UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 28, 1997

OR

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

For the transition period from to

COMMISSION FILE NUMBER: 1-11311

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

DELAWARE
(State or other jurisdiction of incorporation or organization)

21557 TELEGRAPH ROAD, SOUTHFIELD, MI
(Address of principal executive offices)

13-3386776
(I.R.S. Employer Identification No.)

48086-5008
(zip code)

(248) 746-1500
(Registrant's telephone number, including area code)

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Number of shares of Common Stock, $0.01 par value per share, outstanding at July 31, 1997: 66,330,112

LEAR CORPORATION
FORM 10-Q
FOR THE QUARTER ENDED JUNE 28, 1997

INDEX

LEAR CORPORATION

PART I -- FINANCIAL INFORMATION

ITEM 1 -- CONSOLIDATED FINANCIAL STATEMENTS

INTRODUCTION TO THE CONSOLIDATED FINANCIAL STATEMENTS

The condensed consolidated financial statements of Lear Corporation and subsidiaries (the "Company") have been prepared by Lear Corporation, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations. The Company believes that the disclosures are adequate to make the information presented not misleading when read in conjunction with the financial statements and the notes thereto included in the Company's Annual Report on Form 10-K as filed with the Securities and Exchange Commission for the period ended December 31, 1996.

The financial information presented reflects all adjustments (consisting only of normal recurring adjustments) which are, in the opinion of management, necessary for a fair presentation of the results of operations and statements of financial position for the interim periods presented. These results are not necessarily indicative of a full year's results of operations.

LEAR CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(IN MILLIONS, EXCEPT SHARE DATA)

	JUNE 28, 1997	DECEMBER 31, 1996
	(UNAUDITED)	
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 16.5	$ 26.0
Accounts receivable, net	1,102.6	909.6
Inventories	190.5	200.0
Recoverable customer engineering and tooling	124.0	113.9
Other	93.5	97.9
	1,527.1	1,347.4
LONG-TERM ASSETS:		
Property, plant and equipment, net	868.4	866.3
Goodwill, net	1,452.8	1,448.2
Other	166.6	154.9
	2,487.8	2,469.4
	$ 4,014.9	$3,816.8
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Short-term borrowings	$ 24.5	$ 10.3
Accounts payable	1,050.4	960.5
Accrued liabilities	601.7	520.2
Current portion of long-term debt	9.7	8.3
	1,686.3	1,499.3
LONG-TERM LIABILITIES:		
Deferred national income taxes	43.8	49.6
Long-term debt	994.1	1,054.8
Other	185.8	194.4
	1,223.7	1,298.8
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY:		
Common stock, $.01 par value, 150,000,000 authorized; 66,252,554 issued at June 28, 1997 and 65,586,129 issued at December 31, 1996	.7	.7
Additional paid-in capital	844.6	834.5
Notes receivable from sale of common stock	(.5)	(.6)
Less -- Common stock held in treasury, 10,230 shares at cost	(.1)	(.1)
Retained earnings	297.1	194.1
Minimum pension liability adjustment	(1.0)	(1.0)
Cumulative translation adjustment	(35.9)	(8.9)
	1,104.9	1,018.7
	$ 4,014.9	$3,816.8

The accompanying notes are an integral part of these balance sheets.

LEAR CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
(UNAUDITED, IN MILLIONS, EXCEPT PER SHARE DATA)

	THREE MONTHS ENDED		SIX MONTHS ENDED	
	JUNE 28, 1997	JUNE 29, 1996	JUNE 28, 1997	JUNE 29, 1996
Net sales	$1,839.3	$1,618.7	$3,563.3	$3,024.5
Cost of sales	1,625.8	1,451.8	3,171.9	2,737.0
Selling, general and administrative expenses	67.2	49.0	133.3	92.3
Amortization of goodwill	9.7	7.4	19.4	14.7
Operating income	136.6	110.5	238.7	180.5
Interest expense	26.7	23.1	53.9	47.5
Other expense, net	7.3	3.9	12.8	7.0
Income before provision for national income taxes	102.6	83.5	172.0	126.0
Provision for national income taxes	41.5	33.4	69.0	50.1
Net income	$ 61.1	$ 50.1	$ 103.0	$ 75.9
Net income per common share	$ .89	$ .83	$ 1.51	$ 1.26

The accompanying notes are an integral part of these statements.

LEAR CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED, IN MILLIONS)

	SIX MONTHS ENDED	
	JUNE 28, 1997	JUNE 29, 1996
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 103.0	$ 75.9
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization of goodwill	87.3	67.7
Amortization of deferred financing fees	1.7	1.6
Other, net	(20.1)	(.1)
Change in working capital items, net	(48.4)	(19.3)
Net cash provided by operating activities	123.5	125.8
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to property, plant and equipment	(75.1)	(64.9)
Acquisitions, net	(59.1)	(306.4)
Other, net	1.4	1.9
Net cash used in investing activities	(132.8)	(369.4)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Change in long-term debt, net	(56.2)	260.1
Increase (decrease) in cash overdrafts	38.7	(8.0)
Short-term borrowings, net	10.8	(5.4)
Other, net	3.5	.5
Net cash provided by (used in) financing activities	(3.2)	247.2
Effect of foreign currency translation	3.0	(5.7)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(9.5)	(2.1)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	26.0	34.1
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 16.5	$ 32.0
CHANGES IN WORKING CAPITAL, net of impact of acquisitions:		
Accounts receivable	$ (234.1)	$ (141.0)
Inventories	5.2	15.7
Accounts payable	89.5	124.1
Accrued liabilities and other	91.0	(18.1)
	$ (48.4)	$ (19.3)
SUPPLEMENTARY DISCLOSURE:		
Cash paid for interest	$ 53.2	$ 46.8
Cash paid for income taxes	$ 41.7	$ 41.6

The accompanying notes are an integral part of these statements.

LEAR CORPORATION AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(1) BASIS OF PRESENTATION

The consolidated financial statements include the accounts of Lear Corporation, a Delaware corporation, and its wholly-owned and majority-owned subsidiaries. Investments in less than majority-owned businesses are generally accounted for under the equity method.

(2) ACQUISITION OF MASLAND CORPORATION AND PRO FORMA FINANCIAL DATA

On June 27, 1996, the Company, through a wholly owned subsidiary ("PA Acquisition Corp."), acquired 97% of the issued and outstanding shares of common stock of Masland Corporation ("Masland") pursuant to an offer to purchase which was commenced on May 30, 1996. On July 1, 1996, the remaining issued and outstanding shares of common stock of Masland were acquired and PA Acquisition Corp. merged with and into Masland, such that Masland became a wholly-owned subsidiary of the Company. The aggregate purchase price for the acquisition of Masland (the "Masland Acquisition") was $475.7 million (including the assumption of $80.7 million of Masland's existing net indebtedness and $10.0 million in fees and expenses). Masland was a leading supplier of floor and acoustic systems to the North American automotive market. Masland also was a major supplier of interior luggage compartment trim components and other acoustical products which are designed to minimize noise, vibration and harshness for passenger cars and light trucks.

The Masland Acquisition was accounted for as a purchase, and accordingly, the assets purchased and liabilities assumed in the acquisition have been reflected in the accompanying consolidated balance sheets and the operating results of Masland have been included in the consolidated financial statements since the date of acquisition.

The following pro forma unaudited financial data is presented to illustrate the estimated effects of (i) the Masland Acquisition (including the refinancing of certain debt of Masland pursuant to the Company's prior revolving senior credit facilities (the "Prior $1.8 billion Credit Agreements")), and (ii) the issuance of 7,500,000 shares of the Company's common stock and the issuance of $200.0 million aggregate principal amount of the Company's 9 1/2% Subordinated Notes in July, 1996, and the application of the net proceeds to the Company therefrom to repay indebtedness outstanding under the Company's Prior $1.5 billion Credit Agreement, a portion of which was incurred to finance the Masland Acquisition, (collectively, the "Pro Forma Transactions") as if the Pro Forma Transactions had occurred as of January 1, 1996 (unaudited; in millions, except per share data):

	THREE MONTHS ENDED, JUNE 29, 1996	SIX MONTHS ENDED, JUNE 29, 1996
Net sales	$ 1,758.9	$ 3,286.2
Net income	$ 49.8	$ 77.7
Net income per common share	$ .73	$ 1.15

(3) ACQUISITION OF DUNLOP COX

On June 5, 1997, the Company acquired all of the outstanding shares of common stock of Dunlop Cox Limited ("Dunlop Cox") for approximately $60 million (the "Dunlop Cox Acquisition"). Dunlop Cox, based in Nottingham, England, provides Lear with the ability to design and manufacture manual and electronically-powered automotive seat adjusters. For the year ended December 31, 1996, Dunlop Cox had sales of approximately $39 million. The Dunlop Cox Acquisition was accounted for as a purchase, and accordingly, the assets purchased and liabilities assumed have been reflected at their estimated fair market value in the accompanying balance sheet as of June 28, 1997. The operations of Dunlop Cox from the acquisition date were not material to the consolidated statement of income of the Company.

LEAR CORPORATION AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS -- CONTINUED

(4) INVENTORIES

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

	JUNE 28, 1997	DECEMBER 31, 1996
Raw materials	$125.5	$124.7
Work-in-process	21.0	25.0
Finished goods	44.0	50.3
	$190.5	$200.0

(5) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost. Depreciable property is depreciated over the estimated useful lives of the assets, using principally the straight-line method. A summary of property, plant and equipment is shown below (in millions):

	JUNE 28, 1997	DECEMBER 31, 1996
Land	$ 55.5	$ 52.3
Buildings and improvements	303.6	287.6
Machinery and equipment	869.2	836.8
Total property, plant and equipment	1,228.3	1,176.7
Less accumulated depreciation	(359.9)	(310.4)
Net property, plant and equipment	$ 868.4	$ 866.3

(6) LONG-TERM DEBT

Long term debt is comprised of the following (in millions):

	JUNE 28, 1997	DECEMBER 31, 1996
Credit agreements	$441.1	$ 481.3
Industrial revenue bonds	32.0	22.6
Other	60.7	89.2
	533.8	593.1
Less -- Current portion	(9.7)	(8.3)
	524.1	584.8
9 1/2% Subordinated Notes	200.0	200.0
8 1/4% Subordinated Notes	145.0	145.0
11 1/4% Senior Subordinated Notes	125.0	125.0
	470.0	470.0
	$994.1	$1,054.8

On July 15, 1997, the Company redeemed all of its 11 1/4% Senior Subordinated Notes due 2000 at par using borrowings under its existing $1.8 billion multi-currency revolving credit facility with a syndicate of lenders (the "Credit Agreement").

LEAR CORPORATION AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS -- CONTINUED

(7) COMMON SHARES OUTSTANDING

The weighted average number of shares of common stock outstanding is as follows for the periods presented:

	THREE MONTHS ENDED		SIX MONTHS ENDED	
	JUNE 28, 1997	JUNE 29, 1996	JUNE 28, 1997	JUNE 29, 1996
Primary	68,070,273	60,060,508	68,059,280	59,984,438
Fully Diluted	68,282,638	60,078,101	68,248,762	60,052,761

(8) FINANCIAL INSTRUMENTS

The Company uses derivative financial instruments selectively to offset exposures to market risks arising from changes in foreign exchange rates and interest rates. Derivative financial instruments currently utilized by the Company primarily include forward foreign exchange contracts and interest rate swaps.

Certain foreign currency contracts entered into by the Company qualify for hedge accounting as only firm commitments to purchase raw materials in a foreign currency are hedged. Gains and losses from these contracts are deferred and generally recognized in cost of sales as of the settlement date. Other foreign currency contracts entered into by the Company, which do not receive hedge accounting treatment, are marked to market with unrealized gains or losses recognized in other expense in the income statement. Interest rate swaps are accounted for by recognizing interest expense and interest income in the amount of anticipated interest payments.

(9) FINANCIAL ACCOUNTING STANDARDS

Earnings per Share

During 1997, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 128, "Earnings per Share", which changes the calculation of earnings per share to be more consistent with countries outside of the United States. In general, the statement requires two calculations of earnings per share to be disclosed, basic EPS and diluted EPS. Basic EPS is to be computed using only weighted average shares outstanding. The Company's diluted EPS is computed using the average share price for the period when calculating the dilution of options and warrants. This statement must be adopted by the Company in its December 31, 1997 consolidated financial statements and early adoption is not permitted. If this statement had been adopted for the periods presented, the net income and per share amounts would have been as follows (unaudited; in millions, except per share data):

	THREE MONTHS ENDED		SIX MONTHS ENDED	
	JUNE 28, 1997	JUNE 29, 1996	JUNE 28, 1997	JUNE 29, 1996
Net income	$61.1	$50.1	$103.0	$75.9
Basic net income per share	$ .92	$ .88	$ 1.56	$1.34
Diluted net income per share	$ .90	$ .83	$ 1.51	$1.27

Comprehensive Income

During 1997, the FASB issued SFAS No. 130, "Reporting Comprehensive Income", which establishes standards for the reporting and display of comprehensive income. Comprehensive income is defined as all changes in a Company's net assets except changes resulting from transactions with shareholders. It differs from net income in that certain items currently recorded to equity would be a part of comprehensive income.

Comprehensive income must be reported in a financial statement with the cumulative total presented as a component of equity. This statement must be adopted by the Company in its 1998 quarterly financial statements.

Segment Information

On June 30, 1997, the FASB issued SFAS No. 131, "Disclosures About Segments of an Enterprise and Related Information", which introduces a new model for segment reporting based upon the way the chief operating decision-maker organizes segments within the Company for making operating decisions and assessing performance. The Statement requires disclosures for each segment that are similar to those currently required with the addition of quarterly disclosure requirements and geographic data by country. This statement must be adopted by the Company in its December 31, 1998 consolidated financial statements.

(10) SUBSEQUENT EVENTS

On June 30, 1997, the Company's then-largest shareholders, certain merchant banking partnerships affiliated with Lehman Brothers Holdings Inc., sold all 10,284,854 of their shares of common stock of Lear in a secondary offering.

On July 31, 1997, the Company acquired certain equity and partnership interests in Keiper Car Seating GmbH & Co. and certain of its subsidiaries and affiliates (collectively, "Keiper") for approximately $260 million. Keiper was a leading supplier of automotive vehicle seat systems with operations in Germany, Italy, Hungary, Brazil and South Africa, with unaudited sales for the year ended December 31, 1996 of approximately $615 million.

On August 4, 1997, the Company entered into a definitive agreement to acquire ITT Automotive Seat Sub-Systems Unit ("ITT Seat Sub-Systems"), a North American supplier of power seat adjusters and power recliners. ITT Seat Sub-Systems had 1996 sales to non-Lear facilities of approximately $115 million.

ITEM 2 -- MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

THREE MONTHS ENDED JUNE 28, 1997 VS. THREE MONTHS ENDED JUNE 29, 1996.

Net sales increased by 13.6% to $1,839.3 million in the second quarter of 1997 as compared to $1,618.7 million in the second quarter of 1996. Net sales for the quarter ended June 28, 1997 benefited from the acquisitions of Masland Corporation ("Masland"), Borealis Industrier, AB ("Borealis") and Empetek Autodily S.R.O. ("Empetek") in June 1996, December 1996 and March 1997, respectively, which collectively accounted for $226.3 million of the increase, and new business introduced globally within the past year. Partially offsetting the increase in sales were the adverse impacts of the General Motors and Chrysler work stoppages in the United States, Canada and Mexico and exchange rate fluctuations in Europe. As a result of Lear's continued global expansion, the Company anticipates that foreign exchange fluctuations will continue to have an impact on net sales.

Net sales in the United States and Canada of $1,193.9 million increased in the second quarter of 1997 as compared to the second quarter of 1996 by $148.6 million or 14.2%. Sales in the current quarter benefited from the contribution of $156.0 million in sales from the Masland acquisition and new sport utility and truck programs introduced by domestic automotive manufacturers as industry build schedules for mature programs remained essentially unchanged. Partially offsetting the increase in sales was downtime associated with customer work stoppages which collectively impacted revenue by $59.4 million.

Net sales in Europe of $484.1 million in the second quarter of 1997 surpassed the comparable period in the prior year by $49.8 million or 11.5%. Sales in the quarter ended June 28, 1997 benefited from $54.5 million in sales from the Borealis acquisition and vehicle production increases on established programs in Italy and Austria. Partially offsetting the increase in sales were unfavorable exchange rate fluctuations in Germany, Italy, Sweden, and Austria.

Net sales of $161.3 million in the Company's remaining geographic regions, consisting of Mexico, South America, the Asia/Pacific Rim region and South Africa, exceeded the second quarter of 1996 by $22.2 million or 16.0%. Sales in the second quarter of 1997 reflect increased market demand for new and ongoing seat programs in South America and $12.3 million in sales from the Masland acquisition. Partially offsetting the increase in sales was the Chrysler work stoppage and the production phase out of a General Motors truck program.

Gross profit (net sales less cost of sales) and gross margin (gross profit as a percentage of net sales) were $213.5 million and 11.6% for the second quarter of 1997 as compared to $166.9 million and 10.3% for the second quarter of 1996. Gross profit in 1997 reflects the contribution of the Masland and Borealis acquisitions coupled with the benefits derived from increased foreign sales. Partially offsetting the increase in gross profit was the impact of customer work stoppages in North America.

Selling, general and administrative expenses, including research and development, as a percentage of net sales increased to 3.7% in the second quarter of 1997 as compared to 3.0% in the second quarter of 1996. Actual expenditures increased in comparison to prior year due to the inclusion of Masland and Borealis operating expenses and increased design, development and administrative expenses necessary to support domestic and international business.

Operating income and operating margin (operating income as a percentage of net sales) improved to $136.6 million and 7.4% for the quarter ended June 28, 1997 as compared to $110.5 million and 6.8% a year earlier. For the current quarter, operating income benefited from the incremental operating income generated from acquisitions along with the benefits derived from global vehicle build schedules for new and ongoing programs. Partially offsetting the increase in operating income were reduced utilization at General Motors and Chrysler facilities and increased engineering and administrative support expenses at North American and European technology centers. Non-cash depreciation and amortization charges were $43.8 million and $34.5 million for the second quarter of 1997 and 1996, respectively.

For the quarter ended June 28, 1997, interest expense increased by $3.6 million to $26.7 million as compared to the corresponding period in the prior year. The increase in interest expense was largely the result of borrowings incurred to finance the Masland and Borealis acquisitions which more than offset the proceeds generated from the Company's July 1996 common stock offering.

Other expenses for the three months ended June 28, 1997, which include state and local taxes, foreign exchange, minority interests in consolidated subsidiaries, equity in net income of affiliates and other non-operating expenses, increased to $7.3 million from $3.9 million in the second quarter of 1996 primarily due to state and local taxes and foreign exchange losses.

Net income for the second quarter of 1997 was $61.1 million, or $.89 per share, as compared to $50.1 million, or $.83 per share in the prior year second quarter. The provision for income taxes was $41.5 million resulting in an effective tax rate of 40.4% for the current quarter as compared to $33.4 million and an effective tax rate of 40.0% in the prior year. Earnings per share increased in the second quarter of 1997 by 7.2% despite the previously mentioned customer work stoppages and an increase in the weighted average number of shares outstanding of approximately 8.2 million shares.

SIX MONTHS ENDED JUNE 28, 1997 VS. SIX MONTHS ENDED JUNE 29, 1996.

Net sales of $3,563.3 million for the six month period of 1997 increased by $538.8 million or 17.8% as compared to $3,024.5 million for the six month period of 1996. Sales as compared to the prior year benefited from acquisitions, primarily Masland and Borealis, which accounted for $433.9 million of the increase, new business introduced worldwide within the past twelve months and incremental volume and content on established programs in North America and South America. Partially offsetting the increase in sales were customer work stoppages and exchange rate fluctuations in Europe.

Gross profit and gross margin improved to $391.4 million and 11.0% in the first half of 1997 as compared to $287.5 million and 9.5% a year earlier. Gross profit in the current six months reflects the contribution of the Masland and Borealis acquisitions coupled with the benefits derived from increased global market demand on new and carryover programs. Partially offsetting the increase in gross profit were the General Motors and Chrysler work stoppages in the second quarter of 1997.

Selling, general and administrative expenses, including research and development, for the six month period ended June 28, 1997, increased as a percentage of net sales to 3.7% from 3.1% in the prior year. Actual expenditures increased in comparison to prior year due to the inclusion of Masland and Borealis operating expenses and increased North American and European engineering and administrative expenses required to support the expansion of existing business and expenses related to the pursuit of new business opportunities.

Operating income and operating margin improved to $238.7 million and 6.7% in the first half of 1997 as compared to $180.5 million and 6.0% for the first half of 1996. Operating income in the first half of 1997 benefited from the acquisition of Masland coupled with increased industry build schedules by domestic and foreign automotive manufacturers on new and established programs. Partially offsetting the increase in operating income were engineering and administrative support expenses and the adverse impact of customer work stoppages in the second quarter of 1997. Non-cash depreciation and amortization charges were $87.3 million and $67.7 million for the first half of 1997 and 1996, respectively.

For the six months ended June 28, 1997, interest expense increased by $6.4 million to $53.9 million over the first six months of 1996 largely as a result of interest on additional debt incurred to finance the Masland and Borealis acquisitions.

Other expenses for the first half of 1997, which include state and local taxes, foreign exchange, minority interests in consolidated subsidiaries, equity in net income of affiliates and other non-operating expenses increased to $12.8 million from $7.0 million for the first half of 1996 due to increased provisions for minority interest and state and local taxes.

Net income for the first six months of 1997 was $103.0 million or $1.51 per share as compared to $75.9 million or $1.26 per share for the first six months of 1996. Earnings per share in the current six month

period increased by 19.8% over the same period in 1996, despite the impact of the General Motors and Chrysler work stoppages and an increase in the weighted average number of shares outstanding of approximately 8.1 million shares. The provision for income taxes in the current period was $69.0 million, or an effective tax rate of 40.1% as compared to $50.1 million, or an effective tax rate of 39.8% in the previous year.

LIQUIDITY AND FINANCIAL CONDITION

Lear's financial position continued to strengthen during the first half of 1997 despite the additional debt incurred in 1997 to acquire Dunlop Cox and Empetek and the impact of the General Motors and Chrysler work stoppages. Strong cash flows were sufficient to offset acquisition costs and resulted in an improved total debt to total capitalization ratio of 48.2% at June 28, 1997, as compared to 49.7% at March 29, 1997 and 51.3% at December 31, 1996. In addition, Lear received upgrades from both Standard and Poor's Corporation ("S&P") and Moody's Investors Service ("Moody's"). On June 27, 1997, S&P upgraded Lear's corporate rating from BB+ to BBB- and the Company's 8 1/4% and 9 1/2% Subordinated Notes from BB- to BB+. On August 7, 1997, Moody's upgraded Lear's $1.8 billion secured bank facility (the "Credit Agreement") from Ba1 to Baa3 and the 8 1/4% and 9 1/2% Subordinated Notes from B1 to Ba3.

As of June 28, 1997, the Company had $441.1 million outstanding under the Credit Agreement, which matures on September 30, 2001, and $50.1 million committed under outstanding letters of credit, resulting in approximately $1.3 billion unused and available. On July 15, 1997, the Company took advantage of the favorable interest rate environment by redeeming $125.0 million in aggregate principal amount of its 11 1/4% Senior Subordinated Notes due 2000 at par with borrowings under the Credit Agreement.

In addition to debt outstanding under the Credit Agreement, the Company had an additional $587.2 million of debt outstanding as of June 28, 1997, consisting primarily of $470.0 million of subordinated notes (including the $125.0 million 11 1/4% Senior Subordinated Notes) due between the years 2000 and 2006.

Net cash provided by operating activities was $123.5 million during the first six months of 1997 compared to $125.8 million for the same period in 1996. Net income increased 35.7%, from $75.9 million in the first six months of 1996 to $103.0 million in the same period of 1997, as a result of acquisitions, new business programs and increased volume and content on existing programs. In addition, net income included non-cash depreciation and goodwill amortization charges of $87.3 million in the first half of 1997 and $67.7 million in 1996. Cash flow provided by increased earnings was partially offset by the net change in working capital, primarily due to the timing of accounts receivable collections.

Net cash used in investing activities decreased from $369.4 million in the first six months of 1996 to $132.8 million in 1997. The 1996 Masland acquisition resulted in a net use of funds of $306.4 million while the 1997 Dunlop Cox and Empetek acquisitions resulted in an aggregate net use of $59.1 million. Capital expenditures increased from $64.9 million in the first half of 1996 to $75.1 million in the same period of 1997 as a result of acquisitions and expenditures incurred to support future programs. Approximately $120 million of additional capital expenditures are expected for the remainder of 1997.

