.) Ltd.	England	Interior trim	50
Teknoseating S.A.*	Argentina	Seat systems	50

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\* Consolidated entities.

#### COMPETITION

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., and it competes, to a lesser extent, with Douglas & Lomason Company and Magna International, Inc. The Company's major independent competitors in Europe, besides Johnson Controls, Inc., are Bertrand Faure (headquartered in France) and Keiper Recaro (headquartered in Germany). The Company's primary independent competitors in the other segments of the automotive interior market include Davidson Interior Trim (a division of Textron), UT Automotive (a subsidiary of United Technologies), Prince Corporation, The Becker Group, Collins & Aikman Corp. Automotive Division (a division of Collins & Aikman Corporation), JPS Automotive Products Corporation, a subsidiary of Foamex International, the Magee Carpet Company and a large number of smaller operations. The Company also competes with the OEMs' in-house seat system and automotive interior suppliers. The Company competes on the basis of technical expertise, reliability, quality and price. The Company believes its technical resources, product design capabilities and customer responsiveness are the key factors that allow it to compete successfully in the automotive interior market.

#### 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. After giving pro forma effect to the AI and Masland acquisitions, net sales for the year ended December 31, 1995 by calendar quarter broke down as follows: first quarter, 24%; second quarter, 26%; third quarter, 23%; and fourth quarter, 27%.

See Note 18, "Quarterly Financial Data," of the notes to the Company's consolidated financial statements incorporated by reference in this Prospectus.

#### EMPLOYEES

As of June 1, 1996, after giving pro forma effect to the Masland Acquisition, the Company would have employed approximately 18,700 persons in the United States and Canada, 12,100 in Mexico and 7,900 in Europe. Of these, about 6,200 were salaried employees and the balance were paid on an hourly basis. Approximately 25,500 of the Company's employees are members of unions. The Company has collective bargaining agreements with several unions including: the UAW; the Canadian Auto Workers (the "CAW"); the Textile Workers of Canada; the Confederation of Mexican Workers; 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 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 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.

#### LITIGATION

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 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."

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 four Superfund sites where liability has not been determined. The Company has also been identified as a PRP at four additional sites. Management believes that the Company is, or may be, responsible for less than one percent, if any, of total costs at the four Superfund sites. Expected liability, if any, at the four 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.

#### PROPERTIES

The Company's operations are conducted through 131 facilities, including 111 manufacturing facilities, 16 product engineering centers and 4 research and development centers, in 19 countries and one Crown Colony employing approximately 40,000 people worldwide. The Company's management is headquartered in Southfield, Michigan.

The Company's facilities are located in appropriately designed buildings which are kept in good repair with sufficient capacity to handle present volumes. The Company has designed many of its facilities to provide for efficient JIT manufacturing of its products. No facility is materially underutilized. Of the 131 facilities, 70 are owned and 61 are leased with expiration dates ranging from 1996 through 2005. 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 and distribution needs. 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, including those acquired in connection with the Masland Acquisition:

ARGENTINA	GERMANY	POLAND	UNITED STATES (CONTINUED)
Buenos Aires	Ebersberg	Myslowice	Grand Rapids, MI
	Eisenach	Tychy	Marlette, MI
AUSTRALIA	Gustavsburg		Marshall, MI
Adelaide	Munich	SOUTH AFRICA	Mendon, MI
Brooklyn	Plattling	Brits	Mequon, MI
	Quakenbruck		Midland, MI
AUSTRIA	Rietberg	SPAIN	Plymouth, MI
Koflach		Pamplona	Rochester Hills, MI
	HONG KONG		Romulus, MI
BRAZIL	Wanchai	SWEDEN	Southfield, MI
Belo Horizonte		Bengtsfors	Troy, MI
Sao Paolo	INDIA	Trollhattan	Warren, MI
	Holol		Bridgeton, MO
CANADA	INDONESIA	THAILAND	Wentzville, MO
Ajax	Jakarta	Bangkok	Bowling Green, OH
Kitchener		TURKEY	Fremont, OH
Maple	ITALY	Bursa	Huron, OH
Mississauga	Bruino		Lorain, OH
Oakville	Caivano	UNITED STATES	Lordstown, OH
St. Thomas	Cassino	Manteca, CA	Sidney, OH
Whitby	Grugliasco	Atlanta, GA	Warren, OH
Woodstock	Melfi	West Chicago, IL	Carlisle, PA
	Novara	Frankfort, IN	Lewistown, PA
ENGLAND	Orbassano	Greencastle, IN	Duncan, SC
Abington	Pozzilli	Hammond, IN	Morristown, TN
Coventry		Louisville, KY	El Paso, TX
Lancashire	MEXICO	Madisonville, KY	Lebanon, VA
Nottingham	Cuautitlan	Allen Park, MI	Luray, VA
Tipton	Hermosillo	Clawson, MI	Strasburg, VA
Washington	La Cuesta	Dearborn, MI	Winchester, VA
	Naucalpan	Detroit, MI	Janesville, WI
FRANCE	Puebla	Fair Haven, MI	Sheboygan, WI
Meaux	Ramos Arizpe	Fenton, MI	
Paris	Rio Bravo	Flint, MI	
	Saltillo		
	San Lorenzo		
	Tlahuac		
	Toluca		

## MANAGEMENT

Set forth below is certain information concerning the executive officers of the Company.

NAME	AGE	POSITION	YEARS WITH THE COMPANY, PREDECESSOR OR ACQUIRED COMPANY
Kenneth L. Way.....	57	Chairman of the Board and Chief Executive Officer	30
Robert E. Rossiter.....	50	President, Chief Operating Officer and Director of the Company	25
James H. Vandenberghe....	46	Executive Vice President, Chief Financial Officer and Director of the Company	23
James A. Hollars.....	51	Senior Vice President and President -- BMW Division of the Company	23
Roger Alan Jackson.....	50	Senior Vice President -- Human Resources and Corporate Relations	1
Robert Lawrie.....	51	Senior Vice President -- Global Mergers, Acquisitions and Strategic Alliances	--
Frank J. Preston.....	53	Senior Vice President and President -- Masland Division	1
Frederick F. Sommer.....	52	Senior Vice President and President -- Automotive Industries Division of the Company	5
Gerald G. Harris.....	62	Vice President and President -- GM Division of the Company	34
Terrence E. O'Rourke.....	49	Vice President and President -- Ford Division of the Company	2
Joseph F. McCarthy.....	52	Vice President, Secretary and General Counsel of the Company	2
Donald J. Stebbins.....	38	Vice President, Treasurer and Assistant Secretary of the Company	4

Set forth below is a description of the business experience of each executive officer of the Company.

Kenneth L. Way. Mr. Way was elected to and has held the position of Chairman of the Board and Chief Executive Officer of the Company since 1988. Prior to this he served as Corporate Vice President, Automotive Group of Lear Siegler, Inc. ("LSI") since October 1984. During the previous six years, Mr. Way was President of LSI's General Seating Division. Prior to this, he was President of LSI's Metal Products Division in Detroit for three years. Other positions held by Mr. Way during his 30 years at Lear include Manufacturing Manager of the Metal Products Division and Manager of Production Control for the Automotive Division in Detroit. Mr. Way also serves as a director of Hayes Wheels International, Inc.

Robert E. Rossiter. Mr. Rossiter became President of the Company in 1984 and a Director and the Chief Operating Officer of the Company in 1988. He joined LSI in 1971 in the Material Control Department of the Automotive Division, then joined the Metal Products Division of LSI as Production Control Manager, and subsequently moved into sales and sales management. In 1979, he joined the General Seating Division as Vice President of Sales and worked in that position, as well as Vice President of Operations, until 1984.

James H. Vandenberghe. Mr. Vandenberghe is currently Executive Vice President, Chief Financial Officer and Director of the Company. He was appointed Executive Vice President of the Company in 1993 and became a director in November 1995. Mr. Vandenberghe also served as a director of the Company from 1988 until the merger of Lear Holdings Corporation ("Holdings"), Lear's former parent, into Lear. Mr. Vandenberghe previously served as Senior Vice President -- Finance, Secretary and Chief Financial Officer of the Company since 1988.

James A. Hollars. Mr. Hollars is currently Senior Vice President and President -- BMW Division of the Company. He was appointed to this position in November 1995. Prior to serving in this position, he was Senior Vice President and President -- International Operations of the Company since November 1994. Previously he served as Senior Vice President -- International Operations of the Company since 1993 and Vice President -- International since the sale of LSI's Power Equipment Division to Lucas Industries in 1988.

Mr. Hollars joined LSI's Metal Products Division in 1973 as the Manufacturing Manager and later served as Vice President -- Manufacturing for No-Sag Spring Division. In 1979, he was named President of the Foam Products Division and was subsequently promoted to President at the Anchorlok Division in 1985 and the Power Equipment Division in 1986.

Roger Alan Jackson. Mr. Jackson was elected Senior Vice President -- Human Resources and Corporate Relations in October 1995. Previously, he served as Vice President -- Human Resources for Allen Bradley, a wholly-owned subsidiary of Rockwell International. Mr. Jackson was employed by Rockwell International or its subsidiaries from December 1977 to September 1995.

Robert Lawrie. Mr. Lawrie was elected Senior Vice President -- Global Mergers, Acquisitions and Strategic Alliances in June 1996. Prior to joining the Company, Mr. Lawrie served as Vice President and Special Counsel to the Chairman of Magna International Inc. since July 1992. Prior to his tenure with Magna International, Inc., Mr. Lawrie held positions as an International Consultant to Consolidated Hydro Inc. in 1992 and as Senior Vice President, General Counsel and Secretary of Abitibi-Price Inc., an international paper manufacturer, from January 1991 to July 1992. From 1988 to 1991, Mr. Lawrie was the managing partner of the Los Angeles office of Broad Schulz Larson & Wineberg, a law firm.

Frank J. Preston. Dr. Preston was elected Senior Vice President and President -- Masland Division of the Company upon consummation of the Masland Acquisition. Prior to the Masland Acquisition, he served as President of Masland since January 1995 and Chief Executive Officer of Masland since January 1996. During 1995, Dr. Preston also served as Chief Operating Officer of Masland. Prior to joining Masland, Dr. Preston held various positions with Textron, most recently President of Textron Automotive Interiors.

Frederick F. Sommer. Mr. Sommer was elected Senior Vice President and President -- Automotive Industries Division of the Company upon consummation of the AI Acquisition. Prior to the AI Acquisition, he served as President of AI since November 1991 and Chief Executive Officer of AI since May 1994. From March 1992 to May 1994, Mr. Sommer served as Chief Operating Officer of AI. Mr. Sommer also served as Executive Vice President of AI from October 1990 until November 1991. Prior thereto, he served as Vice President -- Manufacturing and Purchasing of the U.S. subsidiary of Nissan from January 1987 until October 1990.

Gerald G. Harris. Mr. Harris was elected Vice President and President -- GM Division of the Company since November 1994. Mr. Harris previously served as Vice President and General Manager -- GM Operations since March 1994. Previously Mr. Harris served as Director -- Ford Business Unit from March 1992 to March 1994, Director of Sales from August 1990 to March 1992 and Sales Manager from January 1989 to August 1990. Prior to 1989, Mr. Harris held various managerial positions with the Company.

Terrence E. O'Rourke. Mr. O'Rourke was elected Vice President and President -- Ford Division of the Company in November 1995. Prior to serving in this position, he was Vice President and President -- Chrysler Division of the Company since November 1994. Previously, Mr. O'Rourke served as Director -- Strategic Planning since October 1994. Prior to joining Lear, Mr. O'Rourke was employed by Ford Motor Company as Supply Manager -- Climate Control Department from 1992 and Procurement Operations Manager from 1988.

Joseph F. McCarthy. Mr. McCarthy was elected Vice President, Secretary and General Counsel of the Company in April 1994. Prior to joining the Company, Mr. McCarthy served as Vice President -- Legal and Secretary for both Hayes Wheels International, Inc. and Kelsey-Hayes Company. Prior to joining Hayes Wheels International, Inc. and Kelsey-Hayes Company, Mr. McCarthy was a partner in the law firm of Kreckman & McCarthy from 1973 to 1983.

Donald J. Stebbins. Mr. Stebbins is currently Vice President, Treasurer and Assistant Secretary of the Company. He joined the Company in June 1992 from Bankers Trust Company, New York where he was a Vice President for four years. Prior to his tenure at Bankers Trust Company, he held positions at Citibank, N.A. and The First National Bank of Chicago.

## SELLING STOCKHOLDERS

The following table and accompanying footnotes set forth certain information regarding beneficial ownership of the Company's Common Stock by the Selling Stockholders as of June 1, 1996 prior to the Offerings and as adjusted to reflect the sale of 7,500,000 shares of Common Stock by the Company and 7,500,000 shares of Common Stock by the Selling Stockholders in the Offerings:

	PRIOR TO OFFERINGS		SHARES OF COMMON STOCK BEING OFFERED(4)	AFTER OFFERINGS	
	NUMBER OF SHARES OF COMMON STOCK OWNED BENEFICIALLY	PERCENTAGE OF COMMON STOCK(3)		NUMBER OF SHARES OF COMMON STOCK OWNED BENEFICIALLY(4)	PERCENTAGE OF COMMON STOCK(3)(4)
Lehman Funds(1).....	16,471,224	29.1%	6,186,370	10,284,854	16.0%
FIMA Finance Management Inc.(2).....	3,497,544	6.2	1,313,630	2,183,914	3.4

(1) The number of shares beneficially owned by the Lehman Funds includes 5,916,258 shares of Common Stock owned by Lehman Brothers Merchant Banking Portfolio Partnership L.P. and 4,021,298 shares of Common Stock owned by Lehman Brothers Capital Partners II, L.P. (each located at Three World Financial Center, New York, New York 10285); 1,626,544 shares of Common Stock owned by Lehman Brothers Offshore Investment Partnership L.P. and 4,907,124 shares of Common Stock owned by Lehman Brothers Offshore Investment Partnership-Japan L.P. (each located at Clarendon House, Church Street, Hamilton HMCX, Bermuda). LB I Group Inc. and Lehman Brothers Holdings Inc. are the general partners of Lehman Brothers Merchant Banking Portfolio Partnership L.P. and Lehman Brothers Capital Partners II, L.P., respectively, and Lehman Brothers Offshore Partners Ltd. is the general partner of Lehman Brothers Offshore Investment Partnership-Japan L.P. and Lehman Brothers Offshore Investment Partnership L.P. Each such general partner may be deemed to own beneficially the shares directly owned by the entity of which it is the general partner. LB I Group Inc. and Lehman Brothers Offshore Partners Ltd. are wholly-owned subsidiaries of Lehman Brothers Holdings Inc. Each of the partnerships may be deemed to share with Lehman Brothers Holdings Inc. the power to vote and the power to dispose of the shares owned by such partnership. The address of Lehman Brothers Holdings Inc. is Three World Financial Center, New York, New York 10285.

(2) FIMA Finance Management Inc. ("FIMA") is a wholly-owned subsidiary of EXOR Group S.A. ("EXOR Group") (formerly IFINT, S.A.). EXOR Group, a Luxembourg corporation, is the international investment holding company of IFI, S.p.A., the parent company of the Agnelli Group. The address of FIMA is Wickham's Cay, Road Town, Tortola, British Virgin Islands.

(3) Assumes that none of the Options, pursuant to which a maximum of 5,885,480 shares are issuable, are exercised.

(4) The Lehman Funds have collectively, and FIMA has, granted to the Underwriters an option to purchase up to an aggregate of 1,855,910 and 394,090 additional shares of Common Stock, respectively, exercisable solely to cover over-allotments. See "Underwriting." The data set forth in the table assume that the Underwriters' over-allotment option is not exercised.

In 1988, FIMA first acquired an ownership interest in the Company by purchasing 6,435,000 shares of Common Stock of the Company. In 1991, FIMA and the Lehman Funds acquired an aggregate of 14,999,985 additional shares from the Company for an aggregate purchase price of \$75.0 million and certain additional shares of Common Stock from certain other stockholders (the "1991 Common Stock Acquisition"). In 1992, the Company sold an additional \$20.0 million worth of Common Stock to the Lehman Funds and FIMA (the "1992 Common Stock Acquisition"). In connection with the 1991 Common Stock Acquisition, the 1992 Common Stock Acquisition, the offering of the Senior Subordinated Notes, the NAB Acquisition, the offering of the Subordinated Notes, the initial public offering of the Company's Common Stock in April 1994, the AI Acquisition, the 1995 Stock Offering and the Offerings, Lehman Brothers, an affiliate of the Lehman Funds, has received compensation from the Company comprising underwriting fees, discounts and commissions and financial advisory fees. In addition, Lehman Commercial Paper Inc., an affiliate of the Lehman Funds, has from time to time been a lender under the Company's credit facilities and has received customary fees in such capacity.



## DESCRIPTION OF CAPITAL STOCK

The authorized capital stock of the Company consists of 150,000,000 shares of Common Stock, par value \$0.01 per share, and 15,000,000 shares of preferred stock, par value \$0.01 per share ("Preferred Stock").

## COMMON STOCK

As of June 1, 1996, there were 56,650,532 shares of Common Stock outstanding. Holders of Common Stock are entitled to one vote per share on all matters to be voted upon by the stockholders. Cumulative voting is not permitted. Subject to preferences of any Preferred Stock that may be issued in the future, the holders of Common Stock are entitled to receive such dividends as may be declared by the Board of Directors. The Company is currently restricted under the terms of the Credit Agreement, the New Credit Agreement and the Indentures governing the Senior Subordinated Notes and the Subordinated Notes, and will be restricted under the Indenture governing the Notes, from paying dividends to holders of Common Stock. In the event of a liquidation, dissolution or winding up of the Company, and subject to preferences of any Preferred Stock that may be issued in the future, the Common Stock is entitled to receive pro rata all of the assets of the Company available for distribution to its stockholders. There are no redemption or sinking fund provisions applicable to the Common Stock. All outstanding shares of Common Stock are fully paid and non-assessable, and the shares of Common Stock to be outstanding upon the closing of the Offerings will be fully paid and non-assessable.

## PREFERRED STOCK

The Board of Directors has the authority to issue up to 15,000,000 shares of Preferred Stock in one or more series and to fix the rights, preferences, privileges and restrictions thereof, including dividend rights, dividend rates, conversion rates, voting rights, terms of redemption, redemption prices, liquidation preferences and the number of shares constituting any series or the designation of such series, which may be superior to those of the Common Stock, without further vote or action by the stockholders. Although it presently has no intention to do so, the Board of Directors, without stockholder approval, can issue Preferred Stock with rights that could adversely affect the Common Stock. The issuance of Preferred Stock may have the effect of delaying, deferring or preventing a change in control of the Company. There will be no shares of Preferred Stock outstanding upon the closing of the Offerings and the Company has no present plans to issue any Preferred Stock.

## STOCKHOLDERS AND REGISTRATION RIGHTS AGREEMENT

The Lehman Funds, FIMA and certain current and former officers and employees of the Company are parties to a Stockholders and Registration Rights Agreement dated September 28, 1991, as amended (the "Stockholders Agreement"), which contains certain restrictions on the transfer of Common Stock held by those stockholders and grants such stockholders certain registration rights.

Subject to certain exceptions, the Company is required to pay all expenses incurred in connection with up to a maximum of four valid registration requests made by the stockholders party to the Stockholders Agreement. If any requested registration is in the form of an underwritten offering, the Stockholders Agreement requires the Company to designate Lehman Brothers Inc. as the managing underwriter of the offering. Unless the holders of the Common Stock making a registration request otherwise consent in writing, no other person, other than a holder of Common Stock who is a party to the Stockholders Agreement and who requests that its shares be included in such registration and, in the case of an underwritten offering, the Company, would be permitted to offer any securities pursuant to such registration.

In addition to the demand registration rights summarized above, the parties to the Stockholders Agreement also may, subject to certain limitations, require the Company to register their shares of Common Stock whenever the Company registers any of its equity securities under the Securities Act, whether for sale for its own account or not. The Stockholders Agreement provides for, in the case of underwritten offerings, certain registration priorities in the event that the managing underwriter advises the Company that the number of shares of Common Stock proposed to be included in any registration under the Securities Act exceeds the largest number of shares which can be sold without having an adverse effect on the offering. In addition, the Company and the other parties to the Stockholders Agreement are subject to certain holdback provisions

during the registration and sale of shares of Common Stock. Under the Stockholders Agreement, the Company has agreed to indemnify selling stockholders against certain liabilities.

