

FORM 10-K
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

(Mark One)

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2002.

**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)

13-3386776

(I.R.S. Employer Identification No.)

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

48086-5008
(zip code)

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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class
Common Stock, par value \$.01 per share

Name of each exchange on which registered
New York Stock Exchange

Securities registered pursuant to section 12(g) of the Act: None

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

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

Indicate by check mark whether the registrant is an accelerated filer (as described in Rule 12b-2 of the Act). Yes No

As of February 28, 2003, the aggregate market value of the registrant's Common Stock, par value \$.01 per share, held by non-affiliates of the registrant was \$2,495,437,920. The closing price of the Common Stock on February 28, 2003 as reported on the New York Stock Exchange was \$37.98 per share.

As of February 28, 2003, the number of shares outstanding of the registrant's Common Stock was 65,808,214 shares.

DOCUMENTS INCORPORATED BY REFERENCE

Certain sections of the registrant's Notice of Annual Meeting of Stockholders and Proxy Statement for its Annual Meeting of Stockholders to be held on May 8, 2003, as described in the Cross-Reference Sheet and a Table of Contents included herewith, are incorporated by reference into Part III of this Report.

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906 Certification of Chief Executive Officer

906 Certification of Chief Financial Officer

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- (1) Certain information is incorporated by reference, as indicated below, from the registrant's Notice of Annual Meeting of Stockholders and Proxy Statement for its Annual Meeting of Stockholders to be held on May 8, 2003 (the "Proxy Statement").
 - (2) A portion of the information required is incorporated by reference from the Proxy Statement sections entitled "Election of Directors" and "Directors and Beneficial Ownership."
 - (3) Proxy Statement section entitled "Executive Compensation" and "Compensation Committee Interlocks and Insider Participation."
 - (4) Proxy Statement section entitled "Directors and Beneficial Ownership - Security Ownership of Certain Beneficial Owners and Management."
 - (5) Proxy Statement section entitled "Certain Transactions."
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PART I

ITEM 1 — BUSINESS

In this Report, when we use the terms the “Company,” “Lear,” “we,” “us” and “our,” unless otherwise indicated or the context otherwise requires, we are referring to Lear Corporation and its consolidated subsidiaries. A substantial portion of the Company’s operations are conducted through wholly-owned and majority-owned subsidiaries controlled by Lear Corporation. The Company is also a party to various joint venture arrangements. Certain disclosures included in this Report constitute forward-looking statements that are subject to risk and uncertainty. See Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Forward-Looking Statements” and “- Risk Factors.”

BUSINESS OF THE COMPANY

General

We are the world’s largest automotive interior systems supplier based on net sales. Our net sales have grown from \$7.3 billion for the year ended December 31, 1997 to \$14.4 billion for the year ended December 31, 2002, a compound annual growth rate of 14%. The major sources of this growth have been new program awards and the implementation of a strategic acquisition plan to capitalize on supplier consolidation and globalization trends in the automotive industry. Our acquisitions account for approximately two-thirds of our net sales growth over the past five years. We supply every major automotive manufacturer in the world, including General Motors, Ford, DaimlerChrysler, BMW, Fiat, Volkswagen, PSA, Renault/Nissan, Toyota and Subaru.

We have established in-house capabilities in all five principal segments of the automotive interior market: seat systems; flooring and acoustic systems; door panels; instrument panels and cockpit systems; and overhead systems. We are also one of the leading global suppliers of automotive electronic and electrical distribution systems. As a result of these capabilities, we can offer our customers fully-integrated automotive interiors, including electronic and electrical distribution systems. In 2002, we were awarded the first-ever total interior integrator program by General Motors for the next generation Buick LeSabre and Cadillac DeVille. As a total interior integrator, we will work closely with the customer on the design and will be responsible for the engineering, sourcing, manufacturing and delivery of the total automotive interior.

We are focused on delivering high-quality automotive interior systems and components to our customers on a global basis. Due to the opportunity for substantial cost savings and improved product quality and consistency, automotive manufacturers have increasingly required their suppliers to manufacture automotive interior systems and components in multiple geographic markets. In recent years, we have followed our customers and expanded our operations significantly in Europe, South America, South Africa and the Asia/Pacific Rim region. As a result of our efforts to expand our worldwide operations, our sales outside of the United States and Canada have grown from \$2.7 billion in 1997 to \$5.9 billion in 2002. In particular, our sales in Europe have grown from \$1.9 billion in 1997 to \$4.5 billion in 2002.

Strategy

Our principal objectives are to expand our position as a leading global supplier of automotive interior systems and components and to build on our full-service capabilities to become the leading integrator of complete automotive interiors. To this end, our strategy is to continue to capitalize on four significant trends in the automotive industry:

- the increasing emphasis on the automotive interior by automotive manufacturers as they seek to improve customer satisfaction and differentiate their vehicles in the marketplace;
- the increasing customer demand for fully-integrated automotive interior systems, such as door panel, cockpit and overhead systems;
- the increasing consumer demand for added automotive interior functionality to enhance and enable passenger convenience, on-board communication and safety; and
- the consolidation and globalization of the supply base of automotive manufacturers, resulting in opportunities for greater efficiencies and economies of scale.

The automotive manufacturers’ strategy is rooted in competitive pressures to improve quality and functionality at a lower cost and to reduce time to market, capital needs, labor costs, overhead and inventory. These trends have resulted in automotive manufacturers outsourcing complete automotive interior systems as well as complete automotive interiors. We believe that the criteria for selection of automotive interior systems suppliers is not only cost, quality, technology, delivery and service but increasingly, includes worldwide presence and full-service capabilities.

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Elements of our strategy include:

- **Enhance Strong Relationships with our Customers.** We have developed strong relationships with our customers which allow us to identify business opportunities and anticipate customer needs in the early stages of vehicle design. We believe that working closely with our customers in the early stages of designing and engineering automotive interior systems gives us a competitive advantage in securing new business. In addition, design capabilities are critical to securing total interior integrator programs. We work to maintain an excellent reputation with our customers for timely delivery and customer service and for providing world-class quality at competitive prices. In the J.D. Power and Associates 2002 Seat Quality ReportTM, we improved our seat quality for the third straight year, and we continue to rank as the highest quality supplier that serves multiple automotive manufacturers. In recognition of our efforts, many of our facilities have won awards from the automotive manufacturers.
- **Capitalize on Systems and Integration Opportunities.** The same competitive pressures that led automotive manufacturers to outsource individual automotive interior components to independent suppliers have caused our customers to demand delivery of fully-integrated automotive interior systems for new vehicle models. As automotive manufacturers continue to seek ways to improve quality and reduce costs, we believe customers will increasingly look to independent suppliers to act as total interior integrators, by managing the design, engineering, sourcing, manufacturing and delivery of the total automotive interior.
- **Leverage Electronic Capabilities.** Because electronic and electrical distribution systems are an increasingly important part of automotive interior systems, we seek to use our capabilities in this area to secure new business and to take advantage of integration opportunities.
- **Expand our Business with Asian Automotive Manufacturers.** Expanding our business relationships with Asian automotive manufacturers is an important element of our growth strategy. Certain of our primary North American and European customers have made substantial investments in several Asian automotive manufacturers, including: General Motors' investments in Daewoo Motor, Suzuki Motor and Isuzu Motor; Ford's investment in Mazda; DaimlerChrysler's investments in Mitsubishi Motors and Hyundai Motor; and Renault's investment in Nissan. In addition, we currently have eight strategic joint ventures which serve our largest Asian customers, including Toyota, Honda, Nissan, Mitsubishi Motors, Isuzu Motor and Hyundai Motor. The Asian market presents long-term growth opportunities as demand for vehicles increases and automotive manufacturers expand production in these markets. As a result of our strong customer relationships, strategic alliances and full-service capabilities, we are well-positioned to expand our business with Asian automotive manufacturers, both in Asia and in North America.
- **Maintain Flexible Cost Structure.** We believe that we have one of the highest variable cost structures in the automotive supplier industry. By maintaining low fixed costs, we are better able to withstand fluctuations in industry demand as well as changing competitive and macroeconomic conditions. Our variable cost structure is maintained, in part, through ongoing Six Sigma initiatives throughout the organization as well as initiatives to promote and enhance the sharing of technology, engineering, purchasing and capital investment across customer platforms and restructuring initiatives to align our capacity with changing market conditions.
- **Invest in Product Technology and Design Capability.** We will continue to make significant investments in technology and design capability to support our products. We maintain six advanced technology centers and several customer-focused product engineering centers where we design and develop new products and conduct extensive product testing. We also have state-of-the-art acoustics testing and instrumentation and data analysis capabilities.

We believe that in order to effectively develop total automotive interiors, it is necessary to integrate the engineering, research, design, development and validation of all of the automotive interior systems. Our advanced technology center in Southfield, Michigan, provides us the ability to integrate engineering, research, design, development and validation capabilities for all five automotive interior systems at one location. Our investments in research and development are consumer driven and customer focused. We conduct extensive analysis and testing of consumer responses to automotive interior styling and innovations. Because automotive manufacturers increasingly view the vehicle interior as a major selling point to their customers, the focus of our research and development efforts is to identify new interior features that make vehicles safer, more comfortable and more attractive to consumers.

Products

We conduct our business in three product operating segments: seating; interior; and electronic and electrical. The seating segment includes seat systems and components thereof. The interior segment includes flooring and acoustic systems, door panels, instrument panels and cockpit systems, overhead systems and other interior products. The electronic and electrical segment includes electronic and electrical distribution systems, primarily wire harnesses, wireless systems and interior control systems. Net sales for the year ended December 31, 2002 were comprised of the following: 68% seating, 18% interior and 14% electronic and electrical. Refer to Note 11, "Segment Reporting," to the consolidated financial statements included in this Report for additional financial information regarding our reportable operating segments.

- **Seating.** The seating business consists of the manufacture, assembly and supply of vehicle seating requirements. Seat systems typically represent approximately 30% to 40% of the cost of the total automotive interior. We produce seat systems for

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automobiles and light trucks that are fully-assembled and ready for installation. Seat systems are designed to achieve maximum passenger comfort by adding a wide range of manual and power features such as lumbar supports, cushion and back bolsters and leg and thigh supports.

As a result of our product design and product technology strengths, we are a leader in incorporating convenience features and safety improvements into seat designs as well as in developing methods to reduce our customers' costs throughout the automotive interior. For example, our ProTec™ Self-Aligning Head Restraint is an advancement in front seat passive safety. By reducing the space between the occupant's head and the headrest in a rear impact situation through use of a headrest system that "moves" with the occupant, the difference between the rearward movement of the head and the shoulder area can be shortened, potentially reducing the risk of injury. In addition, we manufacture an integrated restraint seat system that increases occupant comfort and convenience. Exclusive to Lear, this patented seating concept uses an ultra high-strength steel tower and a split-frame design to improve occupant comfort and convenience.

- **Interior.** The interior business consists of the manufacture, assembly and supply of interior systems and components. Interior products are designed to provide a stylish and comfortable interior for the vehicle occupant as well as a variety of functional and safety features.

Flooring and Acoustic Systems. We have an extensive and comprehensive portfolio of SonoTec™ acoustic products, including flooring systems and dash insulators. Carpet flooring systems, used predominantly in passenger cars and trucks, generally consist of tufted or non-woven carpet with a thermoplastic backcoating which, when heated, allows the carpet to be fitted precisely to the interior or trunk compartment of the vehicle. Additional insulation materials are added to provide noise, vibration and harshness resistance. Non-carpeted flooring systems, used primarily in commercial and fleet vehicles, offer improved wear and maintenance characteristics. The dash insulator separates the passenger compartment from the engine compartment and is the primary component for preventing engine noise and heat from entering the passenger compartment.

Door Panels. Door panels consist of several component parts, which are attached to a substrate by various methods. Specific components include vinyl or cloth-covered appliqués, armrests, radio speaker grilles, map pocket compartments, carpet and sound-reducing insulation. In addition, door systems often incorporate electronic and electrical distribution systems and products, including lock and latch, window glass, window regulators and audio systems as well as wire harnesses for the control of power seats, windows, mirrors and door locks.

Instrument Panels and Cockpit Systems. The instrument panel is a complex system of coverings and foam, plastic and metal parts designed to house various components and act as a safety device for the vehicle occupant. The cockpit system consists of, among other things, the instrument panel trim / pad, structural subsystem, electrical distribution system, climate control, driver control pedals, steering controls and driver and passenger safety systems. Specific components of the cockpit system include instrument cluster / gauges, cross car structure, electronic and electrical components, wiring harness, audio system, heating, ventilation and air conditioning module, air distribution ducts, air vents, the steering column and wheel and glove compartment assemblies. One trend in cockpit systems relates to safety issues in airbag technologies. Through our research and development efforts, we intend to introduce cost-effective, integrated, seamless airbag covers, which increase occupant safety as well as provide greater styling flexibility for the automotive manufacturer. We believe that future trends in the instrument panel and cockpit system segment will continue to focus on safety, leading to the introduction of innovations such as inflatable knee restraints and energy-absorbing substructures.

Overhead Systems. Overhead systems consist of a headliner, lighting, visors, consoles, wiring and electronics as well as all other products located in the interior of the vehicle roof. Headliners consist of a substrate as well as a finished interior layer made of a variety of fabrics and materials. While headliners are an important contributor to interior aesthetics, they also provide insulation from road noise and can serve as carriers for a variety of other components, such as visors, overhead consoles, grab handles, coat hooks, electrical wiring, speakers, lighting and other electronic/electrical products. As the amount of electronic and electrical content available in vehicles has increased, headliners have emerged as an important carrier of technology since electronic features ranging from garage door openers to lighting systems are often optimally situated in the headliner.

- **Electronic and Electrical.** The migration from electrical distribution systems to electronic and electrical distribution systems is facilitating the integration of wiring, electronics and switch / control products within the overall electrical architecture of a vehicle. This migration will reduce the overall system cost and weight and improve reliability and packaging. This is accomplished by optimizing the overall system architecture and eliminating a portion of the terminals, connectors and wires normally required for a conventional electrical distribution system. Our umbrella technology, Intertronics™, describes our ability to integrate electronic products with automotive interior systems. This technology is already having an impact on a number of new and next generation products. For example, our integrated seat

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adjuster module has two dozen fewer cut circuits and five fewer connectors, weighs a half of a pound less and costs twenty percent less than a traditional seat wiring system. In addition, our smart junction box combines traditional junction box function with electronic capabilities by incorporating electronic control functions traditionally located elsewhere in the vehicle.

Our electronic and electrical products are grouped into three categories:

- **Electronic and Electrical Distribution Systems.** Wire harness assemblies are a collection of terminals, connectors and wires that connect all the various electronic/electrical devices in the vehicle to each other and/or to a power source. Terminals and connectors are components of wire harnesses and other electronic/electrical devices that serve as a connection method between wire harnesses and electronic/electrical devices. Fuse boxes are centrally located boxes in the vehicle that contain fuses and/or relays for circuit and device protection as well as power distribution. Junction boxes serve as a connection point for multiple wire harnesses. They may also contain fuses and relays for circuit and device protection. Smart junction boxes are junction boxes with integrated electronic functions, which eliminate interconnections and increase overall system reliability. Certain vehicles may have two or three smart junction boxes linked as a multiplexed buss line.
- **Wireless Systems.** The dual range/dual function remote keyless entry ("RKE") system allows a single RKE transmitter button to perform multiple functions depending upon the operator's distance from the vehicle. The RKE and immobilizer module combines the features of a RKE receiver and the immobilizer key reader into a single module. Custom key fobs use decorative molding technology to offer a wide variety of options in fob design patterns and colors, including textures, logos, text and translucent and glow-in-the-dark colors. The passive entry system allows the vehicle operator to unlock the door without using a key or physically activating the RKE fob. The passive entry technology is imbedded in the fob so that a separate device is not required.
- **Interior Control Systems.** The instrument panel center console control provides a control panel for the entertainment system, accessory switch functions, heating, ventilation and air conditioning. The multifunction turn signal control consolidates various combinations of hazard lights, headlamps, parking lamps, fog lamps, wiper and washer, cruise control, high/low headlamp beams and turn signal functions. The integrated seat adjuster module combines seat adjustment, power lumbar support, memory function and heated seat into one package. Integrated door controls consolidate the controls for window lift, door lock, power mirror and heated seat. Lear's Intertronic™ Flip Pack seamlessly integrates electrical and interior components and performs all power seat and power door functions from two stacked panels, improving access for drivers. The mechatronic lighting control module integrates electronic control logic and diagnostics with the headlamp switch. The IntelliTire™ Monitoring System alerts drivers when tire pressure is low. Infotainment products include audio amplifiers, video modules and the floor-mounted MediaConsole™ with a flip-up screen that provides DVD and video game viewing for back-seat passengers.

Manufacturing

A description of the manufacturing processes for each of our operating segments is set forth below.

- **Seating.** Our seating facilities use just-in-time manufacturing techniques, and products are delivered to the automotive manufacturers on a just-in-time basis. Our seating facilities utilize a variety of methods whereby fabric is affixed to an underlying seat frame. Raw materials, including steel, aluminum and foam chemicals, used in our seat systems are readily available and are obtained from multiple suppliers under various supply agreements. Leather, fabric and certain components are also purchased from multiple suppliers under supply agreements, which may last from one year to the life of the related program. Some of the purchased components are obtained from our customers.
- **Interior.** Our interior systems process capabilities include injection molding, low-pressure injection molding, blow molding, compression molding, rotational molding, urethane foaming and vacuum forming as well as various trimming and finishing methods. Raw materials, including resin and chemical products, which are formed and assembled into end products, are obtained from multiple suppliers typically under long-term supply agreements. In addition, we produce carpet at our plant in Carlisle, Pennsylvania. Smaller facilities are dedicated to specific groups of customers and are strategically located near their production facilities.
- **Electronic and Electrical.** Electrical distribution systems are networks of wiring and associated control devices that route electrical power and signals throughout the vehicle. Wire harness assemblies consist of raw, coiled wire, which is automatically cut to length and terminated. Individual circuits are assembled together on a jig or table, inserted into connectors and wrapped or taped to form wire harness assemblies. Cell-based manufacturing techniques are applied to manufacture products on a just-in-time basis. All materials are purchased, with the exception of a portion of the connectors that are produced internally. Certain materials are available from a limited number of suppliers. Supply agreements may last from one year to the life of the related program. The assembly process is labor intensive, and as a result, production is performed in low labor rate sites in Mexico, Honduras, the Philippines, Eastern Europe and North Africa.

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Some of the principal components attached to the wiring harness assemblies that we manufacture include junction boxes, electronic control modules and switches. Junction boxes are manufactured in North America and Europe with a proprietary, capital intensive assembly process, utilizing printed circuit boards purchased from selected suppliers. Proprietary processes have been developed to improve the function of these junction boxes in harsh environments, including high temperatures and humidity. Electronic control modules are assembled using high-speed surface mount placement equipment in North America and Europe. Switches are assembled from electrical, mechanical and decorated plastic parts purchased in the United States, Mexico and Europe, using a combination of manual and automated assembly and test methods.

While we manufacture internally many of the components that are included within our automotive interior systems, a substantial portion of these components are furnished by independent, tier II automotive suppliers and other vendors throughout the world. In certain instances, it would be difficult and expensive for us to change suppliers of products and services that are critical to our business. With the recent decline in automotive production and substantial and continuing pressures to reduce costs, certain of our suppliers have experienced, or may experience, financial difficulties. We seek to manage our supplier relationships carefully to minimize any significant disruptions of our operations. However, adverse developments affecting one or more of our major suppliers, including certain sole-source suppliers, could negatively impact our operating results. See Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations — Risk Factors — Adverse developments affecting one or more of our major suppliers could materially harm our operating results, thereby making it more difficult for us to make payments under our indebtedness and lead to a decline in the value of our common stock."

Customers

We serve the worldwide automotive and light truck market, which produces over 56 million vehicles annually. We have automotive interior content on over 300 vehicle nameplates worldwide, and our automotive manufacturer customers currently include:

-	BMW	-	Daewoo	-	DaimlerChrysler	-	Fiat
--	Ford	--	GAZ	--	General Motors	--	Honda
--	Hyundai	--	Mahindra & Mahindra	--	Porsche	--	PSA
--	Renault/Nissan	--	Subaru	--	Suzuki	--	Toyota
--	Volkswagen	--	Volvo				

During the year ended December 31, 2002, General Motors and Ford, the two largest automotive and light truck manufacturers in the world, including their affiliates, accounted for approximately 35% and 25%, respectively, of our net sales. In addition, DaimlerChrysler, including its affiliates, accounted for approximately 12% of our net sales. For additional information regarding our customers and domestic and foreign sales and operations, see Note 11, "Segment Reporting," to the consolidated financial statements included in this Report.

We receive blanket purchase orders from our customers that normally cover annual requirements for products to be supplied for a particular vehicle model. Such supply relationships typically extend over the life of the model, with terms of up to ten years, and do not require the customer to purchase a minimum number of products. Although purchase orders may be terminated at any time, such terminations are rare and have not had a material impact on our results of operations. Our primary risk is that an automotive manufacturer will produce fewer units of a model than anticipated. In order to reduce our reliance on any one model, we produce automotive interior systems and components for a broad cross-section of both new and more established models. Our sales for the year ended December 31, 2002 were comprised of the following vehicle categories: 54% cars, including 23% mid-size, 15% compact, 12% luxury/sport and 4% full-size, and 46% light truck, including 24% sport utility and 22% pickup and other light truck.

Our contracts with our major customers generally provide for an annual productivity price reduction and provide for the recovery of increases in material and labor costs in rare instances. Historically, cost reductions through product design changes, increased productivity and similar programs with our suppliers have generally offset changes in selling prices, although no assurances can be given that we will be able to achieve such cost reductions in the future. Our cost structure is comprised of a high percentage of variable costs. This structure provides us with additional flexibility during various economic cycles.

Technology

Advanced technology development is conducted at several product engineering centers worldwide. At these centers, we engineer our products to comply with applicable safety standards, meet quality and durability standards, respond to environmental conditions and conform to customer requirements. VisionWorks, located in our technology center in Southfield, Michigan, also develops new concepts and is our central location for consumer research, benchmarking, craftsmanship and industrial design activity.

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We also have state-of-the-art acoustic testing and instrumentation and data analysis capabilities. We own an industry-leading validation test center featuring acoustic and sound quality testing, including a dual-surface, four-wheel chassis dynamometer acoustical chamber and reverberant sound room, capable of precision acoustic testing of front, rear and four-wheel drive vehicles. Together with the reverberant sound room, computer-controlled data acquisition and analysis capabilities provide precisely controlled laboratory testing conditions for sophisticated interior and exterior noise, vibration and harshness testing of parts, materials and systems, including powertrain, exhaust and suspension components.

We have developed a number of designs for innovative interior features which we have patented, all focused on increasing value to the customer. Our umbrella technology, Intertronics™, describes our ability to integrate electronic products with automotive interior systems. We maintain an Intertronics Innovation Center at our electronic and electrical facility in Dearborn, Michigan, to develop this technology. Intertronics™ products and technologies are grouped into three categories: Electronic and Electrical Distribution Systems, Wireless Systems and Interior Control Systems and include smart junction boxes, RKE systems and advanced electronic products and switches. In addition, we incorporate many convenience, comfort and safety features into our interior designs, including advanced whiplash concepts, lifestyle vehicle interior storage systems, overhead integrated modules, seat integrated restraint systems (3-point and 4-point belt systems integrated into seats), side impact airbags, child restraint seats and integrated instrument panel airbag systems. We continually invest in our computer-aided-engineering-design and computer-aided-manufacturing systems. Recent enhancements to these systems include advanced acoustic modeling and analysis capabilities and the enhancement of our Virtual Technology Division (“VTD”) website. Our VTD website is a tool used for global customer telecommunications, technology communications, collaboration and direct exchange of digital assets utilizing MediaXchange. In addition, the VTD website offers numerous design and engineering resources, which are available to all of our employees.

We have created brand identities, which highlight products for our customers. The ProTec™ brand identifies products optimized for interior safety; the SonoTec™ brand identifies products optimized for interior acoustics; and the EnviroTec™ brand identifies environmentally friendly products.

We hold in excess of 2,600 patents and patent applications pending worldwide. In addition, we hold several trademarks relating to various manufacturing products and processes. We also license selected technologies to automotive manufacturers and other automotive suppliers. We continually strive to identify and implement new technologies for use in the design and development of our products.

We have dedicated, and will continue to dedicate, resources to research and development in order to maintain our position as a leading developer of technology in the automotive interior industry. Research and development costs incurred in connection with the development of new products and manufacturing methods, to the extent not recoverable from the customer, are charged to selling, general and administrative expenses as incurred. Such costs amounted to approximately \$176.0 million, \$198.6 million and \$208.7 million for the years ended December 31, 2002, 2001 and 2000, respectively. In addition, we capitalized \$116.8 million, \$94.5 million and \$170.1 million of pre-production engineering, research and development costs which are recoverable from customers for the years ended December 31, 2002, 2001 and 2000, respectively.

Joint Ventures and Minority Interests

We form joint ventures in order to gain entry into new markets, facilitate the exchange of technical information, expand our product offerings and broaden our customer base. In particular, we believe that certain joint ventures have provided us, and will continue to provide us, with the opportunity to expand our business relationships with Asian automotive manufacturers. New business with these customers includes seating and electrical products on the Hyundai Sonata/Santa Fe; flooring and acoustic systems, overhead systems and electrical products on the Honda Pilot/Element; and interior trim on the Nissan Maxima. We currently have thirty-one joint ventures located in twelve countries. Thirteen of these joint ventures are consolidated and eighteen are accounted for using the equity method of accounting. Of these joint ventures, eleven operate in North America, thirteen in Asia and seven in Europe. We also have investments accounted for using the cost method of accounting in three additional companies. Net sales of our consolidated joint ventures account for less than 3% of our net sales for the year ended December 31, 2002. Our investments in unconsolidated joint ventures and our cost method investments totaled \$59.1 million and support eleven customers on over twenty programs as of December 31, 2002. See Note 5, “Investments in Affiliates,” to the consolidated financial statements included in this Report for additional information on our joint ventures.

Competition

Within each of our operating segments, we compete with a variety of independent suppliers and automotive manufacturer in-house operations, primarily on the basis of cost, quality, technology, delivery and service. A summary of our primary independent competitors is set forth below.

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- **Seating.** We are one of three primary independent suppliers in the outsourced North American seat systems market. Our primary independent competitors in this market are Johnson Controls and Intier. Our major independent competitors in Western Europe are Johnson Controls and Faurecia.
- **Interior.** We are one of three primary independent suppliers in the outsourced North American flooring and acoustic systems market as well as one of the largest global suppliers of door panels, instrument panels and cockpit systems and overhead systems. Our primary independent competitors in the flooring and acoustic systems market are Collins & Aikman and Rieter Automotive. Our major independent competitors in the outsourced Western European flooring and acoustic systems market include Faurecia, Intier, Radici, Borgers, Rieter Automotive and Treves. Our major independent competitors in the remaining interior markets include Johnson Controls, Intier, Collins & Aikman, Delphi, Visteon, Faurecia and a large number of smaller operations.
- **Electronic and Electrical.** We are one of the leading independent suppliers of automotive electronic and electrical distribution systems in North America and Western Europe. Our major competitors in this market include Delphi, Yazaki and Sumitomo. However, the automotive electronic/electrical products industry remains highly fragmented. Other participants include Tokai Rika, Kostal, Methode, Cherry, Niles, Omron, Delphi, TRW, Alps, Valeo, Siemens VDO, Bosch, Denso and others.

In addition, some of our European competitors have begun to establish a presence in North America.

Seasonality

Our principal operations are directly related to the automotive industry. Consequently, we may experience seasonal fluctuations to the extent automotive vehicle production slows, such as in the summer months when plants close for model year changeovers and vacations. Historically, our sales and operating profit have been the strongest in the second and fourth calendar quarters. See Note 13, "Quarterly Financial Data," to the consolidated financial statements included in this Report.

Employees

As of December 31, 2002, Lear employed approximately 115,000 people worldwide, including approximately 35,000 people in the United States and Canada, 37,000 in Mexico, 34,000 in Europe and 9,000 in other regions of the world. A substantial number of our employees are members of unions. We have collective bargaining agreements with several unions including: the United Auto Workers; the Canadian Auto Workers; UNITE; the International Brotherhood of Teamsters, Chauffeurs, Warehousemen and Helpers of America; and the International Association of Machinists and Aerospace Workers. Virtually all of our unionized facilities in the United States and Canada have a separate contract with the union that represents the workers employed there. Each such contract has an expiration date independent of our other labor contracts. The majority of our European and Mexican employees are members of industrial trade union organizations and confederations within their respective countries. Many of these organizations and confederations operate under national contracts, which are not specific to any one employer. We have occasionally experienced labor disputes at our plants. We have been able to resolve all such labor disputes and believe our relations with our employees are generally good.

See Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations — Forward-Looking Statements" and "— Risk Factors — A significant labor dispute involving us or one or more of our customers or that could otherwise affect our operations could materially reduce our sales and harm our profitability, thereby making it more difficult for us to make payments under our indebtedness and lead to a decline in the value of our common stock."

Backlog

For information regarding our sales backlog, please refer to Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations — Other Matters — Backlog."

Available Information on our Website

Our website address is <http://www.lear.com>. We make available on our website, free of charge, the periodic reports that we file with or furnish to the Securities and Exchange Commission (the "SEC"), as well as all amendments to these reports, as soon as reasonably practicable after such reports are filed with or furnished to the SEC.

ITEM 2 — PROPERTIES

As of December 31, 2002, our operations were conducted through 283 facilities, some of which are used for multiple purposes, including 154 production/manufacturing facilities, 53 just-in-time (“JIT”) manufacturing facilities, 43 administrative/technical support facilities, ten assembly sites, six advanced technology centers and three distribution centers, in 33 countries. The remaining facilities are primarily warehouses. Our world headquarters is located in Southfield, Michigan. Our facilities range in size up to 1,016,000 square feet.

Of the 283 facilities, which include facilities owned by our majority-owned affiliates, 135 are owned and 148 are leased with expiration dates ranging from 2003 through 2021. We believe substantially all of our property and equipment is in good condition and that we have sufficient capacity to meet our current and expected manufacturing and distribution needs. See Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Financial Condition.”

The following table presents the locations of our facilities:

<p>Argentina Escobar, BA Pacheco, BA San Luis, SL Tortuguitas, BA</p> <p>Austria Graz Koeftlach</p> <p>Belgium Genk</p> <p>Brazil Betim Cacapava Camacari Gravatai Juiz de Fora Sao Paulo</p> <p>Canada Ajax, ON Concord, ON Kitchener, ON Mississauga, ON Oakville, ON St. Thomas, ON Whitby, ON Windsor, ON Woodstock, ON</p> <p>China Chongqing Hong Kong Nanchang Shanghai Wuhan</p> <p>Czech Republic Prestice</p> <p>England Basildon, SS Bicester, OX Birmingham, WM Coventry, CV Coventry, WM Liverpool, ME Nottingham, NG Tamworth, ST Tipton, WM</p>	<p>France Cergy Compans Garches Guipry Lagny Le Sec Maisons-Laffitte Maubeuge Meaux Offranville</p> <p>Germany Allershausen- Leonhardsbuch Besigheim Boeblingen Bremen Ebersberg Eisenach Enseldorf Gaimersheim Garching-Hochbruck Ginsheim-Gustavsburg Koln Kronach Munchen Plattling Quakenbruck Rietberg Saarlouis Sulzbach Wackersdorf Wolfsburg Zwiesel</p> <p>Honduras Naco, SB</p> <p>Hungary Godollo Gyoeer Gyongyos Mor</p> <p>India Chennai Halal Nasik New Delhi Thane</p>	<p>Italy Caivano, NA Cassino, FR Grugliasco, TO Melfi, PZ Montelabbate, PS Orbassano, TO Pianfei, CN Pozzo d’Adda, MI Termini Imerese, PA Villastellone, TO</p> <p>Japan Atsugi Hiroshima Tokyo Toyota</p> <p>Mexico Chihuahua, CH Hermosillo, SO Juarez, CH Leon, GO Mexico City, DF Puebla, PU Ramos Arizpe, CO Saltillo, CO Santa Catarina, NL Toluca, MX</p> <p>Netherlands Weesp</p> <p>Philippines LapuLapu City, CE</p> <p>Poland Bielsko-Biala Mielec Plock Swidnica Tychy</p> <p>Portugal Palmela, SL Povoa de Lanhoso, BA Valongo, PO</p> <p>Romania Pitești</p> <p>Russia Nizhny Novgorod</p>	<p>Singapore Singapore</p> <p>Slovakia Lozorno</p> <p>South Africa Brits Buffalo Port Elizabeth Rosslynn Woodbrook</p> <p>South Korea Seoul</p> <p>Spain Almussafes, VA Avila, AV Epila, ZA Logrono, LR Roquetes, TA Valdemoro, MD Valls, TA</p> <p>Sweden Fargelanda Gothenburg Tanumshede Tidaholm Trollhattan</p> <p>Thailand Bangkok Nakornratchasima Rayong</p> <p>Tunisia Bir El Bey</p> <p>Turkey Bursa</p>	<p>United States Allen Park, MI Alma, MI Arlington, TX Atlanta, GA Auburn Hills, MI Berne, IN Bridgeton, MO Carlisle, PA Columbus, OH Covington, VA Dayton, TN Dearborn, MI Detroit, MI Duncan, SC Edinburg, IN El Paso, TX Elsie, MI Fenton, MI Frankfort, IN Fremont, OH Grand Rapids, MI Greencastle, IN Hammond, IN Hazelwood, MO Highland Park, MI Holt, MI Huron, OH Iowa City, IA Ithaca, MI Janesville, WI Lebanon, OH Lebanon, VA Lewistown, PA Lexington, KY Liberty, MO Louisville, KY Madison Heights, MI Madisonville, KY Manteca, CA Marshall, MI Mason, MI Mendon, MI Morristown, TN New Castle, DE Newark, DE Northwood, OH Plymouth, IN Plymouth, MI Pontiac, MI Port Huron, MI Rochester Hills, MI Romulus, MI</p>	<p>United States (Continued) Roscommon, MI Sheboygan, WI Sidney, OH Southfield, MI Strasburg, VA Tampa, FL Taylor, MI Traverse City, MI Troy, MI Walker, MI Warren, MI Warren, OH Wauseon, OH Wentzville, MO Winchester, VA Zanesville, OH</p> <p>Venezuela Valencia</p>
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ITEM 3 — LEGAL PROCEEDINGS

We are involved in certain legal actions and claims arising in the ordinary course of business. We do not believe that any of the litigation in which we are currently engaged, either individually or in the aggregate, will have a material adverse effect on our business, consolidated financial position or results of operations.

We are subject to local, state, federal and foreign laws, regulations and ordinances, which govern activities or operations that may have adverse environmental effects and which impose liability for the costs of cleaning up certain damages resulting from past spills, disposal or other releases of hazardous wastes and environmental compliance. Our policy is to comply with all applicable environmental laws and to maintain procedures to ensure compliance. However, we currently are, have been and in the future may become the subject of formal or informal enforcement actions or procedures. See Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Environmental Matters.”

We have been named as a potentially responsible party at several third-party landfill sites and are engaged in the cleanup of hazardous wastes at certain sites owned, leased or operated by us, including several properties acquired in our 1999 acquisition of United Technologies Automotive (“UT Automotive”). Certain present and former properties of UT Automotive are subject to environmental liabilities which may be significant. We obtained agreements and indemnities with respect to possible environmental liabilities from United Technologies Corporation in connection with our acquisition of UT Automotive. While we do not believe that the environmental liabilities associated with our current and former properties will have a material adverse effect on our business, consolidated financial position or results of future operations, no assurances can be given in this regard.

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

No matters were submitted to a vote of security holders during the fourth quarter of 2002.

SUPPLEMENTARY ITEM — EXECUTIVE OFFICERS OF THE COMPANY

The following table sets forth the names, ages and positions of our executive officers. Each executive officer is elected annually by our Board and serves at the pleasure of our Board.

Name	Age	Position
Shari L. Burgess	44	Vice President and Treasurer
Randall J. Carron	47	Senior Vice President — Asia Pacific Region
Douglas G. DelGrosso	41	President and Chief Operating Officer — Europe, Asia and Africa
William C. Dircks	42	Vice President and Corporate Controller
Roger A. Jackson	56	Senior Vice President — Human Resources
Joseph F. McCarthy	59	Vice President, Secretary and General Counsel
D. William Pumphrey	43	President — DaimlerChrysler Division
Robert E. Rossiter	57	Chairman and Chief Executive Officer
Louis R. Salvatore	47	President — Ford Division
Raymond E. Scott	37	President — General Motors / Fiat Division
Frank B. Sovis	41	President — Interior Systems Division
Donald J. Stebbins	45	President and Chief Operating Officer — Americas
Mel Stephens	47	Vice President — Investor Relations and Corporate Communications
James H. Vandenberghe	53	Vice Chairman
David C. Wajsgas	43	Senior Vice President and Chief Financial Officer
Paul Joseph Zimmer	44	President — Seating Systems Division

Set forth below is a description of the business experience of each of our executive officers.

Shari L. Burgess

Ms. Burgess is our Vice President and Treasurer, a position she has held since August 2002. Previously, she served as our Assistant Treasurer since July 2000 and in various senior financial positions since November 1992.

Randall J. Carron

Mr. Carron is our Senior Vice President — Asia Pacific Region, a position he has held since March 2002. Previously, he was our Senior Vice President — Customer Focus Group since October 2000,

our Senior Vice President and President — International Operations since May 1999, our Vice President and President — APO and ISG Operations (Europe) since December 1998, our President — Far Eastern Operations since May 1997, our Vice President Operations — GM Division since April 1997 and our Vice President Sales — GM Division since November 1995.

Douglas G. DelGrosso

Mr. DelGrosso is our President and Chief Operating Officer — Europe, Asia and Africa, a position he has held since August 2002. Previously, he was our Executive Vice President — International since September 2001, our Senior Vice President — Product Focus Group since October 2000, our Senior Vice President and President — North American and South American Operations since May 1999, our Senior Vice President — Interior Systems Group and Seat Trim Division since January 1999, our Vice President and President — GM Division since May 1997 and our Vice President and President — Chrysler Division since December 1995.

William C. Dircks

Mr. Dircks is our Vice President and Corporate Controller, a position he has held since May 2002. Previously, he was our Assistant Corporate Controller since May 2000. Prior to joining Lear, Mr. Dircks was employed in various senior financial positions at Honeywell International Inc., including Corporate Finance Director for Enterprise Resource Planning.

Roger A. Jackson

Mr. Jackson is our Senior Vice President — Human Resources, a position he has held since October 1995. Previously, he served as Vice President — Human Resources for Allen Bradley, a wholly-owned subsidiary of Rockwell International, since 1991. Mr. Jackson was employed by Rockwell International or one of its subsidiaries from December 1977 until September 1995.

Joseph F. McCarthy

Mr. McCarthy is our Vice President, Secretary and General Counsel, a position that he has held since April 1994. Previously, he served as Vice President — Legal and Secretary for both Hayes Lemmerz International, Inc. (f/k/a Hayes Wheels International, Inc.) and Kelsey-Hayes Company.

D. William Pumphrey

Mr. Pumphrey is our President — DaimlerChrysler Division, a position that he has held since February 2003. Previously, he was our President — Ford Division Europe since May 2002, our President - Electronic and Electrical Division since August 1999 and our Vice President — Sales and Marketing for our Chrysler Division since May 1999. Prior to May 1999, Mr. Pumphrey worked for United Technologies Automotive in various positions, including Manager of Business Strategy and Development, Program Manager and Vice President of the DaimlerChrysler Customer Team since October 1991.

Robert E. Rossiter

Mr. Rossiter is our Chairman and Chief Executive Officer, a position he has held since January 2003. Mr. Rossiter has served as our Chief Executive Officer from October 2000 until the present, as our President from 1984 until December 2002 and as our Chief Operating Officer from 1988 until April 1997 and from November 1998 until October 2000. Mr. Rossiter also served as our Chief Operating Officer — International Operations from April 1997 until November 1998. Mr. Rossiter has been a director of Lear since 1988. Mr. Rossiter also serves on the Michigan Minority Business Development Council as Vice Chairman.

Louis R. Salvatore

Mr. Salvatore is our President — Ford Division, a position he has held since October 2000. Previously, he was our Vice President and President — DaimlerChrysler Division since November 1998 and our Vice President Global Purchasing since September 1996. Mr. Salvatore served as Vice President of Procurement for MTD Products, Inc. for two years and as a director for Ford Motor Company for fourteen years.

Raymond E. Scott

Mr. Scott is our President — General Motors /Fiat Division, a position he has held since November 2000. He has been with Lear since 1988 in such positions as President — GM Europe since February 2000, Vice President and General Manager — GM Europe since September 1999, Vice President of Operations -Saab since May 1998 and Director of Sales — GM Division since April 1996.

Frank B. Sovis

Mr. Sovis is our President — Interior Systems Division, a position he has held since February 2000. Previously, he has served as our Vice President — North American Operations — Interior Systems Group since January 1999, our President — Interior Systems Group — Hard Trim Division since June

1998, our Vice President — Finance — General Motors Division since January 1996 and as our Comptroller — General Motors Division since August 1993.

Donald J. Stebbins

Mr. Stebbins is our President and Chief Operating Officer — Americas, a position he has held since August 2002. Previously, he was our Executive Vice President — Americas since September 2001, our Senior Vice President and Chief Financial Officer since April 1997 and our Vice President and Treasurer since 1992.

Mel Stephens

Mr. Stephens is our Vice President — Investor Relations and Corporate Communications, a position he has held since January 2002. Prior to joining Lear, Mr. Stephens worked for Ford Motor Company for 23 years, where he held leadership positions in Finance, Strategic & Business Planning, Corporate Communications and Investor Relations, including Director of Investor Relations, immediately prior to joining Lear. He currently serves on the Board of Directors for The Automotive Hall of Fame, The Harvard Group, Trinity Golf, Inc. and Fife Oil Company as well as on the Board of Advisors for NCR Corporation.

James H. Vandenberghe

Mr. Vandenberghe is our Vice Chairman, a position he has held since November 1998. Previously, he served as our President and Chief Operating Officer — North American Operations from April 1997 until November 1998, our Chief Financial Officer from 1988 until April 1997 and as our Executive Vice President from 1993 until April 1997. Mr. Vandenberghe has been a director of Lear since 1995. Mr. Vandenberghe is also a director of Covisint, L.L.C.

David C. Wajsgras

Mr. Wajsgras is our Senior Vice President and Chief Financial Officer, a position he has held since January 2002. Previously, he was our Vice President and Corporate Controller since September 1999. Prior to joining Lear, Mr. Wajsgras served as Corporate Controller of Engelhard Corporation from September 1997 until August 1999 and was employed in various senior financial positions at AlliedSignal Inc. (now, Honeywell International Inc.), including Chief Financial Officer of the Global Shared Services organization from March 1992 until September 1997.

Paul Joseph Zimmer

Mr. Zimmer is our President — Seating Systems Division, a position he has held since October 2000. Previously, he was our Vice President and President — GM Division since November 1998, our Vice President — GM North American Operations since May 1998, our Vice President — GM Truck Operations since April 1997 and our Director GMTG Operations — GM Division since May 1996.

PART II**ITEM 5 — MARKET FOR THE COMPANY'S COMMON STOCK AND RELATED STOCKHOLDER MATTERS**

Lear's Common Stock is listed on the New York Stock Exchange under the symbol "LEA." The Transfer Agent and Registrar for Lear's Common Stock is The Bank of New York, located in New York, New York. On February 28, 2003, there were 1,018 holders of record of Lear's Common Stock.

To date, we have never paid a cash dividend on our Common Stock. Any payment of dividends in the future is dependent upon our financial condition, capital requirements, earnings and other factors. Also, we are subject to the restrictions on the payment of dividends contained in our primary credit facilities and in certain other contractual obligations. See Note 7, "Long-Term Debt," to the consolidated financial statements included in this Report.

In February 2002, we issued \$640 million aggregate principal amount at maturity of zero-coupon convertible senior notes due 2022 in a private offering, yielding gross proceeds of \$250 million. Each \$1,000 principal amount of notes at maturity is convertible into 7.5204 shares of our common stock, subject to adjustment, under certain circumstances. See Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Financial Condition" and Note 7, "Long-Term Debt," to the consolidated financial statements included in this Report.

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

For the year ended December 31, 2002:	Price Range of Common Stock	
	High	Low
4th Quarter	\$41.65	\$33.15
3rd Quarter	\$49.09	\$37.92
2nd Quarter	\$52.49	\$42.27
1st Quarter	\$50.50	\$35.52

For the year ended December 31, 2001:	Price Range of Common Stock	
	High	Low
4th Quarter	\$38.20	\$26.52
3rd Quarter	\$42.14	\$24.42
2nd Quarter	\$38.50	\$28.40
1st Quarter	\$34.70	\$24.50

ITEM 6 — SELECTED FINANCIAL DATA

The following income statement and balance sheet data were derived from our consolidated financial statements. Our consolidated financial statements for the year ended December 31, 2002 have been audited by Ernst & Young LLP. Our consolidated financial statements for the years ended December 31, 2001, 2000, 1999 and 1998 have been audited by Arthur Andersen LLP. The selected financial data below should be read in conjunction with our consolidated financial statements and the notes thereto and Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," included in this Report. For a discussion of the risks relating to Arthur Andersen LLP's audit of our financial statements, please see Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations — Risk Factors — Risks relating to Arthur Andersen LLP."

For the year ended December 31,	2002	2001(1)	2000(2)	1999(3)	1998(4)
(In millions(5))					
Operating Data:					
Net sales	\$ 14,424.6	\$ 13,624.7	\$ 14,072.8	\$ 12,428.8	\$ 9,059.4
Gross profit	1,260.3	1,034.8	1,450.1	1,269.2	861.4
Selling, general and administrative expenses	517.2	514.2	524.8	483.7	337.0
Restructuring and other charges (credits)	—	—	—	(4.4)	133.0
Amortization of goodwill	—	90.2	89.9	76.6	49.2
Interest expense	210.5	254.7	316.2	235.1	110.5
Other expense, net(6)	64.1	85.8	47.2	47.1	22.3
Income before income taxes and cumulative effect of a change in accounting principle	468.5	89.9	472.0	431.1	209.4
Income taxes	157.0	63.6	197.3	174.0	93.9
Income before cumulative effect of a change in accounting principle	311.5	26.3	274.7	257.1	115.5
Cumulative effect of a change in accounting principle, net of tax(7)	298.5	—	—	—	—
Net income	\$ 13.0	\$ 26.3	\$ 274.7	\$ 257.1	\$ 115.5
Basic net income per share	\$ 0.20	\$ 0.41	\$ 4.21	\$ 3.84	\$ 1.73
Diluted net income per share	\$ 0.19	\$ 0.40	\$ 4.17	\$ 3.80	\$ 1.70
Actual shares outstanding	65,737,658	64,253,337	63,554,352	66,599,500	66,684,084
Weighted average shares outstanding(8)	67,057,139	65,305,034	65,840,964	67,743,152	68,023,375
Balance Sheet Data:					
Current assets	\$ 2,507.7	\$ 2,366.8	\$ 2,828.0	\$ 3,154.2	\$ 2,198.0
Total assets	7,483.0	7,579.2	8,375.5	8,717.6	5,677.3
Current liabilities	3,045.2	3,182.8	3,371.6	3,487.4	2,497.5
Long-term debt	2,132.8	2,293.9	2,852.1	3,324.8	1,463.4
Stockholders' equity	1,662.3	1,559.1	1,600.8	1,465.3	1,300.0
Other Data:					
EBITDA(9)	\$ 1,044.1	\$ 822.6	\$ 1,227.6	\$ 1,054.2	\$ 561.9
Ratio of EBITDA to interest expense	5.0x	3.2x	3.9x	4.5x	5.1x
Ratio of earnings to fixed charges(10)	3.0x	1.4x	2.4x	2.8x	2.7x
Cash flows from operating activities	\$ 545.1	\$ 829.8	\$ 753.1	\$ 560.3	\$ 285.4
Cash flows from investing activities	\$ (259.3)	\$ (201.1)	\$ (225.1)	\$ (2,538.2)	\$ (677.8)
Cash flows from financing activities	\$ (295.8)	\$ (645.5)	\$ (523.8)	\$ 2,038.0	\$ 383.8
Capital expenditures	\$ 272.6	\$ 267.0	\$ 322.3	\$ 391.4	\$ 351.4
Employees at year end	114,694	113,577	121,636	121,102	65,316
Number of facilities(11)	283	309	335	330	206
North American content per vehicle(12)	\$ 577	\$ 572	\$ 553	\$ 478	\$ 369
North American vehicle production(13)	16.4	15.5	17.2	17.0	15.5
Western European content per vehicle(14)	\$ 262	\$ 240	\$ 235	\$ 227	\$ 176
Western European vehicle production(15)	16.1	16.7	16.3	16.1	15.8
South American content per vehicle(16)	\$ 82	\$ 99	\$ 102	\$ 101	\$ 134
South American vehicle production(17)	1.8	2.0	1.9	1.6	2.0

(1) Results include the effect of the \$149.2 million restructuring and other charges (\$110.2 million after tax), the \$90.2 million goodwill amortization (\$83.2 million after tax), the \$13.0 million premium and write-off of deferred financing fees related to the prepayment of debt (\$7.9 million after tax) and the \$15.0 million net loss on the sale of certain businesses and other non-recurring transactions (\$15.7 million after tax).

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- (2) Results include the \$89.9 million goodwill amortization (\$82.9 million after tax) and the effect of the \$3.2 million net gain on the sale of the sealants and foam rubber business, the sale of certain foreign businesses and other non-recurring transactions (\$1.9 million loss after tax).
- (3) Results include the effect of the \$4.4 million restructuring and other credits (\$2.6 million after tax) and the \$76.6 million goodwill amortization (\$69.8 million after tax).
- (4) Results include the effect of the \$133.0 million restructuring and other charges (\$92.5 million after tax) and the \$49.2 million goodwill amortization (\$45.5 million after tax).
- (5) Except per share data, actual and weighted average shares outstanding, employees at year end, number of facilities, North American content per vehicle, Western European content per vehicle and South American content per vehicle.
- (6) Consists of foreign currency exchange, minority interests in consolidated subsidiaries, equity in net (income) loss of affiliates, state and local taxes and other expense.
- (7) The cumulative effect of a change in accounting principle results from goodwill impairment charges recorded in conjunction with the adoption of Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets."
- (8) Weighted average shares outstanding is calculated on a diluted basis.
- (9) "EBITDA" is operating income plus depreciation and amortization. We believe that the operating performance of companies in our industry is measured, in part, by their ability to generate EBITDA. In addition, we use EBITDA as an indicator of our operating performance and as a measure of our cash generating capabilities. EBITDA does not represent and should not be considered as an alternative to net income, operating income, net cash provided by operating activities or any other measure for determining operating performance or liquidity that is calculated in accordance with generally accepted accounting principles. Further, EBITDA, as we calculate it, may not be comparable to calculations of similarly-titled measures by other companies. A reconciliation of gross profit (defined as net sales less cost of sales) from our consolidated statements of income to EBITDA is shown below:

For the year ended December 31,	2002	2001	2000	1999	1998
Gross profit	\$1,260.3	\$1,034.8	\$1,450.1	\$1,269.2	\$861.4
Less: Selling, general and administrative expenses	517.2	514.2	524.8	483.7	337.0
Restructuring and other charges (credits)	—	—	—	(4.4)	133.0
Add: Depreciation	301.0	302.0	302.3	264.3	170.5
EBITDA	\$1,044.1	\$ 822.6	\$1,227.6	\$1,054.2	\$561.9

- (10) "Fixed charges" consist of interest on debt, amortization of deferred financing fees and that portion of rental expenses representative of interest (deemed to be one-third of rental expenses). "Earnings" consist of income before income taxes, fixed charges, undistributed earnings and minority interests.
- (11) Includes facilities operated by our majority-owned affiliates.
- (12) "North American content per vehicle" is our net sales in North America divided by estimated total North American vehicle production. Content per vehicle data excludes business conducted through non-consolidated joint ventures. Content per vehicle data for 2001 has been updated to reflect actual production levels.
- (13) "North American vehicle production" includes car and light truck production in the United States, Canada and Mexico estimated from industry sources.
- (14) "Western European content per vehicle" is our net sales in Western Europe divided by estimated total Western European vehicle production. Content per vehicle data excludes business conducted through non-consolidated joint ventures. Content per vehicle data for 2001 has been updated to reflect actual production levels.
- (15) "Western European vehicle production" includes car and light truck production in Austria, Belgium, France, Germany, Italy, The Netherlands, Portugal, Spain, Sweden and the United Kingdom estimated from industry sources.
- (16) "South American content per vehicle" is our net sales in South America divided by estimated total South American vehicle production. Content per vehicle data excludes business conducted through non-consolidated joint ventures. Content per vehicle data for 2001 has been updated to reflect actual production levels.
- (17) "South American vehicle production" includes car and light truck production in Argentina, Brazil and Venezuela estimated from industry sources.

**ITEM 7 — MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS**

Overview

We are the world's largest automotive interior systems supplier based on net sales. Our net sales have grown from \$7.3 billion for the year ended December 31, 1997 to \$14.4 billion for the year ended December 31, 2002. The major sources of this growth have been new program awards and the implementation of a strategic acquisition plan to capitalize on supplier consolidation and globalization trends in the automotive industry. Our acquisitions account for approximately two-thirds of our net sales growth over the past five years. Our customers are the major automotive manufacturers, including General Motors, Ford, DaimlerChrysler, BMW, Fiat, Volkswagen, PSA, Renault/Nissan, Toyota and Subaru.

Our operations are directly related to automotive vehicle production. Automotive sales and production are cyclical and can be affected by numerous factors, including general economic conditions, labor relations issues and regulatory factors. In 2002, automotive production increased in North America and declined in Western Europe as compared to 2001. In 2003, automotive production is currently expected to decline approximately 2% in North America and to remain constant in Western Europe, although actual production levels may be influenced by numerous factors.

In addition to overall automotive vehicle production, our operating results are significantly impacted by the commercial success of the vehicle platforms for which we supply products and the market share of our customers. General Motors and Ford and their respective affiliates accounted for approximately 60% of our net sales in 2002. A loss of significant business from General Motors or Ford, or a decrease in business with respect to a significant automobile model, could materially and negatively affect our operating results. In addition, production levels at Fiat, which accounted for approximately 4% of our net sales in 2002, declined approximately 20% in the second half of 2002 versus a year earlier, with this trend continuing in the first half of 2003. The decline in production levels at Fiat adversely affects our operating results.

Moreover, our customers require us to reduce costs while at the same time assuming greater responsibility for the design, development, engineering and integration of interior products. Our profitability is dependent on our ability to implement product cost reductions in either our processes or those of our customers or to obtain similar reductions from our suppliers. Our profitability is also dependent on our ability to efficiently control program launch costs as well as changes in the timing of program launches.

For a more detailed description of other factors that have had, or may in the future have, a significant impact on our business, results of operations or financial condition, please refer to " — Forward-Looking Statements" and " — Risk Factors."

Results of Operations

Year Ended December 31, 2002 Compared With Year Ended December 31, 2001

Net sales for the year ended December 31, 2002 were \$14.4 billion as compared to \$13.6 billion for the year ended December 31, 2001, an increase of \$800 million or 5.9%. New business, increased production volumes on existing programs, net of selling price reductions, in North America and foreign exchange rate fluctuations favorably impacted net sales by \$752 million, \$560 million and \$42 million, respectively. These increases were partially offset by the negative impact of production and platform mix, lower production volumes and selling price reductions in Western Europe and South America and the effect of our earlier period divestitures, which negatively impacted net sales by \$224 million, \$175 million, \$127 million and \$29 million, respectively.

Gross profit and gross margin were \$1.3 billion and 8.7% in 2002 as compared to \$1.0 billion and 7.6% in 2001. In 2001, we began to implement a restructuring plan to consolidate our operations and align our capacity and operations with existing market conditions. As a result of this restructuring plan, we recorded charges of \$149 million, including \$141 million recorded as cost of sales (see

" — Restructurings"). Excluding the impact of restructuring charges, gross profit and gross margin were \$1.2 billion and 8.7% in 2001. New business and increased production volumes on existing programs, net of selling price reductions, in North America favorably impacted gross profit by \$43 million and \$90 million, respectively. These increases were partially offset by the impact of production and platform mix and decreased production volumes and selling price reductions in Western Europe and South America, which collectively reduced gross profit by \$67 million. Gross profit was also favorably impacted by improved plant performance and negatively impacted by several European program launches.

Selling, general and administrative expenses, including research and development, were \$517 million for the year ended December 31, 2002 as compared to \$514 million for the year ended December 31, 2001. As a percentage of net sales, selling, general and administrative expenses were 3.6% in the current year and 3.8% in the prior year. Excluding the impact of restructuring charges, selling, general and administrative expenses were \$506 million and 3.7% as a percentage of net sales in

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2001. A decrease in administrative costs was offset by the impact of our expanded marketing efforts related to the Asian automotive manufacturers in 2002.

Research and development costs incurred in connection with the development of new products and manufacturing methods, to the extent not recoverable from the customer, are charged to selling, general and administrative expenses as incurred. Such costs declined to \$176 million in 2002 from \$199 million in 2001, partially due to the global consolidation of our engineering centers. In addition, we capitalized \$117 million and \$95 million of pre-production engineering, research and development costs which are recoverable from the customer for the years ended December 31, 2002 and 2001.

Cost of sales and selling, general and administrative expenses for the year ended December 31, 2001 each included net severance costs of \$5 million related to actions to reduce our cost base, which were completed during 2001. Approximately 4,800 employees in our worldwide workforce were terminated during this period.

Interest expense was \$211 million in 2002 as compared to \$255 million in 2001. Our reduced debt balance and lower interest rates favorably impacted interest expense by \$31 million and \$17 million, respectively.

Other expense, which includes state and local taxes, foreign currency exchange and other non-operating expenses, was \$52 million in the current year as compared to \$78 million in the prior year. During 2001, we recorded a net gain of \$1 million related to the sales of our Spanish wire business, a plastics molding facility, an interior acoustics facility and the metal seat frame portion of a facility as well as a loss of \$3 million related to the write-down of certain other assets to net realizable value. In addition, during 2001, we recorded a redemption premium and a write-off of deferred financing fees totaling \$13 million related to our 9.50% subordinated notes due 2006 and our prior credit facility and recognized a discount of \$16 million, of which \$3 million was non-recurring, related to the transfer of accounts receivable under an asset-backed securitization facility (the "ABS facility"). Excluding these non-recurring transactions, other expense would have been \$60 million for the year ended December 31, 2001.