The Company believes that cash flows from operations and available credit facilities will be sufficient to meet its debt service obligations, projected capital expenditures and working capital requirements.

ACCOUNTING POLICIES

During 1997, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 128, "Earnings per Share", which changes the calculation of earnings per share to be more consistent with countries outside of the United States. The Company is required to adopt this statement in its December 31, 1997 consolidated financial statements. If this statement had been adopted for the periods presented, the impact on the Company's financial statements is disclosed in Note 9 to its June 28, 1997 quarterly financial statements included herein.

Also during 1997, the FASB issued SFAS No. 130, "Reporting Comprehensive Income", and SFAS No. 131, "Disclosures About Segments of an Enterprise and Related Information". SFAS No. 130 requires

increased disclosure of comprehensive income and must be adopted by the Company in its 1998 quarterly financial statements. SFAS No. 131 requires limited segment data on a quarterly basis and geographic data by country. SFAS No. 131 must be adopted by the Company in its December 31, 1998 consolidated financial statements. These requirements are discussed in further detail in Note 9 to its June 28, 1997 quarterly financial statements included herein.

CAUTIONARY STATEMENT ON FORWARD-LOOKING STATEMENTS

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

LEAR CORPORATION

PART II -- OTHER INFORMATION

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

(a) The Annual Meeting of Stockholders of Lear Corporation was held on May 15, 1997. At the meeting, the following matters were submitted to a vote of the stockholders of Lear Corporation. Pursuant to the rules of the New York Stock Exchange, there were no broker non-votes in any of the matters described below.

(1) The election of four directors to hold office until the Annual Meeting of Stockholders in the year 2000. The vote with respect to each nominee was as follows:

NOMINEE	FOR	WITHHELD
G. Andrea Botta	31,784,755	89,983
Irma B. Elder	31,782,889	91,849
David P. Spalding	31,675,637	199,101
James A. Stern	31,675,173	199,565

(2) To approve the Lear Corporation Long-Term Stock Incentive Plan

FOR	AGAINST	WITHHELD
43,493,297	15,610,375	77,892

(3) The appointment of the firm of Arthur Andersen LLP as independent auditors of Lear Corporation for the year ending December 31, 1997.

FOR	AGAINST	WITHHELD
59,082,630	64,524	34,410

ITEM 6 -- EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

10.1	Lear Corporation 1996 Stock Option Plan, as amended and restated, filed herewith.
10.2	Lear Corporation Long-Term Stock Incentive Plan, as amended and restated, filed herewith.
10.3	Lear Corporation Outside Directors Compensation Plan, as amended and restated, filed herewith.
10.4	Second Amended and Restated Secured Promissory Note dated as of March 29, 1997 between Lear Corporation and James A. Hollars, filed herewith.
10.5	Purchase Agreement dated as of May 26, 1997 among Keiper GmbH & Co., Putsch GmbH & Co. KG, Keiper Recaro GmbH, Keiper Car Seating Verwaltungs GmbH, Lear Corporation GmbH & Co. and Lear Corporation, filed herewith.
27.1	Financial Data Schedule for the Quarter Ended June 28, 1997.

(b) The following reports on Form 8-K were filed during the quarter ended June 28, 1997.

April 3, 1997 --	Form 8-K relating to the promotion of certain of the Company's executive officers.
June 6, 1997 --	Form 8-K relating to the impact of work stoppages at General Motors and Chrysler assembly plants.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused the report to be signed on its behalf by the undersigned thereunto duly authorized.

LEAR CORPORATION

By: /s/ DONALD J. STEBBINS

Donald J. Stebbins
Senior Vice President and
Chief Financial Officer

Dated: August 12, 1997

INDEX TO EXHIBITS

EXHIBIT NUMBER	EXHIBIT
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27.1	Financial Data Schedule for the Quarter Ended June 28, 1997.

EXHIBIT 10.1

LEAR CORPORATION
1996 STOCK OPTION PLAN
(As Amended and Restated Effective January 1, 1997)

1. Purpose. The purposes of the Lear Corporation 1996 Stock Option Plan (the "Plan") are, in general, to give Lear Corporation (the "Company") a significant advantage in retaining employees, officers and directors and to provide an incentive to selected key employees, officers and Eligible Directors (as defined in Section 6(a)) of the Company, its subsidiaries and any parent ("Affiliates"), within the meaning of Section 424(f) of the Internal Revenue Code of 1986, as amended ("Code"), and consultants and advisors whom the Committee (as defined in Section 3) determines provide substantial and important services to the Company (as limited in Section 6(a)), to acquire a proprietary interest in the Company, to continue as employees, officers and directors or in their other capacities, and to increase their efforts on behalf of the Company.

2. The Plan. Two types of stock options may be granted under the Plan: incentive stock options as defined in Code Section 422 and the regulations promulgated thereunder ("ISOs") and options that do not qualify as incentive stock options ("NQSOs"). All options shall be exercisable to purchase shares of common stock, $.01 par value (the "Common Stock"), of the Company. Collectively, ISOs and NQSOs are referred to herein as "Options".

Subject to Sections 3 and 6(a), ISOs may be awarded to key employees of the Company and its Affiliates, including employees who are officers and Eligible Directors (as defined in Section 6(a)), but shall not be awarded to Eligible Directors or others who are not employees.

Subject to Sections 3 and 6(a), NQSOs may be awarded to employees, Eligible Directors (as defined in Section 6(a)), and consultants and advisors whom the Committee (as defined in Section 3) determines provide substantial and important services to the Company (as limited in Section 6(a)).

To the extent that any Option is not designated as an ISO, or even if so designated it does not qualify as an ISO, it shall be treated as a NQSO.

3. Administration. The Plan shall be administered by the Compensation Committee of the Board of Directors of the Company or any other committee appointed by the Board of Directors of the Company, which committee for purposes of this Plan shall be treated as the Compensation Committee, (the "Committee"). The Committee shall act by a majority of its members at the time in office and eligible to vote on any particular matter, and such action may be taken either by a vote at a meeting or in writing without a meeting. Subject to the provisions of the Plan, the Committee shall from time to time and at its discretion: (i) grant Options; (ii) determine which key employees, officers and Eligible Directors (as defined in Section 6(a)), and consultants and advisors performing substantial and important services (as limited in Section 6(a)) may be granted such Options under the Plan ("Grantees"); (iii) determine whether any Option shall be an ISO or NQSO; (iv) determine the number of shares subject to each Option; (v) determine the term of each Option granted under the Plan; (vi) determine the date or dates on which the Option shall vest and become exercisable; (vii) determine the exercise price of any Option; (viii) determine the fair market value of the Common Stock subject to the Options; (ix) determine the terms of any agreement pursuant to which Options are granted; (x) amend any

such agreement with the consent of the Grantee; and (xi) determine any other matters specifically delegated to it under the Plan or necessary for the proper administration of the Plan.

The Committee shall also have the sole and complete authority and discretion to interpret and construe the terms of the Plan, of any agreement pursuant to which Options are granted, and of any Option. Such interpretation and construction by the Committee shall be final, binding and conclusive upon all persons including, without limitation, the Company, stockholders of the Company, the Plan and all persons claiming an interest under the Plan. Notwithstanding anything contained in this Section to the contrary, no term of the Plan relating to ISOs shall be interpreted, nor shall any discretion or authority of the Committee be exercised, so as to disqualify the Plan under Code Section 422 or, without the consent of the Grantee, to disqualify any ISO held by a Grantee under Code Section 422.

No member of the Committee or any director, officer, employee or agent of the Company shall be liable for any action, interpretation or construction made in good faith with respect to the Plan or any Option granted hereunder.

4. Effectiveness and Termination of Plan. This Plan shall terminate on the earliest of:

a. The tenth anniversary of the effective date of the Plan as determined under this Section 4;

b. The date when all shares of the Common Stock reserved for issuance under the Plan shall have been acquired through exercise of Options granted under the Plan; or

c. The date determined by the Company's Board of Directors or the Committee.

This Plan shall become effective as of the date this Plan is approved by the stockholders. Any Option outstanding under the Plan when the Plan terminates shall remain in effect in accordance with the respective terms and conditions of the Option and the Plan.

5. The Stock. The aggregate number of shares of Common Stock that may be issued under the Plan shall be 1,000,000 shares; provided, however, that the maximum number of shares of Common Stock available with respect to the Options granted by the Committee to any one Grantee under the Plan shall not exceed 100,000. Such number of shares may be set aside out of the authorized but unissued shares of Common Stock not reserved for any other purpose, or shares of Common Stock held in or acquired for the treasury of the Company. If any Option terminates or expires unexercised, in whole or in part, the shares thereby released may again be made subject to Options granted hereunder.

6. Grant, Terms and Conditions of Options. Options may be granted by the Committee at any time and from time to time prior to the termination of the Plan. Each Option granted under the Plan shall be evidenced by an agreement in substantially the form attached hereto as Exhibit A. The terms and conditions of such Option agreement need not be identical with respect to each Grantee. The Committee shall set forth in each such agreement: (i) the exercise price of the Option; (ii) the number of shares of Common Stock subject to, and the expiration date of, the Option; (iii) the manner, time and rate of exercise or vesting of the Option; and (iv) whether the Option is an ISO or NQSO. For purposes of this Section, an Option shall be deemed granted on the date the Committee selects an individual to be a Grantee,

determines the number of shares to be issued pursuant to such Option and specifies the terms and conditions of the Option. Except as hereinafter provided, Options granted pursuant to the Plan shall be subject to the following terms and conditions:

a. Grantee. Subject to Section 2 hereof, the Grantees of any Options hereunder shall be such key employees, officers and Eligible Directors of the Company and its Affiliates, as determined by the Committee, and consultants and advisors whom the Committee determines provide substantial and important services to the Company. Notwithstanding the foregoing, the substantial and important services provided by a consultant or an advisor may not be in connection with the offer or sale of securities in a capital raising transaction. An "Eligible Director" is any director who is an employee of the Company or an Affiliate, or an Independent Director (as defined in Section 6(k)).

b. Price and Exercise. The exercise price of the shares of Common Stock upon exercise of an Option shall be no less than the fair market value of the shares at the time of the grant of an Option. If an ISO is granted to an employee owning shares of the Company possessing more than 10% of the total combined voting power of all classes of shares of the Company as defined in Code Section 422 ("10% Stockholder"), the exercise price shall be no less than 110% of the fair market value of the shares at the time of the grant of the ISO. The fair market value of the Common Stock shall be:

(i) the closing price of publicly traded Common Stock on the national securities exchange on which the Common Stock is listed (if the Common Stock is so listed) or on the NASDAQ National Market System (if the Common Stock is regularly quoted on the NASDAQ National Market System);

(ii) if not so listed or regularly quoted, the mean between the closing bid and asked prices of publicly traded Common Stock in the over-the-counter market; or

(iii) if such bid and asked prices are not available, as reported by any nationally recognized quotation service selected by the Company or as determined by the Committee in a manner consistent with the provisions of the Code.

The notice of the exercise of any Option shall be accompanied by payment in full of the exercise price. Except as hereinafter provided, the exercise price shall be paid in United States dollars and in cash or by certified or cashier's check payable to the order of the Company at the time of purchase. At the discretion of the Committee, the exercise price, or any portion thereof, may be paid with: (i) Common Stock acquired through the exercise of an Option granted by the Company which Common Stock has been held by the Grantee for at least one year, or any other Common Stock already owned by, and in the possession of, the Grantee; or (ii) any combination of cash, certified or cashier's check, and Common Stock meeting the requirements of clause (i) above. Except as provided in the following sentence, any withholding tax, up to the minimum withholding requirement for supplemental wages, shall be paid with shares of Common Stock issuable to the Grantee upon exercise of the Option, with a fair market value equal to the minimum required withholding tax. If the Option is transferred pursuant to Section 7(b), however, any such withholding obligation shall not be satisfied with shares of Common Stock issuable to the Grantee upon exercise of the Option and may be paid by the Grantee (not the transferee) with (i) cash or by certified or cashier's check; (ii) Common Stock acquired through the exercise of an Option granted by the Company which Common Stock has

been held by the Grantee for at least one year, or any other Common Stock already owned by, and in the possession of, the Grantee; or (iii) any combination of cash, certified or cashier's check, and Common Stock meeting the requirements of clause (ii) above. Shares of Common Stock used to satisfy the exercise price of an Option and/or any required minimum withholding tax shall be valued at their fair market value as determined by the Committee as of the date of exercise.

c. Vesting. Options shall vest in accordance with the schedule established for each Grantee; provided, however, that all Options awarded to a Grantee shall vest immediately upon said Grantee's death or disability as defined herein.

d. Forfeiture. Notwithstanding anything contained herein to the contrary, the right (whether or not vested) of a Grantee to exercise his or her outstanding Options, if any, shall be forfeited if the Committee determines, in its sole discretion, that (i) the Grantee has entered into a business or employment which is detrimentally competitive with the Company or substantially injurious to the Company's financial interests; (ii) the Grantee has been discharged from employment with the Company or an Affiliate for Cause; or (iii) the Grantee performed acts of willful malfeasance or gross negligence in a matter of material importance to the Company or an Affiliate. For purposes of this Section 6(d), "Cause" shall have the meaning set forth in any unexpired employment or severance agreement between the Grantee and the Company and/or an Affiliate, and, in the absence of any such agreement, shall mean (i) the willful and continued failure of the Grantee to substantially perform his or her duties with or for the Company or an Affiliate, (ii) the engaging by the Grantee in conduct which is significantly injurious to the Company or an Affiliate, monetarily or otherwise, (iii) the Grantee's conviction

of a felony, (iv) the Grantee's abuse of illegal drugs or other controlled substances or (v) the Grantee's habitual intoxication. For purposes of this Section 6(d), unless otherwise defined in the Grantee's employment or severance agreement, an act or omission is "willful" if such act or omission was knowingly done, or knowingly omitted to be done, by the Grantee not in good faith and without reasonable belief that such act or omission was in the best interest of the Company or an Affiliate.

e. Additional Restrictions on Exercise of an ISO. The aggregate fair market value of Common Stock (determined at the time an ISO is granted) with respect to which an ISO is exercisable for the first time by a Grantee during any calendar year (under all incentive stock option plans, as defined in Code Section 422, of the Company and its Affiliates) shall not exceed $100,000. To the extent options are granted in excess of this limitation, they shall be treated as NQSOs.

f. Duration of Options. Options may be granted for terms of up to but not exceeding ten years from the effective date the particular Option is granted. Notwithstanding the foregoing, ISOs granted to a 10% Stockholder may be for a term of up to but not exceeding five years from the effective date the particular ISO is granted.

g. Termination of Employment. A Grantee's right to exercise an Option after the termination of his or her employment shall be only as follows:

(i) Retirement. If the Grantee has a termination of employment by reason of retirement, he or she may within thirteen months following such termination (but not later than the date on which the Option would otherwise expire), exercise any Option that had vested and was exercisable on the date of his or her retirement.

However, in the event of his or her death prior to the end of the thirteen-month period after his or her retirement, his or her estate shall have the right to exercise any Option that had vested and was exercisable on the date the Grantee retired within thirteen months following the Grantee's termination of employment (but not later than the date on which the Option would otherwise expire). If the Grantee has a termination of employment by reason of retirement, and if such termination of employment does not constitute a vesting event under an Option, the Grantee shall forfeit such Option to the extent that it was not vested and exercisable on the date of his or her termination of employment.

(ii) Death. If a Grantee dies while employed by the Company or an Affiliate, the Option shall vest and become exercisable upon death and his or her estate shall have the right for a period of thirteen months following the date of such death (but not later than the date on which the Option would otherwise expire) to exercise the Option.

(iii) Disability. If a Grantee has a termination of employment due to disability, as defined in Code Section 22(e)(3), the Option shall vest and become exercisable upon his or her termination of employment due to disability and he or she shall have the right for a period of thirteen months following the date of such termination of employment (but not later than the date on which the Option would otherwise expire) to exercise the Option.

(iv) Other Reasons. Except as provided in Section 6(d) hereof, if the Grantee terminates employment due to any reason other than those provided above under "Retirement," "Death," or "Disability," the Grantee or his or her state (in the event of

his or her death after such termination) (a) may exercise any Option to the extent that it was vested and exercisable on the date of his or her termination of employment within the 30-day period following such termination (but not later than the date on which the Option would otherwise expire) and (b) shall forfeit any Option to the extent that it was not vested and exercisable on the date of his or her termination of employment. Notwithstanding the foregoing, for Options granted after December 31, 1996, if the Grantee voluntarily terminates employment other than as provided under "Retirement," "Death," or "Disability," the Grantee or his or her estate (in the event of his or her death after such termination) shall forfeit the right (whether or not vested) to exercise the Option on the date of his or her termination of employment.

(v) Independent Directors. An Option received by an Independent Director shall vest and become exercisable solely in accordance with its terms.

For purposes of this Section 6(g):

(A) "Termination of employment" shall mean the termination of a Grantee's employment with the Company or an Affiliate. A Grantee employed by a subsidiary shall also be deemed to have a termination of employment if the subsidiary ceases to be an Affiliate of the Company, and the Grantee does not immediately thereafter become an employee of the Company or another Affiliate. A Grantee who is a consultant or advisor shall be considered to have terminated employment when substantial and important services, as determined by the Committee, are no longer provided to the Company by the Grantee.

(B) "Retirement" shall mean termination of employment on or after attaining the age established by the Company as the normal retirement age in any unexpired employment

agreement between the Grantee and the Company and/or an Affiliate, or, in the absence of such an agreement, the normal retirement age under the defined benefit tax-qualified retirement plan or, if none, the defined contribution tax-qualified retirement plan, sponsored by the Company or an Affiliate in which the Grantee participates.

(C) A Grantee's "estate" shall mean his or her legal representatives upon his or her death or any person who acquires the right to exercise an Option by reason of the Grantee's death. The Committee may in its discretion require the transferee of a Grantee to supply it with written notice of the Grantee's death, a copy of the will or such other evidence as the Committee deems necessary to establish the validity of the transfer of an Option.

h. Transferability of Option and Stock Acquired Upon Exercise of Option. Options shall be transferable only by will or the laws of descent and distribution. Options shall be exercisable during the Grantee's lifetime only by the Grantee, or by the guardian or legal representative of the Grantee. The Committee may, in its discretion, require a Grantee's guardian or legal representative to supply it with such evidence as the Committee deems necessary to establish the authority of the guardian or legal representative to exercise the Option on behalf of the Grantee. Except as limited by applicable securities laws and the provisions of Section 8 hereof, shares of Common Stock acquired upon exercise of Options hereunder shall be freely transferable.

i. Modifications, Extension and Renewal of Options. Subject to the terms and conditions and within the limitations of the Plan, the Committee may modify, extend or renew outstanding Options granted under the Plan. The Committee may not lower the exercise price of outstanding Options, or accept surrender of outstanding Options (to the extent not theretofore

exercised) and grant new Options in substitution therefor (to the extent not theretofore exercised) without approval of the holders of a majority of the outstanding voting stock of the Company. The Committee shall not, however, modify any outstanding ISO so as to specify a lower exercise price. Notwithstanding the foregoing, no modification of an Option shall, without the consent of the Grantee, alter or impair any rights or obligations under any Option theretofore granted under the Plan or adversely affect the status of an ISO under Code Section 422.

j. Other Terms and Conditions. Options may contain such other provisions, which shall not be inconsistent with any of the foregoing terms, as the Committee shall deem appropriate.

k. Independent Directors Grants. An Option under the Plan for 1,250 shares of Common Stock shall be granted each year to each person who is serving as an Independent Director on the date of the first Board of Directors meeting following the annual stockholders meeting. The exercise price for an Option granted under this Section shall be equal to the fair market value of the shares of Common Stock subject to the Option on the date of grant. Any Options granted to an Independent Director pursuant to this Section 6(k) shall vest and become exercisable, regardless of such Independent Director's continued service as a member of the Board of Directors of the Company, upon the earlier of (i) such Grantee's death or disability, as defined herein, or (ii) three years from the effective date of the grant. For purposes hereof, "Independent Director" shall mean any member of the Company's Board of Directors who during his or her entire term as a director was not employed by Lehman Brothers Inc. or the Company or any of their respective affiliates.

7. Transferability of Option and Stock Acquired Upon Exercise of Option.

a. Except as provided in paragraph (b), an Option shall be transferable only by will or the laws of descent and distribution, or pursuant to a domestic relations order (as defined in Code Section 414(p)).

b. Notwithstanding anything contained herein to the contrary, the Committee may grant an Option pursuant to an Agreement that permits transfer of any portion of that Option by the Grantee to (i) the Grantee's spouse, children, step-children, grandchildren or step-grandchildren ("Immediate Family Members"), (ii) a trust or trusts for the exclusive benefit of Immediate Family Members, (iii) a partnership in which Immediate Family Members are the only partners or (iv) any other person as determined by the Committee. Such a transfer shall only be permitted if there is no consideration for the transfer, or the transfer is to a partnership in which Immediate Family Members are the only partners and the Grantee's sole consideration for the transfer was an interest in the partnership. Such a transfer shall only become effective upon written notice to the Committee of the transfer. Following the transfer of an Option, it shall remain subject to the same terms and conditions that were applicable immediately prior to the transfer and the term "Grantee" shall be deemed to refer to the transferee except for the events described in paragraphs (d) and (g) in Section 6 which shall continue to apply with respect to the original Grantee not the transferee. A transferee of an Option may not transfer the Option except as provided in paragraph (a).

c. Options shall be exercisable during the Grantee's lifetime only by the Grantee or a transferee pursuant to paragraph (b) hereof, or by the guardian or legal

representative of the same. The Committee may, in its discretion, require a guardian or legal representative to supply it with such evidence as the Committee deems necessary to establish the authority of the guardian or legal representative to exercise the Option on behalf of the Grantee or transferee, as the case may be.

d. Except as limited by applicable securities laws and the provisions of Section 8 hereof, shares of Common Stock acquired upon exercise of Options hereunder shall be freely transferable.

8. Securities Law Requirements. If required by the Company, the notice of exercise of an Option shall be accompanied by the Grantee's written representation: (i) that the stock being acquired is purchased for investment and not for resale or with a view to the distribution thereof; (ii) acknowledging that such stock has not been registered under the Securities Act of 1933, as amended (the "1933 Act"); and (iii) agreeing that such stock may not be sold or transferred unless either there is an effective Registration Statement for it under the 1933 Act, or in the opinion of counsel for the Company, such sale or transfer is not in violation of the 1933 Act.

No Option granted pursuant to this Plan shall be exercisable in whole or in part, nor shall the Company be obligated to sell any shares of Common Stock subject to any such Option, if such exercise and sale may, in the opinion of counsel for the Company, violate the 1933 Act (or other federal or state statutes having similar requirements), as it may be in effect at that time.

Each Option shall be subject to the further requirement that, if at any time the Committee shall determine in its discretion that the listing or qualification of the shares of

Common Stock subject to such Option under any securities exchange requirements or under any applicable law, or the consent or approval of any governmental regulatory body, is necessary as a condition of, or in connection with, the granting of such Option or the issuance of shares thereunder, such Option may not be exercised in whole or in part, unless such listing, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Committee.

No person who acquires shares of Common Stock under the Plan may, during any period of time that such person is an affiliate of the Company, within the meaning of the rules and regulations of the Securities and Exchange Commission under the 1933 Act, sell such shares of Common Stock, unless such offer and sale is made pursuant to (i) an effective registration statement under the 1933 Act, which is current and includes the shares to be sold, or (ii) an appropriate exemption from the registration requirements of the 1933 Act, such as that set forth in Rule 144 promulgated under the 1933 Act.

With respect to individuals subject to Section 16 of the Securities Exchange Act of 1934 ("1934 Act"), transactions under this Plan are intended to comply with all applicable conditions of Rule 16b-3, or its successors under the 1934 Act. To the extent any provision of the Plan or action by the Committee fails to so comply, the Committee may determine, to the extent permitted by law, that such provision or action shall be null and void.

9. Amendment of the Plan. The Committee may amend the Plan at any time; provided, however, that approval of the holders of a majority of the outstanding voting stock of the Company is required for amendments which:

(i) decrease the minimum exercise price for Options;

(ii) extend the term of the Plan beyond ten years;
(iii) extend the maximum terms of the Options granted hereunder beyond ten years;
(iv) change the class of eligible employees, officers, directors and other Grantees; or
(v) increase the aggregate number of shares of Common Stock which may be issued pursuant to the provisions of the Plan.