CERTAIN PROVISIONS OF THE RESTATED CERTIFICATE OF INCORPORATION AND AMENDED AND RESTATED BY-LAWS

The by-laws of the Company provide that the Company shall indemnify each officer and director of the Company to the fullest extent permitted by applicable law. The Restated Certificate of Incorporation also provides that, to the fullest extent permitted by the Delaware General Corporation Law, the directors of the Company shall be indemnified by the Company and shall not be liable to the Company or its stockholders for monetary damages for breach of fiduciary duty as a director.

Certain provisions of the Company's Restated Certificate of Incorporation and by-laws may have the effect of preventing, discouraging or delaying any change in control of the Company and may maintain the incumbency of the Board of Directors and management. The authorization of undesignated Preferred Stock will make it possible for the Board of Directors to issue Preferred Stock with voting or other rights or preferences that could impede the success of any attempt to change control of the Company. The Company's Restated Certificate of Incorporation provides that the Board of Directors of the Company will be divided into three classes serving staggered three-year terms. Directors can be removed from office only for Cause (as defined below) and only by the affirmative vote of the holders of a majority of the then-outstanding shares of capital stock entitled to vote generally in an election of directors. Vacancies on the Board of Directors may be filled only by the remaining directors and not by the stockholders. "Cause" is defined as the willful and continuous failure substantially to perform one's duties to the Company or the willful engaging in gross misconduct materially and demonstrably injurious to the Company.

The by-laws provide that special meetings of stockholders may be called by the chairman, the president, any vice president, the secretary or any assistant secretary of the Company and must be called by any such officer at the request in writing of a majority of the Board of Directors or at the request in writing of stockholders owning at least a majority of the capital stock of the Company issued and outstanding and entitled to vote. The by-laws establish an advance notice procedure for the nomination, other than by or at the direction of the Board of Directors, of candidates for election as directors as well as for other stockholder proposals to be considered at annual meetings of stockholders. In general, notice of intent to nominate a director must be received by the secretary of the Company not less than 60 nor more than 90 days prior to the date of the annual meeting, and must contain certain specified information concerning the person to be nominated. Notice of intent to raise business at such meeting must be received by the secretary of the Company not less than 120 nor more than 150 days prior to the first anniversary of the date of the Company's consent solicitation or proxy statement released in connection with the previous year's meeting.

DELAWARE ANTI-TAKEOVER LAW

The Company is subject to the provisions of Section 203 of the Delaware General Corporation Law (the "Anti-Takeover Law") regulating corporate takeovers. The Anti-Takeover Law prevents certain Delaware corporations, including those whose securities are listed on the New York Stock Exchange, from engaging, under certain circumstances, in a "business combination" (which includes a merger or sale of more than 10% of the corporation's assets) with any "interested stockholder" (a stockholder who acquired 15% or more of a corporation's outstanding voting stock without the prior approval of the corporation's board of directors) for three years following the date that such stockholder became an "interested stockholder." The current stockholders of the Company may not, by virtue of their current holdings, be deemed to be "interested stockholders" under this statute. A Delaware corporation may "opt out" of the Anti-Takeover Law with an express provision in its original certificate of incorporation or an express provision in its certificate of incorporation or bylaws resulting from a stockholders' amendment approved by at least a majority of the outstanding voting shares. The Company has not "opted out" of the provisions of the Anti-Takeover Law.

TRANSFER AGENT AND REGISTRAR

The Transfer Agent and Registrar for the Company's Common Stock is The Bank of New York, located in New York, New York.

LISTING

The Common Stock is listed on the New York Stock Exchange under the symbol LEA.

CERTAIN UNITED STATES FEDERAL TAX CONSIDERATIONS FOR  
NON-U.S. HOLDERS OF COMMON STOCK

The following is a general discussion of certain U.S. federal income and estate tax consequences of the ownership and disposition of Common Stock by a holder that is not a "U.S. person" (a "non-U.S. holder"). A "U.S. person" is a person or entity that, for U.S. federal income tax purposes, is a citizen or resident of the United States, a corporation or partnership created or organized in the United States or under the laws of the United States or of any political subdivision thereof, or an estate or trust whose income is includible in gross income for U.S. federal income tax purposes regardless of its source. An individual will be deemed to be a resident of the United States for U.S. federal income tax purposes if: (1) such individual is a lawful permanent resident of the United States at any time during the taxable year; (2) such individual makes an election to be treated as a resident pursuant to the provisions of the Internal Revenue Code of 1986, as amended (the "Code"); or (3) such individual is present in the United States for an aggregate of 183 days or more during the calendar year. In addition, an individual will be presumed to be a resident of the United States for U.S. federal income tax purposes if such individual is present in the United States on at least 31 days in the current calendar year and for an aggregate of 183 days during the three-year period ending with the current calendar year (counting, for such purposes all of the days present in the United States during the current year, one-third of the days present during the immediately preceding year and one-sixth of the days present during the second preceding year). This presumption of residence may be rebutted if it is established that such individual has a "tax home" in a foreign country and a "closer connection" to such foreign country than to the United States, with such terms being defined in the Code. Furthermore, the determination of residence under the Code may be rebutted by application of an applicable tax treaty or convention between the United States and an appropriate foreign country that may also treat such individual as a tax resident of such country. A special definition of U.S. resident applies for U.S. federal estate tax purposes. Resident aliens are subject to U.S. federal tax as if they were U.S. citizens.

This discussion is based on Code and administrative and judicial interpretations as of the date hereof, all of which may be changed either retroactively or prospectively. This discussion does not address all the aspects of U.S. federal income and estate taxation that may be relevant to non-U.S. holders in light of their particular circumstances, nor does it address tax consequences under the laws of any U.S. state, municipality or other taxing jurisdiction or under the laws of any jurisdiction other than the United States.

Prospective holders should consult their own tax advisors about the particular U.S. federal tax consequences to them of holding and disposing of Common Stock, as well as any tax consequences that may arise under the laws of any state, local or foreign taxing jurisdiction.

## DIVIDENDS

In the event that dividends are paid to a non-U.S. holder, such dividends will be subject to United States federal withholding tax at a 30% rate or such lower rate as may be specified by an applicable income tax treaty. Under current U.S. Treasury regulations, dividends paid to an address outside the United States are presumed to be paid to a resident of the country of address for purposes of the withholding tax. Under the current interpretation of U.S. Treasury regulations, the same presumption generally applies to determine the applicability of a reduced rate of withholding under a U.S. tax treaty (the "address system"). Thus, non-U.S. holders receiving dividends at addresses outside the United States generally are not yet required to file tax forms to obtain the benefit of an applicable treaty rate. If there is excess withholding on a person eligible for a treaty benefit, the person can file for a refund with the U.S. Internal Revenue Service (the "IRS").

Under U.S. Treasury regulations which were recently proposed and which have not yet been put into effect, the address system for claiming treaty benefits would be eliminated for payments made after December 31, 1997. Rather, to claim the benefits of a tax treaty pursuant to these proposed regulations, a non-U.S. holder of Common Stock would have to file certain forms attesting to the holder's eligibility to claim treaty benefits.

Generally, upon the filing of a Form 4224 with the Company, there is no withholding tax on dividends that are effectively connected with the non-U.S. holder's conduct of a trade or business within the United

States. Instead, the effectively connected dividends are subject to the U.S. federal income tax on net income applicable to U.S. persons. Effectively connected dividends received by a foreign corporation may be subject to an additional "branch profits tax" at a 30% rate (or a lower rate under an applicable income tax treaty) when such dividends are deemed repatriated from the United States.

#### GAIN ON DISPOSITION OF COMMON STOCK

A non-U.S. holder generally will not be subject to U.S. federal income tax in respect of gain recognized on a disposition of Common Stock unless (i) the gain is effectively connected with the conduct of a trade or business of the non-U.S. holder in the United States, (ii) in the case of a non-U.S. holder who is an individual and holds the Common Stock as a capital asset, such holder is present in the United States for 183 or more days in the taxable year of the disposition and either (x) has a "tax home" in the United States (as specially defined for U.S. federal income tax purposes) or (y) maintains an office or other fixed place of business in the United States and the income from the sale of the stock is attributable to such office or other fixed place of business, (iii) in the case of a non-resident individual who is a partner in a foreign partnership holding the Common Stock, such non-resident individual is present in the United States for 183 or more days in the taxable year of the disposition or the gain is effectively connected with a trade or business conducted by such partnership in the United States, (iv) the non-U.S. holder is subject to tax pursuant to the provisions of U.S. tax law applicable to certain U.S. expatriates or (v) the Company is or has been a "U.S. real property holding corporation" for federal income tax purposes. The Company is not currently, has not been and does not anticipate becoming a "U.S. real property holding corporation" for U.S. federal income tax purposes.

#### INFORMATION REPORTING AND BACKUP WITHHOLDING TAX

The Company must report annually to the IRS and to each non-U.S. holder the amount of dividends paid to, and the tax withheld with respect to such holder, regardless of whether tax was actually withheld. That information may also be made available to the tax authorities of the country in which the non-U.S. holder resides.

United States federal backup withholding (which generally is withholding imposed at the rate of 31% on certain payments to persons not otherwise exempt who fail to furnish certain identifying information to the IRS) will generally not apply to dividends paid to a non-U.S. holder that are subject to withholding at the 30% rate (or would be so subject but for a reduced rate under an applicable treaty). In addition, the payor of dividends may rely on the payee's foreign address in determining that the payee is exempt from backup withholding, unless the payor has knowledge that the payee is a U.S. person. However, U.S. Treasury regulations that were recently proposed would, if adopted in their present form, eliminate this address system and require a payee to furnish certain documentation to the payor so as to be able to claim such exemption from backup withholding.

The backup withholding and information reporting requirements also apply to the gross proceeds paid to a non-U.S. holder upon the disposition of Common Stock by or through a U.S. office of a U.S. or foreign broker, unless the holder certifies to the broker under penalty of perjury as to its name, address and status as a non-U.S. holder or the holder otherwise establishes an exemption. Information reporting requirements (but not backup withholding) will apply to a payment of the proceeds of a disposition of Common Stock by or through a foreign office of (i) a U.S. broker, (ii) a foreign broker 50% or more of whose gross income for certain periods is effectively connected with the conduct of a trade or business in the United States or (iii) a foreign broker that is a "controlled foreign corporation" for U.S. federal income tax purposes, unless the broker has documentary evidence in its records that the holder is a non-U.S. holder and certain other conditions are met, or the holder otherwise establishes an exemption. Neither backup withholding nor information reporting will generally apply to a payment of the proceeds of a disposition of Common Stock by or through a foreign office of a foreign broker not subject to the preceding sentence.

Any amounts withheld under the backup withholding rules will be refunded or credited against the non-U.S. holder's United States federal income tax liability, provided that required information is furnished to the IRS.

The backup withholding and information reporting rules are currently under review by the Treasury Department, and their application to the Common Stock is subject to change.

FEDERAL ESTATE TAXES

Common Stock owned or treated as owned by an individual who is neither a citizen nor a resident of the United States for federal estate tax purposes at the date of death will be included in such individual estate's for U.S. federal estate tax purposes and may be subject to U.S. federal estate tax unless an applicable estate tax treaty provides otherwise. Estates of nonresident aliens are generally allowed a statutory credit that is the equivalent of an exclusion of \$60,000 of assets from the estate for U.S. estate tax purposes. Estate tax treaties may permit a larger credit. A special definition of U.S. resident applies for U.S. federal estate purposes.

UNDERWRITING

Under the terms of, and subject to the conditions contained in, the U.S. Underwriting Agreement, the form of which is filed as an exhibit to the Registration Statement, the underwriters named below (the "U.S. Underwriters"), for whom Lehman Brothers Inc., Donaldson, Lufkin & Jenrette Securities Corporation, Morgan Stanley & Co. Incorporated, PaineWebber Incorporated and Schroder Wertheim & Co. Incorporated are acting as representatives (the "Representatives"), have severally agreed to purchase from the Company and the Selling Stockholders, and the Company and the Selling Stockholders have agreed to sell to each U.S. Underwriter, the aggregate number of shares of Common Stock set forth opposite the name of each such U.S. Underwriter below:

U.S. UNDERWRITERS	NUMBER OF SHARES
-----	-----
Lehman Brothers Inc. ....	
Donaldson, Lufkin & Jenrette Securities Corporation.....	
Morgan Stanley & Co. Incorporated.....	
PaineWebber Incorporated.....	
Schroder Wertheim & Co. Incorporated.....	
	-----
Total.....	=====

Under the terms of, and subject to the conditions contained in, the International Underwriting Agreement, the form of which is filed as an exhibit to the Registration Statement, the managers named below of the concurrent offering of the Common Stock outside the United States and Canada (the "International Managers" and together with the U.S. Underwriters, the "Underwriters"), for whom Lehman Brothers International (Europe), Donaldson, Lufkin & Jenrette Securities Corporation, Morgan Stanley & Co. International Limited, PaineWebber International (U.K.) Ltd. and J. Henry Schroder & Co. Limited are acting as lead managers (the "Lead Managers"), have severally agreed to purchase from the Company and

the Selling Stockholders, and the Company and the Selling Stockholders have agreed to sell to each International Manager, the aggregate number of shares of Common Stock set forth opposite the name of each such International Manager below:

INTERNATIONAL MANAGERS	NUMBER OF SHARES
-----	-----
Lehman Brothers International (Europe).....	
Donaldson, Lufkin & Jenrette Securities Corporation.....	
Morgan Stanley & Co. International Limited.....	
Painewebber International (U.K.) Ltd. ....	
J. Henry Schroder & Co. Limited.....	
	-----
Total.....	=====

The U.S. Underwriting Agreement and the International Underwriting Agreement (collectively, the "Underwriting Agreements") provide that the obligations of the U.S. Underwriters and the International Managers to purchase shares of Common Stock are subject to certain conditions, and that if any of the foregoing shares of Common Stock are purchased by the U.S. Underwriters pursuant to the U.S. Underwriting Agreement or by the International Managers pursuant to the International Underwriting Agreement, all the shares of Common Stock agreed to be purchased by either the U.S. Underwriters or the International Managers, as the case may be, pursuant to the respective Underwriting Agreements must be so purchased. The offering price and underwriting discounts and commissions for the U.S. Offering and the International Offering are identical. The closing of the U.S. Offering is a condition to the closing of the International Offering, and the closing of the International Offering is a condition to the closing of the U.S. Offering.

The Company has been advised that the U.S. Underwriters and the International Managers propose to offer the shares of Common Stock directly to the public at the public offering price set forth on the cover page of this Prospectus, and to certain selected dealers (who may include the U.S. Underwriters and the International Managers) at such public offering price less a selling concession not in excess of \$ per share. The selected dealers may reallocate a concession not in excess of \$ per share to certain brokers and dealers. After the public offering, the public offering price, the concession to select dealers and reallocation may be changed by the U.S. Underwriters and the International Managers.

The Company and the Selling Stockholders have agreed to indemnify the U.S. Underwriters and the International Managers against certain liabilities, including liabilities under the Securities Act, and to contribute to payments that the U.S. Underwriters and the International Managers may be required to make in respect thereof.

The Selling Stockholders have granted to the U.S. Underwriters and the International Managers an option to purchase up to an aggregate of 1,800,000 and 450,000 additional shares of Common Stock, respectively, exercisable solely to cover over-allotments, at the offering price to the public less the underwriting discounts and commissions shown on the cover page of this Prospectus. All of the shares of Common Stock sold upon any exercise of this over-allotment option will be sold by the Selling Stockholders. Such option may be exercised at any time until 30 days after the date of the U.S. Underwriting Agreement and the International Underwriting Agreement, respectively. To the extent that the option is exercised, each U.S. Underwriter or International Manager, as the case may be, will be committed, subject to certain conditions, to purchase a number of the additional shares of Common Stock proportionate to such U.S. Underwriter's or International Manager's initial commitment as indicated in the preceding tables.

The Company, the Selling Stockholders and certain existing stockholders, including all of the executive officers of the Company, have agreed that they will not, subject to certain limited exceptions, for a period of 90 days from the date of this Prospectus, directly or indirectly, offer, sell or otherwise dispose of any shares of

Common Stock or any securities convertible into or exchangeable or exercisable for any such shares without the prior written consent of the Representatives.

The U.S. Underwriters and the International Managers have entered into an Agreement Between U.S. Underwriters and International Managers pursuant to which each U.S. Underwriter has agreed that, as part of the distribution of the shares of Common Stock offered in the U.S. Offering, (i) it is not purchasing any such shares for the account of anyone other than a U.S. Person (as defined below) and (ii) it has not offered or sold, and will not offer, sell, resell or deliver, directly or indirectly, any of such shares or distribute any prospectus relating to the U.S. Offering outside the United States or Canada or to anyone other than a U.S. Person. In addition, pursuant to such agreement each International Manager has agreed that, as part of the distribution of the shares of Common Stock offered in the International Offering, (i) it is not purchasing any such shares for the account of a U.S. Person and (ii) it has not offered or sold, and will not offer, sell, resell or deliver, directly or indirectly, any of such shares or distribute any prospectus relating to the International Offering in the United States or Canada or to any U.S. Person. Each International Manager has also agreed that it will offer to sell shares only in compliance with all relevant requirements of any applicable laws.

The foregoing limitations do not apply to stabilization transactions or to certain other transactions specified in the Underwriting Agreements and the Agreement Between U.S. Underwriters and International Managers, including (i) certain purchases and sales between the U.S. Underwriters and the International Managers, (ii) certain offers, sales, resales, deliveries or distributions to or through investment advisors or other persons exercising investment discretion, (iii) purchases, offers or sales by a U.S. Underwriter who is also acting as an International Manager or by an International Manager who is also acting as a U.S. Underwriter and (iv) other transactions specifically approved by the Representatives and the Lead Managers. As used herein, (a) the term "United States" means the United States of America (including the District of Columbia) and its territories, its possessions and other areas subject to its jurisdiction, and (b) the term "U.S. Person" means any resident or national of the United States or Canada or its provinces, any corporation, partnership or other entity created or organized in or under the laws of the United States or Canada or its provinces, or any estate or trust the income of which is subject to United States or Canadian income taxation regardless of the source of its income (other than the foreign branch of any U.S. Person), and includes any United States or Canadian branch of a person other than a U.S. Person.

Each International Manager has represented and agreed that (i) it has not offered or sold and prior to the date six months after the date of issue of the shares of Common Stock will not offer or sell any shares of Common Stock to persons in the United Kingdom except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995; (ii) it has complied and will comply with all applicable provisions of the Financial Services Act 1986 (the "1986 Act") with respect to anything done by it in relation to the shares of Common Stock in, from or otherwise involving the United Kingdom; and (iii) it has only issued or passed on, and will only issue and pass on to any person in the United Kingdom, any investment advertisement (within the meaning of the 1986 Act) relating to the shares of Common Stock if that person falls within Article 11(3) of the Financial Services Act 1986 (Investment Advertisements) (Exemptions) Order 1995.

The shares of Common Stock may not be offered or sold directly or indirectly in Hong Kong by means of this document or any other offering material or document other than to persons whose ordinary business it is to buy or sell shares or debentures, whether as principal or as agent. Unless permitted to do so by the securities laws of Hong Kong, no person may issue or cause to be issued in Hong Kong this document or any amendment or supplement thereto or any other information, advertisement or document relating to the shares of Common Stock other than with respect to shares of Common Stock intended to be disposed of to persons outside Hong Kong or to persons whose business involves the acquisition, disposal or holding of securities, whether as principal or as agent.

The shares of Common Stock have not been registered under the Securities and Exchange Law of Japan and are not being offered and may not be offered or sold directly or indirectly in Japan or to residents of Japan, except pursuant to applicable Japanese laws and regulations.

No action has been taken or will be taken in any jurisdiction by the Company or the International Managers that would permit a public offering of the shares offered pursuant to the Offerings in any jurisdiction where action for that purpose is required, other than the United States and Canada and its provinces. Persons into whose possession this Prospectus comes are required by the Company and the International Managers to inform themselves about and to observe any restrictions as to the offering of the shares offered pursuant to the Offerings and the distribution of this Prospectus.

