UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

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

Date of Report (Date of earliest event reported): June 18, 2007

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

Delaware	**1-11311**	**13-3386776**
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification Number)

21557 Telegraph Road, Southfield, MI	**48033**
(Address of principal executive offices)	(Zip Code)

(248) 447-1500
(Registrant's telephone number, including area code)

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

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

o Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

o Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

o Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

o Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Section 2 — Financial Information

Item 2.02 — Results of Operations and Financial Condition

The following information is provided pursuant to Item 2.02 of Form 8-K “Results of Operations and Financial Condition” and Item 7.01 of Form 8-K, “Regulation FD Disclosure.”

On June 18, 2007, Lear Corporation (the “Company”) revised its financial outlook for the balance of 2007. The revised financial outlook is included in the proxy statement supplement attached as Exhibit 99.2 hereto.

Section 7 — Regulation FD

Item 7.01 — Regulation FD Disclosure

See “Item 2.02 Results of Operations and Financial Condition” above.

Section 8 — Other Events

Item 8.01 — Other Events

On June 15, 2007, the Court of Chancery of the State of Delaware in and for New Castle County (the “Court”) issued its opinion with respect to the plaintiffs’ motion to enjoin the Company stockholder vote on the merger. The Court largely rejected the plaintiffs’ preliminary injunction claims. However, the Court enjoined the Company stockholder vote on the merger until certain supplemental disclosures required by the Court are provided to the Company’s stockholders. The opinion of the Court is attached as Exhibit 99.1 hereto. To comply with the order of the Court, the Company is supplementing the Company’s proxy statement dated May 23, 2007. The proxy statement supplement is attached as Exhibit 99.2 hereto.

On June 5, 2007, the Company submitted two letters to the Court. The letters submitted to the Court relate to a letter that the Company had previously submitted to the Court on May 30, 2007 in response to a request by the Court for an update on the Company’s ongoing discussions with third parties regarding a potential competing aquisition proposal. The letters submitted to the Court on June 5, 2007 are attached as Exhibit 99.3 and 99.4 hereto. The letter submitted to the Court on May 30, 2007 was attached as Exhibit 99.1 to the Form 8-K filed by the Company with the United States Securities and Exchange Commission on May 31, 2007.

Section 9 — Financial Statements and Exhibits

Item 9.01 — Financial Statements and Exhibits

(c) Exhibits

99.1 Opinion dated June 15, 2007 of the Court of Chancery of the State of Delaware in and for New Castle County.

99.2 Supplement dated June 18, 2007 to Proxy Statement dated May 23, 2007.

99.3 Letter to the Company dated June 2, 2007 from Kelley Drye & Warren LLP.

99.4 Letter dated June 5, 2007 from Winston & Strawn LLP to Kelley Drye & Warren LLP.

SIGNATURE

Pursuant to the requirements of the Exchange Act, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

LEAR CORPORATION,
a Delaware corporation

Date: June 18, 2007

By: /s/ Daniel A. Ninivaggi

Name: Daniel A. Ninivaggi
Title: Executive Vice President, General Counsel and Chief Administrative Officer

EXHIBIT INDEX

Exhibit No.	Description
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99.4	Letter dated June 5, 2007 from Winston & Strawn LLP to Kelley Drye & Warren LLP.

EXHIBIT 99.1

IN THE COURT OF CHANCERY OF THE STATE OF DELAWARE
IN AND FOR NEW CASTLE COUNTY

IN RE: LEAR CORPORATION SHAREHOLDER LITIGATION	))	Consolidated C.A. No. 2728-VCS

OPINION

Date Submitted: June 8, 2007
Date Decided: June 15, 2007

Pamela S. Tikellis, Esquire, CHIMICLES & TIKELLIS, LLP, Wilmington, Delaware, *Attorney for Plaintiff.*

Seth D. Rigrodsky, Esquire, Brian D. Long, Esquire, RIGRODSKY & LONG, P.A., Wilmington, Delaware; Ann K. Ritter, Esquire, MOTLEY RICE, LLC, Mount Pleasant, South Carolina, *Co-Chairs of Plaintiffs' Executive Committee.*

Kevin G. Abrams, Esquire, J. Travis Laster, Esquire, Steven M. Haas, Esquire, Nathan A. Cook, Esquire, ABRAMS & LASTER, LLP, Wilmington, Delaware, *Attorneys for the Lear Defendants.*

Matthias Lydon, Esquire, Norman Beck, Esquire, WINSTON & STRAWN, LLP, Chicago, Illinois, *Of Counsel to Lear Corporation*.

Kenneth J. Nachbar, Esquire, Jay N. Moffitt, Esquire, William E. Green, Jr., Esquire, MORRIS NICHOLS ARSHT & TUNNELL, Wilmington, Delaware, *Attorneys for Defendants AREP Car Acquisition Corp., American Real Estate Partners, LP, and Vincent J. Intrieri*.

STRINE, Vice Chancellor.

I. Introduction

Lear Corporation is one of the world's leading automotive interior systems suppliers. It is among the Fortune 200, and its shares trade on the New York Stock Exchange. Although Lear is a large corporation, it remains highly dependent on the success of the corporations who sell cars and trucks — as those corporations are Lear's customers. In particular, although Lear has broadened its customer base to become more global, the majority of its revenues continue to be derived from sales to American manufacturers, and within that sector, Lear's revenues also tilt toward supplying components for SUVs and light trucks. As is widely known, the American automobile industry has suffered during the past several years and sales of SUVs and light trucks have declined as gas prices have increased. Lear suffered along with it, as the ratings given to its debt and as the bankruptcy rumors concerning the company reflected. In the midst of a restructuring to keep itself healthy, along came Carl Icahn.

In early 2006, Icahn took a large, public position in Lear stock. Given Icahn's history of prodding issuers toward value-maximizing measures, this news bolstered Lear's flagging stock price. Later in 2006, Icahn deepened his investment in Lear, by purchasing $200 million of its stock — raising his holdings to 24% — through a secondary offering. The funds raised in that private placement were used by Lear to reduce its debt and help with its ongoing restructuring.

Icahn's purchase led the stock market to believe that a sale of the company had become likely. Icahn's investment also combined with another reality: Lear's board had

eliminated the corporation's poison pill in 2004, and promised not to reinstate it except in very limited circumstances.

In early 2007, Icahn suggested to Lear's CEO that a going private transaction might be in Lear's best interest. After a week of discussions, Lear's CEO told the rest of the board. The board formed a Special Committee, which authorized the CEO to negotiate merger terms with Icahn.

During those negotiations, Icahn only moved modestly from his initial offering price of $35 per share, going to $36 per share. He indicated that if the board desired to conduct a pre-signing auction, it was free to do that, but he would pull his offer. But Icahn made it clear that he would allow the company to freely shop his bid after signing, during a so-called go-shop period, but only so long as he received a termination fee of approximately 3%.

The board did the deal on those terms. After signing, the board's financial advisors aggressively shopped Lear to both financial and strategic buyers. None made a topping bid during the go shop period. Since that time, Lear has been free to entertain an unsolicited superior bid. None has been made.

Stockholders plaintiffs have moved to enjoin the upcoming merger vote, arguing that the Lear board breached its *Revlon*[1] duties and has failed to disclose material facts necessary for the stockholders to cast an informed vote.

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1 Revlon, Inc. v. MacAndrews & Forbes Holdings, Inc., 506 A.2d 173 (Del. 1986).

The special committee and the board further considered that during 2006 Mr. Rossiter had raised concerns with members of the board regarding the unfunded and unsecured nature of the non-qualified pension benefits Mr. Rossiter and other executives were eligible to receive under the Company's supplemental executive retirement plans (collectively, the "SERP"). Given the long tenure of Mr. Rossiter's service with the Company, substantial benefits had accrued to him under the SERP. Mr. Rossiter was vested in his SERP benefits and could have received a lump sum payment had he chosen to retire. If he had chosen to retire as of September 30, 2006, his lump sum payment would have been approximately $11.6 million. Mr. Rossiter had expressed to certain members of the board his concerns that given the amount of his retirement benefits and equity ownership in the Company, a substantial portion of his net worth was at risk in the event of an industry downturn or a deterioration in the Company's business. Mr. Rossiter also expressed concern over the illiquidity of his equity interest in the Company and raised the possibility of retiring as an executive of the Company.

During late 2006, the compensation committee of the board, along with its external advisors including its independent compensation consultant, evaluated alternatives to restructure the SERP to address Mr. Rossiter's concerns. The compensation consultant noted that implementing these alternatives would likely elicit a negative reaction from the Company's stockholders and proxy advisory firms against Mr. Rossiter, other members of senior management and the board. In December 2006, the compensation committee proposed alternatives to Mr. Rossiter, who ultimately declined any changes to his retirement benefits, including any accelerated payment of his SERP benefits, because of the negative perceptions cited by the compensation committee's consultant.

The special committee and the board were also aware of the fact that the amendment to Mr. Rossiter's employment agreement in connection with the proposed merger allows him to elect to receive an accelerated payout of his accumulated pension benefits under the SERP without retiring as an executive of the Company. Specifically, Mr. Rossiter may elect to have up to 70% of his accumulated SERP benefits paid to him on January 15, 2008 and up to 30% of his accumulated benefits paid to him on January 15, 2009. Assuming that Mr. Rossiter maximizes the amounts of these elections, and taking into account the time-value of money and other customary actuarial assumptions applicable under the SERP, he will receive approximately $8.6 million on January 15, 2008 and $3.9 million on January 15, 2009, reflecting the actuarial present value of his retirement benefits were he to remain an executive until age 65. As a result of the accelerated payment of his equity awards and retirement benefits under the SERP in connection with the merger, Mr. Rossiter will receive amounts that otherwise would have been at risk, and he may be viewed as having had economic motivations that are different from those of other Lear stockholders. For a summary of the SERP and Mr. Rossiter's benefits thereunder, please see the proxy statement under the heading "Executive Compensation — Pension Benefits."

Pursuant to the employment agreement amendment, Mr. Rossiter would serve as Executive Chairman of the Board of Directors for a period of two years following the closing and Non-Executive Chairman of the board for one year thereafter. The amendment provides Mr. Rossiter with an annual salary and bonus comparable to those provided by his existing employment agreement while he serves in an executive capacity. Mr. Rossiter also is to receive options to purchase 0.6% of the common stock of the Surviving Corporation in the merger at an exercise price equal to the merger consideration price per share. For a summary of Mr. Rossiter's employment agreement amendment, please see the proxy statement under the heading "Interests of Lear's Directors and Executive Officers in the Merger — Employment Agreements."

Mr. Rossiter negotiated with AREP certain material aspects of the merger at the direction of the special committee. The special committee and the board considered in connection with the merger negotiations and approval of the merger that Mr. Rossiter had interests in the merger that were different from the interests of the Company's stockholders and independent members of the board of directors, due to the accelerated payment of Mr. Rossiter's SERP benefits, the payout of his outstanding equity interests in the Company, his continued employment with the Company following the merger and his equity interest in the Company following the merger. Given Mr. Rossiter's potential conflicting interests, and considering

the CEO desired might draw fire from institutional investors, a factor that deterred the CEO from immediately accepting any renegotiation of his retirement benefits.

Because the CEO might rationally have expected a going private transaction to provide him with a unique means to achieve his personal objectives, and because the merger with Icahn in fact secured for the CEO the joint benefits of immediate liquidity and continued employment that he sought just before negotiating that merger, the Lear stockholders are entitled to know that the CEO harbored material economic motivations that differed from their own that could have influenced his negotiating posture with Icahn. Given that the Special Committee delegated to the CEO the sole authority to conduct the merger negotiations, this concern is magnified. As such, an injunction will issue preventing the vote on the merger vote until such time as the Lear shareholders are apprised of the CEO's overtures to the board concerning his retirement benefits.

II. Factual Background

A. The Company And Its Industry

Lear is one of the world's leading automotive interior systems suppliers, manufacturing complete automotive seat and electrical distribution systems and select electronic products. It is among the 150 largest companies in the United States with net sales of $17.8 billion to customers spanning the globe. The company is publicly traded on the New York Stock Exchange and has over 100,000 employees in over 200 facilities worldwide.

Despite its size and prominence in its market, Lear has been a troubled company in a depressed industry. The "Big Three" North American automotive manufacturers,

Ford, General Motors, and DaimlerChrysler, which combined to account for over 65% of Lear's sales, have all been struggling due to high energy prices, increased prices of key commodities and raw materials, and heightened global competition. Further, Lear's highest margin products are components for SUVs and light trucks, a segment that has been hard hit by rising gasoline prices and concern over climate change.

In addition to battling difficult market conditions, in 2005 and 2006, Lear faced the maturation of large amounts of debt. Concerns that the company would default on these obligations spurred bankruptcy rumors. Although Lear never defaulted, it came close to allowing the circling rumors to become reality.

Lear is managed by an eleven member board of directors. Only two board members — Robert E. Rossiter, Lear's chief executive officer, and James H. Vandenberghe, Lear's chief financial officer — are officers of the company. A third member of the current board, Vincent Intrieri, is affiliated with Icahn but independent for other purposes. The rest are directors whose independence the plaintiffs have not successfully questioned.

In 2005, the Lear board initiated a strategic planning process. As part of that process, Lear engaged J.P. Morgan Securities, Inc. ("JPMorgan") to provide advisory services. Throughout 2006, Lear divested underperforming business units and restructured its debts. The Lear board also contemplated expanding its international business to reduce its reliance on the Big Three.

During this process, the well-known investor Carl Icahn made his first investment in Lear. Believing Lear's equity to be undervalued, Icahn purchased $100 million worth

of Lear's common stock (about 4.9% of the total shares outstanding) at $16 to $17 per share beginning in March 2006. In the months after that investment, Lear's stock price increased in value, trading in around $20 per share.

Icahn's initial investment generated interest in Lear from private equity fund Cerberus Capital Management LP. On April 11, 2006, Lear's CEO, Rossiter, and other members of management met with Cerberus in New York. At the meeting, Cerberus pitched the idea of taking Lear private, but Rossiter indicated that he was unwilling to do a leveraged buyout given the low $16-17 market price then prevailing. The brief discussion terminated with Rossiter noting that he "ha[d] shareholders . . . to protect" and that he "felt uncomfortable talking about it."

After fielding the interest generated by Icahn's investment, Rossiter and the Lear management team once again focused on implementing its new strategic initiatives. As part of that process, management presented a long-term financial plan based on the company's new strategy to the Lear board in July 2006. That "July 2006 Plan" reflected the company's restructured debt service obligations, the sale of Lear's underperforming interiors business, and contained aggressive changes to streamline the company's operations. It projected three business cases: an improvement case representing the best case scenario for emerging from the company's woes; a partial improvement case projecting somewhat less success in restructuring; and a sensitivity case accounting for many more problems and payments, including a 10% decline in North American production and $200 million in supplier support payments, financing fees, and additional investments necessary to turn Lear around. As a result of these differing outlooks, the

midpoints of the DCF valuations for the three plans (from most to least optimistic) were $39.71, $30.22 and $18.00 per share, representing the possibility for material improvement from the company's then-existing market value of $21 per share.

Enticed by what he still considered to be a below-market stock price, Icahn again sought to increase his position in Lear. On October 2006, after making open market purchases bringing his interest to nearly 10%, Icahn sought to push his investment in Lear's common stock over the 15% threshold of 8 *Del. C.* § 203. To that end, he negotiated with the Lear board and ultimately agreed to a secondary offering of $200 million worth of Lear common stock. The terms of that offering included a per share price of $23, a waiver of the provisions of 8 *Del. C.* § 203, and a cap on Icahn's total holdings at 24%. In this process, Icahn did not have to negotiate a waiver of Lear's shareholder rights plan because Lear had allowed its plan to expire in December 2004 and had adopted corporate governance policies prohibiting such measures in the future absent a shareholder vote or consent of a majority of Lear's independent directors. The private placement closed on October 17, 2006, bringing Icahn's total holdings in Lear to 24% (including his 16% equity position and an additional 8% exposure through related financial instruments). As a result of these holdings, Icahn became Lear's largest investor and was able to appoint his lieutenant Intrieri to the Lear board to monitor his investment.

It is vital to note that Lear offered two of its other large shareholders the opportunity to participate in the October 2006 private placement on the same terms as Icahn. But both declined at the time saying the $23 per share price was too high. Now,

however, one of those two shareholders, Pzena Investment Management, claims that Lear is worth $60 per share.

Immediately following Icahn's investment, Lear's common stock shot up in price. It rose over 15% on the first day of trading after the announcement and crossed the $30 per share threshold on October 26, 2006. Over the final months of 2006 and during the pre-merger period of 2007, Lear's stock traded within a range of a few dollars above or below that mark.