The provision for income taxes was \$157 million, representing an effective tax rate of 33.5%, for the year ended December 31, 2002 as compared to \$64 million, representing an effective tax rate of 70.7%, for the year ended December 31, 2001. The effective rate for 2002 and 2001 approximated the United States Federal statutory income tax rate of 35% adjusted for income taxes on foreign earnings, losses and remittances, valuation adjustments, research and development credits and other items. For more information relating to income taxes, see Note 8, "Income Taxes," to the consolidated financial statements included in this Report.

Net income was \$13 million, or \$0.19 per diluted share, for the year ended December 31, 2002 as compared to \$26 million, or \$0.40 per diluted share, for the year ended December 31, 2001. On January 1, 2002, we adopted SFAS No. 142, under which goodwill is no longer amortized but is subject to annual impairment analysis. As a result of our initial impairment analysis, we recorded impairment charges of \$311 million (\$299 million after tax) as of January 1, 2002. Excluding these charges, net income in 2002 would have been \$312 million, or \$4.65 per diluted share. In addition, had we discontinued the amortization of goodwill on January 1, 2001, net income in 2001 would have been \$110 million, or \$1.68 per diluted share.

Reportable Operating Segments

Certain of the financial information presented below is for our three reportable operating segments for the periods presented. These segments are: seating, which includes seat systems and the components thereof; interior, which includes flooring and acoustic systems, door panels, instrument panels and cockpit systems, overhead systems and other interior products; and electronic and electrical, which includes electronic and electrical distribution systems, primarily wire harnesses, wireless systems and interior control systems. Information regarding each segment's operating income before amortization and operating margin before amortization are presented because management uses these measures internally to assess operating performance. However, these measures should not be used as substitutes for measures of operating performance calculated in accordance with generally accepted accounting principles.

Seating -

Seating net sales were \$9.9 billion for the year ended December 31, 2002 as compared to \$9.3 billion for the year ended December 31, 2001, an increase of \$565 million or 6.1%. New business and increased production volumes on existing programs, net of selling price reductions, favorably impacted net sales by \$536 million. Operating income before amortization and operating margin before amortization were \$568 million and 5.8% for 2002 as compared to \$454 million and 4.9% for 2001. New business and increased production volumes, net of selling price reductions, contributed \$57 million to the increase in operating income before amortization. Operating income before amortization also benefited from improved plant performance by \$56 million.

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Interior -

Interior net sales were \$2.6 billion for the year ended December 31, 2002 as compared to \$2.4 billion for the year ended December 31, 2001, an increase of \$118 million or 4.8%. New business and increased production volumes on existing programs, net of selling price reductions, favorably impacted net sales by \$137 million. The effect of our divestitures negatively impacted net sales by \$29 million. Operating income before amortization and operating margin before amortization were \$140 million and 5.5% in 2002 and \$205 million and 8.4% in 2001. Lower product pricing was partially offset by both new business and increased production volumes on existing programs, which contributed \$17 million to the decline in operating income before amortization. European program launches, which negatively impacted operating income before amortization by \$25 million, as well as lower than anticipated or delayed customer production, the implementation of new technologies and continuing commercial challenges with some products also contributed to the year over year decline. Operating income before amortization was further impacted by increased raw material costs.

Electronic and Electrical -

Electronic and electrical net sales were \$2.0 billion for the year ended December 31, 2002 as compared to \$1.9 billion for the year ended December 31, 2001, an increase of \$120 million or 6.3%. New business and increased production volumes on existing programs, net of selling price reductions, favorably impacted net sales by \$113 million. Operating income before amortization and operating margin before amortization were \$232 million and 11.5% for 2002 as compared to \$174 million and 9.2% for 2001. New business and increased production volumes, net of selling price reductions, contributed \$26 million to the increase in operating income before amortization. Operating income before amortization also benefited from improved plant performance.

Year Ended December 31, 2001 Compared With Year Ended December 31, 2000

Net sales for the year ended December 31, 2001 were \$13.6 billion as compared to \$14.1 billion for the year ended December 31, 2000, a decrease of \$448 million or 3.2%. Lower global production volumes on existing programs, foreign exchange rate fluctuations and the effect of our divestitures negatively impacted net sales by approximately \$1.0 billion, \$0.3 billion and \$0.1 billion, respectively. Selling price reductions also contributed to the decline in net sales. These factors were partially offset by new business.

Gross profit and gross margin were \$1.0 billion and 7.6% in 2001 as compared to \$1.5 billion and 10.3% in 2000. Excluding the impact of restructuring charges, gross profit and gross margin were \$1.2 billion and 8.7% in 2001. The decrease is primarily the result of lower global production volumes and our divestitures, which contributed approximately \$234 million and \$31 million, respectively, to the decline in gross profit. Selling price reductions, to the extent not offset by cost reductions, also contributed to the decline in gross profit.

Selling, general and administrative expenses, including research and development, were \$514 million for the year ended December 31, 2001 as compared to \$525 million for the year ended December 31, 2000. As a percentage of net sales, selling, general and administrative expenses were 3.8% in 2001 as compared to 3.7% in 2000. Excluding the impact of restructuring charges, selling, general and administrative expenses were \$506 million and 3.7% as a percentage of net sales in 2001.

Research and development costs incurred in connection with the development of new products and manufacturing methods, to the extent not recoverable from the customer, are charged to selling, general and administrative expenses as incurred. Such costs amounted to \$199 million and \$209 million for the years ended December 31, 2001 and 2000, respectively.

Cost of sales and selling, general and administrative expenses for the year ended December 31, 2001 each included net severance costs of \$5 million related to actions to reduce our cost base, which were completed during 2001. Approximately 4,800 employees in our worldwide workforce were terminated during this period.

Interest expense was \$255 million in 2001 as compared to \$316 million in 2000. Our reduced debt balance, lower interest rates and the ABS facility favorably impacted interest expense by \$23 million, \$17 million and \$15 million, respectively.

Other expense, which includes state and local taxes, foreign currency exchange and other non-operating expenses, was \$78 million for the year ended December 31, 2001 as compared to \$35 million for the year ended December 31, 2000. During 2001, we recorded a net gain of \$1 million related to the sales of our Spanish wire business, a plastics molding facility, an interior acoustics facility and the metal seat frame portion of a facility as well as a loss of \$3 million related to the write-down of certain other assets to net realizable value. In addition, during 2001, we recorded a redemption premium and a write-off of deferred financing fees totaling \$13 million related to our 9.50% subordinated notes due 2006 and our prior credit facility and recognized a discount of \$16 million, of which \$3 million was non-recurring, related to the transfer of accounts receivable under the ABS facility. Excluding these non-recurring transactions, other expense would have been \$60 million for the year ended December 31, 2001. During 2000, we recorded a net gain of \$17 million related to the sales of our sealants and foam rubber

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business and four plastic and metal manufacturing facilities as well as non-recurring expenses, including the disposal of idle equipment, of \$14 million. Excluding these non-recurring transactions, other expense would have been \$38 million for the year ended December 31, 2000. On an adjusted basis, the increase in other expense was primarily due to a recurring discount of approximately \$13 million related to the transfer of accounts receivable under the ABS facility and an increase in foreign currency exchange losses.

The provision for income taxes was \$64 million, representing an effective tax rate of 70.7%, for the year ended December 31, 2001 as compared to \$197 million, representing an effective tax rate of 41.8%, for the year ended December 31, 2000. The effective rate for 2001 and 2000 approximated the United States Federal statutory income tax rate of 35% adjusted for income taxes on foreign earnings, losses and remittances, valuation adjustments, amortization of goodwill, research and development credits and other items. For more information relating to income taxes, see Note 8, "Income Taxes," to the consolidated financial statements included in this Report.

Net income for the year ended December 31, 2001 was \$26 million, or \$0.40 per diluted share, as compared to \$275 million, or \$4.17 per diluted share, for the year ended December 31, 2000.

Reportable Operating Segments

Seating -

Seating net sales were \$9.3 billion for the year ended December 31, 2001 as compared to \$9.1 billion for the year ended December 31, 2000, an increase of \$0.2 billion or 1.7%. Lower global production volumes on existing customer programs reduced net sales by \$0.5 billion. This decrease was more than offset by new business. Operating income before amortization and operating margin before amortization were \$454 million and 4.9% for 2001 as compared to \$495 million and 5.4% for 2000. These decreases were primarily the result of lower customer requirements and production shutdowns affecting existing programs, which accounted for a \$91 million decline in operating income before amortization, and the effect of our divestitures, which contributed an additional \$10 million. These decreases were partially offset by new business.

Interior -

Interior net sales were \$2.4 billion for the year ended December 31, 2001 as compared to \$2.8 billion for the year ended December 31, 2000, a decrease of 12.4%. This decrease was primarily due to lower global production volumes on existing customer programs, which negatively impacted net sales by \$0.2 billion, and the effect of our divestitures, which negatively impacted net sales by \$0.1 billion. Operating income before amortization and operating margin before amortization were \$205 million and 8.4% in 2001 and \$315 million and 11.3% in 2000. These decreases were primarily the result of lower customer requirements and production shutdowns affecting existing programs, which accounted for a \$71 million decline in operating income before amortization, and the effect of our divestitures, which contributed an additional \$15 million.

Electronic and Electrical -

Electronic and electrical net sales were \$1.9 billion for the year ended December 31, 2001 as compared to \$2.2 billion for the year ended December 31, 2000, a decrease of \$0.3 billion or 11.7%. This decrease was primarily attributable to lower global production volumes on existing customer programs, which reduced net sales by \$0.3 billion. Operating income before amortization and operating margin before amortization were \$174 million and 9.2% for 2001 as compared to \$266 million and 12.4% for 2000. These decreases were primarily the result of lower customer requirements and production shutdowns affecting existing programs, which accounted for a \$72 million decline in operating income before amortization, and the effect of our divestitures, which contributed an additional \$6 million.

Restructurings

In order to better align our operations and capacity in response to reductions in global automotive production volumes, in the fourth quarter of 2001, we began to implement a restructuring plan. This restructuring plan was designed to consolidate certain operations and to improve overall efficiencies and our long-term competitive position. As a result of this restructuring plan, we recorded pre-tax charges of \$149 million in the fourth quarter of 2001, including \$141 million recorded as cost of sales and \$8 million recorded as selling, general and administrative expenses. Significant activities included in the restructuring plan are as follows:

- Consolidation of North and South American regions. We have implemented a plan to consolidate certain manufacturing and administrative functions in North and South America. The plan included the closure of ten manufacturing and three warehouse facilities in North America and three manufacturing facilities in South America. The charges consisted of severance costs of \$32 million for 3,491 employees notified prior to December 31, 2001, asset impairment charges of \$24 million, lease cancellation costs of \$6 million and other facility closure costs of \$3 million.

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We also implemented a plan to consolidate certain administrative functions and to reduce the U.S. salaried workforce. We recorded a charge of \$6 million for severance costs for 229 employees notified prior to December 31, 2001.

- Consolidation of European and Rest of World regions. We have implemented a plan to consolidate certain manufacturing and administrative functions in Europe and Rest of World. The plan included the closure of five manufacturing facilities. The charges consisted of severance costs of \$26 million for 4,290 employees notified prior to December 31, 2001, asset impairment charges of \$27 million and other facility closure costs of \$7 million.

In addition, we recorded a charge of \$15 million for severance costs for 1,506 employees in one country under SFAS No. 112, "Employers' Accounting for Postemployment Benefits," related to the minimum aggregate severance payments to be made in accordance with statutory requirements.

We also implemented a plan to consolidate certain administrative functions and to reduce the European salaried workforce. We recorded a charge of \$3 million for severance costs for 70 employees notified prior to December 31, 2001.

As of December 31, 2002, there were no significant changes to the original restructuring plan, and the plan was substantially complete. As of this date, there were three facilities which remained to be closed and approximately 600 employees yet to be terminated. These remaining actions are expected to be completed in 2003.

In 2002, the savings realized as a result of the restructuring plan were substantially offset by the related implementation and period costs. Beginning in 2003, we expect to realize between \$55 million and \$60 million per year in savings as a result of the restructuring plan.

For more information relating to the restructuring charges described above, see Note 4, "Restructuring Plan," to the consolidated financial statements included in this Report.

Liquidity and Financial Condition

Our primary liquidity needs are to fund capital expenditures, service indebtedness and support working capital requirements. Our principle sources of liquidity are cash flows from operating activities and borrowing availability under our primary credit facilities. A substantial portion of our operating income is generated by our subsidiaries. As a result, we are dependent on the earnings and cash flows of and the dividends, distributions or advances from our subsidiaries to provide the funds necessary to meet our obligations. There are no significant restrictions on the ability of our subsidiaries to pay dividends or make other distributions to Lear.

Cash Flow

Operating activities generated \$545 million of cash in 2002 as compared to \$830 million of cash in 2001. Excluding the net change in accounts receivable sold through the ABS facility and factoring arrangements, operating activities were a source of \$667 million of cash in 2002 as compared to \$585 million of cash in 2001. This increase is primarily the result of income before cumulative effect of a change in accounting principle, which improved by \$285 million between periods. This improvement was partially offset by a \$90 million decrease in amortization expense related to the implementation of SFAS No. 142. Excluding the impact of the net change in sold accounts receivable and the impact of foreign exchange rate fluctuations, accounts receivable decreased by \$118 million between periods, primarily due to improved collections offset by the impact of increased volumes. Excluding the impact of foreign exchange rate fluctuations, accounts payable decreased by \$171 million between periods, primarily due to the timing of payments offset by the impact of increased volumes.

Investing activities resulted in cash usage of \$259 million in 2002 as compared to \$201 million in 2001. This increase is primarily the result of a decline in net proceeds from disposition of businesses and other assets, which generated \$51 million of cash in 2001. Capital expenditures were \$273 million in 2002 as compared to \$267 million in 2001. We anticipate capital expenditures in 2003 of approximately \$300 million.

Financing activities resulted in cash usage of \$296 million in 2002 as compared to \$646 million in 2001. This decrease is primarily due to reduced payments under our primary credit facilities as a result of lower utilization of the ABS facility. This decrease is also the result of proceeds from the exercise of stock options, which generated an additional \$37 million of cash in 2002 as compared to 2001, and the change in drafts, which generated \$20 million of cash in 2002 and used \$71 million of cash in 2001.

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Capitalization

We utilize a combination of committed credit facilities and long-term notes to fund our capital expenditures and base working capital requirements. For the years ended December 31, 2002 and 2001, our average outstanding long-term debt balances, as of the end of each fiscal quarter, were \$2.2 billion and \$2.6 billion, respectively. Weighted average long-term interest rates, including rates under our committed credit facilities and the effect of hedging activities, were 6.8% and 7.2% for the respective periods.

We also utilize uncommitted lines of credit to satisfy a portion of our short-term working capital requirements. For the years ended December 31, 2002 and 2001, our average outstanding unsecured short-term debt balances were \$44 million and \$40 million, respectively. Weighted average interest rates on the outstanding borrowings were 3.6% and 6.3% for the respective periods.

In February 2002, we issued \$640 million aggregate principal amount at maturity of zero-coupon convertible senior notes due 2022, yielding gross proceeds of approximately \$250 million. The notes are unsecured and rank equally with our other unsecured senior indebtedness, including our other senior notes. Each note of \$1,000 principal amount at maturity was issued at a price of \$391.06, representing a yield to maturity of 4.75%. Holders of the notes may convert their notes at any time on or before the maturity date at a conversion rate, subject to adjustment, of 7.5204 shares of our common stock per note, provided that the average per share price of our common stock for the 20 trading days immediately prior to the conversion date is at least a specified percentage, beginning at 120% and declining 1/2% each year thereafter to 110% at maturity, of the accreted value of the note, divided by the conversion rate. The notes are also convertible (1) if the long-term credit rating assigned to the notes by either Moody's Investors Service, Inc. or Standard & Poor's Ratings Group is reduced below Ba3 or BB-, respectively, or either ratings agency withdraws its long-term credit rating assigned to the notes, (2) if we call the notes for redemption or (3) upon the occurrence of specified other events. Under generally accepted accounting principles, the shares into which the notes are convertible will not be included in our calculation of diluted net income per share unless one of the contingent conversion triggering events, discussed above, occurs, or it is expected that we will satisfy our obligation to repurchase the notes, as discussed below, with shares of common stock. If we are required to repurchase the notes, we currently expect to purchase the notes for cash. Accordingly, the notes are not included in our calculation of diluted net income per share.

We have an option to redeem all or a portion of the convertible notes for cash at their accreted value at any time on or after February 20, 2007. Holders may require us to purchase their notes on each of February 20, 2007, 2012 and 2017, as well as upon the occurrence of a fundamental change, at their accreted value on such dates. We may choose to pay the purchase price in cash or, subject to the satisfaction of certain conditions, shares of our common stock or a combination of cash and shares of our common stock. We used the proceeds from the convertible note offering to repay indebtedness under the revolving portion of our primary credit facilities. The offering of the convertible notes was made pursuant to an exemption from the registration requirements of the Securities Act of 1933, as amended. In June 2002, a registration statement covering the resale of the notes and the common stock issuable upon their conversion was declared effective by the Securities and Exchange Commission ("SEC").

In March 2001, we replaced our \$2.1 billion revolving credit facility in order to extend its maturity and reduce commitments. In addition, we amended our other primary credit facilities at the same time. Our primary credit facilities now consist of a \$1.7 billion amended and restated credit facility, which matures on March 26, 2006, a \$500 million revolving credit facility, which matures on May 4, 2004, and a \$500 million term loan. In 2002, we prepaid \$175 million of term loan repayments due in 2003 and 2004. As of December 31, 2002, \$50 million was outstanding under the term loan. Our primary credit facilities provide for multicurrency borrowings in a maximum aggregate amount of \$665 million, the commitment for which is part of the aggregate primary credit facilities commitment. On March 31, 2002, we adopted SFAS No. 145, "Rescission of FASB Statements No. 4, 44 and 64, Amendment of FASB Statement No. 13 and Technical Corrections," under which gains and losses associated with the extinguishment of debt are no longer classified as extraordinary. Accordingly, the write-off of deferred financing fees related to the \$2.1 billion revolving credit facility, which totaled approximately \$1.0 million (\$0.6 million after tax), is reflected as other expense, net in the accompanying consolidated statement of income for the year ended December 31, 2001.

As of December 31, 2002, we had \$133 million outstanding under our primary credit facilities and \$34 million committed under outstanding letters of credit, resulting in more than \$2.0 billion of unused availability under our primary credit facilities. The weighted average interest rates across all currencies as of December 31, 2002 and 2001 were 4.5% and 7.1%, respectively.

Scheduled cash interest payments on our outstanding senior notes are \$133 million in each of 2003 and 2004 and \$109 million in 2005. Borrowings under our primary credit facilities bear interest at variable rates. Therefore, an increase in interest rates would reduce our profitability. See "— Market Risk Sensitivity."

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In addition to indebtedness under our primary credit facilities, we had \$2.0 billion of debt, including short-term borrowings, outstanding as of December 31, 2002, consisting primarily of \$1.4 billion of senior notes due between 2005 and 2009, \$261 million accreted value of zero-coupon convertible senior notes due 2022 and 250 million EUR (approximately \$262 million based on the exchange rate in effect as of December 31, 2002) of senior notes due 2008.

Our primary credit facilities contain operating and financial covenants that, among other things, could limit our ability to obtain additional sources of capital. The primary credit facilities are guaranteed by certain of our significant subsidiaries and secured by the pledge of all or a portion of the capital stock of certain of our significant subsidiaries. Our senior notes are guaranteed by the same subsidiaries that guarantee our primary credit facilities. For more information concerning our long-term debt, please refer to Note 7, "Long-Term Debt," to the consolidated financial statements included in this Report and to the agreements governing our material indebtedness, which have been filed as exhibits to this Report.

In August 2001, we redeemed our 9.50% subordinated notes due 2006. The redemption was made at 104.75% of the aggregate principal amount of the notes. In May 2001, we redeemed our 8.25% subordinated notes due 2002. The redemption was made at par. The redemptions were financed through borrowings under our primary credit facilities. The redemption premium and the write-off of deferred financing fees related to the redemption of the 9.50% subordinated notes due 2006 totaled approximately \$12.0 million (\$7.3 million after tax), which is reflected as other expense, net in the accompanying consolidated statement of income for the year ended December 31, 2001 in accordance with SFAS No. 145.

Our scheduled maturities of long-term debt, including capitalized lease obligations, and our lease commitments under noncancelable operating leases as of December 31, 2002 are shown below (in millions):

	2003	2004	2005	2006	2007	Thereafter	Total
Long-term debt maturities	\$ 3.9	\$ 53.9	\$648.5	\$ 86.8	\$ 2.6	\$1,341.0	\$2,136.7
Operating lease commitments	77.6	65.0	53.3	66.3	31.2	68.0	361.4
Total	\$81.5	\$118.9	\$701.8	\$153.1	\$33.8	\$1,409.0	\$2,498.1

In addition, we typically enter into agreements with our customers at the beginning of a given vehicle's life for the fulfillment of our customers' purchasing requirements for the entire production life of the vehicle, with terms of up to ten years. Prior to being formally awarded a program, we work closely with our customers in the early stages of designing and engineering a vehicle's interior systems. The failure to complete the design and engineering work related to a vehicle's interior systems, or to fulfill a customer's contract, could adversely affect our business.

We have in place an ABS facility which, prior to November 2002, provided for maximum purchases of adjusted accounts receivable of \$300 million. In November 2002, the ABS facility was amended to, among other things, extend the termination date to November 2003 and to reduce the maximum purchases of adjusted accounts receivable to \$260 million, of which \$189 million were purchased as of December 31, 2002. The level of funding utilized under this facility is based on the credit ratings of our major customers as well as the level of aggregate accounts receivable in a specific month. Due to recent declines in the credit ratings of two of these customers, our expected average utilization of the ABS facility will be reduced to approximately \$175 million in 2003. Should our major customers experience further reductions in their credit ratings, we may be unable to utilize the ABS facility in the future. Should this occur, we would utilize our primary credit facilities to replace the funding currently provided by the ABS facility. During 2002, our utilization of the ABS facility versus other available credit facilities resulted in a savings of approximately \$2 million. For more information relating to the ABS facility described above, see Note 12, "Financial Instruments," to the consolidated financial statements included in this Report.

In addition, several of our European subsidiaries factor their accounts receivable with financial institutions. The amount of such factored receivables without recourse provisions, which is excluded from accounts receivable in our consolidated balance sheets, was \$160 million and \$184 million as of December 31, 2002 and 2001, respectively. We cannot provide any assurances that these factoring facilities will be available or utilized in the future.

We believe that cash flows from operations and available credit facilities will be sufficient to meet our anticipated debt service obligations, projected capital expenditures and working capital requirements. However, our operating cash flows and borrowing availability are subject to the risks and uncertainties identified under "— Overview," "— Forward-Looking Statements" and "— Risk Factors."

Market Risk Sensitivity

In the normal course of business, we are exposed to market risk associated with fluctuations in foreign exchange rates and interest rates. We manage these risks through the use of derivative financial instruments in accordance with management's

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guidelines. We enter into all hedging transactions for periods consistent with the underlying exposures. We do not enter into derivative instruments for trading purposes.

Foreign Exchange. Operating results may be impacted by our buying, selling and financing in currencies other than the functional currency of our operating companies (“transactional exposure”). We mitigate this risk by entering into forward foreign exchange, futures and option contracts. The forward foreign exchange contracts are executed with banks that we believe are creditworthy. The gains and losses relating to the forward foreign exchange contracts are deferred and included in the measurement of the foreign currency transaction subject to the hedge. Any gain or loss incurred related to a forward foreign exchange contract is generally offset by the direct effects of currency movements on the underlying transactions.

Our most significant foreign currency transactional exposures relate to Canada, the European Monetary Union and Mexico. We have performed a quantitative analysis of our overall currency rate exposure as of December 31, 2002. The potential adverse earnings impact from a hypothetical 10% strengthening of the U.S. dollar relative to all other currencies for calendar year 2003 is approximately \$9 million. The potential earnings impact from a similar strengthening of the Euro relative to all other currencies for calendar year 2003 is approximately \$6 million.

As of December 31, 2002, foreign exchange contracts representing \$1.3 billion of notional amount were outstanding with maturities of less than 12 months. The fair value of these contracts as of December 31, 2002 was approximately \$(8) million. A 10% change in the value of the U.S. dollar relative to all other currencies would result in a \$21 million change in market value. A 10% change in the value of the Euro would result in an \$11 million change in market value.

There are certain shortcomings inherent to the sensitivity analysis presented. The analysis assumes that all currencies would uniformly strengthen or weaken relative to the U.S. dollar or Euro. In reality, some currencies may weaken while others may strengthen causing the earnings impact to increase or decrease depending on the currency and the direction of the rate movement.

In addition to the above transactional exposure, our operating results are impacted by the translation of our foreign operating income into U.S. dollars (“translation exposure”). We do not enter into foreign currency contracts to mitigate this exposure.

Interest Rates. We use a combination of fixed and variable rate debt and interest rate swap contracts to manage our exposure to interest rate movements. Our exposure to variable interest rates on outstanding floating rate debt instruments indexed to U.S. or European Monetary Union short-term money market rates is partially managed by the use of interest rate swap agreements to convert variable rate debt to fixed rate debt, matching effective and maturity dates to specific debt instruments. These interest rate derivative contracts are executed with banks that we believe are creditworthy and are denominated in currencies that match the underlying debt instrument. Net interest payments or receipts from interest rate swaps are recorded as adjustments to interest expense in our consolidated statements of income on an accrual basis.

We have performed a quantitative analysis of our overall interest rate exposure as of December 31, 2002. This analysis assumes an instantaneous 100 basis point parallel shift in interest rates at all points of the yield curve. The potential adverse earnings impact from this hypothetical increase for calendar year 2003 is approximately \$3 million.

As of December 31, 2002, interest rate swap contracts representing \$1.0 billion of notional amount were outstanding with maturity dates of June 2003 through May 2005. Of these contracts, \$0.7 billion swap variable rate debt for fixed rate debt and \$0.3 billion swap fixed rate debt for variable rate debt. The fair value of these interest rate swap contracts is subject to changes in value due to changes in interest rates. The fair value of outstanding contracts as of December 31, 2002 was approximately \$(19) million. A 100 basis point parallel increase or decrease in interest rates would result in a \$3 million change in the aggregated market value of these instruments.

Additional information relating to our outstanding financial instruments is included in Note 7, “Long-Term Debt,” and Note 12, “Financial Instruments,” to the consolidated financial statements included in this Report.

Other Matters

Pension and Other Postretirement Benefit Plans

Approximately 20% of our active workforce is covered by defined benefit pension and/or other postretirement benefit plans. Pension benefit plans provide benefits based on plan-specific benefit formulas as defined by the applicable plan documents. Postretirement benefit plans generally provide for the continuation of medical benefits for certain eligible employees. In addition, we have contractual arrangements with certain employees which provide for supplemental retirement benefits. In

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general, pension obligations are funded based on legal requirements, tax considerations and local practice. Postretirement obligations are not funded.

As of December 31, 2002 (based on a September 30, 2002 measurement date), our projected benefit obligations related to pension and other postretirement benefit plans were \$397 million and \$182 million, respectively. These obligations are valued using a weighted average discount rate of 6.75% for domestic plans and 7.00% for foreign plans. The applicable discount rates are determined based on a review of the rates of return for high quality long-term bonds, such as the Moody's Long-Term AA Bond Index.

Our unfunded pension obligation was \$178 million as of December 31, 2002 as compared to \$101 million as of December 31, 2001. The increase in the unfunded position is primarily the result of negative asset returns and a reduced discount rate in response to the decline in interest rates.

Pension expense was \$41 million and \$32 million in 2002 and 2001, respectively, and is determined using a variety of actuarial assumptions, including expected return on plan assets. The expected return on plan assets included in the calculation of 2002 pension expense was 9.00% for domestic plans and 7.00% for foreign plans. Based on an actuarial study and in response to market conditions, the expected return on plan assets for domestic plans was reduced to 7.75% for the calculation of 2003 pension expense. While we believe that this rate is reasonable at the present time, all actuarial assumptions are reviewed periodically and adjusted when necessary. Adjustments in our actuarial assumptions could negatively impact reported operating results.

We estimate that 2003 pension and other postretirement expense will be approximately \$50 million and \$35 million, respectively. This estimate is based on a discount rate of 6.75% and 7.00% and an expected return on plan assets of 7.75% and 7.00% for domestic and foreign plans, respectively. Actual expense will depend on the performance of plan assets, changes in the discount rates and various other factors related to the employees covered by these plans.

Decreasing the expected return on plan assets by 0.5% would have increased our 2002 pension expense by approximately \$1 million. Decreasing the discount rate by 0.5% would have increased our pension obligation as of December 31, 2002 by approximately \$25 million.

Additional information relating to our pension and other postretirement benefit plans is included in Note 9, "Pension and Other Postretirement Benefit Plans," to the consolidated financial statements included in this Report.

Environmental Matters

We are subject to local, state, federal and foreign laws, regulations and ordinances, which govern activities or operations that may have adverse environmental effects and which impose liability for the costs of cleaning up certain damages resulting from past spills, disposal or other releases of hazardous wastes and environmental compliance. Our policy is to comply with all applicable environmental laws and to maintain procedures to ensure compliance. However, we currently are, have been and in the future may become the subject of formal or informal enforcement actions or procedures.

We have been named as a potentially responsible party at several third-party landfill sites and are engaged in the cleanup of hazardous wastes at certain sites owned, leased or operated by us, including several properties acquired in our 1999 acquisition of United Technologies Automotive ("UT Automotive"). Certain present and former properties of UT Automotive are subject to environmental liabilities which may be significant. We obtained agreements and indemnities with respect to possible environmental liabilities from United Technologies Corporation in connection with our acquisition of UT Automotive. While we do not believe that the environmental liabilities associated with our current and former properties will have a material adverse effect on our business, consolidated financial position or results of future operations, no assurances can be given in this regard.

Critical Accounting Policies

Our significant accounting policies are more fully described in Note 2, "Summary of Significant Accounting Policies," to the consolidated financial statements included in this Report and include:

Pre-Production Costs Related to Long-Term Supply Arrangements. We incur pre-production engineering, research and development ("ER&D") and tooling costs related to the products produced for our customers under long-term supply agreements. We expense all pre-production ER&D costs for which reimbursement is not contractually guaranteed by the customer. In addition, we expense all pre-production tooling costs related to customer-owned tools for which reimbursement is not contractually guaranteed by the customer or for which the customer has not provided a noncancelable right to use the tooling. During 2002 and 2001, we capitalized \$117 million and \$95 million, respectively, of pre-production ER&D costs for which reimbursement is contractually guaranteed by the customer. In addition, during 2002 and 2001, we capitalized \$294

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million and \$287 million, respectively, of pre-production tooling costs related to customer-owned tools for which reimbursement is contractually guaranteed by the customer or for which the customer has provided a noncancelable right to use. During 2002, we collected \$332 million of cash related to ER&D and tooling costs previously capitalized.

Gains and losses related to ER&D and tooling projects are reviewed on an aggregated program basis. Net gains on projects are deferred and recognized over the life of the related long-term supply agreement. Net losses on projects are recognized as costs are incurred.

A change in the commercial arrangements affecting any of our significant programs that would require us to expense ER&D or tooling costs that we currently capitalize under Emerging Issues Task Force No. 99-5 could have a material adverse impact on our reported results of operations.

Goodwill. On January 1, 2002, we adopted SFAS No. 142, "Goodwill and Other Intangible Assets." Under this statement, goodwill is no longer amortized but is subject to annual impairment analysis. Our initial impairment analysis compared the fair values of each of our reporting units, based on discounted cash flow analyses, to the related net book values. As a result, we recorded impairment charges of \$311 million (\$299 million after tax) as of January 1, 2002. These charges are reflected as a cumulative effect of a change in accounting principle, net of tax in the consolidated statement of income for the year ended December 31, 2002. Our annual SFAS No. 142 impairment analysis was completed as of September 29, 2002, and there was no additional impairment.

Long-Lived Assets. On January 1, 2002, we adopted SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." Accordingly, we evaluate the carrying values of our long-lived assets whenever circumstances arise which call into question the recoverability of such carrying values. In 2002, due to operating losses at certain of our locations, we performed an impairment analysis of the related fixed assets. The results of the impairment analysis indicated that recognition of impairment of the fixed assets was not required. This potential risk of impairment of the fixed assets will be closely monitored in 2003. In addition, we continually evaluate alternatives with respect to underperforming facilities, which may include realignment of our existing manufacturing capacity, plant shutdowns or similar actions.

In 2001, an impairment charge of \$52 million was recognized in connection with our related restructuring plan. See Note 4, "Restructuring Plan," to the consolidated financial statements included in this Report.

Revenue Recognition and Sales Commitments. We recognize revenues as our products are shipped to our customers. We enter into agreements with our customers to produce products at the beginning of a vehicle's life. Once we enter into such agreements, fulfillment of our customers' purchasing requirements is our obligation for the entire production life of the vehicle, with terms of up to ten years. These agreements generally may be terminated by our customer (but not by us) at any time. Historically, terminations of these agreements have been minimal. In certain limited instances, we may be committed under existing agreements to supply products to our customers at selling prices which are not sufficient to cover the direct cost to produce such products. In such situations, we recognize losses as they are incurred.

In previous years, we recorded loss contract accruals in purchase accounting in conjunction with the Lear-Donnelly acquisition, the UT Automotive acquisition, the Peregrine acquisition and the Delphi acquisition. These loss contract accruals were not recorded in the historical operating results of Lear-Donnelly, UT Automotive, Peregrine or Delphi. The losses included in the accrual have not been, and will not be, included in our operating results since the respective acquisition dates. Further, our future operating results will benefit from accruing these contract losses in the related purchase price allocations. A summary of the loss contract accrual activity related to these acquisitions is shown below (in millions):

	Original Accrual	Adjustments	Utilized	Accrual at Dec. 31, 2002
Lear-Donnelly	\$ 8.7	\$ —	\$ (8.7)	\$ —
UT Automotive	19.7	—	(15.0)	4.7
Peregrine	18.4	—	(18.4)	—
Delphi	53.3	(1.3)	(35.8)	16.2

We utilized \$8.4 million, \$23.5 million and \$31.2 million of the loss contract accruals to offset losses in 2002, 2001 and 2000, respectively. The estimated utilization of the aggregate loss contract accrual is \$10.4 million and \$10.5 million for 2003 and 2004, respectively.

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Amounts billed to customers related to shipping and handling are included in net sales in our consolidated statements of income. Shipping and handling costs are included in cost of sales in our consolidated statements of income.

Accounting for Stock-Based Compensation. As of December 31, 2002, we accounted for our stock option plans under the recognition and measurement provisions of APB Opinion 25, "Accounting for Stock Issued to Employees," and related Interpretations. We anticipate adopting the fair value recognition provisions of SFAS No. 123, "Accounting for Stock-Based Compensation," for the year ending December 31, 2003, under which compensation cost for stock option grants would be determined based on the fair value of the option at the grant date. SFAS No. 123 would be applied prospectively to all employee awards granted after January 1, 2003, as permitted under the provisions of SFAS No. 148, "Accounting for Stock-Based Compensation — Transition and Disclosure." Please refer to "— Recently Issued Accounting Pronouncements."

Use of Estimates. The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. There were no material changes in our methods or policies used to establish estimates and assumptions. Generally, matters subject to estimation and judgment include amounts related to accounts receivable realization, inventory obsolescence, unsettled pricing discussions with customers and suppliers, warranty, pension and other postretirement plan assumptions, plant consolidation and reorganization reserves, self-insurance accruals, asset valuation reserves and accruals related to litigation, environmental remediation costs and income taxes. While management does not believe that the ultimate settlement of any such assets or liabilities will materially affect our financial position or results of future operations, actual results may differ from estimates provided.

Backlog

As of December 31, 2002, we had an incremental sales backlog of \$900 million for orders to be executed in 2003. Our current five-year sales backlog exceeds our prior year five-year sales backlog by approximately \$400 million, with most of the increase in 2006 and 2007, although various factors could influence the timing and realization of new sales. We typically enter into agreements with our customers at the beginning of a vehicle's life for the fulfillment of our customers' purchasing requirements for the entire production life of the vehicle. These agreements generally may be terminated by the customer (but not by us) at any time. Therefore, our backlog data does not reflect firm orders or firm commitments. Our sales backlog reflects the expected aggregate sales increase of (i) formally awarded new programs, (ii) targeted programs on which we believe there is a substantial likelihood of award, (iii) lost and canceled programs, (iv) estimates regarding customer-mandated changes in selling prices and (v) estimates of expected growth in vehicle content. Changes in any of these components may significantly impact our backlog. In addition, our backlog may be impacted by various assumptions imbedded in the calculation, including, but not limited to, vehicle production levels on new, replacement and targeted programs, foreign currency exchange rates and the timing of major program launches.

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Recently Issued Accounting Pronouncements

Costs Associated with Exit or Disposal Activities. The Financial Accounting Standards Board (“FASB”) has issued SFAS No. 146, “Accounting for Costs Associated with Exit or Disposal Activities,” which is effective for all exit or disposal activities initiated after December 31, 2002. This statement requires that a liability for costs associated with an exit or disposal activity be recognized when the liability is incurred. Such costs include one-time employee termination costs, contract cancellation provisions and other costs typically associated with a corporate restructuring or other exit or disposal activities. We do not expect the effects of adoption to be significant.

Accounting for Stock-Based Compensation. The FASB has issued SFAS No. 148, “Accounting for Stock-Based Compensation — Transition and Disclosure,” which is effective for fiscal years ending after December 15, 2002. This statement amends SFAS No. 123, “Accounting for Stock-Based Compensation,” by providing alternative methods of transition for the adoption of the fair value based method of accounting for stock-based compensation and by requiring additional disclosures. The alternative methods under SFAS No. 148 include the prospective method, the modified prospective method and the retroactive restatement method. We anticipate adopting the fair value based method of accounting for stock-based compensation for the year ending December 31, 2003 using the prospective method. As a result, the fair value based method of accounting would be applied to stock-based compensation grants issued after December 31, 2002. The resulting compensation costs would be amortized over the related vesting period. In 2003, the adoption of SFAS No. 123 would reduce net income per share by approximately \$0.07 per share, assuming a similar mid-year option grant, consistent with prior years.

Accounting and Disclosure Requirements for Guarantees. The FASB has issued Interpretation No. 45, “Guarantor’s Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others,” the provisions of which apply to guarantees issued or modified after December 31, 2002. This interpretation requires guarantors to record a liability for the fair value of certain guarantees at their inception. We do not expect the effects of adoption to be significant.

Variable Interest Entities. The FASB has issued Interpretation No. 46, “Consolidation of Variable Interest Entities,” the provisions of which apply immediately to any variable interest entity created after January 31, 2003 and apply in the first interim period beginning after June 15, 2003 to any variable interest entity created prior to February 1, 2003. This interpretation requires the consolidation of a variable interest entity by its primary beneficiary and may require the consolidation of a portion of a variable interest entity’s assets or liabilities under certain circumstances. We do not expect the effects of adoption to be significant. For further information, see Note 12, “Financial Instruments,” to the consolidated financial statements included in this Report.

Forward-Looking Statements

The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements made by us or on our behalf. The words “will,” “may,” “designed to,” “outlook,” “believes,” “should,” “anticipates,” “plans,” “expects,” “intends,” “estimates” and similar expressions identify these forward-looking statements. All statements contained or incorporated in this Report which address operating performance, events or developments that we expect or anticipate may occur in the future, including statements related to volume growth, awarded sales contracts and earning per share growth or statements expressing views about future operating results, are forward-looking statements. Important factors, risks and uncertainties that may cause actual results to differ from those expressed in our forward-looking statements include, but are not limited to:

- general economic conditions in the markets in which we operate;
- fluctuation in worldwide or regional automotive and light truck production;
- financial or market declines of our customers;
- labor disputes involving us or one or more of our customers or that could otherwise affect our operations;
- changes in practices and/or policies of our significant customers toward outsourcing automotive systems and components;
- our success in achieving cost reductions that offset or exceed customer-mandated selling price reductions;
- liabilities arising from legal proceedings to which we are or may become a party or claims against us or our products;
- increases in our warranty costs;
- fluctuations in foreign currency exchange rates;
- increases in interest rates;
- changes in technology and technological risks;
- adverse changes in economic conditions or political instability in the jurisdictions in which we operate;
- competitive conditions impacting our key customers;
- increases in energy or raw material costs;
- raw materials shortages;
- the occurrence of war, terrorist attacks or other adverse geopolitical events; and
- other risks, described below in “— Risk Factors” and from time to time in our other SEC filings.

We do not assume any obligation to update any of these forward-looking statements.

Risk Factors

- **A decline in automotive sales would reduce our sales and could harm our profitability, thereby making it more difficult for us to make payments under our indebtedness and lead to a decline in the value of our common stock.**
Our operations are directly related to automotive vehicle production. Automotive sales and production are cyclical and can be affected by the strength of a country’s general economy. In addition, automotive sales and production can be affected by labor relations issues, regulatory requirements, trade agreements and other factors. Automotive production in North America and Western Europe has declined from 33.2 million in 1999 to 32.5 million in 2002 and is expected to decline to 32.0 million in 2003. Numerous factors beyond our control could lead to a further decline. Our 2001 restructuring actions were intended to align our capacity with lower production levels. However, deterioration beyond the expected production levels could have a negative impact on our sales, net income and other results of operations.
- **The loss of business from a major customer could reduce our sales and harm our profitability, which could make it more difficult for us to make payments under our indebtedness and lead to a decline in the value of our common stock.**
General Motors and Ford and their respective affiliates, the two largest automotive manufacturers in the world, together accounted for approximately 60% of our net sales in 2002. A loss of significant business from General Motors or Ford could be harmful to our business and our profitability, thereby making it more difficult for us to make payments under our indebtedness and leading to a decline in the value of our common stock. In addition, production levels at Fiat, our fifth-largest customer in 2002, declined approximately 20% in the second half of 2002, versus a year earlier, with the trend continuing in the first half of 2003. The decline in production levels at Fiat adversely affects our operating results. In addition, several of the platforms of other automotive manufacturers for which we are a major supplier have recently experienced significant decreases in production volumes.
- **The discontinuation of, or the loss of business with respect to, a particular vehicle model for which we are a significant supplier would reduce our sales and harm our profitability, which could make it more difficult for us to make payments under our indebtedness and lead to a decline in the value of our common stock.**
Although we have purchase orders from many of our customers, these purchase orders generally provide for the supply of a customer’s annual requirements for a particular model and assembly plant, renewable on a year-to-year basis, rather than

for the purchase of a specific quantity of products. The discontinuation of, or loss of business with respect to, an automobile model for which we are a significant supplier would reduce our sales and profitability, thereby making it more difficult for us to make payments under our indebtedness and leading to a decline in the value of our common stock.

- **Our substantial international operations make us vulnerable to risks associated with doing business in foreign countries.**

As a result of our global presence, a significant portion of our revenues and expenses are denominated in currencies other than U.S. dollars. In addition, we have manufacturing and distribution facilities in many foreign countries, including countries in Asia, Eastern and Western Europe and Central and South America. International operations are subject to certain risks inherent in doing business abroad, including:

- exposure to local economic conditions;
- expropriation and nationalization;
- foreign currency exchange rate fluctuations and currency controls;
- withholding and other taxes on remittances and other payments by subsidiaries;
- investment restrictions or requirements;
- export and import restrictions; and
- increase in working capital requirements related to long supply chains.

The likelihood of such occurrences and their potential effect on us vary from country to country and are unpredictable but may have a material adverse effect on our business and our profitability, which would make it more difficult for us to make payments under our indebtedness and lead to a decline in the value of our common stock.

- **A significant labor dispute involving us or one or more of our customers or that could otherwise affect our operations could materially reduce our sales and harm our profitability, thereby making it more difficult for us to make payments under our indebtedness and lead to a decline in the value of our common stock.**

Approximately 80% of our employees, and a substantial number of the employees of most of our customers and suppliers, are members of industrial trade unions and are employed under the terms of collective bargaining agreements. Virtually all of our unionized facilities in the United States and Canada have a separate agreement with the union that represents the workers at such facilities, with each such agreement having an expiration date that is independent of other collective bargaining agreements. Collective bargaining agreements covering approximately 25% of our unionized workforce of approximately 93,000 employees are scheduled to expire during 2003. A labor dispute involving us or any of our customers or suppliers or that could otherwise affect our operations or the inability by us or any of our customers or suppliers to negotiate an extension of a collective bargaining agreement covering a large number of employees upon its expiration, could materially reduce our sales and harm our profitability, thereby making it more difficult for us to make payments under our indebtedness and lead to a decline in the value of our common stock. Significant increases in labor costs as a result of the renegotiation of collective bargaining agreements could also adversely impact our business and profitability.

The collective bargaining agreements covering the United States unionized workforce of our three largest customers, General Motors, Ford and DaimlerChrysler, are scheduled to expire in September 2003.

- **Adverse developments affecting one or more of our major suppliers could materially harm our operating results, thereby making it more difficult for us to make payments under our indebtedness and lead to a decline in the value of our common stock.**

We obtain components and other products and services from numerous tier II automotive suppliers and other vendors throughout the world. In certain instances, it would be difficult and expensive for us to change suppliers of products and services critical to our business. Some of our suppliers are financially distressed or may become financially distressed. Any significant disruption in our supplier relationships, including certain relationships with sole-source suppliers, could materially harm our operating results, thereby making it more difficult for us to make payments under our indebtedness and lead to a decline in the value of our common stock.

- **A significant product liability lawsuit, warranty claim or product recall involving us with one of our major customers could materially harm our profitability, thereby making it more difficult for us to make payments under our indebtedness and lead to a decline in the value of our common stock.**

In the event that our products fail to perform as expected and such failure results in, or is alleged to result in, bodily injury and/or property damage or other losses, we may be subject to product liability lawsuits, warranty claims and product recalls. In addition, as we are a party to warranty-sharing agreements with certain of our customers, product liability and

warranty claims involving one of our customers could also materially harm our profitability, thereby making it more difficult for us to make payments under our indebtedness and lead to a decline in the value of our common stock.

- **We depend upon cash from our subsidiaries and, therefore, if we do not receive dividends or other distributions from our subsidiaries, it will be more difficult for us to make payments under our indebtedness.**

A substantial portion of our revenue and operating income is generated by our wholly-owned subsidiaries. Accordingly, we will be dependent on the earnings and cash flow of, and dividends and distributions or advances from, our subsidiaries to provide the funds necessary to meet our debt service obligations. Our obligations under our primary credit facilities and senior notes are currently guaranteed by certain of our subsidiaries, but such guarantees may be released under certain circumstances.

- **Risks relating to Arthur Andersen LLP.**

Our consolidated financial statements for the years ended December 31, 2001 and 2000 were audited by Arthur Andersen LLP, independent public accountants. On June 15, 2002, Arthur Andersen LLP was convicted of federal obstruction of justice charges. On August 31, 2002, Arthur Andersen LLP ceased practicing before the SEC. Holders of our securities may have no effective remedy against Arthur Andersen LLP in connection with a material misstatement or omission in any of our financial statements audited by Arthur Andersen LLP.

Arthur Andersen LLP did not participate in the preparation of this Report, did not reissue its audit report with respect to the financial statements included in this Report nor consent to the inclusion in this Report of its audit report. As a result, holders of our securities may have no effective remedy against Arthur Andersen LLP in connection with a material misstatement or omission in the financial statements to which its audit report relates. In addition, even if such holders were able to assert such a claim, as a result of its conviction on Federal obstruction of justice charges and other lawsuits, Arthur Andersen LLP may fail or otherwise have insufficient assets to satisfy claims made by investors that might arise under Federal securities laws or otherwise with respect to its audit report.

**ITEM 8 — CONSOLIDATED FINANCIAL STATEMENTS AND
SUPPLEMENTARY DATA**

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Report of Independent Auditors

To Lear Corporation:

We have audited the consolidated balance sheet of Lear Corporation and Subsidiaries (the "Company") as of December 31, 2002, and the related consolidated statements of income, stockholders' equity and cash flows for the year then ended. Our audit also included the 2002 financial statement schedule included as Item 15 (a) (2). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audit. The financial statements and schedule of the Company as of December 31, 2001 and for the years ended December 31, 2001 and 2000, were audited by other auditors who have ceased operations. Those auditors expressed an unqualified opinion on those financial statements and schedule in their reports dated January 28, 2002 (except with respect to the information contained in Note 7, as to which the date is February 14, 2002).

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

In our opinion, the 2002 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company at December 31, 2002, and the consolidated results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States. Also, in our opinion, the related 2002 financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

As discussed above, the financial statements and schedule of the Company as of December 31, 2001 and for the years ended December 31, 2001 and 2000, were audited by other auditors who have ceased operations. As described in Note 2, these financial statements have been revised to include the transitional disclosures required by Statement of Financial Accounting Standards ("SFAS") No. 142, "Goodwill and Other Intangible Assets," which was adopted by the Company as of January 1, 2002. Our audit procedures with respect to the disclosures in Note 2 with respect to 2001 and 2000 included (a) agreeing the previously reported net income to the previously issued financial statements and the adjustments to reported net income representing amortization expense (including any related tax effects) recognized in those periods related to goodwill, as a result of initially applying SFAS No. 142 to the Company's underlying records obtained from management, and (b) testing the mathematical accuracy of the reconciliation of adjusted net income to reported net income and the related earnings-per-share amounts. In our opinion, the disclosures for 2001 and 2000 in Note 2 are appropriate. However, we were not engaged to audit, review, or apply any procedures to the 2001 or 2000 financial statements and schedule of the Company other than with respect to such disclosures and, accordingly, we do not express an opinion or any other form of assurance on the 2001 or 2000 financial statements and schedule taken as a whole.

/s/ Ernst & Young LLP

Troy, Michigan
January 27, 2003

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THIS REPORT IS A COPY OF A REPORT PREVIOUSLY ISSUED BY ARTHUR ANDERSEN LLP. THE REPORT HAS NOT BEEN REISSUED BY ARTHUR ANDERSEN LLP NOR HAS ARTHUR ANDERSEN LLP PROVIDED A CONSENT TO THE INCLUSION OF ITS REPORT IN THIS FORM 10-K. FOR FURTHER DISCUSSION, SEE EXHIBIT 23.2 TO THIS FORM 10-K OF WHICH THIS REPORT IS A PART. THE FINANCIAL STATEMENTS OF LEAR CORPORATION AND SUBSIDIARIES TO WHICH THIS REPORT RELATES HAVE BEEN REVISED TO INCLUDE THE TRANSITIONAL DISCLOSURES REQUIRED BY STATEMENT OF FINANCIAL ACCOUNTING STANDARDS NO. 142, "GOODWILL AND OTHER INTANGIBLE ASSETS," AS DESCRIBED IN NOTE 2, "SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES," TO THE CONSOLIDATED FINANCIAL STATEMENTS. THESE REVISIONS ARE NOT COVERED BY THE COPY OF THE REPORT OF ARTHUR ANDERSEN LLP AND WERE AUDITED BY ERNST & YOUNG LLP.

Report of Independent Public Accountants

To Lear Corporation:

We have audited the accompanying consolidated balance sheets of LEAR CORPORATION AND SUBSIDIARIES ("the Company") as of December 31, 2001 and 2000, and the related consolidated statements of income, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2001. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2001 and 2000, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2001 in conformity with accounting principles generally accepted in the United States.

/s/ ARTHUR ANDERSEN LLP

Detroit, Michigan,
January 28, 2002 (except with respect to the matter discussed in Note 7,
as to which the date is February 14, 2002).

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CONSOLIDATED BALANCE SHEETS

(In millions, except share data)

December 31,	2002	2001
Assets		
<i>Current Assets:</i>		
Cash and cash equivalents	\$ 91.7	\$ 87.6
Accounts receivable	1,508.0	1,392.8
Inventories	489.7	440.3
Recoverable customer engineering and tooling	153.2	191.6
Other	265.1	254.5
Total current assets	2,507.7	2,366.8
<i>Long-Term Assets:</i>		
Property, plant and equipment, net	1,710.6	1,715.7
Goodwill, net	2,860.4	3,139.5
Other	404.3	357.2
Total long-term assets	4,975.3	5,212.4
	\$7,483.0	\$7,579.2
Liabilities and Stockholders' Equity		
<i>Current Liabilities:</i>		
Short-term borrowings	\$ 37.3	\$ 63.2
Accounts payable and drafts	1,966.4	1,982.9
Accrued salaries and wages	156.3	134.9
Other accrued liabilities	881.3	872.3
Current portion of long-term debt	3.9	129.5
Total current liabilities	3,045.2	3,182.8
<i>Long-Term Liabilities:</i>		
Long-term debt	2,132.8	2,293.9
Other	642.7	543.4
Total long-term liabilities	2,775.5	2,837.3
<i>Stockholders' Equity:</i>		
Common stock, par value \$0.01 per share, 150,000,000 shares authorized and 70,099,988 and 68,615,667 shares issued at December 31, 2002 and 2001, respectively	0.7	0.7
Additional paid-in capital	943.6	888.3
Notes receivable from sale of common stock	—	(0.1)
Common stock held in treasury, 4,362,330 shares at December 31, 2002 and 2001, at cost	(111.4)	(111.4)
Retained earnings	1,075.8	1,062.8
Accumulated other comprehensive loss	(246.4)	(281.2)
Total stockholders' equity	1,662.3	1,559.1
	\$7,483.0	\$7,579.2

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

[Table of Contents](#)**LEAR CORPORATION AND SUBSIDIARIES**
CONSOLIDATED STATEMENTS OF INCOME

(In millions, except per share data)

For the year ended December 31,	2002	2001	2000
Net sales	\$14,424.6	\$13,624.7	\$14,072.8
Cost of sales	13,164.3	12,589.9	12,622.7
Selling, general and administrative expenses	517.2	514.2	524.8
Amortization of goodwill	—	90.2	89.9
Interest expense	210.5	254.7	316.2
Other expense, net	52.1	78.3	35.0
Income before provision for income taxes, minority interests in consolidated subsidiaries, equity in net income of affiliates and cumulative effect of a change in accounting principle	480.5	97.4	484.2
Provision for income taxes	157.0	63.6	197.3
Minority interests in consolidated subsidiaries	13.3	11.5	13.9
Equity in net income of affiliates	(1.3)	(4.0)	(1.7)
Income before cumulative effect of a change in accounting principle	311.5	26.3	274.7
Cumulative effect of a change in accounting principle, net of tax	298.5	—	—
Net income	\$ 13.0	\$ 26.3	\$ 274.7
Basic net income per share			
Income before cumulative effect of a change in accounting principle	\$ 4.77	\$ 0.41	\$ 4.21
Cumulative effect of a change in accounting principle	4.57	—	—
Basic net income per share	\$ 0.20	\$ 0.41	\$ 4.21
Diluted net income per share			
Income before cumulative effect of a change in accounting principle	\$ 4.65	\$ 0.40	\$ 4.17
Cumulative effect of a change in accounting principle	4.46	—	—
Diluted net income per share	\$ 0.19	\$ 0.40	\$ 4.17

The accompanying notes are an integral part of these consolidated statements.

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LEAR CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(In millions, except share data)

December 31,	2002	2001	2000
Common Stock			
Balance at beginning and end of period	\$ 0.7	\$ 0.7	\$ 0.7
Additional Paid-in Capital			
Balance at beginning of period	\$ 888.3	\$ 874.1	\$ 870.2
Stock options exercised	47.4	10.1	2.1
Tax benefit of stock options exercised	7.9	4.1	1.1
Put options issuance	—	—	0.7
Balance at end of period	\$ 943.6	\$ 888.3	\$ 874.1
Notes Receivable from Sale of Common Stock			
Balance at beginning of period	\$ (0.1)	\$ (0.1)	\$ (0.1)
Notes receivable payment received	0.1	—	—
Balance at end of period	\$ —	\$ (0.1)	\$ (0.1)
Treasury Stock			
Balance at beginning of period	\$ (111.4)	\$ (111.4)	\$ (33.5)
Purchases of 3,352,100 shares at an average price of \$23.24 per share	—	—	(77.9)
Balance at end of period	\$ (111.4)	\$ (111.4)	\$ (111.4)
Retained Earnings			
Balance at beginning of period	\$1,062.8	\$1,036.5	\$ 761.8
Net income	13.0	26.3	274.7
Balance at end of period	\$1,075.8	\$1,062.8	\$1,036.5
Accumulated Other Comprehensive Loss			
Minimum Pension Liability			
Balance at beginning of period	\$ (13.0)	\$ (0.9)	\$ (5.7)
Minimum pension liability adjustment	(19.4)	(12.1)	4.8
Balance at end of period	\$ (32.4)	\$ (13.0)	\$ (0.9)
Derivative Instruments and Hedging Activities			
Balance at beginning of period	\$ (13.1)	\$ —	\$ —
Derivative instruments and hedging activities adjustments	(13.4)	(13.1)	—
Balance at end of period	\$ (26.5)	\$ (13.1)	\$ —
Cumulative Translation Adjustments			
Balance at beginning of period	\$ (255.1)	\$ (198.1)	\$ (128.1)
Cumulative translation adjustments	67.6	(57.0)	(70.0)
Balance at end of period	\$ (187.5)	\$ (255.1)	\$ (198.1)
Accumulated other comprehensive loss	\$ (246.4)	\$ (281.2)	\$ (199.0)
Total Stockholders' Equity	\$1,662.3	\$1,559.1	\$1,600.8
Comprehensive Income (Loss)			
Net income	\$ 13.0	\$ 26.3	\$ 274.7
Minimum pension liability adjustment, net of tax of \$8.8, \$7.6 and \$(2.5) in 2002, 2001 and 2000, respectively	(19.4)	(12.1)	4.8
Derivative instruments and hedging activities adjustments	(13.4)	(13.1)	—
Cumulative translation adjustments	67.6	(57.0)	(70.0)
Comprehensive Income (Loss)	\$ 47.8	\$ (55.9)	\$ 209.5

The accompanying notes are an integral part of these consolidated statements.