Notwithstanding the foregoing, the Committee may, without the need for stockholders' approval, amend the Plan in any respect necessary to qualify ISOs as incentive stock options under Code Section 422.

Notwithstanding the foregoing, Section 6(k) may only be amended once every six months, unless the amendment is necessary to conform to changes in the Code, or regulations thereunder.

10. No Obligation to Exercise Option. The granting of an Option shall impose no obligation upon the Grantee (or upon a transferee of a Grantee) to exercise such Option.

11. No Limitation on Rights of the Company. The grant of any Option shall not in any way affect the right or power of the Company to make adjustments, reclassification, or changes in its capital or business structure or to merge, consolidate, dissolve, liquidate, sell or transfer all or any part of its business or assets.

12. Plan Not a Contract of Employment. The Plan is not a contract of employment, and the terms of employment of any Grantee shall not be affected in any way by the Plan or related instruments except as specifically provided therein. The establishment of the Plan shall not be construed as conferring any legal rights upon any Grantee for a continuation of

employment, nor shall it interfere with the right of the Company or an Affiliate to discharge any Grantee and to treat him or her without regard to the effect which such treatment might have upon him or her as a Grantee.

13. Expenses of the Plan. All of the expenses of the Plan shall be paid by the Company.

14. Effect Upon Other Compensation. Nothing contained herein shall prevent the Company or any Affiliate from adopting other or additional compensation arrangements for its employees or directors.

15. Grantee to Have No Rights as a Stockholder. No Grantee of any Option shall have any rights as a stockholder with respect to any shares subject to his or her Option prior to the date on which he or she is recorded as the holder of such shares on the records of the Company. No Grantee of any Option shall have the rights of a stockholder until he or she has paid in full the exercise price.

16. Notice. Notice to the Committee shall be deemed given if in writing, and delivered personally or mailed to the Secretary of the Company at its principal executive offices by certified, registered or express mail at the then principal office of the Company.

17. Governing Law. This Plan and all Option agreements entered into pursuant thereto shall be construed and enforced in accordance with, and governed by, the laws of the State of Delaware, determined without regard to its conflicts of law rules.

EXHIBIT 10.2

LEAR CORPORATION
LONG-TERM STOCK INCENTIVE PLAN
(AS AMENDED AND RESTATED EFFECTIVE JANUARY 1, 1997)

CONFORMED COPY

LEAR CORPORATION
LONG-TERM STOCK INCENTIVE PLAN
(AS AMENDED AND RESTATED EFFECTIVE JANUARY 1, 1997)

LEAR CORPORATION
LONG-TERM STOCK INCENTIVE PLAN
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LEAR CORPORATION
LONG-TERM STOCK INCENTIVE PLAN

ARTICLE 1 ESTABLISHMENT, OBJECTIVES AND DURATION

1.1 ESTABLISHMENT OF THE PLAN. Lear Corporation, a Delaware corporation (hereinafter referred to as the "Company"), hereby establishes a long-term incentive compensation plan to be known as the "Lear Corporation Long-Term Stock Incentive Plan" (hereinafter referred to as the "Plan"), as set forth in this document. The Plan permits the grant of Nonqualified Stock Options, Incentive Stock Options, Stock Appreciation Rights, Restricted Stock, Restricted Units, Performance Shares and Performance Units. In addition, the Plan provides the opportunity for the deferral of the payment of salary, bonuses and other forms of incentive compensation.

Subject to the approval of the Company's stockholders, the Plan shall become effective as of January 1, 1996 (the " Effective Date") and shall remain in effect as provided in Section 1.3 hereof.

1.2 OBJECTIVES OF THE PLAN. The objectives of the Plan are to optimize the profitability and growth of the Company through long- term incentives which are consistent with the Company's objectives and which link the interests of Participants to those of the Company's stockholders; to provide Participants with an incentive for excellence in individual performance; and to promote teamwork among Participants; and to give the Company a significant advantage in attracting and retaining officers, key employees and directors.

The Plan is further intended to provide flexibility to the Company in its ability to motivate, attract and retain the services of Participants who make significant contributions to the Company's success and to allow Participants to share in the success of the Company.

1.3 DURATION OF THE PLAN. The Plan shall commence on the Effective Date, as described in Section 1.1 hereof, and shall remain in effect, subject to the right of the Board of Directors to amend or terminate the Plan at any time pursuant to Article 15 hereof, until all Shares subject to it pursuant to Article 4 shall have been purchased or acquired according to the Plan's provisions. However, in no event may an Award be granted under the Plan on or after December 31, 2006.

ARTICLE 2 DEFINITIONS

Whenever used in the Plan, the following terms shall have the meanings set forth below, and when the meaning is intended, the initial letter of the word shall be capitalized:

2.1 "AFFILIATES" means the Company's subsidiaries within the meaning of Code Section 424(f) and, if any, the Company's parent within the meaning of Code Section 424(e).

2.2 "AWARD" means, individually or collectively, a grant under this Plan of Nonqualified Stock Options, Incentive Stock Options, Stock Appreciation Rights, Restricted Stock, Restricted Units, Performance Shares or Performance Units.

2.3 "AWARD AGREEMENT" means an agreement entered into by the Company and a Participant setting forth the terms and provisions applicable to an Award or Awards granted under this Plan to such Participant or the terms and provisions applicable to an election to defer compensation under Section 8.2.

2.4 "BENEFICIAL OWNER" or "BENEFICIAL OWNERSHIP" shall have the meaning ascribed to such term in Rule 13d-3 of the General Rules and Regulations under the Exchange Act.

2.5 "BOARD" or "BOARD OF DIRECTORS" means the Board of Directors of the Company.

2.6 "CAUSE" shall have the meaning set forth in any unexpired employment or severance agreement between the Participant and the Company and/or an Affiliate, and, in the absence of any such agreement, shall mean (i) the willful and continued failure of the Participant to substantially perform his or her duties with or for the Company or an Affiliate, (ii) the engaging by the Participant in conduct which is significantly injurious to the Company or an Affiliate, monetarily or otherwise, (iii) the Participant's conviction of a felony, (iv) the Participant's abuse of illegal drugs or other controlled substances or (v) the Participant's habitual intoxication. Unless otherwise defined in the Participant's employment or severance agreement, an act or omission is "willful" for this purpose if such act or omission was knowingly done, or knowingly omitted to be done, by the Participant not in good faith and without reasonable belief that such act or omission was in the best interest of the Company or an Affiliate.

2.7 "CHANGE IN CONTROL" of the Company shall be deemed to have occurred (as of a particular day, as specified by the Board) as of the first day any one or more of the following paragraphs shall have been satisfied:

(a) Any Person (other than the Company or a trustee or other fiduciary holding securities under an employee benefit plan of the Company, or a corporation owned directly or indirectly by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company) becomes the Beneficial Owner, directly or indirectly, of securities of the Company, representing more than twenty percent of the combined voting power of the Company's then outstanding securities; or

(b) During any period of twenty-six consecutive months (not including any period prior to the Effective Date), individuals who at the beginning of such period constitute the Board (and any new Directors, whose election by the Board or nomination for election by the company's stockholders was approved by a vote of at least two-thirds of the Directors then still in office who either were Directors at the beginning of the period or whose election or nomination for election was so approved) cease for any reason (except for death, Disability or voluntary Retirement) to constitute a majority thereof; or

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

2.8 "CODE" means the Internal Revenue Code of 1986, as amended from time to time.

2.9 "COMMITTEE" means, as specified in Article 3 herein, the Compensation Committee of the Board or such other committee as may be appointed by the Board to administer the Plan.

2.10 "COMPANY" means Lear Corporation, a Delaware corporation, and any successor thereto as provided in Article 18 herein.

2.11 "DIRECTOR" means any individual who is a member of the Board of Directors of the Company.

2.12 "DISABILITY" shall mean (a) long-term disability as defined under the Company's long-term disability plan covering that individual, or (b) if the individual is not covered by such a long-term disability plan, disability as defined for purposes eligibility for a disability award under the Social Security Act.

2.13 "EFFECTIVE DATE" shall have the meaning ascribed to such term in Section 1.1 hereof.

2.14 "ELIGIBLE EMPLOYEE" means any officer or key employee of the Company or any of its Affiliates. Directors who are not employed by the Company or its Affiliates shall not be considered Eligible Employees under this Plan.

2.15 "EXCHANGE ACT" means the Securities Exchange Act of 1934, as amended from time to time, or any successor act thereto.

2.16 "EXERCISE PRICE" means the price at which a Share may be purchased by a Participant pursuant to an Option.

2.17 "FAIR MARKET VALUE" means:

(a) the average of the high and low prices of publicly traded Shares on the national securities exchange on which the Shares as listed (if the Shares are so listed) or on the NASDAQ National Market System (if the Shares are regularly quoted on the NASDAQ National Market System);

(b) if not so listed or regularly quoted, the mean between the closing bid and asked prices of publicly traded Shares in the over-the-counter market; and

(c) if such bid and asked prices are not available, as reported by any nationally recognized quotation service selected by the Committee or as determined by the Committee.

2.18 "FREESTANDING SAR" means an SAR that is granted independently of any Options, as described in Article 7 herein.

2.19 "INCENTIVE STOCK OPTION" or "ISO" means an option to purchase Shares granted under Article 6 herein which is designated as an Incentive Stock Option and that is intended to meet the requirements of Code Section 422.

2.20 "NONEMPLOYEE DIRECTOR" means an individual who is a member of the Board of Directors of the Company but who is not an employee of the Company or any of its Affiliates.

2.21 "NONQUALIFIED STOCK OPTION" or "NQSO" means an option to purchase Shares granted under Article 6 herein that is not intended to meet the requirements of Code Section 422.

2.22 "OPTION" means an Incentive Stock Option or a Nonqualified Stock Option, as described in Article 6 herein.

2.23 "PARTICIPANT" means an Eligible Employee who has been selected by the Committee to participate in the Plan pursuant to Section 5.2 and who has outstanding an Award granted under the Plan. The term "Participant" shall not include Nonemployee Directors.

2.24 "PERFORMANCE-BASED EXCEPTION" means the performance-based exception from the tax deductibility limitations of Code Section 162(m) and any regulations promulgated thereunder.

2.25 "PERFORMANCE SHARE" means an Award granted to a Participant, as described in Article 9 herein.

2.26 "PERFORMANCE UNIT" means an Award granted to a Participant, as described in Article 9 herein.

2.27 "PERSON" shall have the meaning ascribed to such term in Section 3(a)(9) of the Exchange Act and used in Sections 13(d) and 14(d) thereof, including a "group" as defined in Section 13(d) thereof.

2.28 "RESTRICTION PERIOD" means the period during which the transfer of Shares of Restricted Stock/Units is limited in some way (based on the passage of time, the achievement of performance objectives, or upon the occurrence of other events as determined by the Committee, at its discretion), and/or the Restricted Stock/Units are not vested.

2.29 "RESTRICTED STOCK" means a contingent grant of stock awarded to a Participant pursuant to Article 8 herein.

2.30 "RESTRICTED STOCK UNIT" means a Restricted Unit granted to a Participant, as described in Article 8 herein, which is payable in Shares.

2.31 "RESTRICTED UNIT" means a notional account established pursuant to an Award granted to a Participant, as described in Article 8 herein, which is (a) credited with amounts equal to Shares, or some other unit of measurement specified in the Award Agreement, (b) subject to restrictions and (c) payable in cash or Shares.

2.32 "RETIREMENT" shall mean termination of employment on or after (a) attaining the age established by the Company as the normal retirement age in any unexpired employment agreement between the Participant and the Company and/or an Affiliate, or, in the absence of such an agreement, the normal retirement age under the tax-qualified defined benefit retirement plan or, if none, the tax-qualified defined contribution retirement plan, sponsored by the Company or an Affiliate in which the Participant participates, or (b) attaining age sixty-two with ten years of service with the Company and/or an Affiliate provided the retirement is approved by the Chief Executive Officer of the Company unless the Participant is an officer subject to Section 16 of the Exchange Act in which case the retirement must be approved by the Committee.

2.33 "SHARES" means the shares of common stock, $.01 par value, of the Company.

2.34 "STOCK APPRECIATION RIGHT" or "SAR" means an Award, granted alone or in connection with a related Option, designated as an SAR, pursuant to the terms of Article 7 herein.

2.35 "TANDEM SAR" means an SAR that is granted in connection with a related Option pursuant to Article 7 herein, the exercise of which requires forfeiture of the right to purchase a Share under the related Option (and when a Share is purchased under the Option, the Tandem SAR shall similarly be canceled).

ARTICLE 3 ADMINISTRATION

3.1 THE COMMITTEE. The Plan shall be administered by the Compensation Committee of the Board, or by any other Committee appointed by the Board, which Committee (unless otherwise determined by the Board) shall satisfy the "nonemployee director" requirements of Rule 16 b-3 under the Exchange Act and the regulations of Rule 16b-3 under the Exchange Act and the "outside director" provisions of Code Section 162(m), or any successor regulations or provisions. The members of the Committee shall be appointed from time to time by, and shall serve at the discretion of, the Board of Directors. The Committee shall act by a majority of its members at the time in office and eligible to vote on any particular matter, and such action may be taken either by a vote at a meeting or in writing without a meeting.

3.2 AUTHORITY OF THE COMMITTEE. Except as limited by law and subject to the provisions herein, the Committee shall have full power to: select Eligible Employees who shall participate in the Plan; select Nonemployee Directors to receive Awards under Article 6; determine the sizes and types of Awards; determine the terms and conditions of Awards in a manner consistent with the Plan; construe and interpret the Plan and any agreement or instrument entered into under the Plan; establish, amend or waive rules and regulations for the Plan's administration; and (subject to the provisions of Article 15 herein) amend the terms and conditions of any outstanding Award to the extent such terms and conditions are within the discretion of the Committee as provided in the Plan. Further, the Committee shall make all other determinations which may be necessary or advisable for the administration of the Plan. As permitted by law and consistent with Section 3.1, the Committee may delegate its authority as identified herein.

3.3 DECISIONS BINDING. All determinations and decisions made by the Committee pursuant to the provisions of the Plan shall be final, conclusive and binding on all persons, including the Company, its Board of Directors, its stockholders, all Affiliates, employees, Participants and their estates and beneficiaries.

ARTICLE 4 SHARES SUBJECT TO THE PLAN AND MAXIMUM AWARDS

4.1 NUMBER OF SHARES AVAILABLE FOR GRANTS. Subject to adjustment as provided in Section 4.3 herein, the number of Shares that may be issued or transferred to Participants under the Plan shall be 2,200,000 Shares. The maximum numbers of Shares that may be issued or transferred to the Participants under Restricted Stock Units and Performance Units shall be 700,000.

The maximum number of Shares and Share equivalent units that may be granted during any calendar year to any one Participant, under Options, Freestanding SARs, Restricted Stock, Restricted Units or Performance Shares, shall be 50,000 Shares (on an aggregate basis for all such types of Awards), which limit shall apply regardless of whether such compensation is paid in Shares or in cash.

4.2 LAPSED AWARDS. If any Award granted under this Plan is canceled, terminates, expires or lapses for any reason, any Shares subject to such Award again shall be available for the grant of an Award under the Plan (other than for purposes of Subsection 4.1 above).

4.3 ADJUSTMENTS IN AUTHORIZED SHARES.

(a) In the event the Shares, as presently constituted, shall be changed into or exchanged for a different number or kind of shares of stock or other securities of the Company or of another corporation (whether by reason of merger, consolidation, recapitalization, reclassification, split, reverse split, combination of shares, or otherwise) or if the number of such Shares shall be increased through the payment of a stock dividend, then there shall be substituted for or added to each Share theretofore appropriated or thereafter subject or which may become subject to an Award under this Plan, the number and kind of shares of stock or other securities into which each outstanding Share shall be so changed, or for which each such Share shall be exchanged, or to which each such Share shall be entitled, as the case may be. Outstanding Awards shall also be appropriately amended as to price and other terms as may be necessary to reflect the foregoing events. In the event there shall be any other change in the number or kind of the outstanding Shares, or of any stock or other securities into which such Shares shall have been changed, or for which it shall have been exchanged, then, if the Committee shall, in its sole discretion, determine that such change equitably requires an adjustment in any Award therefore granted or which may be granted under the Plan, such adjustments shall be made in accordance with such determination.

(b) Fractional Shares resulting from any adjustment in Awards pursuant to this section may be settled in cash or otherwise as the Committee shall determine. Notice of any adjustment shall be given by the Company to each Participant who holds an Award which has been so adjusted and such adjustment (whether or not such notice is given) shall be effective and binding for all purposes of the Plan.

ARTICLE 5 ELIGIBILITY AND PARTICIPATION

5.1 ELIGIBILITY. Persons eligible to participate in this Plan consist of all Eligible Employees, including Eligible Employees who are members of the Board, and Nonemployee Directors but only to the extent provided herein.

5.2 ACTUAL PARTICIPATION. Subject to the provisions of the Plan, the Committee may, from time to time, select from all Eligible Employees, those to whom Awards shall be granted and shall determine the nature and amount of each Award.

ARTICLE 6 STOCK OPTIONS

6.1 GRANT OF OPTIONS. Subject to the terms and provisions of the Plan, Options may be granted to Eligible Employees in such number, and upon such terms, and at any time and from time to time as shall be determined by the Committee. In addition, NQSO may be granted to Nonemployee Directors in such number, and upon such terms, and at any time and from time to time as shall be determined by the Committee.

6.2 AWARD AGREEMENT. Each Option grant shall be evidenced by an Award Agreement that shall specify the Exercise Price, the duration of the Option, the number of Shares to which the Option pertains, the manner, time and rate of exercise or vesting of the Option, and such other provisions as the Committee shall determine. The Award Agreement also shall specify whether the Option is intended to be an ISO within the meaning of Code Section 422 or an NQSO which is not intended to qualify under the provisions of Code Section 422.

6.3 EXERCISE PRICE. The Exercise Price for each share subject to an Option granted under this Plan shall be at least equal to one hundred percent of the Fair Market Value of a Share on the date the Option is granted.

6.4 DURATION OF OPTIONS. Each Option granted to an Eligible Employee or a Nonemployee Director shall expire at such time as the Committee shall determine at the time of grant; provided, however, that no Option shall be exercisable later than the tenth anniversary of the date of its grant.

6.5 DIVIDEND EQUIVALENTS. The Committee may grant dividend equivalents in connection with Options granted under this Plan. Such dividend equivalents may be payable in cash or in Shares, upon such terms as the Committee, in its sole discretion, deems appropriate.

6.6 EXERCISE OF OPTIONS. Options granted under this Article 6 shall be exercisable at such times and be subject to such restrictions and conditions as the Committee shall in each instance approve, which need not be the same for each Award or for each Participant.

6.7 PAYMENT. Options granted under this Article 6 shall be exercised by the delivery of a written notice of exercise to the Company, setting forth the number of Shares with respect to which the Option is to be exercised accompanied by full payment for the Shares and any withholding tax-relating to the exercise of the Option.

The Exercise Price, and any related withholding taxes, upon exercise of any Option shall be payable to the Company in full either: (a) in cash, or its equivalent, in United States dollars, or (b) if permitted in the governing Award Agreement, by tendering previously acquired Shares having an aggregate Fair Market Value at the time of exercise equal to the total Exercise Price, or (c) if permitted in the governing Award Agreement, by a combination of (a) and (b). The Committee also may allow cashless exercise as permitted under Federal Reserve Board's Regulation T, subject to applicable securities law restrictions, or by any other means which the Committee determines to be consistent with the Plan's purpose and applicable law.

6.8 RESTRICTIONS ON SHARE TRANSFERABILITY. The Committee may impose such restrictions on any Shares acquired pursuant to the exercise of an Option granted under this Article 6 as the Committee deems necessary or advisable, including, without limitation, restrictions under applicable federal securities laws, under the requirements of any stock exchange or market upon which such Shares are then listed and/or traded, and under any blue sky or state securities laws applicable to such Shares.

6.9 TERMINATION OF EMPLOYMENT. Each Option Award Agreement shall set forth the extent to which the Participant shall have the right to exercise the Option following termination of the Participant's employment with the Company and all Affiliates. Such provisions shall be determined in the sole discretion of the Committee, shall be included in the Award Agreement entered into with each Participant or Nonemployee Director, need not be uniform among all Options issued pursuant to this Article 6, and may reflect distinctions based on the reasons for termination of employment.

6.10 TRANSFERABILITY OF OPTIONS.

(a) Except as provided in paragraph (b), an Option shall be transferable only by will or the laws of descent and distribution, or pursuant to a domestic relations order (as defined in Code Section 414(p)).

(b) Notwithstanding anything contained herein to the contrary, the Committee may grant an Option pursuant to an Agreement that permits transfer of any portion of that Option by the Participant to (i) the Participant's spouse, children, step-children, grandchildren or step-grandchildren ("Immediate Family Members"), (ii) a trust or trusts for the exclusive benefit of Immediate Family Members, (iii) a partnership in which Immediate Family Members are the only partners or (iv) any other person as determined by the Committee. Such a transfer shall only be permitted if there is no consideration

for the transfer, or the transfer is to a partnership in which Immediate Family Members are the only partners and the Participant's sole consideration for the transfer was an interest in the partnership. Such a transfer shall only become effective upon written notice to the Committee of the transfer. Following the transfer of an Option, it shall remain subject to the same terms and conditions that were applicable immediately prior to the transfer and the term "Participant" shall be deemed to refer to the transferee except that events concerning the continuation of employment shall continue to apply with respect to the original Participant not the transferee. A transferee of an Option may not transfer the Option except as provided in paragraph (a).

(c) Options shall be exercisable during the Participant's lifetime only by the Participant or a transferee pursuant to paragraph (b) hereof, or by the guardian or legal representative of the same. The Committee may, in its discretion, require a guardian or legal representative to supply it with such evidence as the Committee deems necessary to establish the authority of the guardian or legal representative to exercise the Option on behalf of the Participant or transferee, as the case may be.

(d) Except as limited by applicable securities laws and the provisions of Section 6.8 hereof, shares of Common Stock acquired upon exercise of Options hereunder shall be freely transferable.

ARTICLE 7 STOCK APPRECIATION RIGHTS

7.1 GRANT OF SARS. Subject to the terms and conditions of the Plan. SARs may be granted to Participants at any time and from time to time as shall be determined by the Committee. The Committee may grant Freestanding SARs, Tandem SARs or any combination of these forms of SAR.

The Committee shall have sole discretion in determining the number of SARs granted to each Participant (subject to Article 4 herein) and, consistent with the provisions of the Plan, in determining the terms and conditions pertaining to such SARs.

The grant price of a Freestanding SAR shall equal the Fair Market Value of a Share on the date of grant of the SAR. The grant price of Tandem SARs shall equal the Exercise Price of the related Option.

7.2 EXERCISE OF TANDEM SARS. Tandem SARs may be exercised for all or part of the Shares subject to the related Option upon the surrender of the right to exercise the equivalent portion of the related Option. A Tandem SAR may be exercised only with respect to the Shares for which its related Option is then exercisable.

7.3 EXERCISE OF FREESTANDING SARS. Freestanding SARs may be exercised upon whatever terms and conditions the Committee, in its sole discretion, imposes upon them.

7.4 AWARD AGREEMENT. Each SAR grant shall be evidenced by an Award Agreement that shall specify the grant price, the term of the SAR and such other provisions as the Committee shall determine.

7.5 TERM OF SARS. The term of an SAR granted under the Plan shall be determined by the Committee, in its sole discretion; provided, however, that such term shall not exceed ten years.

7.6 PAYMENT OF SAR AMOUNT. Upon exercise of an SAR, a Participant shall be entitled to receive payment from the Company in an amount determined by multiplying:

(a) The excess (or some portion of such excess as determined at the time of the grant by the Committee) if any, of the Fair Market Value of a Share on the date of exercise of the SAR over the grant price specified in the Award Agreement; by

(b) The number of Shares with respect to which the SAR is exercised.

At the sole discretion of the Committee, the payment upon SAR exercise may be in cash, in Shares of equivalent Fair Market Value or in some combination thereof.

7.7 TERMINATION OF EMPLOYMENT. Each SAR Award Agreement shall set forth the extent to which the Participant shall have the right to exercise the SAR following termination of the Participant's employment with the Company and all Affiliates. Such provisions shall be determined in the sole discretion of the Committee, shall be included in the Award Agreement entered into with Participants, need not be uniform among all SARs issued pursuant to the Plan, and may reflect distinctions based on the reasons for termination of employment.