Having weathered the threatened storm of bankruptcy in 2005 and 2006, Lear's CEO, Robert Rossiter, sought to secure his personal financial position in the closing months of 2006. Rossiter, like many of Lear's top executives, had much of his personal wealth tied up in Lear stock, having reinvested in the company to help stave off its demise. Further, as the company's longest-serving executive with over 35 years experience, Rossiter had accumulated substantial benefits as part of his Supplemental Executive Retirement Plan and other non-qualified retirement plans (collectively, his "SERP"). These retirement benefits had a fully-vested value $14.6 million when Rossiter turned 65 in 2011, but they could be cashed out at a 9.6% annual penalty before that time. As such, Rossiter could access $10.4 million (roughly 70%) of his SERP benefits by mid-2007, *but only if he retired*.

Although its restructuring and Icahn's equity infusion had strengthened Lear's financial position, Rossiter knew that the company still had rough water to traverse. As Rossiter put it in an October 2006 e-mail, Lear was a "sick company operating in a sick industry." His SERP benefits were not secured by specific Lear assets, and thus Rossiter

worried that he would be treated like an unsecured creditor if Lear had to file for bankruptcy.

In November 2006, Rossiter approached the compensation committee and expressed his interest in accelerating his SERP payments to provide himself, and his family, with enhanced financial security. Rossiter felt this action was especially important because he could not easily liquidate his equity position due to management blackout trading periods and concerns that large sales by the Lear CEO would send a negative signal to the market and thereby diminish Lear's stock price. In response to Rossiter's inquiry, the compensation committee met and hired a compensation consulting firm, Towers Perrin, to prepare an analysis of Rossiter's SERP and to generate potential options for him to more quickly access his benefits.

In its reports, Towers Perrin presented five potential options to allow Rossiter to liquidate his retirement assets quickly while keeping his job and avoiding the full multi-million dollar haircut he would take by retiring early. Of those options, Towers Perrin recommended a plan on December 14 that would give Rossiter a $5 million lump sum payment immediately, three annual installment payments totaling another $5.4 million over the next three years, and a $3 million retention bonus payable if Rossiter remained with Lear through his 65th birthday. As a caveat to each of its options, Towers Perrin noted that there might well be adverse reactions from institutional investors, including the possibility that ISS, the influential proxy advisory firm, would support a withhold campaign against Lear and Rossiter in the future.

The compensation committee formally considered the Towers Perrin options on December 15 and conveyed them to Rossiter soon thereafter, explaining to him the financial and optical disadvantages inherent in selecting one of the available alternatives. Despite these hurdles, the Compensation Committee was willing to support Rossiter's selection from among the Towers Perrin options. Given the potential negative publicity and other problems, Rossiter did not jump at the chance to pursue any of the options. Whether to protect his own image, his full SERP, or Lear's future prospects, Rossiter declined to take any action on the matter before the new year. Rossiter never again pondered the difficult question of whether it was worth it to endure the public criticism he was likely to incur by accelerating his own benefits during a period of tumult in his industry. Icahn's proposal of a going private transaction preempted that thinking.

B. The Merger Timeline

On January 16, 2007, Rossiter met with Icahn over dinner in New York to discuss the changing automotive industry environment and its effect on Lear's competitive position. At that meeting, Rossiter was accompanied by Daniel Ninivaggi, Lear's chief administrative officer and general counsel. Ninivaggi came to Lear in 2003 from Winston & Strawn, LLP, the company's outside legal counsel, where he had been a partner. For his part, Icahn was joined by Vincent Intrieri, a senior officer of various Icahn affiliates and Icahn's appointee to the Lear board.

The topic of a potential transaction first arose when Rossiter lamented the volatile market conditions and the negative impact that it had on the company. In response to that comment, Icahn broached the possibility of acquiring Lear to allow the company to take a

more long-term focus because it would be as a private company. Rossiter agreed that such a combination might be beneficial to Lear, and they began to explore the feasibility of that proposal.

Following the January 16 meeting, Rossiter, Icahn, Ninivaggi and Intrieri explored the process by which Icahn could obtain due diligence materials to review in support of a potential bid. The four spoke frequently, and the mood was friendly as Icahn expressed an interest in retaining the existing management of Lear, including Rossiter, Ninivaggi, the company's CFO Vandenberghe, and its COO and President Douglas DelGrosso. Also contributing to the collegial mood was Icahn's indication that he would not proceed with a hostile bid if the Lear board was not open to negotiating with him.

After a week of discussions, on January 23, Rossiter began to inform the other members of the Lear board about the ongoing merger discussions. That day, Rossiter called two of Lear's independent directors, Larry McCurdy and James Stern, to inform them of what had transpired over the previous week. He also involved Lear's outside legal counsel, Ninivaggi's former law firm, Winston & Strawn, in the discussions with Icahn for the first time. The following day, three more of Lear's independent directors — David Spalding, Henry Wallace, and Richard Wallman — were brought into the process, and, on January 25, the full board was convened.

At the January 25 board meeting, Ninivaggi presented the board with the status of the ongoing merger talks because Rossiter was traveling overseas on other business. Once up to speed, the board formed a "Special Committee" to oversee the merger process. As is typical of such committees, the Lear Special Committee was empowered

to evaluate and negotiate proposals from Icahn and to consider alternatives thereto. Unlike similar committees in some other contexts, however, the defendants admit that the Lear Special Committee was formed to facilitate swifter responses than could be achieved by the full board, not to act as substitute for conflicted management. The three independent directors appointed to the Special Committee — McCurdy (the Committee's chairman), Stern, and Wallace — were selected based on their industry expertise and experience in the merger and acquisition arena.

Upon its formation, the Special Committee did not insert itself or its advisors into the merger negotiations. The Special Committee stood back from the front lines of due diligence and the negotiation of price and other merger terms. Because the Special Committee did not view the Icahn overture as presenting a conflict situation for Rossiter or his subordinates — or at least not one that required the Special Committee to take the lead — it allowed Rossiter to spearhead the negotiations. The Committee believed him to be the most knowledgeable person regarding Lear, as an effective salesman, and thus the best negotiator. Plus the Committee planned to keep management on a "short leash".

Lear secured a confidentiality agreement from Icahn and his affiliated entity, American Real Estate Partners, LP ("AREP"), which he planned to use to consummate the acquisition. Once the confidentiality agreement was delivered, Icahn and AREP began due diligence. As part of that process, meetings focusing on the Lear strategy encapsulated in the July 2006 Plan and its execution since it was formulated were held in New York on January 28 and 29 between the representatives and advisors of the companies. As a result of these discussions, the company requested that its financial

advisor, JPMorgan, update the July 2006 Plan based on the current industry outlook. At the conclusion of the meetings, Icahn expressed his interest in continuing forward with a transaction and confirmed in general terms his intention to retain Lear's senior management.

The Special Committee was apprised of these developments at a meeting on January 30. During that session, it engaged the company's long-serving legal and financial advisors — Winston & Strawn and JPMorgan — as its own and hired Richards, Layton & Finger P.A. to provide additional advice on Delaware law. Consistent with its view throughout the process, the Special Committee did not see a material conflict between the interests of Lear, its public stockholders and its management in this process. As a result, the Special Committee considered the potential conflicts of interest the engagements of Winston & Strawn and JP Morgan posed, but it concluded that the benefits of hiring advisors already familiar with Lear warranted their retention.

The Special Committee's next meeting took place on February 1, 2007. The purpose of that meeting was to review management's revised financial projections. These revised figures took into account lower production forecasts for the Big Three auto manufacturers generated by J.D. Power & Associates and were generally more pessimistic than those underlying the July 2006 Plan. Eight drafts of the February 1 projections were prepared during the early morning hours of that day, but only the final version was presented to the Special Committee for consideration.

Price negotiations began on February 2. The Special Committee members absented themselves from that key task, delegating it to Rossiter as CEO. Rossiter

included some of his subordinates, particularly Ninivaggi, in the negotiations at times. But neither JPMorgan nor any Special Committee member participated in those talks.

During one of many telephone calls on February 2, Icahn made an oral bid to acquire Lear at a price of $35 per share. As part of that offer, Icahn was willing to agree to a go-shop period during which Lear could actively solicit higher bids, but, in exchange, Icahn demanded a termination fee plus reimbursement of up to $20 million in expenses if his bid was topped. Rossiter responded that he could not support a deal on those terms. Nonetheless, he said he would take Icahn's offer to the Special Committee.

The Special Committee shared Rossiter's view that Icahn's initial proposal was inadequate and rejected Icahn's $35 bid. Although the Committee never determined what an appropriate price for the Lear equity would be, there is evidence the company expected a bid in the $36 to $38 range. Ninivaggi testified that he thought the offer would be between $36 and $37 per share. Rossiter said he thought that $35 was "a pretty low offer."

Rossiter conveyed the Special Committee's message to Icahn on a call initiated immediately following the Special Committee's meeting. On that call, Rossiter was joined by the CFO, Vandenberghe; Lear's president and COO, Douglas DelGrosso; and by Winston & Strawn. Again, neither JPMorgan nor any of the Special Committee members took part in this discussion.

When Rossiter informed Icahn that the Special Committee had rejected his $35 per share offer, Icahn raised his bid by a quarter to $35.25. Acting on instinct rather than pausing to solicit the Special Committee's input, Rossiter rejected that new bid

immediately based on his understanding of the Special Committee's position as expressed earlier in the evening on February 2. Later in the call, Icahn countered with another seventy-five cent jump to $36 per share, but identified that price as his highest and final offer. Taking Icahn at his word, Rossiter said he would convey that bid to the Special Committee the next day.

Before he conveyed Icahn's new position to the Special Committee or obtained any guidance on how best to respond, Rossiter reinitiated negotiations with Icahn on the morning of February 3 to see if he could improve the offer in hand. Icahn reiterated his position that he would not offer more than $36 per share, but he said that he would pay a reverse break-up fee if he breached the merger terms and he indicated that he could be flexible in negotiating the terms of the go-shop period and termination fee. Icahn also became, in his words, "a little peeved," telling Rossiter "I told you I'm not going higher . . . . [R]est assured you got the best price you could have, don't come home tonight and think about whether you could have gotten more. You're not getting any[.]"

Having struck out on a higher price, Rossiter shared the $36 bid along with the additional information he had gleaned from Icahn with the Lear board at their meeting later in the day on February 3. Presented with a firm price for the first time, the Lear board debated the merits of a merger with Icahn, both with management and JPMorgan present, and then in an executive session of the independent directors. To assist in fleshing out the pros and cons of the proposed deal, JPMorgan presented an update to its February 1 financial analysis of Lear. After considering the multiple cases JPMorgan presented, the Special Committee determined that the most conservative of the

projections, a variant of the July 2006 Plan's sensitivity case, was most representative of the current industry outlook. As a result they adopted those projections and dubbed them the "Long Range Plan with Current Industry Outlook." The Special Committee desired a higher price but recognized that Icahn's offer was attractive in view of the risks Lear faced in achieving even its conservative projections.

In executive session, the Lear board also debated the merits of engaging in a more formal sale process or auction. Although this method might secure a premium bid, the board was concerned that it would disrupt the company's business and customer relationships or that it might cause Icahn to withdraw. The second was the board's larger concern, as Icahn had indicated that he would pull his offer if Lear chose to undertake a full-blown auction. Both Icahn and Lear recognized that Lear's stock was trading at a very high level — over twice the price at which Icahn made his initial investment — and that it might decline sharply if Icahn pulled out of discussions. Using that knowledge, Icahn told Lear that "if the company turned down [his] offer . . . he would just sit back, remain a stockholder . . . [and] in the event [Lear's] stock would drop back down to 30 or 29 .. . . he would come in later with a lower offer."

In light of those potential pitfalls, the board decided that the go-shop structure of securing a firm commitment to merge before soliciting others was the best solution to maximize shareholder value. The board did not endorse the terms that were contained in the draft merger agreement it received that evening, though, because it hoped a more favorable break-up fee and a longer shopping period could be obtained. Further, the

Board insisted that Icahn sign a voting agreement to support a superior proposal before it would recommend his proposal.

Negotiations over those terms took place over the next three days and included in-person meetings on February 5 and 6. The results of those discussions were Icahn's agreement to a voting agreement of the type demanded by the Lear board, and to a termination fee, tiered to be lowest during the go-shop period and increase slightly thereafter. To obtain these terms, the Special Committee and Lear management at their direction rejected several less favorable proposals and continually sought further improvement of the Icahn offer.

On February 5, the status of the merger negotiations was formally disclosed. Lear issued a press release that day describing the talks, and Icahn filed a disclosure with the SEC relating to AREP's $36 per share proposal.

During the same period — from February 4 through February 7 — the Special Committee engaged JPMorgan to solicit expressions of interest from third parties that might have an interest in acquiring Lear. Without time to conduct anything but a discrete canvass, the Committee merely tested the waters by contacting eight financial buyers with a listing of interest in the auto sector. Over the next four days, JPMorgan received three flat "no" responses and five tepid "maybes" from buyers who were of Icahn's $36 proposal. Neither JPMorgan nor Lear viewed any of these responses as a serious expression of interest as none of those potential buyers expressed even a concrete desire to pursue due diligence and none made even a preliminary proposal. Notably, Cerberus, which had indicated an expression in doing a deal with Lear in April 2006, was among

the eight potential suitors contacted by JPMorgan. Its reaction was tepid the second time around, saying only that it would need to know more about the company.

On February 7, the Special Committee learned the results of JPMorgan's limited market canvass and reviewed the fairness opinion that JPMorgan prepared. That opinion expressed JPMorgan's view that the $36 per share compensation to be received by Lear stockholders was fair from a financial point of view given the opportunity to shop the deal after signing. JPMorgan buttressed its fairness opinion with a detailed presentation to the Special Committee, which provided a variety of analytical perspectives on Lear's value. In addition, Evercore LLC, an auto industry expert, rendered advice consistent with JPMorgan's view.

Taking that information into account, the Special Committee met and deliberated with its advisors, but was unable to reach a consensus. As a result, the Committee sought to continue its deliberations the next day. Icahn, however, had different ideas, again indicating that he would withdraw his offer if it was not accepted. In his words, he did not want his offer "hanging out there" to be used as a public stalking horse without the protection of a signed merger agreement. This threat had teeth because of the elevated price at which Lear's stock was trading and the likelihood that it would fall if no deal emerged. As a result, the Special Committee negotiated a one-day extension from Icahn and reached a decision on his proposal the following day.

On February 8, the Special Committee unanimously voted to support a merger with AREP at $36 per share. It noted that the price represented a 3.8% premium to the closing price on February 2, the day Icahn's first bid was received, a 46.4% premium to

the price on the day Icahn's October 2006 private placement closed, and a 55.1% premium to the 52-week volume weighted average price of Lear's stock. On the basis of these premiums, the JPMorgan fairness opinion, Evercore's industry assessment, its limited pre-signing market check, and the contractual protections it had negotiated including the go-shop, the Special Committee concluded that signing up Icahn's $36 per share offer maximized the value Lear shareholders could obtain for their equity. The Lear board adopted the Special Committee's recommendation the same day, and the "Merger Agreement" was signed the next morning, on February 9.

To maximize the value of the go-shop provision, the Lear board authorized JPMorgan to begin soliciting interest as soon as the Merger Agreement was signed. Roughly two weeks later, on February 26, it also expanded the engagement of Evercore to have it help JPMorgan in soliciting and evaluating competing proposals. JPMorgan and Evercore each had a substantial financial incentive to secure a topping bid.

During the go-shop period, Lear's financial advisors contacted a total of 41 potential buyers, including 24 financial sponsors and 17 strategic acquirers. These presentations pitched the company as an acquisition target based on public information and promised access to a data room of non-public information and to company management if any of the buyers were willing to execute a confidentiality agreement. Only 8 of the 41 firms took this first step.

Cerberus was again among those contacted to consider a bid for Lear. It did not submit a bid despite being offered access to the additional information it indicated it would need to consider a bid when contacted by JPMorgan during the hurried pre-signing

market canvass. This reaction was typical of the five financial buyers who showed faint interest when approached during the days before the Merger Agreement was signed. None made an offer for Lear.

By the end of the go-shop period on March 26, 2007, none of the buyers that were solicited had made even a preliminary bid. No unsolicited bids were tendered during this period either. Three firms, however, were still engaged in ongoing discussions. Two of those dropped out of the process soon after March 26. The one potential bidder remaining, Tata AutoComp Systems Limited ("TACO"), requested permission on May 9 to bring on two private equity sponsors to look at a possible joint acquisition. That consent was given on May 14. Despite this accommodation and multiple deadline extensions to submit a competing bid, neither TACO nor its consortium ever made an offer to purchase Lear. On May 30, TACO informed Lear that it was withdrawing from the process, and Lear conveyed that information to the court in a status update letter.