LEAR CORPORATION AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF CASH FLOWS (In millions)

For the year ended December 31,	2002	2001	2000
Cash Flows from Operating Activities:			
Net income	\$ 13.0	\$ 26.3	\$ 274.7
Adjustments to reconcile net income to net cash provided by operating activities—			
Cumulative effect of a change in accounting principle	298.5	—	—
Depreciation	301.0	302.0	302.3
Amortization of goodwill	—	90.2	89.9
Net change in recoverable customer engineering and tooling	46.5	110.3	23.5
Net change in working capital items	(51.4)	57.5	55.1
Other, net	59.7	(1.5)	(13.6)
Net cash provided by operating activities before net change in sold accounts receivable	667.3	584.8	731.9
Net change in sold accounts receivable	(122.2)	245.0	21.2
Net cash provided by operating activities	545.1	829.8	753.1
Cash Flows from Investing Activities:			
Additions to property, plant and equipment	(272.6)	(267.0)	(322.3)
Cost of acquisitions, net of cash acquired	(15.2)	—	(11.8)
Net proceeds from disposition of businesses and other assets	—	50.6	116.9
Other, net	28.5	15.3	(7.9)
Net cash used in investing activities	(259.3)	(201.1)	(225.1)
Cash Flows from Financing Activities:			
Issuance of senior notes	250.3	223.4	—
Repayments of subordinated notes	—	(345.5)	—
Long-term revolving credit repayments, net	(583.4)	(451.0)	(307.8)
Other long-term debt repayments, net	1.4	(4.0)	(56.2)
Short-term repayments, net	(31.4)	(8.0)	(32.1)
Proceeds from exercise of stock options	47.4	10.1	2.1
Purchase of treasury stock	—	—	(77.9)
Increase (decrease) in drafts	19.8	(70.5)	(52.6)
Other, net	0.1	—	0.7
Net cash used in financing activities	(295.8)	(645.5)	(523.8)
Effect of foreign currency translation	14.1	5.6	(12.3)
Net Change in Cash and Cash Equivalents	4.1	(11.2)	(8.1)
Cash and Cash Equivalents at Beginning of Year	87.6	98.8	106.9
Cash and Cash Equivalents at End of Year	\$ 91.7	\$ 87.6	\$ 98.8
Changes in Working Capital:			
Accounts receivable	\$ 118.0	\$ (57.5)	\$ 136.2
Inventories	(34.2)	76.0	0.8
Accounts payable	(171.3)	(56.9)	74.1
Accrued liabilities and other	36.1	95.9	(156.0)
Net change in working capital items	\$ (51.4)	\$ 57.5	\$ 55.1
Supplementary Disclosure:			
Cash paid for interest	\$ 203.1	\$ 267.5	\$ 333.4
Cash paid for income taxes, net of refunds received of \$41.3, \$36.1 and \$65.8 in 2002, 2001 and 2000, respectively	\$ 131.1	\$ 63.4	\$ 32.1

The accompanying notes are an integral part of these consolidated statements.

Lear Corporation and Subsidiaries
Notes to Consolidated Financial Statements

(1) Basis of Presentation

The consolidated financial statements include the accounts of Lear Corporation (“Lear” or the “Parent”), a Delaware corporation, and the wholly-owned and majority-owned subsidiaries controlled by Lear (collectively, the “Company”). Investments in affiliates, other than wholly-owned and majority-owned subsidiaries controlled by Lear, in which Lear owns a 20% or greater interest are accounted for under the equity method (Note 5).

The Company and its affiliates are involved in the design and manufacture of interior systems and components for automobiles and light trucks. The Company’s main customers are automotive original equipment manufacturers. The Company operates facilities worldwide (Note 11).

(2) Summary of Significant Accounting Policies*Accounts Receivable*

The Company records accounts receivable as its products are shipped to its customers. The Company’s customers are the major automotive manufacturers in the world. The Company records accounts receivable reserves for known collectibility issues, as such issues relate to specific transactions or customer balances. As of December 31, 2002 and 2001, accounts receivable are reflected net of reserves of \$31.5 million and \$26.7 million, respectively.

Inventories

Inventories are stated at the lower of cost or market. Cost is determined using the first-in, first-out method. Finished goods and work-in-process inventories include material, labor and manufacturing overhead costs. The Company records inventory reserves for inventory in excess of production and/or forecasted requirements and for obsolete inventory in production and service inventories. As of December 31, 2002 and 2001, inventories are reflected net of reserves of \$38.5 million and \$35.8 million, respectively. A summary of inventories is shown below (in millions):

December 31,	2002	2001
Raw materials	\$343.4	\$286.0
Work-in-process	31.7	51.2
Finished goods	114.6	103.1
Inventories	\$489.7	\$440.3

Pre-Production Costs Related to Long-Term Supply Arrangements

The Company incurs pre-production engineering, research and development (“ER&D”) and tooling costs related to the products produced for its customers under long-term supply agreements. The Company expenses all pre-production ER&D costs for which reimbursement is not contractually guaranteed by the customer. In addition, the Company expenses all pre-production tooling costs related to customer-owned tools for which reimbursement is not contractually guaranteed by the customer or for which the customer has not provided a noncancelable right to use the tooling. During 2002 and 2001, the Company capitalized \$116.8 million and \$94.5 million, respectively, of pre-production ER&D costs for which reimbursement is contractually guaranteed by the customer. In addition, during 2002 and 2001, the Company capitalized \$293.6 million and \$286.5 million, respectively, of pre-production tooling costs related to customer-owned tools for which reimbursement is contractually guaranteed by the customer or for which the customer has provided a noncancelable right to use. During 2002, the Company collected \$331.9 million of cash related to ER&D and tooling costs previously capitalized.

Gains and losses related to ER&D and tooling projects are reviewed on an aggregated program basis. Net gains on projects are deferred and recognized over the life of the long-term supply agreement. Net losses on projects are recognized as costs are incurred in accordance with Emerging Issues Task Force No. 99-5, “Accounting for Pre-Production Costs Related to Long-Term Supply Arrangements.”

Lear Corporation and Subsidiaries
Notes to Consolidated Financial Statements
(Continued)

Property, Plant and Equipment

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

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

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

December 31,	2002	2001
Land	\$ 100.2	\$ 105.5
Buildings and improvements	621.7	571.6
Machinery and equipment	2,193.0	1,951.9
Construction in progress	34.5	26.3
Total property, plant and equipment	2,949.4	2,655.3
Less — accumulated depreciation	(1,238.8)	(939.6)
Net property, plant and equipment	\$ 1,710.6	\$1,715.7

Goodwill

On January 1, 2002, the Company adopted Statement of Financial Accounting Standards (“SFAS”) No. 142, “Goodwill and Other Intangible Assets.” Under this statement, goodwill is no longer amortized but is subject to annual impairment analysis. The Company’s initial impairment analysis compared the fair values of each of its reporting units, based on discounted cash flow analyses, to the related net book values. As a result of adopting SFAS No. 142, the Company recorded impairment charges of \$310.8 million (\$298.5 million after tax) as of January 1, 2002. These charges are reflected as a cumulative effect of a change in accounting principle, net of tax, in the consolidated statement of income for the year ended December 31, 2002. The Company’s annual SFAS No. 142 impairment analysis was completed as of September 29, 2002, and there was no additional impairment.

A summary of the changes in the carrying amount of goodwill, by reportable operating segment, for the year ended December 31, 2002 is shown below (in millions):

	Seating	Interior	Electronic and Electrical	Total
Balance as of December 31, 2001	\$939.6	\$1,114.3	\$1,085.6	\$3,139.5
Impairment charges	—	(96.3)	(214.5)	(310.8)
Foreign currency translation and other	32.0	5.2	(5.5)	31.7
Balance as of December 31, 2002	\$971.6	\$1,023.2	\$ 865.6	\$2,860.4

In accordance with SFAS No. 142, as of January 1, 2002, the Company no longer amortizes goodwill. Net income and net income per share information, as if goodwill were no longer amortized as of January 1, 2000, are shown below (in millions, except per share data):

	Reported	Goodwill Amortization, Net of Tax	Revised
For the year ended December 31, 2001			
Net income	\$26.3	\$83.2	\$109.5
Basic net income per share	\$0.41	\$1.30	\$ 1.71
Diluted net income per share	\$0.40	\$1.28	\$ 1.68

Lear Corporation and Subsidiaries
Notes to Consolidated Financial Statements
(Continued)

	Reported	Goodwill Amortization, Net of Tax	Revised
<hr/>			
For the year ended December 31, 2000			
Net income	\$274.7	\$82.9	\$357.6
Basic net income per share	\$ 4.21	\$1.28	\$ 5.49
Diluted net income per share	\$ 4.17	\$1.26	\$ 5.43

Long-Lived Assets

On January 1, 2002, the Company adopted SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." Accordingly, the Company evaluates the carrying values of its long-lived assets whenever circumstances arise which call into question the recoverability of such carrying values. In 2002, due to operating losses at certain of its locations, the Company performed an impairment analysis of the related fixed assets. The results of the impairment analysis indicated that recognition of impairment of the fixed assets was not required. This potential risk of impairment of the fixed assets will be closely monitored in 2003.

In 2001, an impairment charge of \$51.9 million was recognized in connection with the Company's related restructuring plan (Note 4).

Revenue Recognition and Sales Commitments

The Company recognizes revenue as its products are shipped to its customers. The Company enters into agreements with its customers to produce products at the beginning of a vehicle's life. Once such agreements are entered into by the Company, fulfillment of the customers' purchasing requirements is the obligation of the Company for the entire production life of the vehicle, with terms of up to ten years. These agreements generally may be terminated by the customer (but not by the Company) at any time. Historically, terminations of these agreements have been minimal. As part of these agreements, the Company is required to provide its customers with annual cost savings. The Company accrues for such amounts, until settlement, as its products are shipped to its customers. In certain instances, the Company may be committed under existing agreements to supply product to its customers at selling prices which are not sufficient to cover the direct cost to produce such product. In such situations, the Company recognizes losses as they are incurred.

Amounts billed to customers related to shipping and handling costs are included in net sales in our consolidated statements of income. Shipping and handling costs are included in cost of sales in our consolidated statements of income.

Research and Development

Costs incurred in connection with the development of new products and manufacturing methods to the extent not recoverable from the Company's customers are charged to selling, general and administrative expenses as incurred. These costs amounted to \$176.0 million, \$198.6 million and \$208.7 million for the years ended December 31, 2002, 2001 and 2000, respectively. In addition, the Company capitalized \$116.8 million and \$94.5 million of pre-production engineering, research and development costs which are recoverable from the customer for the years ended December 31, 2002 and 2001.

Foreign Currency Translation

With the exception of foreign subsidiaries operating in highly inflationary economies, which are measured in U.S. dollars, assets and liabilities of foreign subsidiaries are translated into U.S. dollars at the exchange rates in effect at the end of the period. Revenues and expenses of foreign subsidiaries are translated using an average of exchange rates in effect during the period. Translation adjustments that arise from translating a foreign subsidiary's financial statements from the functional currency to U.S. dollars are reflected in accumulated other comprehensive loss in the consolidated balance sheets.

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

Net Income Per Share

Basic net income per share is computed using the weighted average common shares outstanding during the period. Diluted net income per share is computed using the average share price during the period when calculating the dilutive effect of common stock equivalents. Options to purchase 554,750 shares, 3,324,075 shares and 2,500,253 shares of common stock of the Company at an exercise price of \$54.22 per share and at exercise prices ranging from \$35.93 to \$54.22 and \$25.53 to \$54.22

Lear Corporation and Subsidiaries
Notes to Consolidated Financial Statements
(Continued)

were outstanding during 2002, 2001 and 2000, respectively, but were not included in the computation of diluted shares outstanding, as inclusion would have resulted in antidilution. Shares outstanding are shown below:

For the year ended December 31,	2002	2001	2000
Weighted average common shares outstanding	65,365,218	63,977,391	65,176,499
Dilutive effect of common stock equivalents	1,691,921	1,327,643	664,465
Diluted shares outstanding	67,057,139	65,305,034	65,840,964

Stock-Based Compensation

The Company has four plans under which it has issued stock options: the 1992 Stock Option Plan, the 1994 Stock Option Plan, the 1996 Stock Option Plan and the Long-Term Stock Incentive Plan. Options issued to date under these plans generally vest over a three-year period and expire ten years from the original plan date.

A summary of option transactions during each of the three years in the period ended December 31, 2002 is shown below:

	Stock Options	Price Range
Outstanding as of December 31, 1999	3,598,726	\$ 5.00 - \$ 54.22
Granted	2,083,500	\$ 20.25 - \$ 23.56
Expired or cancelled	(282,873)	\$ 5.00 - \$ 54.22
Exercised	(306,952)	\$ 5.00 - \$ 33.00
Outstanding as of December 31, 2000	5,092,401	\$ 5.00 - \$ 54.22
Granted	2,236,900	\$ 27.25 - \$ 35.93
Expired or cancelled	(275,427)	\$ 5.00 - \$ 54.22
Exercised	(698,985)	\$ 5.00 - \$ 39.00
Outstanding as of December 31, 2001	6,354,889	\$ 5.00 - \$ 54.22
Granted	1,883,875	\$ 39.83 - \$ 41.83
Expired or cancelled	(404,024)	\$ 14.06 - \$ 54.22
Exercised	(1,484,321)	\$ 5.00 - \$ 39.00
Outstanding as of December 31, 2002	6,350,419	\$ 15.50 - \$ 54.22

The following table summarizes information about options outstanding as of December 31, 2002:

Range of exercise prices	\$15.50 - 19.26	\$20.25 - 27.25	\$30.25 - 39.83	\$41.83	\$54.22
Options outstanding:					
Number outstanding	36,727	1,892,717	2,022,825	1,843,400	554,750
Weighted average remaining contractual life (years)	1.40	7.13	7.16	9.42	5.33
Weighted average exercise price	\$ 16.04	\$ 22.22	\$ 36.82	\$ 41.83	\$ 54.22
Options exercisable:					
Number exercisable	36,727	11,217	842,000	—	554,750
Weighted average exercise price	\$ 16.04	\$ 21.98	\$ 37.98	N/A	\$ 54.22

The Long-Term Stock Incentive Plan also permits the grants of stock appreciation rights, restricted stock, restricted units, performance shares and performance units (collectively, "Incentive Units") to officers and other key employees of the Company. As of December 31, 2002, the Company had outstanding Incentive Units convertible into a maximum of 870,965 shares of common stock of the Company, of which 663,323 shares are at a weighted average cost to the employee of \$19.89 per share and 207,642 shares are at no cost to the employee. Total compensation expense recognized under these plans was \$3.4 million, \$4.9 million and \$2.1 million for the years ended December 31, 2002, 2001 and 2000, respectively.

Lear Corporation and Subsidiaries
Notes to Consolidated Financial Statements
(Continued)

As of December 31, 2002, the Company accounted for these plans under the recognition and measurement provisions of APB Opinion 25, "Accounting for Stock Issued to Employees," and related Interpretations. The Company anticipates adopting the fair value recognition provisions of SFAS No. 123, "Accounting for Stock-Based Compensation," for the year ending December 31, 2003, under which compensation cost for stock option grants would be determined based on the fair value of the option at the grant date. SFAS No. 123 would be applied prospectively to all employee awards granted after January 1, 2003, as permitted under the provisions of SFAS No. 148, "Accounting for Stock-Based Compensation — Transition and Disclosure," (Note 14). The following table presents the effect on net income and net income per share if the fair value based method had been applied to all outstanding and unvested awards in each period (in millions, except per share data):

For the year ended December 31,	2002	2001	2000
Net income, as reported	\$ 13.0	\$ 26.3	\$274.7
Add: Stock-based employee compensation expense included in reported net income, net of tax	2.2	3.2	1.4
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of tax	(17.6)	(19.0)	(16.0)
Net income (loss), pro forma	\$ (2.4)	\$ 10.5	\$260.1
Net income (loss) per share:			
Basic — as reported	\$ 0.20	\$ 0.41	\$ 4.21
Basic — pro forma	\$(0.04)	\$ 0.16	\$ 3.99
Diluted — as reported	\$ 0.19	\$ 0.40	\$ 4.17
Diluted — pro forma	\$(0.04)	\$ 0.16	\$ 3.95

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions: expected dividend yields of 0.0% in 2002, 2001 and 2000; expected lives of seven years in 2002 and 2001 and ten years in 2000; risk-free interest rates of 5.75% in 2002, 5.17% in 2001 and 8.00% in 2000; and expected volatility of 41.35% in 2002, 40.64% in 2001 and 37.75% in 2000.

Use of Estimates

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. There were no material changes in the Company's methods or policies used to establish estimates and assumptions. Generally, matters subject to estimation and judgment include amounts related to accounts receivable realization (Note 2), inventory obsolescence (Note 2), unsettled pricing discussions with customers and suppliers, warranty (Note 10), pension and other postretirement plan assumptions (Note 9), plant consolidation and reorganization reserves (Note 4), self-insurance accruals, asset valuation reserves and accruals related to litigation, environmental remediation costs (Note 10) and income taxes (Note 8). While management does not believe that the ultimate settlement of any such assets or liabilities will materially affect the Company's financial position or results of future operations, actual results may differ from estimates provided.

Reclassifications

On March 31, 2002, the Company adopted SFAS No. 145, "Rescission of FASB Statements No. 4, 44 and 64, Amendment of FASB Statement No. 13 and Technical Corrections," under which gains and losses associated with the extinguishment of debt are no longer classified as extraordinary. Accordingly, the consolidated statement of income for the year ended December 31, 2001 has been revised to reflect losses on extinguishment of debt as a component of other expense, net.

Lear Corporation and Subsidiaries
Notes to Consolidated Financial Statements
(Continued)

The impact of the adoption is shown below (in millions):

For the year ended December 31, 2001	Reported	Impact of Adoption	Revised
Income before provision for income taxes and extraordinary loss	\$102.9	\$(13.0)	\$89.9
Provision for income taxes	68.7	(5.1)	63.6
Income before extraordinary loss	34.2	(7.9)	26.3
Extraordinary loss	7.9	(7.9)	—
Net income	\$ 26.3	\$ —	\$26.3

Certain other amounts in prior years' financial statements have been reclassified to conform to the presentation used in the year ended December 31, 2002.

(3) Dispositions

2001 Dispositions

In March 2001, the Company completed the sale of its Spanish wire business for approximately \$35.5 million. A gain on the sale of \$12.4 million is included in other expense, net in the accompanying consolidated statement of income for the year ended December 31, 2001.

In December 2001, the Company completed the sales of a plastics molding facility in Sweden, an interior acoustics facility in the United States and the metal seat frame portion of a facility in Poland for approximately \$5.9 million. The loss on these sales, when combined with favorable post-closing settlements on prior dispositions, was \$11.2 million and is included in other expense, net in the accompanying consolidated statement of income for the year ended December 31, 2001.

The pro forma results of the Company, after giving effect to these dispositions, are not materially different from reported results.

2000 Dispositions

In June 2000, the Company completed the sale of its sealants and foam rubber business for approximately \$92.5 million. A gain on the sale of \$36.6 million is included in other expense, net in the accompanying consolidated statement of income for the year ended December 31, 2000.

In December 2000, the Company completed the sale of four European plastic and metal manufacturing facilities for approximately \$30.0 million, including the assumption of certain liabilities. A loss on the sale of \$19.8 million is included in other expense, net in the accompanying consolidated statement of income for the year ended December 31, 2000.

The pro forma results of the Company, after giving effect to these dispositions, are not materially different from reported results.

(4) Restructuring Plan

In order to better align the Company's operations and capacity in response to reductions in global automotive production volumes, the Company began to implement a restructuring plan in the fourth quarter of 2001. This restructuring plan was designed to consolidate certain operations and to improve overall efficiencies and the Company's long-term competitive position. As a result of this restructuring plan, the Company recorded pre-tax charges of \$149.2 million in the fourth quarter of 2001, including \$141.4 million recorded as cost of sales and \$7.8 million recorded as selling, general and administrative expenses. These charges were incurred across all reportable operating segments and reflect \$71.2 million related to the Company's North and South American regions and \$78.0 million related to the Company's European and Rest of World regions.

The restructuring plan includes the closure of ten manufacturing and three warehouse facilities in North America and three manufacturing facilities in South America. Several of these actions involve the relocation of business to improve factory utilization. The charges consist of severance costs of \$32.2 million for 399 salaried and 3,092 hourly employees notified prior to December 31, 2001, asset impairment charges of \$24.5 million to write down assets to their fair value less disposal costs, lease cancellation costs of \$6.0 million and other facility closure costs of \$2.8 million. Certain of these amounts have been recorded net of estimated recoveries from third parties. Severance costs were recorded based on both completed negotiations and existing union and employee contracts. The asset impairment charges related to the disposal of seven buildings and the

Lear Corporation and Subsidiaries
Notes to Consolidated Financial Statements
(Continued)

related machinery and equipment. The buildings had a carrying value of \$16.5 million and an estimated fair value of \$13.5 million, resulting in an impairment charge of \$3.0 million. The machinery and equipment had a carrying value of \$27.9 million and an estimated fair value of \$6.4 million, resulting in an impairment charge of \$21.5 million. The fair value of the assets was determined using both appraisals and cash flow analyses. Lease cancellation costs are expected to be paid through 2005.

The Company also implemented a plan to consolidate certain administrative functions and to reduce the U.S. salaried workforce. The Company recorded a charge of \$5.7 million for severance costs for 229 employees notified prior to December 31, 2001. Severance costs were recorded based on both completed negotiations and existing employee contracts.

The restructuring plan includes the closure of five manufacturing facilities in Europe and Rest of World. Several of these actions involve the relocation of business to improve factory utilization. The charges consist of severance costs of \$25.3 million for 299 salaried and 3,991 hourly employees notified prior to December 31, 2001, asset impairment charges of \$27.4 million to write down assets to their fair value less disposal costs, lease cancellation costs of \$0.3 million and other facility closure costs of \$6.8 million. Severance costs were recorded based on both completed negotiations and existing union and employee contracts. The asset impairment charges related to the disposal of two buildings and the related machinery and equipment. The buildings had a carrying value of \$12.0 million and an estimated fair value of \$2.7 million, resulting in an impairment charge of \$9.3 million. The machinery and equipment had a carrying value of \$20.2 million and an estimated fair value of \$2.1 million, resulting in an impairment charge of \$18.1 million. The fair value of the assets was determined using both appraisals and cash flow analyses.

The majority of the European countries in which the Company operates have statutory requirements with regard to minimum severance payments, which must be made to employees upon termination. The Company recorded a charge of \$14.9 million for severance costs for 150 salaried employees and 1,356 hourly employees in one country under SFAS No. 112, "Employers' Accounting for Postemployment Benefits," related to the minimum aggregate severance payments made in accordance with statutory requirements.

The Company also implemented a plan to consolidate certain administrative functions and to reduce the European salaried workforce. The Company recorded a charge of \$3.3 million for severance costs for 70 employees notified prior to December 31, 2001. Severance costs were recorded based on both completed negotiations and existing employee contracts.

As of December 31, 2002, the restructuring plan was substantially complete. As of this date, there were three facilities which remained to be closed and approximately 600 employees yet to be terminated. These remaining actions are expected to be completed in 2003.

There have been no significant changes to the original restructuring plan. A summary of the activity in the restructuring accrual is shown below (in millions):

	Original Provision	Utilized		Accrual at Dec. 31, 2002
		Cash	Noncash	
Severance	\$ 81.4	\$(66.1)	\$ —	\$15.3
Asset impairments	51.9	—	(51.9)	—
Lease cancellation costs	6.3	(1.9)	—	4.4
Other closure costs	9.6	(3.9)	—	5.7
Total	\$149.2	\$(71.9)	\$(51.9)	\$25.4

Lear Corporation and Subsidiaries
Notes to Consolidated Financial Statements
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(5) Investments in Affiliates

The Company's beneficial ownership in affiliates accounted for using the equity method is shown below:

December 31,	2002	2001	2000
Lear Furukawa Corporation	51%	51%	51%
Corporate Eagle Two, L.L.C.	50	50	50
Lear Motorola Integrated Solutions, L.L.C.	50	50	50
Lear-NHK Seating and Interiors Co., Ltd. (Japan)	50	50	—
Hanil Lear India Private, Ltd. (India)	50	—	—
LearDiamond Electro-Circuit Systems Co., Ltd. (Japan)	50	—	—
Nanjing Lear Xindi Automotive Interiors System Co., Ltd. (China)	50	—	—
SALBI, A.B. (Sweden)	—	50	50
Industrias Cousin Freres, S.L. (Spain)	50	50	50
Bing Assembly Systems, L.L.C. (formerly Bing-Lear, L.L.C.)	49	49	49
J.L. Automotive, L.L.C.	49	49	49
Saturn Electronics Texas, L.L.C.	45	45	44
Jiangxi Jiangling Lear Interior Systems Co., Ltd. (China)	41	33	33
Precision Fabrics Group, Inc.	40	38	29
Interiores Automotrices Summa, S.A. de C.V. (Mexico)	—	40	40
Lear-Air International Holdings Pty Ltd. (Australia)	—	—	40
Total Interior Systems — America, L.L.C.	39	39	39
U.P.M. S.r.L. (Italy)	39	39	39
Markol Otomotiv Yan Sanayi VE Ticaret A.S. (Turkey)	35	35	35
Hanyil Co., Ltd. (Korea)	29	—	—
Interni S.A. (Brazil)	—	25	25
NTTF Industries, Ltd. (India)	23	46	46

The Company's aggregate investment in affiliates was \$59.1 million and \$53.8 million as of December 31, 2002 and 2001, respectively. In addition, the Company had notes and advances due from affiliates of \$20.2 million and \$16.5 million as of December 31, 2002 and 2001, respectively.

Summarized group financial information for affiliates accounted for under the equity method as of December 31, 2002 and 2001 and for the years ended December 31, 2002, 2001 and 2000 is shown below (unaudited; in millions):

December 31,	2002	2001
Balance sheet data:		
Current assets	\$210.3	\$151.4
Non-current assets	105.0	100.7
Current liabilities	195.7	128.0
Non-current liabilities	21.7	53.5

For the year ended December 31,	2002	2001	2000
Income statement data:			
Net sales	\$728.0	\$592.5	\$630.9
Gross profit	76.4	69.8	75.6
Income before provision for income taxes	14.7	10.8	13.6
Net income	9.6	7.7	8.0

The Company had sales to affiliates of approximately \$73.2 million, \$26.5 million and \$27.6 million for the years ended December 31, 2002, 2001 and 2000, respectively. Dividends of approximately \$5.9 million, \$4.2 million and \$2.0 million were received by the Company from these affiliates for the years ended December 31, 2002, 2001 and 2000, respectively.

Lear Furukawa Corporation is accounted for under the equity method as shareholder resolutions require a two-thirds majority vote for approval of corporate actions. Therefore, Lear does not control this affiliate.

The Company guarantees 39% of the debt of Total Interior Systems — America, L.L.C. As of December 31, 2002, the debt balance of Total Interior Systems - America, L.L.C. was \$29.4 million.

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Notes to Consolidated Financial Statements
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Since January 1, 2002, the Company has accounted for its investment in Hanil Lear India Private, Ltd. under the equity method, due to a change in the composition of the joint venture's board of directors. Prior to January 1, 2002, the financial position and results of operations of this entity were included in the consolidated financial statements of the Company.

During 2002, the Company sold its interest in Interni S.A. and a portion of its interest in NTTF Industries, Ltd. In addition, the Company sold its interest in Interiores Automotrices Summa, S.A. de C.V. and, in turn, acquired 100% of the related business. As such, the assets and liabilities of the related business are reflected in the accompanying consolidated balance sheet as of December 31, 2002, and the operating results of the related business are reflected in the consolidated statement of income for the year ended December 31, 2002 since the date of acquisition. Also during 2002, the Company's investment in SALBI, A.B. was liquidated. The Company's ownership of Precision Fabrics Group, Inc. increased from 38% to 40% due to a decrease in the number of shares outstanding, as the joint venture repurchased shares from other owners. The Company's ownership of Jiangxi Jiangling Lear Interior Systems Co., Ltd. also increased from 33% to 41%, due to the purchase of additional equity shares.

In April 2002, the Company formed LearDiamond Electro-Circuit Systems Co., Ltd., a joint venture with Mitsubishi Cable Industries, Ltd. to provide electronic and electrical distribution systems to certain automotive manufacturers in Japan. The Company also formed Nanjing Lear Xindi Automotive Interiors System Co., Ltd., a joint venture with the Xindi subsidiary of Yuejin Motor Group Corporation, to supply seat systems and wire harnesses in China. The Company purchased a 29% equity stake in Hanyil Co., Ltd., a publicly traded supplier of automotive seats in Korea.

During 2001, the Company sold its interest in Lear-Air International Holdings Pty Ltd. In addition, the Company's ownership of Precision Fabrics Group, Inc. increased from 29% to 38% due to a decrease in the number of shares outstanding, as the joint venture repurchased shares from other owners. The Company's ownership of Saturn Electronics Texas, L.L.C. also increased from 44% to 45%, as a former employee's shares in the joint venture reverted to the Company. Also during 2001, the Company formed Lear-NHK Seating and Interiors Co., Ltd., a joint venture with NHK Spring Co., Ltd., to provide seat and interior systems to certain automotive manufacturers in Japan.

(6) Short-Term Borrowings

The Company utilizes uncommitted lines of credit to satisfy a portion of its short-term working capital requirements. As of December 31, 2002, the Company had unsecured lines of credit available from banks of \$213.9 million, subject to certain restrictions imposed by the primary credit facilities (Note 7). Weighted average interest rates on the outstanding borrowings as of December 31, 2002 and 2001 were 4.8% and 4.2%, respectively.

Lear Corporation and Subsidiaries
Notes to Consolidated Financial Statements
(Continued)

(7) Long-Term Debt

A summary of long-term debt and the related weighted average interest rates, including the effect of hedging activities described in Note 12, is shown below (in millions):

December 31,	2002		2001	
Debt Instrument	Long-Term Debt	Weighted Average Interest Rate	Long-Term Debt	Weighted Average Interest Rate
Credit facilities	\$ 132.8	6.87%	\$ 714.3	6.83%
Other	80.9	4.84%	86.3	4.73%
	213.7		800.6	
Less — current portion	(3.9)		(129.5)	
	209.8		671.1	
Zero-coupon Convertible Senior Notes, due 2022	260.7	4.75%	—	N/A
8.125% Senior Notes, due 2008	262.3	8.125%	222.8	8.125%
8.11% Senior Notes, due 2009	800.0	8.11%	800.0	8.11%
7.96% Senior Notes, due 2005	600.0	7.24%	600.0	7.96%
	1,923.0		1,622.8	
Long-term debt	\$2,132.8		\$2,293.9	

In February 2002, the Company issued \$640.0 million aggregate principal amount at maturity of zero-coupon convertible senior notes due 2022, yielding gross proceeds of \$250.3 million. The notes are unsecured and rank equally with the Company's other unsecured senior indebtedness, including the Company's other senior notes. Each note of \$1,000 principal amount at maturity was issued at a price of \$391.06, representing a yield to maturity of 4.75%. Holders of the notes may convert their notes at any time on or before the maturity date at a conversion rate, subject to adjustment, of 7.5204 shares of the Company's common stock per note, provided that the average per share price of the Company's common stock for the 20 trading days immediately prior to the conversion date is at least a specified percentage, beginning at 120% and declining 1/2% each year thereafter to 110% at maturity, of the accreted value of the note, divided by the conversion rate. The notes are also convertible (1) if the long-term credit rating assigned to the notes by either Moody's Investors Service, Inc. or Standard & Poor's Ratings Group is reduced below Ba3 or BB-, respectively, or either ratings agency withdraws its long-term credit rating assigned to the notes, (2) if the Company calls the notes for redemption or (3) upon the occurrence of specified other events. Under generally accepted accounting principles, the shares into which the notes are convertible will not be included in the Company's calculation of diluted net income per share unless one of the contingent conversion triggering events, discussed above, occurs, or it is expected that the Company will satisfy its obligation to repurchase the notes, as discussed below, with shares of common stock. If the notes are required to be repurchased, the Company currently expects to purchase the notes for cash. Accordingly, the notes are not included in the Company's calculation of diluted net income per share (Note 2).

The Company has an option to redeem all or a portion of the convertible notes for cash at their accreted value at any time on or after February 20, 2007. Holders may require the Company to purchase their notes on each of February 20, 2007, 2012 and 2017, as well as upon the occurrence of a fundamental change, at their accreted value on such dates. The Company may choose to pay the purchase price in cash or, subject to the satisfaction of certain conditions, shares of the Company's common stock or a combination of cash and shares of the Company's common stock. The Company used the proceeds from the convertible note offering to repay indebtedness under the revolving portion of the Company's primary credit facilities. The offering of the convertible notes was made pursuant to an exemption from the registration requirements of the Securities Act of 1933, as amended (the "Securities Act"). In June 2002, a registration statement filed by the Company covering the resale of the notes and the common stock issuable upon their conversion was declared effective by the Securities and Exchange Commission.

In March 2001, the Company replaced its \$2.1 billion revolving credit facility in order to extend its maturity and reduce commitments. In addition, the Company amended its other primary credit facilities at the same time. The Company's primary credit facilities now consist of a \$1.7 billion amended and restated credit facility, which matures on March 26, 2006, a \$500 million revolving credit facility, which matures on May 4, 2004, and a \$500 million term loan, of which \$50.0 million was outstanding as of December 31, 2002. The Company's primary credit facilities provide for multicurrency borrowings in a maximum aggregate amount of up to \$665.0 million, the commitment for which is part of the aggregate primary credit facilities commitment. The write-off of deferred financing fees related to the \$2.1 billion revolving credit facility, which totaled approximately \$1.0 million, is reflected as other expense, net in the accompanying consolidated statement of income for the year ended December 31, 2001 in accordance with SFAS No. 145.

As of December 31, 2002, the Company had \$132.8 million outstanding under its primary credit facilities and \$34.4 million committed under outstanding letters of credit, resulting in more than \$2.0 billion of unused availability under the primary credit facilities. The weighted average annual interest rates across all currencies as of December 31, 2002 and 2001 were 4.5% and 7.1%, respectively. The Company pays a commitment fee on the \$1.7 billion credit facility and the \$500 million revolving credit

Lear Corporation and Subsidiaries
Notes to Consolidated Financial Statements
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facility of 0.35% per annum. Borrowings and repayments under the primary credit facilities in the years indicated are shown below (in millions):

Year	Borrowings	Repayments
2002	\$7,557.0	\$8,140.4
2001	8,181.5	8,632.5
2000	9,028.2	9,336.0

In March 2001, the Company issued 8.125% senior notes due 2008 (the "Eurobonds") in an aggregate principal amount of 250 million EUR (approximately \$262.3 million based on the exchange rate in effect as of December 31, 2002). The offering of the Eurobonds was not registered under the Securities Act. In November 2001, the Company completed an exchange offer of the Eurobonds for substantially identical notes registered under the Securities Act.

In addition, the Company has outstanding \$1.4 billion aggregate principal amount of senior notes (the "Senior Notes"), \$800 million of which mature in 2009 and \$600 million of which mature in 2005. Interest on the Senior Notes is payable on May 15 and November 15 of each year.

The Company may redeem all or part of the Eurobonds or the Senior Notes, at its option, at any time, at the redemption price equal to the greater of (a) 100% of the principal amount of the notes to be redeemed or (b) the sum of the present values of the remaining scheduled payments of principal and interest thereon from the redemption date to the maturity date discounted, to the redemption date on a semiannual basis, at the Bund rate in the case of the Eurobonds or at the applicable treasury rate plus 50 basis points in the case of the Senior Notes, together with any interest accrued but not paid to the date of the redemption.

The senior notes of the Company are senior unsecured obligations and rank pari passu in right of payment with all of the Company's existing and future unsubordinated unsecured indebtedness. The Company's obligations under the senior notes are guaranteed, on a joint and several basis, by certain of its significant subsidiaries, which are primarily domestic subsidiaries. See Note 15, "Supplemental Guarantor Condensed Consolidating Financial Statements." The Company's obligations under its primary credit facilities are guaranteed by the same subsidiaries that guarantee the Company's obligations under the senior notes. The Company's obligations under the primary credit facilities are also (and solely) secured by the pledge of all or a portion of the capital stock of certain of its significant subsidiaries. Pursuant to the terms of the primary credit facilities, the guarantees and stock pledges shall be released when and if the Company's senior long-term unsecured debt is at or above BBB- from Standard & Poor's Ratings Group and at or above Baa3 from Moody's Investors Service, Inc. and certain other conditions are satisfied. In the event that any such subsidiary ceases to be a guarantor under the primary credit facilities, such subsidiary will be released as a guarantor of the senior notes.

The Company's primary credit facilities contain numerous restrictive covenants relating to the maintenance of certain financial ratios and to the management and operation of the Company. The covenants include, among other restrictions, limitations on indebtedness, guarantees, mergers, acquisitions, fundamental corporate changes, asset sales, investments, loans and advances, liens, dividends and other stock payments, transactions with affiliates and optional payments and modification of debt instruments. The senior notes also contain covenants restricting the ability of the Company and its subsidiaries to incur liens and to enter into sale and leaseback transactions and restricting the ability of the Company to consolidate with, to merge with or into, or to sell or otherwise dispose of all or substantially all of its assets, to any person.

In August 2001, the Company redeemed its 9.50% subordinated notes due 2006. The redemption was made at 104.75% of the aggregate principal amount of the notes. In May 2001, the Company redeemed its 8.25% subordinated notes due 2002. The redemption was made at par. The redemptions were financed through borrowings under the Company's primary credit facilities. The redemption premium and the write-off of deferred financing fees related to the 9.50% subordinated notes due 2006, which totaled approximately \$12.0 million, is reflected as other expense, net in the accompanying consolidated statement of income for the year ended December 31, 2001 in accordance with SFAS No. 145.

Other long-term debt as of December 31, 2002 was principally made up of amounts outstanding under U.S. term loans and capital leases.

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Notes to Consolidated Financial Statements
(Continued)

The scheduled maturities of long-term debt as of December 31, 2002 for the five succeeding years are shown below (in millions):

Year	Maturities
2003	\$ 3.9
2004	53.9
2005	648.5
2006	86.8
2007	2.6

(8) Income Taxes

A summary of income before provision for income taxes and components of the provision for income taxes is shown below (in millions):

For the year ended December 31,	2002	2001	2000
Income (loss) before provision (benefit) for income taxes, minority interests in consolidated subsidiaries, equity in net income of affiliates and cumulative effect of a change in accounting principle:			
Domestic	\$234.0	\$ (93.6)	\$167.4
Foreign	246.5	191.0	316.8
	\$480.5	\$ 97.4	\$484.2
Domestic provision (benefit) for income taxes:			
Current provision	\$101.1	\$ 22.4	\$ 76.6
Deferred provision (benefit)	(15.3)	(52.7)	9.0
Total domestic provision (benefit)	85.8	(30.3)	85.6
Foreign provision for income taxes:			
Current provision	85.9	121.1	64.8
Deferred -			
Deferred provision (benefit)	(6.8)	(22.3)	57.1
Benefit of prior unrecognized net operating loss carryforwards	(7.9)	(4.9)	(10.2)
Total foreign deferred provision (benefit)	(14.7)	(27.2)	46.9
Total foreign provision	71.2	93.9	111.7
Provision for income taxes	\$157.0	\$ 63.6	\$197.3

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Notes to Consolidated Financial Statements
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The differences between tax provisions calculated at the United States Federal statutory income tax rate of 35% and the consolidated provision for income taxes are shown below (in millions):

For the year ended December 31,	2002	2001	2000
Income before provision for income taxes, minority interests in consolidated subsidiaries, equity in net income of affiliates and cumulative effect of a change in accounting principle multiplied by the United States Federal statutory rate	\$168.2	\$ 34.1	\$169.5
Differences in income taxes on foreign earnings, losses and remittances	18.3	(10.4)	(47.6)
Valuation adjustments	49.3	32.1	42.2
Amortization of goodwill	—	24.4	24.4
Research and development credits	(25.0)	(7.5)	(5.9)
Change in enacted tax rates on prior divestiture	(14.5)	—	—
Other	(39.3)	(9.1)	14.7
	\$157.0	\$ 63.6	\$197.3

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

December 31,	2002	2001
Deferred income tax liabilities:		
Long-term asset basis differences	\$ 95.8	\$ 138.7
Recoverable customer engineering and tooling	50.2	49.2
Undistributed earnings of foreign subsidiaries	67.2	—
Other	2.1	2.0
	\$ 215.3	\$ 189.9
Deferred income tax assets:		
Tax loss carryforwards	\$ (189.2)	\$ (140.5)
Retirement benefit plans	(69.3)	(47.3)
Accrued liabilities	(46.3)	(36.1)
Reserves related to current assets	(37.1)	(25.5)
Tax credit carryforwards	—	(25.1)
Self-insurance reserves	(10.8)	(9.6)
Minimum pension liability	(16.5)	(7.6)
	(369.2)	(291.7)
Valuation allowance	190.3	147.9
	\$ (178.9)	\$ (143.8)
Net deferred income tax liability	\$ 36.4	\$ 46.1

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

December 31,	2002	2001
Deferred income tax assets:		
Current	\$ (94.3)	\$ (83.1)
Long-term	(42.5)	(31.9)
Deferred income tax liabilities:		
Current	22.3	33.5
Long-term	150.9	127.6
Net deferred income tax liability	\$ 36.4	\$ 46.1

Deferred income taxes have not been provided on \$34.5 million of undistributed earnings of the Company's foreign subsidiaries as such amounts are considered to be permanently reinvested. It is not practicable to calculate the unrecognized deferred tax liability on these earnings.

As of December 31, 2002, the Company had tax loss carryforwards of \$599.1 million which relate to certain foreign subsidiaries. Of the total loss carryforwards, \$336.7 million has no expiration date and \$262.4 million expires from 2003 through 2010.

(9) Pension and Other Postretirement Benefit Plans

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

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

A reconciliation of the change in benefit obligation, the change in plan assets and the net amount recognized in the consolidated balance sheets is shown below (based on a September 30 measurement date, in millions):

December 31,	Pension		Other Postretirement	
	2002	2001	2002	2001
Change in benefit obligation:				
Benefit obligation at beginning of year	\$ 312.8	\$ 281.5	\$ 122.0	\$ 92.4
Service cost	29.5	28.1	11.0	8.4
Interest cost	23.1	20.0	9.3	7.1
Amendments	13.2	0.7	(0.2)	0.1
Actuarial loss	26.8	10.9	48.6	18.4
Benefits paid	(13.3)	(14.8)	(9.5)	(3.6)
Curtailment (gain) loss	(2.8)	(3.4)	—	0.2
Special termination benefits	0.9	—	0.4	—
Translation adjustment	7.0	(10.2)	(0.1)	(1.0)
Benefit obligation at end of year	\$ 397.2	\$ 312.8	\$ 181.5	\$ 122.0
Change in plan assets:				
Fair value of plan assets at beginning of year	\$ 211.7	\$ 219.5	\$ —	\$ —
Actual return on plan assets	(15.1)	(24.3)	—	—
Employer contributions	35.4	38.0	9.5	3.6
Benefits paid	(13.3)	(14.8)	(9.5)	(3.6)
Translation adjustment	0.9	(6.7)	—	—
Fair value of plan assets at end of year	\$ 219.6	\$ 211.7	\$ —	\$ —
Funded status	\$(177.6)	\$(101.1)	\$(181.5)	\$(122.0)
Unrecognized net actuarial loss	85.8	27.3	52.2	3.9
Unrecognized net transition (asset) obligation	(1.0)	(1.1)	19.2	21.6
Unrecognized prior service cost	40.1	30.9	(0.2)	(0.6)
Net amount recognized	\$ (52.7)	\$ (44.0)	\$(110.3)	\$ (97.1)
Amounts recognized in the consolidated balance sheets:				
Prepaid benefit cost	\$ 3.1	\$ 31.7	\$ —	\$ —
Accrued benefit liability	(139.7)	(121.2)	(110.3)	(97.1)
Intangible asset	35.0	24.9	—	—
Deferred tax asset	16.5	7.6	—	—
Accumulated other comprehensive loss	32.4	13.0	—	—
Net amount recognized	\$ (52.7)	\$ (44.0)	\$(110.3)	\$ (97.1)

In 2002, the Company recognized a curtailment (gain) loss of \$2.8 million and \$(0.4) million with respect to pension and other postretirement benefits, respectively, in conjunction with workforce reductions, plant closings and plan settlements.

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In 2001, the Company recognized a curtailment gain of \$0.6 million and \$0.1 million with respect to pension and other postretirement benefits, respectively, in conjunction with severance actions taken in the first six months of 2001 to reduce the Company's cost base.

As of December 31, 2002 and 2001, the majority of the Company's pension plans had accumulated benefit obligations in excess of plan assets. The projected benefit obligation, accumulated benefit obligation and fair value of plan assets of these plans were \$374.2 million, \$325.8 million and \$197.8 million, respectively, as of December 31, 2002 and \$291.9 million, \$250.7 million and \$187.5 million, respectively, as of December 31, 2001.

Components of the Company's net periodic benefit costs are shown below (in millions):

December 31,	Pension			Other Postretirement		
	2002	2001	2000	2002	2001	2000
Service cost	\$ 29.5	\$ 28.1	\$ 30.1	\$11.0	\$ 8.4	\$10.3
Interest cost	23.1	20.0	18.1	9.3	7.1	6.5
Expected return on plan assets	(17.5)	(17.8)	(14.1)	—	—	—
Amortization of actuarial (gain) loss	0.4	(0.9)	(0.2)	0.6	(1.4)	(1.3)
Amortization of transition (asset) obligation	(0.4)	(0.3)	(0.3)	1.7	1.8	1.8
Amortization of prior service cost	3.3	3.1	2.9	(0.1)	0.2	0.1
Curtailment (gain) loss	2.8	(0.6)	—	(0.4)	(0.1)	(1.0)
Net periodic benefit cost	\$ 41.2	\$ 31.6	\$ 36.5	\$22.1	\$16.0	\$16.4

The weighted-average actuarial assumptions used in determining the funded status information and net periodic benefit cost information are shown below:

December 31,	Pension		Other Postretirement	
	2002	2001	2002	2001
Discount rate:				
Domestic plans	6 3/4%	7 1/2%	6 3/4%	7 1/2%
Foreign plans	7%	7%	7%	7%
Expected return on plan assets:				
Domestic plans	9%	9 1/2%	N/A	N/A
Foreign plans	7%	7%	N/A	N/A
Rate of compensation increase:				
Domestic plans	3 3/4%	4 1/2%	N/A	N/A
Foreign plans	4 1/2%	4 1/2%	N/A	N/A

The weighted-average assumptions for the foreign plans relate primarily to Canadian pension and other postretirement benefit plans.

For measurement purposes, domestic healthcare costs were assumed to increase 13.0% in 2003, grading down over time to 5.5% in ten years. Foreign healthcare costs were assumed to increase 6.0% in 2003, grading down over time to 4.4% in five years.

Assumed healthcare cost trend rates have a significant effect on the amounts reported for the postretirement plans. A 1% rise in the assumed rate of healthcare cost increases each year would increase the postretirement benefit obligation as of December 31, 2002 by \$29.4 million and increase the postretirement net periodic benefit cost by \$5.1 million for the year then ended. A 1% decrease in the assumed rate of healthcare cost increases each year would decrease the postretirement benefit obligation as of

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December 31, 2002 by \$24.7 million and decrease the postretirement net periodic benefit cost by \$4.2 million for the year then ended.

The Company also sponsors defined contribution plans and participates in government-sponsored programs in certain foreign countries. Contributions are determined as a percentage of each covered employee's salary. The Company also participates in multi-employer pension plans for certain of its hourly employees and contributes to those plans based on collective bargaining agreements. The aggregate cost of the defined contribution and multi-employer pension plans charged to income was \$16.9 million, \$24.2 million and \$22.9 million for the years ended December 31, 2002, 2001 and 2000, respectively.

(10) Commitments and Contingencies

Legal Proceedings

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

The Company is subject to local, state, federal and foreign laws, regulations and ordinances, which govern activities or operations that may have adverse environmental effects and which impose liability for the costs of cleaning up certain damages resulting from past spills, disposal or other releases of hazardous wastes and environmental compliance. The Company's policy is to comply with all applicable environmental laws and to maintain procedures to ensure compliance. However, the Company currently is, has been and in the future may become the subject of formal or informal enforcement actions or procedures.

The Company has been named as a potentially responsible party at several third-party landfill sites and is engaged in the cleanup of hazardous wastes at certain sites owned, leased or operated by the Company, including several properties acquired in the Company's 1999 acquisition of United Technologies Automotive ("UT Automotive"). Certain present and former properties of UT Automotive are subject to environmental liabilities which may be significant. The Company obtained agreements and indemnities with respect to possible environmental liabilities from United Technologies Corporation in connection with the acquisition of UT Automotive. While the Company does not believe that the environmental liabilities associated with its current and former properties will have a material adverse effect on its business, consolidated financial position or results of future operations, no assurances can be given in this regard.

Product Liabilities

In the event that the Company's products fail to perform as expected and such failure results in, or is alleged to result in, bodily injury and/or property damage or other losses, the Company may be subject to product liability lawsuits, warranty claims and product recalls. The Company can provide no assurances that it will not experience material claims in the future or that it will not incur significant costs to defend such claims. In addition, if any of the Company's products are or are alleged to be defective, it may be required to participate in a recall involving such products.

The Company records product warranty liabilities based on its individual customer agreements. Product warranty liabilities are recorded for known warranty issues when amounts related to such issues are probable and reasonably estimable. In addition, the Company records product warranty liabilities for amounts expected to be paid under warranty-sharing agreements with its customers.

A summary of the changes in the product warranty liabilities is shown below (in millions):

Balance as of December 31, 2001	\$ 67.7
Expense, net	3.7
Settlements	(19.5)
Foreign currency translation and other	(15.0)
Balance as of December 31, 2002	\$ 36.9

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In conjunction with some acquisitions, we provided for product warranty liabilities which were probable and estimable. A substantial portion of the settlements in 2002 related to such provisions.

Employees

Approximately 80% of the Company's employees are members of industrial trade unions and are employed under the terms of collective bargaining agreements. Collective bargaining agreements covering approximately 25% of the Company's unionized workforce of approximately 93,000 employees are scheduled to expire in 2003. Management does not anticipate any difficulties with respect to the agreements as they are renewed.

Lease Commitments

A summary of lease commitments as of December 31, 2002 under noncancelable operating leases with terms exceeding one year is shown below (in millions):

2003	\$ 77.6
2004	65.0
2005	53.3
2006	66.3
2007	31.2
2008 and thereafter	68.0
Total	\$361.4

In addition, the Company guarantees the residual value of certain of its leased assets. As of December 31, 2002, these guarantees totaled \$26.6 million and are reflected in the lease commitment table above.

The Company's operating leases cover principally buildings and transportation equipment. Rent expense incurred under all operating leases and charged to operations was \$116.3 million, \$116.8 million and \$99.4 million for the years ended December 31, 2002, 2001 and 2000, respectively.

(11) Segment Reporting

The Company has three reportable operating segments: seating; interior; and electronic and electrical. The seating segment includes seat systems and components thereof. The interior segment includes flooring and acoustic systems, door panels, instrument panels and cockpit systems, overhead systems and other interior products. The electronic and electrical segment includes electronic and electrical distribution systems, primarily wire harnesses, wireless systems and interior control systems. As of January 1, 2001, seat frames and seat tracks, which were previously included in the interior segment, have been included in the seating segment. Accordingly, all periods have been restated to reflect this change.

Each of the Company's operating segments reports its results from operations and makes its requests for capital expenditures directly to the chief operating decision-making group. The economic performance of the Company's operating segments is mainly driven by automobile production volumes in the geographic regions in which they operate as well as by the success of the vehicle platforms for which the Company supplies products. Also, each operating segment operates in the competitive tier I automotive supplier environment and is continually working with its customers to manage costs and improve quality. The Company's manufacturing facilities generally use just-in-time manufacturing techniques to produce and distribute their automotive interior products. The Company's production processes generally make use of unskilled labor, dedicated facilities, sequential manufacturing processes and commodity raw materials. The Other category includes the corporate headquarters, geographic headquarters, the technology centers and the elimination of intercompany activities, none of which meet the requirements of being classified as an operating segment.

The accounting policies of the Company's operating segments are the same as those described in Note 2, "Summary of Significant Accounting Policies." The Company evaluates the performance of its operating segments based primarily on

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revenues from external customers, operating income before amortization (“EBITA”) and cash flow, being defined as EBITA less capital expenditures plus depreciation.

A summary of revenues from external customers and other financial information, including EBITA, by reportable operating segment is shown below (in millions):

2002					
	Seating	Interior	Electronic and Electrical	Other	Consolidated
Revenues from external customers	\$9,851.6	\$2,552.2	\$2,020.7	\$ 0.1	\$14,424.6
EBITA	568.2	140.1	231.5	(196.7)	743.1
Depreciation	132.7	101.7	67.7	(1.1)	301.0
Capital expenditures	89.7	91.5	82.5	8.9	272.6
Total assets	2,618.5	1,332.6	771.1	2,760.8	7,483.0

2001					
	Seating	Interior	Electronic and Electrical	Other	Consolidated
Revenues from external customers	\$9,286.4	\$2,434.5	\$1,900.4	\$ 3.4	\$13,624.7
EBITA(1)	454.4	204.5	174.4	(312.7)	520.6
Depreciation	129.8	100.6	69.9	1.7	302.0
Capital expenditures	105.8	99.2	45.9	16.1	267.0
Total assets	2,539.6	1,339.0	980.0	2,720.6	7,579.2

2000					
	Seating	Interior	Electronic and Electrical	Other	Consolidated
Revenues from external customers	\$9,132.8	\$2,778.0	\$2,153.0	\$ 9.0	\$14,072.8
EBITA	495.4	314.7	266.4	(151.2)	925.3
Depreciation	116.1	90.1	73.0	23.1	302.3
Capital expenditures	137.1	121.4	57.7	6.1	322.3
Total assets	3,294.7	1,347.2	960.6	2,773.0	8,375.5

(1) Restructuring and other charges of \$149.2 million is included in “Other.”

A reconciliation of EBITA to income before provision for income taxes, minority interests in consolidated subsidiaries, equity in net income of affiliates and cumulative effect of a change in accounting principle is shown below (in millions):

For the year ended December 31,	2002	2001	2000
EBITA	\$743.1	\$520.6	\$925.3
Amortization of goodwill	—	90.2	89.9
Interest expense	210.5	254.7	316.2
Other expense	52.1	78.3	35.0
Total	\$480.5	\$ 97.4	\$484.2

Revenues and tangible long-lived assets for each of the geographic areas in which the Company operates is shown below (in millions):

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Notes to Consolidated Financial Statements
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For the year ended December 31,	2002	2001	2000
Revenues from external customers:			
United States	\$ 7,114.8	\$ 6,622.3	\$ 7,060.4
Canada	1,392.5	1,310.4	1,549.4
Germany	1,478.0	1,447.4	1,392.7
Other countries	4,439.3	4,244.6	4,070.3
Total	\$14,424.6	\$13,624.7	\$14,072.8

December 31,	2002	2001	2000
Tangible long-lived assets:			
United States	\$ 919.8	\$ 959.1	\$1,072.2
Canada	57.8	68.1	85.1
Germany	128.3	106.1	109.1
Other countries	604.7	582.4	624.9
Total	\$1,710.6	\$1,715.7	\$1,891.3

A substantial majority of the Company's consolidated and reportable operating segment revenues are from five automotive manufacturing companies, with two customers accounting for 60% of the Company's revenues in 2002, 2001 and 2000. The following is a summary of the percentage of revenues from major customers:

For the year ended December 31,	2002	2001	2000
General Motors Corporation	35%	33%	32%
Ford Motor Company	25	27	28
DaimlerChrysler	12	13	13
BMW	6	6	5
Fiat S.p.A.	4	5	5

In addition, a portion of the Company's remaining revenues are from the above automotive manufacturing companies through various other automotive suppliers.

(12) Financial Instruments

The carrying values of the Company's senior notes vary from the fair values of these instruments. The fair values were determined by reference to market prices of the securities in recent public transactions. As of December 31, 2002 and 2001, the aggregate carrying value of the Company's senior notes was \$1.9 billion and \$1.6 billion, respectively, compared to an estimated fair value of \$2.0 billion and \$1.7 billion, respectively. As of December 31, 2002, the carrying values of the Company's other senior indebtedness and other financial instruments approximated their fair values, which were determined based on related instruments currently available to the Company for similar borrowings with like maturities.

Several of the Company's European subsidiaries factor their accounts receivable with financial institutions. The amount of such factored receivables without recourse provision, which is excluded from accounts receivable in the consolidated balance sheets as of December 31, 2002 and 2001, was \$160.4 million and \$183.7 million, respectively. The Company cannot provide any assurances that these factoring facilities will be available or utilized in the future.

Asset-backed Securitization Facility

The Company and several of its U.S. subsidiaries, through a wholly-owned special purpose corporation, entered into an asset-backed securitization facility (the "ABS facility"), which prior to November 2002, provided for maximum purchases of adjusted accounts receivable of \$300 million. In November 2002, the ABS facility was amended to, among other things, extend the termination date to November 2003 and to reduce the maximum purchases of adjusted accounts receivable to \$260 million. The

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level of funding utilized under this facility is based on the credit ratings of the Company's major customers as well as the level of aggregate accounts receivable in a specific month. Due to recent declines in the credit rating of two of these customers, the Company's expected average utilization of the ABS facility will be reduced to approximately \$175 million in 2003. Should these customers experience further reductions in their credit ratings, the Company may be unable to utilize the ABS facility in the future. Should this occur, the Company would utilize its primary credit facilities to replace the funding currently provided by the ABS facility. During the years ended December 31, 2002 and 2001, the Company and its subsidiaries sold to the special purpose corporation adjusted accounts receivable totaling \$4.6 billion and \$4.1 billion, respectively, under the ABS facility and recognized a discount of \$5.4 million and \$16.2 million, respectively. This discount is reflected as other expense, net in the consolidated statements of income for the years ended December 31, 2002 and 2001.

The special purpose corporation purchases the receivables from the Company and several of its U.S. subsidiaries and then simultaneously transfers undivided interests in the receivables to certain bank conduits, which fund their purchases through the issuance of commercial paper. The Company continues to service the transferred receivables and receives an annual servicing fee of 1.0% of the sold accounts receivable. The conduit investors and the special purpose corporation have no recourse to the other assets of the Company or its subsidiaries for the failure of the accounts receivable obligors to pay timely on the accounts receivable. With respect to the sold accounts receivable, the Company's retained interest is subordinated to the bank conduits' undivided purchased interests. This retained interest is recorded at fair value, which is generally based on a discounted cash flow analysis. The sold accounts receivable servicing portfolio amounted to \$636.6 million as of December 31, 2002, of which \$447.6 million of retained interests are included in accounts receivable and \$189.0 million of undivided interests have been transferred to the bank conduits and are excluded from accounts receivable in the accompanying consolidated balance sheet as of December 31, 2002.

Certain cash flows received from and paid to the special purpose corporation are shown below (in millions):

For the year ended December 31,	2002	2001
Proceeds from new securitizations	\$ —	\$ 260.7
Proceeds from collections reinvested in securitizations	4,525.3	3,656.3
Servicing fees received	5.6	5.1

In December 2002, the Financial Accounting Standards Board ("FASB") issued Interpretation No. 46, "Consolidation of Variable Interest Entities," the provisions of which apply immediately to any variable interest entity created after January 31, 2003 and apply in the first interim period beginning after June 15, 2003 to any variable interest entity created prior to February 1, 2003. This interpretation requires the consolidation of a variable interest entity by its primary beneficiary and may require the consolidation of a portion of a variable interest entity's assets or liabilities under certain circumstances.