7.8 NONTRANSFERABILITY OF SARS. Except as otherwise provided in a Participant's Award Agreement, no SAR granted under the Plan may be sold, transferred, pledged, assigned, or otherwise

alienated or hypothecated, other than by will or by the laws of descent and distribution. Further, except as otherwise provided in a Participant's Award Agreement, all SARs granted to a Participant under the Plan shall be exercisable during the Participant's lifetime only by such Participant or the Participant's guardian or legal representative. The Committee may, in its discretion, require a Participant's guardian or legal representative to supply it with such evidence as the Committee deems necessary to establish the authority of the guardian or legal representative to act on behalf of the Participant.

ARTICLE 8 RESTRICTED STOCK, RESTRICTED STOCK UNITS AND RESTRICTED UNITS

8.1 GRANT OF RESTRICTED STOCK/UNITS. Subject to the terms and provisions of the Plan, the Committee may, at any time and from time to time, grant Restricted Stock and/or Restricted Units to Participants in such amounts as the Committee shall determine. Each grant of Restricted Stock shall be represented by the number of Shares to which the Award relates. Each grant of restricted Units shall be represented by the number of Share equivalent units to which the Award relates.

8.2 DEFERRAL OF COMPENSATION INTO RESTRICTED STOCK UNITS. Subject to the terms and provisions of the Plan, the Committee may, at any time and from time to time, allow (or require with respect to bonuses) selected Eligible Employees to defer the payment of any portion of their salary and/or annual bonuses pursuant to this Section. A Participant's deferral under this Section shall be credited to the Participant in the form of Restricted Stock Units. The Committee shall establish rules and procedures for such deferrals as it deems appropriate.

In consideration for forgoing compensation, the dollar amount so deferred by a Participant shall be increased by twenty-five percent (or such lesser percentage as the Committee may determine) for purposes of determining the amount of Restricted Stock Units to credit to the Participant. If a Participant's compensation is so deferred, there shall be credited to the Participant as of the date specified in the Award Agreement a number of Restricted Stock Units (determined to the nearest 100th of a unit) equal to the amount of the deferral (increased as described above) divided by the Fair Market Value of a Share on such date.

8.3 AWARD AGREEMENT. Each Restricted Stock/Unit grant shall be evidenced by an Award Agreement that shall specify the Restriction Periods, the number of Shares or Share equivalent units granted, and such other provisions as the Committee shall determine.

8.4 NONTRANSFERABILITY. Except as provided in this Article 8, the Restricted Stock/Units granted herein may not be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated until the end of the applicable Restriction Period established by the Committee and as specified in the Award Agreement, or upon earlier satisfaction of any other conditions, as specified by the Committee in its sole discretion and as set forth in the Award Agreement. All rights with respect to Restricted Stock/Units granted to a Participant under the Plan shall be available during the Participant's lifetime only to such Participant or the Participant's guardian or legal representative. The Committee may, in its discretion, require a Participant's guardian or legal representative to supply it with such evidence as the Committee deems necessary to establish the authority of the guardian or legal representative to act on behalf of the Participant.

8.5 OTHER RESTRICTIONS. Subject to Article 11 herein, the Committee may impose such other conditions and/or restrictions on any restricted Stock/Units granted pursuant to the Plan as it deems advisable including, without limitation, restrictions based upon the achievement of specific performance objectives (Company-wide, business unit, and/or individual), time-based restrictions on vesting following the attainment of the performance objectives, and/or restrictions under applicable federal or state securities laws.

The Company shall retain the certificates representing Shares of restricted Stock in the Company's possession until such time as all conditions and/or restrictions applicable to such Shares have been satisfied.

8.6 PAYMENT OF AWARDS. Except as otherwise provided in this Article 8, (i) Shares covered by each Restricted Stock grant made under the Plan shall become freely transferable by the Participant after the last day of the applicable Restriction Period and (ii) Share equivalent units covered by each Restricted Unit under Section 8.1 or 8.2 shall be paid out in cash or Shares to the Participant following the last day of the applicable Restriction Period or such later date as provided in the Award Agreement.

8.7 VOTING RIGHTS. During the Restriction Period, Participants holding Shares of Restricted Stock granted hereunder may exercise full voting rights with respect to those Shares.

8.8 DIVIDENDS AND OTHER DISTRIBUTIONS. During the Restriction Period, Participants holding Shares of Restricted Stock/Units hereunder shall be credited with regular cash dividends or dividend equivalents paid with respect to the underlying Shares or Share equivalent units while they are so held. Such dividends may be paid currently, accrued as contingent cash obligations, or

converted into additional Shares or units of Restricted Stock/Units, upon such terms as the Committee establishes.

The Committee may apply any restrictions to the crediting and payment of dividends and other distributions that the Committee deems advisable. Without limiting the generality of the preceding sentence, if the grant or vesting of Restricted Stock/Units is designed to qualify for the Performance-Based Exception, the Committee may apply any restrictions it deems appropriate to the payment of dividends declared with respect to such Restricted Stock/Units, such that the dividends and/or the Restricted Stock/Units maintain eligibility for the Performance- Based Exception.

8.9 TERMINATION OF EMPLOYMENT. Each Award Agreement shall set forth the extent to which the Participant shall have the right to retain unvested Restricted Stock/Units following termination of the Participant's employment with the Company or an Affiliate. Such provisions shall be determined in the sole discretion of the Committee, shall be included in the Award Agreement entered into with each Participant, need not be uniform among all Awards of Restricted Stock/Units issued pursuant to the Plan, and may reflect distinctions based on the reasons for termination of employment.

ARTICLE 9 PERFORMANCE UNITS AND PERFORMANCE SHARES

9.1 GRANT OF PERFORMANCE UNITS/SHARES. Subject to the terms of the Plan, Performance Units and/or Performance Shares may be granted to Participants in such amounts and upon such terms, and at any time and from time to time, as shall be determined by the Committee.

9.2 VALUE OF PERFORMANCE UNITS/SHARES. Each Performance Unit shall have an initial value that is established by the Committee at the time of grant. Each Performance Share shall have an initial value equal to the Fair Market Value of a Share on the date of grant. The Committee shall set performance objectives in its discretion which, depending on the extent to which they are met, will determine the number and/or value of Performance Units/Shares that will be paid out to the Participant. For purposes of this Article 9, the time period during which the performance objectives must be met shall be called a "Performance Period" and shall be set by the Committee in its discretion.

9.3 EARNING OF PERFORMANCE UNITS/SHARES. Subject to the terms of this Plan, after the applicable Performance Period has ended, the holder of Performance Units/Shares shall be entitled to receive payout on the number and value of Performance Units/Shares earned by the Participant

over the Performance Period, to be determined as a function of the extent to which the corresponding performance objectives have been achieved.

9.4 AWARD AGREEMENT. Each grant of Performance Units and/or Performance Shares shall be evidenced by an Award Agreement which shall specify the material terms and conditions of the Award, and such other provisions as the Committee shall determine.

9.5 FORM AND TIMING OF PAYMENT OF PERFORMANCE UNITS/SHARES. Except as provided in Article 12, payment of earned Performance Units/Shares shall be made within seventy-five calendar days following the close of the applicable Performance Period in a manner determined by the Committee, in its sole discretion. Subject to the terms of this Plan, the Committee, in its sole discretion, may pay earned Performance Units/Shares in the form of cash or in Shares (or in a combination thereof). Such Shares may be paid subject to any restrictions deemed appropriate by the Committee.

9.6 TERMINATION OF EMPLOYMENT DUE TO DEATH, DISABILITY, OR RETIREMENT. Unless determined otherwise by the Committee and set forth in the Participant's Award Agreement, in the event the employment of a Participant is terminated by reason of death, Disability or Retirement during a Performance Period, the Participant shall receive a payout of the Performance Units/Shares which is prorated, as specified by the Committee in its discretion in the Award Agreement. Payment of earned Performance Units/Shares shall be made at a time specified by the Committee in its sole discretion and set forth in the Participant's Award Agreement.

9.7 TERMINATION OF EMPLOYMENT FOR OTHER REASONS. In the event that a Participant's employment terminates during a Performance Period for any reason other than those reasons set forth in Section 9.6 herein, all Performance Units/Shares shall be forfeited by the Participant to the Company, unless determined otherwise by the Committee in the Participant's Award Agreement.

9.8 NONTRANSFERABILITY. Except as otherwise provided in a Participant's Award Agreement, Performance Units/Shares may not be sold, transferred, pledged, assigned or otherwise alienated or hypothecated, other than by will or by the laws of descent and distribution. Further, except as otherwise provided in a Participant's Award Agreement, a Participant's rights under the Plan shall be exercisable during the Participant's lifetime only by such Participant or Participant's guardian or legal representative. The Committee may, in its discretion, require a Participant's guardian or legal representative to supply it with such evidence as the Committee deems necessary to establish the authority of the guardian or legal representative to act on behalf of the Participant.

ARTICLE 10 PERFORMANCE MEASURES

Unless and until the Committee proposes for shareholder approval and the Company's shareholders approve a change in the general performance measures set forth in this Article 10, the attainment of which may determine the degree of payout and/or vesting with respect to Awards which are designed to qualify for the Performance-Based Exception, the performance measure(s) to be used for purposes of such awards shall be chosen from among the following alternatives:

(a) return to shareholders (absolute or peer-group comparative);

(b) stock price increase (absolute or peer-group comparative);

(c) cumulative net income (absolute or competitive growth rates comparative);

(d) return on equity;

(e) return on capital;

(f) cash flow, including operating cash flow, free cash flow, discounted cash flow return on investment, and cash flow in excess of cost of capital;

(g) economic value added (income in excess of capital costs); or

(h) market share.

The Committee shall have the discretion to adjust the determinations of the degree of attainment of the preestablished performance objectives; provided, however, that Awards which are designed to qualify for the Performance-Based Exception may not be adjusted upward (the Committee shall retain the discretion to adjust such Awards downward), except to the extent permitted under Code Section 162(m) to reflect accounting changes or other events.

In the event that Code Section 162(m) or applicable tax and/or securities laws change to permit Committee discretion to alter the governing performance measures without obtaining shareholder approval of such changes, the Committee shall have sole discretion to make such changes without obtaining shareholder approval. In addition, in the event that the Committee determines that it is advisable to grant Awards which shall not qualify for the Performance-Based

Exception, the Committee may make such grants without satisfying the requirements of Code Section 162(m).

ARTICLE 11 BENEFICIARY DESIGNATION

Each Participant under the Plan may, from time to time, name any beneficiary or beneficiaries (who may be named contingently or successively) to whom any benefit under the Plan is to be paid in case of the death of the Participant before he or she receives any or all of such benefit. Each such designation shall revoke all prior designations by the same Participant, shall be in a form prescribed by the Committee during the Participant's lifetime. If the Participant's designated beneficiary predeceases the Participant or no beneficiary has been designated, benefits remaining unpaid at the Participant's death shall be paid to the Participant's spouse or if none, the Participant's estate.

ARTICLE 12 DEFERRALS

The Committee may permit or require a Participant to defer such Participant's receipt of the payment of cash or the delivery of Shares that would otherwise be due to such Participant by virtue of the exercise of an Option or SAR, the lapse or waiver of restrictions with respect to Restricted Stock/Units, or the satisfaction of any requirements or objectives with respect to Performance Units/Shares. If any such deferral election is permitted or required, the Committee shall, in its sole discretion, establish rules and procedures for such deferrals. Notwithstanding the foregoing, the Committee in its sole discretion may defer payment of cash or the delivery of Shares that would otherwise be due to a Participant under the Plan if such payment or delivery would result in compensation not deductible by the Company or an Affiliate by virtue of Code Section 162(m). Such a deferral may continue until the payment or delivery would result in compensation deductible by the Company under Code Section 162 (m).

ARTICLE 13 RIGHTS OF EMPLOYEES

13.1 EMPLOYMENT. Nothing in the Plan shall interfere with or limit in any way the right of the Company or any Affiliate to terminate any Participant's employment at any time, or confer upon any Participant any right to continue in the employ of the Company or any Affiliate.

13.2 PARTICIPATION. No Eligible Employee shall have the right to be selected to receive an Award under this Plan, or, having been so selected, to be selected to receive a future Award.

ARTICLE 14 CHANGE IN CONTROL

14.1 TREATMENT OF OUTSTANDING AWARDS. Upon the occurrence of a Change in Control, unless otherwise specifically prohibited under applicable laws, or by the rules and regulations of any governing governmental agencies or national securities exchanges:

(a) Any and all outstanding Options and SARs granted hereunder shall become immediately exercisable, and shall remain exercisable throughout their entire term.

(b) Any Periods of Restriction and restrictions imposed on Restricted Stock/Units shall lapse; provided, however, that the degree of vesting associated with Restricted Stock/Units which has been conditioned upon the achievement of performance conditions pursuant to Section 8.4 herein shall be determined in the manner set forth in Section 14.1(c) herein.

(c) Except as otherwise provided in the Award Agreement, the vesting of all Performance Units and Performance Shares shall be accelerated as of the effective date of the Change in Control, and there shall be paid out in cash to Participants within thirty days following the effective date of the Change in Control a pro rata amount based upon an assumed achievement of all relevant performance objectives at target levels, and upon the length of time within the Performance Period which has elapsed prior to the effective date of the Change in Control; provided, however, that in the event the Committee determines that actual performance to the effective date of the Change in Control exceeds target levels, the prorated payouts shall be made at levels commensurate with such actual performance (determined by extrapolating such actual performance to the end of the Performance Period), based upon the length of time within the Performance Period which has elapsed prior to the effective date of the Change in Control.

14.2 TERMINATION, AMENDMENT, AND MODIFICATIONS OF CHANGE IN-CONTROL PROVISIONS. Notwithstanding any other provision of this Plan or any Award Agreement provision, the provisions of this Article 14 may not be terminated, amended, or modified on or after the effective date of a Change in Control to affect adversely any Award theretofore granted under the Plan without the prior written consent of the Participant with respect to said Participant's outstanding Awards.

ARTICLE 15 AMENDMENT, MODIFICATION AND TERMINATION

15.1 AMENDMENT, MODIFICATION AND TERMINATION. Subject to Section 14.2 herein, the Board may at any time and from time to time, alter, amend, modify or terminate the Plan in whole or in part.

Subject to the terms and conditions and within the limitations of the Plan, the Committee may modify, extend or renew outstanding Awards granted under the Plan. The Committee may not lower the exercise price of outstanding Awards, or accept surrender of outstanding Awards (to the extent not theretofore exercised) and grant new Awards in substitution therefor (to the extent not theretofore exercised) without approval of the holders of a majority of the outstanding voting stock of the Company. The Committee shall not, however, modify any outstanding Incentive Stock Option so as to specify a lower Exercise Price. Notwithstanding the foregoing, no modification of an Award shall, without the consent of the Participant, alter or impair any rights or obligations under any Award theretofore granted under the Plan.

15.2 ADJUSTMENT OF AWARDS UPON THE OCCURRENCE OF CERTAIN UNUSUAL OR NONRECURRING EVENTS. The Committee may make adjustments in the terms and conditions of, and the criteria included in, Awards in recognition of unusual or nonrecurring events (including, without limitation, the events described in Section 4.3 hereof) affecting the Company or the financial statements of the Company or of changes in applicable laws, regulations, or accounting principles, whenever the Committee determines that such adjustments are appropriate in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan, subject to the requirements of Code Section 162(m) for the Performance-Based Exception in the case of Awards designed to qualify for the Performance-Based Exception.

15.3 AWARDS PREVIOUSLY GRANTED. No termination, amendment or modification of the Plan shall adversely affect in any material way any Award previously granted under the Plan, without the written consent of the Participant holding such Award.

15.4 COMPLIANCE WITH CODE SECTION 162(M). Awards relating to years after 1996, when Code Section 162(m) is applicable, shall comply with the requirements of Code Section 162(m); provided, however, that in the event the Committee determines that such compliance is not desired with respect to any Award or Awards available for grant under the Plan, then compliance with Code Section 162(m) will not be required. In addition, in the event that changes are made to Code Section 162(m) to permit greater flexibility with respect to any Award or Awards available under the Plan, the Committee may, subject to this Article 15, make any adjustments it deems appropriate.

ARTICLE 16 WITHHOLDING

16.1 TAX WITHHOLDING. The Company shall have the power and the right to deduct or withhold, or require a Participant to remit to the Company, an amount (either in cash or Shares) sufficient to satisfy federal, state, and local taxes, domestic or foreign, required by law or regulation to be withheld with respect to any taxable event arising as a result of this Plan.

16.2 SHARE WITHHOLDING. With respect to withholding required upon the exercise of Options or SARs, upon the lapse of restrictions on Restricted Stock, or upon any other taxable event arising as a result of Awards granted hereunder, the Company may satisfy the minimum withholding requirement for supplemental wages, in whole or in part, by withholding Shares having a Fair Market Value (determined on the date the Participant recognizes taxable income on the Award) equal to the withholding tax required to be collected on the transaction. The Participant may elect, subject to the approval of the Committee, to deliver the necessary funds to satisfy the withholding obligation to the Company, in which case there will be no reduction in the Shares otherwise distributable to the Participant.

Notwithstanding the foregoing, if an Option is transferred pursuant to Section 6.10, any withholding obligation shall not be satisfied with Shares issuable upon exercise of the Option and may be paid by the Participant (not the transferee) with (i) cash or by certified or cashier's check; (ii) Share acquired through the exercise of an Option granted by the Company which Shares has been held by the Participant for at least one year, or any other Shares already owned by, and in the possession of, the Participant; or (iii) any combination of cash, certified or cashier's check, and Shares meeting the requirements of clause (ii) above.

ARTICLE 17 INDEMNIFICATION

Each person who is or been a member of the Committee, or of the Board, shall be indemnified and held harmless by the Company against and from any loss, cost, liability, or expense that may be imposed upon or reasonably incurred by such person in connection with or resulting from any claim, action, suit, or proceeding to which such person may be a party or in which such person may be involved by reason of any action taken or failure to act under the Plan and against and from any and all amounts paid by such person in a settlement approved by the Company, or paid by such person in satisfaction of any judgment in any such action, suit, or proceeding against such person, provided such person shall give the Company an opportunity, at its own expense, to handle and defend the same before such person undertakes to handle and defend it. The foregoing right of indemnification shall not be exclusive of any other rights of indemnification to which such persons

may be entitled under the Company's Articles of Incorporation or By-Laws, as a matter of law, or otherwise, or any power that the Company may have to indemnify them or hold them harmless.

ARTICLE 18 SUCCESSORS

All obligations of the Company under the Plan or any Award Agreement with respect to Awards granted hereunder shall be binding on any successor to the Company, whether the existence of such successor is the result of a direct or indirect purchase of all or substantially all of the business and/or assets of the Company, or a merger, consolidation, or otherwise.

ARTICLE 19 LEGAL CONSTRUCTION

19.1 GENDER AND NUMBER. Except where otherwise indicated by the context, any masculine term used herein also shall include the feminine; the plural shall include the singular and the singular shall include the plural.

19.2 SEVERABILITY. In the event any provision of the Plan shall be held illegal or invalid for any reason, the illegality or invalidity shall not affect the remaining parts of the Plan, and the Plan shall be construed and enforced as if the illegal or invalid provision had not been included.

19.3 REQUIREMENTS OF LAW. The granting of Awards and the issuance of Share and/or cash payouts under the Plan shall be subject to all applicable laws, rules, and regulations, and to such approvals by any governmental agencies or national securities exchanges as may be required.

19.4 SECURITIES LAW COMPLIANCE. With respect to any individual who is, on the relevant date, an officer, director or ten percent beneficial owner of any class of the Company's equity securities that is registered pursuant to Section 12 of the Exchange Act, all as defined under Section 16 of the Exchange Act, transactions under this Plan are intended to comply with all applicable conditions of Rule 16b-3 under the Exchange Act, or any successor rule. To the extent any provision of the Plan or action by the Committee fails to so comply, it shall be deemed null and void, to the extent permitted by law and deemed advisable by the Committee.

19.5 AWARDS TO FOREIGN NATIONALS AND EMPLOYEES OUTSIDE THE UNITED STATES. To the extent the Committee deems it necessary, appropriate or desirable to comply with foreign law of practice and to further the purposes of this Plan, the Committee may, without amending the Plan, (i) establish rules applicable to Awards granted to Participants who are foreign nationals, are

employed outside the United States, or both, including rules that differ from those set forth in this Plan, and (ii) grant Awards to such Participants in accordance with those rules.

19.6 UNFUNDED STATUS OF THE PLAN. The Plan is intended to constitute an "unfunded" plan for incentive and deferred compensation. With respect to any payments or deliveries of Shares not yet made to a Participant by the Company, nothing contained herein shall give any rights that are greater than those of a general creditor of the Company. The Committee may authorize the creation of trusts or other arrangements to meet the obligations created under the Plan to deliver Shares or payments hereunder consistent with the foregoing.

19.7 GOVERNING LAW. To the extent not preempted by federal law, the Plan, and all agreements hereunder, shall be construed in accordance with and governed by the laws of the State of Delaware.

EXHIBIT 10.3

LEAR CORPORATION
OUTSIDE DIRECTORS COMPENSATION PLAN

BENEFICIARY DESIGNATION

In accordance with the terms of the Lear Corporation Outside Directors Compensation Plan (the "Plan"), the individual whose name appears below, who is an Outside Director of the Lear Corporation (the "Company") hereby designates a beneficiary or beneficiaries, with respect to his or her Accounts under the Plan.

1. Primary Beneficiary. The following person, or persons, are hereby designated as primary Beneficiary with respect to the percentage of the Outside Director's unpaid Accounts indicated for each person:

Name:
- ----------
Relationship:
- ----------
Address:
- ----------
- ----------
- ----------
Percent:
- ----------
Name:
- ----------
Relationship:
- ----------
Address:
- ----------
- ----------
- ----------
Percent:
- ----------
Name:
- ----------
Relationship:
- ----------
Address:
- ----------
- ----------
- ----------
Percent:
- ----------

2. Secondary Beneficiary. The following person, or persons, are hereby designated as secondary Beneficiary with respect to the percentage of the Outside Director's unpaid Accounts indicated for each person:

Name:
- ----------
Relationship:
- ----------
Address:
- ----------
- ----------
- ----------
Percent:
- ----------

Name:
- ---
Relationship:
- ---
Address:
- ---
- ---
- ---
Percent:
- ---
Name:
- ---
Relationship:
- ---
Address:
- ---
- ---
- ---
Percent:
- ---

IN WITNESS WHEREOF, the Outside Director has duly executed this Beneficiary Designation as of , 199 .

Outside Director's Signature

Outside Director's Name (please print)

EXHIBIT 10.4

SECOND AMENDED AND RESTATED
SECURED PROMISSORY NOTE

March 29, 1997

FOR VALUE RECEIVED, the undersigned James A. Hollars, 1825 East Main Street, Duncan, South Carolina 29334 ("Borrower"), hereby promises to pay to Lear Corporation, a Delaware corporation ("Payee"), the principal sum of ONE HUNDRED NINETY-ONE THOUSAND EIGHT HUNDRED NINETY-ONE AND 01/100 DOLLARS ($191,891.01) together with interest on the unpaid balance of such principal amount from the date hereof at a rate equal to 4.46% per annum. The principal of, and accrued interest on, this Second Amended and Restated Secured Promissory Note (this "Note") shall be payable in full by Borrower to Payee on September 29, 1998 or upon acceleration of the maturity of this Note.

Payments of principal and interest on this Note shall be made (i) in legal tender of the United States of America or (ii) with shares of the Payee's Common Stock, par value $.01 per share, and shall be made at the principal office of Payee at Southfield, Michigan or at such other place as Payee shall have designated in writing to Borrower. If the date set for any payment of principal or interest on this Note is a Saturday, Sunday or legal holiday, such payment shall be due on the next succeeding business day.

Pursuant to that certain Stock Option Agreement dated September 29, 1988, Borrower owns, as of the date hereof, options to purchase Common Stock $.01 par value per share ("Common Stock") of Payee, which options ("Options") are currently fully vested and exercisable. This Note shall be secured by Options (the "Pledged Options") with respect to 23,000 shares (the "Shares"), of Common Stock, as provided in that certain Amended and Restated Pledge Agreement dated as of March 2, 1995 (the "Pledge Agreement") by and between Payee and Borrower.