Unsatisfied with the substance of Lear's letter to the court, TACO wrote a letter to Ninivaggi lodging its complaints with the substance in and public disclosure of status letter. Those complaints included claims that the Lear data room was not fully stocked, that TACO was denied the unfettered access to management it desired, and more generally that TACO had not been appropriately treated as a bidder. A review of the record reveals that TACO's complaints are likely unfounded.

TACO is the American subsidiary of a large Indian automotive business. It was solicited early on in the go-shop process and did not make a timely response. It meandered into the process later on, claiming to need equity partners, and proposed

shifting potential alliances with different advisors. Lear responded professionally throughout the process and tried to keep TACO in the game.[2] But ultimately TACO was unwilling to step up and make a bid, because it could not attract other likely sources of equity (many of which had already passed on Lear when solicited directly by Lear) and because its parent company would not take on the equity acquisition costs in the first instance, with the opportunity to find equity partners after closing. In this regard, it is also notable that Lear was offering stapled debt financing through JPMorgan that TACO could have accepted.

Although the plaintiffs seized on the TACO letter as helpful to them, TACO's complaints are best understood as reflecting a desire on the part of TACO's parent not to be seen as lacking credibility as a buyer in an American market with which it has little experience. In that regard, it is telling that TACO complains that its TACO acronym was not used by Lear in its report to the court, and that Lear used the name Tata in describing this bidder. Of course, the T in TACO stands for Tata, the name of its parent. There is nothing to this issue. Lear has indicated that it will include TACO's letter in an 8-K and thus interested Lear stockholders can ponder it for themselves. About TACO, I need, and will, say no more.

In any event, as of the date of the hearing, no potential bidders were on the scene seeking to outbid Icahn.

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2 Lear made its top managers available for lengthy meetings on several occasions and provided TACO and its shifting array of advisors and possible partners with adequate and timely due diligence, which was appropriately conditioned on safeguards to protect Lear's proprietary interests. TACO's protestations to the contrary are not convincing.

C. The Merger Terms

1. The Merger Agreement

The Merger Agreement grants Icahn two primary deal protections for allowing its offer to be used as a stalking horse: a termination fee payable if Lear accepted a superior proposal from another bidder and matching rights in the event that a superior proposal is presented. In exchange, the Lear board secured an ability to actively solicit interest from third parties for 45 days (the so-called "go-shop" period), a fiduciary out that permitted the board to accept an unsolicited superior third-party bid after the go-shop period ended, a reverse termination fee payable if AREP breached the Merger Agreement, and a voting agreement that required Icahn, AREP, and their affiliates to vote their shares in favor of any superior proposal that AREP did not match.

The termination fee that AREP would be entitled to depended on the nature and timing of Lear's termination of the Merger Agreement. Both parties had a right to terminate the Merger Agreement if that Agreement was not approved by Lear's stockholders, but if no superior transaction was completed within a year of the negative stockholder vote, no termination fee was due. If, however, a superior proposal was accepted by Lear such that the company "substantially concurrently" terminated the Merger Agreement and entered into an alternate acquisition agreement, AREP was entitled to a termination fee contingent on the timing of termination. Likewise, AREP

could claim a break-up fee if the Lear board withdrew its support (or failed to reconfirm its support when requested to do so) for the AREP offer.

In the event that AREP was entitled to a termination fee, the amount of that fee depended on the timing of the termination of the Merger Agreement. If the Agreement was terminated during the go-shop period, Lear was required to pay to AREP a fee of $73.5 million plus up to $6 million in reasonable and documented expenses. At most, this amounted to a payment of $79.5 million, which is 2.79% of the equity value of the transaction or 1.9% of the total $4.1 billion enterprise value of the deal. In the alternative, if the merger was called off after the go-shop period ended, AREP was entitled to a higher fee of $85.225 million as well as up to $15 million in expense reimbursements. This payment of roughly $100 million amounted to 3.52% of the equity, or 2.4% of the enterprise, valuation of Lear. Viewed in light of the 79.8 million Lear shares outstanding on a fully diluted basis at the time of the merger, the $79.5 million break-up fee due upon termination during the go-shop period translated into a willingness to pay a little less than a dollar more than Icahn's $36 bid. The $100 million fee equated to a bid increase of roughly $1.25 per share.

In addition to these termination fees, AREP was protected by a contractual right to match certain superior bids that Lear received. If Lear fielded a superior proposal, the Merger Agreement forced Lear to notify AREP of the proposal's terms and afforded AREP ten days to determine whether it would increase its offer to match the superior terms. If the superior proposal was in excess of $37 per share, AREP only had a single chance to match, but if it did not cross that threshold, Lear was obligated to allow AREP

three days to match each successive bid. In the event that AREP decided not a match a superior proposal, it was obligated to vote its bloc of shares in favor of that transaction under the voting agreement it executed in combination with the Merger Agreement. The combination of match rights with the voting agreement signaled the willingness of Icahn to be either a buyer or seller in a transaction involving Lear.

In exchange for the protections that Icahn and AREP received, the Merger Agreement permitted the Lear board to pursue other buyers for 45 days and then to passively consider unsolicited bids until the merger closed. But, once that 45-day window closed, a second phase, which might be called a "no-shop" or "window-shop" period, began during which the Lear board retained the right to accept an unsolicited superior proposal.

Lear was also protected in the event that AREP breached the Merger Agreement's terms by a reverse termination fee of $250 million. That fee would be triggered if AREP failed to satisfy the closing conditions in the Merger Agreement, was unable to secure financing for the $4.1 billion transaction, or otherwise breached the Agreement. But AREP's liability to Lear was limited to its right to receive this fee.

2. Executive Retention And Compensation

Outside of the Merger Agreement's four corners, Icahn also reached accord with key Lear managers to continue their employment with Lear. AREP agreed to retain three of Lear's senior executives: Rossiter, Vandenberghe, and DelGrosso. Delgrosso will serve as CEO of the surviving corporation; Rossiter will become Executive Chairman; and, Vandenberghe will be CFO and Vice Chairman. For his promotion to CEO,

DelGrosso will get a salary increase from $925,000 to $1.15 million and a bonus pegged at 125% of his base salary. Rossiter will earn $50,000 in extra salary in his new role, going from $1.1 million to $1.15 million and Vandenberghe will make the same $925,000 annual salary that he earned before the merger. Rossiter and Vandenberghe will earn bonuses of 150% and 100% of their base salaries, respectively. These bonus percentages are the same as before the merger, but now they are guaranteed rather than contingent on Lear's performance.

Rossiter, Vandenberghe, and DelGrosso will also net material sums from their existing equity holdings in Lear as a result of the merger. Rossiter, Vandenberghe and DelGrosso own 358,297, 235,984 and 175,312 Lear shares, respectively. Each of these officers also holds large numbers of options and other securities redeemable for Lear common stock.

On an all in basis, Rossiter stands to receive $11.5 million for his Lear equity in the merger. Vandenberghe and DelGrosso will receive $7 million and $5 million respectively for their shares and options.

But, the three executive officers also amended their employment agreements so that the merger would not trigger the sizable change of control payments to which they would otherwise be entitled. In the event of a termination upon a change of control, Rossiter was entitled to $15.1 million in total termination benefits. Vandenberghe was entitled to $8.4 million in benefits, and DelGrosso would net nearly $6 million.

Each of these three executives also had accrued substantial retirement benefits based on their lengthy employment with Lear. As of the close of 2006, Rossiter,

Vandenberghe, and DelGrosso could receive accumulated retirement benefits (accounting for early withdraw penalties) of $10 million, $5.5 million, and $1.2 million, respectively, if and only if they actually retired. If, however, these executives remained with the company until they fully vested in these plans by obtaining the age of 65 or meet certain other criteria, they stood to receive a substantially greater sum. For example, if Rossiter fully vested, he would earn the full amount of his accrued SERP benefits, which had a present value of $14.6 million.

Through the merger, Rossiter, Vandenberghe, and DelGrosso were able to access their full accrued benefits within two years, rather than waiting until they otherwise earned-out those benefits. To that end, their employment agreements were amended to provide that each of the continuing executives could elect to receive 70% of their accrued SERP benefits (without any reduction for early withdraw)[3] on January 15, 2008, and the remaining 30% of those benefits a year later on January 15, 2009. Through these amendments, the executives could take some solace that they would be able to more

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3 Lear's retirement and equity incentive plans are exceedingly complex. The merger proxy statement references an "accumulated benefit under the supplemental pension plans" as payable, which seems to indicate that no withdrawal penalty will be assessed, but the amendments to the executives' employment agreements (attached as an appendix to the proxy) say that benefits "shall . . . be paid . . . under the terms and conditions of such plans, programs, or arrangements," which may mean that the early withdraw haircut is still in effect. Moreover, nowhere in the proxy statement are total accrued retirement benefits, without the haircut, disclosed. Rather, the only figures presented are the end of year values of the plans for 2006 (likely included because the annual meeting for that year is the same day as the shareholder vote). In light of this textual confusion, the court has relied on the understanding advanced by plaintiffs, and not objected to by defendants, that the executives will receive their maximum accrued retirement benefits without penalty in two slugs, 70% in 2008 and 30% in 2009.

quickly convert unfunded promises that might never reach full value if the company went bankrupt into liquid assets beyond the reach of the company's creditors.

Importantly, these executives also secured the right to remain as well compensated executives and to share as equity investors in the future appreciation of Lear at the same time as they hedged against a decline in its prospects. As a result of the merger, Rossiter, Vandenberghe, and DelGrosso each will be granted options to purchase equity in the surviving entity, apparently with a strike price set at the merger price of $36. Rossiter and DelGrosso will be entitled to options for 0.6% of the total common stock and Vandenberghe will gain options for 0.4% of the equity. These options will have a ten year term and will vest in equal annual installments over a four year period, but will accelerate and vest upon a later change of control, and, in the case of Rossiter and DelGrosso, if they are terminated without cause or quit for good reason.

III. Legal Analysis

The plaintiffs seek a preliminary injunction against the merger. The legal framework for evaluating such a motion is well-established, and requires the plaintiffs to convince the court that their claims have a reasonable likelihood of ultimate success, that they face irreparable injury if an injunction does not issue, and that the balance of the equities favors the grant of an injunction.[4]

The plaintiffs' lengthy claims boil down to two alleged categories of breaches of the Lear board's fiduciary obligations. The first category involves a contention that the

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4 *E.g.*, *Revlon*, 506 A.2d at 179.

Lear board did not comply with its fiduciary duty to disclose all material facts relevant to the stockholders' decision whether to approve the merger. The second category of fiduciary breaches alleged by the plaintiffs comprises the various reasons the plaintiffs contend that the directors failed to take reasonable efforts to secure the highest price reasonably available for Lear shareholders.

I will set forth the plaintiffs' specific arguments and the relevant standards of review in the course of addressing those claims in the merits prong of the preliminary injunction analysis. Because I can efficiently apply the equitable balancing test that is crucial to the preliminary injunction standard in the context of dealing with the merits, I will do so.

I will begin those tasks by grappling with the plaintiffs' disclosure claims.

A. The Plaintiffs' Disclosure Claims

Both parties acknowledge that directors of Delaware corporations have a duty to disclose the facts material to their stockholders' decisions to vote on a merger.[5] The debate here is whether the supposed facts the plaintiffs claim are omitted meet the legal definition of materiality. That definition is also well-established and is one embraced by both our Supreme Court and the United States Supreme Court:

> An omitted fact is material if there is a substantial likelihood that a reasonable shareholder would consider it important in deciding how to vote. . . . Put another way, there must be a substantial likelihood that the disclosure of the omitted fact would have been viewed by the reasonable investor as having

5 Arnold v. Society for Savings Bancorp., Inc., 650 A.2d 1270, 1277 (Del. 1994).

significantly altered the "total mix" of information made available.[6]

In their complaint, the plaintiffs purport to set forth a Denny's buffet of disclosure claims. But, in their briefs, the plaintiffs argue only three of these supposed deficiencies in disclosure. I therefore only address those contentions, as the others have been waived.[7]

The first disclosure claim the plaintiffs press involves the failure of the proxy statement to disclose one of the various DCF models run by JPMorgan during its work leading up to its issuance of a fairness opinion. The plaintiffs admit that the proxy statement provides a full set of the projections used by JPMorgan in the DCF it prepared that formed part of the basis of its fairness opinion. The plaintiffs also admit that the proxy statement discloses the range of values generated from a DCF analysis using a more optimistic set of projections derived from the July 2006 Plan, an analysis that was also fully disclosed in Lear's Rule 13E-3 public disclosure concerning the merger. To wit, the proxy statement informs shareholders that the more optimistic assessment based on the July 2006 Plan figures resulted in a range of values between $35.90 and $46.50 per share, a range that was *materially higher* than the $28.59 to $38.41 span contained in the undisclosed model.

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6 *Zirn v. VLI Corp.*, 621 A.2d 773, 778-79 (Del. 1993) (quoting *TSC Industries, Inc. v. Northway, Inc.*, 426 U.S. 438, 449 (1976)).

7 In their briefs, the plaintiffs attempt to preserve their additional disclosure claims listed in their complaint simply by referencing the complaint. That is not a proper way to brief issues and constitutes a waiver of those arguments. *Emerald Partners v. Berlin*, 2003 WL 21003437, at *43 (Del. Ch. 2003), *aff'd*, 840 A.2d 641 (Del. 2003).

But the plaintiffs quibble because they say that the proxy statement fails to disclose a DCF model prepared by a JP Morgan analyst early in the morning on February 1. That model used modestly more aggressive assumptions than those that formed the basis for the DCF model used in JPMorgan's final fairness presentation. Although this model was simply the first of eight drafts circulated before a final presentation was given to the Lear board later that day, the plaintiffs say that the omission of this iteration is material.

The problem for the plaintiffs is that they did not develop any evidence in discovery that suggested that this model was embraced as reliable by either the senior bankers in charge of the deal or by Lear management. From the record before me, it appears that the proxy statement fairly discloses the Lear management's best estimate of the corporation's future cash flows and the DCF model using those estimates that JPMorgan believed to be most reliable. The only evidence in the record about the iteration the plaintiffs say should be disclosed suggests that it was just one of many cases being prepared in Sinatra time by a no-doubt extremely-bright, extremely-overworked young analyst, who was charged with providing input to the senior bankers. As the plaintiffs admitted, they did not undertake in depositions to demonstrate the reliability of this iteration, much less that it somehow represented JPMorgan's actual best effort at valuing Lear's future cash flows. On this record, the plaintiffs have failed to demonstrate a reasonable likelihood of success on their claim that the proxy statement failed to disclose material facts regarding the value of Lear's future cash flows.

The plaintiffs' second disclosure claim, which faults the Lear board for not disclosing certain aspects of the pre-signing and post-signing market checks, is equally without merit. For one thing, the claim is framed in argumentative terms, faulting the proxy statement for not confessing that Rossiter was supposedly predisposed solely toward financial buyers like Icahn and had no interest in a sale to a strategic acquirer. That sort of request for self-flagellation does not suffice as a disclosure claim.[8] More substantively, the plaintiffs allege that the proxy statement does not fairly indicate how Icahn's tough negotiating posture limited Lear's ability to conduct a pre-signing market check. But the key facts are disclosed. It is clear that the only pre-signing market check was a very discrete solicitation of financial buyers, conducted in a hurried fashion beginning on February 4. The Merger Agreement was signed by February 9. No reasonable stockholder reading the proxy statement would likely be deceived into believing that any of those solicited would have had a rational ability to make a bid before February 9, unless they had already been coiled to strike. Any reasonable stockholder would read the proxy statement and conclude that the only genuine market check was the one conducted after the Merger Agreement was executed.