Under the provisions of Interpretation No. 46, the Company's special purpose corporation is a variable interest entity. The accounts of this entity have historically been included in the consolidated financial statements of the Company, as this entity is a wholly-owned subsidiary of Lear. In addition, the bank conduits, which purchase undivided interests in the Company's sold accounts receivable, are variable interest entities. Under the structure of the Company's current ABS facility, the provisions of Interpretation No. 46 will not require the Company to consolidate any of the bank conduits' assets or liabilities. As such, the Company does not expect the effects of adoption to be significant.

Derivative Instruments and Hedging Activities

On January 1, 2001, the Company adopted SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended by SFAS No. 137 and SFAS No. 138. In accordance with the provisions of SFAS No. 133, the Company recorded a transition adjustment upon adoption (1) to recognize its derivative instruments at fair value, resulting in a net decrease in net assets of approximately \$9.0 million, (2) to recognize previously deferred net losses on derivatives designated as cash flow hedges, resulting in a net decrease in accumulated other comprehensive loss of approximately \$9.2 million, and (3) to recognize the ineffective portion of cash flow hedges, the effect of which on net income was not material and is included in other expense, net in the consolidated statement of income for the year ended December 31, 2001.

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The Company uses derivative financial instruments, including forward foreign exchange, futures, option and swap contracts, to manage its exposures to fluctuations in foreign exchange rates and interest rates. The use of these financial instruments mitigates the Company's exposure to these risks with the intent of reducing the risks and the variability of the Company's operating results. The Company is not a party to leveraged derivatives. On the date a derivative contract is entered into, the Company designates the derivative as either (1) a hedge of a recognized asset or liability or of an unrecognized firm commitment (a fair value hedge), (2) a hedge of a forecasted transaction or of the variability of cash flows to be received or paid related to a recognized asset or liability (a cash flow hedge) or (3) a hedge of a net investment in a foreign operation (a net investment hedge).

For a fair value hedge, both the effective and ineffective portions of the change in the fair value of the derivative are recorded in earnings and reflected in the consolidated statement of income on the same line as the gain or loss on the hedged item that is attributable to the hedged risk. For a cash flow hedge, the effective portion of the change in the fair value of the derivative is recorded in accumulated other comprehensive loss in the consolidated balance sheet. When the underlying hedged transaction is realized, the gain or loss included in accumulated other comprehensive loss is recorded in earnings and reflected in the consolidated statement of income on the same line as the hedged item. In addition, both changes in the fair value excluded from the Company's effectiveness assessments and the ineffective portion of changes in the fair value are recorded in earnings and reflected in the consolidated statement of income as other expense, net. For a net investment hedge of a foreign operation, the effective portion of the change in the fair value of the derivative is recorded in cumulative translation adjustment, which is a component of accumulated other comprehensive loss in the consolidated balance sheet. The ineffective portion of the change in the fair value of a derivative or non-derivative instrument is recorded in earnings and reflected in the consolidated statement of income as other expense, net.

The Company formally documents its hedge relationships, including the identification of the hedging instruments and the hedged items, as well as its risk management objectives and strategies for undertaking the hedge transaction. Derivatives are recorded at fair value in other current and long-term assets and other current and long-term liabilities in the consolidated balance sheet. This process includes linking derivatives that are designated as hedges of specific assets, liabilities, firm commitments or forecasted transactions. The Company also formally assesses, both at inception and at least quarterly thereafter, whether a derivative used in a hedging transaction is highly effective in offsetting changes in either the fair value or cash flows of the hedged item. When it is determined that a derivative ceases to be a highly effective hedge, the Company discontinues hedge accounting.

Forward foreign exchange, futures and option contracts — The Company uses forward foreign exchange, futures and option contracts to reduce the effect of fluctuations in foreign exchange rates on short-term, foreign currency denominated intercompany transactions and other known foreign currency exposures. Gains and losses on the derivative instruments are intended to offset gains and losses on the hedged transaction in an effort to reduce the earnings volatility resulting from fluctuations in foreign exchange rates. The principal currencies hedged by the Company include the Canadian Dollar, the European Euro and the Mexican Peso. Forward foreign exchange and futures contracts are accounted for as fair value hedges when the hedged item is a recognized asset or liability or an unrecognized firm commitment. As of December 31, 2002, contracts representing \$498.2 million of notional amount were outstanding with maturities of less than three months. As of December 31, 2002, the fair value of these contracts was approximately \$(0.5) million. Forward foreign exchange, futures and option contracts are accounted for as cash flow hedges when the hedged item is a forecasted transaction or the variability of cash flows to be paid or received relates to a recognized asset or liability. As of December 31, 2002, contracts representing \$815.9 million of notional amount were outstanding with maturities of less than 12 months. The fair value of these contracts as of December 31, 2002 was approximately \$(7.2) million.

Interest rate swap contracts — The Company uses interest rate swap contracts to manage its exposure to fluctuations in interest rates. Interest rate swap contracts which fix the interest payments of certain floating rate debt instruments are accounted for as cash flow hedges. Interest rate swap contracts which hedge the change in fair market value of certain fixed rate debt instruments are accounted for as fair value hedges. As of December 31, 2002, contracts representing \$1.0 billion of notional amount were outstanding with maturity dates of June 2003 through May 2005. Of these contracts, \$0.7 billion swap variable rate debt for fixed rate debt and \$0.3 billion swap fixed rate debt for variable rate debt. The fair value of these interest rate swap agreements is subject to changes in value due to changes in interest rates. The fair value of outstanding interest rate swap agreements as of December 31, 2002 was approximately \$(18.7) million.

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Notes to Consolidated Financial Statements
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As of December 31, 2002 and 2001, a net loss of approximately \$26.5 million and \$13.1 million, respectively, related to derivative instruments and hedging activities was recorded in accumulated other comprehensive loss. As of December 31, 2002, all cash flow hedges mature within twelve months, all fair value hedges of the Company's fixed rate debt instruments mature within 29 months and all fair value hedges of the Company's foreign exchange exposure mature within one month. During the year ending December 31, 2003, the Company expects to reclassify into earnings net losses of approximately \$26.5 million recorded in accumulated other comprehensive loss. Such losses will be reclassified at the time the underlying hedged transactions are realized. During the years ended December 31, 2002 and 2001, amounts recognized in the consolidated statements of income related to changes in the fair value of cash flow and fair value hedges excluded from the effectiveness assessments and the ineffective portion of changes in the fair value of cash flow and fair value hedges were not material.

Non-U.S. dollar financing transactions — The Company has designated its Euro-denominated senior notes (Note 7) as a net investment hedge of long-term investments in its Euro-functional subsidiaries. As of December 31, 2002, the amount recorded in cumulative translation adjustment related to the effective portion of the net investment hedge of foreign operations was approximately \$(38.5) million.

(13) Quarterly Financial Data

	Thirteen Weeks Ended			
	March 30, 2002	June 29, 2002	September 28, 2002	December 31, 2002
Net sales	\$3,534.6	\$3,792.2	\$3,337.4	\$3,760.4
Gross profit	272.6	329.3	284.3	374.1
Income before cumulative effect of a change in accounting principle	46.4	85.5	61.6	118.0
Net income (loss)	(252.1)	85.5	61.6	118.0
Basic income per share before cumulative effect of a change in accounting principle	0.72	1.31	0.94	1.80
Basic net income (loss) per share	(3.91)	1.31	0.94	1.80
Diluted income per share before cumulative effect of a change in accounting principle	0.70	1.27	0.91	1.76
Diluted net income (loss) per share	(3.91)	1.27	0.91	1.76

	Thirteen Weeks Ended			
	March 31, 2001	June 30, 2001	September 29, 2001	December 31, 2001
Net sales	\$3,503.6	\$3,609.4	\$3,106.7	\$3,405.0
Gross profit	265.0	311.7	259.8	198.3
Net income (loss)	14.5	44.9	15.7	(48.8)
Basic net income (loss) per share	0.23	0.70	0.24	(0.76)
Diluted net income (loss) per share	0.22	0.69	0.24	(0.76)

(14) Accounting Pronouncements

Costs Associated with Exit or Disposal Activities — The FASB has issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities," which is effective for all exit or disposal activities initiated after December 31, 2002. This statement requires that a liability for costs associated with an exit or disposal activity be recognized when the liability is incurred. Such costs include one-time employee termination costs, contract cancellation provisions and other costs typically

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associated with a corporate restructuring or other exit or disposal activities. The Company does not expect the effects of adoption to be significant.

Accounting for Stock-Based Compensation — The FASB has issued SFAS No. 148, “Accounting for Stock-Based Compensation — Transition and Disclosure,” which is effective for fiscal years ending after December 15, 2002. This statement amends SFAS No. 123, “Accounting for Stock-Based Compensation,” by providing alternative methods of transition for the adoption of the fair value based method of accounting for stock-based compensation and by requiring additional disclosures. The alternative methods under SFAS No. 148 include the prospective method, the modified prospective method and the retroactive restatement method. The Company anticipates adopting the fair value based method of accounting for stock-based compensation for the year ending December 31, 2003 using the prospective method. As a result, the fair value based method of accounting would be applied to stock-based compensation grants issued after December 31, 2002. The resulting compensation costs would be amortized over the related vesting period. In 2003, the adoption of SFAS No. 123 would reduce net income per share by approximately \$0.07 per share, assuming a similar mid-year option grant, consistent with prior years.

Accounting and Disclosure Requirements for Guarantees — The FASB has issued Interpretation No. 45, “Guarantor’s Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others,” the provisions of which apply to guarantees issued or modified after December 31, 2002. This interpretation requires guarantors to record a liability for the fair value of certain guarantees at their inception. The Company does not expect the effects of adoption to be significant.

Variable Interest Entities — The FASB has issued Interpretation No. 46, “Consolidation of Variable Interest Entities,” the provisions of which apply immediately to any variable interest entity created after January 31, 2003 and apply in the first interim period beginning after June 15, 2003 to any variable interest entity created prior to February 1, 2003. This interpretation requires the consolidation of a variable interest entity by its primary beneficiary and may require the consolidation of a portion of a variable interest entity’s assets or liabilities under certain circumstances. The Company does not expect the effects of adoption to be significant.

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(15) Supplemental Guarantor Condensed Consolidating Financial Statements

December 31, 2002					
	Parent	Guarantors	Non-Guarantors	Eliminations	Consolidated
(In millions)					
ASSETS					
<i>CURRENT ASSETS:</i>					
Cash and cash equivalents	\$ 0.5	\$ 3.0	\$ 88.2	\$ —	\$ 91.7
Accounts receivable	26.2	335.7	1,146.1	—	1,508.0
Inventories	11.0	171.9	306.8	—	489.7
Recoverable customer engineering and tooling	(19.1)	77.7	94.6	—	153.2
Other	172.4	56.9	35.8	—	265.1
Total current assets	191.0	645.2	1,671.5	—	2,507.7
<i>LONG-TERM ASSETS:</i>					
Property, plant and equipment, net	105.9	758.1	846.6	—	1,710.6
Goodwill, net	100.2	1,907.0	853.2	—	2,860.4
Investments in subsidiaries	2,351.2	1,046.6	—	(3,397.8)	—
Other	115.9	74.7	213.7	—	404.3
Total long-term assets	2,673.2	3,786.4	1,913.5	(3,397.8)	4,975.3
	\$ 2,864.2	\$4,431.6	\$3,585.0	\$(3,397.8)	\$7,483.0
LIABILITIES AND STOCKHOLDERS' EQUITY					
<i>CURRENT LIABILITIES:</i>					
Short-term borrowings	\$ 4.5	\$ 0.3	\$ 32.5	\$ —	\$ 37.3
Accounts payable and drafts	160.2	654.2	1,152.0	—	1,966.4
Accrued salaries and wages	10.0	45.5	100.8	—	156.3
Other accrued liabilities	177.2	371.5	332.6	—	881.3
Current portion of long-term debt	0.1	0.3	3.5	—	3.9
Total current liabilities	352.0	1,071.8	1,621.4	—	3,045.2
<i>LONG-TERM LIABILITIES:</i>					
Long-term debt	2,100.0	12.4	20.4	—	2,132.8
Intercompany accounts, net	(1,461.0)	1,882.6	(421.6)	—	—
Other	210.9	213.3	218.5	—	642.7
Total long-term liabilities	849.9	2,108.3	(182.7)	—	2,775.5
<i>STOCKHOLDERS' EQUITY</i>	1,662.3	1,251.5	2,146.3	(3,397.8)	1,662.3
	\$ 2,864.2	\$4,431.6	\$3,585.0	\$(3,397.8)	\$7,483.0

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Notes to Consolidated Financial Statements
(Continued)

(15) Supplemental Guarantor Condensed Consolidating Financial Statements — (continued)

December 31, 2001					
	Parent	Guarantors	Non-Guarantors	Eliminations	Consolidated
(In millions)					
ASSETS					
<i>CURRENT ASSETS:</i>					
Cash and cash equivalents	\$ (2.1)	\$ 6.8	\$ 82.9	\$ —	\$ 87.6
Accounts receivable	29.8	320.7	1,042.3	—	1,392.8
Inventories	10.5	157.5	272.3	—	440.3
Recoverable customer engineering and tooling	10.2	80.6	100.8	—	191.6
Other	102.2	81.6	70.7	—	254.5
Total current assets	150.6	647.2	1,569.0	—	2,366.8
<i>LONG-TERM ASSETS:</i>					
Property, plant and equipment, net	123.9	786.3	805.5	—	1,715.7
Goodwill, net	100.2	2,124.4	914.9	—	3,139.5
Investments in subsidiaries	2,463.9	1,503.0	—	(3,966.9)	—
Other	211.1	112.9	33.2	—	357.2
Total long-term assets	2,899.1	4,526.6	1,753.6	(3,966.9)	5,212.4
	\$ 3,049.7	\$5,173.8	\$3,322.6	\$(3,966.9)	\$7,579.2
LIABILITIES AND STOCKHOLDERS' EQUITY					
<i>CURRENT LIABILITIES:</i>					
Short-term borrowings	\$ 30.0	\$ —	\$ 33.2	\$ —	\$ 63.2
Accounts payable and drafts	138.6	690.1	1,154.2	—	1,982.9
Accrued salaries and wages	13.0	33.6	88.3	—	134.9
Other accrued liabilities	148.3	370.0	354.0	—	872.3
Current portion of long-term debt	124.7	0.6	4.2	—	129.5
Total current liabilities	454.6	1,094.3	1,633.9	—	3,182.8
<i>LONG-TERM LIABILITIES:</i>					
Long-term debt	2,256.8	15.6	21.5	—	2,293.9
Intercompany accounts, net	(1,538.1)	1,867.2	(329.1)	—	—
Other	317.3	171.3	54.8	—	543.4
Total long-term liabilities	1,036.0	2,054.1	(252.8)	—	2,837.3
<i>STOCKHOLDERS' EQUITY</i>	1,559.1	2,025.4	1,941.5	(3,966.9)	1,559.1
	\$ 3,049.7	\$5,173.8	\$3,322.6	\$(3,966.9)	\$7,579.2

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(15) Supplemental Guarantor Condensed Consolidating Financial Statements — (continued)

For the year ended December 31, 2002					
	Parent	Guarantors	Non-Guarantors	Eliminations	Consolidated
	(In millions)				
Net sales	\$1,051.4	\$7,682.4	\$7,987.8	\$(2,297.0)	\$14,424.6
Cost of sales	1,145.4	6,860.2	7,455.7	(2,297.0)	13,164.3
Selling, general and administrative expenses	84.2	208.9	224.1	—	517.2
Interest expense	91.0	67.6	51.9	—	210.5
Intercompany charges, net	(447.2)	460.4	(13.2)	—	—
Other (income) expense, net	31.1	44.1	(23.1)	—	52.1
Income before provision for income taxes, minority interests in consolidated subsidiaries, equity in net (income) loss of affiliates and subsidiaries and cumulative effect of a change in accounting principle	146.9	41.2	292.4	—	480.5
Provision for income taxes	15.4	60.9	80.7	—	157.0
Minority interests in consolidated subsidiaries	—	—	13.3	—	13.3
Equity in net (income) loss of affiliates	(0.4)	0.6	(1.5)	—	(1.3)
Equity in net (income) loss of subsidiaries	118.9	(55.8)	—	(63.1)	—
Income before cumulative effect of a change in a accounting principle	13.0	35.5	199.9	63.1	311.5
Cumulative effect of a change in account principle	—	181.2	117.3	—	298.5
Net income (loss)	\$ 13.0	\$ (145.7)	\$ 82.6	\$ 63.1	\$ 13.0

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(Continued)

(15) Supplemental Guarantor Condensed Consolidating Financial Statements — (continued)

For the year ended December 31, 2001

	Parent	Guarantors	Non-Guarantors	Eliminations	Consolidated
			(In millions)		
Net sales	\$ 953.6	\$7,284.4	\$7,780.8	\$(2,394.1)	\$13,624.7
Cost of sales	954.0	6,701.0	7,329.0	(2,394.1)	12,589.9
Selling, general and administrative expenses	122.8	186.0	205.4	—	514.2
Amortization of goodwill	4.0	59.5	26.7	—	90.2
Interest expense	91.8	116.2	46.7	—	254.7
Intercompany charges, net	(371.0)	330.4	40.6	—	—
Other expense, net	32.8	16.2	29.3	—	78.3
Income (loss) before provision for income taxes, minority interests in consolidated subsidiaries and equity and net (income) loss of affiliates and subsidiaries	119.2	(124.9)	103.1	—	97.4
Provision for income taxes	14.8	17.6	31.2	—	63.6
Minority interests in consolidated subsidiaries	—	—	11.5	—	11.5
Equity in net income of affiliates	(2.0)	(1.6)	(0.4)	—	(4.0)
Equity in net (income) loss of subsidiaries	80.1	(202.1)	—	122.0	—
Net income	\$ 26.3	\$ 61.2	\$ 60.8	\$ (122.0)	\$ 26.3

Lear Corporation and Subsidiaries
Notes to Consolidated Financial Statements
(Continued)

(15) Supplemental Guarantor Condensed Consolidating Financial Statements — (continued)

For the year ended December 31, 2000					
	Parent	Guarantors	Non-Guarantors	Eliminations	Consolidated
			(In millions)		
Net sales	\$ 899.2	\$7,324.2	\$7,622.0	\$(1,772.6)	\$14,072.8
Cost of sales	849.5	6,457.5	7,088.3	(1,772.6)	12,622.7
Selling, general and administrative expenses	222.5	162.8	139.5	—	524.8
Amortization of goodwill	5.9	62.8	21.2	—	89.9
Interest expense	78.4	207.3	30.5	—	316.2
Intercompany charges, net	(252.3)	282.2	(29.9)	—	—
Other (income) expense, net	20.2	(29.4)	44.2	—	35.0
Income (loss) before provision (credit) for income taxes, minority interests in consolidated subsidiaries and equity in net (income) loss of affiliates and subsidiaries	(25.0)	181.0	328.2	—	484.2
Provision (credit) for income taxes	(14.6)	78.9	133.0	—	197.3
Minority interests in consolidated subsidiaries	—	—	13.9	—	13.9
Equity in net (income) loss of affiliates	—	(3.9)	2.2	—	(1.7)
Equity in net income of subsidiaries	(285.1)	(74.7)	—	359.8	—
Net income	\$ 274.7	\$ 180.7	\$ 179.1	\$ (359.8)	\$ 274.7

Lear Corporation and Subsidiaries
Notes to Consolidated Financial Statements
(Continued)

(15) Supplemental Guarantor Condensed Consolidating Financial Statements — (continued)

For the year ended December 31, 2002					
	Parent	Guarantors	Non-Guarantors	Eliminations	Consolidated
	(In millions)				
Net Cash Provided by Operating Activities	\$ 199.9	\$ 214.2	\$ 131.0	\$ —	\$ 545.1
Cash Flows from Investing Activities:					
Additions to property, plant and equipment	(22.4)	(128.2)	(122.0)	—	(272.6)
Cost of acquisitions, net of cash acquired	(3.5)	(3.8)	(7.9)	—	(15.2)
Other, net	(29.0)	38.2	19.3	—	28.5
Net cash used in investing activities	(54.9)	(93.8)	(110.6)	—	(259.3)
Cash Flows from Financing Activities:					
Issuance of senior notes	250.3	—	—	—	250.3
Long-term revolving credit repayments, net	(583.4)	—	—	—	(583.4)
Other long-term debt repayments, net	12.2	(1.9)	(8.9)	—	1.4
Short-term repayments, net	(25.5)	0.3	(6.2)	—	(31.4)
Change in intercompany accounts	113.0	(89.0)	(24.0)	—	—
Proceeds from exercise of stock options	47.4	—	—	—	47.4
Increase in drafts	43.5	(19.8)	(3.9)	—	19.8
Other, net	0.1	—	—	—	0.1
Net cash used in financing activities	(142.4)	(110.4)	(43.0)	—	(295.8)
Effect of foreign currency translation	—	(13.8)	27.9	—	14.1
Net Change in Cash and Cash Equivalents	2.6	(3.8)	5.3	—	4.1
Cash and Cash Equivalents at Beginning of Period	(2.1)	6.8	82.9	—	87.6
Cash and Cash Equivalents at End of Period	\$ 0.5	\$ 3.0	\$ 88.2	\$ —	\$ 91.7

Lear Corporation and Subsidiaries
Notes to Consolidated Financial Statements
(Continued)

(15) Supplemental Guarantor Condensed Consolidating Financial Statements — (continued)

For the year ended December 31, 2001					
	Parent	Guarantors	Non-Guarantors	Eliminations	Consolidated
	(In millions)				
Net Cash Provided by Operating Activities	\$ 241.6	\$ 312.5	\$ 275.7	\$ —	\$ 829.8
Cash Flows from Investing Activities:					
Additions to property, plant and equipment	(30.1)	(91.0)	(145.9)	—	(267.0)
Net proceeds from disposition of businesses and other assets	1.9	47.3	1.4	—	50.6
Other, net	(0.4)	9.1	6.6	—	15.3
Net cash used in investing activities	(28.6)	(34.6)	(137.9)	—	(201.1)
Cash Flows from Financing Activities:					
Issuance of senior notes	223.4	—	—	—	223.4
Repayments of subordinated notes	(345.5)	—	—	—	(345.5)
Long-term revolving credit repayments, net	(404.4)	5.8	(52.4)	—	(451.0)
Other long-term debt repayments, net	(4.0)	—	—	—	(4.0)
Short-term repayments, net	(26.6)	(2.1)	20.7	—	(8.0)
Change in intercompany accounts	312.9	(244.9)	(68.0)	—	—
Proceeds from exercise of stock options	10.1	—	—	—	10.1
Decrease in drafts	11.8	(57.1)	(25.2)	—	(70.5)
Net cash used in financing activities	(222.3)	(298.3)	(124.9)	—	(645.5)
Effect of foreign currency translation	—	17.1	(11.5)	—	5.6
Net Change in Cash and Cash Equivalents	(9.3)	(3.3)	1.4	—	(11.2)
Cash and Cash Equivalents at Beginning of Period	7.2	10.1	81.5	—	98.8
Cash and Cash Equivalents at End of Period	\$ (2.1)	\$ 6.8	\$ 82.9	\$ —	\$ 87.6

Lear Corporation and Subsidiaries
Notes to Consolidated Financial Statements
(Continued)

(15) Supplemental Guarantor Condensed Consolidating Financial Statements — (continued)

For the year ended December 31, 2000					
	Parent	Guarantors	Non-Guarantors	Eliminations	Consolidated
	(In millions)				
Net Cash Provided by Operating Activities	\$ 27.3	\$ 323.3	\$ 402.5	\$ —	\$ 753.1
Cash Flows from Investing Activities:					
Additions to property, plant and equipment	(33.0)	(129.3)	(160.0)	—	(322.3)
Cost of acquisitions, net of cash acquired	—	—	(11.8)	—	(11.8)
Net proceeds from disposition of businesses and other assets	—	106.7	10.2	—	116.9
Other, net	—	(0.4)	(7.5)	—	(7.9)
Net cash used in investing activities	(33.0)	(23.0)	(169.1)	—	(225.1)
Cash Flows from Financing Activities:					
Long-term revolving credit repayments, net	(161.6)	—	(146.2)	—	(307.8)
Other long-term debt repayments, net	(31.1)	(0.2)	(24.9)	—	(56.2)
Short-term repayments, net	(22.1)	1.8	(11.8)	—	(32.1)
Change in intercompany accounts	319.4	(261.2)	(58.2)	—	—
Proceeds from exercise of stock options	2.1	—	—	—	2.1
Purchase of treasury stock	(77.9)	—	—	—	(77.9)
Decrease in drafts	(16.9)	(35.7)	—	—	(52.6)
Other, net	0.8	(0.1)	—	—	0.7
Net cash used in financing activities	12.7	(295.4)	(241.1)	—	(523.8)
Effect of foreign currency translation	—	(0.9)	(11.4)	—	(12.3)
Net Change in Cash and Cash Equivalents	7.0	4.0	(19.1)	—	(8.1)
Cash and Cash Equivalents at Beginning of Period	0.2	6.1	100.6	—	106.9
Cash and Cash Equivalents at End of Period	\$ 7.2	\$ 10.1	\$ 81.5	\$ —	\$ 98.8

Lear Corporation and Subsidiaries
Notes to Consolidated Financial Statements
(Continued)

(15) Supplemental Guarantor Condensed Consolidating Financial Statements — (continued)

Basis of Presentation — Certain of the Company’s wholly-owned subsidiaries (the “Guarantors”) have irrevocably and unconditionally fully guaranteed, on a joint and several basis, the punctual payment when due, whether at stated maturity, by acceleration or otherwise, of all of the Company’s obligations under the primary credit facilities and the indentures governing the Company’s senior notes, including the Company’s obligations to pay principal, premium, if any, and interest with respect to the senior notes. The senior notes consist of \$600 million aggregate principal amount of 7.96% senior notes due May 15, 2005, \$800 million aggregate principal amount of 8.11% senior notes due May 15, 2009, 250 million EUR aggregate principal amount of 8.125% senior notes due 2008 and \$640 million aggregate principal amount at maturity of zero-coupon senior notes due 2022. The Guarantors under the indentures are Lear Operations Corporation, Lear Corporation Automotive Holdings (formerly, UT Automotive), Lear Seating Holdings Corp. #50, Lear Corporation EEDS and Interiors, Lear Corporation Automotive Systems, Lear Technologies, L.L.C., Lear Midwest Automotive, Ltd. Partnership, Lear Automotive (EEDS) Spain S.L. and Lear Corporation Mexico, S.A. de C.V. In lieu of providing separate audited financial statements for the Guarantors, the Company has included the audited condensed consolidating financial statements above. All supplemental guarantor condensed consolidating financial statements reflect Lear Operations Corporation, Lear Corporation Automotive Holdings, Lear Seating Holdings Corp. #50, Lear Corporation EEDS and Interiors, Lear Corporation Automotive Systems, Lear Technologies, L.L.C., Lear Midwest Automotive, Ltd. Partnership, Lear Automotive (EEDS) Spain S.L. and Lear Corporation Mexico, S.A. de C. V. as Guarantors for all periods presented. Management does not believe that separate financial statements of the Guarantors are material to investors. Therefore, separate financial statements and other disclosures concerning the Guarantors are not presented.

Distributions — There are no significant restrictions on the ability of the Guarantors to make distributions to the Company.

Selling, General and Administrative Expenses — During 2002, 2001 and 2000, the Parent allocated \$98.7 million, \$88.8 million and \$57.3 million, respectively, of corporate selling, general and administrative expenses to its operating subsidiaries. The allocations were based on various factors, which estimate usage of particular corporate functions, and in certain instances, other relevant factors, such as the revenues or the number of employees of the Company’s subsidiaries.

Long-Term Debt of the Parent and the Guarantors — A summary of long-term debt of the Parent and the Guarantors on a combined basis as of December 31 is shown below (in millions):

December 31,	2002	2001
Senior notes	\$1,923.0	\$1,622.8
Credit agreement	132.8	714.3
Other long-term debt	57.0	60.6
	2,112.8	2,397.7
Less — current portion	(0.4)	(125.3)
	\$2,112.4	\$2,272.4

The obligations of foreign subsidiary borrowers under the primary credit facilities are guaranteed by the Parent.

For a more detailed description of the above indebtedness, see Note 7.

Lear Corporation and Subsidiaries
Notes to Consolidated Financial Statements
(Continued)

The aggregate minimum principal payment requirements on long-term debt of the Parent and the Guarantors, including capital lease obligations, in each of the five years subsequent to December 31, 2002 are shown below (in millions):

Year	Maturities
2002	\$ 0.4
2003	51.3
2004	646.7
2005	84.7
2006	1.9

THIS REPORT IS A COPY OF A REPORT PREVIOUSLY ISSUED BY ARTHUR ANDERSEN LLP. THE REPORT HAS NOT BEEN REISSUED BY ARTHUR ANDERSEN LLP NOR HAS ARTHUR ANDERSEN LLP PROVIDED A CONSENT TO THE INCLUSION OF ITS REPORT IN THIS FORM 10-K. FOR FURTHER DISCUSSION, SEE EXHIBIT 23.2 TO THIS FORM 10-K OF WHICH THIS REPORT IS A PART.

Report of Independent Public Accountants

To Lear Corporation:

We have audited in accordance with auditing standards generally accepted in the United States, the consolidated financial statements of LEAR CORPORATION AND SUBSIDIARIES ("the Company") included in this Form 10-K, and have issued our report thereon dated January 28, 2002 (except with respect to the matter discussed in Note 7, as to which the date is February 14, 2002). Our audit was made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedule on page 73 is the responsibility of the Company's management and is presented for purposes of complying with the Securities and Exchange Commission's rules and is not part of the basic consolidated financial statements. This schedule has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly states in all material respects the financial data required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

/s/ ARTHUR ANDERSEN LLP

Detroit, Michigan,
January 28, 2002.

LEAR CORPORATION AND SUBSIDIARIES

SCHEDULE II — VALUATION AND QUALIFYING ACCOUNTS
(In millions)

	Balance at Beginning of Period	Additions	Retirements	Other Changes	Balance at End of Period
FOR THE YEAR ENDED DECEMBER 31, 2002:					
Valuation of accounts deducted from related assets:					
Allowance for doubtful accounts	\$ 26.7	\$ 19.2	\$(14.7)	\$ 0.3	\$ 31.5
Reserve for unmerchantable inventories	35.8	17.5	(16.3)	1.5	38.5
Restructuring reserves	96.2	—	(65.9)	—	30.3
	\$158.7	\$ 36.7	\$(96.9)	\$ 1.8	\$100.3
FOR THE YEAR ENDED DECEMBER 31, 2001:					
Valuation of accounts deducted from related assets:					
Allowance for doubtful accounts	\$ 28.6	\$ 10.1	\$(12.8)	\$ 0.8	\$ 26.7
Reserve for unmerchantable inventories	25.6	23.5	(12.2)	(1.1)	35.8
Restructuring reserves	11.5	149.2	(64.5)	—	96.2
	\$ 65.7	\$182.8	\$(89.5)	\$(0.3)	\$158.7
FOR THE YEAR ENDED DECEMBER 31, 2000:					
Valuation of accounts deducted from related assets:					
Allowance for doubtful accounts	\$ 18.3	\$ 11.8	\$(4.7)	\$ 3.2	\$ 28.6
Reserve for unmerchantable inventories	34.4	3.8	(11.2)	(1.4)	25.6
Restructuring reserves	32.2	4.5	(20.7)	(4.5)	11.5
	\$ 84.9	\$ 20.1	\$(36.6)	\$(2.7)	\$ 65.7

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

Lear Corporation engaged the services of Ernst & Young LLP as its new independent auditors to replace Arthur Andersen LLP, effective May 9, 2002. For additional information, see Lear Corporation’s Current Report on Form 8-K dated May 9, 2002.

PART III

ITEM 10 — DIRECTORS AND EXECUTIVE OFFICERS OF THE COMPANY

The information required by Item 10 regarding our directors is incorporated by reference from the Proxy Statement sections entitled “Election of Directors” and “Directors and Beneficial Ownership.” The information required by Item 10 regarding our executive officers appears as a Supplementary Item following Item 4 under Part I of this Report.

ITEM 11 — EXECUTIVE COMPENSATION

Incorporated by reference from the Proxy Statement section entitled “Executive Compensation” and “Compensation Committee Interlocks and Insider Participation.”

ITEM 12 — SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Except as set forth herein, the information required by Item 12 is incorporated by reference from the Proxy Statement section entitled “Directors and Beneficial Ownership — Security Ownership of Certain Beneficial Owners and Management.”

Equity Compensation Plan Information

	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted average exercise price of outstanding options, warrants and rights (b)	Number of securities available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders(1)	7,221,384(3)	\$32.89(4)	815,348
Equity compensation plans not approved by security holders(2)	—(5)	—(5)	41,985(6)
Total	7,221,384	\$32.89	857,333

- (1) Includes the 1994 Stock Option Plan, the 1996 Stock Option Plan, the Long-Term Stock Incentive Plan and plans assumed in connection with acquisition transactions.
- (2) Includes the 1992 Stock Option Plan. All securities available for future issuance under the 1992 Stock Option Plan are subject to awards under the Long-Term Stock Incentive Plan only. No awards have been made since May 3, 2001, or will be made in the future, under the 1992 Stock Option Plan. The Long-Term Stock Incentive Plan is filed as Exhibit 10.14 hereto.
- (3) Includes 6,350,419 of outstanding options (including 16,444 of outstanding options granted under plans assumed in connection with acquisition transactions), 663,323 of restricted units and 207,642 of performance units.
- (4) Reflects outstanding options at a weighted average exercise price of \$35.32 (including outstanding options granted under plans assumed in connection with acquisition transactions at a weighted average exercise price of \$21.11), outstanding restricted stock units at a weighted average price of \$19.89 and performance shares at a weighted average price of zero.
- (5) Excludes 55,514.43 phantom stock units issued to Mr. Way in connection with a special recognition award. Such units may be settled in shares of Lear common stock. For a description of the special recognition award, see Exhibit 10.32 filed hereto.
- (6) Excludes shares of our common stock that may be awarded to our outside directors under the Lear Corporation Independent Directors Compensation Plan. Such Plan provides that one-half of the annual retainer and meeting fees be paid to our

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outside directors in shares. An outside director may elect to receive all of the annual retainer and meeting fees in shares of common stock or will be required to receive such compensation solely in shares until such director satisfies ownership guidelines. Shares subject to the Plan are made available from shares of our common stock purchased in the open market, and the Plan contains no limit to the number of shares that may be awarded under the Plan. The Lear Corporation Outside Directors Compensation Plan is filed as Exhibit 10.15 hereto.

ITEM 13 — CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

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

ITEM 14 — CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure Controls and Procedures

Within the 90 days prior to the filing date of this Form 10-K, the Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's Chairman and Chief Executive Officer along with the Company's Senior Vice President and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures. Because of inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. However, based upon the evaluation, the Company's Chairman and Chief Executive Officer along with the Company's Senior Vice President and Chief Financial Officer concluded that, subject to the limitations described above, the Company's disclosure controls and procedures are effective. In addition, they concluded that there were no significant deficiencies in the design or operation of internal controls which could significantly affect our ability to record, process, summarize and report financial data.

(b) Changes in Internal Controls

There have been no significant changes in the Company's internal controls or in other factors which could significantly affect internal controls subsequent to the date the Company carried out its evaluation.

PART IV

ITEM 15 — EXHIBITS, FINANCIAL STATEMENT SCHEDULE AND REPORTS ON FORM 8-K

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

1. Consolidated Financial Statements:

Report of Ernst & Young LLP, Independent Auditors

Report of Arthur Andersen LLP, Independent Public Accountants

Consolidated Balance Sheets as of December 31, 2002 and 2001

Consolidated Statements of Income for the years ended December 31, 2002, 2001 and 2000

Consolidated Statements of Stockholders' Equity for the years ended December 31, 2002, 2001 and 2000

Consolidated Statements of Cash Flows for the years ended December 31, 2002, 2001 and 2000

Notes to Consolidated Financial Statements

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2. Financial Statement Schedule:

Report of Arthur Andersen LLP, Independent Public Accountants

Schedule II — Valuation and Qualifying Accounts

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

3. The exhibits listed on the “Index to Exhibits” on pages 80 through 83 are filed with this Form 10-K or incorporated by reference as set forth below.

(b) The following reports on Form 8-K were filed during the quarter ended December 31, 2002.

None.

(c) The exhibits listed on the “Index to Exhibits” on pages 80 through 83 are filed with this Form 10-K or incorporated by reference as set forth below.

(d) Additional Financial Statement Schedules

None.

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Signatures

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on March 18, 2003.

Lear Corporation

By: /s/ Robert E. Rossiter

Robert E. Rossiter
Chairman and
Chief Executive Officer and a Director

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of Lear Corporation and in the capacities indicated on March 18, 2003.

/s/ Kenneth L. Way

Kenneth L. Way
Director and
Retired Chairman of the Board

/s/ Dr. David E. Fry

Dr. David E. Fry
a Director

/s/ Robert E. Rossiter

Robert E. Rossiter
Chairman of the Board of Directors
and Chief Executive Officer

/s/ Justice Conrad L. Mallett

Justice Conrad L. Mallett
a Director

/s/ James H. Vandenberghe

James H. Vandenberghe
Vice Chairman

/s/ Larry W. McCurdy

Larry W. McCurdy
a Director

/s/ David C. Wajsgas

David C. Wajsgas
Senior Vice President and
Chief Financial Officer

/s/ Roy E. Parrott

Roy E. Parrott
a Director

/s/ William C. Dircks

William C. Dircks
Vice President and
Corporate Controller

/s/ David P. Spalding

David P. Spalding
a Director

/s/ Irma B. Elder

Irma B. Elder
a Director

/s/ James A. Stern

James A. Stern
a Director

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I, Robert E. Rossiter, certify that:

1. I have reviewed this annual report on Form 10-K of Lear Corporation;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:
 - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and
 - c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this annual report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Dated: March 18, 2003

By: /s/ Robert E. Rossiter
Robert E. Rossiter
Chairman and Chief Executive Officer

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I, David C. Wajsgras, certify that:

1. I have reviewed this annual report on Form 10-K of Lear Corporation;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:
 - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and
 - c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this annual report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Dated: March 18, 2003

By: /s/ David C. Wajsgras
David C. Wajsgras
Senior Vice President and Chief Financial Officer

Index to Exhibits

Exhibit Number	Exhibit
3.1	Restated Certificate of Incorporation of the Company (incorporated by reference to Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 30, 1996).
3.2	Amended and Restated By-laws of the Company (incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K filed August 9, 2002).
3.3	Certificate of Incorporation of Lear Operations Corporation (incorporated by reference to Exhibit 3.3 to the Company's Registration Statement on Form S-4 filed on June 22, 1999).
3.4	By-laws of Lear Operations Corporation (incorporated by reference to Exhibit 3.4 to the Company's Registration Statement on Form S-4 filed on June 22, 1999).
3.5	Certificate of Incorporation of Lear Corporation Automotive Holdings (incorporated by reference to Exhibit 3.5 to the Company's Registration Statement on Form S-4 filed on June 22, 1999).
3.6	By-laws of Lear Corporation Automotive Holdings (incorporated by reference to Exhibit 3.6 to the Company's Registration Statement on Form S-4 filed on June 22, 1999).
3.7	Certificate of Incorporation of Lear Corporation EEDS and Interiors (incorporated by reference to Exhibit 3.7 to the Company's Registration Statement on Form S-4/A filed on June 6, 2001).
3.8	By-laws of Lear Corporation EEDS and Interiors (incorporated by reference to Exhibit 3.8 to the Company's Registration Statement on Form S-4/A filed on June 6, 2001).
3.9	Certificate of Incorporation of Lear Seating Holdings Corp. #50 (incorporated by reference to Exhibit 3.9 to the Company's Registration Statement on Form S-4/A filed on June 6, 2001).
3.10	By-laws of Lear Seating Holdings Corp. #50 (incorporated by reference to Exhibit 3.10 to the Company's Registration Statement on Form S-4/A filed on June 6, 2001).
3.11	Certificate of Formation of Lear Technologies, L.L.C. (incorporated by reference to Exhibit 3.11 to the Company's Registration Statement on Form S-3 filed on March 28, 2002).
3.12	Limited Liability Company Agreement of Lear Technologies, L.L.C. (incorporated by reference to Exhibit 3.12 to the Company's Registration Statement on Form S-3 filed on March 28, 2002).
3.13	Certificate of Limited Partnership of Lear Midwest Automotive, Ltd. Partnership (incorporated by reference to Exhibit 3.13 to the Company's Registration Statement on Form S-3 filed on March 28, 2002).
3.14	Agreement of Limited Partnership of Lear Midwest Automotive, Ltd. Partnership (incorporated by reference to Exhibit 3.14 to the Company's Registration Statement on Form S-3 filed on March 28, 2002).
3.15	Articles of Incorporation of Lear Corporation Automotive Systems (incorporated by reference to Exhibit 3.15 to the Company's Registration Statement on Form S-3 filed on March 28, 2002).
3.16	Code of Regulation of Lear Corporation Automotive Systems (incorporated by reference to Exhibit 3.16 to the Company's Registration Statement on Form S-3 filed on March 28, 2002).
3.17	Deed of Transformation of Lear Automotive (EEDS) Spain S.L. (Unofficial English Translation) (incorporated by reference to Exhibit 3.17 to the Company's Registration Statement on Form S-3 filed on May 8, 2002).
3.18	By-laws of Lear Automotive (EEDS) Spain S.L. (Unofficial English Translation) (incorporated by reference to Exhibit 3.18 to the Company's Registration Statement on Form S-3 filed on May 8, 2002).
3.19	Articles of Incorporation of Lear Corporation Mexico, S.A. de C.V. (Unofficial English Translation) (incorporated by reference to Exhibit 3.19 to the Company's Registration Statement on Form S-3 filed on March 28, 2002).
3.20	By-laws of Lear Corporation Mexico, S.A. de C.V. (Unofficial English Translation) (incorporated by reference to Exhibit 3.20 to the Company's Registration Statement on Form S-3 filed on March 28, 2002).
4.1	Indenture dated as of May 15, 1999, by and among Lear Corporation as Issuer, the Guarantors party thereto from time to time and the Bank of New York as Trustee (incorporated by reference to Exhibit 10.8 to the Company's Quarterly Report on Form 10-Q for the quarter ended April 3, 1999).
4.2	Supplemental Indenture No. 1 to Indenture dated as of May 15, 1999, by and among Lear Corporation as Issuer, the Guarantors party thereto, from time to time and the Bank of New York as Trustee (incorporated by reference to Exhibit 4.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended July 1, 2000).
4.3	Supplemental Indenture No. 2 to Indenture dated as of May 15, 1999, by and among Lear Corporation as Issuer, the Guarantors party thereto, from time to time and the Bank of New York as Trustee (incorporated by reference to Exhibit 4.3 to the Company's Annual Report on Form 10-K for the year ended December 31, 2001).

Exhibit Number	Exhibit
4.4	Supplemental Indenture No. 3 to Indenture dated as of May 15, 1999, by and among Lear Corporation as Issuer, the Guarantors party thereto, from time to time and the Bank of New York as Trustee (incorporated by reference to Exhibit 4.4 to the Company's Annual Report on Form 10-K for the year ended December 31, 2001).
4.5	Indenture dated as of March 20, 2001, by and among Lear Corporation as Issuer, the Guarantors party thereto, from time to time and the Bank of New York as Trustee, relating to the 8 1/8% Senior Notes due 2008, including the form of exchange note attached thereto (incorporated by reference to Exhibit 4.5 to the Company's Registration Statement on Form S-4 filed on April 23, 2001).
4.6	Supplemental Indenture No. 1 to Indenture dated as of March 20, 2001, by and among Lear Corporation as Issuer, the Guarantors party thereto, from time to time and the Bank of New York as Trustee (incorporated by reference to Exhibit 4.6 to the Company's Annual Report on Form 10-K for the year ended December 31, 2001).
4.7	Supplemental Indenture No. 2 to Indenture dated as of March 20, 2001, by and among Lear Corporation as Issuer, the Guarantors party thereto, from time to time and the Bank of New York as Trustee (incorporated by reference to Exhibit 4.7 to the Company's Annual Report on Form 10-K for the year ended December 31, 2001).
4.8	Indenture dated as of February 20, 2002, by and among Lear Corporation as Issuer, the Guarantors party thereto, from time to time and the Bank of New York as Trustee (incorporated by reference to Exhibit 4.8 to the Company's Annual Report on Form 10-K for the year ended December 31, 2001).
10.1	Third Amended and Restated Credit and Guarantee Agreement, dated as of March 26, 2001, among Lear Corporation, Lear Canada, the Foreign Subsidiary Borrowers (as defined therein), the Lenders Party thereto, Bank of America, N.A., Citibank, N.A. and Deutsche Banc Alex Brown Inc., as Syndication Agent, The Bank of Nova Scotia, as Documentation Agent and Canadian Administrative Agent, The Other Agents Named in Schedule IX thereto and The Chase Manhattan Bank, as General Administrative Agent (incorporated by reference to Exhibit 10.1 to the Company's Registration Statement on Form S-4 filed on April 23, 2001).
10.2	Amended and Restated Revolving Credit and Term Loan Agreement, dated as of March 26, 2001, among Lear Corporation, the Foreign Subsidiary Borrowers (as defined therein), the Lenders Party thereto, Citicorp USA, Inc., as Syndication Agent, Toronto Dominion (Texas), Inc., as Documentation Agent, the Other Agents Named in Schedule IX thereto and The Chase Manhattan Bank, as Administrative Agent (incorporated by reference to Exhibit 10.2 to the Company's Registration Statement on Form S-4 filed on April 23, 2001).
10.3	Employment Agreement dated July 5, 2000 between the Company and Kenneth L. Way (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended July 1, 2000).
10.4	Employment Agreement dated July 5, 2000 between the Company and Robert E. Rossiter (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended July 1, 2000).
10.5	Employment Agreement dated July 5, 2000 between the Company and James H. Vandenberghe (incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q for the quarter ended July 1, 2000).
10.6	Employment Agreement dated July 5, 2000 between the Company and Donald J. Stebbins (incorporated by reference to Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q for the quarter ended July 1, 2000).
10.7	Employment Agreement dated July 5, 2000 between the Company and Douglas G. DelGrosso (incorporated by reference to Exhibit 10.5 to the Company's Quarterly Report on Form 10-Q for the quarter ended July 1, 2000).
10.8	Lear's 1992 Stock Option Plan (incorporated by reference to Exhibit 10.7 to the Company's Annual Report on Form 10-K for the year ended June 30, 1993).
10.9	Amendment to Lear's 1992 Stock Option Plan (incorporated by reference to Exhibit 10.26 to the Company's Transition Report on Form 10-K filed on March 31, 1994).
10.10	Lear's 1994 Stock Option Plan (incorporated by reference to Exhibit 10.27 to the Company's Transition Report on Form 10-K filed on March 31, 1994).
10.11	Masland Corporation 1993 Stock Option Incentive Plan (incorporated by reference to Exhibit 99.5 to the Company's Current Report on Form 8-K dated June 27, 1995).
10.12	Lear's Supplemental Executive Retirement Plan, dated as of January 1, 1995 (incorporated by reference to Exhibit 10.28 to the Company's Annual Report on Form 10-K for the year ended December 31, 1994).
10.13	Lear Corporation 1996 Stock Option Plan, as amended and restated (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 28, 1997).

Exhibit Number	Exhibit
10.14	Lear Corporation Long-Term Stock Incentive Plan, as amended and restated (incorporated by reference to Appendix B to the Company's definitive proxy statement on Schedule 14A filed March 23, 2001 for the 2001 annual meeting of stockholders).
10.15	Lear Corporation Outside Directors Compensation Plan, as amended and restated (incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 28, 1997).
10.16	Form of the Lear Corporation Long-Term Stock Incentive Plan Deferral and Restricted Stock Unit Agreement (incorporated by reference to Exhibit 10.29 to the Company's Annual Report on Form 10-K for the year ended December 31, 1997).
10.17	Form of the Lear Corporation 1996 Stock Option Plan Stock Option Agreement (incorporated by reference to Exhibit 10.30 to the Company's Annual Report on Form 10-K for the year ended December 31, 1997).
10.18	Restricted Property Agreement dated as of December 17, 1997 between the Company and Robert E. Rossiter (incorporated by reference to Exhibit 10.31 to the Company's Annual Report on Form 10-K for the year ended December 31, 1997).
10.19	Lear Corporation 1992 Stock Option Plan, 3rd amendment dated March 14, 1997 (incorporated by reference to Exhibit 10.32 to the Company's Annual Report on Form 10-K for the year ended December 31, 1997).
10.20	Lear Corporation 1992 Stock Option Plan, 4th amendment dated August 4, 1997 (incorporated by reference to Exhibit 10.33 to the Company's Annual Report on Form 10-K for the year ended December 31, 1997).
10.21	Lear Corporation 1994 Stock Option Plan, Second Amendment effective January 1, 1996 (incorporated by reference to Exhibit 10.28 to the Company's Annual Report on Form 10-K for the year ended December 31, 1998).
10.22	Lear Corporation 1994 Stock Option Plan, Third Amendment effective March 14, 1997 (incorporated by reference to Exhibit 10.29 to the Company's Annual Report on Form 10-K for the year ended December 31, 1998).
10.23	Lear Corporation Long-Term Stock Incentive Plan, Third Amendment effective February 26, 1998 (incorporated by reference to Exhibit 10.30 to the Company's Annual Report on Form 10-K for the year ended December 31, 1998).
10.24	The Master Sale and Purchase Agreement between General Motors Corporation and the Company, dated August 31, 1998, relating to the sale and purchase of the world-wide seating business operated by The Delphi Interior & Lighting System Division of General Motors Corporation's Delphi Automotive Systems business sector (incorporated by reference to Exhibit 10.31 to the Company's Annual Report on Form 10-K for the year ended December 31, 1998).
10.25	Stock Purchase Agreement dated as of March 16, 1999, by and between Nevada Bond Investment Corp. II and Lear Corporation (incorporated by reference to Exhibit 99.1 to the Company's Current Report on Form 8-K dated March 16, 1999).
10.26	Stock Purchase Agreement dated as of May 7, 1999, between Lear Corporation and Johnson Electric Holdings Limited (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated May 7, 1999).
10.27	Rights Agreement dated as of March 1, 2000, between the Company and the Bank of New York (incorporated by reference to the Company's Registration Statement on Form 8-A filed March 2, 2000.)
10.28	Purchase Agreement dated as of February 14, 2002, among Lear Corporation, Lear Operations Corporation, Lear Corporation Automotive Holdings, Lear Seating Holdings Corp. #50, Lear Corporation EEDS and Interiors, Lear Corporation Automotive Systems, Lear Technologies, L.L.C., Lear Midwest Automotive, Ltd. Partnership, Lear Automotive (EEDS) Spain S.L. and Lear Corporation Mexico, S.A. de C.V. and Credit Suisse First Boston Corporation, JP Morgan Securities Inc. and Lehman Brothers Inc. (incorporated by reference to Exhibit 10.28 to the Company's Annual Report on Form 10-K for the year ended December 31, 2001).
10.29	Registration Rights Agreement dated as of February 14, 2002, among Lear Corporation, Lear Operations Corporation, Lear Corporation Automotive Holdings, Lear Seating Holdings Corp. #50, Lear Corporation EEDS and Interiors, Lear Corporation Automotive Systems, Lear Technologies, L.L.C., Lear Midwest Automotive, Ltd. Partnership, Lear Automotive (EEDS) Spain S.L. and Lear Corporation Mexico, S.A. de C.V. and Credit Suisse First Boston Corporation, JP Morgan Securities Inc. and Lehman Brothers Inc. (incorporated by reference to Exhibit 10.29 to the Company's Annual Report on Form 10-K for the year ended December 31, 2001).
**10.30	Lear Corporation Pension Plan.
**10.31	Lear Corporation Executive Supplemental Savings Plan.
**10.32	Summary of Certain Retirement Benefit Arrangements with Kenneth L. Way.
**10.33	Employment Agreement dated July 5, 2000 between the Company and David C. Wajsgas.
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**99.2	Certification by Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

** Filed herewith.

LEAR CORPORATION
PENSION PLAN

AMENDED AND RESTATED JANUARY 1, 1997

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PREAMBLE

Prior to September 30, 1988, Lear Siegler Diversified Holdings Corp. (the "Predecessor Company") maintained the Lear Siegler Diversified Holdings Corp. Pension Plan (the "Predecessor Plan") for the benefit of certain employees of Lear Siegler Diversified Holdings Corp. and its subsidiaries and certain related companies.

Effective September 30, 1988, an Investment Group acquired the assets of Lear Siegler Seating Corp. (the "Company") from the Predecessor Company. In accordance with the Agreement of Purchase and Sale between the Company and the Predecessor Company, the Company established the Lear Siegler Seating Corp. Pension Plan (the "Prior Plan") covering eligible employees who were covered by the Predecessor Plan as of September 29, 1988, in addition to eligible employees hired by the Company after such date. The new pension plan provided benefits substantially the same as the benefits provided under the Predecessor Plan and granted any eligibility, vesting and benefit accrual service which was recognized under the Predecessor Plan. Benefits provided by the Predecessor Plan, as computed under the regular formula under Article IV of the Predecessor Plan, and any grandfathered formula or forms of benefit under the Predecessor Plan, will be offset against the career benefit computed under the new pension plan.

In conjunction with a change in the Company's name and an amendment and restatement of said plan, the Company hereby establishes the Lear Seating Corporation Pension Plan as of October 1, 1989, through December 30, 1995, and effective as of December 31, 1995 the name of the Plan shall be the Lear Corporation Pension Plan (the "Plan").

Effective January 1, 1997, unless otherwise stated herein, the Plan is further amended and restated to include provisions required under the Small Business Job Protection Act of 1996, the Uniformed Services Employment and Reemployment Rights Act of 1994, the Retirement Protection Act of 1994, the Taxpayer Relief Act of 1997 and certain other changes. The rights and benefits of all Employees whose last day of service is after December 31, 1996 shall be determined under this restatement. The rights and benefits of Employees whose last day of service was before January 1, 1997 shall be determined under the Plan as in effect on the last date of their service, except as otherwise required by law or applicable regulations.

FUTURE OF THE PLAN

It is the intention of the Company to continue the Plan indefinitely and to have the Plan and related trust meet the requirements of Section 401(a) and 501(a) of the Internal Revenue Code of 1986. However, the Company reserves the right to amend or discontinue the Plan, subject to the applicable provisions thereof.

ARTICLE I

DEFINITIONS

Whenever the following terms are used in this Plan, with the first letter capitalized, they shall have the meaning specified below.

1.01 ACCRUED BENEFIT shall mean, with respect to each Participant, the Retirement Benefit determined under the Plan expressed in the form of a monthly benefit commencing at Normal Retirement Date (or the date of determination, if later) which such Participant has accrued at any time under the provisions of the Plan, regardless of his vested status, determined as if he then terminated his employment.

1.02 ACQUIRED GROUP shall mean all of the companies listed in Exhibit B other than Lear Corporation.

1.03 ACTUARIAL EQUIVALENT shall mean a benefit of equivalent actuarial value when computed on the basis of the actuarial factors, assumptions and procedures recommended by the Plan's actuary, which assumptions are adopted for such purpose by the Employee Benefits Committee, and set forth in Exhibit A.

1.04 ANNUITY STARTING DATE shall mean the first day of the first period for which an amount is payable as an annuity, whether or not any such payment is actually made. In the case of a benefit which is not payable as an annuity, Annuity Starting Date shall be the date on which all events have occurred which entitle the Participant to such benefit.

1.05 BENEFICIARY or BENEFICIARIES shall mean the person or persons (including the Participant's Surviving Spouse) named by a Participant by written designation filed with the Employee Benefits Committee to receive payments after the Participant's death; provided, however, that the Participant's spouse shall be the Beneficiary where required by the Plan or applicable law. For purposes of any death benefit payable before the Participant's Benefit Commencement Date, in the event that no Beneficiary had been designated or that no designated Beneficiary survives the Participant, the following Beneficiaries (if then living) shall be deemed to have been designated in the following priority: (a) spouse, (b) children, including adopted children, in equal shares, (c) parents, in equal shares, and (d) the Participant's estate.

1.06 BOARD OF DIRECTORS shall mean the Board of Directors of Lear Corporation.

1.07 BREAK IN EMPLOYMENT shall mean the Employee's resignation, discharge, death or retirement from or by the Company or a Related Company effective as of the applicable event. Transfer between the Company and a Related Company or between Related Companies shall not constitute a Break in Employment provided there is no intervening employment elsewhere. In determining whether an Employee has incurred a Break in Employment, the following shall apply:

(a) A Break in Employment shall not occur during leaves of absence authorized by the Company or a Related Company before or after the absence, in accordance with established policies, and vacation periods, temporary layoffs for lack of work, and military leaves.

(b) A Break in Employment shall occur on the later of (i) the date an Employee receives, or is eligible to receive, workers' compensation, provided such Employee is not eligible for a Disability Retirement Benefit under the Plan and (ii) the first anniversary of the date the employee was first absent from work due to the sickness or injury for which he receives such workers' compensation.

(c) Continuation upon temporary layoff for lack of work for a period in excess of 15 months shall be considered a discharge effective as the expiration of such period.

(d) Failure to return to work after the expiration of any leave of absence or after recall from any temporary layoff shall be considered a resignation, effective as of the expiration of such leave of absence or layoff.

(e) Failure of an Employee on military leave to make application for reemployment within the period during

which he is entitled thereto under the laws of the United States shall be considered a resignation effective as of the earlier of the end of such military leave or the anniversary date of the commencement of such military leave.

(f) Notwithstanding anything contained herein to the contrary, a Break in Employment shall not occur during the first 12 months of absence from employment by reason of sickness, maternity or paternity reasons (as defined in Section 1.32), or military service.

1.08 CODE shall mean the Internal Revenue Code of 1986, as amended.

1.09 COMMITTEE or EMPLOYEE BENEFITS COMMITTEE shall mean the Employee Benefits Committee appointed in accordance with Article VI.

1.10 COMPANY shall mean Lear Corporation or any successor corporation resulting from a merger, consolidation, or transfer of assets substantially as a whole, which shall expressly agree in writing to continue this Plan as herein provided.

1.11 CONTINGENT ANNUITANT shall mean a person properly designated by a Participant to receive benefits pursuant to a Contingent Annuity (as defined in Section 5.03) in the event of the death of the Participant.