The principal of and accrued interest on this Note may be prepaid at any time, in whole or in part, without premium or penalty. In addition, in the event of the sale by Borrower (or Permitted Transferees, as such term is defined in the Amended and Restated Stockholders and Registration Rights Agreement dated September 27, 1991, as amended (the "Stockholders Agreement"), of which Borrower is a party) of the Pledged Options or the Shares to anyone, Borrower shall cause the purchaser(s), to the extent of any principal or accrued but unpaid interest then outstanding under this Note, to make payment for such Pledged Options or Shares directly to Payee. Such proceeds shall be applied by Payee to the prepayment of principal and accrued interest on this Note. Any such prepayment shall be first applied to the payment of any accrued interest and then to the unpaid balance of the principal amount.

In the event Borrower shall (i) fail to make complete payment of any installment of principal or accrued interest when due under this Note, (ii) fail to make the prepayment of principal and accrued interest on this Note as required by the preceding paragraph hereof, or (iii) commit a breach of or default under the Pledge Agreement, Payee may accelerate this Note and may, by written notice to Borrower, declare the entire unpaid principal amount of this Note and all accrued

and unpaid interest thereon to be immediately due and payable and, thereupon, the unpaid principal amount and all such accrued and unpaid interest shall become and be forthwith due and payable, without presentment, demand, protest or further notice of any kind, all of which are expressly waived by Borrower. The failure of Payee to accelerate this Note shall not constitute a waiver of any of Payee's rights under this Note as long as Borrower's default under this Note or breach of or default under the Pledge Agreement continues.

Payee shall have the right of full recourse against Borrower for any amounts owing hereunder, and all claims in respect of this Note, unpaid interest on such amount, or for any claim in respect hereof, against Borrower.

In case this Note shall become mutilated, defaced or apparently destroyed, lost or stolen, upon the written request of Payee, Borrower shall issue and execute a new promissory note in exchange and substitution for the mutilated or defaced Note or in lieu of and substitution for the Note so apparently destroyed, lost or stolen. Thereafter, no amount shall be due and payable or owing under the mutilated, defaced or apparently destroyed, lost or stolen Note.

This Note is made in substitution and replacement for, but not in payment of, the Amended and Restated Secured Promissory Note, dated as of March 2, 1995, made by Borrower to Payee.

THE PROVISIONS OF THIS NOTE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK WITHOUT REGARD TO THE CONFLICTS OF LAW RULES THEREOF.

IN WITNESS WHEREOF, this Note has been duly executed and delivered by Borrower as of the date first above written.

James A. Hollars

EXHIBIT 10.5

PURCHASE AGREEMENT

between

1. KEIPER GmbH & Co., Remscheid, registered in the commercial register of the local court in Remscheid under HR A 424,

- hereinafter "KRC" -

2. Putsch GmbH & Co. KG, Rockenhausen, registered in the commercial register of the local court of Kaiserslautern for Rockenhausen under HR A 1206,

- hereinafter "PKG" -

3. KEIPER RECARO GmbH, Kaiserslautern, registered in the commercial register of the local court of Kaiserslautern under HR B 1388

- hereinafter "KRG" -

4. KEIPER Car Seating Verwaltungs-GmbH, Remscheid, registered in the commercial register of the local court of Remscheid under HR B 2024

- hereinafter "KV";

(KRC, PKG, KRG and KV are hereinafter collectively referred to as "Sellers" or individually as "Seller")

5. KEIPER Car Seating GmbH & Co., Bremen, registered in the commercial register of the local court of Bremen under HR A 21337

- hereinafter "KCS" -

6. LEAR Corporation GmbH & Co. Kommanditgesellschaft, Ginsheim-Gustavsburg, registered in the commercial register of the local court of GroB-Gerau under HR A 3091

- hereinafter the "Purchaser" -

7. LEAR Corporation, with its principle place of business at 21557 Telegraph Road, Southfield, Michigan 48034

- hereinafter "LEAR" -

Preamble

(A) KV is the sole general partner (Komplementar) and KRC is the sole limited partner (Kommanditist) of KCS, a limited partnership under German law which is registered in the commercial register of the local court (Amtsgericht) of Bremen under HR A 21337.

(B) KCS was founded on December 20, 1996. By virtue of a contribution agreement (Einbringungsvertrag) which was also entered into on December 20, 1996 KRC contributed to KCS with effect as of January 1, 1997 KRC'S business of developing, producing and distributing complete vehicle seats for the just-in-time production under the trademark "KEIPER" or under other trademarks (the "Just-in-Time Business"). In addition, also effective as of January 1, 1997 KRC contributed (i) to a limited partnership named RECARO GmbH & Co., Kirchheim, its business of developing, designing, producing and manufacturing seats under the trademark "RECARO" and (ii) to a limited partnership named RECARO Aircraft Seating GmbH & Co., Schwabisch Hall, its business named AIRCOMFORT in which air passenger seats are developed, produced and distributed. The business remaining within KRC is the business of developing, producing and distributing hardware components; further, via its so-called technical centre (Technisches Zentrum) in Kaiserslatern KRC continues to develop but not to produce and/or distribute vehicle seats after the Closing subject to the limitations set forth in this Agreement.

(C) The Purchaser is a limited partnership under German law and is engaged in the business of developing, producing and distributing complete vehicle seats and other parts for the automotive industry.

LEAR, a corporation organised under the laws of Delaware, is the ultimate parent company of the Purchaser.

(D) Sellers desire to sell to Purchaser in accordance with the terms and conditions of this Agreement their respective interests in KCS and the shares and/or interests in certain other companies.

Therefore, the parties enter into the following agreement:

ARTICLE 1
OWNERSHIP OF KCS

1.1 KCS has a total capital (Kommanditkapital) in the amount of DM 33,000,000 which is held by KRC. The nominal value of KRC's interest in KCS in the amount of DM 33,000,000 is credited to the capital account (Kapitalkonto) kept by KCS as a fixed account (Festkonto). KV does not hold any interest in the capital of KCS.

1.2 An amount of DM 25,000,000 is registered in the commercial register as the maximum amount of KRC's personal liability as limited partner of KCS (Hafteinlage).

ARTICLE 2
PARTICIPATIONS HELD BY KCS AND
OTHER PARTICIPATIONS TO BE SOLD

2.1 KCS holds or will hold as of the Closing Date or, in the event that a transfer must be registered, will have taken all actions necessary for the registration of ownership of the following participations which are all part of the sale pursuant to this Agreement:

2.1.1 all issued and outstanding shares in KEIPER RECARO Hungary KFT, Mester Utca 2, 8060 Mor, Hungary, ("KCS Hungary") which has a fully paid in share capital of DM 3,337,122; on December 31, 1996 such share capital was increased by an amount of DM 174,780, which capital increase has been filed with the commercial register for registration, but has not yet been registered; KRC has subscribed to and has fully paid in the nominal value of all newly issued shares;

2.1.2 65% of all issued and outstanding shares in KEIPER Car Seating Italia S.p.A., Via Cristoforo Colombo 21, 20060 Pozzo d'Adda, Italy, ("KCS Italy") which has a fully paid in share capital of Lire 4,000,000,000 divided into 80,000 shares with a nominal value of Lira 50,000 per share; the other shareholder being Mr. A. Brizzolara, Via Borgonuova 10, Milan, holding 28,000 shares or 35% of all outstanding shares;

2.1.3 51% of all issued and outstanding shares or 102 shares in KRC TRIM PRODUCTS (PTY) LTD, Greenfields, P.O. Box 5003, 5208 East London,

South Africa, ("KCS TRIM") which has an authorized share capital of Rand 1,000, of which 200 shares with a nominal value of Rand 1 per share have been issued; the other shareholder being Dorbyl Automotive Products, a division of Dorbyl Ltd., Bedfordview, South Africa, holding 98 shares or 49% of all issued and outstanding shares;

2.1.4 51% of all issued and outstanding shares or 102 shares in KRC SEWING COMPANY (PTY) LTD, Greenfields, P.O. Box 5402, 5208 East London, South Africa, ("KCS SEWING") which has an authorized share capital of Rand 1,000, of which 200 shares with a nominal value of Rand 1 per share have been issued; the other shareholder being Automotive Leather Company (PTY) LTD, 53 Hendrik van Eck St., Rosslyn Pretoria, South Africa, holding 98 shares or 49% of all issued and outstanding shares.

2.2 PKG holds the following participations which are also part of the sale pursuant to this Agreement:

2.2.1 All shares in RR LEDER Verwaltungs GmbH, Kaiserslautern, a company with limited liability registered in the commercial register of the local court (Amtsgericht) of Kaiserslautern under HR B 2817 and having a fully paid in share capital of DM 50.000 ("RR-Leder GmbH");

2.2.2 100% of the capital (Kommanditkapital) in the amount of DM 4,500,000 of RR LEDER GmbH & Co., Kaiserslautern, a limited partnership which is registered in the commercial register of the local court (Amtsgericht) of Kaiserslautern under HR A 2294 ("RR-Leder"). The sole general partner of such limited partnership without an interest in the capital is RR LEDER Verwaltungs GmbH.

2.3 KRG holds 15% of all issued and outstanding shares in Johnson Controls Automotive Mexico, Tlaxala, Mexico (hereinafter "JCA Mexico"), the other shareholder being Johnson Controls Holding Company, Inc. Plymouth, Michigan, USA. The shares held by KRG in JCA Mexico are subject of the sale pursuant to this Agreement.

2.4 The following participations which are held by subsidiaries of KRC will also be part of the sale pursuant to this Agreement:

2.4.1 the interest in EURO American Seating, LLC, Wilmington, USA, ("EAS") which is held by KEIPER RECARO Enterprises Inc., Clawson, USA ("KRE"); the other shareholder in EAS is Magna-Lomason Corporation, USA ("MLC");

2.4.2 100% of all issued and outstanding shares in KEIPER CAR SEATING do Brasil LTDA, Cacapava, Brazil, held by KEIPER RECARO do Brazil LTDA, Sao Paulo, Brazil ("KRB") which company has a fully paid in share capital of RS 2.341.000 ("KCS Brazil").

2.5 The entities stated in Section 2.1, 2.2, and 2.4.2 are hereinafter collectively referred to as the "Subsidiaries". The shares and interests held by KRE in EAS and by KRB in KCS Brazil in accordance with Section 2.4 are hereinafter collectively referred to as the "Subsidiary Shares".

ARTICLE 3
SALE OF INTERESTS IN KCS

3.1 In accordance with the provisions set forth in this Agreement KRC and KV hereby sell to Purchaser and Purchaser hereby purchases the partnership interests of KRC and KV in KCS as described in Article I together with all partners' accounts (Gesellschafterkonten) with all amounts credited to the capital account and the transaction account (Verrechnungskonto) as of the Closing Date (the "Sold Interests"). The sale and purchase in accordance with this Section 3.1 shall include all rights for the issuance of the new shares and to the new shares in KCS Hungary arising from the increase of the share capital which is referred to in Section 2.1.1.

3.2 The Sold Interests will be transferred to Purchaser at the Closing Date in accordance with the transfer agreement which is attached to this Agreement in draft form as Annex 8.3.1.

ARTICLE 4
SALE OF OTHER PARTICIPATIONS

4.1 In accordance with the provisions set forth in this Agreement PKG hereby sells to Purchaser and Purchaser hereby purchases the share in RR-Leder GmbH including all dividend rights accruing thereon through the Closing Date and a partnership interest with anominal value of DM 4,500,000 equal to 100% of the capital in RR-Leder

including 100% of the amounts booked to the partners' accounts (Gesellschafterkonten). The interests will be transferred in accordance with the transfer agreement which is attached to this Agreement in draft form as Annex 8.3.3.1.

4.2 In accordance with the provisions set forth in this Agreement KRG hereby sells to Purchaser and Purchaser hereby purchases the shares in JCA Mexico referred to in Section 2.3 including all dividend rights accruing through the Closing Date. The shares will be transferred as set forth in Section 8.3.4.

4.3 In accordance with the provisions set forth in this Agreement Sellers hereby sell and Purchaser hereby purchases the Subsidiary Shares including all dividend rights accruing through the Closing Date. As regards EAS the sale shall include any rights KRE may have for the transfer of MLC's interest in EAS against payment of the purchase price payable therefor. Sellers shall procure that the respective owner of the Subsidiary Shares will take at the Closing (as defined in Section 8.1) all actions which are required by the owner in order to transfer the Subsidiary Shares to Purchaser or its nominee in accordance with all requirements of applicable laws.

ARTICLE 5
PROFIT AND LOSSES FOR THE BUSINESS YEAR 1997

The consolidated profits and losses for the business year 1997 will be allocated between Sellers and Purchaser on the basis of the Final Pro Forma Consolidated Profit and Loss Statement and the Final Pro Forma Consolidated Closing Balance Sheet as defined in Section 9.7 only by adjusting the Purchase Price as provided for in Section 9.9 - 9.11. Sellers shall not be entitled to withdraw (entnehmen) any monies from KCS or the Subsidiaries and undertake to ensure that no dividend or any other distribution of profits or assets is declared between the execution of this Agreement and the Closing Date.

ARTICLE 6
REAL PROPERTY

6.1 PKG is the owner of the following real property (hereinafter the "Real Property"):

6.1.1 The court of Besigheim, land register of Besigheim, folio 9260, map of Ottmars-

heim 4811, lot No. 586/31, Ferdinand-Porsche-StraBe 2, building and land, size 28,798 square metres (the "Besigheim Property").

The land register shows the following encumbrances for the Besigheim Property:

Section II	easement for the benefit of the Zweckverband Industriegebiet Besigheim, Besigheim, granting the right to obtain a de-watering pipe.
Section III	
Current No. 1	mortgage in the amount of DM 1,000,000 plus 16% interest per annum and single supplementary payment in the amount of 2% for the benefit of Allianz-Versicherungs Aktiengesellschaft, Munich
Current No. 2	mortgage over DM 4,000,000 plus 16% interest per annum and a single supplementary payment in the amount of 2% for the benefit of Allianz-Versicherungs Aktiengesellschaft, Munich, ranking equally with the mortgage referred to under current No. 1
Current No. 3	mortgage over DM 1,000,000 plus 15% interest per annum for the benefit of Dresdner Bank Aktiengesellschaft, Remscheid branch
Current No. 4	mortgage over DM 4,000,000 plus 15% interest per annum for the benefit of Dresdner Bank Aktiengesellschaft, Remscheid branch

6.1.2 Local Court Bremen, land register of Vorstadt
R 270, folio 2087, lot 275

Current Number	Lot Number	Description	Size in square metres
8	53/134	Holzweide 5, industrial land	56,000
	53/269	Bruchweide 3, building and land/commercial and industrial	22,834
	53/295	Bruchweide 3, building and land/commercial and industrial	471

(the "Bremen Property")

The land register shows the following encumbrances for the Bremen Property:

Section II: No encumbrances

Section III:

Current No. 1 mortgage over DM 1,000,000 plus 16% interest p.a. and a single supplementary payment in the amount of 2% for the benefit of Allianz Versicherungs-Aktiengesellschaft, Munich

Current No. 2 mortgage over DM 6,000,000 plus 16% interest p.a. and a single supplementary payment in the amount of 2% for the benefit of Allianz Versicherungs-Aktiengesellschaft, Munich

Current No. 3 mortgage over DM 1,000,000 plus 16% interest for benefit of IKB Deutsche Industriebank Aktiengesellschaft, Dusseldorf and Berlin

Current No 4	mortgage over DM 2,000,000 plus 16% interest for the IKB Deutsche Industriebank Aktiengesellschaft, Dusseldorf and Berlin

6.2 PKG and Purchaser hereby agree that the Real Property shall be sold by PKG to Purchaser together with all fixtures (Zubehor). PKG does not warrant the exact size of the Real Property.

The encumbrances in Section III of the land registers where the Real Property is registered shall not be taken over by the Purchaser. For the purpose of having these encumbrances deleted PKG shall provide Purchaser on the Closing Date (as defined in Section 8.1) with a certified declaration from the respective creditor in respect of each mortgage stating that the relevant mortgage shall be deleted (cf. Section 8.3.6) (notariell beglaubigte Loschungsbewilligungen)

6.3 PKG and Purchaser will enter on the Closing Date into a separate transfer agreement (Auflassung) in which PKG and Purchaser will agree upon the transfer of title to the Real Property sold in accordance with this Article 6.

6.4 PKG grants and PKG and Purchaser apply for the registration of priority notices (Auflassungsvormerkungen) with respect to the Bremen and the Besigheim Property for the purpose of securing Purchaser's claim to have title to the Real Property transferred to it. The priority notice shall have in each case the next rank after the encumbrances referred to in Section 6.1.1 and 6.1.2 or a better rank.

Purchaser grants in advance the deletion (Loschung) of the priority notices which will be registered for its benefit in the land register of the Besigheim Property and the Bremen Property and applies for the registration of such deletion provided, however, that the notary may file the application for deletion with the land register only if PKG demands such deletion because of the termination of this Agreement and Purchaser has not moved for and obtained a preliminary injunction against PKG's demand within a period of six weeks after he was properly notified by the notary of such demand and has evidenced to the notary the granting of such preliminary injunction.

6.5 To the extent, applications to the land register have been made jointly by PKG and Purchaser, they shall be deemed to have been made independent from each other.

The notary is instructed to obtain all governmental and other approvals and permits and declarations required under statutory law which will be useful in the context of implementing the sale of the Real Property including, without limitation, the approvals, declaration or negative certifications provided in the Construction Act (Baugesetzbuch) and in the Law on the Transfer of Real Estate (Grundstucksverkehrsgesetz) and to receive service of such approvals or, as the case may be, the refusal to grant such approval, negative declarations or negative certifications with effect for PKG and the Purchaser. PKG and Purchaser grant power of attorney to the notary to represent them in the land register proceedings, in particular they authorise the notary to waive any rights to appeal against decisions of the land registry and to file registrations with the land register in the name of one or both.

6.6 PKG and Purchaser hereby irrevocably authorise the notarial clerks Peter Volk and Jurgen Jungst, both having their main business address at Kaiserstr 66, 60329 Frankfurt am Main, each of them acting alone by waiving the restriction set forth in Section 181 of the German Civil Code (Burgerliches Gesetzbuch) to make and to receive all statements required for the implementation of the sale of the Real Property as well as for any supplements and corrections of the provision in this Agreement regarding the sale of the Real Property. Supplements, however, to the extent that they affect the internal legal relationship between PKG and Purchasers only be made if the notary has been instructed accordingly by PKG and Purchaser. The proxies are authorised to grant sub-power of attorney.

6.7 Attached hereto as Annex 6 is a German translation of Section 6.1 - 6.6 to be filed with the land registers for the purpose of having the priority notices (Auflassungsvormerkungen) referred to in Section 6.4 registered. The Parties hereby agree that the German translation shall be binding upon them and that in case of any conflict between this English version of Article 6 and the German translation thereof the German translation shall prevail.

Article 7
Purchase Price

7.1 Amount of the Purchase Price

The purchase price payable by Purchaser for the Sold Interests, the interests in RR-Leder, the shares in RR-Leder GmbH, the Subsidiary Shares, the shares in JCA Mexico and for the Real Property sold in accordance with Article 6 shall amount to DM 400,000,000 (in words: Deutsche Mark four hundred million) in total (hereinafter the "Purchase Price"). The Purchase Price may be increased or decreased in accordance with Section 9.9. The Purchase Price after such adjustment will be hereinafter referred to as the "Adjusted Purchase Price".

LEAR agrees to be jointly and severally liable for the payment of the Purchase Price, as adjusted in accordance with Section 9.9.

7.2 Allocation of Purchase Price

The Purchase Price payable pursuant to Section 7.1 will be allocated as follows:

7.2.1 DM 312,873,214.69 to the sale of the Sold Interest by KRC;

7.2.2 DM 1 to the sale of the Sold Interest by KV;

7.2.3 DM 66,784.31 to the sale of the shares in RR-LEDER GmbH sold by PKG;

7.2.4 DM 5,000,000 to the sale of the interest in RR-Leder sold by PKG;

7.2.5 DM 6,000,000 to the sale of the interest in EAS;

7.2.6 DM 32,500,000 to the sale of the shares in KCS Brazil;

7.2.7 DM 3,060,000 to the sale of the shares in JCA Mexico sold by KRG;

7.2.8 DM 40,500,000 to the Real Property.

When the Purchase Price will be adjusted pursuant to Section 9.9, the above amounts will be adjusted in accordance with the Final Financial Statements.

7.3 Maturity / Payment of the Purchase Price

7.3.1 The Purchase Price shall become due and payable as follows:

(i) an amount of DM 355,000,000 (in words: Deutsche Mark three hundred and fifty-five million) at the Closing Date;

(ii) an amount of DM 22,500,000 (in words: Deutsche Mark twenty-two million five hundred thousand) one year after the Closing Date;

(iii) an amount of further DM 22,500,000 (in words: Deutsche Mark twenty-two million five hundred thousand) two years after the Closing Date.

7.3.2 The Purchase Price shall be paid as follows:

(i) an amount of DM 32,500,000 (in words: Deutsche Mark thirty-two million five hundred thousand) to KRB's account at Dresdner Bank Lateinamerika, Rua Verbo Divino 1488, Sao Paulo, bank no. 210, account-no. 0021930004, bank code (Agencia) 0940, as such part of the Purchase Price which is allocable to KCS Brazil in accordance with Section 7.2.6.;

(ii) an amount of DM 6,000,000 (in words: Deutsche Mark six million) to KRE's account at National Bank of Detroit, 611 Woodward, Detroit, MI 48226, account-no. 0685223, routing no. 072000326, swift-code: NBDDUS33xxx, as such part of the Purchase Price which is allocable to EAS in accordance with Section 7.2.5.

(iii) the remaining part of the Purchase Price to PKG's account at Deutsche Bank Filiale Remscheid, account-no. 573104702, bank code 340 700 93,

unless PKG notifies Purchaser in accordance with Section 23.6 that the Purchase Price shall be paid in total or in part to a different bank account stated in the notice. Purchaser will be discharged in full from its obligation to pay the Purchase Price once the Purchase Price has been credited to the aforementioned accounts. Purchaser is not responsible for the allocation of the Purchase Price among Sellers.

7.3.3 Purchaser shall deliver to Sellers at Closing two notes (Wechsel) in proper form each over an amount of DM 22,500,000 (in words: Deutsche Mark twenty-two million five hundred thousand) issued by Purchaser and

signed on the front by LEAR (cf. Art. 31 (3) of the German Code on Notes - Wechselgesetz) which are due and payable at the order of Sellers on the due dates which are specified under Section 7.3.1 (ii) and (iii) (the "Notes"). The Notes must be honoured in accordance with normal market conditions as eligible paper (diskontfahiger Wechsel) by any major credit institution in Germany. For the avoidance of doubt it is hereby expressly agreed that the Notes shall not affect Purchaser's obligation to pay the Purchase Price as provided in Section 7.1 through Section 7.3.2 (Zahlung erfullungshalber). However, Purchaser and LEAR shall only be obliged to pay the instalments of the Purchase Price referred to under Section 7.3.1 (ii) and (iii) against return of the Notes.

7.4 No set-off

Purchaser shall not be entitled to exercise any right of retention or set-off against Sellers' claim for payment of the Purchase Price, unless the legal basis and the amount of any counter-claim which Purchaser intends to set-off against Sellers' claim for payment of the Purchase Price are not disputed by Sellers.

ARTICLE 8

CLOSING

8.1 Closing Date / Closing

After the date on which the conditions set forth in Section 8.2 below have been satisfied and Sellers and Purchaser hereto are informed thereof they will meet at the offices of Hengeler Mueller Weitzel Wirtz, Bockenheimer Landstr. 51-53, Frankfurt am Main (or at any other place agreed between Sellers and Purchaser after this Agreement has been signed), to close the transactions contemplated in this Agreement (the "Closing"). The Closing shall take place within a period of 10 Banking Days after the date referred to in the preceding sentence on a date (the "Closing Date") specified by Sellers by giving Purchaser at least five Banking Days' prior written notice, but in no event prior to July 5, 1997. "Banking Day" shall mean a day on which banks at the place where the Closing will take place are open during regular business hours.