Furthermore, although the proxy statement does so rather matter-of-factly, it clearly indicates that Icahn made clear on February 2 that $36 was his "best and final

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8 *E.g.*, *Brody v. Zaucha*, 697 A.2d 749, 754 (Del. 1997); *accord Goodwin v. Live Entertainment, Inc.*, 1999 WL 64265, at *20 (Del. Ch. 1999)("[T]he fact that [defendants] did not characterize the course of events in a negative manner does not constitute a breach of the duty of disclosure."), *aff'd*, 741 A.2d 16 (Del. 1999).

offer," Icahn's unwillingness throughout February 3 to change that price, and that, on the evening of February 4, Icahn had again resisted a request to increase the price and had expressed an unwillingness "to further negotiate these transaction terms." The proxy statement goes further and makes clear that Lear did not seek a price change after February 5 — when Icahn and the company had already publicly disclosed his $36 bid — precisely because Icahn had said he would go no higher, but that Lear continued to negotiate over the termination fee and other terms. Anyone reading these facts would have concluded that Icahn had told Lear that he would not continue to keep an offer on the table if Lear intended to engage in a full-blown pre-signing auction. Given that the proxy statement makes plain that Icahn did not give Lear everything it desired in terms of its ability to shop after signing the Merger Agreement, it makes even more obvious that Icahn was not willing to be an amateur stalking horse — i.e., one without a definitive acquisition agreement containing a termination fee if another bidder ultimately prevailed. Similarly, I see no basis for the plaintiffs' contention that the proxy statement somehow fails to disclose that the go-shop period Icahn had assented to was somehow truncated from 60 to 45 days. There is evidence that Lear desired a 60 day go-shop period but none that Icahn ever assented to its wish. The proxy statement does not misrepresent the actual terms agreed to and this sort of minor back-and-forth need not be disclosed.

The reality is that the proxy statement fairly discloses that Lear did not do any meaningful pre-signing market check, that it merely made a few hasty phone calls to see whether it was missing any imminently available opportunity, and that Lear was depending on the post-signing go-shop process to be its real market check. The proxy

statement also fairly discloses that the Lear board realized the importance of the post-signing shopping period, and sought to lengthen it and to strengthen its utility through means such as getting Icahn to promise to vote his shares in favor of a superior proposal embraced by Lear. Although the plaintiffs raise other quibbles about the description of the negotiating and shopping processes, they do not point to a material deficiency in the information provided by the proxy statement. That statement gives a materially accurate rendition of what the Lear board did and did not do to try to get the highest bid.

The plaintiffs' final disclosure argument has more force, and is founded on a less argumentative, and more factually objective, variation of their concerns about Rossiter's motivations. The proxy statement fails to disclose the fact that, in late 2006, Lear's CEO Rossiter approached the board expressing a serious concern about whether it was in his best interest to continue as CEO in light of the financial risks that presented. In particular, Rossiter was concerned about having so much of his net worth tied up in Lear. So long as he continued to work as CEO, Rossiter could not cash in his substantial retirement benefits. If he retired immediately, having worked for Lear for 35 of his 60 years but not yet having fully vested by attaining the age of 65, Rossiter's accrued retirement benefits would be reduced by a 29% early withdraw penalty, and he would reap approximately $10.4 instead of $14.6 million. Because the bulk of those retirement benefits were not secured by any specific assets, Rossiter feared that he could be at risk in the event that an industry downturn — a realistic possibility for the American automotive industry, history suggests — forced Lear into bankruptcy, as he would just be an unsecured creditor.

Likewise, Rossiter owned a lot of Lear stock. As CEO, he faced two trading problems. For starters, he was locked out from selling in many periods because of concerns about insider trading liability. Relatedly, as CEO, if he took steps to sell large amounts of stock, it could signal a lack of confidence in the company, and lead to a decline in the stock price that would hurt his holdings and the company's future prospects. Although Rossiter, like most CEOs, was simply facing the portfolio risks that come with wealth attributable largely to labor at one firm, those risks were real, especially as he faced an age at which it would be more difficult for him to locate another CEO position. Put another way, Rossiter knew that his retirement nut was what it was from his years of labor, and he was wondering whether it was time to cash it out and take it with him.

Rossiter's concern was serious enough that he engaged his board, and the board, fearing his departure, employed an expensive compensation consultant, Towers Perrin, to provide it with options. Towers Perrin generated a formal report, which included options that were financially attractive to Rossiter. By these options, Rossiter's financial concerns would have been addressed. He would have secured his fortune for his family, and been able to continue as CEO without worrying that the bulk of his net worth remained at risk.

The Lear board seems to have been willing to provide these benefits to Rossiter but — and that "but" is important — the Towers Perrin report indicated that changes of this kind were likely to raise eyebrows among institutional investors and the proxy advisory firms who advise them. In an environment in which executive compensation

was viewed with great suspicion generally, Lear was advised by Towers Perrin that it would have to do a selling job in order to avoid adverse consequences, which could include the possibility of a withhold vote campaign. Although not made explicit, one also suspects that industry conditions made these changes problematic. The auto industry was enduring pain, and this pain put pressure on industry employers to cut employment costs. At other corporations, this meant asking long-time employees and union laborers for wage and benefit concessions and, even worse, cutting jobs. In that environment, the desire of a well-compensated, Michigan-based CEO to secure his multi-million dollar retirement nest egg from the risks of a continuing industry downturn might not have been well received.

As of the end of 2006, Rossiter had therefore not embraced the board's willingness to provide him relief of the kind he desired. The defendants make much of this and say that Rossiter's non-acceptance makes the non-disclosure of his request to the board and its reaction immaterial.

I draw an entirely different inference. One can assume that Rossiter's motives for not accepting the options Towers Perrin presented were entirely worthy of respect and still conclude that these facts are material. It may well be that Rossiter believed that it would be bad for Lear for him to accept these concessions and subject Lear to the distractions of institutional investor objections and community criticism.

But if that was indeed the case, the materiality of these facts becomes even more obvious. So long as Lear remained a public company, Rossiter faced a conflict between his desire to secure his retirement nut and his desire to continue as a CEO. Yet, if a going

private transaction was presented that cashed out the public stockholders at a premium, Rossiter could strike a deal with the buyer that allowed him to accomplish both of his desires. So long as the going private was consummated, Lear would no longer face the intense corporate governance and social responsibility scrutiny directed at public corporations. Likewise, a going private would allow Rossiter to turn his locked-up equity stake into liquid American greenbacks along with all the other public stockholders but with the chance (not available to them) for a future equity stake in Lear.

In his deposition testimony, Rossiter was forthcoming about the fact that he viewed a going private transaction as attractive. No doubt some of his reasons had nothing to do with his personal interests (e.g., the ability for Lears to carry on its business in an industry with great challenges and cyclical swings without worrying about quarterly earnings calls). But a going private also presented him with a viable route for accomplishing materially important personal objectives.

The following facts cement my view that the failure of the proxy statement to disclose Rossiter's negotiations with the board over his SERP and equity stake rises to the level of a material omission:

- Rossiter discussed a going private transaction with Icahn for more than a week before he disclosed Icahn's expression of interest to the board;
- The board thereafter permitted Rossiter to negotiate the key terms of the merger with Icahn outside the presence of any independent director or the Special Committee's investment banker without any specific pricing guidance from the Special Committee;

- The merger allows Rossiter to cash out all of his equity stake in Lear in one lump sum; and
- Icahn agreed to employment terms with Rossiter that allowed Rossiter to secure a short-term schedule for the payout of his retirement benefits, obtain an improved salary and bonus package, and secure a large grant of options giving him a lucrative upside if Lear performed well after the merger.

Put simply, a reasonable stockholder would want to know an important economic motivation of the negotiator singularly employed by a board to obtain the best price for the stockholders, when that motivation could rationally lead that negotiator to favor a deal at a less than optimal price, because the procession of a deal was more important to him, given his overall economic interest, than only doing a deal at the right price. By saying this, I do not find that Rossiter acted in any way inappropriately, I am only saying that the stockholders would find it material to know the motivations he harbored that substantially differed from someone who only owned equity in Lear or who only served as an independent director of Lear.

For these reasons, I conclude that the plaintiffs have established a reasonable probability of success on the merits as to one of their disclosure claims. Delaware corporation law gives great weight to informed decisions made by an uncoerced electorate.[9] When disinterested stockholders make a mature decision about their economic self-interest, judicial second-guessing is almost completely circumscribed by

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9 *E.g.*, *Solomon v. Armstrong*, 747 A.2d 1098, 1117 (Del. Ch. 1999), *aff'd*, 746 A.2d 277 (Del. 2000).

the doctrine of ratification.[10] For that reason, our law has also found the irreparable injury prong of the preliminary injunction standard satisfied when it is shown that the stockholders are being asked to vote without knowledge of material facts, because it deprives stockholders of the chance to make a fully-informed decision whether to vote for a merger, dissent, or make the oft-related decision (relevant here) whether to seek appraisal.[11] Moreover, the risks presented by an injunction are modest as the injunction persists only so long as necessary to ensure appropriate disclosure before the merger vote.[12]

Here, those factors counsel in favor of a very limited injunction prohibiting the procession of the merger vote until supplemental disclosure is made.

B. The Plaintiffs' Revlon Claims

The other substantive claim made by the plaintiffs arises under the *Revlon* doctrine.[13] *Revlon* and its progeny stand for the proposition that when a board has decided to sell the company for cash or engage in a change of control transaction, it must

10 *E.g.*, *In re PNB Holding Co. S'holders Litig.*, 2006 WL 2403999, at *14 (Del. Ch. 2006) ("[O]utside the *Lynch* context, proof that an informed, non-coerced majority of the disinterested stockholders approved an interested transaction has the effect of invoking business judgment rule protection for the transaction and, as a practical matter, insulating the transaction from revocation and its proponents from liability.").

11 *E.g.*, *ODS Technologies, Inc. v. Marshall*, 832 A.2d 1254, 1262 (Del. Ch. 2003) ("The threat of an uninformed stockholder vote constitutes irreparable harm."); *In re Pure Resources, Inc. S'holders Litig.*, 808 A.2d 421, 452 (Del. Ch. 2002) ("[I]rreparable injury is threatened when a stockholder might make a tender or voting decision on the basis of materially misleading or inadequate information.").

12 *E.g.*, *In re Staples, Inc. S'holders Litig.*, 792 A.2d 934, 960 (Del. Ch. 2001) ("An injunctive remedy . . . specifically vindicates the stockholder right at issue—the right to receive fair disclosure of the material facts necessary to cast a fully informed vote—in a manner that later monetary damages cannot and is therefore the preferred remedy, where practicable.").

act reasonably in order to secure the highest price reasonably available.[14] The duty to act reasonably is just that, a duty to take a reasonable course of action under the circumstances presented.[15] Because there can be several reasoned ways to try to maximize value, the court cannot find fault so long as the directors chose a *reasoned* course of action.[16]

The plaintiffs contend that the negotiation of the merger was tainted by the Special Committee's decision to leave to Rossiter the challenging task of extracting from Icahn the best price and most beneficial terms. According to the plaintiffs, Rossiter's interest in securing his personal finances by obtaining a payout of his retirement nest egg (without penalty or adverse reaction) and by liquidating his equity stake in Lear (promptly and without a decline in share price) gave him a rational incentive to ensure a merger agreement that would help him achieve those objective was inked regardless of whether the merger was at the highest price or best terms that might be obtained.

When Icahn floated the idea of a going private deal in January to Rossiter, he presented Rossiter with the chance to have his major desires met. Because such a merger would allow all stockholders to sell at a premium, Rossiter could sell out his equity stake without a negative effect on Lear or running afoul of trading restrictions. Further, because Lear would cease to be a public company after a going private transaction,

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13 Revlon, Inc. v. MacAndrews & Forbes Holdings, Inc., 506 A.2d 173 (Del. 1986).

14 E.g., Paramount Communications, Inc. v. QVC Network, Inc., 637 A.2d 34, 44 (Del. 1994); Revlon, 506 A.2d at 184 n.16.

15 *E.g.*, *Barkan v. Amsted Industries, Inc.*, 567 A.2d 1279, 1286-87 (Del. 1989).

16 *Id*.

Rossiter's new employer would not care what ISS or other corporate governance commentators thought about its handling of its executives' retirement plans. If that employer believed it was in its interest to allow Rossiter to cash out his equity and benefits while continuing to work, it could do that without worrying about a withhold vote or other consequences.

Icahn's proposal, therefore, placed Rossiter in a fiduciary quandary. Although his equity interest in Lear gave him an incentive to increase its stock price, it also left him with non-diversifiable risk. While remaining as CEO, Rossiter could not simply sell out his entire equity stake, lest he signal a lack of confidence in the company. But, by leaving his equity in, a very large part of his personal wealth was entirely tied up in, and therefore dependent on, Lear's performance. Moreover, if Rossiter expected (as would be reasonable) to receive options in the equity of the company after the merger closed, the failure to get the optional price for Lear now would not hurt him as much as the public stockholders, because the lower merger price would likely set a lower strike price for the options he received in the post-merger Lear.

Retirement benefits presented a similar issue. As has been fully discussed, a going private transaction gave Rossiter a unique opportunity to reconcile his conflicting desires to secure his retirement nest egg from the risk of a future Lear bankruptcy and to remain as a Lear executive.

As a result of these internal conflicts, the plaintiffs submit that Rossiter was willing to accept any deal at a defensible price that allowed him to achieve his personal objectives rather than to hold out for (or trade away his personal benefits in exchange for)

an increase in the deal price. As such, they say, his motives were not identical to those of Lear's public stockholders who single-mindedly want the highest price for their equity. For that reason, the plaintiffs argue that it was wrong for the Special Committee to charge Rossiter with dealing with a tough negotiator like Carl Icahn, because Rossiter's own self-interest (even if he strove to keep it under control) rendered him less likely to handle the task with the steely resolve required to garner a great price.

In response, the defendants claim that there is no evidence that Rossiter did anything improper. To the contrary, they point to Rossiter's proven record of fidelity to Lear and its stockholders and assert that given his experience and skill set, he was best positioned to skillfully advocate for the best merger price. The Special Committee also says that kept Rossiter under tight control. To find that the Special Committee fell short of its fiduciary obligations duty to pursue the highest value reasonably possible because they employed Rossiter as their bargaining agent would, the defendants believe, elevate a persnickety sense of Ivory Soap purity over business logic. Rossiter knew more about the company than anyone, was doggedly loyal, and was a persuasive salesman. Who better to do the job, especially given the Special Committee's close communications with him during the process?

This debate is an interesting one in which each side makes telling points. I agree with the plaintiffs that the Special Committee's approach was less than confidence-inspiring. Although I do not embrace the notion that persons suffering from conflicts are invariably incapable of putting them aside, I cannot ignore the reality that American business history is littered with examples of managers who exploited the opportunity to

work both sides of a deal. In fact, it would be silly to premise a decision on the notion that compensation schemes intended to have powerful incentive effects — such as SERP programs and equity awards — are wholly benign and never, despite their intended purpose of creating alignment between the interests of managers and other stockholders, create incentives that actually give managers reasons to pursue ends not shared by the corporation's public stockholders. Therefore, I will not. Instead, I decide this motion recognizing that Rossiter, while negotiating the merger, had powerful interests to agree to a price and terms suboptimal for public investors so long as the resulting deal: (1) allowed him to promptly liquidate his equity holdings; (2) secured his ability to accelerate and cash-out his retirement benefits; and (3) gave him the chance to continue in his managerial positions for a reasonable time, with a continued equity stake in Lear that would allow him to profit from its future performance.[17] Given those considerations, a merger at a price lower than the $36 per share that Icahn is paying might well make personal economic sense for Rossiter, when the risks to him of managing Lear as a stand-alone public company are taken into account.[18]

For these reasons, I believe it would have been preferable for the Special Committee to have had its chairman or, at the very least, its lead banker participate with

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17 These motives are also attributable to Vandenberghe and DelGrosso, who obtained similar compensation packages to Rossiter for their agreement to stay on with the surviving company. Ninivaggi's interests are less clear. Even though Ninivaggi refrained from negotiating his compensation package, Ninivaggi might rationally harbor expectations of a package akin to that received by his colleagues in top management.

18 For that reason, Rossiter's outright rejection of Icahn's $35.25 bid is relevant. He might well have returned to the Special Committee with only that offer, and a merger price less than $36 per share might have emerged based on that signal.

Rossiter in the negotiations with Icahn. By that means, there would be more assurance that Rossiter would take a tough line and avoid inappropriate discussions that would taint the process. Similarly, if the Special Committee was to proceed as it did, by leaving the negotiations to Rossiter without direct supervision, it could have provided him with more substantial guidance about the strategy he was to employ. The defendants applaud Rossiter for getting Icahn to bid against himself, by increasing his offer in one call by a quarter, and then another seventy-five cents. What they slight is that Icahn both opened and closed the price negotiations by rapidly moving to $36, declaring that his best and final offer, and steadfastly refusing any further price negotiation. Indeed, when Icahn first did that in a call on the evening of February 2, Rossiter did not reconvene the Special Committee, which had just finished meeting telephonically, to discuss what to do with Icahn's new offer. Instead, he slept on it, then called Icahn in the morning to plead for a higher bid without a specific counter to make. Icahn told him the price negotiations were over. And they were. They ended without the Special Committee ever making a counter on price, leaving the Special Committee only to make specific suggestions regarding the deal protections Icahn would receive for his agreement to pay $36.