1.12 COVERED COMPENSATION shall mean the average (without indexing) of the taxable wage bases for each calendar year during the 35-year period ending with the last day of the calendar year in which the Participant reaches social security retirement age, divided by 12. In determining a Participant's Covered Compensation for a Plan Year, the taxable wage base for the current Plan Year is assumed to be the same as the taxable wage base in effect as of the beginning of the Plan Year for which the determination is being made. A Participant's Covered Compensation for a Plan Year after this 35-year period is the Participant's Covered Compensation in the Plan Year the Participant reached social security retirement age. A Participant's Covered Compensation for a Plan Year before the 35-year period is the taxable wage base in effect as of the beginning of the Plan Year. Each Plan Year, a Participant's Covered Compensation is automatically adjusted.

1.13 CREDITED SERVICE shall mean:

(a) For service prior to September 30, 1988, the Participant's Credited Service as of said date determined pursuant to the provisions of the Prior Plan as in effect on September 29, 1988.

(b) For service on or subsequent to September 30, 1988, the Participant's service (measured in years, including fractional years measured in months) with the Company or a Related Company. A Participant shall accrue one month of Credited Service for each calendar month, including partial months, between his Employment Date and the date he incurs a Break in Employment and between any Reemployment Date and the date he incurs any subsequent Break in Employment; provided, however, a Participant who incurs a One Year Break in Service shall not accrue Credited Service following his Reemployment Date unless he completes a Year of Service following such Reemployment Date.

Notwithstanding the foregoing:

(1) A Participant shall not accrue Credited Service for any period of service with a Related Company which is not a Participating Company following transfer from a Participating Company unless and until he is retransferred, without an intervening Break in Employment, to a Participating Company.

(2) In the case of an individual who becomes an Eligible Employee and a Participant in this Plan by transfer without a Break in Employment to a Participating Company from a Related Company, such individual shall accrue Credited Service for his period of employment with such prior employer to the extent that the employee was contiguously covered by another defined benefit plan sponsored by such Related Company and only to the extent such employment was recognized as Credited Service under such other plan.

(3) The provisions of Paragraph (2) above shall not be construed to deny the Board of Directors the right to exclude all or any portion of a Participant's service for purposes of determining Credited Service in the case where

coverage is extended to the Participant as a result of the Participant's employer becoming a Participating Company.

(4) In the case of an individual who was an employee of the Automotive Industries Division and transferred into this Plan on January 1, 1997, service prior to January 1, 1997 shall not be recognized as Credited Service by this Plan. Effective January 1, 1999, in the case of an individual who was a member of the Automotive Industries, Inc. Salaried Defined Benefit Pension Plan and transferred into this Plan on January 1, 1997 or who was an employee of the Automotive Industries Division and would have become a participant of the Automotive Industries, Inc. Salaried Defined Benefit Pension Plan on January 1, 1997, service prior to January 1, 1997 shall not be recognized as Credited Service by this Plan. However, in the case of an individual who was not a member of the Automotive Industries, Inc. Salaried Defined Benefit Plan as of December 31, 1996 and would not have become a member of the Automotive Industries, Inc. Salaried Defined Benefit Plan as of January 1, 1997, employment to a maximum of one year with Automotive Industries, Inc. prior to January 1, 1997 shall be recognized as Credited Service by this Plan.

(5) In the case of an individual who was an employee of the Masland Division and transferred into this Plan on April 1, 1997 service prior to April 1, 1997 shall not be recognized as Credited Service by this Plan.

(6) In the case of an individual who was an employee of Fairhaven Industries and transferred into this plan on January 1, 1997, service prior to January 1, 1997 shall not be recognized as Credited Service by this Plan.

In the case of an individual who was an employee of ITT Industries in the Automotive operation ("ITT Automotive") and transferred to this Plan on August 25, 1997, service prior to August 25, 1997 shall only be recognized in accordance with Section 4.01(f)(iii)(B) and (D).

Provisions of Credited Service specific to FAVESA and Delphi Automotive Systems are found in Exhibits F and G, respectively.

In the case of an employee whose benefits under this Plan were frozen as of December 31, 1998 upon his or her transfer to Lear Donnelly Overhead Systems, Inc. ("LDOS") and who subsequently became again covered by this Plan as of the acquisition by Lear Corporation of LDOS on September 15, 1999, Credited Service shall exclude calendar year 1999, and the maximum Credited Service used in Section 4.01 which is otherwise limited to 30 years shall, for such employees be limited to 29 years. For all other employees of LDOS who became covered under this Plan as of the acquisition by Lear Corporation of LDOS on September 15, 1999, service prior to January 1, 2000 shall not be recognized as Credited Service by this Plan.

(10) In the case of an individual who was an employee of Versatrim and who was included in this plan on January 1, 2002, service prior to January 1, 2002 shall not be recognized as Credited Service by this Plan.

(11) In the case of an individual who was an employee of General Seating and who was included in this plan on January 1, 2000, service prior to January 1, 2000 shall not be recognized as Credited Service by this Plan.

In addition to the foregoing, if a Participant incurs a Break in Employment with a Participating Company due to his Total and Permanent Disability, for purposes of computing his benefits under Section 4.05(b) (and only for that purpose) the years and months from the time such Participant incurs a Break in Employment to the earlier of the time he reaches his Normal Retirement Date or returns to work for the Company or a Related Company shall be Credited Service, provided the Participant was Totally and Permanently Disabled throughout said period and, where he is reemployed by the Company or a Related Company, he either (i) remains employed thereby for the next 12 consecutive months without a Break in Employment or (ii) he again becomes disabled, retires or dies within such 12 months.

An Employee shall not accrue any Credited Service at any time when such Employee is currently accruing benefits as an active participant in another "defined benefit plan," as such term is defined in Section 3(35) of ERISA, which is maintained by the Company or a Related Company. For purposes of this paragraph only, all foreign companies shall be deemed Related Companies if they otherwise meet the definition of Related Company.

Notwithstanding any provision of the Plan to the contrary, contributions, benefits, and service credit with respect to qualified military service will be provided in accordance with Section 414(u) of the Code.

1.14 DEFINED BENEFIT PLAN shall mean a plan described in Section 414(j) of the Code.

1.15 DEFINED BENEFIT PLAN FRACTION shall mean, for Plan Years prior to January 1, 2000, a fraction, the numerator of which is the projected annual benefit (determined as of the close of the relevant Plan Year) of the Participant under all Defined Benefit Plans maintained by one or more Related Companies, and the denominator of which is the lesser of (i) the product of 1.25 multiplied by the dollar limitation in effect under Section 415(b)(1)(A) of the Code for the Plan Year, or (ii) the product of 1.40 multiplied by the amount which may be taken into account under Section 415(b)(1)(B) of the Code with respect to the Participant for the Plan Year.

1.16 DEFINED CONTRIBUTION PLAN shall mean a plan described in Section 414(i) of the Code.

1.17 DEFINED CONTRIBUTION PLAN FRACTION shall mean, for Plan Years prior to January 1, 2000, a fraction, the numerator of which is the sum of the annual additions to a Participant's accounts under all Defined Contribution Plans maintained by one or more Related Companies (for this purpose "annual additions" shall include amounts derived from contributions paid or accrued after December 31, 1985, in taxable years ending after such date, which are attributable to post-retirement medical benefits allocated to the separate account of a key employee (as defined in Section 11.02 of this Plan) under a welfare benefit plan (as defined in Section 419(e) of the Code) maintained by the Company or a Related Company), and the denominator of which is the sum of the lesser of (i) or (ii) for such Plan Year and for each prior Plan Year of Service with one or more Related Companies, where (i) is the product of 1.25 multiplied by the dollar limitation in effect under Section 415(c)(1)(A) of the Code for the Plan Year (determined without regard to Section 415(c)(6) of the Code), and (ii) is the product of 1.40 multiplied by the amount which may be taken into account under Section 415(c)(1)(B) of the Code (or Section 415(c)(7) of the Code, if applicable) with respect to the Participant for the Plan Year. Notwithstanding the foregoing, the numerator of the Defined Contribution Plan Fraction shall be adjusted pursuant to Treasury Regulations 1.415-7(d)(1) and Questions T-6 and T-7 of Internal Revenue Service Notice 83-10.

1.18 EFFECTIVE DATE shall mean September 30, 1988. The effective date of the amended and restated Plan is January 1, 1997.

1.19 ELIGIBLE EMPLOYEE shall mean any Employee employed in the United States who:

(a) Is not a member of a group of employees covered by a collective bargaining agreement between an employer and any collective bargaining representative, unless he is a member of a group of Employees to whom this Plan has been extended by a collective bargaining agreement between the Company and any collective bargaining representative, or by the Company unilaterally.

(b) Is not a member of a group of hourly employees not subject to collective bargaining who are employed at a Company location which opened on or after January 1, 1994. Effective January 1, 2002, any hourly employee not subject to collective bargaining shall not be considered an Eligible Employee.

(c) Is in part-time or full-time employ of a Participating Company, including officers thereof but excluding directors who are not in the Participating Company's employ in any other capacity.

(d) An Employee shall not be an "Eligible Employee" at any time when such Employee is currently accruing benefits as an active participant in another "defined benefit plan," as such term is defined in Section 3(35) of ERISA, which is qualified under Section 401(a) of the Code and which is maintained by the Company or a Related Company. For purposes of this paragraph only, all foreign companies shall be deemed Related Companies if they otherwise meet the definition of Related Company.

(e) Is not a Leased Employee, as defined in Section 414(n) of the Code.

(f) On and after January 1, 1995, is not a student or intern employed by the Company in a co-op program between the Company and a college or university. The terms student and intern shall include individuals employed as such during summer recess.

(g) Is not an employee whose base pay is not paid through U.S. payroll.

For purposes of this Plan, a full-time employee is one who is employed for more than five months of the year and 20 or more hours per week, or who has been so employed during at least 10 consecutive years of his current period of continuous service, including service pursuant to Section 1.13.

Effective January 1, 1999 through December 31, 1999, all salaried Marlette division employees shall not be Eligible Employees.

1.20 EMPLOYEE shall mean an individual who is employed by the Company or a Related Company, provided that no period of employment of an Employee with a Related Company shall be taken into account for determining such individual's Credited Service or Years of Service if such employment occurred prior to the time such Related Company became affiliated as a Related Company with the Company unless and to the extent that such prior period of employment is treated as service with the Predecessor Company or an Acquired Group. The term Employee shall include any person performing services for the Company as a Leased Employee as defined in Section 414(n).

However, "Employee" shall exclude any individual retained by a Company to perform services for the Company (for either a definite or indefinite duration) and is characterized thereby as a fee-for-service worker or independent contractor or in a similar capacity (rather than in the capacity of an employee), regardless of such individual's status under common law, including, without limitation, any such individual who is or has been determined by a third party, including, without limitation, a government agency or board or court or arbitrator, to be an employee of the Company for any purpose, including, without limitation, for purposes of any employee benefit plan of the Company (including this Plan) or for purposes of federal, state or local tax withholding, employment tax or employment law.

1.21 EMPLOYER means (a) the Company, or (b) any other Related Company, and any other entity that is related to a Related Company (either individually or collectively, as the context may require) which is designated by the Employee Benefits Committee as an Employer under the Plan, and which adopts the Plan in accordance with the provisions of Article XIII.

1.22 EMPLOYMENT DATE shall mean the date on which the Employee is first employed by the Company or a Related Company, or Predecessor Company.

1.23 ERISA shall mean the Employee Retirement Income Security Act of 1974, as amended.

1.24 FIDUCIARY shall mean all persons defined in Section 3(21) of ERISA associated in any manner with the control, management, operation and administration of the Plan or Fund, and such term shall be construed as including the term "Named Fiduciary" with respect to those fiduciaries named in the Plan or who are identified as fiduciaries pursuant to the procedure specified in the Plan.

1.25 FORMER PARTICIPANT shall mean a Participant (other than a retired Participant) who after the Effective Date (i) has quit, resigned, or otherwise voluntarily terminated his employment with the Company or (ii) has been discharged by the Company for any reason or (iii) has been granted a leave of absence by the Company in accordance with uniform rules adopted by the Company so that all Participants in similar circumstances are treated alike or (iv) has failed to return to active employment with the Company within ninety (90) days (or such longer period as his employment rights may be protected by law) after his first eligibility for release or discharge from the Armed Forces of the United States.

1.26 FUND shall mean the fund established under the Trust Agreement and held pursuant to the Trust Agreement or any insurance contract into which or pursuant to which contributions made by a Participating Company pursuant to this Plan and from which any amounts payable under this Plan are to be paid.

1.27 HIGHLY COMPENSATED EMPLOYEE means an individual determined in accordance with Section 414(q) of the Code, and with such rules and regulations as shall be promulgated by the Internal Revenue Service pursuant to such Section, and shall mean an Employee who (i) was a 5% owner (as defined in Section 416(i)(1) of the Code) at any time during the Plan Year being tested or the preceding Plan Year with respect to the Company or a Related

Company, or (ii) earned more than \$80,000 of Section 414(q) compensation (as defined in Section 414(q)(4) of the Code) during the preceding Plan Year from the Company or a Related Company. For purposes of this provision, the \$80,000 amount is subject to adjustment as provided under Section 415 of the Code, except that the base period shall be the calendar quarter ending September 30, 1996.

1.28 HOUR OF SERVICE shall mean each hour for which the Participant or Employee is directly or indirectly paid, or entitled to payment, by the Company (i) for the performance of duties during the applicable computation period, (ii) for reasons (such as vacation, sickness, holiday, layoff, jury duty, military duty, leave of absence, or incapacity (including disability) other than the performance of duties during the applicable computation period (provided, however, that no Hour of Service need be credited for payments received solely for the purposes of complying with applicable workers' compensation or unemployment or disability insurance laws or for payments received solely for reimbursing the Employee for medical expenses), and (iii) each hour for which back pay (irrespective of mitigation of damages) has been awarded or agreed to by the Company.

For the purposes of determining a Participant's or an Employee's Hours of Service during any period when he is on a leave of absence granted by the Company or is serving in the Armed Forces of the United States and is not receiving any compensation from the Company, but in the case of a Participant who has not yet become a terminated Participant, and in the case of an Employee who is not a Participant, has not yet ceased to be an Employee, he shall be deemed to continue to be employed during such period for the same number of hours per week he was immediately prior to the commencement of such absence provided that he returns to employment within the time specified under his leave or by federal law (in the case of absence due to military service).

The word Company as used in this paragraph shall be deemed to include any Related Company. The word Employee as used in this paragraph shall be deemed to include employment with a Related Company.

The foregoing definition shall be interpreted in accordance with Sections 414(b), (c), (m), (n) and (o) of the Code and the Department of Labor Regulations section 2530.200b-2(b) and (c), the contents of which are hereby incorporated herein by reference.

1.29 INVESTMENT MANAGER shall mean a Fiduciary designated by the Committee under this Plan to whom has been delegated the responsibility and authority to manage, acquire or dispose of Plan assets (1) who (i) is registered as an investment adviser under the Investment Advisers Act of 1940; (ii) is a bank, as defined, in that Act; or (iii) is an insurance company qualified to perform investment advisory services under the laws of more than one state; and (2) who has acknowledged in writing that he is a Fiduciary with respect to the management, acquisition, and control of Plan assets.

1.30 LEASED EMPLOYEE means any individual who, pursuant to an agreement between the Company and any other person (the leasing organization), performs services for the Company on a substantially full-time basis during a 12 month period and such services are performed under primary direction or control by the recipient employer. If Leased Employees do not constitute more than 20 percent of the Company's non-highly compensated work force, a Leased Employee will not be treated as an Employee if the Leased Employee is covered by a money purchase pension plan sponsored by the leasing organization and such plan provides:

- (a) nonintegrated employer contribution rate of at least 10 percent of compensation,
- (b) immediate participation, and
- (c) full and immediate vesting.

1.31 MONTHLY PLAN COMPENSATION shall mean:

- (a) For Participants who cease to be Eligible Employees (whether by retirement, transfer or otherwise) 1/60th of the Participant's aggregate compensation during the highest five consecutive calendar years (excluding years fewer than 12 months of compensation) within the last 15 calendar years preceding the time the Participant ceases to be an Eligible Employee.

(b) If a Participant ceases to be an Eligible Employee before the end of a calendar year and if the compensation actually paid to him in such year while he was an Eligible Employee exceeds the compensation he received in the fifth preceding calendar year, the former shall be deemed to have been paid over the entire calendar year and may be used for purposes of computing Monthly Plan Compensation.

(c) (i) Prior to January 1, 2003, if a Participant has not received compensation (as hereinafter defined) for at least five years of Credited Service that accrue during the five consecutive calendar years immediately preceding the year in which he ceases to be an Eligible Employee, his Monthly Plan Compensation shall be his aggregate compensation (as hereinafter defined) for the period he accrued Credited Service plus his aggregate compensation (as hereinafter defined), if any, from any nonparticipating division, office or group of the Company or any Related Company during such five-year period (or such lesser period as may be applicable) divided by the number of full months of pay included in such determination of Monthly Plan Compensation.

(ii) Effective as of January 1, 2003, if a Participant has not received compensation (as hereinafter defined) for at least five consecutive calendar years [excluding years of fewer than 12 months of compensation] immediately preceding the year in which he ceased to be an Eligible Employee, his Monthly Plan Compensation shall be determined as 1/12 of his aggregate compensation in his consecutive full calendar years of compensation divided by the number of such consecutive full calendar years of compensation.

Effective as of January 1, 2003, if a Participant has not received compensation (as hereinafter defined) for at least one full calendar year, his Monthly Plan Compensation shall be determined as his aggregate compensation in the last five years preceding the year in which he ceases to be an Eligible Employee, divided by the number of full months of pay in that period.

(d) For purposes of this Plan, compensation means compensation paid in cash to the Participant for periods included in the Participant's Credited Service (or paid to him for periods while he is employed by a Predecessor Company, a non-participating division, office or group of the Company or a Related Company where necessary for purposes of the preceding paragraph) and reported thereby for federal income tax purposes, including, effective January 1, 1999, base pay, shift premium, vacation pay, overtime and all bonuses (except from the Long Term Incentive Plan and, effective January 1, 2000, from the Six Sigma program, specifically Black Belt and Project Champion bonuses) to the extent of the portion of such bonuses taken in cash and not deferred. A Participant who incurs a Break in Employment with a Participating Company due to his Total and Permanent Disability and becomes eligible to receive a benefit under Section 4.05 shall be deemed to be receiving compensation at the same rate, including assumed "target" bonuses, as he was receiving compensation at the time of such Break in Employment from said time to the earlier of his Normal Retirement Date or the time he returns to regular full-time employment with the Company or any Related Company provided the Participant remains Totally and Permanently Disabled throughout said period.

(e) Except as otherwise provided herein in Section 1.31(c)(i), for purposes of computing Monthly Plan Compensation, consecutive calendar years shall include only calendar years during which the Participant received 12 months of compensation.

(f) Notwithstanding the foregoing, the annual compensation of each Employee taken into account under the Plan for any Plan Year shall not exceed (a) with respect to the 1997 Plan Year, \$160,000, and (b) with respect to each subsequent Plan Year, the amount prescribed by Section 401(a)(17) of the Code. The annual compensation of each Participant taken into account in determining benefit accruals in any Plan Year beginning after December 31, 2001, shall not exceed \$200,000. Annual compensation means compensation during the Plan Year or such other consecutive 12-month period over which compensation is otherwise determined under the plan (the determination period). For purposes of determining benefit accruals in a Plan Year beginning after December 31, 2001, compensation for any prior determination periods beginning before January 1, 2002 shall not exceed \$200,000. The \$200,000 limit on annual compensation shall be adjusted for cost-of-living increases in accordance with Section 401(a)(17)(B) of the Code. The cost-of-living adjustment in effect for a calendar year applies to annual compensation for the determination period that begins with or within such calendar year.

(g) In the case of an individual who was an employee of ITT Automotive and transferred to this Plan on August 25, 1997, for periods prior to August 25, 1997, compensation recognized as such under the prior plan (the

Retirement Plan for Salaried Employees of ITT Industries) shall be treated as if it were compensation under the Plan.

(h) In the case of an individual who was an employee of United Technologies Automotive and transferred to this Plan on May 4, 1999, for periods prior to May 4, 1999, compensation recognized as such under the prior plan (the United Technologies Corporation Nonrepresented Employee Retirement Plan) shall be treated as if it were compensation under the Plan.

(i) In the case of individuals who became covered under this Plan as of the acquisition by Lear Corporation of Lear Donnelly Overhead Systems, Inc. ("LDOS") on September 15, 1999, compensation paid by LDOS during 1999 shall be treated as if it were compensation under the Plan.

1.32 ONE YEAR BREAK IN SERVICE shall mean a period of 12 consecutive months following a Break in Employment during which the individual involved is not employed by the Company or a Related Company. In the case of an individual who is absent from work for maternity or paternity reasons, the 12-consecutive month period beginning on the first anniversary of the first date of such absence shall not constitute a One Year Break in Service. For purposes of this paragraph, an absence from work for maternity or paternity reasons means an absence (1) by reason of the pregnancy of the individual, (2) by reason of the birth of a child of the individual, (3) by reason of the placement of a child with the individual in connection with the adoption of such child by such individual, or (4) for purposes of caring for such child for a period beginning immediately following such birth or placement.

1.33 PARTICIPANT shall mean any person included in the Plan as provided in Article II.

1.34 PARTICIPATING COMPANY shall mean each division, office or group of the Company which the Board of Directors designates to participate in this Plan and each Related Company which, by resolution of its Board of Directors and with the written approval of the Company, elects to participate in this Plan. Any such Participating Company shall be set forth in Exhibit B of the Plan.

1.35 PLAN shall mean the Lear Corporation Pension Plan, as set forth herein and as amended from time to time.

1.36 PLAN YEAR shall mean the 12 month period commencing on October 1, 1988 and each October 1 thereafter. Effective July 1, 1990, the Plan Year shall be the 12 month period commencing on such date, and each July 1 thereafter, with a short Plan Year for the period October 1, 1989 through June 30, 1990. Effective January 1, 1995, the Plan Year shall be the 12 month period commencing on such date, and each January 1 thereafter, with a short plan year for the period July 1, 1994 through December 31, 1994.

1.37 PREDECESSOR COMPANY shall mean Lear Siegler Diversified Holdings Corp.

1.38 PRIOR PLAN shall mean the Lear Siegler Seating Corp. Pension Plan, as in effect on September 29, 1988.

1.39 PRIMARY SOCIAL SECURITY BENEFIT shall mean the monthly amount of the old age benefits available for the Participant (excluding amounts available for spouses and dependents) at age 65 under Title II of the Federal Social Security Act without regard to any provisions under any title of said act which otherwise limit, curtail, reduce or eliminate the benefits available to the Participant as in effect at his termination. If the Participant had or would have had less than 20 years of Credited Service at his Normal Retirement Date, the old age insurance benefit shall be reduced pro rata for Credited Service less than 20 years at his Normal Retirement Date. In cases where the Participant incurs a break in Employment prior to his Normal Retirement Date, the Primary Social Security Benefit shall be the benefit to which the Participant would be entitled at age 65, based upon the Act as in effect on the date of his Break in Employment and based upon the assumption that he will continue to receive until reaching age 65 compensation which would be treated as wages for purposes of the Social Security Act at the same rate as he received such compensation at the time of his Break in Employment, multiplied by a fraction, the numerator of which is the Participant's Credited Service and the denominator of which is the total Credited Service he would have accrued if he worked until age 65.

In computing the Participant's Primary Social Security benefit, the Participant's wages for years prior to the earliest full calendar year used in determining the Participant's Monthly Plan Compensation (the "First Compensation Year") shall be calculated by using an estimated wage history. The estimated wage history shall be calculated by

projecting the Participant's wages during the First Compensation Year backward at the rate of the actual change in the national average earnings from year to year as determined by the Social Security Administration. If a Participant provides the Committee evidence of his actual wage history for the years for which wages are otherwise estimated, the actual wages shall be used instead of the estimate. In order that it be taken into account, a Participant must provide the actual wage history no later than a reasonable period of time (as determined by the Committee) after his Break in Employment or, if later, the date he is informed of the benefit to which he is entitled.

Once such Primary Social Security benefit shall have been determined it shall not be redetermined even though there may be changes in Social Security benefits thereafter because of changes in the cost of living or because of changes in the Federal Social Security Act.

1.40 QUALIFIED ELECTION means, effective January 1, 1998, in the case of an election required in order to reject the Qualified Joint and Survivor Annuity as described in Section 5.02, an election by the Participant that (i) expressly rejects such annuity, (ii) designates the form in which the Participant's accrued benefit shall be paid (which designation cannot be changed without Spousal Consent, unless the change is to elect the Qualified Joint and Survivor Annuity), (iii) designates the beneficiary who is to receive any payments that are to be made after the death of the Participant under such benefit payment form (which designation cannot be changed without Spousal Consent, unless the change is to name the spouse as Beneficiary), (iv) is in writing on a form prescribed by the Committee for such purpose, (v) is filed with the Committee within the period described in Section 5.02 and (vi) contains Spousal Consent.

1.41 QUALIFIED JOINT AND SURVIVOR ANNUITY shall mean an annuity for the life of the Participant with a survivor annuity for the life of the spouse of the Participant to whom he is married at his Annuity Starting Date, which is 50 percent of the amount of the annuity payable during the joint lives of the Participant and the Participant's spouse. Such Qualified Joint and Survivor annuity shall be the Actuarial Equivalent of a single life annuity for the life of the Participant.

1.42 REEMPLOYMENT DATE shall mean the date on which the Employee is reemployed by the Company or a Related Company following a Break in Employment.

1.43 RELATED COMPANY shall mean (i) each corporation which is a member of a controlled group of corporations (within the meaning of Section 1563(a) of the Code, determined without regard to Section 1563(A)(4) and (e)(3)(C) thereof) of which the Company is a component member, (ii) each entity (whether or not incorporated) which is under common control with the Company, as such common control is defined in Section 414(c) of the Code and Regulations issued thereunder, (iii) any organization which is a member of an affiliated service group (within the meaning of Section 414(m) of the Code) of which the Company or a Related Company is a member, and (iv) in the case of an employee of a "leasing organization" who constitutes a "leased employee" (as such terms are defined in Section 414(n) of the Code) with respect to the Company or Related Company, any leasing organization. For purposes of Section 4.9 of this Plan, the phrase "more than 50 percent" shall be substituted for the phrase "at least 80 percent" each place it appears in Section 1563(a)(1) of the Code and the term "Related Company" shall also include each predecessor employer to the extent required by Section 414(a) of the Code. Foreign companies, other than Canadian companies for purposes of this Plan, shall not be deemed Related Companies.

1.44 RETIREMENT BENEFIT shall mean in respect of any given Participant and when used without modifying words, any and all of the following: (i) Normal Retirement Benefits, (ii) Early Retirement Benefits (iii) Late Retirement Benefits, (iv) Disability Retirement Benefits, and (v) Vested Retirement Benefits as provided in Article IV, or under any applicable Exhibit.

1.45 SPOUSE shall mean as of the Annuity Starting Date or earlier date of death of Participant, the person to whom the Participant is legally married on such date. A former spouse shall be treated as a Spouse to the extent provided under a qualified domestic relation order as described in Section 414(p) of the Code.

1.46 SPOUSAL CONSENT shall mean, effective January 1, 1998, an irrevocable written consent by the Spouse of a Participant to an election, designation of Beneficiary, or similar action by the Participant under Section 5.02, which consent (a) acknowledges the effect of such election, designation or action and (b) is witnessed by a Plan representative or a notary public. A Spouse shall be deemed to have given such consent if it is established to the

satisfaction of the Committee that actual written consent to an election cannot be obtained from the Spouse because the Spouse cannot be located or because of such other circumstances as may exist, in accordance with Treasury Regulation section 1.401(a)-20, Q&A-27. Any such consent (including such deemed consent) by a Spouse shall be effective only with respect to such Spouse. Spousal Consent with respect to a Qualified Election shall be effective only for such election, and any change in such election shall require a new Spousal Consent, unless the Spousal Consent expressly permits the Participant to change such election without obtaining the consent of his Spouse with respect to such change. No Spousal Consent shall be valid unless the Participant has received any notice required under section 401(a)(11) and 417 of the Code and the regulations thereunder.

1.47 SURVIVING SPOUSE shall mean the individual who is married to a Participant on the Participant's Annuity Starting Date and/or on the Participant's date of death for deaths before the Annuity Starting Date. Only an individual married to the Participant on the Participant's Annuity Starting Date or for at least one year on the Participant's date of death prior to Annuity Starting Date, as the case may be, shall be considered to be a Surviving Spouse.

1.48 TOTAL AND PERMANENT DISABILITY meant, prior to January 1, 2002, the total and permanent incapacity of any Participant to render services to the Participating Company that employs him by reason of mental or physical disability.

Such Participant shall be required to submit to an examination by a competent physician or physicians selected by the Committee and shall be required to submit to such reexaminations as shall be necessary for the Committee to make a determination concerning his physical or mental condition. A Participant who shall refuse to submit to any physical examination properly requested under the Plan shall not be placed on disability retirement.

Any Participant receiving a Disability Retirement Benefit, as provided in Section 4.05, shall be required to submit to a disability examination at any time during such retirement for the purpose of determining his condition whenever such examination is requested by the Committee but not more often than semi-annually. If the latter shall find that he is no longer totally and permanently disabled, his disability retirement and his Disability Retirement Benefits shall cease.

Effective January 1, 2002, Total and Permanent Disability shall mean any Participant who is deemed eligible for Long Term Disability (LTD) benefits under the Employer's LTD plan, as determined by the carrier.

1.49 TRUST AGREEMENT shall mean the Lear Corporation Master Retirement Trust, as it may be amended from time to time, and/or any other trust agreement entered into by the Company creating a trust providing for the investment and administration of the Fund. By this reference the Trust Agreement is incorporated herein.

1.50 TRUSTEE shall mean the trustee of a trust created pursuant to a Trust Agreement.

1.51 YEAR OF SERVICE shall mean:

(a) For service prior to September 30, 1988, the Participant's Years of Service as of said date determined pursuant to the provisions of the Prior Plan as in effect on September 30, 1988.

(b) For service on or subsequent to September 30, 1988, each 12 consecutive month period, commencing on the Employee's Employment Date and on each anniversary thereof and continuing until the Employee incurs a Break in Employment which results in a One Year Break in Service, and each 12 consecutive month period, commencing on the Employee's Reemployment Date which follows a One Year Break in Service and on each anniversary thereof and continuing until the date on which the Employee incurs a subsequent Break in Employment which results in a One Year Break in Service. A partial month of service shall be treated as full month, and periods of less than 12 months of service resulting from separate employment periods that are included in the determination of the Employee's Year of Service shall be aggregated and each resulting 12 months shall be a Year of Service.

(c) With regard to an Employee who was an employee of the Automotive Industries Division and transferred into this Plan on January 1, 1997 vesting service earned by such Employee prior to January 1, 1997 under the Automotive Industries, Inc. Salaried Defined Benefit plan shall be recognized as Years of Service.

(d) With regard to an Employee who was an employee of the Masland Division and transferred into this Plan on April 1, 1997, years of service with the Masland Division rendered by such Employee prior to April 1, 1997 shall be recognized as Years of Service.

(e) With regard to an Employee who was an employee of Fairhaven Industries and transferred into this Plan on January 1, 1997, service earned by such Employee while employed by Fairhaven Industries on and after July 1, 1990 shall be recognized as Years of Service.

(f) With regard to an Employee who was an employee of ITT Automotive and transferred to this Plan on August 25, 1997, vesting service earned by such Employee prior to August 25, 1997 under the Retirement Plan for Salaried Employees of ITT Industries shall be recognized as Years of Service.

With regard to all salaried employees whose Eligible Employee status ceased as of January 1, 1999 due to their transfer to Lear Donnelly Overhead Systems, Inc. ("LDOS"), service with LDOS on and after January 1, 1999 shall be recognized as Years of Service for purposes of vesting service in accordance with Section 3.05, eligibility for early retirement in accordance with Section 3.02, and early commencement of benefits in accordance with Section 4.06. With regard to other employees employed by LDOS who became participants in this Plan as of the acquisition by Lear Corporation of LDOS on September 15, 1999, service during 1999 with LDOS, and contiguous service with Donnelly Corp. prior to such service with LDOS shall be recognized as Years of Service for purposes of vesting service in accordance with Section 3.05, eligibility for early retirement in accordance with Section 3.02, and early commencement of benefits in accordance with Section 4.06.

With regard to an Employee who was an employee of United Technologies Automotive and transferred to this Plan on May 4, 1999, vesting service earned by such Employee prior to May 4, 1999 under the United Technologies Corporation Nonrepresented Employee Retirement Plan shall be recognized as Years of Service.

Effective January 1, 2000, notwithstanding the foregoing, an Employee who was an employee of General Seating of America immediately prior to his or her employment with the Company shall be credited with Years of Service for such prior service under this Plan for purposes of Section 2.01, 3.02, 3.04 and 3.05.

(j) Effective January 1, 2002, notwithstanding the foregoing, an Employee who was an employee of Versatrim immediately prior to his or her employment with the Company shall be credited with Years of Service for such prior service under this Plan for purposes of Section 2.01, 3.02, 3.04 and 3.05.

ARTICLE II

PLAN ELIGIBILITY

2.01 REQUIREMENTS FOR PARTICIPATION

All present and future Eligible Employees shall become Participants in this Plan in accordance with the following:

(a) Each Eligible Employee who was a Participant immediately prior to January 1, 1997 shall become a Participant in this Plan as of January 1, 1997 provided he is then employed by the Company.

(b) Each other Eligible Employee shall become a Participant in this Plan on the July 1 or January 1 immediately following the completion of one Year of Service.

With regard to individuals employed by the Automotive Industries Division who were participants in the Automotive Industries, Inc. Salaried Defined Benefit Plan on December 31, 1996, such individuals shall become Participants in this Plan on January 1, 1997. If an employee satisfies the definition of an Eligible Employee but was not a participant in said Plan on December 31, 1996, he shall become a Participant in this Plan in accordance with Paragraph (b) above. Service with Automotive Industries, Inc. prior to January 1, 1997 shall be taken into account for purposes of meeting the service requirement set forth in Paragraph (b).

With regard to individuals employed by the Masland Division on March 31, 1997 such individuals who satisfy the definition of Eligible Employee shall become Participants on April 1, 1997 provided such individuals have completed one Year of Service. For purposes of satisfying the service requirement set forth above, service with the Masland Division prior to April 1, 1997 shall be recognized. Any other Eligible Employee shall become a participant in this Plan in accordance with Paragraph (b) above.

With regard to individuals employed by Fairhaven Industries on December 31, 1996, such individuals who satisfy the definition of Eligible Employee shall become Participants on January 1, 1997 provided such individuals have completed one Year of Service. For purposes of satisfying the service requirement set forth above, service with Fairhaven Industries prior to January 1, 1997 shall be recognized. Any other Eligible Employee shall become a participant in this Plan in accordance with Paragraph (b) above.

With regard to individuals employed by ITT Automotive on August 25, 1997, such individuals who were participants at that date under the Retirement Plan for Salaried Employees of ITT Industries shall become Participants on August 25, 1997. Any other Eligible Employee shall become a participant in this Plan in accordance with Paragraph (b) above.

With regard to individuals employed by United Technologies Automotive on May 4, 1999, such individuals who were participants at that date under the United Technologies Automotive Nonrepresented Employee Retirement Plan and are Eligible Employees as of January 1, 2000 shall become Participants on January 1, 2000. Any other Eligible Employee shall become a participant in this Plan in accordance with Paragraph (b) above on or after January 1, 2000.

Nothing herein shall be construed to permit an Eligible Employee to commence participation herein prior to the date on which the entity that employs him becomes a Related Company.

A Former Participant or Employee shall be subject to the following rules with respect to participation in the Plan upon reemployment:

a Former Participant shall be treated as a rehired Employee and shall resume participation in the Plan on his or her reemployment date if the Employee had a vested interest in a benefit hereunder at the time of his Break in Employment.

A Former Participant shall be treated as a rehired Employee and shall become eligible to resume participation on his

or her reemployment date if the Employee had no vested interest in a benefit hereunder at the time of his Break in Employment and the reemployment date is before five consecutive One Year Breaks in Service.

A Former Participant shall be treated as a new hire and shall not become eligible to participate in this Plan until he has satisfied the requirements of this Section 2.01(b) following his Reemployment Date if he had no vested interest in a benefit hereunder at the time of his Break in Employment and the number of his consecutive One Year Breaks in Service equals or exceeds five years. (Years of Service and Credited Service previously eliminated by a prior application of this paragraph shall not be counted for the purpose of the preceding sentence.)

2.02 TERMINATION OF PARTICIPATION

A Participant's participation in this Plan shall cease upon his death or retirement or upon his incurring a One Year Break in Service. See Section 2.01 and Section 5.04 with respect to former Participants who are reemployed.

2.03 TRANSFERS

(a) TO A RELATED COMPANY - If a Participant is transferred from the Company to a Related Company other than a Related Company located in Canada, the Participant's Accrued Benefit is frozen as of the date of the transfer. The transferred Participant's service with the Related Company is included only in calculating the Participant's Years of Service under this Plan.

(b) FROM A RELATED COMPANY - If an individual is transferred to the Company from a Related Company other than a Related Company located in Canada, and becomes an Employee, such individual shall become a Participant on the date of the transfer, provided he has satisfied the years of service requirements of Section 2.01. The Employee's service with the Related Company is included in calculating Years of Service and Credited Service under the Plan. Retirement income received under the Plan is offset by any benefits received under another pension plan sponsored by the Company or Related Company.

(c) TRANSFERS FROM CANADA TO THE UNITED STATES PRIOR TO JANUARY 1, 2002

(i) TEMPORARY TRANSFERS - In the event an employee employed by a Related Company located in Canada transfers to a position with the Company on a temporary basis, such employee will be deemed to have remained an employee of the Related Company from which he transferred and shall not be covered under this Plan. An employee temporarily transferred to the Company who remains in the United States for three or more continuous years shall be deemed an Employee of the Company. As of that point in time, the Employee shall be covered under this Plan on a prospective basis.

(ii) PERMANENT TRANSFERS - In the event an employee employed by a Related Company located in Canada permanently transfers to a position with the Company, the employee shall be deemed to be an Employee of the Company and shall be covered by the Plan after satisfying the eligibility requirements in Article II.

ELIGIBILITY REQUIREMENTS - The transferred Employee will become a Participant in the Plan on the date set forth in Section 2.01, provided the requirements of said Section have been met. For purposes of meeting the Plan's eligibility provisions, such Employee shall receive credit for all periods of employment with the Related Company located in Canada. Once the Employee becomes a Participant in the Plan, such Employee shall receive credit under this Plan for all periods of employment for vesting and benefit accrual with the Related Company located in Canada.

TRANSFERS FROM CANADA TO THE UNITED STATES ON OR AFTER JANUARY 1, 2002

(i) TEMPORARY TRANSFERS - In the event an employee employed by a Related Company located in Canada transfers to a position with the Company on a temporary basis, and remains on Canadian payroll, such employee will be deemed to have remained an employee of the Related Company from which he transferred and shall not be covered under this Plan. An employee temporarily transferred to the Company who remains in the United States for three or more continuous years shall be deemed an Employee of the Company. As of that point in time, the Employee shall be covered under this Plan on a prospective basis.

(ii) OTHER PERMANENT TRANSFERS - In the event an employee employed by a Related Company located in Canada permanently transfers to a position with the Company, and is put on a U.S. payroll, the employee shall be deemed to be an Employee of the Company and shall be covered by the Plan after satisfying the eligibility requirements in Article II.

ELIGIBILITY REQUIREMENTS - The transferred Employee will become a Participant in the Plan on the date set forth in Section 2.01, provided the requirements of said Section have been met. For purposes of meeting the Plan's eligibility provisions, such Employee shall receive credit for all periods of employment with the Related Company located in Canada. Once the Employee becomes a Participant in the Plan, such Employee shall be covered on a prospective basis from his date of transfer. If such employee remains in the U.S. and on a U.S. payroll for a period of at least two years (24 months), such employee shall receive credit under this Plan for all periods of employment for vesting and benefit accrual with the Related Company located in Canada, and the provisions of Section 4.02(c) of this Plan shall be determined as of the December 31 of the year such employee was transferred to U.S. payroll.

(d) TRANSFERS TO CANADA FROM THE UNITED STATES

In the event a Participant transfers to a position with a Related Company located in Canada, such Participant's Credited Service under this Plan will be frozen as of the date of transfer. Years of Service for vesting purposes and the compensation earned while in the employ of such Related Company converted to U.S. dollars as described in Section 4.02(d) will continue to be recognized under this Plan.

(e) TRANSFERS BETWEEN THE COMPANY AND GENERAL SEATING CORPORATION

(i) TO GENERAL SEATING CORPORATION - If a Participant is transferred from the Company to a position with General Seating Corporation, the Participant's Accrued Benefit is frozen as of the date of the transfer. The transferred Participant's service with General Seating Corporation is not included in calculating the Participant's Years of Service and Credited Service under the Plan.

In the event such transferred Participant is transferred directly back to a position with the Company, service with General Seating Corporation is included in calculating the Participant's Years of Service and Credited Service under the Plan.

(ii) FROM GENERAL SEATING CORPORATION - If an individual is transferred to the Company from General Seating Corporation, other than as described in (i) above, and becomes an Eligible Employee, such individual shall be treated as a new Employee and shall become a Participant in the Plan once the requirements of Section 2.01 have been met.

(f) TRANSFERS FROM THE AUTOMOTIVE INDUSTRIES DIVISION AND THE MASLAND DIVISION

Notwithstanding the above, any employee who became an employee of Lear Corporation as a result of the acquisition of either the Automotive Industries Division or the Masland Division or was hired subsequent to such acquisition by one of these divisions shall not become a member of this Plan until the Automotive Industries and Masland Divisions are covered under this Plan on January 1, 1997 and April 1, 1997 respectively. Such employee will be treated as always being an employee of either the Automotive Industries Division or the Masland Division for purposes of Plan eligibility, service, and benefit accrual, even if the employee transfers out of their respective division at any time subsequent to their original date of hire.

(g) TRANSFERS FROM FAIRHAVEN INDUSTRIES

Notwithstanding the above, any employee of Fairhaven Industries who became an Eligible Employee on January 1, 1997 at which time Plan coverage was extended to Fairhaven, shall be treated, for plan eligibility, service, and benefit accrual as always being a Fairhaven employee. This holds true even if such employee transfers from Fairhaven to a different Participating Company, subsequent to January 1, 1997.

(h) TRANSFERS FROM ITT AUTOMOTIVE

Notwithstanding the above, any employee of ITT Automotive who became an Eligible Employee on August 25, 1997 as a result of the acquisition of ITT Automotive, shall be treated, for plan eligibility, service and benefit accrual as always being an ITT Automotive employee. This holds true even if such employee transfers from ITT Automotive to a different Participating Company subsequent to August 25, 1997.

TRANSFERS FROM DELPHI HOURLY-RATE EMPLOYEES PENSION PLAN

Effective August 31, 1998, for individuals who transfer from the Lear Corporation Delphi Hourly-Rate Employees Pension Plan to a salaried status on or after August 31, 1998, if such an employee covered under the Lear Corporation Delphi Hourly-Rate Employees Pension Plan becomes covered under this Plan, the benefit under this Plan shall be the excess of (a) over (b) below:

Where (a) equals the greater of (i) or (ii):

the benefit under the Lear Corporation Delphi Hourly-Rate Employees Pension Plan for service prior to transfer plus the formula under this Plan in Section 4.01(a) for service after the date of transfer.

The formula in Section 4.01(a) applied to "Credited Service." For this purpose, Credited Service is defined as in item 3 of Appendix G with respect to the Lear Corporation Delphi Hourly-Rate Employees Pension Plan rather than the Delphi Retirement Plan (the General Motors Retirement Program for Salaried Employees, as in effect on April 1, 1998).

Where (b) equals the benefit under the Lear Corporation Delphi Hourly-Rate Employees Pension Plan for service prior to transfer.

(j) TRANSFERS FROM UNITED TECHNOLOGIES AUTOMOTIVE

Notwithstanding the above, any employee of United Technologies Automotive who became an Eligible Employee on May 4, 1999 as a result of the acquisition of United Technologies Automotive, shall be treated, for plan eligibility, service and benefit accrual as always being a United Technologies Automotive employee. This holds true even if such employee transfers from United Technologies Automotive to a different Participating Company subsequent to May 4, 1999.

2.04 CHANGE IN EMPLOYMENT STATUS

(a) CEASES TO BE AN ELIGIBLE EMPLOYEE - If a Participant ceases to be an Eligible Employee, the Participant's Accrued Benefit is frozen as of such date. Continued employment with the Company is included only in calculating such Employee's Years of Service, except as otherwise described in Section 2.03(d).

(b) BECOMES AN ELIGIBLE EMPLOYEE - If an Employee becomes an Eligible Employee, the Employee's membership in the Plan commences on the first day of the month coinciding with or next following the date the Employee first becomes an Eligible Employee provided the requirements of Section 2.01 have been met. The Employee's service as an ineligible Employee is included in calculating the Employee's Years of Service for eligibility and vesting. The Employee's Credited Service shall include periods of employment prior to becoming an Eligible Employee but only to the extent the Employee was contiguously covered under another defined benefit plan sponsored by the Company and any Related Company and only to the extent such employment was recognized as Credited Service under such other plan. In such cases, retirement income received under the Plan is offset by any benefits received under such other pension plan. Effective March 1, 2000, the Employee's Credited Service shall not include periods of employment prior to becoming an Eligible Employee.

Notwithstanding the foregoing, Credited Service earned prior to January 1, 1997 by an Employee who is employed by the Automotive Industries Division or Fairhaven Industries and Credited Service earned prior to April 1, 1997 by an Employee who is employed by the Masland Division and who subsequently becomes an Eligible Employee shall not be recognized under the Plan.

Notwithstanding the foregoing, Credited Service earned prior to August 31, 1998 by an Employee

who is employed by Delphi Automotive Systems and who subsequently becomes an Eligible Employee shall not be recognized under the Plan, except as described in Exhibit G.

Notwithstanding the foregoing, Credited Service earned prior to May 4, 1999 by an Employee who is employed by United Technologies Automotive and who subsequently becomes an Eligible Employee shall not be recognized under the Plan.

ARTICLE III

ELIGIBILITY FOR BENEFITS

3.01 NORMAL RETIREMENT DATE

The Normal Retirement Date of a Participant shall be the first day of the calendar month coinciding with or next following his 65th birthday, which birthday shall be his Normal Retirement Age under the Plan. A Participant shall be 100 percent vested in benefits under this Plan at Normal Retirement Age. A Participant shall retire on his Normal Retirement Date except as provided in Section 3.02 or Section 3.03.

3.02 EARLY RETIREMENT DATE

A Participant shall attain Early Retirement Age as of the first day of the calendar month coinciding with or next following attainment of age 55 and completion of 10 Years of Service. A Participant may voluntarily retire as of the first day of any calendar month preceding his Normal Retirement Date if he has then attained Early Retirement Age. A Participant shall notify the Committee and his Employer of his selection of an Early Retirement Date at least 60 days prior to such date.

An Automotive Industries Employee who became a member of this Plan on January 1, 1997 and as of December 31, 1996 was an active employee and a participant in the Automotive Industries, Inc. Salaried Defined Benefit Pension Plan, shall attain Early Retirement Age as of the first day of the month coinciding with or next following his attainment of age 55 with five Years of Service.

The date as of which a Participant retires pursuant to this Section 3.02, regardless of the date retirement benefit payments commence, shall be his Early Retirement Date.

3.03 LATE RETIREMENT DATE

Notwithstanding any other provisions of this Plan, a Participant may, consistent with any conditions imposed by the Employer conforming to state and federal law, retire as of the first day of any calendar month following his Normal Retirement Date. The date as of which a Participant retires pursuant to this Section 3.03 shall be his Late Retirement Date.

Any Participant who continues in the employment of the Company beyond his Normal Retirement Date and is credited with 40 or more Hours of Service per calendar month shall be notified in writing pursuant to Section 5.06 that benefit payments will be withheld during such period of continued employment.

3.04 DISABILITY RETIREMENT DATE

A Participant who incurs a Total and Permanent Disability after having accrued at least 10 Years of Service, and who incurs a Break in Employment while an Eligible Employee with a Participating Company due to such Total and Permanent Disability ("Disabled Participant"), shall be eligible to receive a total disability monthly benefit as of the latest of:

(a) the first day of the month following salary continuation,

(b) the first day of the month next succeeding the month during which the Participant incurred a Break in Employment due to his Total and Permanent Disability, or

(c) the first day of the month next succeeding the last month for which the Participant received Lear Corporation Long-Term Disability Benefits. However, if the Participant's accrued benefit, determined as of the date a Break in Employment occurs due to Total and Permanent Disability, is greater than such Participant's Long Term Disability Benefit, the difference shall be paid as a Disability Retirement Benefit commencing on the date set forth in (a) or (b) above.

The first day of the month for which an employee receives a benefit under this Section 3.04 shall be the Disability Retirement Date. If a Participant's benefits begin solely because the Participant's accrued benefit is less than his or her Long Term Disability Benefit (as described in Section 3.04(c)), the first day of the month for which the difference is first paid shall be treated as a Disability Retirement Date, but the effective date of a subsequent recalculation of the Temporary Benefit described in Section 4.05(a) upon cessation of Long-Term Disability Benefits before Normal Retirement Age shall also be treated as a Disability Retirement Date.

3.05 VESTED RETIREMENT DATE

If a Participant incurs a Break in Employment for any reason other than death or retirement and has either:

(a) completed five Years of Service, or

(b) became eligible for a nonforfeitable benefit under the Prior Plan as a result of the settlement of a class action lawsuit against the sponsor of the Prior Plan,

he shall be entitled to a Vested Retirement Benefit.

Notwithstanding the foregoing, all Eligible Employees at the Byron Center facility who were Participants as of May 18, 2001 shall be entitled to a Vested Retirement Benefit regardless of their Years of Service.

Notwithstanding the foregoing, Employees at the Berne, Indiana facility as of June 2, 2000 who remain continuously employed by the Purchaser of such facility through December 31, 2000 shall be entitled to a Vested Retirement Benefit regardless of their Years of Service.

Notwithstanding the foregoing, all Eligible Employees at the Holland, Michigan facility who were Participants as of December 31, 2001 shall be entitled to a Vested Retirement Benefit regardless of their Years of Service.

ARTICLE IV

RETIREMENT BENEFITS

4.01 NORMAL RETIREMENT BENEFIT

Subject to Section 4.02, the amount of the monthly retirement benefit payable each month for the life of a Participant, commencing on his Normal Retirement Date and ending with the benefit for the month during which his death occurs, shall be calculated as follows:

(a) LEAR AND PROGRESS PATTERN EMPLOYEES - The monthly Normal Retirement Benefit payable to a Participant employed by Lear Corporation, Lear Seating, Lear Plastics or employed in a position with Progress Pattern which is not subject to collective bargaining will be equal to the greatest of subparagraphs (i) through (iv), subject to subparagraph (v):

(i) \$30.00 multiplied by the Participant's Credited Service;

(ii) 1.10 percent (0.011) of Monthly Plan Compensation plus 0.65 percent (0.0065) of Monthly Plan Compensation in excess of Covered Compensation, the total of which is multiplied by Credited Service earned as of December 31, 1996, up to a maximum of 30 years; plus

1 percent (0.01) of Monthly Plan Compensation plus 0.65 percent (0.0065) of Monthly Plan Compensation in excess of Covered Compensation, the total of which is multiplied by Credited Service earned after December 31, 1996, up to the difference between 30 years and the Credited Service earned as of December 31, 1996,

For purposes of this subparagraph (ii), Monthly Plan Compensation shall be determined based on compensation earned as of the date such Participant retires;

(iii) If such Participant has attained age 50 and is an active Employee as of December 31, 1996, his monthly benefit shall be equal to

1.10 percent (0.011) of Monthly Plan Compensation plus 0.65 percent (0.0065) of Monthly Plan Compensation in excess of Covered Compensation, the total of which is multiplied by Credited Service earned as of December 31, 2001, up to a maximum of 30 years; plus

1 percent (0.01) of Monthly Plan Compensation plus 0.65 percent (0.0065) of Monthly Plan Compensation in excess of Covered Compensation, the total of which is multiplied by Credited Service earned after December 31, 2001, up to the difference between 30 years and the Credited Service earned as of December 31, 2001;

(iv) The monthly retirement benefit of a Participant who has Credited Service before October 1, 1989 shall not be less than two percent of the Participant's Monthly Plan Compensation multiplied by his Credited Service, computed in years and months, up to a total maximum of 25 years of Credited Service, reduced by 50 percent of the Participant's Primary Social Security Benefit for which the Participant is eligible and further reduced as provided in Section 4.02. For the purposes of this Plan, a Participant shall be deemed to be eligible for a Social Security Benefit even though he does not receive such benefit as a result of failure to apply, earnings in covered employment, or other reasons. A Participant's retirement benefit is calculated under this subsection 4.01(a)(iv) using only Credited Service, Monthly Plan Compensation and the Primary Social Security Benefit calculated as of September 30, 1989.

(v) A Participant's Accrued Benefit cannot be less than the greater of the amounts determined under (1) or (2) below:

(1) Formula with Wear-Away. A Participant's Accrued Benefit shall equal the greater of the following amounts:

(a) the Accrued Benefit earned as of June 30, 1994 under the Plan as in effect on such date applying the Compensation limit in effect for Plan Years beginning before July 1, 1994, or

(b) the Accrued Benefit earned under the Plan as in effect on and after July 1, 1994, taking into account all Credited Service earned by the Participant and applying a compensation limit of \$150,000 for Plan Years beginning on and after July 1, 1994 and all prior Plan Years, adjusted to reflect cost of living increases in Plan Years after 1994.

(2) Formula without Wear-Away. A Participant's Accrued Benefit shall equal the sum of the following amounts:

(a) the Accrued Benefit earned as of June 30, 1994 under the Plan as in effect on such date applying the Compensation limit in effect for Plan Years beginning before July 1, 1994, plus

(b) the Accrued Benefit under the Plan as in effect on and after July 1, 1994, taking into account only the Credited Service earned by the participant subsequent to June 30, 1994, (limited to 30 years, less the credited service earned as of June 30, 1994) and applying a compensation limit of \$150,000 as adjusted to reflect cost of living increases in Plan years beginning on and after July 1, 1994.

For purposes of this subparagraph (v), the total number of years of Credited Service used to calculate a Participant's Accrued Benefit cannot exceed 30 years.

(b) AUTOMOTIVE INDUSTRIES, INC. EMPLOYEES - The monthly Normal Retirement Benefit payable to a Participant employed by Automotive Industries, Inc., who was a participant in the Automotive Industries, Inc. Salaried Defined Benefit Plan as of December 31, 1996 or would have become a participant in the Automotive Industries, Inc. Salaried Defined Benefit Plan on January 1, 1997, will be equal to the greatest of subparagraph (i), (ii), or (iii):

(i) (A) The monthly benefit earned by the Participant under the Automotive Industries, Inc. Salaried Defined Benefit Plan as of December 31, 1996, plus

(B) \$30.00 multiplied by the Participant's Credited Service earned after December 31, 1996;

(ii) (A) The monthly benefit earned by the Participant under the Automotive Industries, Inc. Salaried Defined Benefit Plan as of December 31, 1996 multiplied by a fraction, not greater than one nor less than zero, whose numerator is the Participant's Total Service as of December 31, 1996 minus the Participant's Total Service at retirement in excess of 30 years and whose denominator is the Total Service as of December 31, 1996, plus

(B) 1 percent (0.01) of Monthly Plan Compensation plus 0.65 percent (0.0065) of Monthly Plan Compensation in excess of Covered Compensation, the total of which is multiplied by Credited Service earned after December 31, 1996 up to a maximum of 30 years;

For purposes of this subparagraph Total Service is the sum of Credited Service under this Plan, if any, plus service recognized for benefit accrual purposes under the Automotive Industries, Inc. Salaried Defined Benefit Plan.

Notwithstanding the above, if the Participant's Total Service exceeds 30 years, the Accrued Benefit under this Section 4.01 may never decrease.

(iii) If such Participant has attained age 50 with 5 Years of Service as of December 31, 1996 and is an active Employee on December 31, 1996, and such Participant terminates employment prior to January 1, 2002, his monthly benefit shall not be less than the amount the Participant would have received under the Automotive Industries, Inc. Salaried Defined Benefit Plan (including the early retirement reduction thereunder, but without regard to the optional forms of payment thereunder), taking into account compensation and Credited Service earned as of the date such Participant terminates employment.

If such Participant has attained age 50 with 5 Years of Service as of December 31, 1996 and is an active Employee on December 31, 1996, and such Participant terminates employment on or after January 1,

2002, his monthly benefit shall not be less than the amount the Participant would have received under the Automotive Industries, Inc. Salaried Defined Benefit Plan (including the early retirement reduction thereunder, but without regard to the optional forms of payment thereunder), taking into account compensation and Credited Service earned as of December 31, 2001.

(c) PROGRESS PATTERN TECHNICIANS - The monthly Normal Retirement Benefit payable to a Participant who is a technician employed by Progress Pattern Corp. and subject to collective bargaining will be equal to the greatest of subparagraphs (i), (ii) or (iii):

(i) \$14.75 multiplied by the Participant's Credited Service earned as of September 9, 1996;

(ii) 1.10 percent (0.011) of Monthly Plan Compensation plus 0.65 percent (0.0065) of Monthly Plan Compensation in excess of Covered Compensation, the total of which is multiplied by Credited Service earned as of September 9, 1996, up to a maximum of 25 years.

For purposes of this subparagraph (ii), Monthly Plan Compensation shall be determined based on compensation earned as of September 9, 1996;

(iii) The monthly retirement benefit of a Participant who has Credited Service before October 1, 1989 shall not be less than two percent of the Participant's Monthly Plan Compensation multiplied by his Credited Service, computed in years and months, up to a total maximum of 25 years of Credited Service, reduced by 50 percent of the Participant's Primary Social Security Benefit for which the Participant is eligible and further reduced as provided in Section 4.02. For the purposes of this Plan, a Participant shall be deemed to be eligible for a Social Security Benefit even though he does not receive such benefit as a result of failure to apply, earnings in covered employment, or other reasons. A Participant's retirement benefit is calculated under this subsection 4.01(c)(iii) using only Credited Service, Monthly Plan Compensation and the Primary Social Security Benefit calculated as of September 30, 1989.

(d) FAIRHAVEN INDUSTRIES EMPLOYEES - The monthly Normal Retirement Benefit payable to a Participant employed by Fairhaven Industries will be equal to the greater of subparagraphs (i) or (ii):

(i) \$30.00 multiplied by the Participant's Credited Service earned after December 31, 1996; or

(ii) 1 percent (0.01) of Monthly Plan Compensation plus 0.65 percent (0.0065) of Monthly Plan Compensation in excess of Covered Compensation, the total of which is multiplied by Credited Service earned after December 31, 1996, up to a maximum of 30 years.