Purchasers of the shares of Common Stock offered hereby may be required to pay stamp taxes and other charges in accordance with the laws and practices of the country of purchase in addition to the offering price set forth on the cover page hereof.

Prior to the Offerings, the Lehman Funds, each an affiliate of Lehman Brothers and Lehman Brothers International (Europe), beneficially own, in the aggregate, approximately 29% of the outstanding Common Stock of the Company (assuming no outstanding Options are exercised). Therefore, the underwriting arrangements for the Offerings will comply with the requirements of Schedule E to the Bylaws of the National Association of Securities Dealers, Inc. ("NASD") regarding an NASD member firm's participation in distributing its affiliate's securities. In accordance with Schedule E, the Underwriters will not make sales of shares of Common Stock offered hereby to customers' discretionary accounts without the prior specific written approval of such customers.

The Lehman Funds will receive a portion of the proceeds from the Offerings. One of the nine members of Lear's Board of Directors is presently employed by Lehman Brothers. In addition, two members of Lear's Board of Directors are principals of The Cypress Group L.L.C., a company that has provided consulting services to Lehman Brothers with respect to the management of the equity investments of the Lehman Funds. Lehman Brothers has from time to time provided investment banking, financial advisory and other services to the Company, for which services it has received fees.

#### LEGAL MATTERS

The validity of the issuance of shares of Common Stock offered hereby will be passed upon for the Company by Winston & Strawn, New York, New York. Certain legal matters in connection with the Offerings will be passed upon for the U.S. Underwriters and the International Managers by Cravath, Swaine & Moore, New York, New York. Cravath, Swaine & Moore has performed, and continues to perform, services for the Lehman Funds from time to time.

#### EXPERTS

The audited financial statements and schedule of the Company incorporated by reference into this Prospectus have been audited by Arthur Andersen LLP, independent public accountants, as indicated in their reports with respect thereto, and are included herein in reliance upon authority of said firm as experts in giving said reports.

The audited financial statements of AI incorporated by reference into this Prospectus have been audited by Arthur Andersen LLP, independent public accountants, as indicated in their report with respect thereto, and are included herein in reliance upon authority of said firm as experts in giving said report.

The audited financial statements of Masland incorporated by reference into this Prospectus have been audited by Price Waterhouse LLP, as indicated in their report with respect hereto, and are included herein in reliance upon authority of said firm as experts in giving said report.



LEAR CORPORATION LOGO [framed by flags of the countries in which the Company operates.]

Lear Corporation is the world's largest independent supplier of automotive interior systems - with 40,000 quality - dedicated, customer - focused people through 131 facilities in 19 countries around the globe.

#### Lear Total Systems Capabilities

[A picture of the interior of an automobile depicting the automotive interior products listed below which the Company produces]

Trunk Liners	Spare Tire Covers
Load Floors	Fuel Tank Shields
Package Trays	Seat Systems
Seat Backs	Quarter Panels
C-Pillars	Arm Rests
Appliques/Bolsters	Scuff Plates
Headliners	Door Panels
B-Pillars	SEAT COMPONENTS
Headrests	- Frames
Sunvisors	- Covers
A-Pillars	- Foam
Cowl Panels	- Hardware
HVAC Ducts	Consoles
Hood Insulators	Interior Insulators
Engine Shrouds	Air Intake Ducts
Coolant Reservoirs	Vapor Canisters
Grille Assemblies	Windshield Washer Reservoirs
	Exterior Air Dams

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NO DEALER, SALESMAN OR ANY OTHER PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS NOT CONTAINED IN THIS PROSPECTUS, AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE COMPANY OR ANY OF THE U.S. UNDERWRITERS. THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFER OF ANY SECURITIES OTHER THAN THOSE TO WHICH IT RELATES OR AN OFFER TO SELL, OR A SOLICITATION OF AN OFFER TO BUY, TO ANY PERSON IN ANY JURISDICTION WHERE SUCH AN OFFER OR SOLICITATION WOULD BE UNLAWFUL. NEITHER THE DELIVERY OF THIS PROSPECTUS NOR ANY SALE MADE HEREUNDER SHALL, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THE INFORMATION CONTAINED HEREIN IS CORRECT AS OF ANY TIME SUBSEQUENT TO THE DATE HEREOF.

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15,000,000 SHARES

LEAR CORP. LOGO

COMMON STOCK

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 PROSPECTUS  
 , 1996  
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 LEHMAN BROTHERS  
 DONALDSON, LUFKIN & JENRETTE  
 SECURITIES CORPORATION  
 MORGAN STANLEY & CO.  
 INCORPORATED  
 PAINEWEBBER INCORPORATED  
 SCHRODER WERTHEIM & CO.  
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INFORMATION CONTAINED HEREIN IS SUBJECT TO COMPLETION OR AMENDMENT. A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION. THESE SECURITIES MAY NOT BE SOLD NOR MAY OFFERS TO BUY BE ACCEPTED PRIOR TO THE TIME THE REGISTRATION STATEMENT BECOMES EFFECTIVE. THIS PROSPECTUS SHALL NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY NOR SHALL THERE BE ANY SALE OF THESE SECURITIES IN ANY STATE IN WHICH SUCH OFFER, SOLICITATION OR SALE WOULD BE UNLAWFUL PRIOR TO REGISTRATION OR QUALIFICATION UNDER THE SECURITIES LAWS OF ANY SUCH STATE.

[ALTERNATE PAGE FOR INTERNATIONAL OFFERING]  
SUBJECT TO COMPLETION, DATED JUNE 12, 1996

PROSPECTUS

15,000,000 Shares

LEAR CORP. LOGO

COMMON STOCK

Of the 15,000,000 shares of Common Stock ("Common Stock") of Lear Corporation ("Lear" or the "Company") being offered hereby, 7,500,000 shares are being offered by the Company and 7,500,000 shares are being offered by certain stockholders of the Company (the "Selling Stockholders"). See "Selling Stockholders." The Company will not receive any of the proceeds from the sale of Common Stock by the Selling Stockholders. Of the 15,000,000 shares of Common Stock being offered hereby, 3,000,000 shares are being offered initially outside the United States and Canada by the International Managers (the "International Offering") and 12,000,000 shares are being offered initially in the United States and Canada by the U.S. Underwriters (the "U.S. Offering" and, together with the International Offering, the "Offerings"). The public offering price and underwriting discounts and commissions per share are identical for both Offerings. See "Underwriting." Concurrently with the Offerings, the Company is undertaking a public offering (the "Note Offering") of \$200 million principal amount of subordinated notes due , 2006. The Offerings are not conditioned upon the consummation of the Note Offering.

The Company's Common Stock is listed on the New York Stock Exchange under the symbol "LEA." On June 11, 1996, the reported last sale price of the Common Stock on the New York Stock Exchange Composite Tape was \$38 1/2 per share.

SEE "RISK FACTORS" COMMENCING ON PAGE 11 HEREIN FOR CERTAIN FACTORS THAT SHOULD BE CONSIDERED BY PROSPECTIVE INVESTORS.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

	Price to Public	Underwriting Discounts and Commissions(1)	Proceeds to Company(2)	Proceeds to Selling Stockholders
Per Share.....	\$	\$	\$	\$
Total(3).....	\$	\$	\$	\$

- (1) Lear and the Selling Stockholders have agreed to indemnify the International Managers, the U.S. Underwriters and certain other persons against certain liabilities, including liabilities under the Securities Act of 1933, as amended. See "Underwriting."
- (2) Before deducting expenses payable by Lear estimated at \$ .
- (3) The Selling Stockholders have granted the International Managers and the U.S. Underwriters a 30-day option to purchase up to an aggregate of 2,250,000 additional shares of Common Stock on the same terms and conditions as set forth above solely to cover over-allotments, if any. If such option is exercised in full, the total Price to Public, Underwriting Discounts and Commissions and Proceeds to Selling Stockholders will be \$ , \$ and \$ , respectively. See "Underwriting."

The shares of Common Stock offered by this Prospectus are offered by the International Managers subject to prior sale, to withdrawal, cancellation or modification of the offer without notice, to delivery to and acceptance by the International Managers and to certain further conditions. It is expected that delivery of certificates for shares will be made at the offices of Lehman Brothers Inc., New York, New York, on or about , 1996.

LEHMAN BROTHERS  
DONALDSON, LUFKIN & JENRETTE  
SECURITIES CORPORATION

, 1996

[ALTERNATE PAGE FOR INTERNATIONAL PROSPECTUS]

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15,000,000 SHARES

LEAR CORP. LOGO

COMMON STOCK

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PROSPECTUS  
 , 1996

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LEHMAN BROTHERS  
 DONALDSON, LUFKIN & JENRETTE  
 SECURITIES CORPORATION  
 MORGAN STANLEY & CO.  
 INTERNATIONAL  
 PAINWEBBER INTERNATIONAL  
 SCHROEDERS

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PART II  
INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 14. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION

The following table sets forth all fees and expenses payable by the Registrant in connection with the issuance and distribution of the securities being registered hereby (other than underwriting discounts and commissions). All of such expenses, except the S.E.C. filing fee and the NASD filing fee, are estimated.

SEC filing fee.....	\$229,425
NASD filing fee.....	30,500
Blue sky fees and expenses.....	*
Legal fees and expenses.....	*
Accounting fees and expenses.....	*
Printing and engraving.....	*
Listing fees.....	*
Miscellaneous.....	*
	-----
Total.....	\$ *
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ITEM 15. INDEMNIFICATION OF DIRECTORS AND OFFICERS

The Registrant is a Delaware corporation. Reference is made to Section 145 of the Delaware General Corporation Law, as amended (the "GCL"), which provides that a corporation may indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of such corporation), by reason of the fact that such person is or was a director, officer, employee or agent of the corporation, or is or was serving at its request in such capacity of another corporation or business organization against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such action, suit or proceeding if such person acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interest of the corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe that such person's conduct was unlawful. A Delaware corporation may indemnify officers and directors in an action by or in the right of a corporation under the same conditions, except that no indemnification is permitted without judicial approval if the officer or director is adjudged to be liable to the corporation. Where an officer or director is successful on the merits or otherwise in the defense of any action referred to above, the corporation must indemnify him against the expenses (including attorneys' fees) that such officer or director actually and reasonably incurred.

Reference is also made to Section 102(b)(7) of the GCL, which permits a corporation to provide in its certificate of incorporation that a director of the corporation shall not be personally liable to the corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except for liability (i) for any breach of the director's duty of loyalty to the corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the GCL or (iv) for any transaction from which the director derived an improper personal benefit.

The certificate of incorporation of the Registrant provides for the elimination of personal liability of a director for breach of fiduciary duty as permitted by Section 102(b)(7) of the GCL and the by-laws of the Registrant provide that the Registrant shall indemnify its directors and officers to the full extent permitted by Section 145 of the GCL.

The Registrant has directors and officers liability insurance that insures the directors and officers of the Registrants against certain liabilities. In addition, Lehman Brothers Inc. has agreed to indemnify David P. Spalding, James A. Stern and Alan Washkowitz, each being a director of the Registrant and an officer or former officer of Lehman Brothers Inc., in connection with their service as directors of the Registrant.

The Underwriting Agreements provide for indemnification by each of the U.S. Underwriters and each of the International Managers, as the case may be, of directors and officers of Lear against certain liabilities, including liabilities under the Securities Act of 1933, under certain circumstances.

ITEM 16. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

A list of exhibits is set forth on the Index to Exhibits.

ITEM 17. UNDERTAKINGS

1. Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act of 1933 and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by them is against public policy as expressed in the Securities Act of 1933 and will be governed by the final adjudication of such issue.

2. The undersigned Registrant hereby undertakes that:

(a) For purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the Registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act of 1933 shall be deemed to be part of this registration statement as of the time it was declared effective.

(b) For purposes of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein and this offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(c) For purposes of determining any liability under the Securities Act of 1933, each filing of the Registrants' annual report pursuant to Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934 that is incorporated by reference in this registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

## SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the undersigned Registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-3 and has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Southfield, State of Michigan on June 12, 1996.

## LEAR CORPORATION

By: /s/ KENNETH L. WAY

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

Each person whose signature appears below hereby severally constitutes and appoints Kenneth L. Way, Robert E. Rossiter and James H. Vandenberghe, and each of them singly, his true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, to sign for him or her and in his or her name, place and stead in any and all capacities indicated below, the Registration Statement on Form S-3 filed herewith, and any and all pre-effective and post-effective amendments to said Registration Statement (including any related registration statement filed under Rule 462), and to file the same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary fully to all intents and purposes as he or she might or could do in person thereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or their or his or her substitute, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed below by the following persons in the capacities and on the dates indicated:

NAME	TITLE	DATE
----- /s/ KENNETH L. WAY ----- Kenneth L. Way	Chairman of the Board and Chief Executive Officer (Principal Executive Officer)	June 12, 1996
----- /s/ ROBERT E. ROSSITER ----- Robert E. Rossiter	President, Chief Operating Officer and Director	June 12, 1996
----- /s/ JAMES H. VANDENBERGHE ----- James H. Vandenberghe	Executive Vice President, Chief Financial Officer and Director (Principal Financial and Principal Accounting Officer)	June 12, 1996
----- /s/ LARRY W. MCCURDY ----- Larry W. McCurdy	Director	June 12, 1996
----- /s/ GIAN ANDREA BOTTA ----- Gian Andrea Botta	Director	June 12, 1996



NAME	TITLE	DATE
/s/ ROBERT W. SHOWER	Director	June 12, 1996
Robert W. Shower /s/ DAVID P. SPALDING	Director	June 12, 1996
David P. Spalding /s/ JAMES A. STERN	Director	June 12, 1996
James A. Stern /s/ ALAN WASHKOWITZ	Director	June 12, 1996
Alan Washkowitz		

## INDEX TO EXHIBITS

EXHIBIT NUMBER	EXHIBIT	SEQUENTIALLY NUMBERED PAGE
*1.1	-- Form of U.S. Underwriting Agreement.	--
*1.2	-- Form of International Underwriting Agreement.	--
2.1	-- Agreement and Plan of Merger, dated as of May 23, 1996, among Lear, PA Acquisition Corp. and Masland.	--
*5.1	-- Opinion of Winston & Strawn, special counsel to Lear.	--
12.1	-- Statement Regarding Computation of Ratios.	--
23.1	-- Consent of Arthur Andersen LLP.	--
23.2	-- Consent of Arthur Andersen LLP with respect to AI Financial Statements.	--
*23.3	-- Consent of Price Waterhouse LLP, with respect to the Masland Financial Statements.	--
*23.4	-- Consent of Winston & Strawn (included in Exhibit 5.1).	--
24.1	-- Powers of Attorney (included on the signature page hereof).	--
99.1	-- Amended and Restated Stockholders and Registration Rights Agreement dated as of September 27, 1991 by and among Lear, the Lehman Funds, Lehman Merchant Banking Partners Inc., as representative of the Lehman Partnerships, FIMA Finance Management Inc., a British Virgin Islands corporation, and certain management investors (incorporated by reference to Exhibit 2.2 to Lear Holdings Corporation's Current Report on Form 8-K dated September 24, 1991).	--
99.2	-- Waiver and Agreement dated September 27, 1991, by and among Holdings, Kidder Peabody Group Inc., KP/Hanover Partners 1988, L.P., General Electric Capital Corporation, FIMA Finance Management Inc., a Panamanian corporation, FIMA Finance Management Inc., a British Virgin Islands corporation, MH Capital Partners Inc., successor by merger and name change to MH Equity Corp., SO.PA.F Societa Partecipazioni Finanziarie S.p.A., INVEST Societa Italiana Investimenti S.p.A., the Lehman Partnerships and the Management Investors (incorporated by reference to Exhibit 2.3 to Lear Holdings Corporation's Current Report on Form 8-K dated September 24, 1991).	--
99.3	-- Amendment to Amended and Restated Stockholders and Registration Rights Agreement (incorporated by reference to Exhibit 10.24 to Lear's Transition Report on Form 10-K filed March 31, 1994).	--
99.4	-- Waiver to Amended and Restated Stockholders and Registration Rights Agreement dated August 15, 1995 (incorporated by reference to Exhibit 99.4 to Lear's Registration Statement on Form S-3 (33-61583)).	--
*99.5	-- Waiver to Amended and Restated Stockholders and Registration Rights Agreement dated June , 1996.	--

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 \* To be filed by Amendment.

AGREEMENT AND PLAN OF MERGER DATED MAY 23, 1996

BY AND AMONG LEAR CORPORATION;

PA ACQUISITION CORP. AND

MASLAND CORPORATION

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EXHIBIT A

SCHEDULE I

## AGREEMENT AND PLAN OF MERGER

AGREEMENT AND PLAN OF MERGER dated May 23, 1996 (this "Agreement") by and among LEAR CORPORATION, a Delaware corporation ("Purchaser"), PA ACQUISITION CORP., a Delaware corporation and a wholly-owned subsidiary of Purchaser ("Sub") and MASLAND CORPORATION, a Delaware corporation (the "Company") (Sub and the Company being hereinafter collectively referred to as the "Constituent Corporations").

## W I T N E S S E T H

WHEREAS, the Board of Directors of Purchaser and the Board of Directors of the Company have approved the acquisition of the Company by Purchaser, by means of the merger of Sub with and into the Company, upon the terms and conditions set forth in this Agreement;

WHEREAS, to effectuate such acquisition, Purchaser proposes to make or to cause Sub or another direct or indirect wholly-owned subsidiary of Purchaser to make a tender offer for any and all Shares of Common Stock of the Company, \$.01 par value, which are issued and outstanding (the "Shares") (including the associated rights (the "Rights") to purchase Series A Junior Participating Preferred Stock, par value \$.01 per share, of the Company (or other securities) issued pursuant to the Rights Agreement dated as of November 16, 1995, as amended (the "Rights Agreement"), between the Company and Mellon Securities Trust Company, as Rights Agent) on the terms set forth in the Offer to Purchase (as hereinafter defined), and the Board of Directors of the Company has approved such tender offer and recommended that it be accepted by the stockholders of the Company;

WHEREAS, Purchaser and Sub are unwilling to enter into this Agreement (and effect the transactions contemplated hereby) unless, contemporaneously with the execution and delivery hereof, certain beneficial and record holders of the Shares identified on Schedule I hereto enter into agreements (collectively, the "Stockholders Agreement") providing for certain matters with respect to their Shares, including the tender of their Shares and certain other

actions relating to the Offer (as defined in Section 1.01) and the other transactions contemplated by this Agreement, and in order to induce Purchaser and Sub to enter into this Agreement, such stockholders have agreed to enter into the Stockholders Agreement;

NOW, THEREFORE, in consideration of the premises and the mutual covenants herein contained, Purchaser, Sub and the Company hereby agree as follows:

#### ARTICLE I

##### THE OFFER

1.01 The Offer. (a) Provided that this Agreement shall not have been terminated in accordance with Section 6.01 and that nothing shall have occurred which would result in a failure to satisfy any of the conditions set forth in Exhibit A hereto, Purchaser or Sub shall as promptly as practicable, and in no event later than one business day after the date hereof, publicly announce the execution and delivery of this Agreement, and within five business days after such public announcement commence (within the meaning of Rule 14d-2(a) of the Securities Exchange Act of 1934, as amended, (including the rules and regulations promulgated thereunder, the "Exchange Act")), a tender offer for all outstanding Shares (including the associated Rights) at a price of \$26.00 per Share net to the Seller in cash (the "Offer") and, subject to the satisfaction of the conditions set forth in such Exhibit A, shall use its best efforts to consummate the Offer on the terms set forth herein.