Although I do not, as will soon be seen, view this negotiation process as a disaster warranting the issuance of an injunction, it is far from ideal and unnecessarily raises concerns about the integrity and skill of those trying to represent Lear's public investors. In reflecting on why this approach was taken, I consider it less than coincidental that Rossiter did not tell the board about Icahn's interest in making a going private proposal until seven days after it was expressed. Although a week seems a short period of time, it

is not in this deal context. In seven days, a newly formed Special Committee's advisors can help the Committee do a lot of thinking about how to go about things and what the Committee should seek to achieve; that includes thinking about the Committee's price and deal term objectives, and the most effective way to reach them.

The Lear Special Committee was deprived of important deliberative and tactical time, and, as a result, it quickly decided on an approach to the process not dissimilar to those taken on most issues that come before corporate boards that do not involve conflicts of interest. That is, the directors allowed the actual work to be done by management and signed off on it after the fact. But the work that Rossiter was doing was not like most work. It involved the sale of the company in circumstances in which Rossiter (and his top subordinates) had economic interests that were not shared by Lear's public stockholders.

Acknowledging all that, though, I am not persuaded that the Special Committee's less-than-ideal approach to the price negotiations with Icahn makes it likely that the plaintiffs, after a trial, will be able to demonstrate a *Revlon* breach. To fairly determine whether the defendants breached their *Revlon* obligations, I must consider the entirety of their actions in attempting to secure the highest price reasonably available to the

corporation. Reasonableness, not perfection, measured in business terms relevant to value creation, rather than by what creates the most sterile smell, is the metric.[19]

When that metric is applied, I find that the plaintiffs have not demonstrated a reasonable probability of success on their *Revlon* claim. The overall approach to obtaining the best price taken by the Special Committee appears, for reasons I now explain, to have been reasonable.

First, as many institutional investors and corporate law professors have advocated that all public corporations should do, Lear had gotten rid of its poison pill in 2004. Although it is true that the Lear board had reserved the right to reinstate a pill upon a vote of the stockholders or of a majority of the board's independent directors, it was hardly in a position to do that lightly, given the potential for such action to upset institutional investors and the influential proxy advisory firm, ISS. At the very least, Lear's public elimination of its pill signaled a willingness to ponder the merits of unsolicited offers. That factor is one that the Lear board was entitled to take into account in designing its approach to value maximization.

Relatedly, Icahn's investment moves in 2006 also stirred the pot, as the plaintiffs admit. Indeed, they go so far as to acknowledge that Lear could be perceived as having been on sale from April 2006 onward. As the plaintiffs also admit, Icahn has over the

19 *E.g.*, *QVC*, 637 A.2d at 45 ("[C]ourt[s] applying enhanced judicial scrutiny should be deciding whether the directors made a reasonable decision, not a perfect decision. If a board selected one of several reasonable alternatives, a court should not second-guess that choice even though it might have decided otherwise or subsequent events may have cast doubt on the board's determination.").

years displayed a willingness to buy when that is to his advantage and to sell when that is to his advantage. The M&A markets know this. Icahn's entry as a player in the Lear drama would have drawn attention from buyers with a potential interest in investing in the automobile sector.

In considering whether to sign up a deal with Icahn at $36 or insist on a full pre-signing auction, these factors were relevant. No one had asked Lear to the dance other than Icahn as of that point, even though it was perfectly obvious that Lear was open to invitations. Although a formal auction was the clearest way to signal a desire for bids, it also presented the risk of losing Icahn's $36 bid. If Icahn was going to be put into an auction, he could reasonably argue that he would pull his bid and see what others thought of Lear before making his move. If the response to the auction was under whelming, he might then pick up the company at a lower price.

The Lear board's concern about this possibility was, in my view, reasonable, given the lack of, with one exception, even a soft overture from a potential buyer other than Icahn in 2006. That exception was a call that Rossiter had gotten from Cerberus when Lear's market price was still well below $20 per share. But that exception is interesting in itself. Once Icahn's second investment became public and his deepened position was announced in October 2006, Cerberus never made a move. Likewise, when Cerberus was contacted during the pre-signing market check and as part of the go-shop process, it never signaled a hunger for Lear or a price at which it would be willing to do a deal.

Also relevant to the question of whether an auction was advisable was the lack of ardor that other major Lear stockholders had for the opportunity to buy equity in the

secondary offering along with Icahn. Although some of them are now touting the idea that Lear is worth $60 per share, an idea whose implications I will discuss, they passed on the chance to buy additional stock at $23 per share in October 2006. Given this history, I cannot conclude that it was unreasonable for the Lear board not to demand a full auction before signing its Merger Agreement with Icahn. There were important risks counseling against such an insistence, especially if the board could to some extent have it both ways by locking in a floor of $36 per share while securing a chance to prospect for more.

Second, I likewise find that the plaintiffs have not demonstrated a likelihood of success on their argument that the Lear board acted unreasonably in agreeing to the deal protections in the Merger Agreement rather than holding out for even greater flexibility to look for a higher bid after signing with Icahn. In so finding, I give relatively little weight to the two-tiered nature of the termination fee. The go-shop period was truncated and left a bidder hard-pressed to do adequate due diligence, present a topping bid with a full-blown draft merger agreement, have the Lear board make the required decision to declare the new bid a superior offer, wait Icahn's ten-day period to match, and then have the Lear board accept that bid, terminate its agreement with Icahn, and "substantially concurrently" enter into a merger agreement with it. All of these events had to occur within the go-shop period for the bidder to benefit from the lower termination fee. This was not a provision that gave a lower break fee to a bidder who entered the process in some genuine way during the go-shop period — for example, by signing up a confidentiality stipulation and completing some of the key steps toward the achievement

of a definitive merger agreement at a superior price. Rather, it was a provision that essentially required the bidder to get the whole shebang done within the 45-day window. It is conceivable, I suppose, that this could occur if a ravenous bidder had simply been waiting for an explicit invitation to swallow up Lear. But if that sort of Kobayashi-like buyer existed, it might have reasonably been expected to emerge before the Merger Agreement with Icahn was signed based on Lear's lack of a rights plan and the publicity given to Icahn's prior investments in the company.

That said, I do not find convincing the plaintiffs' argument that the combination of the fuller termination fee that would be payable for a bid meeting the required conditions after the go-shop period with Icahn's contractual match right were bid-chilling. The termination fee in that scenario amounts to 3.5% of equity value and 2.4% of enterprise value. For purposes of considering the preclusive effect of a termination fee on a rival bidder, it is arguably more important to look at the enterprise value metric because, as is the case with Lear, most acquisitions require the buyer to pay for the company's equity and refinance all of its debt. But regardless of whether that is the case, the percentage of either measure the termination fee represents here is hardly of the magnitude that should deter a serious rival bid. The plaintiffs' claim to the contrary is based on the median of termination fees identified in a presentation made by JPMorgan in two-tiered post-signing processes of 1.8% of equity value during the go-shop period and 2.9% thereafter. The plaintiffs also state that Icahn should have gotten a lower fee because he would profit from a topping bid through his equity stake. These factors are not ones that I believe would, after trial, convince me that the board's decision to accede to Icahn's demand for

a 3.5% fee (2.8% during the go-shop) was unreasonable. Icahn was tying up $1.4 billion in capital to make a bid for a corporation in a troubled industry, was agreeing to allow the target to shop the company freely for 45 days and to continue to work freely with Lear concerning any emerging bidders during that process, and was agreeing to vote his shares for any superior bid accepted by the Lear board.

Likewise, match rights are hardly novel and have been upheld by this court when coupled with termination fees despite the additional obstacle they are present.[20] And, in this case, the match right was actually a limited one that encouraged bidders to top Icahn in a material way. As described, a bidder whose initial topping move was over $37 could limit Icahn to only one chance to match. Therefore, a bidder who was truly willing to make a materially greater bid than Icahn had it within its means to short-circuit the match right process. Given all those factors, and the undisputed reality that second bidders have been able to succeed in the face of a termination fee/matching right combination of this potency,[21] I am skeptical that a trial record would convince me that the Lear board acted unreasonably in assenting to the termination fee and match right provisions in the Merger Agreement.

Third, I consider the most unique of the plaintiffs' arguments, which is that the fact that the initial acquirer was Icahn, rendered any chance of a topping bid illusory.

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20 *E.g.*, *In re Toys 'R' Us, Inc. S'holder Litig*., 877 A.2d 975, 980 (Del. Ch. 2005) (finding that inclusion of a termination fee and the presence of matching rights in a merger agreement did not act as a serious barrier to any bidder willing to pay materially more for the target entity).

21 Defendants have cited 15 transactions within the past three years in which intervening bids were made despite termination fees of 3% or more and contractual match rights in the merger agreements. *See* Affidavit of William E. Green, Jr., Esquire at ¶¶ 3-17 (citing transactions).

The argument is unique because it conflicts with other arguments that have featured prominently in the plaintiffs' submissions. For example, the plaintiffs have noted that the announcement of Icahn's investments in Lear, particularly his purchase of shares in a secondary offering in October 2006, led the market to believe Lear was open to a sale. After the Merger Agreement was signed, the plaintiffs note that Lear's stock price traded above the deal price of $36 because the markets expected that a higher priced deal would eventually be consummated. Both of those arguments are founded in the notion that Icahn's presence on the scene was, if anything, a value-boosting factor. To their credit, the plaintiffs admit that is the case, and they also acknowledge that Icahn has a history of making stock purchases and subsequent acquisition overtures, but then happily stepping aside and cashing in his equity stake at a substantial profit when other bidders submit more attractive offers.

But the plaintiffs say that buyers sense that Icahn finds something ineffably desirable about Lear, and that they would suffer retribution from Icahn if they got in the game. They base this assertion on some notes from JPMorgan indicating that a couple of parties did not want to tangle with Icahn. Those indications, however, do not imply that those parties were somehow frightened of Icahn. Rather, they are more indicative of a reluctance to get in a bidding war with a savvy player.

Candidly, the idea that other bidders were afraid of crossing Icahn on this deal emerges from this record as closer to mirth-producing, than injunction-generating. As documented by defendants' expert, in five of Icahn's ten acquisition attempts since 2000, other acquirers submitted topping bids. Moreover, in this case, as the plaintiffs point out,

Icahn stands to profit handsomely if he is topped. AREP investors bought into its position at a price of well less than $23 on average. If Icahn is topped at, say, $39, they will receive that profit plus up to $100 million in termination fees and expense reimbursements due under the Merger Agreement. Sounds like a pretty good result for AREP's equity holders, particularly since it would involve none of the execution risks that will accompany a consummated acquisition.

To that same point, the signal that Icahn's voting agreement sends is also relevant. Icahn contractually promised to vote his equity in favor of a superior deal embraced by the Lear board. Given Icahn's past history of willingly accepting the premium profits that came to him from putting companies in play and bowing out when a more optimistic bidder emerged, these deal features make even more implausible the notion that fear of Carl Icahn rendered the shopping process futile.

I also perceive no reason why a strategic or financial bidder would have believed that Icahn's relationship with Lear's management made a topping bid inadvisable. It is, of course, a reality that there is not a culture of rampant topping among the larger private equity players, who have relationships with each other that might inhibit such behavior. But the plaintiffs have not done anything to show that such a culture, if it exists and if it can persist given the powerful countervailing economic incentives at work, inhibited a topping bid against Icahn. Even less have they shown that there was a perception that Lear's management was particularly enamored of Icahn, or that it would not work for another reputable financial buyer. In fact, the record is to the contrary, indicating that Rossiter and his subordinates were open to dealing with other credible bidders.

For a strategic player, it is even harder to perceive a barrier. By signing up a cash deal subject to *Revlon*, the Lear board had opened the door to a topping bid by a strategic acquirer which would be free from the usual "merger of equal" issues like future headquarters location(s) and managerial retention and succession. As a result, a strategic buyer would seemingly have been presented with substantial freedom to develop a topping bid for Lear premised on a post-consummation business strategy that incorporated the greater synergies that arguably can be reaped in a cash conquest resulting in a combined asset base under the acquirer's sole control, as opposed to in friendly deals often involving awkward, compromised periods of governance under a pooled management team. At the very least, a credible strategic bidder knew that cash was king in the Lear process, and that as long as it topped Icahn (a bidder with a powerful incentive to stand aside if a strategic could pay a materially higher price because of synergies available to it) and had no regulatory obstacles precluding its ability to close a deal, the Lear board would have to embrace its offer.

Finally, the plaintiffs have attempted to persuade me that the Lear board has likely breached its *Revlon* duties because the it had hoped that Icahn would offer more than $36 per share, that some Lear stockholders think that $36 per share is too low, and because the plaintiffs have presented a valuation expert opining that the value of Lear was in the high-$30s to mid-$40s range. This is not an appraisal proceeding, and I have no intention to issue my own opinion as to Lear's value.

But what I have done is reviewed the record on valuation carefully. Lear is one of the nation's largest corporations. Before Icahn emerged, the stock market had abundant

information about Lear and its future prospects. It valued Lear at much less than $36 per share — around $17 per share in March and April 2006. After Icahn emerged, the stock market perceived that Lear had greater value based on Icahn's interest and the likelihood of a change of control transaction involving a purchase of all of the firm's equity, not just daily trades in minority shares.

Although the $36 price may have been below what the Lear board hoped to achieve, they had a reasonable basis to accept it. The valuation information in the record, when fairly read, does not incline me toward a finding that the Lear board was unreasonable in accepting the Icahn bid. Although the plaintiffs' valuation expert originally opined that a fair range would be in the "high-$30s" to "mid-$40s," his DCF analysis suggests a range below the merger price, once that DCF analysis is properly adjusted to correct for errors in computing the discount rate he himself admits were either in error or inconsistent. When corrected to use an appropriate discount rate and to consider current industry circumstances, the plaintiff's own expert's DCF value for Lear based on its Long Range Plan with Current Industry Outlook ranges from $27.13 to $35.75. Moreover, to the extent that plaintiffs' expert relies upon the $45.19 median of his DCF models, that reliance appears questionable as those models produce a range between $9.81 and $107.54 per share.

At this stage, the more important point is this. The Lear board had sufficient evidence to conclude that it was better to accept $36 if a topping bid did not emerge than to risk having Lear's stock price return to the level that existed before the market drew the conclusion that Lear would be sold because Icahn had bought such a substantial

stake. Putting aside the market check, the $36 per share price appears as a reasonable one on this record, when traditional measures of valuation, such as the DCF, are considered. More important, however, is that the $36 price has been and is still being subjected to a real world market check, which is unimpeded by bid-deterring factors.

If, as the plaintiffs say, their expert is correct that Lear is worth materially more than $36 per share and that some major stockholders believe that Lear is worth $60 per share, a major chance to make huge profits is being missed by those stockholders and by the market for corporate control in general. While it may be that that is the case, I cannot premise an injunction on the Lear board's refusal to act on an improbability of that kind.[22] Stockholders who have a different view on value may freely communicate with others, subject to their compliance with the securities laws, about their different views on

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22 The plaintiffs have cited this court's recent decision in *Netsmart* as supporting their *Revlon* arguments. The differences between the two cases are worth noting. Netsmart was a microcap company with limited trading in its shares. Only one analyst covered it. Without engaging in any reliable pre-signing market check involving strategic acquirers, the Netsmart board signed up a merger agreement with a financial buyer containing a strict no-shop. In order to get in the game, any strategic acquirer would therefore have had to make a publicly-disclosed expression of interest to make a topping bid without access to due diligence or discussions with Netsmart management. Moreover, all of the strategic acquirers who might have had an interest in Netsmart were much, much larger and likely to see Netsmart as the sort of nice bolt-on one would add through a friendly process, not the type of key strategic move that would likely justify making a hurried unsolicited overture without prior discussions or information. *See generally*, *In re Netsmart Technologies, Inc. S'holder Litig.*, -— A.2d —, 2007 WL 926213 (Del. Ch. 2007). By contrast, Lear is one of the largest corporations in the United States with deep analyst coverage. It got rid of its poison pill in 2004, signaling an openness to bids from that point forward. In 2006, when Carl Icahn came on the scene, even the plaintiffs admit that the market for corporate control knew Lear was essentially in play. Then, even after Icahn signed up his bid, over 40 strategic and financial bidders were invited to obtain due diligence in a non-public way in order to formulate topping bids. Put simply, unlike in *Netsmart*, no one had to discover Lear; they were invited by Lear to obtain access to key information and decide whether to make a bid.

value. Stockholders may vote no and seek appraisal.[23] But the plaintiffs are in no position ask me to refuse the Lear electorate the chance to freely determine whether a guaranteed $36 per share right now is preferable to the risks of continued ownership of Lear stock.