8.2 Conditions to Closing

8.2.1 Closing shall not take place before the sale and transfer of the Sold Interests has been declared to be or is deemed to be in compliance with the rules set forth in the EU Merger Control Regulation No. 4064/89 (the "Regulation") by the Commission of the European Union (the "Commission"). If the Commission issues its declaration of compliance subject to certain modifications as set forth in Article 8 of the Regulation the condition to Closing stated in this Section 8.2 shall be deemed to be satisfied only if (i) Sellers and Purchaser agree that the modifications imposed by the Commission shall be implemented in order to proceed with the Closing, or (ii) Sellers agree to fully indemnify Purchaser against any financial disadvantages arising from the implementation of such modifications. Should none of the alternatives referred to in (i) or (ii) be applicable, Section 8.4.2 shall apply mutatis mutandis.

If the Commission issues its declaration of compliance with respect to the sale and transfer of the Sold Interests, but requires with respect to Article 16 of this Agreement an exemption from or a negative certificate with respect to Article 85 of the EEC Treaty, the Parties shall nevertheless proceed with the Closing without amending any other provisions of this Agreement including Article 7 (Purchase Price). If Article 16 is deemed to be inconsistent with Article 85 of the EEC Treaty, Sellers and Purchaser shall in good faith negotiate a valid and enforceable provision in accordance with the principles laid down in Section 23.7 second sentence.

8.2.2 Closing shall only take place if

(i) the representations and warranties stated in Section 10.1.1 and - limited, however, to circumstances warranted in respect of KCS - the representations and warranties set forth in Section 10.1.2, Section 10.1.3 with Section 1.1 and Section 10.1.4 are true and correct;

(ii) neither KCS's plant in Besigheim nor its plant in Bremen has been fully destroyed

by an act of God, e.g. fire or explosion.

8.3 Actions on Closing Date

On the Closing Date Sellers and Purchaser shall take the following actions. All actions are deemed to take place simultaneously.

8.3.1 KRC, KV and Purchaser sign a transfer agreement regarding the transfer of the Sold Interests substantially in the form attached hereto as Annex 8.3.1.;

8.3.2 KRC and KV deliver to Purchaser (i) an application to the commercial register of the local court in Bremen substantially in the form attached hereto as Annex 8.3.2 for the registration of Purchaser as the legal successor of KRC and KV into the Sold Interests such application being duly executed by KRC and KV in notarial form and (ii) a letter undersigned by KRC and KV in which they irrevocably instruct the notary who has certified the signatures under the application or any other notary denominated by Purchaser to submit the application to the commercial register of KCS;

8.3.3 PKG and Purchaser or its nominee have notarized a transfer agreement regarding the transfer of the share in RR-Leder GmbH and the partnership interest in RR-Leder substantially in the form attached hereto as Annex 8.3.3.1, and PKG and RR-Leder GmbH deliver to Purchaser (i) an application to the commercial register of the local court in Kaiserslautern substantially in the form attached hereto as Annex 8.3.3.2 for the registration of Purchaser as the legal successor of PKG into the partnership interest sold in accordance with Section 4.1 such application being duly executed by PKG an RR-Leder GmbH in notarial form and (ii) a letter undersigned by PKG and RR-Leder GmbH in which they irrevocably instruct the notary who has certified the signatures under the application or any other notary denominated by Purchaser to submit the application to the commercial register of RR-Leder;

8.3.4 KRG hands over to Purchaser or its nominee the share certificates representing the shares in JCA Mexico sold in accordance with this Agreement and takes all actions which Purchaser reasonably asks Sellers to take in order to transfer title thereto to Purchaser;

8.3.5 the respective owners of the Subsidiary Shares take all actions required by the respective owner in order to transfer the Subsidiary Shares to Purchaser or its nominee in accordance with all requirements of applicable laws;

8.3.6 PKG and Purchaser sign and have notarized a transfer agreement regarding the transfer of the Real Property sold in accordance with Article 6 substantially in the form attached hereto as Annex 8.3.6;

PKG provides Purchaser with a certified declaration (notariell beglaubigte Loschungsbewilligung) from the respective creditor in respect of each mortgage which is provided in Section III of the land registers where the Real Property is registered stating that the relevant mortgage shall be deleted or, alternatively PKG provides Purchaser with a bank guarantee from a bank of national standing which can be called if and to the extent any mortgages listed in Section 6.1.1 and Section 6.1.2 are foreclosed;

8.3.7 Purchaser pays an amount equal to the aggregate amount of all loans granted through the Closing Date by KEIPER RECARO Verwaltungsgesellschaft mbH, Kaiserslaugtern, ("KRV") to KCS, by PKG to RR Leder and by KRE to EAS as stated in Annex 8.3.7 hereto plus interest accrued thereon in accordance with the loan agreements between the respective Seller and borrower. Purchaser shall pay such amount so that it will be credited in full as at the Closing Date to the German bank account stated in Section 7.3.2. To the extent any amounts payable by Purchaser hereunder in respect of loans granted by KRV to KCS cannot be finally determined as of the Closing Date for bookkeeping or similar reasons such amounts will not be paid as of the Closing Date but as soon as Sellers can finally

determine such amounts and prove them to Purchaser.

8.3.8 Purchaser shall take all actions necessary to substitute the security which KRC and PKG have granted to secure loans taken out by Subsidiaries prior to the date when this Agreement is notarized with effect from the Closing Date or, if the respective lender does not consent to such substitution, repay to the respective lender the full amount of the loans not assumed plus interest accrued thereon; a list of such loans is attached to this Agreement as Annex 8.3.8;

8.3.9 Purchase pays the first instalment of the Purchase Price as provided in Section 7.3.1 (i) so that the full amount of DM 355,000,000 (in words: Deutsche Mark three hundred and fifty-five million) is credited as of the Closing Date to the bank accounts stated in Section 7.3.2 (i) through (iii).

In the event that the priority notices referred to in Section 6.4 and/or the necessary approvals, certifications or negative notifications provided for in the Construction Act (Baugesetzbuch) and in the Law on the Transfer of Real Estate (Grundstuckverkehrsgesetz) should not have been obtained by the Closing Date, Purchaser and PKG already hereby instruct the recording notary to open a notarial escrow account (Notaranderkonto) and Purchaser shall pay the portion of the Purchase Price allocated to the Real Property in accordance with Section 7.2.8 to such escrow account so that the full amount of such portion is credited as of the Closing Date to that account. In respect of such event Purchaser and PKG already hereby irrevocably instruct the recording notary to pay the portion of the Purchase Price credited to the notarial escrow account including all interest accrued thereon to PKG as soon as the priority notices referred to in Section 6.4 have been registered and the aforementioned approvals, certifications or negative certifications have been obtained. The costs arising in connection with the opening and maintaining the notarial escrow account shall be borne by Purchaser.

8.10 Purchaser delivers to Sellers the Notes duly executed by Purchaser and LEAR as provided in Section 7.3.3.

8.4 Best Efforts / Withdrawal from Contract

8.4.1 Sellers and Purchaser will use their best efforts to have the condition to Closing stated in Section 8.2.1 satisfied as soon as practicable after the date of this Agreement. If, however, this condition to Closing should not have been satisfied by November 3, 1997 or earlier or if the competent authority prohibits the acquisition of the Sold Interests Sellers shall have the right to withdraw (zurucktreten) from this Agreement. Sellers may only jointly exercise the aforementioned right by notifying Purchaser accordingly. If Sellers withdraw from this Agreement they shall not be liable to Purchaser for any damages or for the fulfilment of any other obligations under this Agreement or in connection therewith irrespective of the legal basis on which any claim of Purchaser is based.

8.4.2 Purchaser shall have the right to withdraw from this Agreement if the competent antitrust authority prohibits the acquisition of the Sold Interests for reasons other than those described in Section 8.2.1., 2nd paragraph, or if the conditions described in Section 8.2.2 have occurred; unless Purchaser has failed to use its best efforts to have the condition to Closing stated in Section 8.2.1 satisfied, Purchaser shall not be liable to Sellers for any damage or for the fulfilment of any other obligations under this Agreement or in connection therewith irrespective of the legal basis of Sellers' claim.

ARTICLE 9
FINANCIAL STATEMENTS

9.1 Sellers undertake to deliver to Purchaser within ten weeks after the Closing Date:

A balance sheet for KCS as of January 1, 1997 (the "KCS Opening Balance Sheet") and for each of the Subsidiaries (collectively the "Subsidiaries' Balance Sheets" and individually a "Subsidiary Balance Sheet") all as of

December 31, 1996. The KCS Opening Balance Sheet shall be in accordance with the generally accepted accounting principles (Grundsatze ordnungsgemaser Buchfuhrung - "German GAAP") under the German Commercial Code (HGB) as consistently applied for KRC as the former owner of the Just-in-Time Business. The Subsidiaries' Balance Sheets shall be in accordance with the accounting principles which are generally accepted under the jurisdiction of the respective Subsidiary as consistently applied by such Subsidiary. Consistent application shall mean that similar circumstances have been accounted for in the same manner as in the balance sheet as of December 31, 1995. For the avoidance of doubt the correct application of the aforesaid accounting principles shall not be over-ruled by principles of consistency.

Sellers further undertake to conduct a physical inventory (Vorratsvermogen) count and prepare and to have their auditors audit within a period of 10 weeks after the Closing Date;

(i) A pro forma balance sheet on a consolidated basis including KCS and the Subsidiaries as of January 1, 1997 (the "Pro Forma Consolidated Opening Balance Sheet");

(ii) a pro forma consolidated balance sheet including KCS and the Subsidiaries as of the Closing Date (the "Pro Forma Consolidated Closing Balance Sheet") together with a pro forma consolidated profit and loss statement for the period between January 1, 1997 and the Closing Date (the "Pro Forma Consolidated Profit and Loss Statement").

The two aforementioned balance sheets shall hereinafter be collectively referred to as the "Consolidated Balance Sheets". The parties agree that consolidation shall be carried out in accordance with the pro forma consolidation and the evaluation principles which are set forth in Annex 9.1 to this Agreement and in accordance with German GAAP as specified by Annex 9.1. The neutral auditor which may be appointed in accordance with Section 9.5 shall also be bound by such principles. Sellers' auditors and the neutral auditor shall only audit whether the Consolidated Balance Sheets and the Pro Forma Consolidated Profit and Loss Statement were prepared in accordance with this Section 9.1 and Annex 9.1 hereto. For the avoidance of doubt, the Real Property shall not be included in the consolidation.

Moreover, Sellers undertake to deliver to Purchaser within ten weeks after the Closing Date a statement

showing the pro forma net debt of KCS and of the Subsidiaries on a consolidated basis (the "Pro Forma Consolidated Net Debt") as of January 1, 1997 (the "Pro Forma Consolidated Net Debt Statement"). The Pro Forma Consolidated Net Debt shall be equal to the consolidated amount of all bank debt (Verbindlichkeiten gegenuber Kreditinstituten), promissory notes (Eigenwechsel) and of all inter company debt of KCS and the Subsidiaries including interest accrued thereon to be paid-off at the Closing by Purchaser in accordance with Section 8.3.7 minus the consolidated amount of all cash and cash equivalents in the meaning of Section 266 (2) B.IV of the German Commercial Code (HGB), all as shown in the Pro Forma Consolidated Opening Balance Sheet.

The KCS Opening Balance Sheet, the Subsidiaries' Balance Sheets, the Consolidated Balance Sheets, Pro Forma Consolidated Profit and Loss Statement and the Pro Forma Consolidated Net Debt Statement shall hereinafter be collectively referred to as the "Financial Statements".

9.2 Purchaser undertakes to give Sellers and the auditors of Sellers all assistance necessary to prepare and to audit the Financial Statements, respectively.

9.3 Purchaser is entitled to have its own auditors audit the Financial Statements and review the working papers of Sellers' auditors in the presence of Sellers' auditors. Purchaser's auditors shall attend the physical inventory count referred to in Section 9.1. Within six weeks after Purchaser has received the Financial Statements Purchaser's auditors may raise objections against the Financial Statements by stating that any of the Financial Statements were not set up in accordance with Section 9.1 including Annex 9.1. Any objection by Purchaser's auditors shall only be deemed valid and to be raised in time if Sellers are notified thereof in accordance with Section 23.6 within the aforementioned period and if the notification specifies any item of any Financial Statement as to which the objection is raised and the amount by which the assessment of Purchaser's auditors deviates from the amount for the particular item which is stated on the respective Financial Statement.

9.4 If Purchaser raises objections in accordance with Section 9.3 and if Purchaser and Sellers do not agree on the merit of the objections within a period of two weeks after Sellers have been notified of Purchaser's objections, the outstanding issues will be decided with

binding effect for both parties by a neutral auditor to be appointed in accordance with Section 9.5.

9.5 Within a period of further two weeks after Purchaser and Sellers have failed to reach agreement on Purchaser's objections in accordance with Section 9.4 the parties will appoint a neutral auditor. If the Parties cannot agree on the appointment of a neutral auditor within the aforementioned period each party may apply for the appointment of a neutral auditor by the Institut der Wirtschaftsprufer e.V. in Dusseldorf; the Institut der Wirtschaftsprufer e.V. in Dusseldorf shall select as neutral auditor only an audit firm of international reputation with offices in the jurisdiction where KCS and the Subsidiaries are registered.

9.6 The neutral auditor appointed in accordance with Section 9.5 shall audit the specific items against which Purchaser has raised objections in accordance with Section 9.3 and shall determine the amount attributable to the relevant disputed item provided, however, that the amount fixed by the neutral auditor in respect of any such item must be in the range of the deviating opinions of Purchaser and Sellers. The neutral auditor shall not take any decision before the Parties have been given the opportunity to present their views in writing. In any event, however, the neutral auditor shall render a written report including its decision within a period of six weeks after it has been appointed. The neutral auditor shall act as arbitrary (Schiedsgutachter) and its decisions shall be binding upon both Parties. The costs of the neutral auditor shall be borne by the parties in accordance with Section 91 et seq. of the German Code of Civil Procedure (ZPO).

9.7 If Purchaser does not raise any objections in accordance with Section 9.3 the Financial Statements will be binding upon all Parties. If Purchaser raises objections in accordance with Section 9.3 the Financial Statements as adjusted by mutual agreement between the Parties or by the neutral auditor will be binding upon both Parties.

As soon as the Financial Statements have become binding upon both parties they shall become the "Final Financial Statements" and, further, the Pro Forma Consolidated Opening Balance Sheet shall become the "Final Pro Forma Opening Consolidated Balance Sheet", the Pro Forma Consolidated Closing Balance Sheet shall become the "Final Pro Forma Consolidated Closing Balance Sheet" and the Pro Forma Consolidated Profit and Loss Statement appertaining thereto the "Final Pro Forma Consolidated Profit and Loss Statement", the KCS Opening Balance

Sheet shall become the "Final KCS Opening Balance Sheet", the Subsidiaries' Balance Sheet shall become the "Final Subsidiaries' Balance Sheet", and the Net Debt Statement shall become the "Final Net Debt Statement" within the meaning of this Agreement.

9.8 For the purposes of the Financial Statements circumstances which already existed on the Closing Date but become known thereafter (valuation enlightening circumstances - wertaufhellende Tatsachen) shall be taken into account by the Parties and their auditors as well as by the neutral auditor in accordance with German GAAP. However, valuation enlightening circumstances becoming known after the period during which Purchaser may have raised objections in accordance with Section 9.3 may only be taken into account by the neutral auditor to the extent the valuation enlightening circumstance affects the valuation of any items which are subject to the neutral auditor's review in accordance with Section 9.6 and refer to circumstances which are not under the control of Sellers or Purchaser.

9.9 The Purchase Price will be adjusted in accordance with the following provisions:

9.9.1 If the Final Pro Forma Consolidated Profit and Loss Statement and the Final Pro Forma Consolidated Closing Balance Sheet show a profit (JahresuberschuB - within the meaning of Sections 275(2), 307(2), 266(3) German Commercial Code - HGB) for the period between the balance sheet date of the Final Consolidated Opening Balance Sheet (i.e. January 1, 1997) and the Closing Date, the Purchase Price will be increased by an amount equal to the profit after deduction of such portion of the profit which is allocable to minority shareholders or partners.

9.9.2 If the Final Pro Forma Consolidated Closing Profit and Loss Statement and the Final Pro Forma Consolidated Closing Balance Sheet show a loss (Jahresfehlbetrag within the meaning of Sections 275(2), 307(2), 266(3) German Commercial Code - HGB) the Purchase Price will be decreased by such amount after deduction of such portion of the loss which is allocable to minority shareholders or partners.

9.10 If the Purchase Price is increased in accordance with Section 9.9.1, the balance between the Purchase Price

and the Adjusted Purchase Price will become due and payable to PKG's account specified in Section 7.3.2(iii) five Banking Days after the date on which the Pro Forma Consolidated Closing Balance Sheet has become the Final Pro Forma Consolidated Closing Balance Sheet in accordance with Section 9.7.

9.11 If the Purchase Price is decreased in accordance with Section 9.9.2, Sellers shall pay within five Banking Days the amount by which the Purchase Price exceeds the Adjusted Purchase Price to an account specified by Purchaser after the date on which Purchaser notified Sellers of such account in accordance with Section 23.6.

ARTICLE 10
REPRESENTATIONS AND WARRANTIES

Each of the Sellers hereby gives the following warranties (Garantien) to Purchaser and represents that the statements set forth below are true and correct as of the date when this Agreement is executed and, unless expressly provided otherwise in this Article 10, as of the Closing Date:

10.1 Organizational Matters

10.1.1 Sellers have all necessary authority to enter into this Agreement and implement the transactions contemplated herein.

10.1.2 KCS, the Subsidiaries, JCA Mexico and EAS are legal entities duly organized and validly existing under the laws of their respective jurisdiction.

10.1.3 Subject to Annex 10.1.3 the statements set forth in Article 1 and 2 are correct. It is, however, understood between the parties that KRG's shareholding in JCA Mexico may be diluted or reduced before the Closing Date below 15% if KRG does not participate in a capital increase or in an additional financing of capital investments approved by the Board of Directors of JCA Mexico. Any such dilution or reduction of the shareholding shall not be deemed to constitute a breach of this warranty.

10.1.4 KCS, the Subsidiaries, JCA Mexico and EAS are qualified to transact business in all locations in which they transact business and have the power to carry on their business as now being conducted.

10.1.5 Subject to Annex 10.1.5 the Sold Interests, as well as the shares in the Subsidiaries, JCA Mexico and EAS which are sold by Sellers in accordance with this Agreement are fully paid in and have not been repaid and no obligation to repay exists.

10.1.6 KCS and the Subsidiaries are not a party to any joint-venture agreements or silent partnership agreements nor to a contract between business enterprises within the meaning of Sections 291 and 292 Stock Corporation Act or similar agreements, including but not limited to control agreements, agreements to transfer profits, profit pool agreements, agreements to transfer a portion of profit, company lease agreements and operational leases except as set forth in Annex 10.1.6.

10.1.7 Except as set forth in Annex 10.1.7 KCS and the Subsidiaries do not directly or indirectly own or hold any shares or interests in any companies other than the Subsidiaries.

10.1.8 In respect of JCA Mexico, except as provided in the stock purchase agreement dated February 8, 1996, there are no obligations being transferred to Purchaser regarding the shares in this company other than those provided under applicable law.

10.2 Contributions by KRC

KRC made a contribution (Einlage) to KCS the value of which exceeds the amount which is registered for KRC in the commercial register as the maximum amount for which they can be held personally liable (cf. Section 1.2). The contributions made by KRC have not been repaid or withdrawn (entnommen) in total or in part and no obligation to repay exists.

10.3 Ownership

10.3.1 Each of the Sellers is the sole owner of the respective Sold Interest sold by it in accordance with Section 3.1, and the Sold Interests together constitute all interests in KCS. The Sold Interests are freely transferable and not subject to any option or preemptive rights, liens or encumbrances or any other rights

restricting the transfer or the ownership of the Sold Interests.

10.3.2 KCS is the owner of the shares and interests referred to in Section 2.1. Unless provided otherwise in Annex 10.3.2, such shares and interests are freely transferable and are not subject to any option or pre-emptive rights, liens, encumbrances or any other rights restricting the transfer or the ownership of such shares and interests.

10.3.3 The respective Seller is the sole owner of the shares and interests sold by it in accordance with Section 4.1 or, as the case may be, Section 4.2. Unless provided otherwise in Annex 10.3.3., the shares are freely transferable and are not subject to any option or pre-emptive rights, liens or encumbrances and are free of any other rights or claims of third parties.

10.3.4 The respective company which shall transfer the Subsidiary Shares at Closing in accordance with Section 4.3 is the sole owner of the respective shares. Unless provided otherwise in Annex 10.3.4, the Subsidiary Shares are freely transferable and are not subject to any option or pre-emptive rights, liens or encumbrances and are free of any other rights or claims of third parties.

10.3.5 Unless provided otherwise in Annex 10.3.5, to the extent KCS or the respective Subsidiary has not disposed of its assets in the ordinary course of business since January 1, 1997, KCS and the Subsidiaries are the sole owner of all assets and rights shown in the Contribution Balance Sheet (Einbringungsbilanz) as of January 1, 1997 prepared in connection with the transfer of the Just-in-Time Business by KRC to KCS and audited by Sellers' auditors (the "Contribution Balance Sheet") and in the Subsidiaries' Balance Sheets, respectively. Such assets and rights are not subject to any rights of third parties with the exception of statutory landlord liens (Vermieterpfandrechte), bankers' liens resulting from general banking conditions (AGB-Pfandrecht der Banken) and retention of title (Eigentumsvorbehalt) imposed by suppliers within the ordinary course of business or with respect to

Subsidiaries similar rights and are adequate and sufficient for the continuing conduct of the business as now conducted by KCS and the Subsidiaries.

10.4 Fixed Assets (Sachanlagen)/Inventory (Vorratsvermogen)/Accounts Receivable (Forderungen)

10.4.1 The fixed assets owned or leased by KCS and the Subsidiaries have been properly maintained and are in good condition taking into account ordinary wear and tear.

10.4.2 The quality of the inventory of KCS and the Subsidiaries complies with the usual quality of the products which are traded in the market in which KCS or the respective Subsidiary does business except for any obsolete item of the inventory which has been written off or written down in accordance with the principles set forth in Annex 9.1.

10.4.3 Unless provided otherwise in Annex 10.4.3, all notes and accounts receivable recorded on the Final Pro Forma Consolidated Closing Balance Sheet (i) are bona fide claims against debtors for sales or other charges and (ii), to the Sellers' best knowledge, they are not subject to any valid defences, set-offs, or counterclaims, except to the extent of the reserves therefor recorded on the Final Pro Forma Consolidated Closing Balance Sheet.

10.5 Real Property

Sections 6.1.1 and 6.1.2 accurately reflect all encumbrances existing in respect of the Real Property which are to be registered in the land register in section (Abteilung) II and III. There are no duties payable for the development of the Real Property (ErschlieBungsbeitrage) which are due for payment and no works have been carried out which entitle any authority to impose any such duties upon the owner of the Real Property.

10.6 Financial Situation

10.6.1 Equity of KCS and Subsidiaries as of December 31, 1996/ January 1, 1997

The Final KCS Opening Balance Sheet and the Final Subsidiaries' Balance Sheets will show

equity (as defined in accordance with applicable law) at least in the following amounts:

Subsidiary		total equity	equity held by Sellers ("Sellers' Equity Amount")	
KCS	DM	33,000,000	33,000,000	(100%)
KCS Hungary	DM	3,444,709	3,444,709	(100%)
KCS Italy	Lira	7,539,104,906	4,900,418,188.9	(65%)
KCS Trim	Rand	5,684,355	2,899,021.1	(51%)
KCS Sewing	Rand	2,232,299	1,138,472.4	(51%)
RR Leder	DM	1,163,479	1,163,479	(100%)
KCS Brazil	R$	3,170,670	3,170,670	(100%)

10.6.2 Consolidated Net Debt

The consolidated net debt as of the Closing Date calculated in accordance with Section 9.1 will not exceed the amount set forth in Annex 10.6.2 due to transactions outside the ordinary course of business.

10.6.3 Contribution Balance Sheet

The Contribution Balance Sheet has been prepared in accordance with generally accepted accounting principles under the German Commercial Code (Sections 238 et seq., 243 German Commercial Code - HGB) as consistently applied for KRC as the former owner of the Just-in-Time Business and in accordance with the evaluation principles set forth in Annex 9.1.

10.6.4 Subsidiaries' Balance Sheets

The Subsidiaries' Balance Sheets have been prepared in accordance with generally accepted accounting principles in the respective jurisdiction as consistently applied for the respective Subsidiary, i.e. similar circumstances have been accounted for in the same manner as in the balance sheets as of December 31, 1995. For purposes of preparing the Pro Forma Consolidated Balance Sheets the Subsidiaries' Balance Sheets will be adjusted in accordance with the consolidation principles set forth in Annex 9.1.