(b) As soon as practicable on the date the Offer is commenced, Purchaser and Sub shall file with the Securities and Exchange Commission (the "Commission") a Tender Offer Statement on Schedule 14D-1 with respect to the Offer (the "Schedule 14D-1") which shall include as an exhibit and incorporate by reference an offer to purchase (the "Offer to Purchase") (or portions thereof) and forms of the related letter of transmittal and summary advertisement (which documents, together with any supplements or amendments thereto, are referred to collectively herein as the "Offer Documents"). The Company and its counsel shall be given the opportunity to review the Offer Documents and any amendments thereto prior to the filing thereof with the Commission. Each of Purchaser, Sub and the Company represents and warrants that the written information supplied and to be supplied for inclusion by Purchaser, Sub and the Company, respectively, in the Schedule 14D-1 and the Offer Documents shall, on the date the Schedule 14D-1 is filed with the Commission, and on the date the Offer Documents are first published, sent or given to holders of Shares, as the case

may be, not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading, and each of Purchaser, Sub and the Company agrees promptly to correct any such information provided by them which shall have become false or misleading in any material respect and take all steps necessary to cause such Schedule 14D-1 as so corrected to be filed with the Commission and such Offer Documents as so corrected to be disseminated to holders of Shares, in each case as and to the extent required by applicable law. Purchaser and Sub agree that the Schedule 14D-1 shall comply as to form in all material respects with the provisions of applicable law.

(c) Without the prior written consent of the Company, the Purchaser shall not (i) decrease the price per Share or change the form of consideration payable in the Offer, (ii) decrease the number of Shares sought, (iii) amend or waive satisfaction of the Minimum Condition (as defined in Exhibit A), (iv) impose additional conditions to the Offer or amend any other term of the Offer in any manner adverse to the holders of Shares, or (v) extend the expiration date of the Offer (except as required by law and except that Sub may extend the expiration date of the Offer for up to ten (10) business days after the initial expiration date or for longer periods in the event that at the expiration date of the Offer the conditions to the Offer described in Exhibit A hereto shall not have been satisfied or earlier waived); provided, however, that, except as set forth above, Sub may waive any other condition to the Offer in its sole discretion; and provided further, that the Offer may be extended in connection with an increase in the consideration to be paid pursuant to the Offer so as to comply with applicable rules and regulations of the Commission. Upon the terms and subject to the conditions of the Offer, the Purchaser will accept for payment and purchase, as soon as permitted under the terms of the Offer, all Shares validly tendered and not withdrawn prior to the expiration of the Offer (it being understood that the Offer shall expire as soon as is permissible under the Exchange Act and the Rules and Regulations of the New York Stock Exchange Inc. subject to the provisions of this Subsection (c) and Section 6.01 below).

1.02 Company Action. (a) The Company hereby consents to the Offer and represents that (i) the Board of Directors of the Company (the "Board") at a meeting duly called and held (x) has unanimously approved this Agreement and the transactions contemplated hereby, including the Offer and the Merger (as such term is defined in Section 2.01), (y) has resolved to recommend acceptance of the Offer and approval of this Agreement and the Merger by the Company's stockholders and (z) by the unanimous vote



of the Board, determined that each of this Agreement, the Offer and the Merger are fair to and in the best interests of the stockholders of the Company, and (ii) Goldman Sachs & Co. ("Goldman Sachs") has delivered to the Board its opinion that the per Share (including the associated Rights) consideration to be received by the Company's stockholders pursuant to the Offer and the Merger is fair to such stockholders. The Company hereby consents to the inclusion in the Offer Documents of the recommendations of the Board referred to in this Section 1.02 (a). On the date the Offer is commenced, the Company shall file with the Commission and mail to the holders of Shares a Solicitation/ Recommendation Statement on Schedule 14D-9 (the "Schedule 14D-9"), which shall reflect such recommendations and actions of the Board. The Company and with respect only to information that they have supplied for inclusion in the Schedule 14D-9, Purchaser and Sub, represent and warrant that the Schedule 14D-9 and any amendments or supplements thereto shall not, at the time filed with the Commission and on the date such Schedule or any amendment or supplement thereto is first mailed to the holders of Shares, contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading. The Company agrees promptly to correct any information in the Schedule 14D-9 which shall have become false or misleading in any material respect and take all steps necessary to cause the Schedule 14D-9 as so corrected to be filed with the Commission and disseminated to holders of Shares, as and to the extent required by applicable law. The Company agrees that the Schedule 14D-9 shall comply as to form in all material respects with all provisions of applicable law. Purchaser, Sub and their counsel shall be given the opportunity to review the Schedule 14D-9 and any amendments thereto prior to the filing thereof with the Commission.

(b) The Company shall promptly furnish Purchaser with a list of the record holders of Shares and mailing labels containing the names and addresses of all record holders of Shares and lists of securities positions of Shares held in stock depositories, each as of the latest practicable date, and shall promptly furnish Purchaser with such additional information, including updated lists of stockholders of the Company, mailing labels and lists of securities positions, and assistance as Purchaser or its agents may reasonably request in connection with the Offer.

1.03 Directors. (a) Promptly upon the purchase by Sub of Shares pursuant to the Offer, and from time to time thereafter, Purchaser or Sub shall be entitled to designate such number of directors, rounded up to the next whole number (but in no event more than one less than the total number of directors on the Board)

as will give Purchaser, subject to compliance with Section 14(f) of the Exchange Act, representation on the Board equal to the product of (x) the number of directors on the Board (giving effect to any increase in the number of directors pursuant to this Section 1.03) and (y) the percentage that such number of Shares so purchased bears to the aggregate number of Shares outstanding (such number being, the "Board Percentage"), and the Company shall, upon request by Purchaser, promptly satisfy the Board Percentage by (i) increasing the size of the Board or (ii) using its best efforts to secure the resignations of such number of directors as is necessary to enable Purchaser's designees to be elected to the Board and shall cause Purchaser's designees promptly to be so elected. At the request of Purchaser, the Company shall take, at the Company's expense, all lawful action necessary to effect any such election. In addition, the Company shall mail to its stockholders the information required by Section 14(f) of the Exchange Act and Rule 14f-1 promulgated thereunder with the Schedule 14D-9. Purchaser will supply to the Company in writing and will be solely responsible for any information with respect to it and its designees, officers, directors and affiliates required by Section 14(f) of the Exchange Act and Rule 14f-1.

(b) Following the election or appointment of Purchaser's designees pursuant to this Section 1.03 and prior to the Effective Time of the Merger, any amendment or termination of this Agreement, extension for the performance or waiver of the obligations or other acts of Purchaser or Sub or waiver of the Company's rights hereunder, shall require the concurrence of a majority of directors of the Company then in office who are directors on the date hereof and who voted to approve this Agreement.

## ARTICLE II

### THE MERGER

2.01 The Merger. (a) Subject to the terms and conditions hereof, at the Effective Time (as such term is defined in Section 2.01(b)), Sub will be merged with and into the Company (the "Merger") in accordance with the General Corporation Law of Delaware (the "Delaware Law"), the separate existence of Sub shall cease and the Company shall continue as the surviving corporation in the Merger (the "Surviving Corporation") under the name "MASLAND CORPORATION"

(b) At the Closing (as hereinafter defined) the parties hereto shall cause the Merger to be consummated by filing with the Secretary of State of Delaware the appropriate certificate of merger (the "Certificate of Merger") duly executed by the Company

in accordance with the requirements of the Delaware Law and with this Agreement. The date and time of filing of the Certificate of Merger with the Secretary of State of Delaware is referred to herein as the "Effective Time."

(c) From and after the Effective Time, the Surviving Corporation shall possess all the rights, privileges, powers, immunities and franchises, and be subject to all of the restrictions, disabilities and duties of each of the Constituent Corporations; and all property, real, personal and mixed, and all debts due on whatever account, including subscriptions to shares, and all other choses in action, and all and every other interests, of or belonging to or due to each of the Constituent Corporations shall be taken and deemed to be transferred to and vested in the Surviving Corporation without further act or deed; and the title to any real estate, or any interest therein, vested in any of the Constituent Corporations shall not revert or be in any way impaired by reason of the Merger; all in accordance with Section 259 of the Delaware Law.

(d) Notwithstanding anything to the contrary herein, the parties to this Agreement may, by mutual consent prior to the Effective Time, elect, instead of merging Sub into the Company as hereinabove provided, to merge the Company into Sub. In such event, the parties agree to execute an appropriate amendment to this Agreement in order to reflect the foregoing change.

2.02 Closing. The closing of the Merger (the "Closing") shall take place (i) at the offices of Winston & Strawn, 35 West Wacker Drive, Chicago, IL 60601, at 10:00 A.M., local time, on the later of (x) the day of the Special Meeting provided for in Section 4.02, if such Special Meeting is required to be held or (y) the first business day after the day on which the last of the conditions set forth in Article V is fulfilled or waived (subject to applicable law) or (ii) at such other time and place and on such other date as Purchaser and the Company shall agree (the "Closing Date").

2.03 Conversion of Shares. At the Effective Time, by virtue of the Merger and without any action on the part of the holders of any securities of the Constituent Corporations:

(a) each Share (including the associated Rights) then issued and outstanding, other than Dissenting Shares (as such term is defined in Section 2.04) and Shares to be cancelled pursuant to Section 2.03(b), shall be converted into and represent the right to receive \$26.00 net in cash, without any interest thereon, or an amount in cash, without interest, having a value equal to such greater amount per Share (including the associated Rights) as may be paid (in cash or other property or a combination thereof) by

Purchaser for any Shares (including the associated Rights) validly tendered and not withdrawn pursuant to the Offer (the "Merger Consideration"); in the event the price per Share (including the associated Rights) paid by Purchaser in the Offer is paid in whole or in part in property other than cash, such price shall be deemed to be equal to the sum of (i) the amount of cash, if any, paid for each Share (including the associated Rights) plus (ii) the fair value of such property, as agreed to by the Company and the Purchaser, or, if they are unable to agree, as determined by a nationally recognized investment banking firm, selected by the Company and approved by the Purchaser, which approval shall not be unreasonably withheld, and the fees of which shall be shared equally by the Company and the Purchaser;

(b) each Share (including the associated Rights) then held, directly or indirectly, by Purchaser, Sub or any subsidiary of Purchaser, Sub or the Company or held in the Company's treasury shall be cancelled and retired without payment of any consideration therefor; and

(c) each Share of common stock, par value \$.01 per share, of Sub ("Sub Common Stock") issued and outstanding immediately prior to the Effective Time shall be converted into and become one validly issued, fully paid and non-assessable share of common stock, \$.01 par value, of the Surviving Corporation ("Surviving Corporation Common Stock"). After the Effective Time, Purchaser shall be the holder of all outstanding shares of Surviving Corporation Common Stock.

2.04 Dissenting Shares. Notwithstanding any other provision of this Agreement to the contrary, Shares (including the associated Rights) held by each stockholder who has not voted such Shares in favor of the Merger and with respect to which the holder thereof has properly exercised the right to dissent and demanded the fair value thereof in accordance with Section 262 of the Delaware Law ("Dissenting Shares") shall not be converted into and represent the right to receive the Merger Consideration; provided, however, that if any such stockholder ceases to be entitled to an appraisal of his Shares pursuant to Section 262 of the Delaware Law, then such holder's Dissenting Shares shall cease to be Dissenting Shares and shall, subject to the terms of this Agreement, be converted into and represent the right to receive the Merger Consideration.

2.05 Payment. (a) Pursuant to an agreement (the "Disbursing Agent Agreement") to be entered into on or before the Closing Date between Purchaser and a disbursing agent (the "Disbursing Agent") which shall be a commercial bank with capital of at least \$1,000,000,000, Purchaser or the Surviving Corporation shall

deposit with the Disbursing Agent, in trust for the benefit of the Company's stockholders, at the Closing, the cash (in immediately available funds) to which holders of Shares shall be entitled pursuant to Section 2.03(a). The Disbursing Agent may invest portions of the cash deposited with it in such manner as Purchaser or the Surviving Corporation, as the case may be, directs, provided that all such investments be in obligations of or guaranteed by the United States of America, in commercial paper obligations receiving the highest rating from either Moody's Investors Service, Inc. or Standard & Poor's Corporation, or in certificates of deposit, bank repurchase agreements or bankers' acceptances of commercial banks with capital exceeding \$1,000,000,000 the securities of which, or the securities of the holding company of which, are rated in the highest category by a nationally recognized credit agency (collectively, "Permitted Investments") or in money market funds which are invested solely in Permitted Investments; provided, further, that the maturities of Permitted Investments shall be such as to permit the Disbursing Agent to make prompt payment of the Merger Consideration to former stockholders of the Company entitled thereto. Any net profit resulting from, or interest or income produced by, Permitted Investments shall be payable to the Surviving Corporation. Purchaser shall replace any monies lost through any investment made at its direction pursuant to this Section 2.05(a) prior to the Effective Time, and the Surviving Corporation shall replace any monies lost through any investment made at its direction pursuant to this Section 2.05(a) after the Effective Time. Any funds remaining with the Disbursing Agent one year after the Effective Time shall be released and repaid by the Disbursing Agent to the Surviving Corporation, after which time persons entitled thereto may look, subject to applicable escheat and other similar laws, only to the Surviving Corporation for payment thereof.

(b) As soon as practicable after the Effective Time, the Disbursing Agent shall send a notice and a transmittal form to each holder of certificates formerly evidencing Shares (other than certificates formerly representing Shares to be cancelled pursuant to Section 2.03(b) and certificates representing Dissenting Shares) advising such holder of the effectiveness of the Merger and the procedure for surrendering to the Disbursing Agent (who may appoint forwarding agents with the approval of Purchaser) such certificates for exchange into the Merger Consideration. Each holder of certificates theretofore evidencing Shares, upon proper surrender thereof to the Disbursing Agent together with and in accordance with such transmittal form, shall be entitled to receive in exchange therefor the Merger Consideration deliverable in respect of the Shares theretofore evidenced by the certificates so surrendered. Upon such proper surrender, the Disbursing Agent shall promptly deliver the Merger Consideration. Until properly

surrendered, certificates formerly evidencing Shares (other than Dissenting Shares) shall be deemed for all purposes to evidence only the right to receive the Merger Consideration. Notwithstanding the foregoing, neither the Disbursing Agent nor any party hereto shall be liable to a holder of certificates theretofore representing Shares for any amount which may be required to be paid to a public official pursuant to an applicable abandoned property, escheat or similar law.

(c) If the Merger Consideration (or any portion thereof) is to be delivered to a person other than the person in whose name the certificates surrendered in exchange therefor are registered, it shall be a condition to the payment of such Merger Consideration that the certificates so surrendered shall be properly endorsed or accompanied by appropriate stock powers and otherwise in proper form for transfer, that such transfer otherwise be proper and that the person requesting such transfer pay to the Disbursing Agent any transfer or other taxes payable by reason of the foregoing or establish to the satisfaction of the Disbursing Agent that such taxes have been paid or are not required to be paid.

(d) In the event any certificate shall have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the person claiming such certificate to be lost, stolen or destroyed, the Surviving Corporation will issue in exchange for such lost, stolen or destroyed certificate the Merger Consideration deliverable in respect thereof as determined in accordance with this Article II. When authorizing such issue of the Merger Consideration in exchange therefor, the Board of Directors of the Surviving Corporation may, in its discretion and as a condition precedent to the issuance thereof, require the owner of such lost, stolen or destroyed certificate to give the Surviving Corporation a bond in such sum as it may direct as indemnity against any claim that may be made against the Surviving Corporation with respect to the certificate alleged to have been lost, stolen or destroyed.

2.06 No Further Rights. From and after the Effective Time, holders of certificates theretofore evidencing Shares shall cease to have any rights as stockholders of the Company, except as provided herein or by law.

2.07 Closing of Company Transfer Books. At the Effective Time, the stock transfer books of the Company shall be closed and no transfer of Shares shall thereafter be made.

2.08 Certificate of Incorporation By-Laws: Directors and Officers. The Restated Certificate of Incorporation and By-Laws of the Company in effect immediately prior to the Effective Time shall be the Certificate of Incorporation and By-Laws of the Surviving

Corporation until thereafter amended as provided therein and under the Delaware Law, except that (i) Article Seven (c) and (h) of the Restated Certificate of Incorporation shall be deleted; (ii) Article Four of the Restated Certificate of Incorporation shall be amended to read in its entirety as follows:

"ARTICLE FOUR

The total number of shares of stock that the corporation is authorized to issue is One Hundred (100) shares of common stock, having a par value of \$.01 per share";

and (iii) Article Seven (d) of the Restated Certificate of Incorporation shall be amended to read in its entirety as follows:

"(d) Vacancies and newly erected directorships resulting from any increase in the authorized number of directors may be filled by a majority of the directors then in office, though less than a quorum, or by a sole remaining director, and the directors so chosen shall hold office until their successors are duly elected and qualified, or until their earlier resignation or removal."

The directors of Sub immediately prior to the Effective Time shall be the directors of the Surviving Corporation and the officers of the Company immediately prior to the Effective Time shall be the officers of the Surviving Corporation, in each case until their successors are duly elected and qualified. The Company will use its best efforts to obtain the resignations of its directors at the Effective Time.

2.09 Withholding Rights. Purchaser shall be entitled to deduct and withhold from the consideration otherwise payable pursuant to this Agreement to any holder of Shares such amounts as Purchaser is required to deduct and withhold with respect to the making of such payment under the Internal Revenue Code of 1986, as amended (the "Code"), or any provision of state, local or foreign tax law. To the extent that amounts are so withheld by Purchaser, such withheld amounts shall be treated for all purposes of this Agreement as having been paid to the holder of the Shares in respect of which such deduction and withholding was made by Purchaser.

## ARTICLE III

## REPRESENTATIONS AND WARRANTIES

3.01 Resentation and Warranties of Purchaser and Sub. Purchaser and Sub hereby jointly and severally represent and warrant to the Company as follows:

(a) Organization. Each of Purchaser and Sub is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware.

(b) Authorization and Validity of Agreements. Each of Purchaser and Sub has all requisite corporate power and authority to enter into this Agreement and to perform its respective obligations hereunder. The execution, delivery and performance by each of Purchaser and Sub of this Agreement, and the consummation by it of the transactions contemplated hereby, have been duly authorized by its Board of Directors, and by Purchaser, as the sole stockholder of Sub. No other corporate action on the part of Purchaser or Sub is necessary to authorize the execution, delivery or performance by Purchaser and Sub of this Agreement and the consummation by Purchaser and Sub of the transactions contemplated hereby. This Agreement has been duly executed and delivered by Purchaser and Sub and is the legal, valid and binding obligation of Purchaser and Sub, enforceable against each of them in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency, moratorium or other similar laws relating to creditors' rights generally and except that the availability of equitable remedies, including specific performance, is subject to the discretion of the court before which any proceeding therefor may be brought.

(c) No Approvals or Notices Required; No Conflict with Instruments to which Purchaser or Sub is a Party. Neither the execution and delivery of this Agreement by Purchaser and Sub nor the performance by Purchaser and Sub of their respective obligations hereunder nor the consummation of the transactions contemplated hereunder will: (i) conflict with or violate the Certificate of Incorporation or By-Laws of Purchaser or Sub; (ii) assuming satisfaction of the requirements set forth in clause (iii) below, conflict with or violate any provision of law applicable to Purchaser or Sub; or (iii) except for (1) requirements of the Exchange Act, (2) requirements, if any, arising out of the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the "HSR Act"), (3) applicable requirements, if any, of any non-United States competition, antitrust or investment laws (including, without limitation, Council Regulation (EEC) 4064/89, the Investment Canada Act, the Competition Act (Canada), the Fair



Trading Act 1973 (UK), and any rules or regulations promulgated by the Secretary of State for Trade and Industry (U.K.), collectively, "Foreign Antitrust Laws") and (4) the delivery of the Certificate of Merger in accordance with the Delaware Law, require any order, consent, material authorization or permit or approval of, or filing with or notice to any governmental, administrative or regulatory commission, agency, authority or other public body, domestic or foreign (each a "Governmental Entity") under any provision of law applicable to Purchaser or Sub; or (iv) other than the Credit Agreement Waiver (as defined in Exhibit A attached hereto), require any consent, approval or notice under, or violate, be in conflict with or result in any breach of or constitute a default under, or permit the termination of any provision of or loss of any material benefit under, or result in the acceleration of the maturity or performance of any obligation of or result in the creation or imposition of any lien or other encumbrance upon any properties, assets or businesses of Purchaser or Sub under any note, bond, indenture, mortgage, deed of trust, lease, franchise, permit, authorization, license, contract, instrument or other agreement or commitment, or any order, judgment or decree to which Purchaser or Sub is a party or by which it or any of its assets or properties is bound or encumbered, which in any of the foregoing cases in this clause (iv) would, individually or in the aggregate, have a material adverse effect on the condition (financial or otherwise), results of operations, business, assets or liabilities of Purchaser and its subsidiaries taken as a whole.