VI. Conclusion

For the foregoing reasons, the plaintiffs' motion for a preliminary injunction is largely denied, with the exception that a preliminary injunction will issue preventing the merger vote until supplemental disclosure of the kind required by the decision is issued. The defendants shall provide the court on June 18 their proposal as to the form of that disclosure, and the timing of its provision to stockholders. So long as the court is satisfied about substance and timing, the merger vote may be able to proceed as currently scheduled. The plaintiffs and defendants shall collaborate on an implementing order, which shall be presented on June 18 as well.

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23 *E.g.*, *Toys 'R' Us*, 877 A.2d at 1023 ("[T]he bottom line is that the public shareholders will have an opportunity [] to reject the merger if they do not think the price is high enough in light of the Company's stand-alone value and other options."); *see also* 8 *Del. C.* § 262 (granting appraisal rights).

EXHIBIT 99.2

LEAR CORPORATION

ANNUAL MEETING OF STOCKHOLDERS

**SUPPLEMENT DATED JUNE 18, 2007
TO PROXY STATEMENT DATED MAY 23, 2007**

GENERAL INFORMATION

This supplement is being mailed to the stockholders of Lear Corporation who are eligible to vote at the annual meeting of stockholders being held for the purposes set forth in the proxy statement which was first mailed to Lear stockholders on or about May 23, 2007. All holders of record of our common stock as of the close of business on May 14, 2007 are entitled to notice of, and to vote at, the meeting and any adjournment or postponement of the meeting. A list of stockholders entitled to vote at the meeting, and any postponement or adjournment of the meeting, will be available for examination between the hours of 9:00 a.m. and 5:00 p.m. at our headquarters at 21557 Telegraph Road, Southfield, Michigan 48033, during the ten days prior to the meeting and also at the meeting. This supplement is first being mailed to stockholders on or about June 18, 2007.

As discussed in more detail in the proxy statement, we will hold an annual meeting of the stockholders of Lear Corporation at the Hotel Du Pont, 11th and Market Streets, Wilmington, Delaware 19801, on June 27, 2007, at 10:00 a.m., Eastern Time, to consider and act upon the following matters:

1. vote upon a proposal to adopt the Agreement and Plan of Merger, dated as of February 9, 2007, by and among Lear Corporation, AREP Car Holdings Corp. and AREP Car Acquisition Corp., and the merger contemplated thereby;
2. vote upon a proposal to adjourn or postpone the annual meeting, if necessary, to permit further solicitation of proxies if there are not sufficient votes at the time of the annual meeting to adopt the merger agreement;
3. elect three directors;
4. approve amendments to our Amended and Restated Certificate of Incorporation to provide for the annual election of directors;
5. ratify the appointment of Ernst & Young LLP as our independent registered public accounting firm for 2007;
6. consider two stockholder proposals, if presented at the meeting; and
7. conduct any other business properly before the meeting or any adjournments or postponements thereof.

After careful consideration, our board of directors has determined that the merger agreement and the transactions contemplated by the merger agreement, including the merger, are advisable, substantively and procedurally fair to, and in the best interests of, Lear and Lear's unaffiliated stockholders. Our board of directors has approved and adopted the merger agreement and the transactions contemplated by the merger agreement, including the merger.

THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE “FOR” ADOPTION OF THE MERGER AGREEMENT.

Stockholders are urged to read this supplement carefully together with the definitive proxy statement, dated May 23, 2007, previously mailed to our stockholders on or about May 23, 2007. The information contained in this supplement replaces and supersedes any inconsistent information set forth in the proxy statement. If you need another copy of the definitive proxy statement, this supplement or proxy card, you may obtain it free of charge from Lear by directing such request to: Lear Corporation, Attention: Investor Relations, 21557 Telegraph Road, Southfield, Michigan 48033, or by calling our Investor Relations department at (248) 447-1500. The definitive proxy statement, dated May 23, 2007, may also be found on the internet at www.sec.gov.

Your vote is important. Properly executed proxy cards with no instructions indicated on the proxy card will be voted “FOR” the adoption of the merger agreement. Whether or not you plan to attend the annual meeting, please complete, sign and date the proxy card previously delivered and return it in the previously delivered prepaid envelope. If you attend the annual meeting, you may revoke your proxy and vote in person if you wish, even if you have previously returned your proxy card. Your failure to vote in person at the annual meeting or to submit a properly executed proxy card will effectively have the same effect as a vote “AGAINST” the adoption of the merger agreement. Your prompt cooperation is greatly appreciated.

VOTING AND REVOCABILITY OF PROXIES

The holders of record of shares of our common stock as of the close of business on May 14, 2007, which is the record date for the annual meeting, are entitled to receive notice of and to vote at the annual meeting. On the record date, there were 76,685,623 shares of our common stock outstanding**.**

Holders of record of our common stock may vote their shares by attending the annual meeting and voting their shares of our common stock in person or by completing the previously delivered proxy card, signing and dating it and mailing it in the previously delivered postage-prepaid envelope.

NO ACTION IN CONNECTION WITH THIS SUPPLEMENT IS REQUIRED BY ANY STOCKHOLDER WHO HAS PREVIOUSLY DELIVERED A PROXY AND WHO DOES NOT WISH TO REVOKE OR CHANGE THAT PROXY.

You can change your vote and revoke your proxy at any time before it is voted at the meeting by:

- delivering to Wendy L. Foss, our Vice President, Finance & Administration and Corporate Secretary, a signed, written revocation letter dated later than the date of your proxy;
- submitting a proxy to Lear with a later date; or
- attending the meeting and voting in person (your attendance at the meeting will not, by itself, revoke your proxy; you must vote in person at the meeting to revoke your proxy).

If you are not the record holder of your shares, you must follow the instructions of your bank or brokerage firm in order to change your vote.

Stockholders who have questions or requests for assistance in completing and submitting proxy cards, or in obtaining a proxy card, should contact MacKenzie Partners, Inc., our proxy solicitor, at:

105 Madison Avenue, New York, New York 10016
Banks and Brokerage Firms, Please Call: (212) 929-5500
Stockholders and All Others Call Toll Free: (800) 322-2885

We are not currently aware of any business to be acted upon at the annual meeting other than the matters discussed in the proxy statement, as supplemented by this supplement.

SUPPLEMENTAL INFORMATION

Background of the Merger

The proxy statement is supplemented to add the following disclosure in "Special Factors — Background of the Merger":

Update of "Go Shop" Process

Under the merger agreement, the Company was permitted at the expiration of the "go shop" period on March 26, 2007 to continue ongoing discussions with parties it was in discussions with at the expiration of the "go shop" period. At that time, the Company was in discussions with a group consisting of Tata Autocomp Systems Ltd., an automotive products company ("TACO"), and two private equity firms. In late April 2007, the two private equity firms notified the Company that they were terminating their participation in the "go shop" process; TACO indicated that it had a continuing interest in pursuing an acquisition proposal and expressed the possibility of working with other private equity firms.

On May 9, 2007, TACO advised the Company that due to its own resource constraints, it would only be able to commit 51% of the equity required to finance a competing acquisition proposal, with the remainder to be provided by third party sources. TACO also indicated that it wished to pursue a joint acquisition proposal with two financial firms, one of which it identified by name. Under the merger agreement, the Company was required to obtain the consent of AREP Car Holdings Corp. ("AREP") to provide confidential information to and solicit an acquisition proposal from TACO's potential private equity partners since the private equity firms were not in discussions with the Company at the expiration of the "go shop" period. On May 10, 2007, the Company requested that AREP provide such consent, which AREP granted on May 14, 2007. TACO never identified the second private equity firm.

On May 22, 2007, JP Morgan and Evercore, on behalf of the special committee, sent a letter to TACO and its private equity partner requesting an acquisition proposal by June 4, 2007. Shortly thereafter, TACO indicated that it would be unable to submit a definitive proposal by that date and requested an extension until June 15, 2007. The special committee thereafter requested that TACO and its private equity partner at least submit an indication of interest or conditional proposal by June 4th or shortly thereafter, with some description of the status of the group's due diligence investigation. In response, TACO and its financial partner stated that they would be unable to provide any type of acquisition proposal to the Company by the week of June 4th and requested a deferral of a management presentation scheduled for May 29th. On May 28, 2007, the special committee agreed to TACO's request to postpone the management presentation for one week and to extend the target date for receiving an acquisition proposal until two to three weeks following the management presentation. On May 29, 2007, TACO informed the Company that its private equity partner had withdrawn from consideration of an acquisition proposal. The following day, TACO informed the Company that it had decided not to continue pursuing

an acquisition proposal. While the Company believes that TACO was sincere in its interest, at no time did TACO submit an acquisition proposal for the Company.

On May 30, 2007, the Company's counsel submitted a letter to the Court of Chancery of the State of Delaware (the "Court") in response to a request by the Court for a status update on the Company's ongoing discussions with third parties regarding a potential competing acquisition proposal. On June 2, 2007, TACO, through its counsel, sent a letter to the Company alleging that the Company's letter to the Court mischaracterized the events leading to TACO's withdrawal from consideration of an acquisition proposal. In addition, TACO asserted that the Company had imposed informational and process constraints on TACO's due diligence review, had provided TACO and its private equity partner with inadequate access to management and had unnecessarily identified TACO in its May 30th letter to the Court.

On June 5, 2007, the Company's counsel, on behalf of the special committee, responded to TACO's June 2nd letter, denying TACO's allegations and reaffirming the accuracy of the letter submitted to the Court on May 30th. The special committee noted in its response, among other things, that TACO had initially been contacted about participating in the "go shop" process on February 15, 2007. At that time, it declined interest. Subsequently, on or about March 18th, TACO joined with two private equity firms to evaluate a joint acquisition proposal. Shortly thereafter, it had full and complete access to the Company's electronic data room and senior management. Management provided presentations to TACO and its partners on March 21st and April 12th and devoted significant time and resources to satisfying the group's due diligence requests. When TACO's original financial partners withdrew from the process, they did not cite due diligence constraints or a lack of access to management as a factor. When TACO thereafter indicated an interest in joining with other private equity firms, AREP promptly provided its consent. The Company continued to respond to additional due diligence requests from TACO, its new financial partner and new advisors through the end of May. In addition, at TACO's request and as discussed above, the special committee agreed to extend the target date for submitting an acquisition proposal for several weeks to address the TACO group's timing concerns. Finally, the special committee indicated that it believed that the disclosure of TACO's involvement in the "go shop" process was necessary under the circumstances and was not intended to question TACO's seriousness or good faith in pursuing an acquisition proposal.

The Company is not currently engaged in discussions with any third party regarding a potential acquisition proposal.

Considerations of the Special Committee and the Board

In considering the AREP proposal, the special committee and the Company's board of directors noted that certain members of management may have had interests in the transaction that were different from or in addition to their interests as stockholders of Lear due to, among other things, the proposed retention of certain members of senior management by AREP, the opportunity in the merger for senior management to liquidate their holdings of Lear stock, the receipt by senior management following the merger of new options to acquire Lear stock, and the post-merger modifications to senior management's employee benefit arrangements. With respect to the senior members of the Company's management, the special committee and the board considered that upon consummation of the merger, such individuals would receive a cash payout based on the merger consideration of $36.00 per share for all of the shares of Lear common stock that each holds and the accelerated payment of all outstanding equity and other awards that each holds. For a summary of the aggregate merger consideration payable to these individuals with respect to their Lear equity and equity awards, please see the proxy statement under the headings "Interests of Lear's Directors and Executive Officers in the Merger — Aggregate Merger Payments and — Equity Awards."

The special committee and the board further considered that during 2006 Mr. Rossiter had raised concerns with members of the board regarding the unfunded and unsecured nature of the non-qualified pension benefits Mr. Rossiter and other executives were eligible to receive under the Company's supplemental executive retirement plans (collectively, the "SERP"). Given the long tenure of Mr. Rossiter's service with the Company, substantial benefits had accrued to him under the SERP. Mr. Rossiter was vested in his SERP benefits and could have received a lump sum payment had he chosen to retire. If he had chosen to retire as of September 30, 2006, his lump sum payment would have been approximately $11.6 million. Mr. Rossiter had expressed to certain members of the board his concerns that given the amount of his retirement benefits and equity ownership in the Company, a substantial portion of his net worth was at risk in the event of an industry downturn or a deterioration in the Company's business. Mr. Rossiter also expressed concern over the illiquidity of his equity interest in the Company and raised the possibility of retiring as an executive of the Company.

During late 2006, the compensation committee of the board, along with its external advisors including its independent compensation consultant, evaluated alternatives to restructure the SERP to address Mr. Rossiter's concerns. The compensation consultant noted that implementing these alternatives would likely elicit a negative reaction from the Company's stockholders and proxy advisory firms against Mr. Rossiter, other members of senior management and the board. In December 2006, the compensation committee proposed alternatives to Mr. Rossiter, who ultimately declined any changes to his retirement benefits, including any accelerated payment of his SERP benefits, because of the negative perceptions cited by the compensation committee's consultant.

The special committee and the board were also aware of the fact that the amendment to Mr. Rossiter's employment agreement in connection with the proposed merger allows him to elect to receive an accelerated payout of his accumulated pension benefits under the SERP without retiring as an executive of the Company. Specifically, Mr. Rossiter may elect to have up to 70% of his accumulated SERP benefits paid to him on January 15, 2008 and up to 30% of his accumulated benefits paid to him on January 15, 2009. Assuming that Mr. Rossiter maximizes the amounts of these elections, and taking into account the time-value of money and other customary actuarial assumptions applicable under the SERP, he will receive approximately $8.6 million on January 15, 2008 and $3.9 million on January 15, 2009, reflecting the actuarial present value of his retirement benefits were he to remain an executive until age 65. As a result of the accelerated payment of his equity awards and retirement benefits under the SERP in connection with the merger, Mr. Rossiter will receive amounts that otherwise would have been at risk, and he may be viewed as having had economic motivations that are different from those of other Lear stockholders. For a summary of the SERP and Mr. Rossiter's benefits thereunder, please see the proxy statement under the heading "Executive Compensation — Pension Benefits."

Pursuant to the employment agreement amendment, Mr. Rossiter would serve as Executive Chairman of the Board of Directors for a period of two years following the closing and Non-Executive Chairman of the board for one year thereafter. The amendment provides Mr. Rossiter with an annual salary and bonus comparable to those provided by his existing employment agreement while he serves in an executive capacity. Mr. Rossiter also is to receive options to purchase 0.6% of the common stock of the Surviving Corporation in the merger at an exercise price equal to the merger consideration price per share. For a summary of Mr. Rossiter's employment agreement amendment, please see the proxy statement under the heading "Interests of Lear's Directors and Executive Officers in the Merger — Employment Agreements."

Mr. Rossiter negotiated with AREP certain material aspects of the merger at the direction of the special committee. The special committee and the board considered in connection with the merger negotiations and approval of the merger that Mr. Rossiter had interests in the merger that were different from the interests of the Company's stockholders and independent members of the board of directors, due to the accelerated payment of Mr. Rossiter's SERP benefits, the payout of his outstanding equity interests in the Company, his continued employment with the Company following the merger and his equity interest in the Company following the merger. Given Mr. Rossiter's potential conflicting interests, and considering

its mandate from the board of directors, the special committee and the board took great care in evaluating the terms of the AREP offer, as well as strategic alternatives (including continued execution of the Company's internal strategic plan and key assumptions, risks and opportunities relevant to that plan). The special committee and the board were comfortable with Mr. Rossiter's role in the merger negotiations based on their awareness of Mr. Rossiter's consistent willingness over a 35-year career with the Company to put the interests of the Company and its stockholders above his personal interests, the general alignment between Mr. Rossiter's personal financial interests in the merger and those of the Company's stockholders as a result of his substantial ownership of Company stock, and the oversight of the merger negotiations by the special committee and the active involvement of Winston & Strawn. The special committee and the board also believed that Mr. Rossiter was the most knowledgeable person regarding the Company and an effective negotiator.

Financial Information

Revised 2007 Outlook

On April 25th, the Company provided a financial outlook for the balance of 2007. This outlook was for the Company's core businesses and excluded the results of the Company's Interior business for the full year. At that time, the Company forecasted continued improvement in operating performance in the second quarter, with the second half of the year being negatively impacted by lower seasonal production levels in North America and the roll-off of certain electrical distribution business in the fourth quarter. Since then, production levels on certain key light truck platforms in North America have been higher than expected. We believe this reflects near-term production schedules by the automakers rather than a longer-term shift in consumer demand. In addition, the Company has continued to benefit from on-going restructuring and productivity initiatives and a slightly weaker U.S. dollar. As a result, the Company now expects that second quarter income before interest, other expense, income taxes, restructuring costs and other special items ("core operating earnings") will be between $215 and $225 million, as compared to the Company's previous outlook of between approximately $180 and $200 million. The Company continues to expect that vehicle production levels in North America for the full year 2007 will be in line with the prior forecast, and that the longer-term production outlook has not changed significantly. This view of North American vehicle production is consistent with forecasts by J.D. Power & Associates.