10.6.5 Intercompany Finance

As of the Closing Date KCS or any of the Subsidiaries is not liable for any obligations of Sellers or those corporations or entities affiliated with them within the meaning of Section 15 et seq. Stock Corporation Act (Aktiengesetz) (the "Affiliates" or individually "Affiliate") and KCS Brazil neither borrows nor lends any money to KRB, or to AUTO COMERCIO E INDUSTRIA ACIL LTDA.

10.7 Employees / Shop Agreements, Collective Bargaining Agreements / Pensions

10.7.1 The employment contracts of all employees listed in Annex 10.7.1 were transferred to KCS in connection with the contribution of the Just-in-Time Business from KRC to KCS. Unless stated otherwise in Annex 10.7.1(A), no employee has objected to the assignment of his or her employment contract to KCS and except for the employees listed in Annex 10.7.1 there are no employees whose employment agreements have been transferred from KRC to KCS.

10.7.2 Unless provided otherwise in Annex 10.7.2, KCS and the Subsidiaries have not made any pension promises to its employees and have neither with their employees nor with the works council (Betriebsrat) of KCS or KRC as the former owner of the Just-in-Time Business or any other body representing employees' interests entered into any agreements providing for profit sharing, Christmas gratification (Weihnachtsgeld), holiday contributions (Urlaubsgeld), severance payments or special remunerations (Sondervergutungen). Moreover KCS and the Subsidiaries are not a party to a shop agreement (Betriebsvereinbarung) or a collective bargaining agreement (Tarifvertrag) which is not expressly listed in Annex 10.7.2. To the best of Sellers' knowledge no working place guarantees have been given other than those given in the shop agreements or collective bargaining agreements listed in Annex 10.7.2.

The pension reserves (Pensionsruckstellungen) shown in the Contribution Balance Sheet of KCS as of January 1, 1997 have been properly made

in accordance with Section 6a of the German Income Tax Code (Einkommensteuergesetz); notwithstanding the foregoing in respect of pensions granted to the employees of KCS and any of the Subsidiaries KCS and the Subsidiaries have taken all actions required under any pension promise and applicable law.

10.8 Environmental Law

10.8.1 The real property, plants and buildings owned by PKG, KCS, if any, and the Subsidiaries are free from and do not cause Environmental Damage. Environmental Damage shall mean any pollution of or the condition of, air, ground, soil, ground- and surface-water and buildings which violates any provision of applicable private or public law or does not comply with legal requirements, taking into account local standards.

10.8.2 None of KCS or the Subsidiaries have any actual or contingent liability with respect to clean up, remediation, removal or abatement of any facility into which any waste or by-product of such company has been directly or indirectly sent for storage, disposal or recycling.

10.8.3 The current business operations of KCS and the Subsidiaries have not resulted in the commencement of proceedings against KCS or KRC as its predecessor or any of the Subsidiaries for violation of any legal provisions in respect of environmental protection. KCS and the Subsidiaries have taken adequate measures to comply in all material respects with the legal provisions applicable to them in respect of environmental protection laws.

10.9 Compliance with Law

KCS and the Subsidiaries do not materially violate any administrative laws or regulations or rights of third parties in a way which is likely to impair, taking into account local standards, the ability to continue their respective business as presently conducted.

10.10 Governmental Approvals, Licenses and Permits

KCS and the Subsidiaries are in possession of all governmental approvals, licences and permits necessary for

the operation of their respective business as it is currently conducted. These approvals, licences and permits are in full force and effect. To the best of Sellers' knowledge the business of KCS and its Subsidiaries have been conducted in all material respects in compliance therewith.

10.11 Product Liability

All products manufactured and distributed by KCS and the Subsidiaries were manufactured in a way which does and will not result in product liability. Unless provided otherwise in Annex 10.11, third parties have not asserted or threatened to assert any claims based on a contractual or non-contractual product liability against KCS or Sellers as partners of KCS or any of the Subsidiaries, and to the best of Sellers' knowledge there are no circumstances which could lead to any such claims.

10.12 Litigation

Except for the lawsuits listed in Annex 10.12 and except for lawsuits with a value (Gegenstandswert) of less than DM 50,000 in any individual case and no more than DM 500,000 in the aggregate, neither KCS nor any of the Subsidiaries is as of the execution of this Agreement involved in court proceedings (including arbitration) either as plaintiff or defendant. Except for the proceedings listed in Annex 10.12 Sellers are not aware of any pending administration proceedings or investigations of public authorities against KCS or any of the Subsidiaries.

10.13 Intellectual Property Rights

10.13.1 To the best of Sellers' knowledge, neither KCS nor any of the Subsidiaries infringes any intellectual property rights of third parties and, to the best of Sellers' knowledge, there is no unauthorised use by any person of any intellectual property rights or confidential information owned or used by any of the Subsidiaries. However, KCS Italy has infringed in the past the trademark "RECARO". Sellers will ensure that Purchaser will not be held liable by Sellers or any of their Affiliates for any such infringement which has accrued prior to the Closing Date.

10.13.2 Unless provided otherwise in Annex 10.13.2, the intellectual property rights transferred

in accordance with Article 18 are sufficient for the continuing conduct of the business as now conducted by KCS and its Subsidiaries and there are no licenses including sub-licenses granted to third parties with regard to these intellectual property rights.

10.13.3 The patents transferred in accordance with Section 18.1 by KRC are:

(a) validly existing and registered or applied for registration as set forth in Annex 18.1.1 and 18.1.2 hereto;

(b) owned by KRC which has full power to transfer or to license them;

(c) to the best of Sellers' knowledge free of any legal defects such as, e.g., the dependency on a patent owned by a third party or a third party's right of prior use;

(d) to the best of Sellers' knowledge free of any technical deficiencies of the inventions of which they are based;

(e) to the best of Sellers' knowledge free of any validly existing patent protection obtained by a third party for any of the inventions on which they are based;

(f) to the best of Sellers' knowledge free of dependencies, i.e. overlapping in the scope of protection, to other patents and patent applications which are presently owned by KRC and which are not to be transferred to KCS;

(g) to the best of Sellers' knowledge not infringed by any third party.

10.13.4 Annex 10.13.4 contains full details of all licenses and other agreements relating to intellectual property rights to which KCS or any of the Subsidiaries is a party (whether as licensor or licensee) or which relate to any intellectual property right owned by any of the Subsidiaries and those licenses and agreements are in full force and effect and are, to the best of Sellers' knowledge, not in

jeopardy and sufficient for the continuing conduct of the business as now conducted by the Subsidiaries.

10.13.5 The current projects which are listed in Annex 1 to the Framework Services Supply Agreement in the Areas of Research and Development (Annex 19.2 to this Agreement):

(i) constitute to the best of Sellers' knowledge all research and development programs which are necessary to satisfy all current commitments to customers;

(ii) are based upon contracts the performance of which has already commenced or upon contracts which have been awarded by a customer;

(iii) have been negotiated at arm's length and in accordance with customary industry practice;

(iv) have been performed and administered in a prudent and diligent manner.

10.13.6 Nothing contained in the agreements mentioned in Article 19 shall be construed in such a manner as to override the warranties given in this Article 10.13.

10.14 INSURANCE

KRC, as the former owner of the Just-in-Time Business, and the Subsidiaries have taken out insurance customary in the business conducted by KCS or the Subsidiaries. KCS and the Subsidiaries have been included in the existing insurance policies which are adequate to meet the risks insured and are customary for the business conducted by KCS. The policies listed in Annex 10.14 which are material for the business of KCS and the Subsidiaries are in full force and effect.

10.15 Changes Since January 1, 1997

None of the following events have occurred since January 1, 1997 until Closing Date (except for events listed in Annexes 10.15.1 to 10.15.6):

10.15.1 material adverse change in the financial situation of KCS or the Subsidiaries;

10.15.2 extraordinary damages or losses outside the ordinary course of business which exceed DM 500,000 in any individual case or DM 1,000,000 in the aggregate;

10.15.3 subject to the reservation provided in Section 10.19, 2nd paragraph, extraordinary termination of a contract having a material adverse effect on the business or the financial situation of KCS or any of the Subsidiaries;

10.15.4 transactions outside the ordinary course of business, in particular

(a) KCS and each of the Subsidiaries have not paid its creditors within the times agreed with them;

(b) no asset of a value or price in excess of DM 500,000 has been acquired or disposed of or agreed to be acquired or disposed of by KCS or any of the Subsidiaries, and no contract involving expenditure by KCS or any of the Subsidiaries in excess of DM 500,000 annually has been entered into by KCS or any of the Subsidiaries;

(c) no event has occurred which is likely to give rise to a tax liability to KCS or any of the Subsidiaries on deemed (as opposed to actual) income, profits or gains or which results in KCS or any of the Subsidiaries becoming liable to pay or bear a tax liability directly or primarily chargeable against or attributable to another person disregarding events within the ordinary course of business;

(d) no event has occurred which would entitle any third party (with or without the giving of notice) to call for the repayment of indebtedness of KCS or any of the Subsidiaries prior to its normal maturity date;

(e) KCS or any of the Subsidiaries has suffered any labor dispute and there are not pending or threatened labor disputes, strikes or work stoppages or slowdowns;

10.15.5 No monies have been withdrawn (entnommen) from KCS or RR-Leder. No dividend or other distribution of profits or assets has been declared, made or paid or agreed to be declared, made or paid by any Subsidiary with respect to profits generated since January 1, 1997;

10.15.6 KCS has not granted employees who have been hired since January 1, 1997 protection against termination in excess of statutory law; further, any such newly hired employees have not been granted a gross salary (excluding social security contributions) in excess of DM 100,000 (in words: Deutsche Mark one hundred thousand).

10.16 Taxes and Social Security Contributions

KCS and the Subsidiaries have filed all necessary tax returns in time and have paid all Taxes assessed by the competent authorities in the past when due. All social security contributions due and payable with respect to the period until the Closing Date have been paid or have been sufficiently provided for in the Final Financial Statements. "Taxes" shall mean any direct and/or indirect charges by the governmental authorities and/or any direct or indirect fiscal and/or financial public burdens (i.e., Zolle, Steuern, Abgaben, Gebuhren) on the respective company's business, respective company's assets and respective company's income.

10.17 Material Contracts

Subject to Section 12.2 Annex 10.17 includes a complete and correct list of all customers with which KCS or the Subsidiaries have a customer relationship as of the date when this Agreement is notarized and, further, a list of all contracts with third parties other than customers and suppliers (the "Material Contracts") with an annual value of DM 500,000 or an equivalent value in foreign currency or a total value of DM 1,000,000 or an equivalent value in foreign currency. The total value of a contract with an indefinite term shall be determined under the assumption that the contract will be terminated with effect to the next possible date by giving notice in accordance with the terms and provi-

sions of the relevant Material Contract. To the extent any of the Material Contracts have been concluded by KRC prior to January 1, 1997, the respective Material Contract has been effectively transferred to KCS prior to the notarization of this Agreement. All Material Contracts are in full force and effect. No counterparty to a Material Contract has threatened as of the date when this Agreement is notarized to terminate the Material Contract and no customer has threatened as of the date when this Agreement is notarized to terminate the existing customer relationship.

10.18 No Brokers and Finders

Except for Drueker & Co. whose fee shall be borne by Sellers in accordance with Section 21.1 Sellers have not retained the services of any broker or finder in connection with the transactions contemplated herein.

10.19 No further Warranties

Sellers do not give any explicit or implied warranty in respect of KCS, the Subsidiaries, EAS or JCA Mexico other than those given in Section 10.1 through Section 10.18. Purchaser has been given the opportunity to inspect the business of KCS and the Subsidiaries, and the condition of the assets which are owned by KCS.

For the avoidance of doubt nothing stated in Section 10.1 through Section 10.18 or in any other provision of this Agreement shall be construed to the effect that Sellers warrant the continuity of the relationships of KCS and the Subsidiaries to any of its customers beyond the date when this Agreement is notarized. Section 10.17 last sentence shall remain unaffected.

ARTICLE 11
REMEDIES

11.1 Upon written demand of Purchaser, Sellers will hold Purchaser, subject to the limitations provided in this Agreement, harmless from any damage Purchaser suffers as a result of any incorrect or incomplete warranty given by Sellers in Article 10 of this Agreement.

11.2 In case of a demand by Purchaser in accordance with Section 11.1 Sellers shall, at their option, either hold Purchaser harmless

11.2.1 by way of restitution in kind, i.e. by establishing the situation corresponding to the warranty or the provision which was breached, provided, however, that such restitution in kind does not interfere with the ordinary conduct of the business of KCS or, as the case may be, any Subsidiary, or

11.2.2 by way of payment of damages.

If Sellers elect to pay damages in accordance with Section 11.2.2 such damages shall be determined and calculated on the basis of the amount necessary to put Purchaser in the position it would have been in had the warranty been correct and complete.

In case of a breach of Section 10.8.1 the amount necessary to remediate the Environmental Damage and in case of a breach of Section 10.8.2 the amount necessary to hold KCS or any of the Subsidiaries harmless against any liability referred to in such Section shall be payable as damages. The aforementioned obligations of Sellers exist irrespective of whether or not any authority or other third party have required Purchaser to remediate the Environmental Damage or to take any actions which are described in Section 10.8.2.

Purchaser may not claim from Sellers damages for lost profit (entgangener Gewinn).

Damages will not be paid to the extent that Purchaser or any of its Affiliates (including KCS or any of the Subsidiaries) is entitled to receive payment under an insurance policy or indemnification from third parties. In addition, damages will not be paid to the extent any circumstances which may otherwise constitute a breach of a warranty are expressly reserved for or otherwise provided for in the Final Pro Forma Consolidated Closing Balance Sheet, or to the extent they are not reserved for or otherwise provided for in the Final Pro Forma Consolidated Closing Balance Sheet in accordance with the principles set forth in Annex 9.1 if the lack of such reserve or provision has been unsuccessfully raised by the Purchaser as an objection in accordance with Section 9.3.

11.3 Purchaser shall only be entitled to assert claims under this Article 11 if they exceed the amount of DM 50,000 in each individual case. This de minimis exception does not apply to claims referring to the same breach of warranty which are less than DM 50,000 (in words: Deutsche Mark fifty thousand) in an individual case, but

more than DM 50,000 in the aggregate provided that the circumstances on which any such claims are based are similar in nature. Purchaser shall furthermore only be entitled to assert claims once the aggregate amount of all claims asserted by Purchaser - de minimis claims of up to DM 50.000 only to be included in accordance with the foregoing provision - exceeds DM 300.000 (in words: Deutsche Mark three hundred thousand). In this case all claims including de minimis claims may be asserted in full provided, however, that the maximum amount for which Sellers may be held liable under this Agreement amounts to 40% (in words: fourty percent) of the Purchase Price.

11.4 In addition to Section 11.3 the following limitations apply to damages resulting from a breach of the warranties set forth in Section 10.6.1 and 10.6.2:

11.4.1 Any amounts resulting from an excess or a shortfall of the portion of the equity held by Sellers in KCS and/or any of the Subsidiaries with respect to the Sellers' Equity Amounts guaranteed in Section 10.6.1 shall be converted into DM at the currency rates stated in Annex 11.4.1 ("Final exchange rates per 31.12.1996") and subsequently set off against one another. If the resulting net amount is positive, Purchaser shall not be entitled to any damages, and Sellers shall not be entitled to demand an increase of the Purchase Price. If the net amount is negative, such amount shall be payable as damages. If Sellers claim damages under this Section 11.4.1 the equity shown in the KCS Opening Balance and/or the Subsidiaries' Balance Sheet and the consolidated equity in the Pro Forma Consolidated Opening Balance Sheet shall be adjusted accordingly for the purposes of adjusting the Purchase Price as provided for in Sections 9.9.1 and 9.9.2.

11.4.2 In case of a breach of the warranty given in Section 10.6.2 Purchaser shall only be entitled to damages if it is able to show that

(i) it has suffered a damage within the meaning of Section 249 German Civil Code et.seq., in particular that the disadvantages or detriments resulting from the increase in debt are not offset by benefits resulting from the acquisition of assets financed with such

additional debt (Vorteilsausgleichung); and

(ii) the damage resulting from such breach will not be remedied under any other provisions of this Agreement, in particular Section 9.9.2.

11.5 Purchaser is aware that Johnson Controls Holdings, Inc. as the other shareholder in JCA Mexico (cf. Section 2.3) and the other shareholders in KCS Trim and in KCS Sewing may acquire the shares held by the respective Seller in such company by virtue of exercising the preemptive right provided for it in the respective agreement. In case any of the shareholders in any of the aforementioned companies exercises its preemptive right and is entitled to exercise such preemptive right in accordance with applicable law, the damages which can be claimed by Purchaser against Sellers shall be equal and limited

(i) in respect of JCA Mexico to the amount of such part of the Purchase Price which is allocated to the sale of the shares in JCA Mexico in accordance with Section 7.2.7,

(ii) in respect of KCS Trim and in respect of KCS Sewing to the amount which the other shareholders must pay in connection with the exercise of the aforementioned preemptive right pursuant to the relevant joint venture agreement as of the date of the notarization of this Agreement.

Any amount owed by any of the shareholders in any of the aforementioned companies to KCS in connection with or as result of the exercise of the preemptive right shall be credited against the relevant aforementioned amount.

Any damage suffered by Purchaser in connection with the above shall not be included into the calculation of the maximum amount for which Sellers may be held liable under this Agreement in accordance with Section 11.3, last sentence.

11.6 If any competent antitrust authority interdicts the transfer of any of the Subsidiary Shares to Purchaser by a final and unappealable decision, the damages which Purchaser is entitled to claim shall be equal to and limited to the amount of the Purchase Price allocated to such Subsidiary Shares in Section 7.2. Such damages shall not be included into the calculation of the maximum amount for which Sellers may be held liable

under this Agreement in accordance with Section 11.3, last sentence.

11.7 With respect to circumstances which are known to Purchaser at the date on which this Agreement is notarized, all claims shall be excluded. The contents of all documents which were available for inspection in the data room of KCS in Kaiserslautern as well as all documents passed on to Purchaser, its representatives and its advisors in form of a CD-Rom or otherwise are deemed to be known to Purchaser. Purchaser was given the opportunity to inspect such documents. The list of documents which were available for inspection in the data room and on the CD-Rom as well as a list of all other documents which are deemed to be known to Purchaser are attached to this Agreement as Annex 11.6. In addition to the documents forming part of Annex 11.6, the two letters from Dorbyl Ltd. both dated May 9, 1997, the letter of Automotive Leather Company Rosslyn sent on May 5, 1997 (all of which letters were sent to Mr. Konstantinou) as well as the list of documents attached as Exhibit I to this agreement are deemed to be known by the purchaser. At the date of execution of this Purchase Agreement Purchaser is not aware of any matter or event which would give rise to a claim because of a breach of warranty or untrue representation of Sellers.

11.8 To the extent that representations and warranties are qualified by reference to the best of Sellers' knowledge, exclusively the Knowledge of Mr. Ulrich Putsch and G. Konstantinou, and the Knowledge of the following persons, however, limited to the area of competence specified in each case in the parenthesis shall be attributed to the respective Seller: Dr. Karl-Heinz Nattland (Finance), Dr. Volkmar Schneider (Legal and Insurance), A. Schwarz (KCS Hungary), H.-S. Bull (Personnel), H. Roschmann (Sourcing and Inventory), K. Ackermann (Distribution and Marketing), J. Walerowski (Controlling/Finance), KuBmann (Research and Development), J. Kratzmann (Plant Bremen), F. Duck (Plant Besigheim). "Knowledge" shall mean all circumstances which Sellers know or should have known after due inquiry.

11.9 Sellers shall be jointly and severally liable for all claims of Purchaser arising under this Agreement. Sellers can be held liable exclusively for breaches of any obligation, warranty or undertaking contained or given in this Agreement and, to the extent explicitly provided for in this Agreement, exclusively in accordance with the provisions of this Agreement. Any other claims in accordance with statutory law and claims based upon precontractual duties including, without limitation, claims for rescission (Wandelung), reduction of the Purchase Price (Miderung) as well as claims based on torts (unerlaubte Handlung) or precontractual liability (culpa in contrahendo) are excluded, unless

they are based on wilful (vorsatzlich) misconduct of Sellers.

11.10 The statute of limitations (Verjahrung) for claims under this Article 11 shall run as follows:

11.10.1 claims for legal defects within the meaning of Section 434 German Civil Code (BGB) relating to the Sold Interests shall be barred (verjahrt) 10 years from the date of signing of this Agreement;

11.10.2 claims with respect to a breach of the warranty stated in Section 10.16 (Taxes and Social Security Contributions) or based on the indemnity given in Section 13.2 shall be barred after a period of six months beginning with the date on which the relevant assessment of Taxes becomes final and unappealable;

11.10.3 claims with respect to a breach of the warranty stated in Section 10.8 (Environmental Law) shall be barred six months after the Closing Date;

11.10.4 claims with respect to a breach of the warranty stated in Section 10.11 (Product Liability) shall be barred five years after the Closing Date;

11.10.5 all other claims shall be barred on May 31, 1999;

11.10.6 the statute of limitations shall be interrupted (unterbrochen) or extended (gehemmt) in accordance with the applicable provisions of German law. If Purchaser notifies Sellers in accordance with Section 23.6, the statute of limitations applicable to the respective claim in accordance with Sections 11.10.1 - 11.10.4 shall not continue to run until a period of six months has expired beginning with the date when Sellers have received the notification.

ARTICLE 12
UNDERTAKINGS OF SELLERS AND PURCHASER

12.1 Subject to applicable statutory and contractual provisions Sellers undertake to ensure that the businesses of

KCS and of the Subsidiaries will be continued in the normal course of business during the period between the date when this Agreement is signed and the Closing Date, and that Purchaser has appropriate access to the management of KCS and the Subsidiaries during this period of time.

12.2 Sellers undertake that, during the period between the date when the Agreement is signed and the Closing Date, without the prior consent of Purchaser which shall, however, not unreasonably be withheld:

12.2.1 None of the Subsidiaries shall (i) declare any dividend or make any distribution with respect to its capital stock or (ii) sell, lease, transfer, encumber or dispose of any of its properties or assets, otherwise than in the ordinary course of business;

12.2.2 neither KCS nor any Subsidiary shall enter into joint venture, partnership or other similar agreements;

12.2.3 neither KCS nor any Subsidiary shall (i) enter into an agreement with a term of more than three years and with a value of more than DM 1 Mio. or (ii) change, amend, terminate or otherwise modify any material contract with a value of more than DM 10 Mio.;

12.2.4 neither the Sellers themselves nor KCS nor any of the Subsidiaries shall take any action which would not allow Sellers to make a representation set forth in Article 10 at the Closing Date.

12.3 Sellers undertake to have KRV transfer the employment contract of the person listed in Annex 12.3 to KCS with effect as from the Closing Date together with all rights and obligations outstanding thereunder as of the Closing Date; Purchaser hereby agrees to such transfer.

12.4 Sellers undertake to submit to Purchaser on the Closing Date a status report specifying which of the subsidiaries referred to in Section 2.1.1 to 2.1.4 have been transferred to KCS and, with respect to those which have not yet been transferred, specifying the actions which still have to be taken. Sellers undertake to take all actions necessary to complete such transfers.

12.5 Sellers and their Affiliates will not reclaim tools of which they are the owner but which were leased to KCS Italy by giving less than six months' notice to the end

of twelve months after the Closing Date, unless KCS Italy increases the prices charged to Sellers or any of their Affiliates for products manufactured with the help of such tools or unless KCS Italy repeatedly supplies to Sellers or their Affiliates products which do not meet the standards customary in the market. In the event that the tools are still needed for the manufacturing of products sold by KCS Italy they may only be reclaimed if KCS Italy is offered the supply of the components which it used to manufacture with the help of the tools on terms and conditions then prevailing in the market.

12.6 Purchaser undertakes to terminate the subcontract with RECARO GmbH & Co., Kirchheim, ("REC") regarding the manufacturing of the seats for the 986, 996 Porsche models in REC's plant in Kirchheim only with six months' notice and not effective prior to April 1, 1998. During the term of the subcontract REC and KCS shall have reasonable access to all data and information which are relevant for the performance of the subcontract and are in the possession or known only to either of them.