(d) Financing. Assuming that the Credit Agreement Waiver Condition (as defined in Exhibit A attached hereto) is satisfied, Purchaser has or will have, prior to the expiration of the Offer, sufficient funds available to purchase all of the Shares outstanding and to pay all related fees and expenses on a fully diluted basis pursuant to the Offer and this Agreement.

3.02 Representations and Warranties of the Company. The Company hereby represents and warrants to Purchaser and Sub as follows:

(a) Organization. Each of the Company and the Subsidiaries (as such term is defined in Section 3.02(c)) is a corporation duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation and has all requisite corporate power and authority and all necessary governmental approvals to own, lease and operate its properties and to carry on its business as now being conducted. Each of the Company and its Subsidiaries is duly qualified or licensed as a foreign corporation to do business, and is in good standing in each jurisdiction in which the property owned, leased or operated by it or the nature of the business conducted by it makes such

qualification necessary, except where the failure to be so duly qualified or licensed would not, individually or in the aggregate, have a material adverse effect on the condition (financial or otherwise), results of operations, business, assets or liabilities of the Company and the Subsidiaries taken as a whole (a "Company Material Adverse Effect").

(b) Capitalization. The authorized capital stock of the Company consists of 60,000,000 shares, of which 50,000,000 shares are Common Stock, having a par value of \$.01 per share (the "Common Stock"), and 10,000,000 shares are Preferred Stock, having a par value of \$.01 per share (the "Preferred Stock"). As of the date hereof, 13,590,393 Shares of Common Stock and no shares of Preferred Stock were issued and outstanding and no Shares were held in the Company's treasury. All outstanding Shares have been duly authorized and validly issued and are fully paid and nonassessable and have no preemptive rights. There are 1,883,204 Shares reserved for issuance upon exercise of the stock options and warrants to acquire Common Stock (collectively, the "Company Stock Options") issued pursuant to the Company's 1991 Stock Purchase and Option Plan, 1993 Stock Option Incentive Plan and the Non-Employee Director Stock Option Plan (the "Stock Option Plans") of which Company Stock Options to acquire (1) 1,883,204 Shares have been granted, (2) 1,196,030 Shares are fully vested and exercisable on the date hereof and (3) 108,174 Shares will become fully vested and exercisable upon consummation of the Offer. Except as disclosed in the preceding sentence and as set forth in the Rights Agreement, the Company does not have outstanding any subscriptions, options, warrants, rights, convertible securities or other agreements or commitments of any character relating to the issued or unissued capital stock or other securities of the Company obligating the Company to issue any securities. All Shares subject to issuance as aforesaid, upon issuance on the terms and conditions specified in the Company Stock Options, will be duly authorized, validly issued, fully paid and nonassessable. There are no outstanding contractual obligations of the Company or any Subsidiary to repurchase, redeem or otherwise acquire any shares of Common Stock or any capital stock of any Subsidiary or make any material investment (in the form of a loan, capital contribution or otherwise) in any Subsidiary.

(c) Subsidiaries. The only corporation, partnership, joint venture or other entity in which the Company, directly or indirectly, has an equity or other interest of 50% or greater or otherwise controls (the "Subsidiaries") are those named in Exhibit 21.1 to the Company's Annual Report on Form 10-K dated September 26, 1995 for the fiscal year ended June 30, 1995 (the "1995 10-K"), as filed with the Commission and heretofore delivered to Purchaser. Except as otherwise disclosed in Schedule 3.02(c), the Company is,

directly or indirectly, the record and beneficial owner of all of the outstanding shares of capital stock of each of the Subsidiaries, there are no irrevocable proxies with respect to such shares, and no equity securities of any of the Subsidiaries are or may become required to be issued for any reason including, without limitation, by reason of any options, warrants, scrip, rights to subscribe for, calls or commitments of any character whatsoever relating to, or securities or rights convertible into or exchangeable for, shares of any capital stock of any Subsidiary, and there are no contracts, understandings or arrangements by which any Subsidiary is bound to issue additional shares of its capital stock or securities convertible into or exchangeable for such shares. All of such shares so owned by the Company or any of the Subsidiaries have been duly authorized and validly issued and are fully paid and nonassessable and are owned by it free and clear of any claim, lien, encumbrance or agreement with respect thereto.

(d) Authorization and Validity of Agreements. The Company has all requisite corporate power and authority to enter into this Agreement and to perform its obligations hereunder (subject to obtaining any necessary approval of its stockholders with respect to the Merger). The execution, delivery and performance by the Company of this Agreement and the consummation by it of the transactions contemplated hereby have been duly authorized by the Board (by a vote of at least two-thirds of the directors) and no other corporate action on the part of the Company is necessary to authorize the execution and delivery by the Company of this Agreement and the consummation by it of the transactions contemplated hereby (other than obtaining any necessary approval of its stockholders with respect to the Merger). This Agreement has been duly executed and delivered by the Company and is the legal, valid and binding obligation of the Company, enforceable against it in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency, moratorium or other similar laws relating to creditors' rights generally and except that the availability of equitable remedies, including specific performance, is subject to the discretion of the court before which any proceeding therefor may be brought.

(e) No Approvals or Notices Required; No Conflict with Instruments to which the Company is Party. Neither the execution and delivery of this Agreement by the Company nor the performance by the Company of its obligations hereunder nor the consummation of the transactions contemplated hereunder will (i) conflict with or violate the Certificate of Incorporation or By-Laws of the Company or any of its Subsidiaries; (ii) assuming satisfaction of the requirements set forth in clause (iii) below, conflict with or violate any provision of law applicable to the Company or its Subsidiaries or by which any property or asset of the Company or

any of its Subsidiaries is bound or affected; (iii) except for (1) requirements of the Exchange Act, (2) requirements, if any, arising out of the HSR Act, (3) applicable requirements, if any, of Foreign Antitrust Laws and (4) the delivery of the Certificate of Merger in accordance with the Delaware Law, require any order, consent, material authorization or permit, or approval of, or filing with or notice to any Governmental Entity under any provision of law applicable to the Company or any of the Subsidiaries; (iv) except as disclosed on Schedule 3.02(e) hereto, require any consent, approval or notice under, or violate, be in conflict with or result in any breach of or constitute a default under, or permit or cause the termination of any provision of or loss of any material benefit under, or result in the acceleration of the maturity or performance of any obligation of or result in the creation or imposition of any lien or other encumbrance upon any properties, assets or businesses of the Company or any of the Subsidiaries under any note, bond, indenture, mortgage, deed of trust, lease, franchise, permit, authorization, license, contract, instrument or other agreement or commitment, or any order, judgment or decree to which the Company or any of the Subsidiaries is a party or by which it or any of the Subsidiaries or any of their respective assets or properties is bound or encumbered, which in any of the foregoing cases in this clause (iv) would have, either individually or in the aggregate, a Company Material Adverse Effect. The Board of Directors of the Company, at a meeting duly called and held, has taken all actions necessary under the Delaware Law, including approving the transactions contemplated by this Agreement and the Stockholders Agreement, to ensure that the restrictions on "business combinations" set forth in Section 203 of the Delaware Law do not, and will not, apply to Purchaser, Sub, affiliates or associates of Purchaser or Sub or the transactions contemplated by this Agreement or the Stockholders Agreement. The affirmative vote of the holders of a majority of the Shares is the only vote of the holders of any class or series of the Common Stock necessary to approve the Merger. The Board has taken all necessary actions under the Rights Agreement to amend the Rights Agreement so that the Rights Agreement shall not be applicable to the purchase of the Shares pursuant to the Offer or the Merger or the consummation of the transactions contemplated hereby, and so that none of the execution or delivery of this Agreement, the purchase of Shares pursuant to the Offer or the Merger or the consummation of the transactions contemplated by this Agreement or the Stockholders Agreement will cause the Distribution Date (as defined in the Rights Agreement) to occur, the Rights to become exercisable or Purchaser or Sub or any affiliate or associate of Purchaser or Sub to become an Acquiring Person (as defined in the Rights Agreement). Except as so amended in accordance with the previous sentence, the Rights Agreement is otherwise in full force and effect. On the date hereof, the Company has delivered to Purchaser a certificate of the Company,

signed by an executive officer of the Company and dated on the date of execution thereof, to evidence satisfaction by the Company of all of the conditions set forth in the four preceding sentences.

(f) Legal Proceedings. Except as set forth in the 1995 10-K, there is no suit, action, proceeding or investigation pending or, to the best knowledge of the Company, threatened, against or involving the Company or any of its Subsidiaries, or any of their respective properties or rights, which (i) if adversely determined, would have, either individually or in the aggregate, a Company Material Adverse Effect or (ii) seeks to, or is reasonably likely to, delay or prevent the consummation of the Offer, the Merger or any other transaction contemplated by this Agreement, nor is there any judgment, decree, injunction, rule or order of any court, arbitrator or Governmental Entity outstanding against the Company or any of the Subsidiaries having any such effect. Neither the Company nor any of the Subsidiaries nor any property or asset of the Company or of any of the Subsidiaries is subject to, or in violation of, any term of any judgment, decree, injunction or order outstanding against it which would have, either individually or in the aggregate, a Company Material Adverse Effect.

(g) Commission Filings. The Company has heretofore delivered to Purchaser true and complete copies of all reports, registration statements, proxy statements and other filings (including all notes, exhibits and schedules thereto and documents incorporated by reference therein) filed by the Company with the Commission since August 31, 1993 (such reports, registration statements and other filings, together with any amendments thereto, are sometimes collectively referred to as the "Commission Filings"). The Commission Filings and any forms, reports and other documents filed by the Company with the Commission after the date of this Agreement (1) were or will be prepared in all material respects in accordance with the requirements of the Securities Act of 1933, as amended (including the rules and regulations promulgated thereunder, the "Securities Act") and the Exchange Act, as the case may be, and (2), at the time they were or will be filed with the Commission, did not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading. No Subsidiary is required to file any form, report or other document with the Commission. Each of the audited consolidated financial statements and unaudited interim financial statements (including any related notes or schedules) included in the Commission Filings was prepared in accordance with generally accepted accounting principles applied on a consistent basis except as may be indicated therein or in the notes or schedules thereto, and fairly presents the financial position of the Company and its

consolidated subsidiaries as at the dates thereof and the results of their operations, cash flows, changes in financial position and changes in stockholders' equity for the periods then ended, subject, in the case of the unaudited interim financial statements to normal year end audit adjustments and except that such unaudited interim financial statements do not include all of the notes required by generally accepted accounting principles to be included therein. Since March 31, 1996, neither the Company nor any of the Subsidiaries has incurred any liability or obligation material to the Company and the Subsidiaries taken as a whole, except as disclosed in Schedule 3.02(g) hereto or as disclosed in the Commission Filings.

(h) Conduct of Business in the Ordinary Course; Absence of Certain Changes and Events. Since June 30, 1995, the Company and the Subsidiaries have conducted their businesses only in the ordinary and usual course, and, except as disclosed in Schedule 3.02(h) hereto or in the Commission Filings or as specifically contemplated by this Agreement, there has not been: (i) any Company Material Adverse Effect; (ii) any declaration, setting aside or payment of any dividend (whether in cash, stock or property) with respect to the capital stock of the Company (except regular quarterly cash dividends of \$.05 per Share prior to the date hereof) or any redemption, purchase or other acquisition by the Company of any of its securities; (iii) any entry into any agreement or understanding between the Company or the Subsidiaries and any of their respective executive officers or key employees providing for employment of any such officer or key employee or any general or material increase in the compensation (including without limitation deferred compensation), severance or termination benefits payable or to become payable by the Company or the Subsidiaries to any of their respective officers or key employees, or any increase in any bonus, insurance, pension or other employee benefit plan, payment or arrangement (including without limitation the granting of stock options, stock appreciation rights, performance awards or restricted stock awards) made to, for or with any such officer or key employee; (iv) any labor dispute, which is or may be material to the Company and the Subsidiaries taken as a whole; (v) other than in the ordinary course of business, any entry into, or material modification of, any material commitment, agreement, or license or transaction (including, without limitation, any borrowing or capital expenditure or sale of assets); (vi) any change in any significant accounting methods, principles or practices of the Company; (vii) any damage, destruction or loss (whether or not covered by insurance) with respect to any property or asset of the Company or any Subsidiary having or which could reasonably be expected to have, individually or in the aggregate, a Company Material Adverse Effect, (viii) any revaluation by the Company of any material asset (including,

without limitation, any writing down of the value of inventory or writing off of notes or accounts receivable), other than in the ordinary course of business consistent with past practice, or (ix) any failure by the Company to revalue any material asset in accordance with generally accepted accounting principles consistent with past practice.

(i) Compliance. Neither the Company nor any Subsidiary is in conflict with, or in default or violation of (a) any law, rule, regulation, order, judgment or decree applicable to the Company or any Subsidiary or by which any property or asset of the Company or any Subsidiary is bound or affected, or (b) any note, bond, mortgage, indenture, contract, agreement, lease, license, permit, franchise or other instrument or obligation to which the Company or any Subsidiary is a party or by which the Company or any Subsidiary or any property or asset of the Company or any Subsidiary is bound or affected, except for any such conflicts, defaults or violations that would not, individually or in the aggregate, have a Company Material Adverse Effect.

(j) Certificate of Incorporation and By-Laws. The Company has heretofore made available to Purchaser a complete and correct copy of the Certificate of Incorporation and the By-Laws, each as amended to date, of the Company and each Subsidiary. Such Certificates of Incorporation and By-Laws are in full force and effect. Neither the Company nor any Subsidiary is in violation of any provision of its Certificate of Incorporation or By-Laws.

(k) Employee Benefit Plans/ERISA.

(i) Except as disclosed on Schedule 3.02(k) hereto, no employee benefit plan within the meaning of Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA") which (a) is maintained for, or to which contributions have been made on behalf of, employees ("Employees") of the Company of any current or former corporation, person or trade or business which is a member of a group which is under common control with the Company, or together with the Company, is treated as a single employer, within the meaning of Sections 414(b)-(o) of the Code or Sections 4001(a) and (b) of ERISA (an "ERISA Affiliate") or (b) has at any time within the preceding three (3) years (or six (6) years for the purposes of Section 4069 of ERISA) been maintained for, or to which contributions have been made on behalf of, employees of the Company or any ERISA Affiliate (an "Employee Benefit Plan"), exists or has ever existed.

(ii) Except as disclosed on schedule 3.02(k) hereto, none of the Employee Benefit Plans is or was a

"multiemployer plan" as defined in Section 4001(a)(3) of ERISA. Neither the Company nor any ERISA Affiliate is a participating employer in any Employee Benefit Plan in which more than one employer makes contributions as described in Sections 4063 and 4064 of ERISA.

(iii) Except as disclosed on Schedule 3.02(k) hereto, neither the Company nor any ERISA Affiliate has any contingent liability with respect to any post-retirement benefit under any Employee Benefit Plan which is a welfare benefit plan as defined in Section 3(1) of ERISA (a "Welfare Plan"), other than liability for health plan continuation coverage described in Part 6 of Title I of ERISA.

(iv) Except as disclosed on Schedule 3.02(k) hereto, none of the Employee Benefit Plans is a severance plan, arrangement or program, and none of the Employee Benefit Plans provides for compensation or benefits after a termination of employment with the Company or any ERISA Affiliate for any reason. Except as set forth on Schedule 3.02(k) hereto, the consummation of the transactions contemplated by this Agreement will not directly (or indirectly upon a termination of employment): (i) entitle any Employee to severance pay, unemployment compensation or any other payment or (ii) accelerate the timing of any payment or the vesting of any rights or increase the amount of any compensation due any Employee.

(v) The Company has given to the Purchaser true and complete copies of all the following: each Employee Benefit Plan and related trust agreement (including all amendments to such Employee Benefit Plan or trust) which the Company or any ERISA Affiliate maintains or is committed to contribute to as of the date hereof and the most recent summary plan description, actuarial report, determination letter issued by the Internal Revenue Service and Form 5500 filed in respect of each such Employee Benefit Plan for the past three (3) years.

(vi) Each Employee Benefit Plan complies, in both form and operation in all material respects, with its terms, ERISA and the Code, including, without limitation, Code Section 4980B, and no condition exists or event has occurred with respect to any such plan which would result in the incurrence by the Company or any ERISA Affiliate of any material liability, fine or penalty. Neither the Company nor any ERISA Affiliate has incurred any liability to the Pension Benefit Guaranty Corporation ("PBGC") which remains outstanding other than the payment of premiums, and there are no premiums which have become due which are unpaid. Neither the Company nor any ERISA Affiliate has engaged in any



transaction which could subject it to any material liability under Section 4069 or Section 4212(c) of ERISA. Each Employee Benefit Plan, related trust agreement, arrangement and commitment of each of the Company and any ERISA Affiliate is legally valid and binding in full force and effect. Each Employee Benefit Plan that is intended to be qualified under Section 401(a) of the Code has received a favorable determination letter for "TRA" (as defined in Rev. Proc. 93-39) from the IRS or has filed for such a determination letter within the remedial amendment period, and each trust related to such plan has been determined to be exempt under Section 501(a) of the Code. To the knowledge of the Company, nothing has occurred or is expected to occur that would adversely affect the qualified status of the Employee Benefit Plan or any related trust subsequent to the issuance of such determination letter. To the knowledge of the Company, no Employee Benefit Plan is being audited or investigated by any government agency or subject to any pending or threatened claim or suit (other than for ordinary claims for benefits).

(vii) Each employee pension benefit plan that is covered by Title IV of ERISA or subject to the minimum funding standards under Section 412 of the Code and is maintained either (a) by the Company or any ERISA Affiliate for employees of the Company or such ERISA Affiliate or (b) pursuant to a collective bargaining agreement or any other arrangement under which more than one employer makes contributions and, with respect to either (a) or (b), the Company or any ERISA Affiliate is then making or accruing an obligation to make contributions or has within the preceding three (3) plan years made contributions ("Pension Plan") currently meets the minimum funding standard of Section 302 of ERISA and Section 412 of the Code (without regard to any funding waiver). Except as disclosed on Schedule 3.02(k) hereto, all contributions or payments due and owing as required by Section 302 of ERISA, Section 412 of the Code or the terms of any Pension Plan have been made by the due date for such contributions or payments. Except as disclosed on Schedule 3.02(k) hereto, with respect to each Pension Plan, the market value of assets (exclusive of any contribution due to the Pension Plan) equals or exceeds the present value of benefit liabilities as of the latest actuarial valuation date for such plan (but not prior to 12 months prior to the date hereof), determined on the basis of a shutdown of the company in accordance with actuarial assumptions used by the PBGC in single-employer plan terminations and since its last valuation date, there have been no amendments to such plan that materially increased the present value of accrued benefits nor any other material adverse changes in the funding status of such plan. Neither the Company nor any ERISA Affiliate is required to provide security to a Pension Plan pursuant to Section 307 of ERISA or Section 401(a)(29) of the Code.

(viii) Neither the Company nor any ERISA Affiliate nor any fiduciary of any Employee Benefit Plan has engaged in a prohibited transaction under Section 406 of ERISA or Section 4975 of the Code that will have a Company Material Adverse Effect.

(ix) No Termination Event has occurred or is reasonably expected to occur. A "Termination Event" means any of the following:

(1) a "Reportable Event" by the Company or any ERISA Affiliate described in Section 4043 of ERISA and the regulations issued thereunder; or

(2) the withdrawal of the Company or any ERISA Affiliate from a Pension Plan during a plan year in which it was a "substantial employer" as defined in Section 4001(a)(2) of ERISA or was deemed such under Section 4068(f) of ERISA; or

(3) the distress termination of a Pension Plan, the filing of a notice of intent to terminate a Pension Plan as a distress termination or the treatment of a Pension Plan amendment as a termination under Section 4041 of ERISA; or

(4) the institution of proceedings to terminate a Pension Plan by the PBGC; or

(5) any other event or condition which would constitute grounds under Section 4042(a) of ERISA for the termination of, or the appointment of a trustee to administer, any Pension Plan; or

(6) the imposition of a lien pursuant to Section 412 of the Code or Section 302 of ERISA.

(x) Except as disclosed on Schedule 3.02(k) hereto, there are no agreements which will provide payments to any Company officer, employee, shareholder or highly compensated individual which will be "parachute payments" under Section 280G of the Code that are nondeductible to the payor of such benefits and which will be subject to the tax under Section 4999 of the Code for which any payor would have a material withholding liability.