Based on results in the first half of the year, the Company is also revising its full year outlook. Core operating earnings for the full year, excluding the results of the Company's Interior business, are now expected to be in the range of $600 to $640 million, with a corresponding improvement in free cash flow to approximately $260 million, as compared to the previous forecast of between $580 and $620 million for the year's core operating earnings and $240 million for free cash flow. This outlook does not reflect the impact of the pending merger with AREP and is subject to a number of risks and uncertainties. Actual results could differ significantly from the Company's current forecast based on a number of factors, including overall industry demand, actual production levels on key Lear platforms, the timing and realization of cost savings from the Company's on-going restructuring program, changes in raw material and energy prices, the impact of the upcoming labor negotiations involving the U.S. domestic automakers, and foreign exchange rate fluctuations. See "Forward-Looking Statements" for other factors that could impact the Company's actual operating results.

On June 14 and 15, 2007, senior management of the Company discussed the foregoing changes in the Company's 2007 financial outlook with the special committee, the audit committee of the board of directors and the Company's outside legal and financial advisors. At a meeting on June 14, 2007, the special committee devoted particular attention to the impact of the revised 2007 forecast on the special committee's assessment of the financial fairness of the $36 merger consideration under the AREP merger agreement. The special committee determined preliminarily that it continued to view the $36 merger

consideration as fair in light of, among other factors, the relatively modest change in the Company's 2007 forecast, the continued validity of the Company's longer-term vehicle production assumptions based on the most recent forecasts by independent forecasting services, and the continuing risks to the Company's ability to execute successfully its long-range business plan. The special committee also asked JPMorgan to assess the impact of the Company's revised 2007 financial forecast on the financial analysis previously conducted by JPMorgan in connection with the AREP merger agreement. On June 17, 2007, the special committee was informed by JPMorgan that the Company's revised 2007 financial forecast would not materially change JP Morgan's prior financial analysis. Evercore also advised the special committee that it was not aware of any fundamental change in the North American industry environment since the AREP merger agreement was entered into in February 2007 that would have an impact on the Company. Based upon the foregoing information and its unchanged assessment of the Company's long-term prospects, the special committee determined and reported to the board on June 17, 2007 that, in the view of the special committee, no change in the board's recommendation of the merger was warranted.

Non-GAAP Financial Information

The Company has provided information regarding "income before interest, other expense, income taxes, restructuring costs and other special items" (core operating earnings) and "free cash flow" (each, a non-GAAP financial measure). Other expense includes, among other things, state and local non-income taxes, foreign exchange gains and losses, fees associated with the Company's asset-backed securitization and factoring facilities, minority interests in consolidated subsidiaries, equity in net income of affiliates and gains and losses on the sale of assets. Free cash flow represents net cash provided by operating activities before the net change in sold accounts receivable, less capital expenditures. The Company believes it is appropriate to exclude the net change in sold accounts receivable in the calculation of free cash flow since the sale of receivables may be viewed as a substitute for borrowing activity.

Management believes the non-GAAP financial measures used in this supplement are useful to both management and investors in their analysis of the Company's financial position and results of operations. In particular, management believes that core operating earnings is a useful measure in assessing the Company's financial performance by excluding certain items (including those items that are included in other expense) that are not indicative of the Company's core operating earnings or that may obscure trends useful in evaluating the Company's continuing operating activities. Management also believes that this measure is useful to both management and investors in their analysis of the Company's results of operations and provides improved comparability between fiscal periods. Management believes that free cash flow is useful to both management and investors in their analysis of the Company's ability to service and repay its debt. Further, management uses these non-GAAP financial measures for planning and forecasting in future periods.

Core operating earnings and free cash flow should not be considered in isolation or as substitutes for pretax income, net income, cash provided by operating activities or other income statement or cash flow statement data prepared in accordance with GAAP or as a measure of profitability or liquidity. In addition, the calculation of free cash flow does not reflect cash used to service debt and therefore, does not reflect funds available for investment or other discretionary uses. Also, these non-GAAP financial measures, as determined and presented by the Company, may not be comparable to related or similarly titled measures reported by other companies.

Given the inherent uncertainty regarding special items, other expense and the net change in sold accounts receivable in any future period, a reconciliation of forward-looking financial measures to the most closely comparable financial measures calculated and presented in accordance with GAAP is not feasible. The magnitude of these items, however, may be significant.

Forward-Looking Statements

This supplement contains forward-looking statements, including statements regarding anticipated financial results and liquidity. Actual results may differ materially from anticipated results as a result of certain risks and uncertainties, including but not limited to, general economic conditions in the markets in which the Company operates, including changes in interest rates or currency exchange rates, the financial condition of the Company's customers or suppliers, fluctuations in the production of vehicles for which the Company is a supplier, disruptions in the relationships with the Company's suppliers, labor disputes involving the Company or its significant customers or suppliers or that otherwise affect the Company, the Company's ability to achieve cost reductions that offset or exceed customer-mandated selling price reductions, the outcome of customer productivity negotiations, the impact and timing of program launch costs, the costs and timing of facility closures, business realignment or similar actions, increases in the Company's warranty or product liability costs, risks associated with conducting business in foreign countries, competitive conditions impacting the Company's key customers and suppliers, raw material costs and availability, the Company's ability to mitigate the significant impact of increases in raw material, energy and commodity costs, the outcome of legal or regulatory proceedings to which the Company is or may become a party, unanticipated changes in cash flow, including the Company's ability to align its vendor payment terms with those of its customers, the finalization of the Company's restructuring strategy and other risks described from time to time in the Company's Securities and Exchange Commission filings. In particular, the Company's financial outlook for 2007 is based on several factors, including the Company's current vehicle production and raw material pricing assumptions. The Company's actual financial results could differ materially as a result of significant changes in these factors. The Company's proposed merger with AREP Car Acquisition Corp. is subject to various conditions including the receipt of the requisite stockholder approval from the Company's stockholders and other conditions to closing customary for transactions of this type. No assurances can be given that the proposed transaction will be consummated or, if not consummated, that the Company will enter into a comparable or superior transaction with another party.

The forward-looking statements in this supplement are made as of the date hereof, and the Company does not assume any obligation to update, amend or clarify them to reflect events, new information or circumstances occurring after the date hereof.

Litigation Relating to the Merger

As set forth in the proxy statement, the Company, certain members of the Company's board of directors, AREP and certain of its affiliates are defendants in three purported class action lawsuits filed in the Delaware Court of Chancery (the "Delaware Court"), which have been consolidated into a single action. On June 8, 2007, the Delaware Court heard oral arguments on the plaintiffs' motion in the consolidated Delaware action to enjoin the Company's stockholder vote on the merger. On June 15, 2007, the Delaware Court largely rejected the plaintiffs' arguments on the preliminary injunction motion. Among other things, the Delaware Court recognized that the discounted cash flow analysis conducted by the plaintiffs' expert, after being corrected for errors, provided a valuation range for the Company's stock below the $36 per share offered in the merger. However, the Delaware Court enjoined the Lear stockholder vote on the merger until certain supplemental disclosures required by the Delaware Court are provided to the Company's stockholders. To comply with the order of the Delaware Court, the Company is supplementing the proxy statement to add the disclosures set forth in the section of this supplement titled "Background of the Merger — Considerations of the Special Committee and the Board." On June 18, 2007, the Delaware Court approved the disclosures in the foregoing section of this supplement and dissolved the preliminary injunction order to allow the Lear stockholder vote to proceed on June 27, 2007. The Company and the board continue to believe that the plaintiffs' claims regarding the merger negotiations and the fairness of the $36 merger proposal are without merit and intend to continue to defend against them vigorously. The Delaware Court's preliminary injunction opinion is attached as an

exhibit to the Company’s Current Report on Form 8-K filed with the Securities and Exchange Commission on June 18, 2007.

As set forth in the proxy statement, the Company, certain members of the Company’s board of directors, AREP and certain of its affiliates are defendants in three purported class action lawsuits filed in Michigan Circuit Court, which have been consolidated into a single action. On May 24, 2007, the Michigan court dismissed, without prejudice, the Michigan litigation because of the pending case in the Delaware Court described above. On June 4, 2007, the plaintiffs filed a motion for reconsideration of the dismissal.

EXHIBIT 99.3

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June 2, 2007

Daniel A. Ninivaggi, Esq.
Executive Vice President, General Counsel,
and Chief Administrative Officer
Lear Corporation
21557 Telegraph Road
Southfield, Michigan 48033

Dear Mr. Ninivaggi:

As U.S. counsel to Tata AutoComp Systems Limited (‘TACO”), we are writing to you in connection with the letter that was submitted on behalf of Lear Corporation (“Lear”) on May 30, 2007 to Vice Chancellor Shine of the Delaware Chancery Court in the Lear Corporation Shareholders Litigation, C.A. No. 2728.

Our firm called your outside counsel on the morning of May 30, 2007, soon after we were provided with the text of the proposed letter, to try and understand the purpose of such a letter and also to request that the letter not be filed with the court in the form and with the content in which it was shared with us, and pointing out a number of inaccuracies in the letter. While your counsel indicated he would determine if it was already filed, we heard nothing from your counsel and approximately three hours later the letter appeared on the Delaware Chancery Court website as having been filed.

TACO informs us of the following facts, circumstances and views:

TACO is extremely disappointed that Lear chose to unilaterally file such a letter, which casts aspersions on TACO’s seriousness in evaluating the acquisition proposal.

TACO is unable to understand the need to present an unfair version of the events detailing TACO’s involvement. Nor is TACO able to understand why the letter, if it was so needed, was not made a confidential document despite Vice Chancellor Strine, in the May 21 telephonic court conference, specifically stating that a status report be given to him “in writing, but discreetly”. Further, while TACO understands Lear’s need to disclose the fact that Lear was

no longer in discussions with any third party regarding a potential acquisition proposal, TACO is unable to understand why the letter had to be filed with the SEC and thereby made public.

TACO believes that Lear could have made the communication to the court in a fair and simpler manner and without naming TACO — just as Lear did not name the other two private equity funds, which actually introduced TACO to this transaction possibility and had as much interest in this potential acquisition possibility as TACO had. Further, the letter contains inaccuracies that TACO believes should be addressed, as its understanding of the history and process is quite different from what was portrayed in the letter.

Prior to March 2007, TACO never considered Lear as an acquisition opportunity that it could either pursue or decline. In mid-March 2007, TACO was contacted by an investment bank, representing two private equity funds who were already evaluating Lear as part of the Go-Shop process, which invited TACO to join as a consortium partner to evaluate a potential joint acquisition of Lear. As an initial step, TACO started discussions on the draft non-disclosure agreement ("NDA") from about March 20, after the NDA draft was sent to them late in the evening on March 19. TACO was granted access to the Lear electronic data room after the NDA was executed and sent to Lear on March 21, but it had not initiated any due diligence at that time. The "detailed management presentation" of March 21 referred to in the letter was an introductory telephonic presentation by Lear management. Further, the management meeting to the two private equity funds and TACO on April 12 devoted a significant amount of time to repeating the same presentation, thus reducing the amount of time available for detailed discussions with Lear management.

On April 17, the two private equity funds and TACO were informed that a non-binding bid should be made by April 24. Given the magnitude of Lear's business activity and the need to complete due diligence before submitting a bid, this was an unrealistic time frame. Additionally, the electronic data room did not contain a significant amount of the material needed to complete the due diligence. Hence, your mentioning that TACO undertook "extensive due diligence" during that time period is incorrect.

In the meantime, the two private equity funds decided that they did not wish to continue the evaluation of the proposal by the consortium and this was conveyed to Lear on April 23.

It is important to note that despite the withdrawal by the two private equity funds, TACO expressed its interest to Lear in continuing to evaluate the potential acquisition of Lear if it could identify another financial co-investor. TACO has always maintained that it needed a co-investor in this transaction. To reduce the risk of a potential co-investor dropping out midway through the process as had occurred with the earlier two private equity funds, TACO sought to

introduce several co-investors to become interested in the proposed acquisition in partnership with TACO.

On May 4, TACO provided Lear with the names of five potential co-investors, and subsequently added a sixth name. However, Lear suggested that TACO should produce a shortlist, without even allowing the potential co-investors to review Lear's data, plans and other information. Until such time as TACO had a reasonable commitment from a potential co-investor, there was no reason for TACO to submit a non-binding bid, even though Lear had suggested that TACO could do so without tying up its equity financing sources.

On May 9, TACO communicated to Evercore the names of its advisors along with the request for clearance of its one named co-investor which was short-listed. TACO also sought access to the electronic data room for its investment bankers and legal advisors on May 9 and for its accounting advisors on May 18.

On May 15, Lear confirmed the introduction of TACO's identified potential co-investor. Only after this did TACO's investment banking and legal advisors receive access to the electronic data room to allow them to commence the due diligence activity. The data access to TACO's investment banking and legal advisors was provided on May 16. The electronic data room at that time did not contain significant information needed for the due diligence process, including the schedules to the AREP Merger Agreement and the First Quarter Global Legal Matters Report ("GLMR"). Those schedules and the GLMR were not provided until May 24, 2007 and other legal diligence information was provided on subsequent dates. TACO's accounting advisors reviewed the electronic data room materials between May 18 and May 20 and made requests for additional data and information on May 21. However, even on May 25, TACO's accountants were of the view that a significant amount of data, including basic financial statement information, remained to be provided. In addition, TACO's accountants reported to TACO that Lear had declined to provide access to Lear's auditors (and their working papers) and other key financial data, such as revenue and profitability by platform, product and customer.

The letter also mentions that "TACO has not even submitted a non-binding proposal." However, when in May, after Lear gave clearance to TACO's co-investor, TACO and the proposed co-investor did propose to submit a non-binding proposal, Lear's advisors discouraged TACO and the potential co-investor from doing so, stating that a non-binding offer would unnecessarily divert the attention of the Special Committee of the Lear Board. Therefore, TACO and the potential co-investor were asked by Evercore to not submit a non-binding offer, but instead to work toward submitting a binding offer.

On May 22, TACO was told that the binding offer had to be made, if at all, by June 4. It was also told that it would not receive any more due diligence information than had already been provided. In response, TACO clearly indicated to Lear and its advisors that it

would be unable to submit a proposal in such a short time frame and with such a limited amount of due diligence information. Only then did Lear agree to consider a bid by June 15 and provide some additional due diligence information. However, the access to due diligence information and management time was still limited and TACO's potential co-investor was uncomfortable proceeding on a timeline of June 15 as well. It is worth noting that a significant amount of data was added to the electronic data room only after TACO's co-investor's request for additional time was considered.

In the period between May 16 and May 30, significant time and effort was expended trying to negotiate with Lear to obtain more time in which to complete due diligence and receive a reasonable amount of due diligence information commensurate with the scope of the proposed acquisition. Even now, it is significant that TACO and its potential co-investor were never given access to critical data that was needed to arrive at the real value for the transaction. The management meeting, which was scheduled for June 4, was planned only for about six hours, of which the top management was to be available only for three hours. That is one of the reasons why TACO and its co-investor sought to reschedule the management meeting — because they wanted to have extensive discussions on the business matters in such a meeting and they believed that it should span over two days at a minimum.

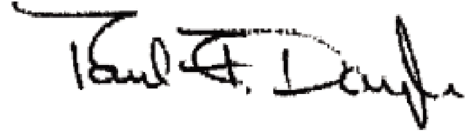
Even as of May 30, a significant portion of the data required for a reasonable legal due diligence process had yet to be added to the electronic data room, and Lear had affirmatively refused to provide much of the accounting data that had been requested by TACO's accounting advisor. TACO's understanding is that profitability data mentioned as disclosed to others in Lear's SEC filings has been denied to TACO, and the profit projections presented to TACO are different from Lear's filings on May 30.

Because of its perception that inadequate information was being provided by Lear, TACO's co-investor became uncomfortable with the process and decided to drop out. As a result, TACO also elected to withdraw itself from the process.

To conclude, TACO expended considerable management time and expense in the process. TACO is of the view that it has always been serious about the acquisition proposal and was willing to work within the significant process and information constraints imposed by Lear to the extent that TACO would still be able to conduct a reasonable due diligence process. TACO's potential co-investor withdrew from the process because of its inability to complete, within the time frame available, the due diligence required for the transaction as a result of the limitations imposed by Lear, specifically Lear's refusal to supply the diligence information, management time and access to customers that had been requested by TACO and its potential co-investor, TACO's withdrawal from the process directly followed that of its potential co-investor.