(e) MASLAND DIVISION EMPLOYEES - The monthly Normal Retirement Benefit payable to a Participant employed by the Masland Division will be equal to the greater of subparagraph (i) or (ii):

(i) \$30.00 multiplied by the Participant's Credited Service earned after March 31, 1997; or

(ii) 1 percent (0.01) of Monthly Plan Compensation plus 0.65 percent (0.0065) of Monthly Plan Compensation in excess of Covered Compensation, the total of which is multiplied by Credited Service earned after March 31, 1997 up to a maximum of 30 years;

(f) ITT AUTOMOTIVE EMPLOYEES - The monthly Normal Retirement Benefit payable to a Participant employed by ITT Automotive will be equal to the greater of subparagraph (i) or (ii), plus subparagraph (iii), if applicable:

(i) \$30.00 multiplied by the Participant's Credited Service;

(ii) 1.0 percent (.01) of Monthly Plan Compensation plus 0.65 percent (.0065) of Monthly Plan Compensation in excess of Covered Compensation, times Credited Service up to a maximum of 30 years.

(iii) For such Participants who were vested as of August 24, 1997 in the prior plan (the Retirement Plan for Salaried Employees of ITT Industries), an additional benefit equal to the excess, if any, of

(X) the monthly Normal Retirement Benefit determined under this Section without regard to this subparagraph (iii) divided by Credited Service, over

(Y) the average monthly benefit payable from the Retirement Plan for Salaried Employees of ITT Industries as shown in Exhibit H,

multiplied by:

if the Participant is under age 50 as of August 25, 1997, the smallest of:

(A) the Participant's Credited Service,

(B) the Participant's years and complete months of service credited through August 25, 1997 under the Retirement Plan for Salaried Employees of ITT Industries as shown in Exhibit P, or

(C) 30 minus the number of years and complete months of the Participant's Credited Service, but not less than 0;

or, if the Participant is at least age 50 but not yet age 65 as of August 25, 1997, the smallest of

(D) the Participant's years and complete months of service credited through August 25, 1997 under the Retirement Plan for Salaried Employees of ITT Industries as shown in Exhibit P,

(E) 30 minus the number of years and complete months from August 25, 1997 to the Participant's Normal Retirement Date, or

(F) the Participant's Credited Service multiplied by the larger of 1 (one) or the ratio that the smaller of (D) or (E) above bears to the number of years and complete months from August 25, 1997 to the Participant's Normal Retirement Date;

or, if the Participant is at least age 65 as of August 25, 1997, the smaller of:

(G) the Participant's years and complete months of service credited through August 25, 1997 under the Retirement Plan for Salaried Employees of ITT Industries as shown in Exhibit P, or

(H) 30 minus the number of years and complete months of the Participant's Credited Service, but not less than 0;

In the event a Participant covered by this subparagraph (iii) terminates employment, this subparagraph shall not apply to any subsequent period of reemployment, if any.

Benefits in accordance with this Section 4.01(g) shall be determined as of December 31, 1998 for all salaried Marlette division employees whose Eligible Employee status ceased as of January 1, 1999 due to their transfer to employment with Lear Donnelly Overhead Systems, Inc., as if they had terminated employment on December 31, 1998. For all such employees who again became Eligible Employees by virtue of the acquisition by Lear Corporation of Lear Donnelly Overhead Systems, Inc. on September 15, 1999, the foregoing benefit determined as of December 31, 1998 shall be the minimum Accrued Benefit under the Plan.

(h) United Technologies Automotive Employees - The monthly Normal Retirement Benefit payable to a salaried Participant employed by the United Technologies Automotive operation of United Technologies Corporation ("United Technologies Automotive") and who became employed by the Company on May 4, 1999, will be equal to the greater of subparagraph (i), or the sum of subparagraph (ii) plus (iii), if applicable, as follows:

(i) \$30.00 multiplied by the Participant's Credited Service from May 4, 1999 until separation of employment.

(ii) 1.0 percent (.01) of Monthly Plan Compensation plus 0.65 percent (.0065) of Monthly Plan Compensation

in excess of Covered Compensation, times Credited Service up to a maximum of 30 years, with service credited from May 5, 1999 to the date of separation from employment.

(iii) For such Participants who had at least 10 years of service under the United Technologies Corporation Nonrepresented Employee Retirement Plan as of May 4, 1999 and who remain employed by the Company on January 1, 2000, an additional benefit equal to the excess, if any, of

1.0 percent (.01) of Monthly Plan Compensation plus 0.65 percent (.0065) of Monthly Plan Compensation in excess of Covered Compensation, times Credited Service up to a maximum of 30 years, with service credited from the Participant's first date of hire with the United Technologies Automotive operations of United Technologies Corporation to the date of separation from employment, less

(B) 1.0 percent (.01) of Monthly Plan Compensation plus 0.65 percent (.0065) of Monthly Plan Compensation in excess of Covered Compensation, times Credited Service up to a maximum of 30 years, with service credited from May 5, 1999 to the date of separation from employment, less

(C) the monthly benefit earned from the United Technologies Corporation Nonrepresented Employee Retirement Plan based on credited service with the United Technologies Automotive operations of United Technologies Corporation through May 4, 1999.

A Participant's excess monthly benefit under subparagraph (iii) shall be prorated by multiplying (D) over (E), not to exceed 1:

a Participant's years of Credited Service from May 4, 1999 until separation from employment.

(E) a Participant's years of Credited Service from May 4, 1999 projected to the Participant's Normal Retirement Date.

In the event a Participant covered by this subparagraph (iii) terminates employment, this subparagraph (iii) shall not apply to any subsequent period of reemployment, if any.

Notwithstanding anything herein to the contrary, in no event shall a Participant's Normal Retirement Benefit determined under this Section 4.01 (but without regard to the offsets under Section 4.02) be less than the highest Early Retirement Benefit (computed in accordance with Section 4.03, but without regard to the offsets under Section 4.02) payable to the Participant if he had retired on an Early Retirement Date and had commenced to receive benefits on that date.

The Participant's benefit hereunder shall be paid in accordance with Section 5.02 if he is married when he reaches his Normal Retirement Date.

4.02 BENEFIT OFFSETS

(a) Each Participant's Normal Retirement Benefit shall be reduced by his benefit under the Prior Plan. The benefit under the Prior Plan shall be the benefit computed under Article IV of the Prior Plan, and Exhibits with a prefix of A under the Prior Plan for those Participants who qualify under the provisions of such Exhibits.

Each Participant's Early Retirement Benefit shall be reduced by his Early Retirement Benefit under the Prior Plan. The benefit under the Prior Plan shall be the benefit computed under Article IV of the Prior Plan, and Exhibits with the prefix of A under the Prior Plan for those Participants who qualify under the provisions of such exhibits.

(b) That portion of a Participant's Normal Retirement Benefit which is attributable to Credited Service accrued for service prior to June 30, 1972, and with respect to which the Participant was entitled to an allocation of employer contributions to his Second Share Account (as hereinafter defined) shall be reduced (but not below zero) by the lesser of:

(1) The amount of the monthly fixed dollar life annuity, commencing on the Participant's Normal Retirement Date, which could be purchased as of such date if his Second Share Account under the Lear Siegler, Inc. Profit Sharing and Retirement Plan as of June 30, 1972, were brought forward with compound interest at seven percent per annum and applied at annuity rates based on the 1951 Group Table Projected to 1970 for females, set back five years and on an interest rate of five percent per annum; or

(2) The amount of the monthly fixed dollar life annuity, commencing on the Participant's Normal Retirement Date, which can be purchased as of said date with the value of the Participant's Second Share Account as of said date.

For purposes of this Section, the phrase "Second Share Account" shall include:

(i) Amounts credited to the Participant under Sections 6.05(b), (d) and (e) of the Lear Siegler, Inc. Profit Sharing and Retirement Plan, and

(ii) The amount, if any, credited to his account as a result of prior participation in the Jack & Heintz, Inc. Pension Plan for Salaried Employees, the profit sharing plan of the C.G. Hokanson Company, Inc., the pension plan of Associated Engineers, Inc. and any other plan that was combined with the Lear Siegler, Inc. Profit Sharing and Retirement Plan on a similar basis as the aforementioned plans, to the extent that such amount is attributable to service on or after July 1, 1956 and prior to July 1, 1972;

(iii) Amounts allocated as of June 30, 1972, under Section 6.04 of the Lear Siegler, Inc. Profit Sharing and Retirement Plan with respect to the sums described in (1) and (2) above.

In the event that a Participant shall have received a distribution prior to July 1, 1972 under the Lear Siegler, Inc. Profit Sharing and Retirement Plan arising from a period of employment which is included in his Credited Service hereunder, the offset under this Section 4.02(a) shall be an amount of life annuity which is actuarially equivalent to the Second Share Account portion of such distribution, determined on the basis of Subparagraph (a)(1) above.

(c) In the event an Employee becomes a Participant in this Plan pursuant to Section 2.03(c), upon retirement under this Plan, such Participant's Normal Retirement Benefit shall be calculated based upon the Credited Service earned under this Plan plus the service earned for benefit accrual while covered by a plan maintained by the Related Company in Canada. Such benefit shall then be offset by the portion of the benefit earned under such Canadian plan which is attributable to employer contributions. For purposes of determining this offset, the value of the benefit earned under the Canadian plan shall be converted to United States dollars by using the average of the exchange rate in effect for the calendar year in which such Employee transferred from Canada to the United States. If the normal form of benefit payment under such plan is a form other than a life annuity, such benefit shall then be converted to a life annuity.

(d) In the event a Participant retires under the Plan subsequent to the date such Participant transferred to a position with a Related Company located in Canada, the compensation earned by such Participant during such continued employment shall be taken into account when determining the Participant's Normal Retirement Benefit. In order to make such determination, the compensation earned shall be converted to United States dollars by using the average of the exchange rate in effect for each calendar year in which such Participant earns compensation while in the employ of the Related Company located in Canada.

(e) In the event that a Participant who retires under this Plan is entitled to or has received benefits, attributable to employer contributions, under other plans maintained by the Company, a Related Company or any Predecessor Company and which are "qualified" under Section 401 of the Internal Revenue Code of 1986, except the Lear Siegler, Inc. Profit Sharing and Retirement Plan (including any benefits that are a part of the Second Share Account as defined above), and the Lear Corporation Salaried Retirement savings Plan, Lear Corporation Hourly Retirement Savings Plan and Lear Corporation Bargaining Hourly Umbrella Retirement Savings Plan, such Participant's benefit under Section 4.01 (reduced as provided in Paragraph (a) of this Section 4.02) shall be reduced by the lesser of the life annuity which is the Actuarial Equivalent of any benefit from such other plan or plans described above attributable to service for which the Participant also has Credited Service under this Plan or the Participant's benefit

under this Plan that is attributable to such duplicated Service. Said offset shall be determined on the basis of the Participant's accrued benefits under such other plan or plans as of the last date he accrues Credited Service hereunder.

Notwithstanding the above, there shall be no offset under this Section 4.02(e) with respect to any benefit payable from the Royal Industries Savings Award Plan nor shall there be any offset for benefits payable under the Royal Prior Plans. Further, there shall be no offset under Section 4.02(b) with respect to any benefit payable from the Bangor Punta Corporation Investment Plan.

(f) In the event that a Participant who retires under this Plan is entitled to or has received benefits attributable to employer contributions under a profit sharing plan maintained by the Company, a Related Company or any Predecessor Company, other than the Lear Corporation Salaried Retirement savings Plan, Lear Corporation Hourly Retirement Savings Plan and Lear Corporation Bargaining Hourly Umbrella Retirement Savings Plan, the offset for the benefit thereunder shall be determined in the manner and on the assumptions used in Exhibit A.

4.03 EARLY RETIREMENT BENEFIT

The monthly retirement benefit payable each month for the life of a Participant who retires on an Early Retirement Date shall be:

(a) An amount payable commencing on the Participant's Normal Retirement Date and ending with the benefit for the month during which his death occurs, computed in the manner described in Section 4.01 but based upon the Participant's Credited Service and Monthly Plan Compensation and the benefit level in effect as of his Early Retirement Date and reduced by the offsets described under Section 4.02, or

(b) An amount payable commencing on any date between the Participant's Early Retirement Date and the Participant's Normal Retirement Date (as elected by this Participant), computed in the manner described in Section 4.03(a) and then actuarially reduced, using the factors, assumptions and procedures set forth in Exhibit A, to account for the early commencement of benefit payments.

The election of (a) or (b) shall be made by the Participant in writing in accordance with procedures established by the Committee.

See Section 5.02 with respect to Participants who are married.

With regard to benefits determined under Section 4.01(h)(ii), the benefits under Section 4.01(h)(ii)(C) shall be determined in accordance with Exhibit A(a).

4.04 LATE RETIREMENT BENEFIT

Upon his Late Retirement Date under Section 3.03, such Participant shall receive a Late Retirement Benefit which shall consist of monthly payments commencing as of his Late Retirement Date and ending as of the first day of the calendar month in which his death occurs. The amount of such benefit shall be an amount computed in the manner described in Section 4.01 but based upon the Participant's Credited Service and Monthly Plan Compensation and the benefit level in effect as of his Late Retirement Date.

See Section 5.02 with respect to Participants who are married.

4.05 DISABILITY RETIREMENT BENEFIT

(a) Prior to January 1, 2002

(i) TEMPORARY BENEFIT - In the event a Participant retires on a Disability Retirement Date which is prior to his Normal Retirement Age, such Participant shall receive a monthly retirement benefit determined in accordance with Section 4.01 based on his Monthly Plan Compensation and Credited Service earned on his Disability Retirement Date. If such Participant is receiving a Company sponsored gross Long Term Disability benefit (without regard to

any offset), the temporary benefit shall be offset by such Long Term Disability Benefit.

Payment of this temporary benefit shall continue until the disabled Participant attains his Normal Retirement Age, unless recovery occurs prior to such date, in which case, the provisions of paragraph (a)(iii) shall apply. A Participant who remains disabled until his Normal Retirement Age shall be entitled to receive the monthly benefit described in (a)(ii) below. If such Participant's death should occur while in receipt of Disability Retirement Benefits, the provisions of Section 4.07 shall apply.

(ii) NORMAL RETIREMENT - Upon the attainment of Normal Retirement Age, the temporary benefit payments described in paragraph (a)(i) above shall cease and the Participant shall receive, on his Normal Retirement Date, a monthly retirement benefit determined in accordance with Section 4.01 based on his Monthly Plan Compensation as of his Disability Retirement Date and his years of Credited Service earned prior to and during his disability retirement.

Except as otherwise provide in Section 5.02, the retirement benefit payable pursuant to this Section 4.05 shall be paid monthly for the life of the Participant.

(iii) RECOVERY - If the disability of a Participant retired for disability shall cease, and if he thereafter shall be reinstated in employment with the Company, he shall be credited upon subsequent reemployment with the Credited Service he had at his Disability Retirement Date and also for all years of Credited Service earned during such disability, as well as subsequent to his reemployment, as provided in Section 1.13 of this Plan.

If the disability of a Participant retired for disability shall cease, and if he immediately thereafter shall not be reinstated in employment with the Company, he shall be entitled to a Vested Retirement Benefit in accordance with Section 4.06 based on his Monthly Plan Compensation and Credited Service earned as of his Disability Retirement Date.

(b) On or after January 1, 2002

(i) TEMPORARY BENEFIT - In the event a Participant retires on a Disability Retirement Date which is prior to his Normal Retirement Age, such Participant shall receive a monthly retirement benefit determined in accordance with Section 4.01 based on his Monthly Plan Compensation and Credited Service earned on his Disability Retirement Date for each month for which he receives a Company sponsored gross Long Term Disability benefit (without regard to any offset). For purposes of determining Monthly Plan Compensation at a Disability Retirement Date, as described in Section 1.31 a Participant shall be deemed to be receiving compensation while disabled at the same rate, including assumed "target" bonuses, as he was receiving compensation at the time he stopped working due to disability.

The temporary benefit shall be offset by such Long Term Disability Benefit. In the event such Long Term Disability Benefit should cease before the Participant reaches Normal Retirement Age, but the Participant remains Totally and Permanently Disabled, the Temporary Benefit payable will be recalculated to reflect assumed compensation and Credited Service to the date of recalculation.

Payment of this temporary benefit shall continue until the disabled Participant attains his Normal Retirement Age, unless recovery or cessation of the Company sponsored Long Term Disability benefit occurs prior to such date, in which case, the provisions of paragraph (b)(iii) shall apply. A Participant who remains disabled until his Normal Retirement Age shall be entitled to receive the monthly benefit described in (b) below. If such Participant's death should occur while in receipt of Disability Retirement Benefits, the provisions of Section 4.07 shall apply.

(ii) NORMAL RETIREMENT - Upon the attainment of Normal Retirement Age, the temporary benefit payments described in paragraph (b)(i) above shall cease and the Participant shall receive, on his Normal Retirement Date, a monthly retirement benefit determined in accordance with Section 4.01 based on his Monthly Plan Compensation as of his Normal Retirement Age and his years of Credited Service earned prior to and during his disability retirement. For purposes of determining Monthly Plan Compensation at Normal Retirement Age, as described in Section 1.31, such Participant shall be deemed to be receiving compensation while disabled at the same rate, including assumed "target" bonuses, as he was receiving compensation at the time he stopped working due to disability.

Except as otherwise provide in Section 5.02, the retirement benefit payable pursuant to this Section 4.05 shall be paid monthly for the life of the Participant.

(ii) RECOVERY - As provided in Section 1.13 of this Plan, If the disability of a Participant retired for disability shall cease or the Company sponsored Long Term Disability benefits cease, and if he thereafter shall be reinstated in employment with the Company, he shall be credited (after a 12-month period of re-employment, or as otherwise provided in Section 1.13) with the Credited Service he had at his Disability Retirement Date and also for all years of Credited Service earned during such disability, as well as subsequent to his reemployment.

If the disability of a Participant retired for disability shall cease or the Company sponsored Long Term Disability benefits cease, and if he immediately thereafter shall not be reinstated in employment with the Company, he shall be entitled to a Vested Retirement Benefit in accordance with Section 4.06 based on his Monthly Plan Compensation and Credited Service earned as of his Break in Employment.

4.06 VESTED RETIREMENT BENEFIT

A Participant's Vested Retirement Benefit shall be equal to his accrued benefit (computed in accordance with Section 4.01) at the time of his Break in Employment.

A Participant's Vested Retirement Benefit shall be payable commencing on his Normal Retirement Date and shall be paid as a life annuity unless, as of said date, the Participant is legally married, in which event his Vested Retirement Benefit shall be paid in accordance with Section 5.02.

Notwithstanding the foregoing, a former Participant who is entitled to a Vested Retirement Benefit may elect to receive an Early Retirement Benefit pursuant to Section 4.03 once he attains 55 provided such Participant has earned at least 10 Years of Service.

4.07 PRERETIREMENT SURVIVING SPOUSE BENEFIT

(a) If a vested Participant who is married dies prior to his Annuity Starting Date, his surviving spouse shall receive a Preretirement Surviving Spouse Benefit. If a Participant who is vested in his benefits under this Plan shall die after terminating his employment with the Company but prior to his Annuity Starting Date, the benefits payable to his surviving spouse under this Section 4.07 shall be based on his Accrued Benefit as of the date of the Participant's Break in Employment or other termination. If a participant who had completed at least 10 years of Service incurred a Break in Employment due to his Total and Permanent Disability, and dies while still Totally and Permanently Disabled (but before his or her Normal Retirement Age), the benefit payable to the surviving spouse will be calculated reflecting the Participant's continued Credited Service while disabled and Monthly Plan Compensation calculated as of the date of the Participant's death, as described in Section 4.05(c).

(b) If a Participant dies after attaining age 55, the monthly Preretirement Surviving Spouse Benefit shall be an amount payable as if the Participant had retired on the day before his death and elected a Contingent Annuity under Section 5.03, with the specified percentage equal to 100 percent, even if the Participant did not have the required Years of Service for commencement prior to Normal Retirement Date.

If a Participant dies on or before the date on which he would have attained age 55, the Preretirement Surviving Spouse Benefit shall be payable as if the following events had occurred: (i) the Participant separated from service on the date of his death, (ii) the Participant survived to age 55, (iii) the Participant retired and elected a Contingent Annuity under Section 5.03 with the specified percentage equal to 100 percent, and (iv) the Participant died on the day after the day on which such Participant would have attained age 55, even if the Participant did not have the required Years of Service for commencement prior to Normal Retirement Date.

4.08 INABILITY TO LOCATE PARTICIPANT

In the case of any benefit payable under this Plan, if the Committee is unable, within three years after the later of Normal Retirement Date or other date on which the benefit becomes payable, to locate the Participant or

Beneficiary to whom payment is due, such benefit shall be forfeited and the assets of this Plan shall be relieved of the liability for payment of such benefit. If, after such forfeiture, the Participant or Beneficiary later claims such benefit, such benefit shall be reinstated and shall be paid retroactive to the date that such benefit first became payable.

4.09 MAXIMUM BENEFIT LIMITATION

This Section shall be applicable for Limitation Years beginning on or after January 1, 1997. (SEE EGTRRA CHANGES AT END OF THIS SECTION 4.09.)

(a) Any other provision of the Plan to the contrary notwithstanding, the maximum annual benefit under the Plan (exclusive of any benefits derived from the Participant's own contributions and exclusive of any benefits which are not directly related to retirement income benefits) shall, subject to the following provisions of this Section 4.9, not exceed the lesser of:

(1) \$90,000, or

(2) 100% of the Participant's average "compensation" (as defined herein) from the Company and any other Related Company (as modified pursuant to Section 415(h) of the Code) during the three consecutive years of participation during which his compensation was highest.

The applicable maximum described in subsection (a)(1) or (2) above shall apply to a retirement benefit payable in the form of a single life annuity or a Qualified Joint and Survivor Annuity.

(b) A benefit not payable in the form of an annual straight life annuity or a Qualified Joint and Survivor Annuity within the meaning of Section 415(b)(2)(A) of the Code shall be adjusted as follows when applying the limits described in subparagraph (a)(1) and (2) above. The benefit is determined in the form of a straight life annuity commencing at the annuity starting date that is actuarially equivalent to the plan benefit. For this purpose, the actuarially equivalent benefit must be the greater of the equivalent annual benefit calculated using the factors set forth in Exhibit A of the Plan for the particular form of benefit payable and the equivalent annual benefit calculated using the Applicable 415 Rate and the Applicable Mortality Table. The amount determined under this subparagraph (b) cannot exceed the lesser of (1) the amount determined under subparagraph (c) or (d) below (as applicable), or (2) the amount determined under subparagraph (a)(2) above.

(c) In the event that retirement benefits commence under the Plan at or after age 62 but prior to a Participant's Social Security Retirement Age, the \$90,000 limitation described in subparagraph (a)(1) above shall be reduced by 5/9 of 1% for each of the first 36 months and by 5/12 of 1% for each of the next 24 months by which such commencement date precedes the Participant's Social Security Retirement Age. If the commencement date is earlier than age 62, the limitation is the actuarial equivalent of the age 62 limitation based on either (1) the factors set forth in Exhibit A of the Plan for the particular form of benefit payable at the applicable age or (2) the Applicable Mortality Table and 5%, whichever would yield the lesser limitation.

(d) In the event that retirement benefits commence under the Plan after the Participant's attainment of his or her Social Security Retirement Age, the determination as to whether the \$90,000 limitation described in subparagraph (a)(1) above has been satisfied shall be made in accordance with guidance issued by the Internal Revenue Service, by increasing such limitation actuarially to the equivalent of \$90,000 commencing at such Social Security Retirement Age. The increased limitation shall be based on either (1) the factors set forth in Exhibit A of the Plan for the particular form of benefit payable at the applicable age, or (2) the Applicable Mortality Table and 5%, whichever would yield the lesser limitation.

(e) If the Participant has fewer than 10 years of Service, the applicable maximum described in subparagraph (a)(2) above shall be multiplied by a fraction of which the numerator is his or her Years of Service and the denominator is 10. If the Participant has fewer than 10 years of participation in the Plan, the applicable maximum described in subparagraph (a)(1) above shall be multiplied by a fraction of which the numerator is his or her years of participation and the denominator is 10. The fractions described hereunder shall not be less than 1/10.

(f) The \$90,000 limitation described in subparagraph (a)(1) above shall be adjusted for increases in the cost of

living in accordance with regulations prescribed by the Internal Revenue Service under Section 415(d) of the Code.

(g) For purposes of this Section 4.9, the following definitions shall apply:

(1) "Applicable 415 Rate" means, in the case of a distribution in a form of benefit not subject to Section 417(e) of the Code, 5%, and in the case of a distribution in a form of benefit subject to Section 417(e)(3) of the Code, the Applicable Interest Rate.

"Applicable Mortality Table" is defined in Exhibit A, section (c).

(3) "Applicable Interest Rate" is defined in Exhibit A, section (c).

(4) "Compensation" means compensation as defined in Section 415(c)(3) of the Code and Treas. Reg. sec. 1.415-2(d). For Limitation Years beginning after December 31, 1997, notwithstanding anything in the Treasury Regulations to the contrary, Section 415 compensation shall include any elective deferral (as defined in Section 402(g)(3) of the Code) and any amount contributed or deferred by the Company at a Participant's election which is not includible in the Participant's gross income by reason of Section 125 of the Code. For Limitation Years beginning on and after January 1, 2001, for purposes of applying the limitations described in Section 4.09(a) of the Plan, compensation paid or made available during such limitation years shall include elective amounts that are not includible in the gross income of the Employee by reason of Section 132(f)(4).

(5) "Limitation Year" means the calendar year.

(6) "Qualified Joint and Survivor Annuity" means, for purposes of this Section only, an annuity for the life of the Participant with a survivor annuity for the life of his or her Spouse which is not less than one-half of, or greater than, the amount of the annuity payable during the joint lives of the Participant and spouse.

(7) "Social Security Retirement Age" means the social security retirement age as defined in Section 415(b)(8) of the Code.

(h) This subsection (h) on Multiple Plan Reduction shall only apply for Limitation Years prior to January 1, 2000:

(1) For any individual who is a participant in both the Plan and in a defined contribution plan of the Company and any Related Company, the sum of the defined benefit plan fraction and the defined contribution plan fraction for any Limitation Year may not exceed 1.0. The defined benefit fraction shall be reduced so that the sum of the defined benefit fraction and the defined contribution fraction for any Limitation Year does not exceed 1.0.

(2) For this purpose, the defined benefit plan fraction for any Limitation Year is a fraction, the numerator of which is the projected annual benefit of the Participant under the Plan and any other defined benefit plan of the Company and any Related Company, and the denominator of which is the lesser of (i) 1.25 multiplied by the dollar limitation in effect for such year under Section 415(b)(1)(A) of the Code, or (ii) 1.4 multiplied by the compensation limitation which may be taken into account under Section 415(b)(1)(B) of the Code for such individual under the plan(s) for such year.

(3) For this purpose, the defined contribution plan fraction for any year is a fraction, the numerator of which is the sum of the Annual Additions to the Participant's accounts under the Plan and any other defined contribution plan of the Company and any Related Company as of the close of the year, and the denominator of which is the sum of the lesser of the following amounts determined for such year and for each prior year of employment with the Company and any Related Company:

(A) 1.25 multiplied by the dollar limitation under Section 415(c)(1)(A) of the Code for such Plan Year or 35% multiplied by the Compensation for such individual under such plan(s) for such year.

EGTRRA

SECTION 1. LIMITATIONS ON BENEFITS

1. EFFECTIVE DATE. This section shall be effective for Limitation Years ending after December 31, 2001.

2. EFFECT ON PARTICIPANTS. Benefit increases resulting from the increase in the limitations of Section 415(b) of

the Code will be provided to all Participants participating in the Plan who have one hour of service on or after the first Limitation Year ending after December 31, 2001.

3. DEFINITIONS.

3.1 DEFINED BENEFIT DOLLAR LIMITATION. The "defined benefit dollar limitation" is \$160,000, as adjusted, effective January 1 of each year, under Section 415(d) of the Code in such manner as the Secretary shall prescribe, and payable in the form of a straight life annuity. A limitation as adjusted under Section 415(d) will apply to Limitation Years ending with the calendar year for which the adjustment applies.

3.2 MAXIMUM PERMISSIBLE BENEFIT. The "maximum permissible benefit" is the lesser of the defined benefit dollar limitation or the defined benefit compensation limitation (both adjusted where required, as provided in (a) and, if applicable, in (b) or (c) below):

(a) If the Participant has fewer than 10 years of participation in the Plan, the defined benefit dollar limitation shall be multiplied by a fraction, (i) the numerator of which is the number of years (or part thereof) of participation in the Plan and (ii) the denominator of which is 10. In the case of a Participant who has fewer than 10 Years of Service with the Company and any Related Company, the defined benefit compensation limitation shall be multiplied by a fraction, (i) the numerator of which is the number of Years (or part thereof) of Service with the Company and any Related Company and (ii) the denominator of which is 10.

(b) If the benefit of a Participant begins prior to age 62, the defined benefit dollar limitation applicable to the Participant at such earlier age is an annual benefit payable in the form of a straight life annuity beginning at the earlier age that is the Actuarial Equivalent of the defined benefit dollar limitation applicable to the Participant at age 62 (adjusted under (a) above, if required). The defined benefit dollar limitation applicable at an age prior to age 62 is determined as the lesser of (i) the Actuarial Equivalent (at such age) of the defined benefit dollar limitation computed using the interest rate and mortality table (or other tabular factor) specified in Exhibit A of the Plan and (ii) the Actuarial Equivalent (at such age) of the defined benefit dollar limitation computed using a 5 percent interest rate and the applicable mortality table as defined in Exhibit A of the Plan. Any decrease in the defined benefit dollar limitation determined in accordance with this paragraph (b) shall not reflect a mortality decrement if benefits are not forfeited upon the death of the Participant. If any benefits are forfeited upon death, the full mortality decrement is taken into account.

(c) If the benefit of a Participant begins after the Participant attains age 65, the defined benefit dollar limitation applicable to the Participant at the later age is the annual benefit payable in the form of a straight life annuity beginning at the later age that is actuarially equivalent to the defined benefit dollar limitation applicable to the Participant at age 65 (adjusted under (a) above, if required). The Actuarial Equivalent of the defined benefit dollar limitation applicable at an age after age 65 is determined as (i) the lesser of the Actuarial Equivalent (at such age) of the defined benefit dollar limitation computed using the interest rate and mortality table (or other tabular factor) specified in Exhibit A of the Plan and (ii) the Actuarial Equivalent (at such age) of the defined benefit dollar limitation computed using a 5 percent interest rate assumption and the applicable mortality table as defined in Exhibit A of the Plan. For these purposes, mortality between age 65 and the age at which benefits commence shall be ignored.

4.10 CLAIM FOR BENEFIT

(a) A Participant must file a claim for benefits before payment of benefits shall commence. The claim for benefits shall be in writing, in such form as the Employee Benefits Committee shall designate.

(b) The claim for benefits shall specify the Annuity Starting Date payments are to commence, consistent with the provisions of the Plan for commencement of benefits.

(c) The claim for benefits shall include a certification by the Participant either (i) that the Participant is not married or (ii) that the Participant is married and the name and date of birth of the individual to whom the Participant is married. The certification by the Participant as to the Participant's marital status shall be binding upon the Participant.

ARTICLE V

COMMENCEMENT AND DURATION OF BENEFITS

5.01 COMMENCEMENT OF RETIREMENT INCOME PAYMENTS

(a) Unless a distribution is required to commence in accordance with paragraph (b) of this Section 5.01, payment of Retirement Benefits shall commence not later than the 60th day after the close of the Plan Year in which the latest occurs:

- (i) the date on which the Participant attains age 65,
- (ii) the 10th anniversary of the year in which the Participant's participation in the Plan commenced, or
- (iii) the date on which the Participant terminates his service with the Company,

provided, however, that if the amount of payment otherwise required to commence under the terms of the Plan cannot be ascertained by such date, a payment retroactive to such date may be made no later than 60 days after the earliest date on which the amount of such payment can be ascertained under the Plan.

Notwithstanding the above, a retired or terminated vested Participant shall commence receipt of Retirement Benefits no later than his Normal Retirement Date, or his date of termination, if later.

(b) Notwithstanding any provision of the Plan to the contrary, for Participants turning 70-1/2 in 1999 and later years, a Participant's accrued benefit may not be distributed under a method of payment which, as of the "required beginning date" (as defined in section 401(a)(9) of the Code and applicable guidance promulgated by the Internal Revenue Service), does not satisfy the minimum distribution requirements under section 401(a)(9) of the Code and the applicable Treasury regulations, which generally shall be as follows:

- (i) a Participant who is a 5% owner (as defined in Section 416(i) of the Code), shall commence to receive payment of his benefit no later than the April 1 of the calendar year following the calendar year in which such Participant attains age 70-1/2; and
- (ii) a Participant who attained age 70-1/2 after December 31, 1998 and who is not a 5% owner, shall commence to receive payment of his benefit no later than the April 1 of the calendar year following the later of (A) the calendar year in which the Participant attains age 70-1/2, or (B) his termination of employment with the Company or any Related Company.

In the case of a Participant in Section 5.01(b)(ii) who retires in a calendar year after the calendar year in which the Participant attains age 70-1/2, the Participant's accrued benefit shall be actuarially increased to take into account the period after the April 1 of the calendar year following the calendar year in which the Participant attains age 70-1/2 during which the Participant was not receiving any benefits under the Plan.

For Participants turning 70-1/2 in 1998 and earlier years, distribution of a Participant's entire interest will commence not later than the April 1st of the calendar year following the calendar year in which the Participant attains 70-1/2 or, in the case of a Participant who was not a five percent owner at any time since the Plan Year in which the Participant attains age 66-1/2 and such Participant attained age 70-1/2 before 1988, the April 1st of the calendar year following the calendar year in which the Participant retires, or otherwise terminates employment with the Company, if later.

Unless the mode of payment is in a single lump sum, distribution will be in non-increasing dollar payments each year over one of the following periods:

- (i) the life of the Participant,

(ii) the joint lives of the Participant and his designated Beneficiary,

(iii) the life expectancy of the Participant, or

(iv) the joint life expectancy of the Participant and his designated Beneficiary.

In addition, any distribution required under the incidental death benefit rule of Section 401(a)(9)(G) of the Code shall be treated as a distribution required under this Section.

(c) In the event a Participant dies after distributions have commenced, the remaining portion of such benefit shall be distributed at least as rapidly as under the mode of benefit distribution used as of the Participant's date of death.

(d) In the event a Participant dies before benefits commence, the entire remaining interest, if any, must be distributed within five years unless:

(i) any portion of the remaining interest is payable to the Participant's designated Beneficiary over a period not exceeding the life of the Beneficiary or the life expectancy of the Beneficiary and distributions begin not later than one year after the Participant's death; or

(ii) any portion of the remaining interest is payable to the Participant's Spouse and such distributions begin not later than the April 1 of the calendar year following the calendar year in which the Participant would have attained age 70 1/2.

(e) Where a monthly benefit is paid to the Spouse in accordance with Article IV, payments must commence before the April 1 of the calendar year following the calendar year in which the Participant would have reached age 70 1/2 and must be paid over the Spouse's life expectancy.

(f) Where a Participant's retirement income commences in accordance with this Section before the Participant actually leaves the employ of the Company, the Participant's Accrued Benefit must be recalculated as of the first day of each Plan Year to account for increases in Monthly Plan Compensation and additional Credited Service. Benefits accrued by the Participant are offset by the Actuarial Equivalent of any in-service distribution.

(g) Where the Beneficiary is not the Spouse, payments to the Beneficiary may not exceed the limits imposed by the minimum distribution incidental benefit requirements as set forth in Section 1.401(a)(9)-2 of the regulations.

5.02 QUALIFIED JOINT AND SURVIVOR ANNUITY

(a) If a Participant retires on an Early retirement Date and defers commencement of his benefits to a later date, monthly retirement payments under this section shall commence as of the first of the month coincident with or next following the Participant's Annuity Starting Date. Notwithstanding anything in Sections 4.01, 4.03, 4.04, 4.05 or 4.06 to the contrary, if any vested Participant (i.e., any Participant who has a nonforfeitable right to a benefit under this Plan) is married and retires on a Normal, Early, Disability, or Late Retirement Date, the benefit shall be paid in the form of an immediate Qualified Joint and Survivor Annuity (with monthly retirement payments commencing on the Normal, Early, Disability, or Late Retirement Date, as applicable, and ending with the benefit for the month in which the Participant or the Participant's spouse dies, whichever death is the latest to occur), unless the Participant, after receiving a written explanation of the terms and conditions of the Qualified Joint and Survivor Annuity and the effect of not receiving the same shall have elected not to take such Qualified Joint and Survivor Annuity. Such election shall not be effective unless:

(i) the Spouse of the Participant on the Annuity Starting Date consents in writing to such election, which consent shall acknowledge the effect of such election and shall be witnessed by a plan representative or notary public, or

it is established to the satisfaction of the Plan representative that the consent required cannot be obtained because there is no spouse or because the spouse cannot be located.

In the event the Qualified Joint and Survivor Annuity is waived, the benefit shall be paid in the form provided in Sections 4.01, 4.03, 4.04, 4.05 or 4.06, as applicable for an unmarried Participant or in one of the alternative forms elected by the Participant as provided in Section 5.03.

If a Participant does not have a Spouse on his Annuity Starting Date, the benefit payable to such Participant pursuant to this Plan shall be a monthly annuity for the life of the Participant the amount of which is the Accrued Benefit as of his Annuity Starting Date, unless the Participant has elected an optional benefit as provided in Section 5.03.

(b) Not more than 90 days, and not less than 30 days, before a Participant's Annuity Starting Date, such Participant shall be furnished a written explanation of:

(i) the terms and conditions of the Retirement Benefit payable to the Participant in the normal form described in Section 5.02;

(ii) any rights the Participant may have to defer commencement of his Retirement Benefit;

(iii) the right of the Participant to make, and to revoke a Qualified Election.

(iv) the right of the Participant's Spouse to consent or not to consent to the Participant's elections; and

(v) a general description of the eligibility conditions and other material features of the optional forms of benefits available under the Plan.

(c) Notwithstanding the foregoing, an Annuity Starting Date which is not at least 30 days after the written explanation was provided to the Participant will be permitted if the following conditions are satisfied:

(i) the written explanation is provided to the Participant no later than 30 days after the Annuity Starting Date,

(ii) the written explanation explains that the Participant has the right to at least 30 days to consider whether to make a Qualified Election,

(iii) the Participant is permitted to revoke any Qualified Election at any time until the Annuity Starting Date, or the end of the 8 day period beginning on the day after the written explanation is provided to the Participant, if later,

(iv) distribution of benefits does not begin before the 8 day period described above expires (which date may be later than the Annuity Starting Date), and

(v) the Participant makes a Qualified Election no later than 60 days after the Annuity Starting Date.

(d) A Participant may reject the Qualified Joint and Survivor Annuity that otherwise would be payable, and elect an optional form of benefit under Section 5.03 below, by filing a Qualified Election with the Committee during the 90-day period ending on the Participant's Annuity Starting Date, or during the 30 day period beginning on the day after written explanation is provided, if such period ends after the Annuity Starting Date, but not prior to the date the Participant receives the written explanation described in Section 5.02(b). Revocation of a prior Qualified Election may be made by a Participant before the Participant's Annuity Starting Date or, if later, by the end of the 8 day period beginning on the day after the written explanation is provided, by filing the appropriate form with the Committee. The number of revocations and Qualified Elections permitted is unlimited.

5.03 OPTIONAL RETIREMENT BENEFIT

Subject to the provisions of Section 5.02, a Participant may elect to receive, in lieu of the retirement benefit otherwise payable to him, the Actuarial Equivalent of such benefit in accordance with one of the following options:

(a) A retirement benefit payable as a straight life annuity during the Participant's life;

(b) A reduced retirement benefit which is certain to be paid for a 120 month period and then for the life of the Participant should he live beyond the 120 month period (such option being generally referred to as a 10-Year Certain and Life Annuity).

(c) A reduced retirement benefit payable during the Participant's life with the provision that after his death an amount equal to 100 percent or 50 percent of the reduced retirement benefit shall be continued to a Contingent Annuitant, if surviving, during the lifetime of such Contingent Annuitant, through the month in which the death of such Contingent Annuitant occurs (such option being generally referred to as a Contingent Annuity), provided however, that if the Participant's Contingent Annuitant under this option is other than his spouse, the percentage selected shall not exceed (i) 75% if the Participant is more than 19 years older than the Contingent Annuitant, (ii) 66-2/3% if the Participant is more than 24 years older than the Contingent Annuitant or (iii) 50% if the Participant is more than 44 years older than the Contingent Annuitant. Such benefit shall be the Actuarial Equivalent of the Participant's Accrued Benefit at his Annuity Starting Date. Notwithstanding the foregoing, the Participant must be scheduled to receive at least 50% of his Accrued Benefit under this option.

The Participant shall be entitled to elect one of the foregoing options (or to revoke any such election) at any time within the 90 day period preceding his Annuity Starting Date, or during the 30 day period beginning on the day after the written explanation is provided (as described in Section 5.02(b)), if such period ends after the Annuity Starting Date (or such other date as may be prescribed by regulations promulgated by the Secretary of the Treasury). To be effective any election made hereunder must be made by the Participant himself, must be in writing on a form or forms prescribed by the Committee, must name the Beneficiary, must be signed by the Participant (and, if married, must be consented to by the Participant's Spouse as provided in Section 5.02) and must fulfill such other requirements as may be established by the Committee. The election of one of the options provided for in this Section 5.03 shall become effective on the Participant's Annuity Starting Date or, if later, by the end of the 8 day period beginning on the day after the written explanation is provided, and may not be rescinded or modified thereafter.

Should the Participant elect a Contingent Annuity and should the Contingent Annuitant die prior to the Annuity Starting Date, his election will be void and his retirement benefit will be paid to him as though he had made no election unless the Participant designates another Contingent Annuitant prior to the Annuity Starting Date.

5.04 REEMPLOYMENT PRIOR TO RETIREMENT

(a) If a former Employee who incurred a Break in Employment is reemployed by the Company or a Related Company, his Credited Service and Years of Service accrued prior to his Break in Employment shall be taken into account in determining such Employee's benefits hereunder. Notwithstanding the foregoing, an Employee who incurs a Break in Employment and who is subsequently reemployed shall be treated as a new Employee for all purposes of this Plan, with all Years and Service and Credited Service prior to such Break in Employment ignored, if both conditions (1) and (2) are met.

Condition (1): The Employee had no vested interest at the time of such Break in Employment

Condition (2): The number of consecutive One Year Breaks in Service equals or exceeds five years.

(b) If a Participant incurs a Break in Employment at a time when he has not fulfilled the requirements described in Section 3.05 above, he shall cease to be a Participant and shall be deemed to have been cashed out for zero dollars. In the event such Participant is reemployed by the Company prior to incurring five consecutive One Year Breaks in Service, such Participant shall be deemed to have automatically repaid the aforementioned cash out.

(c) In the event a Participant resumes participation in this Plan, any further benefit payable hereunder with respect to service for which he received a lump sum distribution pursuant to Section 5.07 shall be reduced by the Actuarial Equivalent amount of such lump sum.

5.05 PRERETIREMENT SURVIVING SPOUSE BENEFIT

If a vested Participant's death occurs after attaining age 55, payment of the Preretirement Surviving Spouse

Benefit shall begin on the first day of the month following the Participant's death and continue through the month in which the death of the Participant's spouse occurs, even if the Participant did not have the required Years of Service for commencement prior to Normal Retirement Date.

If a vested Participant's death occurs prior to the date on which he would have attained age 55, payment of the Preretirement Surviving Spouse Benefit shall begin on the date the Participant would have attained Early Retirement Age and continue through the month in which the death of the Participant's spouse occurs, even if the Participant did not have the required Years of Service for commencement prior to Normal Retirement Date.

Notwithstanding the above, if the Actuarial Equivalent of the Preretirement Surviving Spouse Benefit exceeds \$3,500, (\$5,000 effective January 1, 1998) commencement of benefit payments may be delayed, subject to Section 5.01, at the election of the Participant's spouse.

5.06 SUSPENSION OF BENEFITS

Notwithstanding any provision of this Plan to the contrary, if a Participant is reemployed by the Company or a Related Company after the payment of benefits has begun, the payment of benefits shall continue. When the Participant again retires, his or her benefits will be recalculated to include any increase in Accrued Benefit during the period of re-employment, and will begin to be paid under the same optional form of benefit previously elected upon the first retirement.

A Participant who remains actively employed by the Company beyond the Normal Retirement Date and completes at least 40 Hours of Service per calendar month shall be notified by personal delivery or first class mail that retirement benefits are suspended, in accordance with Department of Labor Regulations 2530.203-3.

The payment of benefits to such Participant shall commence on the first day of the month after such Participant terminates his employment with the Company or a Related Company..

5.07 SMALL BENEFITS

In the event the Actuarial Equivalent of a Participant's benefit hereunder determined at the time of his Break in Employment, or the Preretirement Surviving Spouse Benefit, is \$3,500 or less, the Committee shall pay such benefits in the form of a single sum payment as soon as practical subsequent to his Break in Employment. Notwithstanding the above, Spousal Consent must be obtained prior to payment in a single sum of benefits which are otherwise payable in the form of a Qualified Joint and Survivor Annuity, if such distribution is made after the Participant's Annuity Starting Date. A lump sum payment or single sum payment shall mean the Actuarial Equivalent value of the Accrued Benefit, assumed to commence at the later of the Participant's Normal Retirement Date or the first of the month after termination.

Notwithstanding the foregoing, effective January 1, 1998, if the lump sum payment as of the date of a Participant's termination of employment (or as soon as practicable thereafter) does not exceed \$5,000 (as adjusted in accordance with section 411(a)(11)(D)), such lump sum payment shall be paid to the Participant as soon as practicable thereafter in a single lump sum. If, as of December 1, 1998 and annually thereafter as of each succeeding October 1, the lump sum has not previously been distributed, it shall be remeasured and distributed when and if it does not exceed \$5,000 (as adjusted). The lump sum payment is the Actuarial Equivalent value of the Participant's Accrued Benefit. This distribution may be made prior to the Participant's Normal Retirement Date and without obtaining the Participant's consent. No distribution in excess of \$5,000 (as adjusted) may be made without the consent of the Participant and, if the Participant is then lawfully married, the consent of his Spouse in writing and witnessed by a notary public.

If the single sum payment as of the date of such Participant's Break in Employment is zero, the Participant shall be deemed to have received a payment of his entire vested accrued benefit under the Plan as of the date he or she ceased to be an Employee. A payment (or deemed payment) under this Section 5.07 shall be in full settlement of the Participant's pension benefits under the Plan.

5.08 DIRECT ROLLOVERS

Notwithstanding any provision of the Plan to the contrary that would otherwise limit a distributee's election under this Section, a distributee may elect, at the time and in the manner prescribed by the Employer, to have any portion of an eligible rollover distribution paid directly to an eligible retirement plan specified by the distributee in a direct rollover. (SEE EGTRRA CHANGES AT END OF THIS SECTION 5.08.)

For purposes of this Section, the following definitions shall apply:

(a) **ELIGIBLE ROLLOVER DISTRIBUTION** An eligible rollover distribution is any distribution of all or any portion of the balance to the credit of the distributee, except that an eligible rollover distribution does not include: any distribution that is one of a series of substantially equal payments (not less frequently than annually) made for the life (or life expectancy) of the distributee or the joint lives (or life expectancies) of the distributee and the distributee's designated beneficiary, or for a specified period of ten years or more; any distribution to the extent such distribution is required under Section 401(a)(9) of the Code; and the portion of any distribution that is not includible in gross income (determined without regard to the exclusion for net unrealized appreciation with respect to employer securities).

(b) **ELIGIBLE RETIREMENT PLAN** An eligible retirement plan is an individual retirement account described in Section 408(a) of the Code, and individual retirement annuity described in Section 408(b) of the Code, an annuity plan described in Section 403(a) of the Code, or a qualified trust described in section 401(a) of the Code, that accepts the distributee's eligible rollover distribution. However, in the case of an eligible rollover distribution to the surviving spouse, an eligible retirement plan is an individual retirement account or individual retirement annuity.

(c) **DISTRIBUTEES** A distributee includes an employee or former employee. In addition, the employee's or former employee's surviving spouse and the employee's or former employee's spouse or former spouse if the alternate payee under a qualified domestic relations order, as defined in Section 414(p) of the Code, are distributees with regard to the interest of the spouse or former spouse.

(d) **DIRECT ROLLOVER** A direct rollover is a payment by the plan to the eligible retirement plan specified by the distributee.

EGTRRA

DIRECT ROLLOVERS OF PLAN DISTRIBUTIONS

1. **EFFECTIVE DATE.** This section shall apply to distributions made after December 31, 2001.

2. **MODIFICATION OF DEFINITION OF ELIGIBLE RETIREMENT PLAN.** For purposes of the direct rollover provisions in Section 5.08 of the Plan, an Eligible Retirement Plan shall also mean an annuity contract described in Section 403(b) of the Code and an eligible plan under Section 457(b) of the Code which is maintained by a state, political subdivision of a state, or any agency or instrumentality of a state or political subdivision of a state and which agrees to separately account for amounts transferred into such plan from this Plan. The definition of Eligible Retirement Plan shall also apply in the case of a distribution to a surviving spouse, or to a spouse or former spouse who is the alternate payee under a qualified domestic relation order, as defined in Section 414(p) of the Code.

3. **MODIFICATION OF DEFINITION OF ELIGIBLE ROLLOVER DISTRIBUTION TO INCLUDE AFTER-TAX EMPLOYEE contributions.** For purposes of the direct rollover provisions in Section 5.08 of the Plan, a portion of a distribution shall not fail to be an Eligible Rollover Distribution merely because the portion consists of after-tax employee contributions which are not includible in gross income. However, such portion may be paid only to an individual retirement account or annuity described in section 408(a) or (b) of the Code, or to a qualified defined contribution plan described in section 401(a) or 403(a) of the Code that agrees to separately account for amounts so transferred, including separately accounting for the portion of such distribution which is includible in gross income and the portion of such distribution which is not so includible.

ARTICLE VI

COMMITTEE

6.01 MEMBERS

The Employee Benefits Committee shall be the "plan administrator" of the Plan within the meaning of Section 3(16) of ERISA. Administration of the Plan, including the authority to construe, administer, and interpret the Plan and authority to direct the investment and reinvestment of the Fund, shall be the responsibility of the Employee Benefits Committee except to the extent that:

- (a) Authority to hold the Fund has been delegated to the Trustee, and
- (b) Authority to act for the Company has been reserved to the Board of Directors.

A committee (hereinafter referred to as the "Committee" or "Employee Benefits Committee") shall be appointed consisting of not less than three members who shall be selected by, and shall serve at the pleasure of, the Board of Directors. The Board of Directors may from time to time vary the number of the membership of the Committee within the aforementioned limits. A person so selected shall become a member by filing a written notice of acceptance with the Board of Directors. A member of the Committee may resign by delivering a written notice of resignation to the Board of Directors. The Board of Directors may remove any member by delivering a certified copy of its resolution of removal to such member. Vacancies in the membership of the Committee shall be filled promptly by the Board of Directors.

6.02 COMMITTEE ACTION

The Committee shall choose a Chairman and a Secretary. The Secretary shall keep minutes of the Committee's proceedings and all records and documents pertaining to the Committee's administration of the Plan. Any action of the Committee shall be taken pursuant to the vote or written consent of a majority of its members present, and such action shall constitute the action of the Committee and be binding the same as if all members had joined therein. A member of the Committee shall not vote or act upon any matter which relates solely to himself as a Participant. The Chairman or any other member or members of the Committee designated by the Chairman may execute any certificate or other written direction on behalf of the Committee. The Trustee or any third person dealing with the Committee may conclusively rely upon any certificate or other written direction so signed.

6.03 RIGHTS AND DUTIES

The Employee Benefits Committee shall be responsible for the administration, operation and interpretation of the Plan. The Employee Benefits Committee shall establish rules from time to time for the transaction of its business. The Employee Benefits Committee shall have the exclusive right to interpret the Plan provisions and to exercise discretion where necessary or appropriate in the interpretation and administration of the Plan and to decide any and all matters arising thereunder or in connection with the administration of the Plan, and it shall endeavor to act, whether by general rules or by particular decisions, so as not to discriminate in favor of any person or class of person. Such decisions, actions and records of the Employee Benefits Committee shall be conclusive and binding upon the Company, the Employers and all persons having or claiming to have any right or interest in or under the Plan. The Employee Benefits Committee shall have all power necessary to accomplish those purposes, including, but not by way of limitation, the following:

- (a) To determine all questions relating to the eligibility of Employees to participate.
- (b) To compute, certify to and direct the Trustee with regard to the amount and kind of benefits payable to Participants and their Beneficiaries.
- (c) To authorize all disbursements by the Trustee from the Fund.
- (d) To maintain all the necessary records for the administration of the Plan other than those maintained by the

Trustee and to prepare and file any and all returns, reports and other documents required by any governmental agency other than those prepared and filed by the Trustee.

(e) To make and publish such rules for the regulation of the Plan as are not inconsistent with the terms hereof.

(f) To select representatives with authority to perform routine administrative functions.

(g) To establish claims procedures consistent with regulations of the Secretary of Labor for presentation of claims by Participants and Beneficiaries for Plan benefits, consideration of such claims, review of claim denials and issuance of decisions on review. Such claims procedures at a minimum shall consist of the following:

(1) The Committee shall notify Participants and, where appropriate, Beneficiaries, of their right to claim benefits under the claims procedures, shall make forms available for filing of such claims, and shall provide the name of the person or persons with whom such claims should be filed.

(2) The Committee shall establish procedures for action upon claims initially made and the communication of a decision to the claimant promptly and, in any event, not later than 60 days after the date the claim is received by the Committee; the claim may be deemed by the claimant to have been denied for purposes of further review described below in the event a decision is not furnished to the claimant within such 60-day period. Every claim for benefits which is denied shall be denied by written notice setting forth in a manner calculated to be understood by the claimant (1) the specific reason or reasons for the denial, (2) specific reference to any provisions of this Plan on which denial is based, (3) description of any additional material or information necessary for the claimant to perfect his claim with an explanation of why such material or information is necessary, and (4) an explanation of the procedure for further reviewing the denial of the claim under the Plan.

(3) The Committee shall establish a procedure for review of claim denials, such review to be undertaken by the Committee. The review given after denial of any claim shall be a full and fair review with the claimant or his duly authorized representative having 180 days after receipt of denial of his claim to request such review, having the right to review all pertinent documents and the right to submit issues and comments in writing.

(4) The Committee shall establish a procedure for issuance of a decision by the Committee not later than 60 days after receipt of a request for review from a claimant unless special circumstances, such as the need to hold a hearing, require a longer period of time, in which case a decision shall be rendered as soon as possible but not later than 120 days after receipt of the claimant's request for review. The decision on review shall be in writing and shall include specific reasons for the decision written in a manner calculated to be understood by the claimant with specific reference to any provisions of this Plan on which the decision is based.

All action of the Committee shall be conclusive on all persons interested in the Plan except to the extent otherwise specifically indicated herein. The Committee may appoint a Plan Administrator and other agents, and delegate thereto or to the Trustee such powers and duties in connection with the administration of the Plan as the Committee may from time to time prescribe, and such Administrator or agents shall be the Fiduciary with regard to matters delegated to them. Such delegation shall be accomplished by a written instrument executed by the Secretary of the Committee specifying responsibilities delegated and the fiduciary responsibilities allocated to such delegate. The allocation of such responsibilities shall be effective upon the date specified in the delegation, subject to written acceptance by the delegate. Any such delegation shall be communicated to Participants and/or to Beneficiaries where required by ERISA in the same manner used for transmission to such persons of the Summary Plan Description described in Section 102(a)(1) of ERISA with respect to the Plan. Any delegation of responsibilities under this Section 6.03 shall provide for reports, no less often than annually, by such delegate to the Committee of such information necessary to fully inform the Committee of the status and operation of the Plan and of the delegate's discharge of responsibilities delegated.

6.04 INVESTMENT RESPONSIBILITY

The Committee shall be the Fiduciary with respect to the investment, management and control of the Fund with full discretion in the exercise of such investment, management and control. The Trustee shall be the sole custodian of the Fund but shall not be the Fiduciary with respect to the investment, management and control of the

Fund, and with regard to such matters, shall act solely at the direction of the Committee or an Investment Manager appointed by the Committee. The Committee may delegate to one or more Investment Managers the responsibility and authority to invest, manage and control the Fund. Any such delegation shall be in writing, and the named Investment Manager shall accept its responsibility in writing, affirm its qualification as an Investment Manager, and acknowledge in writing that it is a Fiduciary with respect to investment of the Fund. If an Investment Manager is so designated by the Committee, a copy of the delegation, affirmation and acceptance shall be provided to the Trustee by the Committee and the Trustee is authorized and entitled to rely upon this information so provided. Until the receipt of such delegation, affirmation, and acceptance, the Trustee shall remain subject to direction by the Committee with respect to investment of the Fund. If an Investment Manager is so designated by the Committee, such Investment Manager, and not the Committee or the Trustee, shall be a Fiduciary with respect to investment of the Fund. Any Investment Manager designated shall report at least quarterly in a manner and form prescribed by the Committee as to investment results for past periods and investment policy for future periods.

6.05 TRANSMITTAL OF INFORMATION

To enable the Committee to perform its functions, the Company shall supply full and timely information to the Committee on all matters relating to the compensation of all Participants, their employment, retirement, death or other cause for termination of employment, and such other pertinent facts as the Committee may require.

6.06 DUTY OF CARE

In the exercise of its powers and duties as plan administrator and Fiduciary with respect to the control and management of the Plan, the Committee shall act solely in the interest of the Participants and Beneficiaries of the Plan and shall use the care, prudence, and diligence under the circumstances then prevailing that a prudent man acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims.

6.07 COMPENSATION, BONDING, INDEMNITY AND LIABILITY

The members of the Committee shall serve without compensation for their services hereunder. The Committee and any delegates appointed pursuant to Section 6.03 shall be bonded in accordance with the provisions of Section 412(a) of ERISA and regulations issued thereunder. The expense of any such bond and all expenses of the Committee or such delegates shall be paid by the Fund to the extent not paid by the Company and the Company shall furnish the Committee or such delegates with all clerical or other assistance necessary in the performance of their duties. The Committee is authorized at the expense of the Company or the Fund to employ such legal counsel and advisers as it may deem advisable to assist in the performance of its duties hereunder.