(xi) Except as disclosed on Schedule 3.02(k) hereto, the Stock Option Plans are the only plans, program or arrangement sponsored or maintained by the Company or any ERISA Affiliate which provides stock options, or any other form of compensation or benefits to Employees, based upon the equity of the Company ("Equity-Based Compensation"). Other than as disclosed on

Schedule 3.02(k) hereto, there are no existing grants of Equity-Based Compensation held by Employees.

(xii) Except as disclosed on Schedule 3.02(k) hereto, none of the options granted pursuant to the Stock Option Plans are "incentive stock options" as defined under Section 422 of the Code.

(xiii) With respect to any Employee Benefit Plan which provides for medical or health benefits for Employees (such plan or plans, the "Medical Plans"), such plan or plans satisfy the nondiscrimination requirements of Code Section 105(h).

(l) Labor Matters. Except as disclosed on Schedule 3.02(l) hereof, (i) there are no controversies pending or, to the best knowledge of the Company, threatened between the Company or any Subsidiary and any of their respective employees, which controversies have or are reasonably likely to have a Company Material Adverse Effect; (ii) except as set forth in Schedule 3.02(1) hereto, neither the Company nor any Subsidiary is a party to any collective bargaining agreement or other labor union contract applicable to persons employed by the Company or any Subsidiary, nor, to the best knowledge of the Company, are there nor have there been during the five (5) years prior to the date hereof, any activities or proceedings of any labor union to organize any such employees; (iii) neither the Company nor any Subsidiary has breached or otherwise failed to comply with any provision of any such agreement or contract and there are no grievances outstanding against the Company or any Subsidiary under any such agreement or contract which breach, failure or grievance has or is reasonably likely to have a Company Material Adverse Effect; (iv) there are no unfair labor practice charges or complaints pending against the Company or any Subsidiary before the National Labor Relations Board or any current union representation questions involving employees of the Company or any Subsidiary which charges, complaints or questions have or are reasonably likely to have a Company Material Adverse Effect; and (v) there is no strike, slowdown, work stoppage or lockout, or, to the best knowledge of the Company, threat of any such action, by or with respect to any employees of the Company or any Subsidiary.

(m) Tangible Property: Real Property and Leases.

(1) The Company and each Subsidiary have sufficient title to all their tangible properties and assets to conduct their respective businesses as currently conducted or as contemplated to be conducted, with only such exceptions as, individually or in the aggregate, would not have a Company Material Adverse Effect.

(2) Each parcel of real property owned or leased by the Company or any Subsidiary (i) is owned or leased free and clear of all mortgages, pledges, liens, security interests, conditional and installment sale agreements, encumbrances, charges or other claims of third parties of any kind (collectively, "Liens"), other than (A) Liens for current taxes and assessments not yet past due, (B) workmen's, repairmen's, warehousemen's and carriers' Liens arising in the ordinary course of business of the Company or such Subsidiary consistent with past practice, and (C) all matters of record, Liens and other imperfections of title and encumbrances which, individually or in the aggregate, would not have a Company Material Adverse Effect (collectively, "Permitted Liens"), and (ii) no material portion of which is either subject to any governmental decree or order to be sold or is being condemned, expropriated or otherwise taken by any public authority with or without payment of compensation therefor, nor, to the best knowledge of the Company, has any such condemnation, expropriation or taking been proposed.

(3) All leases of real property leased for the use or benefit of the Company or any Subsidiary to which the Company or any Subsidiary is a party requiring annual rental payments in excess of \$100,000 during the period of the lease and all amendments and modifications thereto are in full force and effect and have not been otherwise modified or amended, the Company is in possession of such leased real property, and there exists no default under any such lease by the Company or any Subsidiary, nor any event which with notice or lapse of time or both would constitute a default thereunder by the Company or any Subsidiary, except as, individually or in the aggregate, would not have a Company Material Adverse Effect.

(n) Trademarks, Patents and Copyrights. The Company and the Subsidiaries own or possess adequate licenses or other valid rights to use all patents, trademarks, trade names, trade dress, copyrights, servicemarks, trade secrets, applications for trademarks and for servicemarks, mask works, know-how and other proprietary rights and information used or held for use in connection with the business of the Company and the Subsidiaries as conducted since June 30, 1995, as currently conducted or as contemplated to be conducted and the Company is unaware of any assertion or claim challenging the validity of any of the foregoing, which, individually or in the aggregate, is reasonably likely to have a Company Material Adverse Effect. The conduct of the business of the Company and the Subsidiaries as conducted since June 30, 1995, as currently conducted and as contemplated to be conducted did not, does not and will not infringe in any way with any patent, license, trademark, trade dress, trade name, service mark, mask work or copyright of any third party that, individually or in the aggregate, is reasonably likely to have a Company Material Adverse Effect. There are no infringements of any proprietary rights owned by or licensed by or to the Company or any Subsidiary which, individually or in the aggregate, is reasonably likely to have a Company

Material Adverse Effect. Neither the Company nor any Subsidiary has licensed or otherwise authorized the use by any third party of any proprietary information on terms or in a manner which, individually or in the aggregate, is reasonably likely to have a Company Material Adverse Effect.

(o) Taxes. (a) The Company and the Subsidiaries (i) have filed or caused to be filed with the appropriate taxing authorities on a timely basis all federal Tax Returns (as hereinafter defined), all required state income Tax Returns and all other Tax Returns which are required to have been filed, and such Tax Returns are true, correct and complete in all material respects, and (ii) have paid on a timely basis or have made adequate provision on their balance sheet for all Taxes (as hereinafter defined) related to such Tax Returns and the periods covered thereby. Except as disclosed on Schedule 3.02(o) hereto, there are no material liens for Taxes upon the assets of the Company and the Subsidiaries, except liens for Taxes not yet due. Except as disclosed on Schedule 3.02(o) hereto, neither the Company nor any Subsidiary has received a notice of any pending audits, actions, proceedings, investigations or claims with respect to any Taxes payable by or asserted against the Company and the Subsidiaries, which if resolved adversely would be material. Except as disclosed on Schedule 3.02(o) hereto, neither the Company nor any Subsidiary is or has been a member of any affiliated, consolidated, combined or unitary group for Tax purposes in any jurisdiction. Except as disclosed on Schedule 3.02(o) hereto, no claim has ever been made by a jurisdiction where the Company or any of the Subsidiaries does not pay Taxes or file Tax Returns that such entity may be subject to material Taxes in such jurisdiction for any period beginning after December 31, 1989. Except as disclosed on Schedule 3.02(o) hereto, the taxable years or periods for the assessment of federal income tax of the Company and the Subsidiaries (including assessments relating to consolidated federal income tax returns, if any, that include the Company or any of the Subsidiaries) are closed either by agreement with the Internal Revenue Service or by operation of the applicable statute of limitations for all taxable periods through 1993. Except as set forth in Schedule 3.02(o) hereto, the taxable years or periods hereto, the taxable years or periods for the assessment of state and local income tax of the Company and the Subsidiaries (including assessments relating to consolidated, combined or unitary Tax Returns, if any, that include the Company or any Subsidiary) are closed either by agreement with the appropriate taxing authority or by application of the applicable statute of limitations for all periods through 1993. Except as disclosed on Schedule 3.02(o) hereto, the Company and the Subsidiaries are not and have not been

subject to any material tax in any jurisdiction outside the United States of America. Except as disclosed on Schedule 3.02(o) hereto, no agreements relating to allocation or sharing of Taxes exists among the Company and the Subsidiaries or among the Company and any of its stockholders. Except as disclosed on Schedule 3.02(o) hereto, there are no outstanding waivers or comparable consents or extensions given by the Company or the Subsidiaries regarding the application of the statute of limitations with respect to any Taxes or Tax Returns. Except as disclosed on Schedule 3.02(o) hereto, neither the Company nor any Subsidiary has filed a consent pursuant to Section 341(f) of the Code or agreed to have Section 341(f)(2) of the Code apply to any disposition of a Section 341(f) asset (as such term is defined in Section 341(f)(4) of the Code). Except as disclosed on Schedule 3.02(o) hereto, there is no contract, agreement, plan or arrangement that individually or collectively could give rise to the payment by the Company or the Subsidiaries of any amount that would not be deductible by reason of Section 280G of the Code. Except as disclosed on Schedule 3.02(o) hereto, neither the Company nor any Subsidiary has any outstanding Corporate Acquisition Indebtedness as such term is used in Code Section 279(b).

(b) For purposes of this Agreement, (i) the term "Taxes" shall mean all taxes, charges, fees, levies or other like assessments, including without limitation, all net income, gross income, gross receipts, sales, use, ad valorem, transfer, franchise, profits, license, withholding, payroll, employment, excise, estimated, severance, stamp, occupation, capital stock, property or other taxes, customs duties, fees, assessments or charges of any kind whatsoever, together with any interest, penalties or additional amounts attributable to Taxes imposed by any governmental authority, and (ii) the term "Tax Returns" shall mean all returns (including information returns), declarations, reports, estimates and statements regarding Taxes required to be filed under the United States federal, state or local laws or any foreign laws.

(p) Environmental Matters. (i) For purposes of this Agreement, the following terms shall have the following meanings: (I) "Hazardous Substances" means (A) all substances, wastes, pollutants, contaminants and materials regulated, or defined or designated as hazardous, extremely or imminently hazardous, dangerous, or toxic under federal or state statutes and implementing regulations, including, without limitation: the Comprehensive Environmental Response, Compensation and Liability Act, the Federal Insecticide, Fungicide and Rodenticide Act, the Atomic Energy Act, the Resource Conservation and Recovery Act, the Clean Air Act and the Hazardous Materials Transportation Act; (B)

any asbestos or asbestos-containing material, petroleum and petroleum products, including crude oil and any fractions thereof, natural gas, natural gas liquids, synthetic gas, polychlorinated biphenyls, radioactive substances, urea formaldehyde or radon; or (C) any substance with respect to which a federal, state or local agency requires environmental investigator monitoring, reporting or remediation; and (II) "Environmental Law" means any applicable statute, code, enactment, ordinance, rule, regulation, permit, consent, authorization, judgment, order, common law rule (including without limitation the common law respecting nuisance and tortious liability) or other requirement having the force and effect of law, whether local, state, territorial or national, at any time in force or effect relating to: (A) emissions, discharges, spills, releases or threatened releases of Hazardous Substances or materials containing Hazardous Substances into ambient air, surface water, ground water, water courses, publicly or privately owned treatment works, drains, sewer systems, wetlands, septic systems or onto land; (B) the manufacture, handling, transport, use, treatment, storage or disposal of Hazardous Substances or materials containing Hazardous Substances; (C) the regulation of storage tanks; or (D) otherwise relating to pollution or the protection of human health, safety or the environment.

(ii) In each case when the failure to comply with this Section 3.02(p)(ii) would result in a Company Material Adverse Effect, (I) neither the Company nor any Subsidiary has violated or is in violation of any Environmental Law; (II) the Company and each Subsidiary has all permits, licenses and other authorizations required under any Environmental Law and the Company and each Subsidiary has always been and is in compliance with their requirements; (III) no Hazardous Substances have been used, stored, manufactured, treated or processed on or transported to or from, the property owned or leased by the Company or any Subsidiary except as necessary to conduct the business of the Company and the Subsidiaries, and in compliance with all Environmental Laws; (IV) there has been no disposal, release or threatened release of Hazardous Substances from or to the property owned or leased by the Company or any Subsidiary; (V) none of the properties owned or leased by the Company or any Subsidiary (including, without limitation, soils and surface and ground waters) are contaminated with any Hazardous Substance; (VI) neither the Company nor any Subsidiary is liable for any off-site contamination and neither the Company nor any Subsidiary has transported or arranged for the transportation of any Hazardous Substances to any location that is listed or proposed for listing on the National Priorities List or on the CERCLIS or any analogous state list; and (VII) neither the Company nor any Subsidiary has received nor reasonably expects to receive any notice, letter, citation, order, warning, complaint, inquiry, claim or demand alleging or asserting a violation of or

potential responsibility under any Environmental Law or a release or threatened release of any Hazardous Substances at, from or onto the properties. As to leased properties for the time period prior to occupancy or use by the Company or any Subsidiary, Subparagraphs (III), (IV) and (V) herein are to the knowledge of the Company and its Subsidiaries.

(iii) Subject to the same qualification that a failure to comply would result in a Company Material Adverse Effect, with respect to each of the former operations or properties owned or operated by the Company or any of the Subsidiaries each of the representations and warranties set forth in Section 3.02(p)(ii) is true and correct as to or concerning activities of the Company or any Subsidiary during the period of such ownership or operation.

(q) Material Contracts. Each contract or agreement to which the Company or any of the Subsidiaries is a party that is material to the Company or any Subsidiary (a "Material Contract"), including, but not limited to, any contracts or agreements (i) involving payments to or from the Company or any Subsidiary in excess of \$500,000, (ii) with the Government of the United States of America or any department or instrumentality thereof or (iii) containing a provision purporting to limit the ability of the Company to compete in any line of business, with any person, in any geographic area or during any time, is in full force and effect and is enforceable against the parties thereto in accordance with its terms and no condition or state of facts exists that, with notice or the passage of time, or both, could constitute a material default by the Company or any Subsidiary or, to the best knowledge of the Company, any third party under such Material Contracts. The Company or each applicable Subsidiary has duly complied in all material respects with the provision of each Material Contract to which it is a party.

(r) Absence of Undisclosed Liabilities. Neither the Company nor any Subsidiary has any liabilities or obligations of any kind, whether absolute, accrued, asserted or unasserted, contingent or otherwise, which would have been required to be recorded on a balance sheet prepared as of April 30, 1996, or as disclosed in the notes thereto, in accordance with generally accepted accounting principles consistently applied, except for liabilities, obligations or contingencies (a) which are accrued or reserved against in the audited consolidated balance sheet of the Company as of June 30, 1995 contained in the 1995 10-K or reflected in the notes thereto, (b) which were disclosed in the Commission Filings filed with the Commission after the 1995 10-K, (c) which arise under this Agreement or the Stockholders Agreement or the transactions contemplated hereby or are otherwise expressly



disclosed in this Agreement or any Schedule hereto, or (d) which, individually or in the aggregate, are not reasonably likely to have a Company Material Adverse Effect.

(s) Insurance. There is no default by the Company or any Subsidiary with respect to any provision contained in any insurance policy maintained by the Company or any Subsidiary, and there has not been any failure to give any notice or present any claim under any such policy in a timely fashion or in the manner or detail required by the policy, except for defaults or failures which, individually or in the aggregate, are not reasonably likely to have a Company Material Adverse Effect.

(t) Opinion of Financial Advisor. The Company has received the written opinion of Goldman Sachs to the effect that the consideration to be received by the stockholders of the Company pursuant to the Offer and the Merger is fair to such stockholders, a copy of which opinion has been delivered to Purchaser and will be included in the Schedule 14D-9 and the Proxy Statement.

(u) Affiliate Transactions. Except for employment relationships with executive officers and except as set forth on Schedule 3.02(u) hereto, neither the Company nor any Subsidiary is a party to any transaction (including, without limitation, the purchase or sale of any property or service) with, or involving the making of any payment or transfer to, any Affiliate (as defined below) other than the Company or a Subsidiary. Except for employment relationships with executive officers and except as set forth on Schedule 3.02(u) hereto, all of such transactions shall be terminated and be of no further legal force or effect, and neither the Company nor any Subsidiary shall have any obligation or liability thereunder, from and after the Effective Time. "Affiliate" of any person means any other person directly or indirectly controlling, controlled by or under common control with such person. A person shall be deemed to control another person if the controlling person owns 10% or more of any class of voting securities (or other ownership interests) of the controlled person or possesses, directly or indirectly, the power to direct or cause the direction of the management or policies of the controlled person, whether through ownership of stock, by contract or otherwise.

(v) Use of Name. The Company has the legal right to use the name "Masland" and each derivative thereof in each jurisdiction where the Company and each Subsidiary conduct business. The use of such name by the Company and/or any Subsidiary does not conflict with or infringe on the rights of any other person, and the Company

is not aware of any claim or written notice from any person to such effect.

#### ARTICLE IV

##### COVENANTS

4.01 Proxy Statement. As promptly as practicable after expiration of the Offer, the Company shall, if required by applicable law or otherwise deemed advisable by Purchaser, file with the Commission under the Exchange Act, and shall use all reasonable efforts to have cleared by the Commission, and as promptly as practicable after expiration of the Offer shall mail to its stockholders, a proxy statement or information statement, as appropriate (the "Proxy Statement"), with respect to the Special Meeting (as such term is defined in Section 4.02). Each of Purchaser, Sub and the Company represents that the written information supplied or to be supplied for inclusion by Purchaser, Sub or the Company, respectively, in the Proxy Statement will, at the times when the definitive Proxy Statement is filed with the Commission and when it is first mailed to stockholders of the Company, not contain any untrue statement of a material fact, or omit to state any material fact required to be stated therein or necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading, and each of Purchaser, Sub and the Company agrees promptly to correct any such information provided by them which shall have become false or misleading in any material respect and take all steps necessary to cause the Proxy Statement as so corrected to be filed with the Commission and mailed to stockholders of the Company as and to the extent required by applicable law. The Company agrees that the Proxy Statement shall comply as to form in all material respects with the provisions of applicable law. The Proxy Statement shall contain the recommendation of the Board in favor of this Agreement and the Merger; provided, however that nothing in this sentence shall require the Board to act, or refrain from acting, in any manner which, in the opinion of independent legal counsel for the Company (who may be the Company's regularly engaged independent legal counsel), would conflict with the proper discharge of their fiduciary duties to stockholders under applicable law.

4.02 Meeting of Stockholders of the Company. Promptly after expiration of the Offer, the Company shall take all action necessary, in accordance with the Delaware Law and its Certificate of Incorporation and By-Laws, to convene a meeting of its Stockholders (the "Special Meeting") as promptly as practicable to consider and vote on this Agreement and the Merger. The Company shall, to the extent the Proxy Statement has been filed with, and

cleared by, the Commission, solicit from stockholders of the Company proxies in favor of the approval and adoption of this Agreement and the Merger and to take all other action necessary or, in the reasonable judgment of Purchaser, helpful to secure a vote of Stockholders in favor of this Agreement and the Merger; provided, however, that nothing in this sentence shall require the Board to act, or refrain from acting, in any manner which, in the opinion of independent legal counsel for the Company (who may be the Company's regularly engaged independent legal counsel), would conflict with the proper discharge of their fiduciary duties to stockholders under applicable law. At the Special Meeting, Purchaser shall vote, or cause to be voted, all of the Shares then owned by Purchaser (or any subsidiary of Purchaser) in favor of this Agreement and the Merger.

4.03 Merger Without Meeting of Stockholders. The foregoing to the contrary notwithstanding, in the event that Purchaser and Sub or any other wholly-owned subsidiary of Purchaser shall acquire in the aggregate at least 90% of the outstanding Shares, the parties hereto agree, at the request of Purchaser, to take all necessary and appropriate action to cause a merger of the Company and Sub to become effective without a meeting of Stockholders of the Company, in accordance with Section 253 of the Delaware Law.