TACO believes that the way Lear, in its letter to Vice Chancellor Strine, has described TACO's role in the process, is materially misleading and unfortunate. TACO is unable to understand Lear's motivation in doing so. As a result, TACO requested that we provide this letter to Lear setting forth TACO's views, as described above, concerning such process.

Sincerely,



Paul F. Doyle

EXHIBIT 99.4

WINSTON & STRAWN LLP

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Confidential

June 5, 2007

Mr. Paul F. Doyle, Esq.
Kelley Drye & Warren LLP
101 Park Avenue
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Dear Mr. Doyle:

Lear is in receipt of your June 2, 2007 letter to Daniel A. Ninivaggi, Lear’s Executive Vice President and General Counsel. I have reviewed your letter with the Special Committee (“Special Committee”) of Lear’s Board of Directors and the Special Committee has requested that I forward this response to you. As an overview, your letter identifies three broad concerns of Tata AutoComp Systems Limited (“TACO”) that the Special Committee believes require a response. Specifically your letter suggests that:

1. Lear imposed information and process constraints on the ability of TACO and its financial partners to conduct due diligence and provide Lear with an acquisition proposal;

2. Lear did not provide TACO with necessary access to management and required due diligence information; and

3. The disclosure of Lear’s discussions with TACO was unnecessary and cast aspersions on the seriousness of TACO in evaluating an acquisition proposal.

At the outset, the Special Committee, the Special Committee’s advisors and Lear management always believed that TACO had a sincere interest in undertaking a transaction with Lear, was devoting the resources needed to achieve that objective and was working in good faith with Lear and its advisors. We were disappointed that your financial partners withdrew from the process, thereby precluding TACO and Lear from consummating a transaction.

However, the Special Committee and its advisors as well as Lear management strongly disagree with many of the characterizations in your letter of the discussions between TACO and Lear. While these characterizations may be the product of miscommunications among many parties involved in the go shop process, the Special Committee does believe that a response to your letter is required for Lear to set forth its position on these matters.

Information and Process Constraints

The Special Committee differs strongly with TACO's assertion that Lear imposed information and process constraints on the ability of TACO and its financial partners to conduct due diligence and provide Lear with an acquisition proposal. The Special Committee aggressively sought competing proposals from TACO and other potential buyers and, as a part of that effort, organized the go shop process to ensure that all participants were given complete and timely access to due diligence information.

In February 2007, TACO was contacted twice by JP Morgan regarding TACO's potential interest in participating in the go shop process and, in each case, declined to participate. Lear was encouraged, however, when in March TACO joined with two private equity partners to evaluate an acquisition proposal. Commencing with TACO's execution of a confidentiality agreement with Lear on March 21st, Lear provided TACO and its representatives full and complete access to Lear's electronic data room. Lear management also made itself available for detailed presentations on Lear's business and for follow-up requests. TACO had access to the data room and Lear management for a period in excess of two months to obtain whatever information it needed to evaluate a proposal or request further information. Prior to TACO withdrawing from the go shop process, Lear justifiably believed that TACO was actively engaged in due diligence during this period, particularly given its stated interest in pursuing a transaction even after its original financial partners withdrew from the process. Prior to Lear receiving extensive form due diligence lists from TACO's recently-engaged advisors during the week of May 21st, Lear had responded to all requests for information furnished by TACO and its financial partners. When Lear requested on May 6th that TACO provide it with a conditional proposal, TACO responded that it would not be in a position to do so until it obtained input from an equity partner, whom at that point it had yet to identify. TACO did not, however, indicate that it had an insufficient basis on which to make even a conditional proposal. Accordingly, Lear had come to the justifiable conclusion that TACO had substantially completed its due diligence during the period of March 21st through May 20th. Lear is quite surprised by your statement now that TACO did not conduct extensive due diligence during this time period, even though it clearly had the opportunity to do so.

Contrary to your assertions, the electronic data room provided TACO with substantial information regarding Lear and its business, including all material information provided to both AREP and all the other participants in the go shop process. Furthermore, TACO had access to publicly-available information prepared by American Real Estate Partners, L.P. ("AREP") in connection with its entering into the merger agreement ("Merger Agreement") with Lear, including the report of A.T. Kearney and AREP's financial analysis. The management presentations provided by Lear were far from perfunctory or duplicative as you imply. The initial management presentation on March 21st was done at the request of TACO and its then financial

partners and the participants included Lear's Vice Chairman and CFO, President and COO, Senior Vice President of Finance and Vice President of Corporate Development. The presentation included a question and answer period and lasted nearly two hours. The management presentation was followed by further due diligence by TACO and its financial partners and a meeting on April 4th in New York between four members of Lear senior management, including Lear's Chairman and CEO, and representatives of your financial partners. TACO was, of course, invited to attend this meeting as well. The management presentation provided by Lear on April 12th lasted a full day and included nine members of Lear's senior management, including Lear's Chairman and CEO, Vice Chairman and CFO, President and COO, and Executive Vice President and General Counsel. The participants included approximately 25 representatives from TACO and its financial partners. In addition to the management presentation, the day included break-out sessions and tours of a Lear technical facility. Mr. Rossiter, Lear's Chairman and CEO, also had a private meeting with a representative of TACO during which he expressed Lear's strong interest in TACO pursuing an acquisition proposal. Following that meeting, Lear responded to requests for further information and conducted at least four conference calls on business, financial and tax due diligence matters. Lear's management was completely accessible to TACO and its representatives during this time period.

The diligence process was complicated by changes in TACO's financial partners, financial and accounting advisors, the apparent termination of Boston Consulting Group as a consultant, the engagement of your law firm late into the process and TACO's consideration of debt financing alternatives to the "staple financing" being provided by JP Morgan, all of which introduced new participants into the latter stages of the due diligence process. Clearly, TACO had every right to manage the process in this manner, but it cannot now claim that Lear is responsible for TACO's consequential delays in completing its due diligence. In addition, it is puzzling that prior to the week of May 21st, TACO failed to indicate that its interest in Lear was subject to substantial additional due diligence. This is particularly surprising considering that when TACO's original private equity partners contacted Lear in late April to advise Lear that they had no further interest in participating in the go shop process, they informed Lear that all of their outstanding diligence requests to Lear had been addressed. TACO reported at about that same time in a conversation with Evercore Partners, one of the Special Committees financial advisors, that it too had no further due diligence requests outstanding. Neither of the two private equity firms indicated to Lear that the inability to provide Lear with a proposal was attributable to insufficient due diligence information, management access or process constraints. These two private equity firms, instead, cited a failure to reach agreement with TACO on structure and valuation issues as the basis for withdrawing from the process.

On the subject of process constraints, as you stated in your letter, at the time its two original private equity partners indicated an intention to terminate discussions with Lear in late April, TACO expressed an interest in continuing to participate in the go shop process and that it wished to work with other private equity firms. However, it was not initially clear to Lear whether and to what extent TACO's interest in making an acquisition proposal was conditioned on third-party equity financing. TACO's letter of May 9th was its first clear indication to Lear that it had "resource constraints" and that 49% of the equity requirements would need to be funded by parties other than TACO. In prior communications to Lear, TACO identified six private equity

firms that could have an interest in pursuing a joint acquisition proposal with TACO. However, when Lear inquired as to whether any of the six firms had expressed an affirmative interest in pursuing a transaction with TACO for Lear, a representative of TACO responded that the list of firms was compiled based on TACO's existing relationships and that none of the firms had been contacted regarding its interest in Lear. Given the expiration of the go shop period on March 26th, Lear advised TACO that the consent of AREP would be required prior to Lear discussing a proposal with any of TACO's new financial partners or providing these financial partners with confidential information. It was in that context, and Lear's knowledge that two of the firms that TACO had identified affirmatively declined to participate in the go shop process, that Lear advised TACO that it should first identify which, if any, of the private equity firms had a serious interest in pursuing a transaction with TACO prior to Lear making a request of AREP to grant its consent under the Merger Agreement. In response to Lear's request, TACO identified by May 9th only one firm that had an interest, and indicated that it would shortly identify a second firm. The firm identified by TACO had previously declined an interest in pursuing an acquisition proposal during the go shop period, and TACO was never able to identify a second firm to join its group. Upon becoming aware of the identity of the first firm, Lear immediately requested AREP's consent for that firm and an unidentified second firm to participate in the go shop process, which AREP promptly granted. A confidentiality agreement was executed two days later, and the private equity firm was given immediate access to Lear's electronic data room. It should be noted that even before AREP's consent, there were no restrictions on TACO and its advisors conducting due diligence.

At various points in the go shop process, the Special Committee requested that TACO and its financial partners submit proposals (April 24th, May 10th and June 4th). The Special Committee carefully evaluated each of TACO's requests for bid extensions. In the end, while the Special Committee believed that obtaining an acquisition proposal, even if highly conditional, by the week of June 4th was important to Lear, it acceded to TACO's request for a postponement of the management presentation and an extension of the target bid date to between June 18th and June 25th. In granting the request, Lear provided TACO and its financial partner with two alternative dates for the management presentation during the week of June 4th. Shortly after agreeing to this request by TACO and its financial partner, TACO's financial partner informed Lear that it was terminating its participation in the process.

It is important that the Special Committee highlight that notwithstanding our repeated requests for a proposal, the Special Committee never indicated that the failure to provide a bid by a specified date would result in Lear terminating discussions with TACO or any of its financial partners. While Lear did indicate that pre-existing business commitments and the need to prepare for Lear's annual meeting could limit the availability of management at times, Lear was always willing to continue the discussions towards obtaining a proposal and provide you with the information and management resources necessary to do so. Furthermore, I would assume that you advised TACO and its financial partner that notwithstanding any requested bid dates contained in letters the Special Committee sent to TACO and its financial partner, these parties can, at any time prior to the affirmative vote by the stockholders of Lear on the Merger Agreement, always submit a bid to Lear and, as permitted under the Merger Agreement, the Special Committee will evaluate the bid consistent with its fiduciary duties.

Inadequate Access to Management and Due Diligence

As discussed above, it was on May 9th, almost two months after TACO executed a confidentiality agreement, that Lear learned that TACO intended to change the advisors it had engaged to assist in the due diligence process. During the week of May 21st, Lear was provided with extensive due diligence requests from the law firm and accounting firm now representing TACO and its financial partner. Lear management and the Special Committee were understandably disappointed to receive extensive form due diligence lists so late in the due diligence process, but Lear began to comply with the requests almost immediately. As stated above, the Special Committee believed that, given TACO's participation in the go shop process since March 21st, it had already conducted substantial due diligence. In conversations between Evercore Partners and one of TACO's financial advisors, it was agreed that the due diligence lists were far more detailed than necessary to conduct adequate due diligence on a large publicly-traded corporation and that the lists should be prioritized and "refocused." Similar conversations occurred between TACO's and Lear's respective legal advisors. Additionally, in a conversation Mr. Ninivaggi and I had with a representative of your financial partner, that individual stated that the due diligence process should be better managed and that the U.S. representatives of the private equity firm needed to get coordinated with its representatives in India. Thereafter, in our view, significant progress was made in responding to TACO's requests. Lear and its representatives immediately began collecting and turning over additional due diligence information, including the documents referred to on page 3 of your letter, and the parties' respective legal counsel had made considerable progress in prioritizing legal due diligence matters. Additionally, conference calls on the subjects of tax, finance, environmental, intellectual property, employee benefits and ERISA, labor, trade, real estate and litigation were conducted by appropriate members of Lear management with representatives of TACO and its financial partner, although our records indicate that no employees of TACO's financial partner participated in any of the conference calls.

TACO's suggestion that Lear attempted to unfairly limit the due diligence process is demonstrably untrue. TACO and its financial partner were provided with more due diligence information than was provided to AREP prior to its entering into the Merger Agreement. Lear management was doing everything reasonably possible to satisfy TACO's additional due diligence requests. While it is true that Lear did not provide TACO with access to some extremely sensitive competitive data on specific platform and program profitability, Lear did not provide this information to AREP or any other prospective purchaser. However, Lear did agree to provide TACO and its partner with additional information that, while more generalized, should adequately address TACO's request. Additionally, TACO and its financial partner were provided with the same projections that were made available to AREP and other participants in the go shop process. Accordingly, the assertion in your letter that Lear withheld profitability data or projections provided to others, or provided less information to TACO than to others, is unfounded. Finally, at no time did Lear advise TACO, as your letter contends, that TACO would not receive any further due diligence information.

The management presentation that was initially scheduled for May 29th was intended to provide TACO and its financial partner with an extensive discussion of Lear's business, including presentations by Lear's Chairman and CEO and all other members of senior management. While all members of senior management may not have been available for the entire presentation based on pre-existing commitments, Lear never intended to place constraints on the time or substance of that management presentation. If additional time were required, Lear would have been happy to accommodate TACO's request, including through follow-up meetings. In a conversation on May 25th among Mr. Ninivaggi, me and a representative of your financial partner, however, we were advised by your financial partner that the management presentation would not be a "particularly productive use of management's time" given the status of the financial firm's due diligence efforts. On or about May 27th, TACO requested a postponement of the management presentation until the week of June 4th and indicated that it would take an additional two to three weeks thereafter for it and its financial partner to formulate an acquisition proposal. In response to TACO's request, the Special Committee agreed to TACO's revised timetable and directed management to continue doing everything possible to respond to TACO's and its financial partner's due diligence requests prior to the management presentation. This was communicated to TACO and its financial partner on May 28th and, on May 29th, Mr. Ninivaggi offered, in writing, revised dates for the management presentation. The management presentation was to include all members of senior management and, if TACO thought is was necessary, extend over a two day period. Lear's management and the Special Committee's advisors also continued to respond to TACO's supplemental due diligence requests until the day TACO withdrew from the process. Additionally, Lear never, in any way, limited TACO's access to Lear's management. In fact, at the request of the Special Committee, Lear's Chairman and CEO, Bob Rossiter, made two trips to India to meet with senior officials of TACO regarding an acquisition proposal.

Public Disclosure of Lear's Discussions with TACO

The need for public disclosure of the Abrams & Laster letter was in response to a number of factors. In the stockholder litigation arising from the Merger Agreement, the plaintiffs were pressing Lear for additional detailed disclosure regarding ongoing discussions with third parties. In addition, the plaintiffs' counsel was aware of the identity of TACO and its involvement in the go shop process from sources other than Lear and was requesting the disclosure by Lear of TACO's identity. We had resisted those efforts for several weeks but the Special Committee ultimately concluded, based on the advice of its counsel, that the failure to provide more detailed disclosure regarding the ongoing discussions with TACO, including the identity of TACO, could prejudice Lear's position in the litigation and ultimately be viewed as a failure to disclose information that was material to a stockholder's voting decision.

Additionally, in its proxy statement Lear disclosed that it was in ongoing discussions with a possible purchaser and that this purchaser had requested, and AREP had consented to, this purchaser working with two private equity sources. That disclosure, along with Lear's prior disclosure that it was in ongoing discussions with other parties, focused the attention of Lear's shareholders on those discussions, including the identity of the potential acquiror, whether the potential aquiror was a strategic or financial buyer and the prospect that the discussions could result in a higher offer than the AREP transaction. Also, Lear had undertaken with the SEC to update its proxy statement to reflect developments in these ongoing discussions. In addition to its

undertaking with the SEC, given the disclosure in the shareholder litigation, Lear had concerns about selective disclosure of its discussions with TACO and wanted to ensure compliance with applicable disclosure requirements, particularly given speculation in the market that existed at the time.

Finally, the Special Committee believed that the Company needed to communicate the extraordinary steps the Special Committee took in seeking a superior proposal as a means of both defending the litigation as well as communicating to our shareholders the extent of the efforts by the parties, including TACO, in attempting to obtain a superior proposal. Lear did not view its letter as casting aspersions on TACO's seriousness in evaluating an acquisition proposal. Certainly, that was not Lear's intent and Lear believes that TACO demonstrated a sincere interest in pursuing a transaction.

The Special Committee and Lear's management continue to believe that the Abrams & Laster letter of May 30th accurately described the status of discussions with the TACO group at the time. As Mr. Ninivaggi noted in his June 2nd e-mail to you, please let me know if TACO believes further discussions with the Company and the Special Committee would be constructive to clear up any miscommunications or address any additional concerns. In this regard, I would be happy to arrange a call directly with Larry W. McCurdy, the Chairman of the Special Committee.

Very truly yours,

Bruce A. Toth

cc: Larry W. McCurdy
James A. Stern
Henry D.G. Wallace,
members of the Special Committee
Daniel A. Ninivaggi
Kevin G. Abrams