12.7 Purchaser undertakes neither to move the registered office of KCS from Bremen to Kaiserslautern nor to set up any office of a company or a division which has "KEIPER" in its name in Kaiserslautern or within 70 (seventy) kilometers of the city limits of Kaiserslautern for a period of five years beginning with the Closing Date provided, however, that

12.7.1 Purchaser is granted a period of six months beginning with the Closing Date to have KCS's employees currently working in the technical center of KCS in Kaiserslautern move to new office premises in Kaiserslautern if Purchaser elects to set up an office under a name not containing "KEIPER" in Kaiserslautern;

12.7.2 Purchaser is granted a period of one year beginning with the Closing Date to have KCS's employees currently working in the technical center of KCS in Kaiserslautern move to new office premises if Purchaser elects to set up an office under a name containing "KEIPER" in an area more than 70 (seventy) kilometers off the city limits of Kaiserslautern.

12.8 Purchaser undertakes that either Purchaser itself or, as the case may be, its nominee assumes all rights and obligations under the stock purchase agreement with JCA Mexico.

12.9 Purchaser undertakes to take all actions required or useful to have the name "RECARO" removed from the name of KCS Hungary and KCS Italy, unless such name change has already been effected as of the Closing Date.

12.10 Purchaser undertakes to cause KCS and any of the Subsidiaries not to distribute without a licence any product under the trademark "RECARO" or "KEIPER" after the Closing Date, unless compliance with this undertaking would require the modification or substitution of any tools used in the production of KCS or any of the Subsidiaries in which case a grace period of six months will be granted.

12.11 Purchaser shall grant Sellers and KRE free of charge for the time period until the Closing Date all reasonable support which is required to manage the business of EAS if such support is necessary and requested by Sellers.

12.12 For a period of five years from the Closing Date KRC shall fill orders from KCS for the supply of products of the kind offered by KRC to its customers subject to KRC's production capacity for prices to be negotiated between KRC and KCS from time to time. However, KRC shall not arbitrarily (willkurlich) increase prices or arbitrarily refuse to supply any products ordered by KCS.

12.13 Purchaser undertakes to procure insurance for product liability risks arising in respect of products manufactured after the Closing Date. Sellers shall have the right to inspect Purchaser's insurance policy. If Sellers should come to the conclusion that the insurance policy does not provide for sufficient protection in respect of products manufactured through the Closing Date Sellers and Purchaser shall cooperate in good faith enabling Sellers to take out insurance for such time period at their cost at a premium which is as low as reasonably possible; this includes the transfer of Sellers' existing insurance to Purchaser against reimbursement of premiums payable under the insurance policy transferred.

ARTICLE 13
TAX AUDITS AND TAX INDEMNITY

13.1 Sellers and their auditors are entitled to participate in tax audits of KCS and the Subsidiaries, to the extent that such tax audits refer to fiscal years through December 31, 1997. Purchaser will inform Sellers duly in advance of any tax audits of the aforementioned kind. Purchaser shall assist Sellers in filing remedies (Einspruch) with the tax authorities or in filing an action against the tax authorities in the tax court (Finanzgericht) in respect of tax assessments (Steuerbescheide) referring to fiscal years through December 31, 1996 and the period thereafter until the Closing Date. Sellers will pay the costs and expenses accruing in connection with remedies and actions of the aforementioned kind. Sellers shall make available to Purchaser all documents or information which Purchaser reasonably requires in order to file remedies with the tax authorities or to file an action against the tax authorities in the tax court in respect of tax assessments referring to periods after the Closing Date.

13.2 In the event that Taxes including any interest or penalties become due for and payable by KCS or any Subsidiary for fiscal years through December 31, 1996 which have not been sufficiently provided for in the Final Subsidiaries' Balance Sheets and/or in the Final Pro Forma Consolidated Opening Balance Sheet Sellers shall indemnify KCS and the relevant Subsidiary therefor, however, where KCS does not hold 100% in any Subsidiary, limited to the percentage held by KCS; the same shall apply to any Taxes becoming due for and payable by KCS or any Subsidiary for the period from January 1, 1997 up to the Closing Date to the extent that such tax payment were not provided for in the Final Pro Forma Consolidated Closing Balance Sheet.

For the avoidance of doubt it is hereby agreed that the provisions of Section 11.3 shall not apply to claims under this Section 13.2.

ARTICLE 14
INFORMATION, CONDUCT OF PROCEEDINGS,
ACCESS TO FILES

14.1 Purchaser shall ensure that Sellers will be promptly and fully notified of any claim of Purchaser under this Agreement. A failure to notify Sellers of such claim does not affect Purchaser's right to damages to the extent that the damage has not increased due to such

failure. Purchaser shall make available to Sellers copies of all relevant documents which Sellers may reasonably request in order to defend themselves against such claim. Without Sellers' prior consent which shall not be unreasonably withheld Purchaser may not enter into a settlement (Vergleich), waiver (Verzicht) or acknowledgement (Anerkenntnis) as a result of which Purchaser would be entitled to indemnification under Article 11.

14.2 Purchaser shall ensure that Sellers are granted in accordance with their reasonable request access to all files, documents and information useful in the context of

14.2.1 the defence against potential claims of Purchaser against Sellers under this Agreement, or

14.2.2 tax assessments against Sellers or any person or entity holding an interest in any of the Sellers, or

14.2.3 other documents and information which are otherwise reasonably required by Sellers.

ARTICLE 15
INDEMNIFICATION IN CASE OF PERSONAL LIABILITY OF KRC

15.1 Purchaser undertakes that it will not take any action which may result in a revival of personal liability of KRC for obligations of KCS pursuant to Section 172 (4) of the German Commercial Code (HGB).

15.2 Purchaser will indemnify and hold harmless KRC or its partners from and against any damage and any expenses (including legal costs and expenses) which any of them may incur as a result of a personal liability which has arisen due to actions referred to in Section 15.1.

ARTICLE 16
COVENANT NOT TO COMPETE

16.1 Basic Rule. For a period of five (5) years commencing as of the Closing Date (the "Non-Compete Period"), Sellers and their Affiliates shall not compete, either directly or indirectly, with KCS, the Subsidiaries, EAS or any of their respective successors in the rendering of research and development services for third parties, production,

and supply of complete seats for the original equipment of non-commercial vehicles (PKW) in the respective geographical markets in which the production and distribution activities of KCS, the Subsidiaries and EAS are conducted as of the Closing Date. This basic rule shall not apply to the extent Section 16.2 through 16.7 provides for an exception.

16.2 Recaro Seats. Sellers and their Affiliates shall be permitted to develop, produce and supply complete vehicle seats bearing exclusively the RECARO trademark or characterized by typical RECARO styling elements so that the end user identifies the seat as a RECARO seat (such seats hereinafter referred to as "RECARO Seats"), provided that such RECARO Seats are not used for Non-Qualifying Vehicles produced by original equipment manufacturers ("OEMs") for which Section 16.3 shall apply. "Non-Qualifying Vehicles" shall mean all vehicle models and their respective first successor model (i) set forth in Annex 16.3.1 and, in addition thereto, the BMW E53 (SVW), the Ford Mondeo, the SAAB 640 (9.5) and the Volvo P066 (C90) and P2X (VNS 90) for which Purchaser or any of its Affiliates (excluding KCS, the Subsidiaries, EAS and JCA Mexico) supplies or is contracted to supply as of the Closing Date standard seating equipment in the geographical markets of Western Europe (including, without limitation, the Czech Republic and Poland) and (ii) for which KCS or any of its Subsidiaries or EAS supplies or is contracted to supply as of the Closing Date standard seating equipment in the geographical markets in which the production and distribution activities of KCS, the Subsidiaries and EAS are conducted; the car models supplied by KCS as of the Closing Date are set forth in Annex 16.3.2.

16.3 Non-Qualifying Vehicles. For each OEM, Sellers and their Affiliates shall be permitted to develop, produce and supply RECARO Seats for Non-Qualifying Vehicles up to an annual number equal to the Annual Allowance (as defined below) for such OEM. If, during any 12 month period beginning on the Closing Date, Sellers or any of their Affiliates supply RECARO Seats for Non-Qualifying Vehicles in a number which exceeds the Annual Allowance for any OEM (the "Excess RECARO Seats"), Sellers jointly and severally shall pay Purchaser for each Excess RECARO Seat, an amount equal to 80% of the incremental profit on such Excess RECARO Seat that Sellers or any of their Affiliates are entitled to receive in accordance with the applicable supply contract for the Non-Qualifying Vehicle. For the purposes of this paragraph, "incremental profit" is defined as Sellers' or their Affiliates' average earnings before taxes per RECARO Seat multiplied by the number of Excess RECARO Seats.

For each OEM (other than Porsche), the "Annual Allowance" shall be the higher of (i) the number of RECARO Seats supplied by Sellers and their Affiliates (not including KCS, the Subsidiaries, EAS and JCA Mexico) for Non-Qualifying Vehicles manufactured by such OEM during the last 12 months prior to the Closing Date and (ii) the number of RECARO Seats for which Sellers or their Affiliates (not including KCS, the Subsidiaries, EAS and JCA Mexico) have a contract to supply RECARO Seats for Non-Qualifying Vehicles to be manufactured by such OEM during the 12 months commencing on the Closing Date, provided that if no specific amount of RECARO Seats is specified pursuant to a contract referred to in this clause (ii), then the Annual Allowance shall be the number of RECARO Seats supplied under the relevant supply contract within twelve months following the Closing Date; the alternative provided in (ii) shall, however, only be available to the extent it does not lead to a supply of RECARO Seats for Non-Qualifying Vehicles in respect of all OEMs which exceeds the total number of all RECARO Seats supplied to all OEMs for Non-Qualifying Vehicles during the last 12 months prior to the Closing Date by more than 20% (the "120% Rule"). The Annual Allowance for Porsche shall be 4,000. Sellers shall notify Purchaser on a quarterly basis of the number of RECARO Seats supplied in accordance with Section 16.3 and shall have the burden of proving that such sales are not in excess of the Annual Allowance. Unless the 120% Rule provides otherwise, the Annual Allowance is specific for each OEM and cannot be transferred among OEMs.

RECARO Seats supplied as follows shall not count towards the Annual Allowance:

16.3.1 RECARO Seats supplied by Sellers or their Affiliates which have been manufactured by Purchaser or its Affiliates (including KCS, the Subsidiaries, EAS and JCA Mexico) on behalf of Sellers or their Affiliates; or

16.3.2 RECARO Seats supplied as optional seating equipment ("Sonderausstattung") provided, however, that none of the following alternatives is applicable: (1) An OEM offers the RECARO Seats as optional seating equipment together with other optional car equipment as part of a package at a reduced price; (2) the number of cars of a certain car model sold by an OEM vehicle manufacturer with the optional seating equipment exceeds during any period of six calendar months the number of cars of that certain car model sold with the standard seating equipment; (3) an OEM offers a car model with a standard

equipment which includes RECARO Seats at a fixed price and grants the customer the option to reduce the fixed price by choosing a seating equipment which is cheaper than the RECARO seats ("delete-option").

After 42 months from Closing Date, Sellers and their Affiliates shall be entitled to develop, produce and supply an unlimited amount of RECARO Seats for the Non-Qualifying Vehicles set forth on Annex 16.2.1; the term of the Non-Compete Period provided in Section 16.1 shall be modified thereby.

16.4 Hardware Seat Structures. For the term of the Non-Compete Period, Sellers and their Affiliates shall not develop, produce or supply either directly or indirectly, hardware structures to be incorporated in non-commercial vehicle seats (Sitzstrukturen) which were specifically designed for non-commercial vehicle seats sold by KCS or its Subsidiaries or structures with similar features ("SEAT STRUCTURES") to competitors of KCS, its Subsidiaries or their respective successors, if such Seat Structures will be incorporated into seats to be offered or sold by that competitor to any OEM vehicle manufacturer for installation in the same vehicle model or its first successor model which constitutes the subject matter of a supply relationship already existing or agreed upon in a contract with KCS or its Subsidiaries as of the Closing Date of this Purchase Agreement (such supply relationship is hereinafter referred to as the "KCS CLOSING SUPPLY RELATIONSHIP") or, in the case of the first successor model, of a future supply relationship (such future supply relationship is hereinafter referred to as the "KCS SUCCESSOR SUPPLY RELATIONSHIP" or together with the KCS Closing Supply Relationship the "KCS SUPPLY RELATIONSHIP"), provided, however, that Sellers and their Affiliates may supply to competitors Seat Structures to be incorporated into seats of models,

(i) with respect to which the KCS Supply Relationship has been terminated or a notice of termination has been given by the respective OEM vehicle manufacturer; or

(ii) which are manufactured at a production facility of the respective OEM vehicle manufacturer which is not the subject matter of a KCS Supply Relationship.

Moreover, Sellers and their Affiliates as suppliers of Seat Structures agree, for the term of the Non-Compete Period, not to participate, either directly or indirectly, in the bidding of any competitor of KCS, its Subsidiaries or any of their respective successors for the supply of seats to an OEM vehicle manufacturer when such bid shall be submitted in competition for award of any KCS Successor Supply Relationship if KCS or any of its Subsidiaries is participating in such bidding.

Sellers and their Affiliates shall not be bound by the restrictions of this Section 16.4 if they are specifically and in writing requested by any OEM vehicle manufacturer which is a party to a KCS Supply Relationship and a customer of Sellers or any of their Affiliates

(i) to supply Seat Structures for vehicle models which are the subject matter of a KCS Supply Relationship; or

(ii) to participate in a bidding of any competitor for a KCS Successor Supply Relationship.

(iii) However, should Sellers or any of their Affiliates so supply Seat Structures in competition for any KCS Supply Relationship, it will pay Purchaser 80% of the incremental profit Sellers or any of their Affiliates receive in accordance with the relevant supply contract. The incremental profit shall be equal to Sellers' or their Affiliates' average earnings before taxes per Seat Structure supplied multiplied by the Seat Structures supplied in accordance with (i) and (ii) above.

Nothing contained in this Section 16.4 shall prevent Sellers and their Affiliates from or limit them in supplying Seat Structures to the Sindelfingen plant of Daimler Benz at Sindelfingen, regardless of whether this plant is operated by Daimler Benz or by any other party.

16.5 Research and Development. Sellers and their Affiliates may develop vehicle seats for production, distribution and sale and may transfer or grant any rights, including but not limited to the grant of licenses to patents and know-how resulting from such research and development activities, provided that

16.5.1 Sellers and their Affiliates shall not engage, either directly or indirectly, in any development activities with competitors of KCS, its

Subsidiaries or any of their respective successors during the Non-Compete Period, if the seat product in question is to be installed in the models which constitute the subject matter of a KCS Supply Relationship.

16.5.2 For the term of the Non-Compete Period, Sellers and their Affiliates shall not, directly or indirectly, solicit offers for, nor shall they bid to provide any research and development services for competitors of KCS, its Subsidiaries or their respective successors, if the development services in question will be utilized for the purpose of competing for the award of the KCS Successor Supply Relationship.

16.5.3 Sections 16.5.1 and 16.5.2 shall not apply if Sellers or any of their Affiliates are specifically and in writing requested by any OEM which is party to a KCS Supply Relationship and a customer of Sellers or any of their Affiliates

(i) to engage in development activities prohibited under Section 16.5.1 or

(ii) to solicit offers or bid for contracts to provide research and development services excluded under Section 16.5.2.

(iii) However, should Sellers or any of their Affiliates so provide research and development services in competition for any KCS Supply Relationship, they will pay Purchaser 80% of the incremental profit Sellers or any of their Affiliates receive in accordance with the relevant research and development contract. The incremental profit shall be equal to Sellers' or their Affiliates' average earnings before taxes per research and development contract entered into in accordance with (i) and (ii) above.

16.6 Notwithstanding the terms of this covenant not to compete, KRB may continue to manufacture under the agreement attached as Annex 19.5 the complete seats for the VW Santana, complete seats for the Mercedes-Benz trucks and complete seats for the Fiat Tempra.

16.7 It shall not constitute a violation of this covenant not to compete, if within the context of an acquisition of an undertaking or group of undertakings, a business is acquired by any of Sellers or any of their Affiliates which operates in the product and geographical market described in Section 16.1 above, provided, however, that (i) the gross sales of such acquired business in the last preceding fiscal year amounted to no more than 10% of the total gross sales of the undertaking or group of undertakings acquired, and (ii) during the term of the Non-Compete Period the gross sales deriving from all acquired businesses, including any internal expansion does not exceed DM 25 million in the aggregate.

16.8 During the Non-Compete Period,

(i) neither Sellers nor any of their Affiliates will solicit to hire any employee of Purchaser or its Affiliates, including any employee of KCS or any of the Subsidiaries without the express written consent of Purchaser;

(ii) neither Purchaser nor any of its Affiliates will solicit to hire any employee of Sellers or their Affiliates without the express written consent of Sellers.

Article 17
Merger Control Proceedings

17.1 The sale of the Sold Interests pursuant to Section 3.1 (the "Notified Transaction") is subject to a pre-merger notification to the Commission. KV, KRC and Purchaser shall cooperate and provide each other with all necessary assistance to comply with this requirement.

17.2 The notification shall be filed jointly by KV, KRC and Purchaser. KRC and KV on the one hand and Purchaser on the other hand shall keep each other fully informed of all contacts which they may have with the Commission in the context of this transaction.

Article 18
Intellectual Property Rights

18.1 KRC hereby assigns and transfers the patents set forth in Annex 18.1.1 and Annex 18.1.2 to KCS effective as of the Closing Date together with all patents granted to

KRC or applied for by KRC in other jurisdictions which have the same subject matter as the patents set forth in Annex 18.1.1 and Annex 18.1.2. The patents set forth in Annex 18.1.2 shall be licensed back to KRC in accordance with the Grant Back Licence Agreement attached as Annex 18.1.3. KRC undertakes to take all actions necessary to have the patents registered in the name of KCS. Purchaser shall bear the cost of such registration.

18.2 KRC shall hand over to KCS the complete files of all transferred patents and/or patent application as well as all documents, certificates, grants and other papers relating to the transferred patents and all relevant correspondence and other vouchers including renewal certificates and the like relevant to the transferred patents promptly after the transfer of the patents has become effective. KRC shall render KCS technical assistance to the extent to which such assistance is necessary in order to enable KCS to make proper use of the patents transferred in accordance with Section 18.1 above. For such purpose, KRC shall make available, within a reasonable time frame and in a reasonable number, qualified personnel to KCS if so requested by KCS. All costs arising in connection with the technical assistance shall be borne by KCS.

ARTICLE 19
ANCILLARY AGREEMENTS

Sellers undertake that prior to the Closing Date

19.1 KRC and KCS sign the Grant Back Licence Agreement attached as Annex 18.1.3;

19.2 KRC and KCS sign the Framework Services Supply Agreement in the Areas of Research and Development attached as Annex 19.2;

19.3 KRB and KCS Brazil sign the Service Agreement attached as Annex 19.4;

19.4 KRB and KCS Brazil sign the Royalty Agreement attached as Annex 19.5.

19.5 KCS Brazil and AUTO COMERCIO E INDUSTRIA ACIL LTDA sign the Supply Agreement attached as Annex 19.6.

Purchaser hereby irrevocably grants its consent to the signing of the aforementioned agreements. The Agreements referred to in Section 19.3 thru 19.5 shall be signed in the Portuguese language. Prior to the notarization of this

Agreement, KRV and KCS signed a Service Agreement dated March 3, 1997 providing that KRV shall render certain services specified therein to KCS which is attached as Annex 19.3.

ARTICLE 20
ASSIGNMENT

Neither any of the Sellers nor Purchaser are entitled to transfer rights or obligations arising under this Agreement to a third party without the consent of the other contracting parties, except that Purchaser may assign this Agreement or any rights or obligations thereunder to any entity affiliated with it within the meaning of Article 15 German Stock Corporation Act (Aktiengest) provided that Purchaser shall continue to be jointly and severally liable for any obligation under this Agreement after the assignment.

ARTICLE 21
TAXES AND COSTS

21.1 Each party shall bear its own costs and expenses which it incurs in connection with the preparation, execution and implementation of this Agreement including, without limitation, all fees and expenses of their respective advisers.

21.2 Taxes on income, profits and capital gains which may be assessed against Sellers or the partners of PKG or Purchaser in connection with this Agreement shall be borne by the respective debtor in accordance with applicable tax laws.

21.3 All other taxes and costs in connection with the preparation, execution and implementation of this Agreement including, without limitation, notarial fees, public registration fees and fees in connection with the clearance of the transactions contemplated herein with the competent antitrust authority as well as real property transfer tax (Grunderwerbsteuer) and other transfer taxes, if any, shall be borne by Purchaser.

ARTICLE 22
CONFIDENTIALITY

22.1 The parties to this Agreement agree to keep confidential this Agreement or any provisions thereof and not to disclose it to third parties (including, without limitation, the press, customers, suppliers or other persons or companies in the market), except as far as they are

obliged by law or applicable stock exchange regulations to disclose and give notice of the same to any governmental or administrative authority or otherwise. They will use their best efforts even in such case to ensure that, notwithstanding such mandatory disclosure and notice, confidentiality shall be maintained to the maximum extent practicable.

22.2 The parties to this Agreement will mutually agree upon the language of an official press release and additional information to be released to the press, customers and the business community relating to the transactions contemplated by this Agreement.

22.3 Sellers agree to keep confidential and not to disclose to any third party any business, trade, or technical secret or other non public information concerning the business of KCS and the Subsidiaries or non public information concerning the Purchaser and its Affiliates made available to them prior to the Closing Date.

ARTICLE 23
MISCELLANEOUS

23.1 This Agreement is subject to and shall be construed in accordance with the laws of the Federal Republic of Germany.

23.2 All disputes other than those referred to in Article 9 arising under or in connection with this Agreement shall be finally decided by an arbitration tribunal. For this parties shall execute on the Date when this Agreement is notarized a separate Arbitration Agreement.

23.3 All amendments to this Agreement, including, without limitation, a change of this clause itself, must be made in writing and with the express reference to this Agreement, unless notarisation or any other form is required.

23.4 Purchaser waives all rights and claims it might have against Drueker & Co. GmbH, Frankfurt am Main, or any of its officers or employees or Sellers' auditors' or legal counsel or other consultants who acted as advisors to Sellers (collectively referred to as the "Advisors") resulting from or in connection with the transactions contemplated by this Agreement except for claims based on wilful misconduct. This waiver vests rights in the Advisors as third party beneficiaries ("Vertrag zugunsten Dritter" within the meaning of Section 328 German Civil Code).

23.5 Save as provided for in Section 23.4 this Agreement shall not vest any rights in third parties.

23.6 All notices and other communications hereunder shall be in writing and shall be deemed to have been duly given if personally delivered, sent by facsimile transmission (with delivery confirmed and hard copy sent), sent by overnight courier (with delivery confirmed) or mailed registered or certified mail, postage prepaid

- if to Sellers, to:

KEIPER RECARO Verwaltungsgesellschaft mit
beschrankter Haftung
Managing Director Finance
Dr. Karl-Heinz Nattland
Buchelstrasse 54 - 58
42855 Remscheid

Telefax: 02191 - 144 440

with a required copy to:

Hengeler Mueller Weitzel Wirtz
Dr. Peter Weyland
Bockenheimer LandstraBe 51
60325 Frankfurt am Main
Germany

Telefax: 069-725773

- if to Purchaser or LEAR, to:

LEAR Corporation GmbH & Co. KG
c/o LEAR Corporation
Joseph F. McCarthy
21557 Telegraph Road,
Southfield, Michigan 48034

Telefax: 001-810 746 1677

with required copy to:

Schurmane & Faylor
Folian A. Faylor or
Dr. Werner Mielke, LL.M.
Postfach 11 16 33
Friedrich-Ebert-Anlage 2-14
60325 Frankfurt am Main

Telefax: 069-741-1610

Winston & Strawn
Mr. John L. MacCarthy
35 West Wacker Drive
Chicago, Illinois 60601
USA

Telefax: 001-312-558-5700
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or to such other addresses as may hereafter be furnished by any party to the other.

23.7 If any of the provisions of this Agreement be or become invalid or unenforceable (nichtig oder unwirksam), all other provisions hereof shall remain in full force and effect. The invalid or unenforceable provision shall be deemed to be automatically amended and replaced without the necessity of further action by the parties hereto by such valid and enforceable provision that shall accomplish as far as possible the commercial purpose and intent of the invalid or unenforceable provision. The aforesaid shall apply mutatis mutandis should this Agreement be incomplete.

If any agreement entered into in connection with this Purchase Agreement including, without limitation, the ancillary agreements referred to in Article 19 be or become invalid or unenforceable in whole or in part, this Agreement shall remain in full force and effect.

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