4.04 Interim Operations. During the period from the date of this Agreement to the earlier of the Effective Time or until Purchaser's designees constitute a majority of the members of Company's Board under Section 1.03(a), except as specifically contemplated by this Agreement or otherwise as consented to or approved in writing by Purchaser:

(a) the business of the Company and each of the Subsidiaries shall be conducted only in, and the Company and each of its Subsidiaries shall not take any action except in, the ordinary and usual course of business and consistent with past practice;

(b) neither the Company nor any of the Subsidiaries shall make or propose any change or amendment in its charter or By-Laws or the Rights Agreement;

(c) neither the Company nor any of the Subsidiaries shall (i) issue or sell, or authorize the issuance or sale of, any shares of its capital stock or any of its other securities or issue any securities convertible into or exchangeable for, or options, warrants to purchase, scrip, rights to subscribe for, calls or commitments of any character whatsoever relating to, or enter into any contract, understanding or arrangement with respect to the issuance of, any shares of its capital stock or any of its other

securities, or enter into any arrangement or contract with respect to the purchase or voting of shares of its capital stock or adjust, split, combine or reclassify any of its securities, or make any other changes in its capital structure; provided that the Company may issue shares of its Common Stock pursuant to the terms of vested and currently exercisable Company Stock Options upon the exercise of such Common Stock Options or (ii) except as contemplated by Section 6.07, amend, waive or otherwise modify any of the terms of any Stock Option Plan or Company Stock Option;

(d) the Company shall not declare, pay or make any dividend or other distribution or payment with respect to, or purchase, redeem or otherwise acquire any shares of its capital stock or otherwise make any payments to stockholders in their capacity as stockholders, except for the regular quarterly dividend of \$.05 per share declared on May 9, 1996;

(e) the Company shall, and shall cause the Subsidiaries to, use all reasonable efforts to preserve intact the business organization of the Company and each of the Subsidiaries, to keep available the services of its and their present officers and key employees, and to preserve the good will of those having business relationships with it and the Subsidiaries;

(f) neither the Company nor any of the Subsidiaries shall take any action with respect to the grant of any severance or termination pay (otherwise than pursuant to written plans of the Company or any of the Subsidiaries in effect on the date hereof) or with respect to any increase of benefits payable under its written plans providing for severance or termination pay in effect on the date hereof;

(g) neither the Company nor any of the Subsidiaries shall (except for salary increases or other employee benefit arrangements in the ordinary course of business consistent with past practice that do not result in a material increase in benefits or compensation expense to the Company or any Subsidiary or pursuant to collective bargaining agreements as presently in effect) adopt or amend any bonus, profit sharing, compensation, stock option, pension, retirement, deferred compensation, employment or other employee benefit plan, agreement, trust, plan, fund or other arrangement for the benefit or welfare of any Employee or increase in any manner the compensation or fringe benefits of any Employee or pay or grant any benefit not required by any existing plan or arrangement;

(h) except with respect to transactions between and among the Company and any of the Subsidiaries or the endorsement of negotiable instruments in the ordinary course of its business,

neither the Company nor any of the Subsidiaries shall incur or assume any indebtedness for money borrowed (other than borrowings in the ordinary course of business) or guarantee any such indebtedness (other than any guaranty of Subsidiary indebtedness in the ordinary course of business) or the obligations of any person;

(i) the Company shall not and shall not permit any Subsidiary to pay, discharge or satisfy any material claims, liabilities or obligations (absolute, accrued, asserted, unasserted, contingent or otherwise), other than payment, discharge or satisfaction in the ordinary course of business and consistent with past practices, pursuant to existing contractual arrangements or as required by law;

(j) except in the ordinary course of business consistent with past practice or in the case of obsolete or redundant assets, or those requiring replacement, the Company shall not and shall not permit any Subsidiary to sell, lease or otherwise dispose of any of its assets;

(k) the Company shall not and shall not permit any Subsidiary to acquire (for cash, shares of stock or other consideration) (including, without limitation, by merger, consolidation, or acquisition of stock or assets) any corporation, partnership, other business organization or any division thereof or the assets thereof or any other assets;

(l) the Company shall not and shall not permit any Subsidiary to take any action, other than reasonable actions in the ordinary course of business and consistent with past practice, with respect to accounting policies or procedures;

(m) the Company shall not and shall not permit any Subsidiary to authorize, recommend, propose or announce an intention to adopt a plan of complete or partial liquidation or dissolution of the Company or any of its Subsidiaries;

(n) the Company shall not and shall not permit any Subsidiary to make any material tax elections or settle or compromise any material income tax liability;

(o) other than in the ordinary course of business and consistent with past practice, the Company shall not and shall not permit any Subsidiary to waive any material rights or make any payment, direct or indirect, of any material liability of the Company or any of the Subsidiaries before the same comes due in accordance with its terms;

(p) the Company shall not and shall not permit any Subsidiary to fail to maintain its existing material insurance coverage in effect or, in the event any such coverage shall be terminated or lapse, to the extent available at reasonable cost, procure substantially similar substitute insurance policies which in all material respects are in at least such amounts and against such risks as are currently covered by such policies;

(q) the Company shall not and shall not permit any Subsidiary to enter into any new collective bargaining agreement or any successor collective bargaining agreement; and

(r) the Company shall not and shall not permit any Subsidiary to enter into any contract, agreement, commitment or arrangement to do any of the foregoing.

4.05 Appraisal Rights. The Company shall give Purchaser prompt notice of any demands received by the Company for appraisal of Shares, and Purchaser shall have the right to participate in all negotiations and proceedings with respect to such demands. The Company shall not settle or compromise any claim for appraisal rights prior to the Effective Time without the prior written consent of Purchaser.

4.06 Additional Agreements. (a) Upon reasonable notice the Company shall, and shall cause each of the Subsidiaries to, afford Purchaser and Sub and their respective officers, employees and authorized representatives reasonable access during normal business hours throughout the period prior to the Effective Time to all of its properties, books, contracts, commitments, records, tax records and accountants' working papers. During such period, the Company shall, and shall cause each of the Subsidiaries to, furnish promptly to Purchaser (i) a copy of each report, schedule and other document filed or received by it pursuant to the requirements of federal or state securities laws and (ii) all such other information concerning its business, properties and personnel as Purchaser may reasonably request and which is customarily prepared by the Company or is in the Company's possession, provided that no investigation pursuant to this Section shall affect or be deemed to modify any representations or warranties made in this Agreement or the conditions to the obligations of Purchaser and Sub to accept Shares pursuant to the Offer or the parties hereto to consummate the Merger under this Agreement.

(b) Subject to the terms and conditions herein provided, each of the parties hereto agrees, subject to its legal obligations, to use all reasonable efforts to take, or cause to be taken, all action and to do, or cause to be done, all things necessary, proper or advisable to consummate and make effective the

transactions contemplated by this Agreement, including using all reasonable efforts to (i) obtain all necessary waivers, consents and approvals and effect all necessary registrations and filings, including, but not limited to, (a) filings under the HSR Act, including responses to requests for additional information, and (b) submissions of information requested by any Governmental Entity and (ii) rectify any event or circumstance which would impede consummation of the transactions contemplated hereby.

No Solicitation (a) From and after the date hereof until the termination of this Agreement the Company shall not, and shall cause each of its Subsidiaries and its and their respective officers, directors, employees, representatives, agents and affiliates (including, without limitation, any investment banker, attorney or accountant retained by the Company or any of its Subsidiaries) not to, (i) directly or indirectly, invite, initiate, solicit or knowingly encourage (including by way of furnishing non-public information or assistance), any inquiries with respect to or the making of any proposal that constitutes, or may reasonably be expected to lead to, any Acquisition Proposal (as defined below), or (ii) enter into or maintain or continue discussions or negotiations with any person or entity in furtherance of such inquiries or to obtain an Acquisition Proposal or (iii) agree to endorse any Acquisition Proposal. Notwithstanding the foregoing, nothing contained herein shall prohibit the Board from furnishing information to, or entering into discussions or negotiations with, any person or entity that makes an unsolicited written, bona fide Acquisition Proposal or, after payment of the Termination Fee as described in Section 6.03, endorsing such an Acquisition Proposal, if and only to the extent that, (A) the Board, after consultation with and based upon the advice of independent legal counsel (who may be the Company's regularly engaged independent legal counsel), determines in good faith that such action is necessary for the Board to comply with its fiduciary duties to its stockholders under applicable law, and (B) prior to taking such action, the Company receives from such person or entity an executed confidentiality agreement on terms no less favorable to the Company than the Confidentiality Agreement (excluding the standstill provisions thereof). For purposes of the Agreement, "Acquisition Proposal" shall mean any of the following (other than the transactions between the Company and Purchaser and Sub contemplated by this Agreement): (i) any merger, consolidation, share exchange, recapitalization, business combination, or other similar transaction involving the Company or its Subsidiaries (other than business combinations or similar transactions involving only foreign Subsidiaries); (ii) any sale, lease, exchange, mortgage, pledge, transfer or other disposition of 20% or more of the assets of the Company and its Subsidiaries, taken as a whole, in a single transaction or series of transactions; (iii) any tender offer or

exchange offer for 20% or more of the outstanding shares of capital stock of the Company or the filing of a registration statement under the Securities Act in connection therewith or (iv) any public announcement of a proposal, plan or intention to do any of the foregoing or any agreement to engage in any of the foregoing. The Company represents that neither it, its Subsidiaries nor, to its knowledge, any of its stockholders is a party to or bound by any agreement with respect to an Acquisition Proposal. In the event that the Company receives or becomes aware of any Acquisition Proposal, the Company will promptly notify Purchaser in writing of such communication, of the identity of the person or entity making such Acquisition Proposal and of the terms and conditions of such Acquisition Proposal; provided, however, that the Company shall not be required to disclose the identity of the person or entity making the Acquisition Proposal or the terms and conditions of such Acquisition Proposal if the Board, after consultation with and based upon the advice of independent legal counsel (who may be the Company's regularly engaged independent legal counsel) determines in good faith that nondisclosure would be necessary for the Board to comply with its fiduciary duties to its stockholders under applicable law.

4.08 Certain Litigation. The Company agrees that it will not settle any litigation commenced after the date hereof against the Company or any of its directors by any stockholder of the Company relating to the Offer, the Merger or this Agreement, without the prior written consent of Purchaser. In addition, the Company will not voluntarily cooperate with any third party which may hereafter seek to restrain or prohibit or otherwise oppose the Offer or the Merger and will cooperate with Purchaser and Sub to resist any such effort to restrain or prohibit or otherwise oppose the Offer or the Merger, unless the Board determines in good faith, after consultation with and based upon the advice of independent legal counsel (who may be the Company's regularly engaged independent counsel) that failing so to cooperate with such third party or cooperating with Purchaser or Sub, as the case may be, would constitute a breach of the Board's fiduciary duties to stockholders under applicable law.

4.09 Notice of Certain Events. Each party shall promptly notify the other parties of:

(i) Any notice or other communication from any person alleging that the consent of such person is or may be required in connection with the transactions contemplated by this Agreement;



(ii) Any notice or other communication from any Governmental Entity in connection with the transactions contemplated by this Agreement; and

(iii) Any actions, suits, claims, investigations or proceedings commenced or, to the best of its knowledge threatened against, relating to or involving or otherwise affecting any party hereto which relates to the consummation of the transactions contemplated by this Agreement.

4.10 Confidentiality. (a) In addition to, and not in limitation of, that certain Confidentiality and Standstill Agreement between Purchaser and the Company dated as of March 14, 1996 (the "Confidentiality Agreement"), prior to the consummation of the Offer and after any termination of this Agreement, Purchaser and Sub will hold, and will use its best efforts to cause its officers, directors, employees, accountants, counsel, consultants, advisors and agents to hold, in confidence, unless compelled to disclose by judicial or administrative process or by other requirements of law, all confidential documents and information concerning the Company and the Subsidiaries furnished to Purchaser and Sub in connection with the transactions contemplated by this Agreement, including, without limitation, the stockholder lists furnished by the Company pursuant to Section 1.02(b), except to the extent that such information can be shown to have been (i) previously known on a non-confidential basis by Purchaser or Sub, (ii) in the public domain through no fault of purchaser or Sub or (iii) later lawfully acquired by Purchaser or Sub from sources other than the Company; provided that Purchaser and Sub may disclose such information to its officers, directors, employees, accountants, counsel, consultants, advisors and agents in connection with the transactions contemplated by this Agreement so long as such persons are informed by purchaser and Sub of the confidential nature of such information and are directed by Purchaser and Sub to treat such information confidentially. Purchaser's and Sub's obligation to hold any such information in confidence shall be satisfied if it exercises the same degree of care with respect to such information as it would take to preserve the confidentiality of its own similar information. If this Agreement is terminated pursuant to Section 6.01 and Purchaser thereafter ceases to pursue the acquisition of the Company, Purchaser and Sub will, and will use its best efforts to cause its officers, directors, employees, accountants, counsel, consultants, advisors and agents to destroy or deliver to the Company, upon request, all documents and other materials, and all copies thereof, obtained by Purchaser and Sub or on its behalf from the Company in connection with this Agreement that are subject to such confidence.

(b) The Confidentiality Agreement shall terminate and be of no further force or effect upon consummation of the Offer.

(c) From and after the time an Acquisition Proposal, as defined in Section 4.07, is made to the Company, Purchaser and Sub shall not be prohibited by the Confidentiality Agreement from taking any or all of the actions described in the "standstill" provisions of the Confidentiality Agreement, in which case the Confidentiality Agreement shall be deemed to be modified to the extent required to permit Purchaser and Sub to engage in any and all such actions.

4.11 Credit Agreement Waiver. Purchaser will use its best efforts to obtain from its lenders the Credit Agreement Waiver.

#### ARTICLE V

#### CONDITIONS

5.01 Conditions to the Obligations of Each Party. The obligations of each party hereto to consummate the Merger shall be subject to the fulfillment at or prior to the Effective Time of the following conditions:

(a) Approval of Stockholders. The approval of the stockholders of the Company referred to in Section 4.02 shall have been obtained, if required by applicable law.

(b) HSR and Other Antitrust. Any applicable waiting period (and any extension thereof) applicable to the Merger under the HSR Act shall have expired or been terminated and any approvals under any applicable Foreign Antitrust Laws shall have been granted.

(c) Litigation, etc.. No preliminary or permanent injunction or other order, decree or ruling issued by a court of competent jurisdiction in the United States or by a Governmental Entity nor any statute, rule, regulation or executive order promulgated or enacted by any Governmental Entity shall be in effect, which would prevent the consummation of the Merger.

5.02 Conditions to the Obligations of Purchaser and Sub. The obligations of Purchaser and Sub to consummate the Merger shall be subject to the fulfillment at or prior to the Effective Time of the further condition that Purchaser or any affiliate thereof shall have purchased all of the Shares validly tendered and not withdrawn pursuant to the Offer; provided, that this condition shall be deemed to be satisfied if the Offer shall have terminated without

the purchase of such Shares thereunder and all of the conditions to the Offer set forth in Exhibit A hereto were satisfied upon the expiration of the Offer.

ARTICLE VI

MISCELLANEOUS

6.01 Termination. This Agreement may be terminated at any time prior to the Effective Time, whether or not it has been approved by the stockholders of the Company:

(a) by the mutual written consent of the respective Boards of Directors of the Company and Purchaser;

(b) by Purchaser or the Company, if the Offer expires or is terminated or withdrawn pursuant to its terms without any Shares being purchased thereunder; provided however, that Purchaser may not terminate this Agreement pursuant to this Section 6.01(b) if Purchaser's termination of, or failure to accept for payment or pay for any Shares tendered pursuant to, the Offer does not follow the failure of one or more of the conditions set forth in Exhibit A hereto to be satisfied or is otherwise in violation of the terms of the Offer or this Agreement;

(c)(i) by Purchaser prior to the purchase of and payment for any Shares pursuant to the Offer if there has been a material breach of any representation or warranty set forth in this Agreement on the part of the Company and (ii) by the Company prior to the purchase of and payment for any Shares pursuant to the Offer if there has been a material breach of any representation or warranty set forth in this Agreement on the part of Purchaser or Sub;

(d)(i) by Purchaser if there has been a material breach of any covenant or agreement set forth in this Agreement on the part of the Company, which is incapable of being, or is not, cured (other than by mere disclosure of the breach) within five days after written notice from the Purchaser to the Company, and (ii) by the Company if there has been a material breach of any covenant or agreement set forth in this Agreement on the part of the Purchaser or Sub, which is incapable of being, or is not, cured (other than by mere disclosure of the breach) within five days after written notice from the Company to Purchaser of such breach;

(e) by either Purchaser or the Company if the Merger has not been consummated on or before October 31, 1996, which date may

be extended by the mutual written consent of the Board of Directors of the Company and the Board of Directors of Purchaser;

(f) (i) by the Company if the Offer has not been commenced within the period of time required under the Exchange Act following the date hereof and (ii) by the Purchaser if the Company has failed to mail the Schedule 14D-9 to its stockholders on or prior to the date on which the Offer has been commenced or failed to include in such Schedule 14D-9 when first mailed to stockholders the approval and recommendations of the Board of the Offer and the Merger required by Section 1.02(a) to be included in the Schedule 14D-9;

(g) by the Company or Purchaser if any permanent injunction or final nonappealable order, decree or ruling issued by a court of competent jurisdiction within the United States or Governmental Entity is in effect which would prevent the consummation of the Merger;

(h) by the Company, if the Board modifies, in a manner adverse to Purchaser, or withdraws its approval or recommendation of, the Offer or the Merger referred to in Section 1.02(a) hereof, so long as the Board, after consultation with and based upon the advice of independent legal counsel (who may be the Company's regularly engaged independent legal counsel), determines in good faith that such action is necessary for the Board to comply with its fiduciary duties to stockholders under applicable law; or

(i) by Purchaser if (i) the Board modifies, in a manner adverse to Purchaser, or withdraws its approval or recommendation of, the Offer or the Merger referred to in Section 1.02(a) hereof, (ii) the Board shall have recommended or accepted any Acquisition Proposal; (iii) the Board shall have resolved to do any of the acts referred to in (i) or (ii); (iv) Purchaser shall request that the Board reaffirm its approval or recommendation of the Offer or the Merger and the Board shall fail to do so within ten business days after such request; or (v) any corporation, partnership, person, other entity or group (as defined in Section 13(d)(3) of the Exchange Act) other than Purchaser or Sub or any of their respective subsidiaries shall have become the beneficial owner of more than 20% of the outstanding shares other than for purposes of arbitrage, but provided that such termination under (i) and (iv) (or under (iii) as it relates to (i) only) above relates to actions of the Board which, after consultation with and based upon the advice of independent legal counsel (who may be the Company's regularly engaged independent legal counsel), it has determined in good faith are necessary for the Board to comply with its fiduciary duties to stockholders under applicable law, in which case the

effectiveness of such termination may not be prior to the later of (x) the close of business immediately preceding the then scheduled termination date of the Offer or (y) ten days following such modification or withdrawal, and then only if the Board has not reinstated its affirmative recommendation or approval of the Purchaser's Offer or the Merger within such period of time.

6.02 Liabilities in Event of Termination. In the event of any termination of this Agreement pursuant to Section 6.01, the Company, Purchaser and Sub shall have no obligation or liability to each other except as provided in Sections 4.10 and 6.03, and except that nothing herein will release any party from liability for any willful breach of this Agreement.

6.03 Fees and Expenses. (a) If (i) an Acquisition Proposal (as defined in Section 4.07) is made prior to the termination of this Agreement (other than a termination pursuant to Section 6.01(f)(ii), 6.01(h) or 6.01(i)), and within nine months of such termination the Company shall have entered into an agreement with respect to, approved, recommended or taken any affirmative action to facilitate, an Acquisition Proposal, or any transaction constituting an Acquisition Proposal is consummated, (ii) this Agreement is terminated pursuant to Section 6.01(f)(ii) and an Acquisition Proposal exists, or (iii) this Agreement is terminated pursuant to Section 6.01(h) or 6.01(i), then the Company shall pay to Purchaser a fee equal to \$10,000,000 in cash (the "Termination Fee"). The Termination Fee shall be payable (x) in the case of entering into an agreement with respect to an Acquisition Proposal or the consummation of a transaction constituting an Acquisition Proposal as described in clause (i) of this Section 6.03(a), upon the signing of a definitive agreement relating to such Acquisition Proposal or, if no such agreement is executed, then at the closing (and as a condition to the closing) of such transaction constituting an Acquisition Proposal, (y) upon the occurrence of any other event described in clause (i) of this Section 6.03(a) and (z) within one business day of the termination of this Agreement upon any termination of this Agreement under Sections 6.01(f)(ii), 6.01(h) or 6.01(i). The Company acknowledges that the agreements contained in this Section 6.03 are an integral part of the transactions contemplated by this Agreement.

(b) Except as specifically provided in Section 6.03(a), each party shall bear all expenses incurred by it in connection with this Agreement and the transactions contemplated hereby, including those incident to the negotiation and preparation of this Agreement and to its performance of and compliance with all agreements and conditions contained herein to be performed or complied with by it.