To the extent permitted by applicable state law the Company shall indemnify and save harmless the Board of Directors and each member thereof, the Committee and each member thereof, and any delegate appointed pursuant to Section 6.03, against any and all expenses, liabilities and claims, including legal fees to defend against such liabilities and claims, arising out of their discharge of responsibilities under or incident to the Plan, excepting only expenses and liabilities arising out of willful misconduct or gross negligence. This indemnity shall not preclude such further indemnities as may be available under insurance purchased by the Company or provided by the Company under any by-law, agreement, vote of stockholders or disinterested directors or otherwise, as such indemnities are permitted under state law. Payments with respect to any indemnity and payment of expenses or fees under this Section 6.07 shall be made only from assets of the Company and shall not be made directly or indirectly from the Fund.

6.08 MANNER OF ADMINISTERING

The Committee shall interpret the provisions of this Plan and shall administer such provisions in a uniform and a non-discriminatory manner and in full accordance with any and all laws applicable to the Plan.

6.09 ANNUAL REPORT

Each year the Committee shall prepare, or cause to be prepared, and shall submit to the Board of Directors

a report showing the assets and liabilities of the Fund as of the last day of the preceding Plan Year, the investment results for the preceding Plan Year and any other information necessary to fully inform the Board of Directors of the status and operation of the Plan and the Fund.

ARTICLE VII

CONTRIBUTIONS

7.01 SOURCE OF CONTRIBUTIONS

The cost of benefits hereunder shall be provided by each Participating Company in such amount as they, in their sole discretion, shall determine to be necessary to fund such benefits; provided, however, each Participating Company shall contribute at least such amounts as are deemed necessary by an actuary who is enrolled under Subtitle C of Title III of ERISA to fund the benefits provided by the Plan for Participants employed thereby on an acceptable basis in accordance with Section 412 of the Code. The timing of all contributions shall be entirely discretionary with the Participating Companies except as otherwise required by ERISA and/or the Code, and such contributions shall be paid from time to time directly to the Trustee.

Each contribution is conditioned upon its deductibility under Section 404 of the Code. If it is determined that any contribution or any part thereof is not deductible under Section 404 of the Code, then, to the extent the deduction is disallowed, the Trustee shall return the disallowed amount of such contribution to the Company, upon demand of the Company, within one year after the date of disallowance of the deduction. In addition, the contributions may be returned to the Company within one year after such contribution is made where such contribution is made by a mistake of fact.

This Plan does not accept rollovers on behalf of its Participants.

7.02 COMPANY CONTRIBUTION

Subject to any limitations imposed by ERISA, the Code or any other applicable law, the contributions to be made pursuant to this Plan may be made in cash or may be made in kind by the transfer of property (real, personal or mixed and tangible or intangible) or may be made partially in cash and partially in kind and any contributions so made in kind may specifically include, or consist of, stock, securities or debt obligations of the Company or a Related Company.

Each Participating Company shall contribute such amount to the Fund as shall be appropriate under Section 7.01 to fund the benefits to be provided under the Plan. Each Participating Company shall contribute the amount equal to the required quarterly contribution required by Section 412(m) of the Code. Quarterly Company contributions are due every three months, unless an exemption applies under section 412 of the Code. Any additional Company contributions must be made within the time prescribed by law for obtaining a deduction therefor on the affected federal income tax return with respect to any taxable year. All Company contributions are made contingent on their deductibility under Section 404 of the Code.

7.03 APPLICATION OF FORFEITURES

Forfeitures shall not be applied to increase the benefits any Participant would otherwise receive under the Plan.

7.04 ASSETS AVAILABLE TO PAY BENEFITS

Where directed by the Committee, adequate records shall be maintained for each Participating Company designated by the Committee so that the portion of the Fund attributable to the contributions (and the earnings thereon) of each such Participating Company can be separately determined. Where a portion of the Fund is so segregated, such portion shall be credited with contributions only of such Participating Company, shall be credited with all earnings allocable to such portion of the Fund, and shall be charged for all benefits payable to employees of such Participating Company and their beneficiaries, and all allocations of assets required by this Plan shall be paid exclusively from such portion of the Fund.

ARTICLE VIII

TRUST

The contributions to fund this Plan shall be held in the Lear Corporation Master Retirement Trust or any other trust created by a trust agreement authorized by the Board of Directors.

ARTICLE IX

AMENDMENT AND TERMINATION

9.01 AMENDMENTS

The Company shall have the right to amend this Plan from time to time by resolution of the Board of Directors and to amend or cancel any amendments. The Board of Directors may delegate the power to amend this Plan to the Committee or other delegates. Such amendment shall be stated in an instrument in writing, executed in the same manner as this Plan. Except as may be required to permit the Plan and Fund to meet the requirements for qualification and tax exemption under the Code, or the corresponding provisions of other or subsequent revenue laws or of ERISA, no amendment may be made which may:

- (a) cause any of the assets of the Fund, at any time prior to the satisfaction of all liabilities with respect to Participants and their Beneficiaries, to be used for or diverted to purposes other than the exclusive benefit of Participants and their Beneficiaries; or
- (b) reduce the accrued benefit of any Participant or Beneficiary within the meaning of Section 411(d)(6) of the Code.

Where an amendment has the effect of reducing future benefit accruals, all active Participants affected must be notified in writing of the amendment after it is adopted and not less than 15 days before its effective date.

9.02 DISCONTINUANCE OF PLAN

It is the expectation of the Company that this Plan and the payment of contributions hereunder will be continued indefinitely, but continuance of the Plan is not assumed as a contractual obligation of the Company and the right is reserved at any time to reduce, suspend or discontinue contributions hereunder. The Company shall not be liable for the payment of any benefits under this Plan and all benefits hereunder shall be payable solely from the assets of the Fund except as otherwise required by ERISA.

9.03 TERMINATION OF PLAN

The Company may terminate this Plan at any time. In the event of such termination or discontinuance of contributions for any cause whatsoever, all assets of the Plan after the payment of expenses shall be used for the exclusive benefit of Participants and their Beneficiaries and no part thereof shall be returned to the Company prior to satisfaction of all liabilities with respect to such Participants and their Beneficiaries, and all benefits hereunder, to the extent they are funded on the date of such termination or discontinuance of contributions, shall be 100 percent vested and nonforfeitable. Upon termination of this Plan or a complete discontinuance of contributions to this Plan, subject to the order of priority set forth below, the Committee shall direct the Trustee to make a prompt determination of the fair market value of the Fund and it shall then be applied as soon as administratively feasible to provide (to the extent not already provided) benefits in said order of priority.

(a) ALLOCATION OF ASSETS - In the case of the termination of this Plan, the Committee shall allocate the assets thereof (available to provide benefits) among the Participants and Beneficiaries of the Plan in accordance with Section 4044 of ERISA as follows:

(1) First, in the case of benefits payable as an annuity:

(i) In the case of the benefit of a Participant or Beneficiary which was in pay status as of the beginning of the three-year period ending on the termination date of the Plan, to each such benefit, based on the provisions of the Plan (as in effect during the five-year period ending on such date) under which such benefit would be the least,

(ii) In the case of a Participant's or Beneficiary's benefit (other than a benefit described in Subparagraph (i)) which would have been in pay status as of the beginning of such three-year period if the Participant had retired prior to the beginning of the three-year period and if his benefits had commenced (in the normal form of annuity under the

Plan) as of the beginning of such period, to each such benefit based on the provisions of the Plan (as in effect during the five-year period ending on such date) under which such benefit would be the least.

For purposes of Subparagraph (i), the lowest benefit in pay status during a three-year period shall be considered the benefit in pay status for such period.

(2) Second

(i) To all other benefits (if any) of individuals under the Plan guaranteed under Title IV of ERISA (determined without regard to Section 4022(b)(5) of said Act), and

(ii) To the additional benefits (if any) which would be determined under Subparagraph (i) if Section 4022(b)(6) of said Act did not apply.

For purposes of this paragraph, Section 4021 of said Act shall be applied without regard to subsection (c) thereof.

(3) Third, to all other nonforfeitable benefits under the Plan.

(4) Fourth, to all other benefits under the Plan.

(b) ADJUSTMENTS AND LIMITATIONS - For purposes of paragraph (a) above:

(1) The amount allocated under any paragraph with respect to any benefit shall be properly adjusted for any allocation of assets with respect to that benefit under a prior paragraph.

(2) If the assets available for allocation under any paragraph (other than paragraphs (3) and (4) above) are insufficient to satisfy in full the benefits of all Participants and Beneficiaries which are described in that paragraph, the assets shall be allocated pro rata among such Participants and Beneficiaries on the basis of the present value (as of the termination date) of their respective benefits described in that paragraph.

(3) This paragraph applies if the assets available for allocation under Paragraph (3) of subsection (a) above are not sufficient to satisfy in full the benefits of Participants and Beneficiaries described in that paragraph:

(i) If this paragraph applies, except as provided in Subparagraph (ii), the assets shall be allocated to the benefits of Participants and Beneficiaries covered by such Paragraph (3) on the basis of the benefits of Participants and Beneficiaries which would have been covered by such Paragraph (3) under the Plan as in effect at the beginning of the five-year period ending on the date of Plan termination.

(ii) If the assets available for allocation under Subparagraph (i) are sufficient to satisfy in full the benefits described in such subparagraph (without regard to this subparagraph), then for purposes of Subparagraph (i), benefits of Participants and Beneficiaries covered by such subparagraph shall be determined on the basis of the Plan as amended by the most recent Plan amendment effective during such five-year period under which the assets available for allocation are sufficient to satisfy in full the benefits of individuals described in Subparagraph (i) and any assets remaining to be allocated under such subparagraph shall be allocated under Subparagraph (i) on the basis of the Plan as amended by the next succeeding Plan amendment effective during such period.

(c) DISTRIBUTION OF RESIDUAL ASSETS - Any residual assets of a Plan may be distributed to the Company, if:

(1) All liabilities of the Plan to Participants and their Beneficiaries have been satisfied; and

(2) The distribution does not contravene any provision of law.

To the extent permitted by ERISA, such allocation and provision for retirement benefits shall be accomplished through either continuance of the Fund, the creation of a new trust, or the purchase of annuity contracts. The purchase of said annuities shall release the Company from any further liability under the Plan. In the

event, however, that the Committee finds that it is not practicable or desirable under the circumstances to do any of the foregoing, the Committee may, with the consent of the Board of Directors, provide some other means, including cash payments, but no change shall be effected in the order of precedence and the basis of allocation established above.

In the event of a partial termination of the Plan each Participant affected thereby shall immediately become fully vested in his benefit hereunder, to the extent such benefit is then funded.

Any Participating Company may terminate its participation in the Plan with the consent of the Board of Directors, in which event the Trustee, upon the written direction of the Committee, shall set aside each Participating Company's share of the Fund. Such share of the Fund, to the extent sufficient after the payment of expenses, shall be allocated for the purpose of paying retirement benefits to Participants employed by such Participating Company in the order of precedence provided above.

Any assets remaining after the satisfaction of all liabilities to Participants and their Beneficiaries, as a result of erroneous actuarial computations, shall be returned to the Company or the Participating Company to the extent permitted by law.

Where a portion of the Fund with respect to a Participating Company is segregated pursuant to Section 7.04 of this Plan and allocation of assets is required with respect to such Participating Company's participation in this Plan, this Section 9.03 shall be applied exclusively to such segregated portion of the Fund and to benefits payable to employees of the applicable Participating Company and their Beneficiaries.

ARTICLE X

RESTRICTION OF BENEFITS

10.01 RESTRICTIONS ON BENEFITS OF HIGHLY COMPENSATED EMPLOYEES

(a) If the Plan is terminated, the benefits paid to Highly Compensated Employees as defined in Section 414(q) of the Code must be limited to a nondiscriminatory amount.

(b) The total annual benefit payment to a Highly Compensated Employee who is one of the 25 highest paid Employees cannot exceed an amount equal to the annual payment under a single life annuity that is the actuarial equivalent of such Employee's total accrued benefit. A former Employee must be included in the group of 25 Employees subject to this restriction if the Employee was both highly compensated at the time he separated from service and would be among the 25 highest paid Employees based on his Compensation at the time he separated from service.

(c) The payment restriction in paragraph (b) does not apply to an Employee whose accrued benefit is less than one percent of the Plan's current liabilities or if after payment of the Employee's benefits the Plan's assets equal or exceed 110 percent of all current liabilities.

ARTICLE XI

TOP-HEAVY PROVISIONS

(SEE EGTRRA CHANGES AT END OF THIS ARTICLE XI.)

11.01 GENERAL

This Article shall be interpreted in accordance with Section 416 of the Code and the regulations thereunder. Regardless of how the terms defined in this Article are otherwise defined in the Plan, the definitions in this Article shall govern for the purposes of this Article.

11.02 DEFINITIONS

(a) The "BENEFIT AMOUNT" for any Employee means (1) in the case of any defined benefit plan, the present value (the present value shall be computed using a five percent interest assumption and the mortality assumptions contained in the defined benefit plan for benefit equivalence purposes) of his normal retirement benefit, determined on the Valuation Date as if the Employee terminated on such Valuation Date, plus the aggregate amount of distributions made to such Employee within the five-year period ending on the Determination Date (except to the extent already included on the Valuation Date) and (2) in the case of any defined contribution plan, the sum of the amount credited, on the Determination Date, to each of the accounts maintained on behalf of such employee (including amounts reflecting any nondeductible employee contributions) under such plan plus the aggregate amount of distributions made to such Employee within the five-year period ending on the determination Date.

(b) "COMPANY" means any company (including unincorporated organizations) participating in the Plan or plans included in the "aggregation group" as defined in this Article.

(c) "DETERMINATION DATE" means the last day of the preceding Plan Year or, in the case of the first Plan Year of the Plan, the last day of the Plan Year.

(d) "EMPLOYEES" means employees, former employees, beneficiaries, and former beneficiaries who have a Benefit Amount greater than zero on the Determination Date.

(e) "KEY EMPLOYEE" means any Employee who, during the Plan Year containing the Determination Date or during the four preceding Plan Years, is:

(1) one of the 10 Employees of the Company receiving annual compensation therefrom of more than the limitation in effect under Section 415(c)(1)(A) of the Code and owning (or considered as owning within the meaning of Section 318 of the Code) both a more than 1/2 percent interest and the largest interest in such Company (if two Employees have the same interest the Employee having the greater annual compensation from the Company shall be treated as having a larger interest);

(2) a five percent owner of the Company;

(3) a one percent owner of the Company who receives annual compensation above \$150,000; or

(4) an officer of the Company having an annual compensation greater than 50 percent of the amount in effect under Section 415(b)(1)(A) of the Code for any such Plan Year (however, no more than the lesser of (i) 50 employees or (ii) the greater of three employees or 10 percent of the Company's employees shall be treated as officers).

For purposes of this definition, "compensation" shall mean all earnings reported on an Employee's Form W-2 for the calendar year that ends within the Plan Year. This definition shall be interpreted in accordance with Sections 414(q)(7), 415(c)(3) and 416(i) of the Code and the regulations promulgated thereunder and such rules are hereby incorporated by reference.

(f) "VALUATION DATE" means the first day (or such other date which is used for computing plan costs for

minimum funding purposes) of the 12 month period ending on the Determination Date.

(g) "YEARS OF SERVICE" shall be calculated using the Plan rules that normally apply for determining vesting service.

11.03 TOP-HEAVY DEFINITION

This Plan shall be top-heavy for any Plan Year if, as of the Determination Date, the sum of the Benefit Amounts of all employees who are Key Employees exceeds 60 percent of the sum of the Benefit Amounts for all Employees. For purposes of this calculation only, the following rules shall apply:

(a) The Benefit Amounts of all Employees who are not Key Employees and who were Key Employees during any prior Plan Year shall be disregarded.

(b) The Benefit Amounts of all Employees who have not performed any service for the Company at any time during the five-year period ending on the Determination Date shall be disregarded.

(c) This calculation shall be made by aggregating any plans qualified under Section 401(a) of the Code in which a Key Employee participates or which enables this Plan to meet the requirements of Section 401(a)(4) or 410 of the Code; all plans so aggregated constitute the "aggregation group." The Company may also aggregate any such plan to the extent that such plan, when aggregated with this aggregation group, continues to meet the requirements of Section 401(a)(4) and Section 410 of the Code.

(d) This calculation shall be made in accordance with Section 416 of the Code [including 416(g)(4)(A)] and the regulations thereunder and such rules are hereby incorporated by reference.

11.04 VESTING

Notwithstanding the vesting provisions of this Plan, if the Plan is top-heavy for any Plan Year, any Participant who completes one hour of service during any day of such Plan Year or any subsequent Plan Year and who terminates during any day of such Plan Year or any subsequent Plan Year shall be entitled to a vested benefit which is at least equal to the product of (x) the benefit such Participant would receive under this Plan if he was 100 percent vested on the date of such termination times (y) the percentage shown below:

NUMBER OF COMPLETED YEARS OF SERVICE	PERCENTAGE
----- ----- -----	
Less than 3 0% 3 or more 100%	

Such benefit shall be payable in accordance with the provisions of this Plan regarding payments to terminated Participants.

Notwithstanding the preceding paragraph, if the Plan is no longer top-heavy in a Plan Year following a Plan Year in which it was top-heavy, a Participant's vesting percentage shall be computed under the vesting schedule that otherwise exists under this Plan. However, in no event shall a Participant's vested percentage in his accrued benefit be reduced. In addition, a Participant shall have the option of remaining under the vesting schedule set forth in this Section if he has completed three years of Vesting Service. The period for exercising such option shall begin on the first day of the Plan Year for which the Plan is no longer top-heavy and shall end 60 days after the later of (i) the first day of such Plan Year or (ii) the day the Participant is issued written notice of such option by the Employer or Committee.

11.05 MINIMUM BENEFITS OR CONTRIBUTIONS AND SECTION 415 LIMITATIONS

(a) If the Plan is top-heavy for any Plan Year, the following provisions shall apply to such Plan Year:

(1) Except to the extent not required by Section 416 of the Code or any other provision of law, notwithstanding any other provision of this Plan, if this Plan and all other plans which are part of the aggregation group are defined contribution plans, each Participant (and any other employee required by Section 416 of the Code) other than Key Employees shall receive an allocation of employer contributions and forfeitures from a plan which is part of the aggregation group at least equal to three percent (or, if lesser, the largest percentage allocated to any Key Employee for the Plan Year) of such Participant's compensation within the meaning of Section 415(c) of the Code for such Plan Year (the "defined contribution minimum"). For purposes of this subsection, salary reduction contributions on behalf of a Key Employee must be taken into account. For purposes of this subsection, a non-Key Employee shall be entitled to a contribution if he is employed on the last day of the Plan Year (1) regardless of his level of compensation, (2) without regard to whether he has made any mandatory contributions required under the plan, and (3) regardless of whether he has less than 1,000 hours of service (or the equivalent) for the accrual computation period.

(2) Except to the extent not required by Section 416 of the Code or any other provision of law, notwithstanding any other provisions of this Plan, if this Plan or any other plan which is part of the aggregation group is a defined benefit plan each Participant who is a participant in any such defined benefit plan (who is not a Key Employee) who accrues a full Year of Service during such Plan Year shall be entitled to an annual normal retirement benefit from a defined benefit plan which is part of the aggregation group which shall not be less than the product of (1) the employee's average compensation for the five consecutive years when the employee had the highest aggregate compensation and (2) the lesser of two percent per Year of Service or 20 percent (the "defined benefit minimum"). A non-Key Employee shall not fail to accrue a benefit merely because he is not employed on a specified date or is excluded from participation because (1) his compensation is less than a stated minimum or (2) he fails to make mandatory employee contributions. For purposes of calculating the defined benefit minimum, (1) compensation shall not include compensation in Plan Years after the last Plan Year in which the Plan is top-heavy and (2) a Participant shall not receive a Year of Service in any Plan Year in which the Plan is not top-heavy. This defined benefit minimum shall be expressed as a life annuity (with no ancillary benefits) commencing at normal retirement age. Benefits paid in any other form or time shall be the actuarial equivalent (as provided in the plan for retirement benefit equivalence purposes) of such life annuity. Except to the extent not required by Section 416 of the Code or any other provisions of law, each Participant (other than Key Employees) who is not a participant in any such defined benefit plan shall receive the defined contribution minimum (as defined in Paragraph (a)(1) above).

(3) If a non-Key Employee is covered by plans described in both paragraphs (1) and (2) above, he shall only be entitled to the minimum described in paragraph (1) and "three percent" shall be replaced by five percent. Notwithstanding the preceding sentence, if the accrual rate under the plan described in paragraph (2) would comply with this Section 11.05 absent the modifications required by this Section, the minimum described in paragraph (1) above shall not be applicable.

This subsection (b) shall apply only to Limitation Years beginning before January 1, 2000.

For Plan Years prior to January 1, 2000, unless the Plan qualifies under an exception as described in Section 416(h)(2) of the Code, "1.0" shall be substituted for "1.25" in the definitions of Defined Benefit Plan Fraction and Defined Contribution Plan Fraction utilized in this Plan.

EGTRRA

MODIFICATION OF TOP-HEAVY RULES

1. EFFECTIVE DATE. This section shall apply for purposes of determining whether the Plan is a Top-Heavy plan under Section 416(g) of the Code for Plan Years beginning after December 31, 2001, and whether the Plan satisfies the minimum benefits requirements of Section 416(c) of the Code for such years. This section amends Article XI of the Plan.

2. DETERMINATION OF TOP-HEAVY STATUS.

2.1 KEY EMPLOYEE. Key Employee means any Employee or former Employee (including any deceased Employee) who at any time during the Plan Year that includes the determination date was an officer of the Company

having annual compensation greater than \$130,000 (as adjusted under Section 416(i)(1) of the Code for Plan Years beginning after December 31, 2002), a 5 percent owner of the Company, or a 1 percent owner of the Company having annual compensation of more than \$150,000. For this purpose, annual compensation means compensation within the meaning of Section 415(c)(3) of the Code. The determination of who is a Key Employee will be made in accordance with Section 416(i)(1) of the Code and the applicable regulations and other guidance of general applicability issued thereunder.

2.2 DETERMINATION OF PRESENT VALUES AND AMOUNTS. This Section 2.2 shall apply for purposes of determining the present values of accrued benefits of Employees as of the Determination Date.

2.2.1 DISTRIBUTIONS DURING YEAR ENDING ON THE DETERMINATION DATE. The present values of accrued benefits of an Employee as of the Determination Date shall be increased by the distributions made with respect to the Employee under the Plan and any plan aggregated with the Plan under Section 416(g)(2) of the Code during the 1-year period ending on the Determination Date. The preceding sentence shall also apply to distributions under a terminated plan which, had it not been terminated, would have been aggregated with the Plan under Section 416(g)(2)(A)(i) of the Code. In the case of a distribution made for a reason other than separation from service, death, or disability, this provision shall be applied by substituting "5-year period" for "1-year period."

2.2.2 EMPLOYEES NOT PERFORMING SERVICES DURING YEAR ENDING ON THE DETERMINATION DATE. The Accrued Benefits of any individual who has not performed services for the Company during the 1-year period ending on the Determination Date shall not be taken into account.

3. MINIMUM BENEFITS. For purposes of satisfying the minimum benefit requirements of Section 416(c)(1) of the Code and the Plan, in determining Years of Service with the employer, any service with the Company shall be disregarded to the extent that such service occurs during a Plan Year when the Plan benefits (within the meaning of Section 410(b) of the Code) no Key Employee or former Key Employee.

ARTICLE XII

MISCELLANEOUS

12.01 IRREVOCABLE DEDICATION

It shall be impossible for any part of the contributions made under this Plan to be used for, or diverted to, purposes other than the exclusive benefit of Participants or their Beneficiaries; provided, however, that notwithstanding this or any other provision of the Plan, contributions may be returned to the Company within one year after such contribution is made where such contributions are made by a mistake of fact, or, to the extent a deduction is disallowed under Section 404 of the Code, contributions may be returned to the Company within one year following such disallowance where the contribution is conditioned upon the deductibility of such contribution, or as permitted or required by ERISA or the Code, e.g., where such return is necessary to avoid the limitation on benefits imposed by Section 415 of the Code.

12.02 NONASSIGNABILITY

(a) None of the benefits, payments, proceeds or claims of any Participant, beneficiary or Contingent Annuitant shall be subject to any claim of any creditor and, in particular, the same shall not be subject to attachment or garnishment or other legal process by any creditor, nor shall any such Participant, Beneficiary or Contingent Annuitant have any right to alienate, anticipate, commute, pledge, encumber or assign any of the benefits or payments or proceeds which he may expect to receive, contingently or otherwise, under this Plan.

(b) Notwithstanding the foregoing, the right to a benefit payable with respect to a Participant pursuant to a "qualified domestic relations order" within the meaning of Code Section 414(p) may be created, assigned or recognized. The Committee shall establish reasonable procedures to determine the qualified status of domestic relations orders and to administer distributions under such qualified orders. In the event a qualified domestic relations order exists with respect to a benefit payable under the Plan, the benefits otherwise payable to a Participant or Beneficiary shall be payable to the alternate payee specified in the qualified domestic relations order. Effective January 1, 2000, if the Actuarial Equivalent lump sum present value of the benefit payable to an alternate payee does not exceed \$5,000 (as adjusted in accordance with section 411(a)(11)(D)), such benefit shall be paid to the alternate payee as soon as practicable in a single lump sum. This distribution may be made prior to the Participant's Normal Retirement Date, or earlier termination of employment, and without obtaining the Participant's consent. The Actuarial Equivalent lump sum value of an alternate payee's benefit shall be determined using the same assumptions used to determine small lump sum payments under Section 5.07.

(c) Notwithstanding the above, there shall be deducted from the monthly benefit payable to any retired employee, pursuant to authorization of the Committee pursuant to a procedure meeting the requirements of Regulation Section 1.401(a)-13(e) interpreting Section 401 of the Code, an amount equal to the full employee contribution rate from time to time established for coverage under a medical benefit program where such deduction is authorized by such retired employee.

12.03 LIMITATIONS ON PARTICIPANT'S RIGHTS

Nothing contained in the Plan shall give any Employee the right to be retained in the service of a Participating Company or to interfere with or restrict the right of a Participating Company, which is hereby expressly reserved, to discharge or retire any Employee or to change an Employee's rate of compensation at any time with or without cause. Inclusion under the Plan will not give any Participant any right or claim to a retirement income or any other benefit hereunder except to the extent such right has specifically become fixed under the terms of the Plan. A Participant shall not have any recourse towards satisfaction of such benefit becoming fixed under the terms of the Plan from other than assets of the Plan or guarantee of benefits hereunder by the Pension Benefit Guaranty Corporation. The doctrine of substantial performance shall have no application to Participants.

12.04 PARTICIPANTS BOUND

Any action with respect to this Plan taken by the Committee or by the Company, or any action authorized

by or taken at the direction of the Committee of the Company, shall be conclusive upon all Participants and Beneficiaries entitled to benefits under the Plan.

12.05 RECEIPT AND RELEASE

Any payment to any Participant, Beneficiary or Contingent Annuitant in accordance with the provisions of this Plan shall, to the extent thereof, be in full satisfaction of all claims against the Company, the Committee and the Trustee, and the Trustee may require such Participant, Beneficiary or Contingent Annuitant, as a condition precedent to such payment, to execute a receipt and release to such effect. If any Participant, Beneficiary or Contingent Annuitant is determined by the Committee to be incompetent by reason of physical or mental disability or age to give a valid receipt and release, the Committee may cause the payment or payments becoming due to such person to be made to another person for his benefit without responsibility on the part of the Committee, the Company or the Trustee to follow the application of such funds.

12.06 MERGER OR CONSOLIDATION OF PLANS

This Plan shall not be merged or consolidated with, nor shall the assets or liabilities thereof be transferred to, any other plan unless each Participant in this Plan would (if such plan terminated immediately after such merger, consolidation or transfer) receive a benefit at least equal to the benefit he would receive from this Plan if it terminated immediately prior to such merger, consolidation or transfer.

12.07 GOVERNING LAW; SEPARABILITY

This Plan and the Fund shall be construed, administered, and governed in all respects under the applicable federal law, and to the extent that federal law is inapplicable, under the laws of the State of Michigan; provided, however, that if any provision is susceptible to more than one interpretation, such interpretation shall be given thereto as is consistent with this Plan being an employee benefit plan within the meaning of Section 401 of the Code. If any provision of this instrument shall be held by a court of competent jurisdiction to be invalid or unenforceable, the remaining provisions hereof shall continue to be fully effective.

12.08 HEADINGS AND SUBHEADINGS

Headings and subheadings in this agreement are inserted for convenience of records only and are not to be considered in the construction of the provisions hereof.

12.09 INSTRUMENT IN COUNTERPARTS

This agreement has been executed in several counterparts, each of which shall be deemed an original, and said counterparts shall constitute but one and the same instrument, which may be sufficiently evidenced by one counterpart.

12.10 GENDER

The masculine gender as used herein includes the feminine gender.

12.11 SUCCESSORS AND ASSIGNS

This agreement shall inure to the benefit of, and be binding upon, the parties hereto and their successors and assigns.

12.12 RECOVERY OF OVERPAYMENT

The Plan Administrator will, whenever it determines that a person has received benefit payments under this Plan in excess of the amount to which he or she is entitled under the terms of the Plan, make a reasonable attempt to collect the overpayment from the person. If the person to whom the overpayment was made does not, within a reasonable time, make the requested repayment to the Trustee, the overpayment will be considered as an advance payment of benefits, and the Plan Administrator will direct the Trustee to reduce any future amounts payable to that person by an aggregate amount equal to the Actuarial Equivalent of the overpayment.

ARTICLE XIII

PARTICIPATION IN PLAN BY ANY COMPANY OR RELATED COMPANY

13.01 PARTICIPATION BY ANY COMPANY OR RELATED COMPANY

The Company or any Related Company, for itself or any of its divisions, may, with the approval of the Board of Directors, become a party to this Plan by adopting the Plan for some or all of its employees and by executing the Trust Agreement with the consent of the Trustee, if required under such Trust Agreement. Upon the filing with the Trustee of a certified copy of the resolutions or other documents evidencing the adoption of this Plan and the notice to the Company, and upon the execution of the Trust Agreement by such Company or any Related Company, and the consent of the Trustee if required under such Trust Agreement, it shall thereupon be included in the Plan as an Employer, and shall be bound by all the terms thereof as they relate to its employees. The Board of Directors of the Company or any Related Company may also extend the Plan to any other division of the Company, thereby bringing such division within the definition of Employer in Article I. Any contributions provided for in the Plan and made by such Employer shall become a part of the Fund and shall be held by the Trustee subject to the terms and provisions of the Trust Agreement. With the approval of the Employee Benefits Committee, an Employer may elect to have special provisions apply with respect to its eligible employees. Such special provisions, which may differ from the provisions of the Plan applicable to employees of other Employers, shall be stated in an Exhibit to the Plan which will be applicable to such Employer.

13.02 WITHDRAWAL BY ANY COMPANY OR RELATED COMPANY:

In the event that an organization which has become an Employer pursuant to the provisions of Section 13.01 above shall cease to be a Related Company, such organization shall be deemed to have withdrawn from the Plan and the Trust Agreement. Also, any one or more of the Employers may withdraw from the Plan by giving six months' notice in writing of intention to withdraw to the Board of Directors of the Company or the Employee Benefits Committee (unless a shorter notice shall be agreed to by the Board of Directors of the Company or the Employee Benefits Committee).

Upon any such withdrawal by any such Employer, the Employee Benefits Committee shall determine that portion of the Fund allocable to the Participants and their beneficiaries thereby affected, consistent with the provisions of ERISA and the regulations thereunder. Subject to the provisions of ERISA and regulations thereunder, the Employee Benefits Committee shall then instruct the Trustee to set aside from the trust assets then held by it such securities and other property as it shall, with the approval of the Employee Benefits Committee, deem to be equal in value to the portion of the Fund so allocable to the withdrawing Employer. The Employee Benefits Committee shall direct the Trustee, in the discretion of the Employee Benefits Committee and subject to the provisions of ERISA and regulations thereunder, either (1) to hold such assets so set aside and to apply the same for the exclusive benefit of the Participants and Beneficiaries so affected on the same basis as if the Fund had been terminated upon the date of such withdrawal, or (2) to deliver such assets to trustees selected by such withdrawing Employer.

ARTICLE XIV

EXECUTION

Adopted on this thirty-first day of December, 2002.

LEAR CORPORATION

By /s/ Michael P. Miller

EXHIBIT A

For purposes of calculating the Actuarial Equivalent amount of the monthly retirement income otherwise payable, a Participant's accrued benefit shall be determined as follows:

(a) SECTION 4.03: EARLY RETIREMENT

(i) For all purposes other than (ii) below:

Reduce the amount otherwise payable by .8 percent per month from age 65 to age 60, .3 percent per month from 60 down to age 55.

(ii) For purposes of calculating benefits in accordance with Section 4.01(h)(ii)(C) where benefits commence under this Plan prior to age 65, the factors to be applied to the benefit in Section 4.01(h)(ii)(C) shall be 0.2% for each full month the Participant's Annuity Starting Date precedes age 62 if the Participant was at least age 50 and had at least 65 "points" as defined in the United Technologies Corporation Nonrepresented Employee Retirement Plan as of May 4, 1999, and 5/12% for each full month the Participant's Annuity Starting Date precedes age 65 in all other cases.

SECTION 5.02 AND 5.03(b) AND (c): QUALIFIED JOINT AND SURVIVOR ANNUITY AND OPTIONAL RETIREMENT BENEFITS

(i) In general

10 Year Certain and Life Annuity	93 percent +/- .5 percent for each year to the nearest whole year the Participant is under/over age 65.
50 percent J&S	91 percent +/- .3 percent for each year to the nearest whole year the Participant is under/over age 65, +/- .3 percent for each full year the spouse is older/younger than the Participant.
100 percent J&S	84 percent +/- .5 percent for each year the Participant is under/over age 65, +/- .5 percent for each full year the spouse is older/younger than the Participant.
5 Year Certain and Life Annuity	Exhibit A, Section (c) below
15 Year Certain and Life Annuity	Exhibit A, Section (c) below

(ii) For purposes of optional forms of benefit for benefits described in Section 4.01(b)(i)(A) and Section 4.01(b)(ii)(A), Actuarial Equivalent effective April 1, 1999 will be as provided in section (c) below.

(c) SECTION 5.07, SMALL BENEFITS

For lump sum payouts of small benefits on or after January 1, 1997:

Mortality: The Applicable Mortality Table, which is the mortality table based on the prevailing commissioners' standard table (described in section 807(d)(5)(A) of the Code) used to determine reserves for group annuity contracts issued on the date as of which present value is determined (without regard to any other subparagraph of section 807(d)(5) of the Code), that is prescribed by the Commissioner of the Internal Revenue Service in revenue rulings, notices, or other guidance, published in the Internal Revenue Bulletin.

Interest Rates: The Applicable Interest Rate which means for any distribution the annual interest rate on 30-year Treasury securities as specified by the Commissioner of the Internal Revenue Service in revenue rulings, notices or other guidance, published in the Internal Revenue Bulletin, for the second month preceding the first day of the calendar year in which the Annuity Starting Date occurs (resulting in a one year stability period).

(d) EXHIBIT D-6, LUMP SUM

Mortality Table:

The 1984 Unisex Pension Mortality Table.

Interest Rates:

Lump sum payment will be based upon interest rates no greater than the immediate and deferred interest rates published by the Pension Benefit Guaranty Corporation for plans terminating as of the first day of the Plan Year that contains the proposed distribution date."

Effective January 1, 1997, for purposes of the Plan other than sections (a) - (d) specified above, unless otherwise specified elsewhere in the Plan, Actuarial Equivalent shall mean section (c) above.

EXHIBIT B

For the purpose of this Plan, Participating Company shall include those listed below. For purposes of determining Years of Service and Credited Service, employment with such listed Participating Company shall be recognized as specified below:

Limitation
on Years of
Participating
Company
Participation
Date Service
and Credited
Service - --

----- Lear
Corp.
(including
Lear
September
30, 1988 As
determined
by the
Plastics,
Progress
Pattern,
Lear
provisions
of this
Plan.
Operations
and NAB)
Automotive
Industries
Division
January 1,
1997 All
Years of
Service.
Credited
Service
after
December 31,
1996.

Fairhaven
Industries
Division
January 1,
1997 Years
of Service
after July
1, 1990.
Credited
Service
after
December 31,
1996.

Masland
Division
April 1,
1997 All
Years of
Service.
Credited
Service
after March
31, 1997.

ITT
Automotive
August 25,
1997 All
Years of
Service.
Credited
Service
after August
24, 1997.

Delphi
Automotive
Systems
August 31,
1998 All
Years of
Service.
Credited
Service

after August
30, 1998,
except as
described in
Exhibit G.
United
Technologies
May 4, 1999
All Years of
Service.
Credited
Automotive,
for
employees
Service
after May 3,
1999.
employed on
January 1,
2000
Employees
employed by
Lear January
1, 2000 All
Years of
Service,
including
Donnelly
Overhead
Systems,
contiguous
years with
Donnelly
Inc. as of
September
15, 1999
Corp.
Credited
Service
excludes
1999.

EXHIBIT C

Effective December 1, 1984, Progress Pattern Division was designated as a Participating Company under the Prior Plan, and all employees of Progress Pattern Division who first became Eligible Employees (or transferred to employment with Progress Pattern Division from a Related Company or another division of the Company) on or after December 1, 1984 will be eligible to participate in the Lear Seating Corporation Pension Plan ("this Plan") pursuant to its terms.

Effective December 1, 1985, the Progress Retirement Benefits Plan ("Progress Plan") was merged with and into the Prior Plan. Former eligible employees under the Progress Plan as of November 30, 1984 (who were the only Employees eligible to continue Participation under such plan) ("Former Progress Eligible Employees") shall be governed by the terms of this Plan with the following exceptions:

(a) Any participant in the Progress Plan who was disabled as defined in the Progress Plan as of November 30, 1984 shall continue to have all benefits determined under the terms of the Progress Plan in effect on November 30, 1984.

(b) The Normal Retirement Date shall be the December 1 nearest the date of attainment of age 65.

(c) The Normal Retirement benefit is the greatest of:

(1) The Normal Retirement Benefit calculated under Section 4.01 without regard to subsection 4.01(c).

(2) .80 percent (0.008) of the Participant's Monthly Plan Compensation multiplied by his Credited Service computed in years and months, plus .65 percent (0.0065) of Monthly Plan Compensation in excess of \$833.33 times years of Credited Service up to a maximum of 35 years.

(3) 50 percent of the Participant's average monthly compensation (as defined in the definition of Monthly Plan Compensation under this Plan except that only 50 percent of bonuses are included) for the first five of the last 10 Years of Service prior to his Normal Retirement Date, offset by 50 percent of the participant's Primary Social Security Benefits (such offset not to exceed \$119 per month) reduced proportionately for each Year of Service less than 15 years. Such Normal Retirement Benefit shall be payable as a monthly benefit payable for 10 years certain and life or the Actuarial Equivalent of such benefit. A Participant's benefit is calculated under this subsection (c)(3) using only Credited Service and average monthly compensation as of September 30, 1989. For purposes of this subsection, a Participant's Accrued Benefit shall be equal to the Participant's Normal Retirement Benefit multiplied by a ratio the numerator of which is the number of Years of Service with the Participant has completed as of the date of benefit determination and the denominator of which is the number of Years of Service which the Participant would have completed at Normal Retirement Date. For purposes of computing a Participant's Accrued Benefit, the Participant's average monthly compensation for the five consecutive Years of Service prior to his attainment of age 60 which produces the highest average monthly compensation will be used.

(d) Lump sum payments shall continue to be available to Participants based on \$160 per \$1 of monthly Accrued Benefit at Normal Retirement Date. For benefit dates other than Normal Retirement Date, lump sum benefits shall be equal to the lump sum values of the Accrued Benefit at Normal Retirement Date discounted or increased with interest only, at eight percent per annum.

(e) On and after December 1, 1985, spouses married to Participants at the time of the Participant's death before commencement of benefits shall be entitled to a benefit equal to the survivor portion of a Qualified Joint and Survivor payable as if the Participant had retired on the day preceding date of death. There will be no charge for the provision of such spousal benefit. A spouse becoming entitled to such benefit shall also be entitled to elect a lump sum payment computed on the basis set out in Paragraph (d) above.

(f) Notwithstanding other provisions for offset of benefits under this Plan, benefits shall be offset by the employer-funded portion only of other plans qualified under Section 401 of the Code maintained for Participants during employment by the Lear Siegler, Inc. Progress Pattern Division.

EXHIBIT D

TREATMENT OF CERTAIN EMPLOYEES
OF FABRICATED PRODUCTS OPERATIONS

The Lear Siegler, Inc. (Fabricated Products Operations) Salaried Employees' Pension Plan ("Fabricated Products Plan") was merged into the Prior Plan effective December 31, 1985. This Exhibit C-2 designates the computation of rights and benefits of former employees of the following former divisions of the Fabricated Products Operations of Lear Siegler, Inc:

- (i) Automotive Division
- (ii) General Seating Division (U.S. Operations)
- (iii) Burroughs Division
- (iv) No-Sag Spring Division
- (v) Fabricated Products Operations Office

(a) As applied to former employees of Fabricated Products Operations, the term "Eligible Employee" shall exclude hourly employees. Also, a "Former FPO Participant" shall refer to an Employee who was a participant in the Fabricated Products Plan.

(b) Employees of Fabricated Products Operations who became Eligible Employees under the Prior Plan and were hired prior to December 31, 1985 are eligible for a Normal Retirement Benefit equal to the greater of

- (1) The Normal Retirement Benefit calculated under Section 4.01 of this Plan; or
- (2) .80 percent (0.008) of the Participant's Monthly Plan Compensation multiplied by his Credited Service computed in years and months, plus .65 percent (0.0065) of Monthly Plan Compensation in excess of \$833.33 times years of Credited Service up to a maximum of 35 years.

(3) For purposes of determining a Former FPO Participant's benefit under this Plan, Credited Service shall include all credited service for benefit purposes accrued through December 31, 1985 under the Fabricated Products Plan, his Credited Service under the Prior Plan on and after January 1, 1986 and through September 29, 1988, and his service under this Plan on and after September 30, 1988.

(4) A Former FPO Participant's Normal Retirement Benefit under this Plan shall be the greater of that determined under the provisions of this Plan or that determined under the provisions of the Fabricated Products Plan in effect on December 31, 1985. A Participant's benefit is calculated under this Section (b)(4) using only credited service and Average Monthly Salary as of September 30, 1989.

(5) For purposes of determining the reduction in benefit for any Former FPO Participant electing to receive an Early Retirement Benefit prior to his Normal Retirement Date, the early retirement factors set forth in Exhibit A to this Plan shall be used except when applying reductions to the benefit calculated in (4) above. In that case, the reduction shall be made in accordance with the rate set forth in the following table.

NUMBER OF
MONTHS
BETWEEN
NORMAL
RETIREMENT
DATE AND
ACTUARIAL
COMMENCEMENT
DATE OF
EARLY
REDUCTION
RETIREMENT
BENEFITS
FACTOR ----

----- 0
1.000 12
.913 24
.835 36
.765 48
.702 60
.645 72
.594 84
.548 96
.506 108
.468 120
.433 132
.402

(Values for month not indicated will be obtained by interpolation)

Subject to Section 5.02 of this Plan, a Former FPO Participant who was hired prior to January 1, 1977 may elect to receive, in lieu of the retirement benefit otherwise payable to him, a lump sum benefit which is the greater of (1) the Actuarial Equivalent (using the assumptions set forth in Exhibit A for determining lump sum payments) of the benefit determined under the provisions of this Plan or (2) the actuarial equivalent (determined using the assumptions set forth under the terms of the Fabricated Products Plan) of the benefit determined under the Fabricated Products Plan in effect on December 31, 1985 using only Credited Service and Average Monthly Salary as of September 30, 1989.

(7) Lump Sum Death Benefit.

(A) If a vested Former FPO Participant hired prior to January 1, 1977 dies at a time that he is accruing benefits under the Plan in accordance with paragraph (b) of this Exhibit D and no Preretirement Surviving Spouse Benefit is payable pursuant to Section 5.05 of this Plan (because the Former FPO Participant is not married), then, the Beneficiary of such Former FPO Participant shall be entitled to a Lump Sum Death Benefit in an amount equal to the value of the vested accrued Normal Retirement Benefit determined as of the date of his death under the terms of this Exhibit D multiplied by a factor determined from the table below.

AGE
AS OF
BIRTH
DATE
IN
PLAN
YEAR
FACTOR

65 or
Over
126
64
117
63
109
62
102
61 95
60 89
59 84
58 79
57 74
56 69
55 65
54 61
53 58
52 55
51 51
50 49
49 46
48 43

47 41
46 39
45 37
44 35
43 33
42 32
41 31

D-2

AGE
AS OF
BIRTH
DATE
IN
PLAN
YEAR
FACTOR

40 29
39 28
38 27
37 26
36 25
35 24
34 23
33 22
32 21
31 20
30 19
29 18
28 17
27 16
26 15
25 14

(B) If a Former FPO Participant dies at a time that he is accruing benefits under the Plan in accordance with Paragraph (b) of this Exhibit D and a Preretirement Surviving Spouse Benefit is payable to his surviving spouse pursuant to Section 5.05 of the Plan, his surviving spouse may elect to receive a Lump Sum Death Benefit under this paragraph (b)(7) in lieu of the Preretirement Surviving Spouse Benefit. However, if the Lump Sum Death Benefit under this paragraph (b)(7) is less than the Actuarial Equivalent value of the Preretirement Surviving Spouse Benefit determined under Section 5.05, assuming for purposes of the Actuarial Equivalent value a commencement date equal to the earliest possible commencement date of such Preretirement Surviving Spouse Benefit, such Actuarial Equivalent value shall be paid. Such election may be made at any time before the annuity starting date. Such election shall be in writing, shall acknowledge the effect of the election and shall be witnessed by a notary public.

EXHIBIT E

Effective July 1, 1974, employees of Haas Division (now Plastics Division) became eligible to participate in the Prior Plan pursuant to its terms. For purposes of determining Years of Service, a Participant's service from date of hire shall be considered. For purposes of determining a Participant's Credited Service, only service on and after July 1, 1973 shall be considered.

EXHIBIT F

BENEFITS FOR FORMER EMPLOYEES OF FORD MOTOR COMPANY

PREAMBLE

Effective January 1, 1994, the Company purchased from Ford Motor Company certain operations located in Mexico. These operations were known as Favesa. In connection with this purchase, certain salaried nonunion employees of Ford Motor Company became employees of the Company, effective January 1, 1994. All of these employees reside in the United States. Under the purchase agreement, the Company is obligated to provide these employees with the same retirement benefits provided under Ford Motor Company's General Retirement Plan. This Article describes these benefits.

The language in this Exhibit F should be construed in a manner consistent with other Plan provisions. The terms used in this Exhibit F have the same meaning as under other Articles of the Plan, unless this Exhibit F explicitly provides otherwise. The retirement benefits available to former Ford Motor Company employees under the Plan are determined in the same manner as the retirement benefits available to other employees of the Company, except to the extent explicitly modified by this Exhibit.

The retirement benefits described in this Exhibit F are based on the terms of the General Retirement Plan in effect on December 31, 1993. These benefits are based upon service with both Ford Motor Company and the Company. The retirement benefits and supplements under this Exhibit F are offset by an amount that is the actuarial equivalent of the retirement benefit and supplements the employee is eligible to receive under the General Retirement Plan based on such employee's service and salary as of December 31, 1993.

1. DEFINITIONS

(a) EMPLOYEE A former nonunion salaried employee of Ford Motor Company who became a salaried employee of the Company on January 1, 1994 as a result of the Company's purchase of Favesa.

(b) GENERAL RETIREMENT PLAN Ford Motor Company's General Retirement Plan, as in effect on December 31, 1993.

(c) CREDITED INTEREST For each Plan Year, an annual rate equal to 120 percent of the Federal Midterm Rate in effect for the first month of the Plan Year. On the last day of the current Plan year, Employee contributions and interest accrued as of the last day of the immediately preceding Plan Year shall receive Credited Interest.

2. ELIGIBILITY

An Employee who was a participant in the General Retirement Plan on December 31, 1993 automatically became a Participant on January 1, 1994. An Employee who had not satisfied the eligibility requirements of the General Retirement Plan on December 31, 1993 becomes a Participant after satisfying the Plan's eligibility requirements. Service with Ford Motor Company is included in determining if an Employee has satisfied the eligibility requirements.

3. CREDITED SERVICE

(a) FORD MOTOR COMPANY Credited Service includes all service with Ford Motor Company prior to January 1, 1994. These service credits are determined under the terms of the General Retirement Plan on the basis of Ford Motor Company personnel records. The Company relies upon Ford Motor Company's determination of Credited Service prior to 1994. However, the Company may, in its discretion, confirm the accuracy of such determinations.

(b) THE COMPANY Credited Service includes service with the Company after December 31, 1993. For each calendar month during the year in which an Employee receives pay in each of two pay periods, such Employee receives 1/10th of a year of Credited Service; as set forth in the chart below:

MONTHS
FOR
WHICH
CREDITED
AN
EMPLOYEE
SERVICE
RECEIVES
PAY
EARNED

Less
than 1
.0 year
1 but
less
than 2
.1 year
2 but
less
than 3
.2 year
3 but
less
than 4
.3 year
4 but
less
than 5
.4 year
5 but
less
than 6
.5 year
6 but
less
than 7
.6 year
7 but
less
than 8
.7 year
8 but
less
than 9
.8 year
9 but
less
than 10
.9 year
10 or
more
1.0
year

An Employee shall receive Credited Service for the following periods in which such Employee is not receiving pay, provided service has not been broken:

(i) while on a Company-approved sick leave, Credited Service shall be earned by an Employee for up to nine months following the date Company payments cease.

(ii) while laid off, Credited Service shall be earned by an Employee for up to nine months following such Employee's termination date. If, however, the Employee has earned at least 10 years of continuous Company service as of the date such layoff commences, such Employee shall earn up to one additional year of Credited Service.

(iii) while on an approved medical leave during which time the Employee is receiving workers' compensation benefits, such Employee shall receive Credited Service for each month of such absence.

(iv) while on a Company-approved leave for purposes of active service with the United States armed forces, Credited Service shall be earned by such Employee for the duration of such absence provided the Employee commences employment with the Company within the time prescribed under federal reemployment laws.

(c) WAITING PERIOD SERVICE The period of service before a Participant is eligible for the Plan or the General Retirement Plan that is treated as Credited Service if one of the following requirements have been met:

(i) If the Participant was hired prior to January 1, 1976, up to two years of Waiting Period Service shall be treated as Credited Service if such Participant has made any contributions to the Plan, or

(ii) If the Participant was hired on or after January 1, 1976, up to one year of

Waiting Period Service shall be treated as Credited Service if such Participant made contributions to the Plan immediately upon becoming eligible and continued to do so until such Participant became vested under the Plan.

4. NONCONTRIBUTORY AND CONTRIBUTORY SERVICE

(a) NONCONTRIBUTORY SERVICE Periods of Credited Service, excluding Contributory Service and Waiting Period Service.

(b) CONTRIBUTORY SERVICE Periods of Credited Service during which the Participant contributed to the General Retirement Plan or contributes to the Plan. In addition, for Employees who have made contributions to the Plan under this Exhibit F prior to October 1, 2000, Contributory Service shall include all periods of Credited Service after September 30, 2000.

5. VESTING

A Participant has a nonforfeitable right to any benefit under this Exhibit F in which the Participant is vested.

(a) GENERAL RETIREMENT PLAN All Employees are vested in any accrued benefits they are entitled to under the General Retirement Plan.

(b) THE PLAN Employees are fully vested in benefits under this Exhibit F if one of the following requirements have been met:

(i) the Employee attains age 65 while employed by the Company,

(ii) the Employee earns five years of Credited Service, or

(iii) the Employee earns five years of ERISA Service.

An Employee will earn one year of ERISA Service for each year after the attainment of age 18 during which such Employee receives pay for regular time worked in at least four months of such calendar year.

ERISA Service is broken if an Employee is not paid for an Hour of Service in each of two months in a calendar year. ERISA Service earned prior to the date it is broken will not be recognized under the Plan unless the Employee was vested when the break occurs or the Employee completes one years of ERISA Service following the break and the period of the break did not equal or exceed five years.

Periods of service with the Ford Motor Company are included in determining whether an Employee has vested in benefits under this Article.

(c) EMPLOYEE CONTRIBUTIONS Participants are fully vested in Employee contributions at all times.

6. EMPLOYEE CONTRIBUTIONS

An Employee who has satisfied the eligibility requirements of this Exhibit F may elect to contribute to the Plan. Effective as of October 1, 2000, no further Employee Contributions may be made to the Plan under this Exhibit F.

(a) RATE OF CONTRIBUTIONS Employee contributions are equal to one and 1/2 percent of total monthly base salary, which is determined without regard to pretax contributions to other plans.

(b) METHOD OF DEDUCTION Employee contributions are deducted from each paycheck.

(c) WRITTEN ELECTION In order to contribute to the Plan, a Participant must complete a written election form provided by the Company.

(d) REVOCATION At any time, a Participant may revoke on a prospective basis an election to contribute to the Plan. A Participant who revokes an election to contribute cannot again contribute to the Plan for a period of one year.

(e) BENEFICIARY DESIGNATION At the time a Participant elects to contribute to the Plan, the Participant must designate in writing the Beneficiary to receive Employee contributions in the event of the Participant's death. If a Participant is married, such Participant's spouse is automatically named as Beneficiary unless such spouse consents in writing to an alternate Beneficiary. Spousal consent must be witnessed by a notary public. A Participant may change the written designation at any time (with spousal consent, if applicable), but the Company will not accept a Beneficiary designation received after the date of the Participant's death. If no Beneficiary is named and the Participant is not survived by a spouse, any benefit payable hereunder shall be paid to the Participant's estate.

(f) MINIMUM BENEFIT Any benefit paid in the form an annuity must have a lump sum value that is not less than Employee contributions, plus Credited Interest.

7. RETURN OF EMPLOYEE CONTRIBUTIONS

Employee contributions are returned to Participants only under the circumstances described in this Section.

(a) **TERMINATION BEFORE VESTING** If a Participant terminates service with the Company before vesting in Company provided benefits, Employee contributions are returned to the Participant.

(b) **DEATH BEFORE VESTING** If a Participant dies before vesting in Company provided benefits, the Employee contributions are paid to the Participant's Beneficiary.

(c) **MANDATORY CASH-OUTS** Employee contributions are returned to the Participant on termination of service or to the Beneficiary on the death of the Participant if the total present value of the benefits derived from both Employee and Company contributions does not exceed \$5,000. The amount of a cash-out can never be less than the Employee contributions plus Credited Interest.

(d) **CREDITED INTEREST** Whenever Employee contributions are distributed from the Plan in accordance with this Section, the distribution must include Credited Interest.

8. REDEPOSIT OF EMPLOYEE CONTRIBUTIONS

If a former Participant received a distribution of Employee contributions on termination of service and thereafter is rehired, the Participant is not credited with any Contributory Service for periods prior to the date of termination. However, if a former Participant who was not vested on his earlier termination date is rehired before experiencing five consecutive breaks in ERISA Service, the former Participant may elect to redeposit Employee contributions. The amount redeposited must include Credited Interest from the date of distribution to the date the contributions are redeposited. Contributions must be redeposited within five years of the date distribution occurred. If a former Participant elects to redeposit Employee contributions, all Contributory Service prior to the date of termination is restored.

9. RETIREMENT DATES

Retirement benefits commence on the applicable retirement date.

(a) **NORMAL RETIREMENT DATE** The first day of the month following the month in which the Participant attains age 65 and has one year of service.

(b) **EARLY RETIREMENT DATE** The first day of any month prior to the Participant's Normal Retirement Date in which the Participant terminates service with the Company under the following circumstances.

(1) **AGE 55 AND 10 YEARS** After the Participant has attained age 55 and has at least 10 years of Credited Service.

(2) **30 YEARS** At any age, if the Participant has at least 30 years of Credited Service.

(c) **DISABILITY RETIREMENT DATE** The first day of the sixth month following the date on which such Participant terminated service due to Total and Permanent Disability, provided such Participant has at least 10 years of Credited Service and said disability occurs prior to age 65.

10. NONCONTRIBUTORY AND CONTRIBUTORY BENEFITS

This Exhibit F provides for both noncontributory and contributory retirement benefits. The noncontributory benefits are described in Section 11 and the contributory benefits are described in Section 12.

11. NONCONTRIBUTORY RETIREMENT BENEFITS

This Section describes the noncontributory retirement benefits which accrue for periods of Noncontributory Service.

(a) NORMAL RETIREMENT BENEFITS (NONCONTRIBUTORY) The monthly normal retirement benefit is the flat benefit rate set forth in Attachment A multiplied by the Participant's years of Noncontributory Service.

(b) EARLY RETIREMENT BENEFIT (NONCONTRIBUTORY) The monthly regular early retirement benefit is calculated in the same manner as the normal retirement benefit based on Noncontributory Service and the flat benefit rate in effect on the Participant's Early Retirement Date, reduced in accordance with the factors set forth in Attachment B.

The reduction in the regular early retirement benefit is eliminated beginning in the month following the month the Participant attains age 62 under the following circumstances:

(i) 30 YEARS The Participant has at least 30 years of Credited Service.

(ii) 85 POINTS The sum of the Participant's age on the date the Participant terminates service with the Company and years of Credited Service is at least 85.

In addition to the foregoing, Supplemental Benefits shall be paid pursuant to the provisions of Section 14.

(c) DISABILITY RETIREMENT BENEFIT (NONCONTRIBUTORY) The monthly disability retirement benefit is calculated in the same manner as the early retirement benefit without reduction for early commencement. The disability retirement benefit is determined on the basis of the flat benefit rate in effect on the date the Participant terminates service with the Company and the Participant's actual years of Credited Service. In the month following the month the Participant attains age 65 or, if earlier, the month the Participant becomes eligible for unreduced social security benefits, the Participant begins receiving a normal retirement benefit, based upon Credited Service and the flat benefit rate in effect on the date such disability commenced. Disability benefits are offset by amounts received under any disability plan to which the Company has contributed.

12. CONTRIBUTORY RETIREMENT BENEFITS

This Section describes the retirement benefits which accrue for periods of Contributory Service. For Contributory Retirement Benefits after September 30, 2000, see offset in Section 12(e).

(a) NORMAL RETIREMENT BENEFITS (CONTRIBUTORY) Subject to Section 12(e) below, the monthly normal retirement benefit is (i) + (ii).

(i) BASE PIECE [Part (A)] The product of 1.5 percent (.015) of the Participant's Final Average Pay and Contributory Service plus up to two years of Waiting Period Service.

(ii) EXCESS PIECE [Part (B)] The product of 4/10ths of a percent of the Participant's Final Average Pay in excess of the Breakpoint and Contributory Service not in excess of 35 years.

For purposes of this Section, FINAL AVERAGE PAY is the average of the five highest consecutive December 31 monthly base salaries while contributing during the Participant's last 10 years of employment with the Company. BREAKPOINT is equal to 150 percent of the "covered compensation" amount set forth in Attachment C. This amount is equal to the covered compensation of an individual attaining age 65 in any given year and therefore will apply to all Participants regardless of a Participant's age in the calendar year in which the benefit is determined.