(c) Except for the Company's fee engagement letter with Goldman Sachs dated April 25, 1996, or as previously disclosed by a party to this Agreement in writing to the other parties hereto, no broker, finder or investment banker is entitled to a brokerage, finder's or other fee or commission in connection with the Offer or the Merger or the transactions contemplated by this Agreement. Such fees or other commissions payable by the Company and its Subsidiaries shall not exceed the amount previously disclosed to Purchaser.

6.04 Waiver and Amendment. Any provision of this Agreement may be waived at any time by the party which is, or whose stockholders are, entitled to the benefits thereof. This Agreement may not be amended or supplemented at any time, except by an instrument in writing signed on behalf of each party hereto; provided, that after this Agreement has been approved by the stockholders of the Company no such amendment shall reduce the amount or change the form of consideration to be paid to the stockholders of the Company in the Merger or alter or change any of the terms or conditions of this Agreement if such alteration or change would adversely affect the stockholders of the Company.

6.05 Officers' and Directors' Liability Insurance; Indemnification. (a) After the Effective Time, or such earlier date as Purchaser acquires control of the Company, Purchaser shall cause the Surviving Corporation to (i) maintain the Company's current directors' and officers' insurance and indemnification policy or an equivalent policy, subject to terms and conditions no less advantageous, for all directors and officers of the Company on the date hereof, for six years after the Effective Time to cover acts and omissions of directors and officers of the Company occurring at or prior to the Effective Time; provided that Purchaser shall not be required to pay an annual premium for such insurance in excess of 300% of the last annual premium paid by the Company prior to the date hereof, but in such case Purchaser shall purchase as much coverage as possible for such amount and (ii) maintain in effect for six years after the Effective Time provisions no less favorable to the indemnified parties than those contained in the Certificate of Incorporation of the Company on the date hereof (which shall be contained in the Certificate of Incorporation of the Surviving Corporation) relating to the rights to indemnification of officers and directors with respect to indemnification for acts and omissions occurring at or prior to the Effective Time.

(b) This Section 6.05 is intended to benefit the Company, the Surviving Corporation and each of the directors and officers of the Company on the date hereof (each of whom shall be entitled to enforce this Section 6.05 against the Purchaser or the

Surviving Corporation, as the case may be) and shall be binding on all successors and assigns of the Purchaser and the Surviving Corporation.

6.06 Employee Benefit Plans. For a period ending no earlier than (i) with respect to Employee Benefit Plans which are Pension Plans or Welfare Plans (other than severance plans), the last day of the first plan year beginning after the Effective Time, (ii) with respect to Employee Benefit Plans which are cafeteria plans as defined in Section 125 of the Code, the last day of the plan year during which the Effective Time occurs and (iii) one year from the date of this Agreement with respect to any other employee benefits, Purchaser agrees that after the Effective Time it shall cause the Surviving Corporation to maintain all of the Company's and the Subsidiaries' existing employee retirement benefit plans and other employee benefit plans or plans providing benefits generally comparable thereto or provide compensation which in the aggregate is substantially comparable thereto.

(b) The foregoing shall not constitute any commitment, contract, understanding or guarantee (express or implied) on the part of the Surviving Corporation of a post-Effective Time employment relationship of any term or duration or on any terms other than those the Surviving Corporation may establish. Employment of any of the Employees by the Surviving Corporation shall be "at will" and may be terminated by the Surviving Corporation at any time for any reason (subject to any legally binding agreement, applicable laws or collective bargaining agreement). No provision of this Agreement shall create any third-party beneficiary rights in any employee or former employee (including any beneficiary or dependent thereof) of the Company or any of its subsidiaries in respect of continued employment or resumed employment.

6.07 Stock Options. (a) At the Effective Time, each Company Stock Option issued under the 1991 Stock Purchase and Option Plan, whether or not then exercisable and whether or not then vested, at the election of the optionee, shall be either cancelled or assumed and converted by Purchaser. If cancelled, then each holder of a cancelled option shall be entitled to receive, in consideration for the cancellation of such option, an amount in cash equal to the product of (x) the number of Shares previously subject to such option and (y) the excess, if any, of the Merger Consideration over the exercise price per Share previously subject to such option. If assumed, each option shall be amended to be exercisable into Purchaser's Common Stock (a "Substitute Option"); provided, however, that the excess aggregate value of each option following the substitution and assumption shall be the same as the excess

aggregate value of such outstanding option before the substitution and assumption. The number of shares of Purchaser's Common Stock subject to such Substitute Option and the exercise price thereunder shall be computed in compliance with the requirements of Section 424(a) of the Code, and, except as agreed in writing by Purchaser and the Company, such Substitute Option shall not confer any additional rights upon the optionee and shall be subject to substantially all of the other terms and conditions of the original option granted by the Company to which it relates except in the case of an optionee whose employment with the Company or its successor is terminated, other than for cause, within one year following the Effective Time, for whom the exercise period of the vested Substitute Option will be extended to a period of two years. At the Effective Time, each Company Stock Option issued under the Non-Employee Directors Stock Option Plan shall be cancelled in the manner provided above, and each Company Stock Option issued under the 1993 Stock Option Incentive Plan shall be assumed and converted into a Substitute Option in the manner provided above.

(b) Prior to the Effective Time, the Company shall obtain any consents or elections required or deemed necessary and the original Company Stock Option agreements (i) for cancellation from holders of outstanding Company Stock Options or (ii) to make any amendments to the terms of the Stock Option Plans or Company Stock Option Agreements that, in the case of clause (a) of this Section 6.07, are necessary to give effect to the transactions contemplated hereby.

6.08 Representations, Warranties and Agreements. No representations and warranties in this Agreement shall survive the purchase by Purchaser of any Shares pursuant to the Offer. All representations, warranties and agreements made by Purchaser or Sub in this Agreement shall be deemed to be made jointly and severally by Purchaser and Sub. All agreements in this Agreement shall not survive the Merger, except for the agreements contained in Sections 6.03 and 6.05 of this Agreement.

6.09 Public Statements. The Company, on the one hand, and Purchaser or Sub, on the other, agree to consult with each other in issuing any press release or otherwise making any public statement with respect to the transactions contemplated hereby, and shall not issue any such press release or make any such public statement prior to such consultation, except as may be required by law or any listing agreement with any national securities exchange (as advised by independent legal counsel (who may be the Company's regularly engaged independent legal counsel)).

6.10 Successors and Assigns. The provisions of this Agreement shall be binding upon and inure to the benefit of the parties



hereto and their respective successors and assigns; provided that no party may assign, delegate or otherwise transfer any of its rights or obligations under this Agreement without the consent of the other parties hereto, except that Sub may assign its rights and obligations hereunder to another wholly-owned subsidiary of Purchaser without the consent of the other parties hereto.

6.11 Notices. All notices, requests, claims, demands and other communications hereunder shall be in writing and shall be given by delivery, by facsimile transmission, or by registered or certified mail, first class postage prepaid, return receipt requested, to the respective parties as follows:

If to the Company:

MASLAND CORPORATION  
50 Spring Road  
Carlisle, PA 17013  
Attention: William J. Branch, Jr.  
Chairman of the Board  
Telephone: (717) 258-7214  
Facsimile: (717) 258-7576

With a copy to:

Peter O. Clauss, Esquire  
Clark, Ladner, Fortenbaugh & Young  
One Commerce Square  
2005 Market Street, 22nd Floor  
Philadelphia, PA 19103  
Telephone: (215) 241-1876  
Facsimile: (215) 241-1857

If to Purchaser or Sub:

LEAR CORPORATION  
21557 Telegraph Road  
Southfield, MI 48034  
  
Attention: Joseph F. McCarthy, Esquire  
Telephone: (810) 746-1714  
Facsimile: (810) 746-1677

With a copy to:

John L. MacCarthy, Esquire  
Winston & Strawn  
35 West Wacker Drive  
Chicago, IL 60601-9703  
Telephone: (312) 558-5876  
Facsimile: (312) 558-5700

or to such other address as either party may have furnished to the other in writing in accordance herewith. Any such notice, request, claim, demand or other communication shall only be effective upon receipt.

6.12 Governing Law; Consent to Jurisdiction. This Agreement shall be governed by and construed in accordance with the substantive law of the State of Delaware without giving effect to the principles of conflicts of laws thereof. Each of the parties hereto (a) consents to submit itself to the personal jurisdiction of any state or federal court located in the State of Delaware in the event any dispute arises out of this Agreement or any of the transactions contemplated by this Agreement, (b) agrees that it will not attempt to deny or defeat such personal jurisdiction or venue by motion or other request for leave from any such court and (c) agrees that it will not bring any action relating to this Agreement or any of the transactions contemplated by this Agreement in any court other than a state or federal court sitting in the State of Delaware, except as otherwise required by applicable law.

6.13 Severability. If any term, provision, covenant or restriction of this Agreement is held by a court of competent jurisdiction to be invalid, void or unenforceable, the remainder of the terms, provisions, covenants and restrictions of this Agreement shall remain in full force and effect and shall in no way be affected, impaired or invalidated so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to any party. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible to the fullest extent permitted by applicable law in an acceptable manner to the end that the transactions contemplated hereby are fulfilled to the extent possible.

6.14 Integration. This Agreement constitutes the entire Agreement and understanding among the parties hereto relating to the subject matter hereof and supersedes any and all prior agreements and understandings, oral or written, relating to the subject matter hereof, including without limitation (i) the Confidentiality Agreement, except as provided in Section 4.10, and (ii) the Agreement to Negotiate Exclusively dated May 2, 1996 between the Company and the Purchaser.

6.15 Counterparts; Effectiveness. This Agreement may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument. This Agreement shall become effective when each party hereto shall have received counterparts hereof signed by all of the other parties hereto.

6.16 Headings. The Section headings herein are for convenience only and shall not affect the construction hereof.

6.17 No Third-Party Beneficiaries. Except for Section 6.05 (which is intended to and shall confer upon such persons all rights and remedies by reason of this Agreement as if such person was a party hereto), no provision of this Agreement is intended to, or shall, confer any third-party beneficiary or other rights or remedies upon any person other than the parties hereto.

IN WITNESS WHEREOF, this Agreement has been duly executed and delivered by the duly authorized officers of the parties hereto on the date first above written.

LEAR CORPORATION

By: /s/ JH Vandenberghe  
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PA ACQUISITION CORP.

By: /s/ JH Vandenberghe  
-----

MASLAND CORPORATION

By: /s/ WJ Branch  
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## EXHIBIT A

The capitalized terms used in this Exhibit have the meanings set forth in the attached Agreement, except that the term "Merger Agreement" shall be deemed to refer to the attached Agreement, "Purchaser" shall be deemed to refer to PA ACQUISITION CORP. and "Parent" shall be deemed to refer to LEAR CORPORATION.

Notwithstanding any other provision of the Offer, the Purchaser shall not be required to accept for payment or, subject to any applicable rules and regulations of the Commission, including Rule 14e-1(c) under the Exchange Act (relating to Purchaser's obligation to pay for or return tendered Shares promptly after termination or withdrawal of the Offer), to pay for any Shares (including the associated Rights) tendered, and may postpone the acceptance for payment or, subject to the restriction referred to above, payment for any Shares (including the associated Rights) tendered, and, except as otherwise provided in the Merger Agreement, may amend or terminate the Offer (whether or not any Shares (including the associated Rights) have theretofore been accepted for payment) if, (i) prior to the expiration of the Offer, (A) the condition that there shall be validly tendered and not withdrawn prior to the expiration of the Offer a number of Shares which represents at least a majority of the number of Shares outstanding on a fully diluted basis on the date of purchase shall not have been satisfied (the "Minimum Condition") ("on a fully-diluted basis" meaning, as of any date: the number of Shares outstanding, together with Shares the Company is then required to issue pursuant to obligations outstanding at that date under employee stock option or other benefit plans or otherwise (assuming all options and other rights to acquire Shares are fully vested and exercisable and all Shares issuable at any time have been issued), including without limitation, pursuant to the Company Stock Options (defined in Section 3.02(b) of the Merger Agreement)), (B) any applicable waiting period under the HSR Act shall not have expired or been terminated prior to the expiration of the Offer, (C) all material regulatory and related approvals shall not have been obtained on terms reasonably satisfactory to the Purchaser or (D) the financial institutions (the "Banks") party to the Credit Agreement dated as of August 17, 1995, as amended, among Parent, the Banks, Chemical Bank, as Administrative Agent and the Managing Agents, Co-Agents and Lead Managers named therein (the "Credit Agreement"), shall not have granted the Parent a waiver (the "Credit Agreement Waiver") under the Credit Agreement permitting the consummation of the Offer and the Merger (the "Credit Agreement Waiver Condition"), or (ii) at any time after the date of the Merger Agreement and before the time of payment for any such Shares (including the associated Rights) (whether or not any Shares (including the associated Rights) have theretofore been accepted for payment), any of the following conditions exists:

(a) the Purchaser and the Company shall have reached a written agreement that the Purchaser shall amend the Offer to terminate the Offer or postpone payment for Shares pursuant thereto;

(b) there shall be instituted or pending any action or proceeding by any Governmental Entity or before any court or Governmental Entity, (1) challenging the acquisition by Parent or Purchaser of Shares or otherwise seeking to restrain or prohibit the consummation of the Offer, the Merger or the transactions contemplated by the Merger Agreement, (2) seeking to materially restrict or prohibit Parent's or Purchaser's ownership or operation of all or a material portion of its or the Company's business or assets, or to compel Parent or Purchaser to dispose of or hold separate all or a material portion of its or the Company's business or assets, as a result of the Offer or the Merger, which in either case, in the sole judgment of Parent and Purchaser, might, directly or indirectly, result in the relief sought being obtained or (3) which might result, directly or indirectly, in any of the consequences set forth in clauses (2) through (5) of paragraph (c) below;

(c) there shall have been any statute, rule, executive order, decree, injunction, regulation or other order (whether temporary, preliminary or permanent) enacted, promulgated, entered or issued or deemed applicable to the Offer or the Merger, by any Governmental Entity or court, which, in the sole judgment of Parent and Purchaser would, directly or indirectly, (1) materially restrict or prohibit Parent's or Purchaser's ownership or operation of all or a material portion of its or the Company's business or assets or compel Parent or Purchaser to dispose of or hold separate all or a material portion of its or the Company's business or assets as a result of the Offer or the Merger, (2) render Parent or Purchaser unable to purchase or pay for some or all of the Shares pursuant to the Offer or to consummate the Merger, or otherwise prevent consummation of the Offer or the Merger, except for the waiting period provisions of the HSR Act, (3) make such purchase, payment or consummation illegal, (4) impose or confirm material limitations on the ability of Parent or Purchaser effectively to acquire or hold, or to exercise full rights of ownership of, any Shares purchased by it, including, without limitation, the right to vote any Shares purchased by it on all matters (including the Merger and the Merger Agreement) properly presented to the Company's stockholders, or (5) otherwise materially adversely affect the condition (financial or otherwise), results of operations, business, assets or liabilities of the Company and its Subsidiaries taken as a whole (a "Company Material Adverse Effect");

(d) there shall have occurred (1) any general suspension of, or limitation on prices for, or trading in, securities on the New York Stock Exchange, any national securities exchange or in the over-the-counter market, (2) a declaration of a banking moratorium or any suspension of payments in respect of banks in the United States, (3) a commencement of a war, armed hostilities or other international or national calamity directly or indirectly involving the United States, (4) from the date of this Agreement through the date of termination or expiration of the Offer, a decline of at least 25% in the Standard & Poor's 500 Index, or (5) in the case of any of the foregoing existing at the time of the commencement of the Offer, a material acceleration or worsening thereof;

(e) there shall have occurred a Company Material Adverse Effect, or the Merger Agreement shall have been terminated in accordance with its terms;

(f) beneficial ownership of 20% or more of the outstanding Shares shall have been acquired by another person or by a "group" as defined in Section 13(d)(3) of the Exchange Act other than for purposes of arbitrage;

(g) any of the representations and warranties of the Company contained in the Merger Agreement shall not be true and correct as of the date of consummation of the Offer as though made on and as of such date, except (i) for changes specifically permitted by the Merger Agreement, (ii) that those representations and warranties which address matters only as of a particular date shall remain true and correct as of such date, and (iii) with respect to those representations and warranties which are not qualified by materiality or a similar qualification, in any case where such failures to be true and correct would not, individually or in the aggregate, have a Company Material Adverse Effect; or

(h) the Company shall not have performed or complied in all material respects with all agreements and covenants required by the Merger Agreement to be performed or complied with by the Company on or prior to the date of consummation of the Offer, which, in the sole judgment of Parent and Purchaser in any such case and regardless of the circumstances (including any action by Parent or Purchaser) giving rise to any such condition, makes it inadvisable to proceed with the Offer and/or with such acceptance for payment or payment for such Shares.

The foregoing conditions are for the sole benefit of Parent and Purchaser and may be asserted by Parent and Purchaser regardless of the circumstances giving rise to any such conditions or may be waived by Parent and Purchaser in whole or in part at any

time and from time to time in the sole discretion of each of Parent and Purchaser. The failure by Parent or Purchaser at any time to exercise any of the foregoing rights shall not be deemed a waiver of any such right and each such right shall be deemed an ongoing right which may be asserted at any time and from time to time. Any determination by Parent or Purchaser concerning the events described herein will be final and binding upon all parties.

EXHIBIT 12.1 -- COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES  
(DOLLARS IN MILLIONS, EXCEPT RATIO OF EARNINGS TO FIXED CHARGES)

	YEAR ENDED							
	THREE MONTHS ENDED		DECEMBER 31,			JUNE 30,		
	MARCH 30, 1996	APRIL 1, 1995	1995	1994	1993	1993	1992	1991
Income before provision for national income taxes, minority interests in net income (loss) of subsidiaries, equity (income) loss of affiliates, and extraordinary items.....	\$ 40.8	\$ 30.3	\$152.9	\$114.6	\$26.1	\$28.4	\$(6.5)	\$(20.3)
Fixed charges.....	27.2	15.8	82.6	52.2	49.8	51.7	58.1	63.3
Distributed income of affiliates.....	--	--	1.3	0.9	1.0	--	--	--
Minority interest expense for majority-owned subsidiaries with no fixed charges.....	--	--	--	--	--	--	--	(0.4)
Earnings.....	\$ 68.0	\$ 46.1	\$236.8	\$167.7	\$76.9	\$80.1	\$51.6	\$ 42.6
Interest expense.....	24.4	14.2	75.5	46.7	45.6	47.8	55.2	61.7
Portion of lease expense representative of interest(1).....	2.8	1.6	7.1	5.5	4.2	3.9	2.9	1.6
Fixed Charges.....	\$ 27.2	\$ 15.8	\$ 82.6	\$ 52.2	\$49.8	\$51.7	\$58.1	\$ 63.3
Ratio of Earnings to Fixed Charges.....	2.5x	2.9x	2.9x	3.2x	1.5x	1.5x	--	--
Fixed Charges in Excess of Earnings.....	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 6.5	\$ 20.7

	PRO FORMA THREE MONTHS ENDED MARCH 30, 1996	PRO FORMA YEAR ENDED DECEMBER 31, 1995
Income before provision for national income taxes, minority interests in net income (loss) of subsidiaries, equity (income) loss of affiliates, and extraordinary items.....	\$ 47.4	\$ 188.2
Fixed charges.....	32.6	132.5
Distributed income of affiliates.....	1.6	1.3
Minority interest expense for majority-owned subsidiaries with no fixed charges.....	--	--
Earnings.....	\$ 81.6	\$ 322.0
Interest expense.....	29.3	122.5
Portion of lease expense representative of interest(1).....	3.3	10.0
Fixed Charges.....	\$ 32.6	\$ 132.5
Ratio of Earnings to Fixed Charges.....	2.5x	2.4x
Fixed Charges in Excess of Earnings.....	--	--

(1) One-third of lease expense.



## CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation by reference in this registration statement of our report dated February 6, 1996 included in Lear Corporation's Form 10-K for the year ended December 31, 1995, and to all references to our firm included in this registration statement.

/s/ Arthur Andersen LLP

ARTHUR ANDERSEN LLP

Detroit, Michigan  
June 11, 1996

## CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation by reference in this registration statement of our report dated January 26, 1995 included in Lear Corporation's Form 8-K dated August 28, 1995, and to all references to our firm included in this registration statement.

/s/ Arthur Andersen LLP

ARTHUR ANDERSEN LLP

Minneapolis, Minnesota  
June 11, 1996