(b) EARLY RETIREMENT BENEFIT (CONTRIBUTORY) Subject to Section 12(e) below, the monthly early retirement benefit is calculated in the same manner as the normal retirement benefit. If benefits commence prior to age 62, the Base Piece of the benefit is reduced in accordance with Attachment D. If benefits commence prior to age 65, the Excess Piece of the benefit is reduced in accordance with Attachment E.

In addition to the foregoing, Supplemental Benefits shall be paid pursuant to the provisions of Section 14.

(c) **DISABILITY RETIREMENT BENEFIT (CONTRIBUTORY)** Subject to Section 12(e) below, the monthly disability retirement benefit is calculated in the same manner as the early retirement benefit with the exceptions that the Base piece is not reduced for early commencement and the Excess Piece is not reduced for early commencement if the Participant qualifies for Social Security Disability Benefits. The disability retirement benefit is determined on the basis of the Participant's actual years of Contributory Service. In the month following the month the Participant attains age 65 or, if earlier, the month the Participant becomes eligible for unreduced social security benefits, the Participant begins receiving the normal retirement benefit based upon Credited Service, Final Average Pay and the Breakpoint in effect on the date such disability commenced. Disability benefits are offset by amounts received under any disability plan to which the Company contributes and, in the event a Participant has not been covered by the Plan for a period of not less than 20 years, by any workers' compensation received by such Participant.

In addition to the foregoing, Temporary Benefits shall be paid pursuant to the provisions of Section 15.

(d) **MINIMUM CONTRIBUTORY RETIREMENT BENEFIT** There is a floor for benefits which accrue with respect to Contributory Service to ensure that these benefits are always larger than the noncontributory retirement benefits. The contributory normal retirement benefit is never less than the sum determined below:

(i) The flat benefit rate for the noncontributory normal retirement benefit, multiplied by the Participant's years of Credited Service, reduced in accordance with Attachment B if benefits commence prior to age 62, plus

(ii) The product of .25 percent (.0025) of the Participant's Final Average Pay and years of Contributory Service, reduced in accordance with Attachment D, if benefits commence prior to age 62.

(e) **Offset for Contributory Service After September 30, 2000**

For Employees who earned Contributory Service after September 30, 2000, an offset to the benefits otherwise calculated in accordance with this Section 12 shall be determined as follows:

(i) An accumulation of 1.5% of total monthly base salary, which is determined without regard to pretax contributions to other plans shall be calculated using as the interest credited on such contributions for a calendar year the rate for 10-year Treasury Constant Maturities, as published in Federal Reserve Statistical Release H15 (or successor), in effect on the last business day of the preceding calendar year.

(ii) The offset shall be equal to the accumulation described in (i) above (including interest as described in (e)(i) above through the Annuity Starting Date) converted to an actuarially equivalent life annuity, using a 7% interest rate, the Applicable Mortality Table, as defined in Exhibit A, and commencement of benefits at the Participant's, or in the case of a preretirement death benefit under Section 23, the Surviving Spouse's Annuity Starting Date.

13. COMBINED FORMULA MINIMUM BENEFIT

In the event a Participant covered by the provisions of this Exhibit F was a member of the General Retirement Plan prior to January 1, 1989, such Participant's benefit as determined hereunder cannot be less than the amount determined pursuant to the provision of the Combined Formula set forth in the General Retirement Plan as in effect on December 31, 1993, as modified by Section 12(e).

14. SUPPLEMENTAL BENEFITS

(a) **ELIGIBILITY AND AMOUNT** - Participants who take regular early retirement may receive either an Early Retirement Supplement or an Interim Supplement. To be eligible for either supplement, a Participant must apply for retirement benefits within five years from the last date of active service with the Company.

(i) **EARLY RETIREMENT SUPPLEMENT** - For a Participant with at least 30 years of Credited Service, the monthly Early Retirement Supplement is equal to the amount set forth in Attachment F minus the Participant's assumed flat rate benefit. For purposes of this subsection, the flat rate benefit is reduced for early retirement but not survivorship

coverage. This supplement will also be reduced in any month such Participant is receiving social security disability benefits.

Payment of the Early Retirement Supplement commences at the same time as the early retirement benefit and continues through age 62 and one month.

(ii) INTERIM SUPPLEMENT - For a Participant with less than 30 years of Credited Service, the monthly Interim Supplement is equal to the benefit rate set forth in Attachment G multiplied by years of Credited Service. An Interim Supplement is not paid if the Participant is receiving social security benefits.

Payment of the Interim Supplement commences at the same time as the early retirement benefit and continues through age 62 and one month.

15. TEMPORARY ALLOWANCE FOR DISABILITY RETIREMENT

A Participant who takes disability retirement receives a Temporary Allowance. The Temporary Allowance commences at the same time as the disability retirement benefit and continues through age 62 and one month or, if earlier, the month the Participant begins receiving unreduced social security benefits. The monthly Temporary Allowance is equal to the flat benefit rate set forth in Attachment H multiplied by the Participant's years of Credited Service, up to a maximum of 30 years.

16. TERMINATION OF EMPLOYMENT BEFORE RETIREMENT

A Participant is eligible for a deferred vested retirement benefit if the Participant leaves the Company with a vested right to retirement benefits, pursuant to Section 5 of this Exhibit F, before qualifying for retirement.

(a) AMOUNT The deferred vested retirement benefit is calculated in the same manner as the normal noncontributory and normal contributory retirement benefit, including the Minimum Contributory Benefit, but not subject to future increases.

(b) COMMENCEMENT A deferred vested retirement benefit commences in the month following the month the Participant attains age 65. A Participant may elect to begin receiving a deferred vested retirement benefit anytime after reaching age 55 with 10 years of Credited Service, subject to the reductions set forth in Attachments I and J.

17. COMMENCEMENT DATE

A Participant begins receiving retirement benefits on the Normal Retirement Date, Early Retirement Date, or Disability Retirement Date, whichever applies. If a Participant does not retire on the Normal Retirement Date, payment of retirement benefits is postponed until the Participant terminates service with the Company or, if earlier, the April 1st after the calendar year in which the Participant reaches the age of 70 1/2.

18. NORMAL FORM OF PAYMENT

Unless a Participant elects otherwise, retirement benefits are paid in the forms described in this Section.

(a) AUTOMATIC LIFETIME ONLY METHOD Monthly installments payable for the life of the Participant. The last monthly installment is paid in the month in which the Participant dies.

(b) AUTOMATIC 60 PERCENT SURVIVING SPOUSE METHOD If a Participant has been married for at least one year on the Annuity Starting Date, benefits are paid in the form of a joint and survivor annuity. Monthly installments are paid for the life of the Participant with payments continuing for the life of the spouse, if the spouse survives the Participant.

The Participant's monthly installments are reduced to reflect the cost of the survivor benefit. This reduction does not affect the amount of any Temporary Allowance, Interim Supplement, or Early Retirement Supplement. The reduction is set forth in Attachment K.

The survivor benefit is monthly installments for the life of the spouse equal to 60 percent of the Participant's monthly benefit. For purposes of this subsection, the Participant's monthly benefit is the amount determined after reductions for early retirement and to reflect the cost of survivor benefits, and without regard to the Temporary Allowance, Interim Supplement, and Early Retirement Supplement. The last monthly installment is paid in the month in which the spouse dies.

19. FORM OF PAYMENT FOR DISABILITY RETIREMENT

(a) UNMARRIED - If a Participant who is not married takes disability retirement, the Participant's benefits are paid under the automatic lifetime only method.

(b) AGE 55/30 YEARS/MARRIED If a married Participant takes disability retirement after reaching age 55 or having reached 30 years of Credited Service, Disability Retirement Benefits are paid in the same form as other retirement benefits.

(c) UNDER AGE 55/LESS THAN 30 YEARS If a married Participant takes disability retirement before the Participant reaches age 55 and the Participant has less than 30 years of Credited Service, disability retirement benefits are paid in the form of a 50 percent joint and survivor annuity. If the Participant dies before reaching age 55 and such Participant has been married for at least one year as of his date of death, the spouse receives a monthly benefit for life equal to 50 percent of the Participant's disability retirement benefit, excluding the Temporary Allowance and Interim Supplement. Payments to the spouse do not commence until the month following the month the Participant would have reached age 55. If the Participant survives to age 55, the Participant may then elect either the life only method, or the automatic or optional surviving spouse method.

(d) REDUCTION FOR COST OF SURVIVOR COVERAGE The reduction in the Participant's Disability Retirement Benefit to cover the cost of the automatic survivor coverage is set forth in Attachment L.

20. OPTIONAL FORMS OF PAYMENT FOR CONTRIBUTORY BENEFITS

The election of one of these options is subject to the procedures described in Article V. A Participant cannot designate a Beneficiary other than the spouse without following the procedures set forth in Section 5.02 of the Plan for obtaining the spouse's written consent.

(a) OPTIONAL SURVIVING SPOUSE METHOD A Participant who has contributed to the Plan may elect the optional surviving spouse method of payment for married Participants, where the spouse receives a monthly benefit equal to 60 percent of any monthly flat rate benefit and additional benefit payable and 100 percent of the Participant's monthly contributory benefit. The reduction to cover the cost of this payment method is set forth in Attachment M.

(b) OPTIONAL 50 PERCENT SURVIVING BENEFICIARY METHOD The same as the automatic surviving spouse method of payment for married Participants, except that the Beneficiary's monthly noncontributory and contributory benefit is equal to 50 percent of the Participant's monthly noncontributory and contributory benefit. Both married and unmarried Participants may elect this option and married Participants may name a Beneficiary other than the spouse. The reduction to cover the cost of this payment method is set forth in Attachment N.

(c) OPTIONAL 100 SURVIVING BENEFICIARY METHOD The same as the automatic surviving spouse method of payment, except that the Beneficiary's monthly noncontributory and contributory benefit is equal to the Participant's monthly noncontributory and contributory benefit. Both married and unmarried Participants may elect this option and married Participants may name a Beneficiary other than the spouse. The reduction to cover the cost of this payment method is set forth in Attachment O.

21. SURVIVOR COVERAGE/TEMPORARY ALLOWANCE, EARLY RETIREMENT SUPPLEMENT AND INTERIM SUPPLEMENT

Survivor coverage for spouses and Beneficiaries is based solely on the noncontributory and contributory retirement benefits. Payment of the Temporary Allowance, the Early Retirement Supplement and the Interim Supplement always ceases in the month following the month the Participant's death occurs.

22. CHANGE IN METHOD OF PAYMENT

Except as provided in this Section, the form in which retirement benefits are paid cannot change once payment of benefits commences.

(a) **MARRIAGE AFTER RETIREMENT** If the form of payment is the automatic life only method and the Participant marries after payment of benefits has commenced, the Participant may elect the automatic 60 percent surviving spouse method or the optional surviving spouse method (if applicable). This election must be made within 12 months of the date of marriage.

(b) **DEATH OF SPOUSE/DIVORCE** If the form of payment is the automatic 60 percent surviving spouse method or the optional surviving spouse method (if applicable) and the spouse dies or is divorced from the Participant after payment of benefits has commenced, the Participant may elect the automatic life only method. Such an election cannot be made if it will violate the terms of a qualified domestic relations order. If the Participant remarries, the Participant may again elect the automatic 60 percent surviving spouse method or the optional surviving spouse method (if applicable) in accordance with procedures in this Section.

(c) **DISABILITY RETIREMENT** The automatic 50 percent surviving spouse method for disability retirement is cancelled if the spouse dies or is divorced from the Participant before the Participant reaches the age of 55, unless this would violate the terms of a qualified domestic relations order.

23. PRERETIREMENT DEATH BENEFIT

A preretirement death benefit is paid to a surviving spouse where the Participant dies before retirement with a vested right to a benefit. A spouse is eligible for a preretirement death benefit only if the spouse was married to the Participant for at least one year on the date the Participant died.

(a) **DEATH BEFORE ELIGIBILITY FOR RETIREMENT** If a Participant dies before satisfying the requirements for normal or regular early retirement, the spouse receives the monthly benefit the spouse would have received if the Participant had terminated service with the Company on the date of death (or actual date of termination, if earlier), survived to the earliest date on which the Participant could have retired, elected to retire on that date, elected to receive the 50 percent surviving beneficiary method of payment, without regard to the reductions set forth in Attachment N, and died on the following day. The spouse may elect to receive this benefit commencing any time after the Participant would have reached age 55. The reduction for early commencement of payments is the same reduction applied for deferred vested retirements as set forth in Attachments I and J, based upon the date payments actually commence.

In lieu of the monthly benefit herein described, the spouse may elect to receive a return of the Participant's contributions, with Credited Interest. The contributory portion of the monthly benefit described above will then be reduced by the value of the returned contributions.

(b) **DEATH AFTER ELIGIBILITY FOR RETIREMENT** If a Participant is eligible for normal or regular early retirement on the date the Participant dies, the spouse's monthly benefit is equal to the benefit the spouse would have received if the Participant had retired on the date of death and elected the automatic 60 percent surviving spouse method of payment. Payment commences in the month following the month in which the Participant dies, unless deferred pursuant to Section 5.05.

24. OFFSET FOR GENERAL RETIREMENT PLAN BENEFITS

The retirement benefits and supplements paid under this Exhibit are offset by an amount that is the actuarial equivalent of the retirement benefit and supplements the Participant is eligible to receive under the General Retirement Plan. The retirement benefit for which a Participant is eligible is the Participant's accrued benefit based upon such Participant's service and salary under the General Retirement Plan on December 31, 1993, as determined under the terms of the General Retirement Plan in effect on such date, except to the extent otherwise provided in this Section.

25. AMENDMENT OF THIS EXHIBIT

The Company may, in its discretion, amend this Exhibit to reflect amendments to the General Retirement Plan which take effect after December 31, 1993. An amendment cannot reduce the amount of any Participant's accrued benefit as of the date the amendment is adopted. If the amendment will result in a decrease in future benefit accruals, the Participants must be given notice of the amendment after it is adopted and not less than 15 days before the effective date.

26. TERMINATION OF THIS EXHIBIT

The Company intends to maintain the benefit structure described in this Exhibit for as long as any eligible Employee works for the Company. However, the Company reserves the right to terminate this benefit structure in the event it adversely affects the Plan's qualified status under the Internal Revenue Code. This benefit structure will be considered to have an adverse impact on the Plan's qualified status if it becomes impossible to maintain the Plan's qualified status without modifying in some way the benefits of Participants who are not eligible for this benefit structure.

27. INTERPRETATION OF THIS EXHIBIT

The Company has the discretion to construe the language in this Exhibit and determine eligibility for and the amount of benefits. The Company also has the discretion to construe the terms of the General Retirement Plan if interpretation of this Exhibit requires reference to that Plan.

28. COORDINATION WITH OTHER PLAN PROVISIONS

The rights of Employees under the Plan are precisely the same as the rights of other Company Employees, except to the extent this Exhibit explicitly provides otherwise. Except for matters explicitly addressed in this Exhibit, the rights of an Employee under the Plan should be determined by reference to the other Articles of the Plan.

ATTACHMENT A

NORMAL RETIREMENT NONCONTRIBUTORY
MINIMUM BENEFIT RATES (FLAT RATE)

(RETIREMENTS OCTOBER 1, 1995 AND AFTER)

10/1/95
AND LATER
- - - - -
\$35.45

ATTACHMENT B

EARLY RETIREMENT REDUCTIONS
NONCONTRIBUTORY MINIMUM BENEFIT

MONTHS AGE
AT -----

RETIREMENT
(0) (1)
(2) (3)
(4) (5)
(6) (7)
(8) (9)
(10) (11)

-- LESS
THAN 55
WITH 30 OR
MORE YEARS
SERVICE 42

.210 .211
.213 .214
.215 .217
.218 .219
.221 .222
.223 .225
43 .226
.227 .229
.230 .232
.233 .235
.236 .237
.239 .240
.242 44
.243 .246
.246 .248
.249 .251
.252 .254
.256 .257
.258 .260
45 .261
.263 .265
.266 .268
.270 .272
.273 .275
.277 .279
.280 46
.282 .284
.286 .288
.289 .291
.293 .295
.297 .299
.300 .302
47 .304
.306 .308
.310 .312
.314 .316
.318 .320
.322 .324
.326 48
.328 .330
.332 .335
.337 .339
.341 .343
.346 .348
.350 .352
49 .354
.356 .359
.361 .364
.366 .369
.371 .373
.376 .378
.381 50
.383 .386
.388 .391
.394 .396

.399 .402
.404 .407
.410 .412
51 .416
.418 .421
.424 .427
.430 .433
.435 .438
.441 .444
.447 52
.450 .453
.457 .460
.463 .466
.470 .473
.476 .479
.483 .486
53 .489
.493 .496
.500 .503
.507 .510
.514 .518
.521 .525
.528 54
.532 .536
.540 .544
.548 5.52
.556 .559
.563 .567
.571 .575
55 .579
.584 .588
.593 .598
.602 .607
.612 .616
.621 .626
.630 56
.635 .640
.645 .650
.656 .660
.665 .668
.674 .678
.684 .689
57 .694
.699 .704
.709 .713
.718 .723
.728 .733
.738 .742
.747 58
.752 .757
.761 .766
.771 .775
.780 .785
.789 .794
.799 .803
59 .808
.813 .818
.823 .828
.833 .838
.842 .847
.852 .857
.882 AGE
60 TO 65
60 .867
.872 .878
.884 .889
.895 .900
.905 .911
.917 .922
.928 61
.933 .939
.944 .950
.956 .961
.967 .972
.978 .983
.989 .994
62-65
1.000

ATTACHMENT C

CONTRIBUTORY RETIREMENT BENEFIT
DEVELOPMENT OF ESTIMATED FUTURE BREAKPOINTS (MONTHLY)

.714 .717
.719 .722
.725 .728
.730 54
.733 .736
.739 .741
.744 .747
.750 .753
.756 .758
.761 .764
55 .767
.770 .773
.775 .778
.781 .784
.786 .789
.792 .795
.797 56
.800 .803
.806 .808
.811 .814
.817 .819
.822 .825
.828 .830
57 .833
.836 .839
.841 .844
.847 .850
.853 .856
.858 .861
.864 58
.867 .870
.873 .875
.878 .881
.884 .886
.889 .892
.895 .897
59 .900
.903 .906
.908 .911
.914 .917
.919 .922
.925 .928
.930 60
.933 .936
.939 .941
.944 .947
.950 .953
.956 .958
.961 .964
61 .967
.970 .973
.975 .978
.981 .984
.986 .989
.992 .995
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0.721
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0.728 61
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0.744
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0.750
0.753
0.756
0.760
0.763
0.766 62
0.769
0.775
0.782
0.788
0.795
0.801
0.808
0.814
0.820
0.827
0.833
0.840 63
0.846
0.852
0.859
0.865
0.672
0.878
0.885
0.891
0.897
0.904
0.910
0.917 64
0.923
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0.987
0.994 65
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1.000 67
1.000

Source: IRS REV. Rul. 89-70 based on a .65 excess allowance rate

ATTACHMENT F

NONCONTRIBUTORY 30 YEAR
EARLY RETIREMENT SUPPLEMENT

10/1/95
AND LATER

\$2,030

Benefits paid to age 62 and one month to employees who retire early with 30 or more years of credited service. Supplement is offset by minimum and temporary benefits. Must apply within five years after last day worked.

ATTACHMENT G

EARLY RETIREMENT
INTERIM SUPPLEMENT RATES

RETIREMENT
AGE
RETIREMENT
AGE YEARS
MONTHS*
10/1/93
10/1/94
10/1/95
YEARS
MONTHS
10/1/93
10/1/94
10/1/95 -

-- 55 0
13.65
14.05
14.55 58 0
22.80
23.50
24.35 1
13.85
14.26
14.77 1
23.03
23.73
24.59 2
14.05
14.47
14.98 2
23.25
23.96
24.83 3
14.25
14.67
15.20 3
23.48
24.19
25.06 4
14.45
14.88
15.42 4
23.70
24.42
25.30 5
14.65
15.09
15.63 5
23.93
24.65
25.54 6
14.85
15.30
15.85 6
24.15
24.88
25.78 7
15.05
15.51
16.07 7
24.38
25.10
26.01 8
15.25
15.72
16.28 8
24.60
25.33
26.25 9
15.45
15.92
16.50 9
24.83
25.56
26.49 10
15.65
16.13
16.72 10
25.05
25.79

26.73 11
15.85
16.34
16.93 11
25.28
26.02
26.96 56 0
16.05
16.55
17.15 59 0
25.50
26.25
27.20 1
16.33
16.84
17.45 1
25.83
26.59
27.55 2
16.62
17.13
17.76 2
26.16
26.93
27.91 3
16.90
17.43
18.06 3
26.49
27.28
28.26 4
17.18
17.72
18.37 4
26.82
27.62
28.62 5
17.47
18.01
18.67 5
27.15
27.96
28.97 6
17.75
18.30
18.98 6
27.48
28.30
29.33 7
18.03
18.59
19.28 7
27.80
28.64
29.68 8
18.32
18.88
19.58 8
28.13
28.98
30.03 9
18.60
19.18
19.89 9
28.46
29.33
30.39 10
18.88
19.47
20.19 10
28.79
29.67
30.74 11
19.17
19.76
20.50 11
29.12
30.01
31.10 57 0
19.45
20.05
20.80 60-
61 29.45
30.35
31.45 1
19.73
20.34
21.10 2
20.01
20.63
21.39 3
20.29
20.91
21.69 4
20.57

21.20
21.98 5
20.85
21.49
22.28 6
21.13
21.78
22.57 7
21.40
22.06
22.87 8
21.68
22.35
23.17 9
21.96
22.64
23.46 10
22.24
22.93
23.76 11
22.52
23.21
24.05

SUPPLEMENT PAID TO REGULAR EARLY
RETIREMENTS, WITH LESS THAN 30 YEARS OF
CREDITED SERVICE, TO AGE 62 AND ONE MONTH.
APPLICATION MUST BE MADE WITHIN FIVE YEARS
AFTER LAST DAY WORKED. (THE FIVE- YEAR
RESTRICTION DOES NOT APPLY TO EMPLOYEES WHO
TERMINATE UNDER THE TERMS OF THE VOLUNTARY
TERMINATION OR VOLUNTARY RESIGNATION FROM
SERVICE PROGRAMS.)

ATTACHMENT H

DISABILITY RETIREMENT
TEMPORARY BENEFIT

DATE
RATE
PER
MAXIMUM
RETIRED
YEAR
OF
SERVICE
MONTHLY
BENEFIT

10/1/95
and
after
33.10
993.00

Benefit for Disability Retirements, paid to age 62 and one month.

ATTACHMENT I

DEFERRED VESTED EARLY RETIREMENT REDUCTIONS
NONCONTRIBUTORY MINIMUM, ADDITIONAL BENEFIT AND
PART A CONTRIBUTORY BENEFIT

MONTHS AGE
AT -----

RETIREMENT
(0) (1)
(2) (3)
(4) (5)
(6) (7)
(8) (9)
(10) (11)

---	55
.425	.428
.432	.435
.438	.442
.445	.448
.451	.455
.458	.461
56	.464
.468	.471
.475	.478
.482	.485
.489	.492
.496	.499
.503	57
.506	.510
.514	.518
.522	.526
.530	.534
.538	.542
.546	.550
58	.554
.558	.563
.567	.572
.576	.581
.585	.590
.594	.599
.603	59
.607	.612
.617	.622
.627	.632
.637	.642
.647	.652
.657	.662
60	.667
.673	.678
.684	.689
.695	.700
.706	.711
.717	.722
.728	61
.733	.739
.744	.750
.755	.761
.766	.772
.778	.783
.789	.794
62	.800
.806	.811
.817	.822
.828	.833
.839	.845
.850	.856
.861	63
.867	.873
.878	.884
.889	.895
.900	.906
.911	.917

.922 .928
64 .933
.939 .944
.950 .955
.961 .966
.972 .978
.983 .989
.994 65
1.000

ATTACHMENT J

DEFERRED VESTED EARLY RETIREMENT REDUCTIONS
PART B CONTRIBUTORY BENEFIT

Effective - January 1, 1989

MONTHS AGE
AT -----

RETIREMENT

(0) (1)
(2) (3)
(4) (5)
(6) (7)
(8) (9)
(10) (11)

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0.425
0.428
0.432
0.435
0.438
0.441
0.445
0.448
0.451
0.454
0.458
0.461 56
0.464
0.468
0.471
0.475
0.478
0.482
0.485
0.489
0.492
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0.499
0.503 57
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0.550 58
0.554
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0.576
0.581
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0.598
0.603 59
0.607
0.612
0.617
0.622
0.627
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0.642

ATTACHMENT K

AUTOMATIC 60 PERCENT
SURVIVING SPOUSE REDUCTION FACTORS

NON-CONTRIBUTORY BENEFIT - INCURRED A BREAK IN SERVICE ON OR AFTER 1/1/69
CONTRIBUTORY BENEFIT - INCURRED A BREAK ON OR AFTER 10/1/74

REDUCTION
DIFFERENCE
IN AGE*
FACTOR ---

---- 10
years
younger
.925 9
years
younger
.930 8
years
younger
.935 7
years
younger
.940 6
years
younger
.945 Same
age up to
6 years
.950
Younger or
Older 6
years
older .955
7 years
older .960
8 years
older .965
9 years
older .970
10 years
older .975

* DIFFERENCES IN AGE ABOVE OR BELOW THOSE SHOWN INCREASE OR DECREASE THE
REDUCTION FACTOR RATABLY, BUT IN NO CASE WILL THE REDUCTION FACTOR EXCEED 1.

ATTACHMENT L

SPECIAL DISABILITY SURVIVOR REDUCTION FACTORS

EMPLOYEE'S
AGE ON
DATE OF
RETIREMENT
SPOUSE'S -

---- AGE
25 26 27
28 29 30
31 32 33
34 - -----

--- 18
.932 .928
.925 .921
.917 .913
.908 .904
.899 .894
19 .933
.929 .926
.922 .918
.914 .909
.905 .900
.895 20
.934 .930
.927 .923
.919 .914
.910 .905
.901 .896
21 .935
.931 .928
.923 .920
.915 .911
.906 .902
.897 22
.936 .932
.928 .925
.920 .916
.912 .907
.902 .898
23 .937
.933 .929
.926 .921
.917 .913
.908 .903
.899 24
.938 .934
.930 .927
.922 .918
.914 .909
.904 .900
25 .939
.935 .931
.928 .923
.919 .915
.910 .905
.901 26
.940 .936
.932 .929
.925 .920
.916 .911
.906 .902
27 .941
.937 .934
.930 .926
.921 .917
.912 .908
.903 28
.942 .939
.935 .931
.927 .923
.918 .914
.909 .904
29 .944

.940 .936
.932 .928
.924 .919
.915 .910
.905 30
.945 .941
.938 .934
.930 .925
.921 .916
.911 .906
31 .946
.943 .939
.935 .931
.927 .922
.917 .913
.908 32
.948 .944
.940 .936
.932 .928
.924 .919
.914 .909
33 .949
.946 .942
.938 .934
.930 .925
.920 .915
.911 34
.951 .947
.943 .940
.935 .931
.926 .922
.917 .912
35 .952
.949 .945
.941 .937
.933 .928
.923 .919
.914 36
.950 .947
.943 .938
.934 .930
.925 .920
.915 37
.948 .944
.940 .936
.931 .927
.922 .917
38 .946
.942 .938
.933 .928
.924 .919
39 .944
.940 .935
.930 .925
.920 40
.941 .937
.932 .927
.922 41
.939 .934
.929 .924
42 .936
.931 .926
43 .934
.928 44
.931

ATTACHMENT L

SPECIAL DISABILITY SURVIVOR REDUCTION FACTORS (CONT.)

EMPLOYEE'S
AGE ON
DATE OF
RETIREMENT
SPOUSE'S -

---- AGE
35 36 37
38 39 40
41 42 43
44 - -----

--- 18
.890 .885
.879 .875
19 .890
.886 .880
.875 .870
20 .891
.886 .881
.876 .871
.866 21
.892 .887
.882 .877
.872 .867
.862 22
.893 .888
.883 .878
.873 .868
.863 .858
23 .894
.889 .884
.878 .873
.868 .864
.859 .854
24 .895
.890 .885
.879 .874
.869 .864
.859 .854
.850 25
.896 .891
.886 .880
.875 .870
.865 .860
.855 .851
26 .897
.892 .887
.881 .876
.871 .866
.861 .856
.852 27
.898 .893
.888 .882
.877 .872
.867 .862
.857 .853
28 .899
.894 .889
.883 .878
.873 .868
.863 .858
.854 29
.900 .895
.890 .884
879 .874
.869 .864
.859 .855
30 .901
.896 .891
.886 .880
.875 .870
.865 .860
.856 31
.903 .898

.892 .887
.882 .877
.872 .866
.861 .857
32 .904
.899 .894
.888 .883
.878 .873
.868 .862
.858 33
.905 .900
.895 .890
.884 .879
.874 .869
.864 .859
34 .907
.902 .896
.891 .886
.881 .875
.870 .865
.860 35
.908 .903
.898 .893
.887 .882
.877 .872
.866 .862
36 .910
.905 .900
.894 .889
.884 .878
.873 .868
.863 37
.912 .907
.901 .896
.890 .885
.880 .874
.869 .864
38 .914
.908 .903
.898 .892
.887 .881
.876 .871
.866 39
.915 .910
.905 .899
.894 .888
.883 .878
.872 .867
40 .917
.912 .907
.901 .896
.890 .885
.879 .874
.869 41
.919 .914
.908 .903
.898 .892
.887 .881
.876 .872
42 .921
.916 .910
.905 .900
.894 .888
.883 .878
.872 43
.923 .918
.913 .907
.902 .896
.890 .885
.879 .874
44 .926
.920 .915
.909 .904
.898 .892
.887 .881
.876 45
.928 .922
.917 .912
.906 .900
.895 .889
.883 .878
46 .925
.919 .914
.908 .902
.897 .891
.886 .880
47 .922
.916 .911
.905 .899
.893 .888
.882 48
.919 .913
.907 .902
.896 .890
.885 49

.915 .910
.904 .898
.892 .887
50 .912
.907 .901
.895 .889
51 .909
.903 .897
.892 52
.906 .900
.894 53
.903 .897

ATTACHMENT L

SPECIAL DISABILITY SURVIVOR REDUCTION FACTORS (CONT.)

EMPLOYEE'S
AGE ON
DATE OF
RETIREMENT
SPOUSE'S -

---- AGE
45 46 47
48 49 50
51 52 53
54 - ----

--- 25
.847 26
.848 .845
27 .849
.846 .845
28 .850
.847 .846
.845 29
.851 .848
.846 .846
.847 30
.852 .849
.847 .847
.848 .851
31 .853
.850 .848
.848 .849
.852 .860
32 .854
.851 .849
.849 .850
.853 .860
.888 33
.855 .852
.850 .850
.851 .854
.861 .889
.964 34
.856 .853
.851 .851
.852 .855
.862 .889
.964 .963
35 .857
.854 .852
.852 .853
.856 .863
.890 .964
.963 36
.859 .856
.854 .853
.854 .857
.864 .891
.964 .964
37 .860
.857 .855
.854 .855
.858 .864
.892 .965
.964 38
.862 .858
.856 .855
.856 .859
.865 .892
.965 .964
39 .863
.860 .858
.857 .857
.860 .866
.893 .965
.964 40
.865 .861
.859 .858

.859 .861
.868 .894
.965 .965
41 .866
.863 .860
.859 .860
.862 .869
.895 .966
.965 42
.868 .864
.862 .861
.861 .863
.870 .896
.966 .965
43 .870
.866 .864
.862 .863
.865 .871
.897 .966
.965 44
.872 .868
.865 .864
.864 .866
.872 .898
.966 .966
45 .873
.870 .867
.866 .866
.868 .874
.898 .967
.966 46
.876 .872
.869 .868
.867 .869
.875 .900
.967 .966
47 .876
.874 .872
.869 .869
.871 .876
.901 .968
.967 48
.880 .876
.873 .871
.871 .872
.878 .902
.968 .967
49 .882
.876 .875
.873 .873
.874 .879
.903 .968
.967 50
.884 .880
.877 .875
.875 .876
.881 .904
.969 .968
51 .887
.883 .879
.877 .877
.878 .883
.906 .969
.968 52
.889 .885
.882 .880
.879 .880
.884 .907
.970 .969
53 .892
.888 .884
.882 .881
.882 .886
.908 .970
.969 54
.895 .890
.887 .884
.883 .884
.888 .910
.971 .969
55 .897
.893 .889
.887 .885
.886 .890
.911 .971
.970 56
.896 .892
.859 .888
.888 .892
.913 .972
.970 57
.895 .892
.890 .890
.894 .914
.972 .972

58 .895
.893 .893
.896 .916
.972 .972
59 .896
.895 .898
.918 .973
.972 60
.898 .901
.919 .974
.973 61
.903 .921
.974 .973
62 .923
.975 .974
63 .975
.974

ATTACHMENT N

OPTIONAL 50 PERCENT SURVIVING BENEFICIARY METHOD

(No factors available)

ATTACHMENT 0

OPTIONAL 100 PERCENT SURVIVING BENEFICIARY METHOD

(No factors available)

EXHIBIT G

BENEFITS FOR FORMER EMPLOYEES OF DELPHI AUTOMOTIVE SYSTEMS

PREAMBLE

Effective August 31, 1998, the Company purchased from Delphi Automotive Systems certain operations. In connection with this purchase, certain salaried nonunion employees of Delphi Automotive Systems became employees of the Company, effective August 31, 1998. All of these employees reside in the United States. Under the purchase agreement, the Company is obligated to provide these employees with similar retirement benefits in the aggregate to those provided under General Motors Retirement Program for Salaried Employees through October 1, 1999. This Article describes these benefits.

The language in this Exhibit G should be construed in a manner consistent with other Plan provisions. The terms used in this Exhibit G have the same meaning as under other Articles of the Plan, unless this Exhibit G explicitly provides otherwise. The retirement benefits available to former Delphi Automotive Systems employees under the Plan are determined in the same manner as the retirement benefits available to other employees of the Company, except to the extent explicitly modified by this Exhibit.

The retirement benefits described in this Exhibit G are based in part on the terms of the General Motors Retirement Programs for Salaried Employees in effect on August 30, 1998. These benefits are based upon service with both Delphi Automotive Systems and the Company for vesting and eligibility purposes only, except as specifically otherwise provided herein.

Effective as of April 1, 2002, benefits under the original Exhibit G formulas (i.e., prior to the April 1, 2002 amendments) shall be frozen, and benefits for service after March 31, 2002 shall be determined in accordance with the "regular" Lear formula, as further described in this Exhibit G.

1. DEFINITIONS

(a) CREDITED INTEREST For each Plan Year, an annual rate equal to 120 percent of the Federal Midterm Rate in effect for the first month of the Plan Year.

(b) COMBINED SERVICE Means (i) for all Employees not vested under the Delphi Retirement Plan as of August 31, 1998, Credited Service under this Plan and (ii) for all other Employees, Credited Service under this Plan plus Credited Service as of August 31, 1998 under the Delphi Retirement Plan.

(c) CREDITED SERVICE See item 3.

(d) DELPHI RETIREMENT PLAN General Motors Retirement Program for Salaried Employees, as in effect on April 1, 1998.

(e) EMPLOYEE A former nonunion salaried employee of Delphi Automotive Systems who became a salaried employee of the Company on August 31, 1998 as a result of the Company's purchase of certain operations of Delphi Automotive Systems.

(f) SERVICE Service includes all employment with the Company on and after September 1, 1998, in accordance with Section 1.41 of the Plan, plus all service recognized under the Delphi Retirement Plan for purposes of eligibility and vesting prior to August 31, 1998.

(g) SERVICE PRORATION Means the ratio of (i) Credited Service under this Plan to (ii) Combined Service.

2. ELIGIBILITY

An Employee who was a participant in the Delphi Retirement Plan on August 30, 1998 automatically became a Participant on August 31, 1998. Service prior to August 31, 1998 is included in determining if an

Employee has satisfied the eligibility requirements. If an Employee, through a change in job classification, becomes an employee compensated on an hourly basis (i.e., becomes an "hourly employee"), he or she shall not earn Credited Service for purposes of determining the amount of benefits under this Exhibit G for the period of his or her employment as an hourly employee. However, service as an hourly employee will be counted for purposes of determining eligibility for vesting, early retirement, and early retirement supplements and subsidies.

3. CREDITED SERVICE

(a) DELPHI AUTOMOTIVE SYSTEMS For Employees who were not vested in the Delphi Retirement Plan as of August 30, 1998, Credited Service shall include Credited Service as of August 31, 1998 under the Delphi Retirement Plan.

(b) For all other Employees, Credited Service under this Exhibit G is granted for each month worked (or partially worked) from September 1, 1998 through March 31, 2002 .

4. NON-CONTRIBUTORY AND CONTRIBUTORY SERVICE

(a) NON-CONTRIBUTORY SERVICE Periods of Credited Service.

(b) CONTRIBUTORY SERVICE Periods of Credited Service prior to October 1, 2000 during which the Participant contributes to the Plan while eligible to do so. If the Participant contributes to the Plan at all times while eligible to do so and contributed to the Delphi Retirement Plan at all times while eligible to do so, Contributory Service shall be equal to Non-Contributory Service. In addition, for Employees who have made contributions to the Plan under this Exhibit G prior to October 1, 2000, Contributory Service shall include all periods of Credited Service after September 30, 2000 through March 31, 2002.

5. VESTING

A Participant has a nonforfeitable right to any benefit under this Exhibit G in which the Participant is vested.

(a) THE PLAN Employees are fully vested in benefits under this Exhibit G if one of the following requirements has been met:

(i) the Employee attains his Normal Retirement Date while employed by the Company, or

(ii) the Employee earns five years of Credited Service.

Service after March 31, 2002, determined in accordance with Section 1.51 of the Plan (measured in months) shall be included in determining whether an Employee has vested benefits under this Article.

(b) EMPLOYEE CONTRIBUTIONS Participants are fully vested in Employee Contributions at all times.

6. EMPLOYEE CONTRIBUTIONS

An Employee who has satisfied the eligibility requirements of this Exhibit G may elect to contribute to the Plan. Effective as of October 1, 2000, no further Employee Contributions may be made to the Plan under this Exhibit G. However, for Participants who contributed to the Plan before October 1, 2000, for purposes of determining the benefits described in section 11(a)(i) herein, the Employee Contributions that would otherwise have been made on and after October 1, 2000 (had contributions not ceased) through March 31, 2002, as described in section 6(a) herein, will be treated as having been made.

(a) RATE OF CONTRIBUTIONS Employee Contributions under the Plan are equal to one and 1/4 percent of monthly base salary in excess of \$2,700, which is determined without regard to pretax contributions to other plans. If the Employee has made contributions to this Plan for a total of 35 years, no further employee contributions shall be permitted.

(b) METHOD OF DEDUCTION Employee contributions are deducted from each paycheck through September 30, 2000.

(c) TEMPORARY ABSENCE If a Participant is temporarily absent from active duty but is receiving salary at a reduced rate or is not receiving a salary, contributions are not required but no Contributory Benefits will accrue if no contributions are made. Contributions, if made, are based on the reduced salary. Contributions for an employee on Disability Leave of Absence, if made, are based on full monthly base salary rate. No contributions are permitted from an employee who has been laid off.

(d) WRITTEN ELECTION For Employees who were not contributing as of August 30, 1998, in order to contribute to the Plan, a Participant must complete a written election form provided by the Company. For Employees who were contributing to the Delphi Retirement Plan as of August 30, 1998, no new written election form was needed.

(e) REVOCATION AND WITHDRAWAL At any time, a Participant may revoke on a prospective basis an election to contribute to the Plan. A Participant who revokes an election to contribute cannot again contribute to the Plan for a period of one year.

This Exhibit G does not permit Employee Contributions to be withdrawn during employment.

(f) BENEFICIARY DESIGNATION At the time a Participant elects to contribute to the Plan, the Participant must designate in writing the Beneficiary to receive Employee contributions in the event of the Participant's death. If a Participant is married, such Participant's spouse is automatically named as Beneficiary unless such spouse consents in writing to an alternate Beneficiary. Spousal consent must be witnessed by a notary public. A Participant may change the written designation at any time (with spousal consent, if applicable), but the Company will not accept a Beneficiary designation received after the date of the Participant's death. If no Beneficiary is named and the Participant is not survived by a spouse, any benefit payable hereunder shall be paid to the Participant's estate.

(g) MINIMUM CONTRIBUTORY BENEFIT Any benefit which accrues under Section 11 of this Exhibit G and commences as a Retirement Benefit on an Annuity Starting Date paid in the form an annuity must have a minimum amount of total payments not less than the greater of (i) Employee Contributions plus Credited Interest at Annuity Starting Date or (ii) 125% of Employee Contributions without Credited Interest.

7. RETURN OF EMPLOYEE CONTRIBUTIONS

Employee Contributions are returned to Participants only under the circumstances described in this Section.

(a) TERMINATION BEFORE VESTING If a Participant terminates service with the Company before vesting in Company provided benefits, Employee Contributions are returned to the Participant.

(b) TERMINATION AFTER VESTING BUT BEFORE AGE 60 Unless in a layoff classification, an Employee must either: (i) elect a refund of Employee Contributions plus Credited Interest to the date of the election, or (ii) leave Employee Contributions in the Plan. Any election under 7(b)(i) requires spousal consent. If Employee Contributions are not refunded, Contributory Benefits will commence at or after age 55 and prior to age 65.

If Employee Contributions are withdrawn, the benefit payable shall be the benefit payable as if Employee Contributions had not been withdrawn, less the Actuarial Equivalent of the amount of withdrawn Employee Contributions.

(c) DEATH BEFORE VESTING If a Participant dies before vesting in Company provided benefits, the Employee Contributions plus Credited Interest are paid to the Participant's Beneficiary.

(d) MANDATORY CASH-OUTS Employee Contributions are returned to the Participant on termination of service or to the Beneficiary on the death of the Participant if the total present value of the benefits derived from both Employee and Company contributions does not exceed \$5,000. The amount of a cash-out can never be less than the Employee Contributions plus Credited Interest.

(e) CREDITED INTEREST Whenever Employee Contributions are distributed from the Plan in accordance with this Section, the distribution must include Credited Interest.

8. RETIREMENT DATES

Retirement benefits commence on the applicable retirement date.

(a) NORMAL RETIREMENT DATE The first day of the month following the month in which the Participant attains age 65.

(b) EARLY RETIREMENT DATE The first day of any month prior to the Participant's Normal Retirement Date in which the Participant terminates service with the Company under the following circumstances.

(1) AGE 55 AND 10 YEARS After the Participant has attained age 55 and has at least 10 years of Combined Service.

(2) 30 YEARS At any age, if the Participant has at least 30 years of Combined Service and was originally employed by Delphi Automotive Systems or General Motors Corporation prior to 1988.

(c) DISABILITY RETIREMENT DATE A Participant under this item 8(c) of Exhibit G shall have Total and Permanent Disability determined in accordance with Sections 1.48 and 3.04 of the Plan..

9. NON-CONTRIBUTORY AND CONTRIBUTORY BENEFITS

This Exhibit G provides for both Non-Contributory and Contributory Retirement Benefits. Participants accrue Non-Contributory Benefits during periods of Non-Contributory Service and Contributory Retirement Benefits for periods of Contributory Service.

Definitions:

Non-Contributory Benefits. The Company pays the entire cost of the benefit and provides a monthly benefit for employees who have 5 or more years of Combined Service and retire or receive deferred vested benefits under the Plan. Non-Contributory Benefits provided are Basic Normal Retirement Benefits, Basic Early Retirement Benefits and Disability Retirement Benefits. These benefits are described in item 10 herein. Non-Contributory Benefits may also include Supplemental Benefits described in item 12 herein.

Contributory Benefits. To receive full benefits under this part of the Plan, the Company and the Participant contribute to be eligible for additional benefits. Notwithstanding the foregoing, Contributory Benefits will continue to accrue for periods of Credited Service after September 30, 2000 for Participants who contributed under this Exhibit G before October 1, 2000. Contributory Benefits provided are Normal Retirement Benefits, the sum of the Basic Benefit and Supplemental Benefit, Early Retirement Benefits and Disability Retirement Benefits. These benefits are described in item 11 herein.

Effective as of April 1, 2002, the following benefits shall apply. Participants active on such date shall be entitled to the sum of (i) and (ii) below, but not less than (iii) below, where:

is the Delphi benefits otherwise described in this Exhibit G, determined as of March 31, 2002, reflecting compensation and Credited Service through March 31, 2002, is the benefit formula described in Section 4.01(a) of the Plan (i.e., the 1.0%/1.65% formula with a minimum of \$30 per month per year of Credited Service) for each year or partial year of Credited Service under Section 1.13 of the Plan earned after March 31, 2002 (to a maximum of 30 such years of Credited Service earned after March 31, 2002), and

is the benefit formula described in Section 4.01(a) of the Plan (i.e., the 1.0%/1.65% formula with a minimum of \$30 per month per year of Credited service) for each year or partial year of Credited Service (to a maximum of 30 years of Credited Service), and including both Credited Service earned under this Exhibit G through March 31, 2002 and Credited service earned after March 31, 2002 under Section 1.13 of the Plan.

For the Lear formula calculations under (ii) and (iii) above, Average Monthly Compensation will be determined based on compensation in years after 1998, averaged over the shorter of five years or the period (in months) of Credited Service from January 1, 1999 through the end of the month of termination of employment.

In the event such a Participant terminates employment when he or she is entitled to Early Retirement Benefits under this Exhibit G, item (i) above shall be reduced for early commencement, if any, in accordance with item 10(b) and 11(b) below, while items (ii) and (iii) above shall be reduced to age 55 in accordance with Section 4.03 of the Plan and, if commencement precedes age 55, Actuarial Equivalence (as defined in section (c) of Exhibit A) for periods before age 55.

If such a Participant becomes Disabled, benefits under 9(i), 9(ii) and (iii) above shall be determined as for early retirement, but with no reduction for early commencement. If the Participant reaches age 65 while Disabled, or recovers from disability and returns to employment with the Company, 9(ii) and 9(iii) above shall be redetermined, reflecting Credited Service for the period of disability. All disability benefits shall be offset by any Company-sponsored long term disability benefits payable.

10. NON-CONTRIBUTORY BASIC RETIREMENT BENEFITS

This Section describes the Non-Contributory Retirement Benefits which accrue for periods of Non-Contributory Service.

(a) BASIC NORMAL RETIREMENT BENEFITS (NON-CONTRIBUTORY) The basic monthly normal retirement benefit is \$40 multiplied by the Participant's years of Non-Contributory Service.

(b) BASIC EARLY RETIREMENT BENEFITS (NON-CONTRIBUTORY)

(i) For employees who retire at age 60 with 10 years of Combined Service, from age 55 to 60 with 85 points (1/12 point for each full month of age and 1/12 point for each full month of Combined Service) if originally hired by General Motors Corporation or Delphi Automotive Systems before 1988, or before age 55 with at least 30 years of Combined Service if originally hired by General Motors Corporation or Delphi Automotive Systems before 1988, the monthly regular early retirement benefit is calculated in the same manner as the normal retirement benefit based on Non-Contributory Service on the Participant's Early Retirement Date, reduced in accordance with the factors set forth below.

Age at Annuity Starting Date	Percentage*
42	21.0%
43	22.6
44	24.3
45	26.1
46	28.2
47	30.4
48	32.8
49	35.4
50	38.3
51	41.5
52	45.0
53	48.9
54	53.2
55	57.9
56	63.5
57	69.4
58	75.2
59	80.8
60	86.7
61	93.3
62 or Over	100.0

* Prorated for intermediate ages computed on the basis of the number of complete calendar months by which the employee is under the age attained at the employee's next birthday.

The reduction in the Basic Non-Contributory Early Retirement Benefit is eliminated beginning in the month following the month the Participant attains age 62 under the following circumstances for employees originally hired by General Motors Corporation or Delphi Automotive Systems prior to 1988:

(A) 30 YEARS The Participant has at least 30 years of Combined Service.

(B) 85 POINTS The sum of the Participant's age on the date the Participant terminates service with the Company and years of Combined Service is at least 85.

(ii) For employees eligible for Early Retirement who are not eligible under (i) above, the monthly Basic Early Retirement Benefit is calculated in the same manner as the normal retirement benefit based on Credited Service on the Participant's Early Retirement Date, reduced by .6% per month for the first 60 months and .3% per month for the next 60 months by which the Annuity Starting Date precedes age 65.

(iii) In no event will the Basic Non-Contributory Early Retirement Benefit be reduced below an amount which results in the Early Retirement Supplement under item 12 herein exceeding the product of (A) the old age insurance benefits, unreduced on account of age, payable under Title II of the Social Security Act, as amended, and (B) the Employee's Service Proration.

In addition to the foregoing, Non-Contributory Supplemental Benefits shall be paid pursuant to the provisions of Section 12.

(c) DISABILITY RETIREMENT BENEFITS (NON-CONTRIBUTORY) The monthly disability retirement benefit is calculated in the same manner as the early retirement benefit without reduction for early commencement. The disability retirement benefit is determined on the basis of the Participant's actual years of Credited Service. Disability benefits are offset by amounts received under any disability plan to which the Company has contributed.

11. CONTRIBUTORY RETIREMENT BENEFITS

This Section describes the retirement benefits which accrue for periods of Contributory Service. For Contributory Retirement Benefits after September 30, 2000, see offset in Section 11(d).

(a) NORMAL RETIREMENT BENEFITS (CONTRIBUTORY) Subject to Section 11(d) below, the monthly normal retirement benefit is (i) + (ii).

(i) BASIC BENEFIT 1/12 of total nonwithdrawn Employee Contributions under the Plan.

(ii) SUPPLEMENTAL BENEFIT The product of one percent (1%) of the Participant's Final Average Pay in excess of \$4,000 and Contributory Service not in excess of 35 years. For purposes of this Section, FINAL AVERAGE PAY is the average of the 60 highest monthly base salaries while contributing (or deemed to be contributing after September 30, 2000) during the Participant's last 120 months of employment with the Company or with Delphi Automotive Systems or any member of General Motors Corporation controlled group through March 31, 2002. If an employee transfers from an hourly rate employee to a salaried employee status, the initial salaried rate applies retroactively for purposes of computing Final Average Pay. If base salary in any of the last 120 months of employment is less than \$4,000, \$4,000 is used for that month.

(b) EARLY RETIREMENT BENEFIT (CONTRIBUTORY) Subject to Section 11(d) below, the monthly early retirement benefit is calculated in the same manner as the normal retirement benefit. If benefits commence prior to age 65, the benefits are reduced in the same manner as benefits under item 10(b)(i) or item 10(b)(ii) herein, as applicable, except that the elimination at age 62 of the early commencement reduction described in item 10(b)(i) herein does not apply.

(c) DISABILITY RETIREMENT BENEFIT (CONTRIBUTORY) Subject to Section 11(d) below, the monthly disability retirement benefit is calculated in the same manner as the early retirement benefit with the exception that the benefit is not reduced for early commencement if the Participant commences his benefit under item 10(c) herein. The disability retirement benefit is determined on the basis of the Participant's actual years of Contributory Service. Disability benefits are offset by amounts received under any disability plan to which the Company contributes.

(d) Offset for Contributory Service After September 30, 2000

For Employees who earned Contributory Service after September 30, 2000, an offset to the benefits otherwise calculated in accordance with this Section 11 shall be determined as follows:

(i) An accumulation of one and 1/4 percent of monthly base salary in excess of \$2,700 (accumulated "deemed contributions"), which is determined without regard to pretax contributions to other plans, for each complete month of employment from October 1, 2000 through March 31, 2002, shall be calculated using as the interest credited on such contributions for a calendar year the rate for 10-year Treasury Constant Maturities, as published in Federal Reserve Statistical Release H15 (or successor), in effect on the last business day of the preceding calendar year. Such accumulation will be calculated assuming the deemed contributions for a calendar year are contributed on (and begin earning interest from) December 31 of that year.

(ii) The offset shall be equal to the accumulation described in (i) above (including interest as described in (d)(i) above through the Annuity Starting Date) converted to an actuarially equivalent life annuity, using a 7% interest rate, the Applicable Mortality Table as in effect on March 31, 2002, as defined in Exhibit A, and commencement of benefits at the Participant's, or in the case of a preretirement death benefit under Section 19, the Surviving Spouse's Annuity Starting Date.

12. SUPPLEMENTAL BENEFITS

(a) ELIGIBILITY AND AMOUNT - Participants who retire on a Disability Retirement date or, if hired by General Motors or Delphi Automotive Systems before 1988, retire after they (1) have reached age 60 with 10 years of Combined Service, (2) have reached age 55 with 85 points, or (3) have attained at least 30 years of Combined Service may receive either an Early Retirement Supplement or an Interim Supplement. To be eligible for either supplement, a Participant must apply for retirement benefits within five years from the last date of active service with the Company.

(i) EARLY RETIREMENT SUPPLEMENT - For a Participant with at least 30 years of Combined Service, the monthly Early Retirement Supplement is equal to \$2,295 times the Employee's Service Proration, minus the Participant's Basic Non-Contributory benefit (item 10(b)), and minus the Participant's Supplemental Contributory Benefit (item 11(a)(ii) as modified per item 11(b)). For purposes of this subsection, the Basic Non-Contributory benefit and the Supplemental Contributory benefits are reduced for early retirement but not survivorship coverage or optional form of benefit. This supplement will also be reduced in any month such Participant is receiving social security disability benefits.

Payment of the Early Retirement Supplement commences at the same time as the early retirement benefit and continues through age 62 and one month.

For Participants active at April 1, 2002, the gross Early Retirement Supplement shall be \$2,295 times the ratio of (A) the Participant's Combined Service at March 31, 2002 (maximum 30 years), to (B) 30 years. From this shall be subtracted (X) the Participant's Basic Non-Contributory benefit [item 10(b)] determined at March 31, 2002, (Y) the Participant's Supplemental Contributory Benefit [item 11(a)(ii) as modified per item 11(b)], and (Z) \$2,295 times

the ratio of (AA) Credited Service as of August 31, 1998 under the Delphi Retirement Plan (0, if the Participant was not vested under the Delphi Retirement Plan as of August 31, 1998), to (BB) the Participant's Combined Service at early retirement date.

In no event will a Participant eligible for an Early Retirement Supplement under this Section 12(a)(i) receive lower total benefits than he or she would have received had he or she not been eligible to receive benefits under this Section 12(a)(i), but had instead received an Interim Supplement under Section 12(a)(ii).

(ii) INTERIM SUPPLEMENT - For a Participant with less than 30 years of Combined Service, who retires at or after age 55, the monthly Interim Supplement is equal to the benefit rate set forth below multiplied by years of Credited Service, minus the Participant's Supplemental Contributory Benefit (item 11(a)(ii) as modified per item 11(b) herein). An Interim Supplement may be reduced if the Participant is receiving or would be receiving Social Security benefits.

Age at Monthly Amount* for Each Retirement Year of Credited Service -- ----- ----- -----
--- 55
\$16.45 56
\$19.40 57
\$23.50 58
\$27.50 59
\$30.75 60
\$35.55 61
\$35.55

* Prorated for intermediate ages computed on the basis of the number of complete calendar months by which the employee is under the age attained at the employee's next birthday.

Payment of the Interim Supplement commences at the same time as the early retirement benefit and continues through age 62 and one month.

(iii) SUPPLEMENTAL BENEFITS LIMIT - Supplements cannot bring the total monthly benefit (excluding Basic Contributory benefit) to more than 70% of the Participant's final three month average base salary.

In no event will the Basic Non-Contributory benefits and the Participant's Supplemental Contributory Benefits be reduced below an amount which results in the Early Retirement Supplement under item 12 herein exceeding the product of (A) the old age insurance benefits, unreduced on account of age, payable under Title II of the Social Security Act, as amended, and (B) the Employee's Service Proration.

(b) The Social Security supplement is not intended to be a section 411(d)(6) protected benefit.

13. TERMINATION OF EMPLOYMENT BEFORE RETIREMENT

A Participant is eligible for a deferred vested retirement benefit if the Participant leaves the Company with a vested right to retirement benefits, pursuant to item 5 herein, before qualifying for retirement.

(a) AMOUNT The deferred vested retirement benefit is calculated in the same manner as the normal Non-Contributory and normal Contributory Retirement Benefit, but does not include any benefits under item 12 herein.

Effective as of April 1, 2002, a Participant who is actively employed on such date shall have his or her benefits determined in accordance with item 9 herein. If such benefit commences prior to age 65, item 9(i) shall be reduced for early commencement in accordance with item 13(b) below, while items 9(ii) and 9(iii) shall be reduced for early commencement in accordance with Section 4.03 of the Plan, using Actuarial Equivalence of the age 55 benefit if commencement precedes age 55.

(b) COMMENCEMENT A deferred vested retirement benefit commences in the month following the month the Participant attains age 65. A Participant may elect to begin receiving a deferred vested retirement benefit anytime after termination of employment, subject to the reductions below.

Age at Annuity Starting Date	Percentage* Starting Date	Percentage**
- 65	100.0%	
54	35.0%	64
	92.8	53
	32.1	63
	85.6	52
	29.4	62
	78.4	51
	27.0	61
	71.2	50
	24.8	60
	64.0	45
	16.4	59
	59.6	40
	11.0	58
55.5	35	7.5
57	51.2	30
5.1	56	46.8
25	3.5	55
	42.8	

* Prorated for intermediate ages computed on the basis of the number of complete calendar months by which the employee is under the age attained at the employee's next birthday.

** Actuarial reduction factors for ages not shown will be calculated on the same basis as the factors shown.

14. COMMENCEMENT DATE

A Participant begins receiving retirement benefits on the Normal Retirement Date, Early Retirement Date, or Disability Retirement Date, whichever applies. If a Participant does not retire on the Normal Retirement Date, payment of retirement benefits is postponed until the Participant terminates service with the Company.

15. NORMAL FORM OF PAYMENT

Effective April 1, 2002, the payment forms described in this Section 15 shall be available with respect to the entire accrued benefit for Participants covered by this Exhibit G [i.e., the benefits described in Sections 9(i), (ii) and (iii)], except that the "pop-up" described in Section 15(b) and Section 10(b)(i) does not occur with respect to the benefits described in Section 9(ii) and 9(iii), and thus will not be reflected in determining the benefits under the Automatic 60 Percent Surviving Spouse Method with respect to those benefits. No benefits payable to a Participant covered by this Exhibit G shall be payable under the normal or optional forms described in Article V of the Plan.

Unless a Participant elects otherwise, retirement benefits are paid in the forms described in this Section.

(a) AUTOMATIC LIFETIME ONLY METHOD Monthly installments payable for the life of the Participant. The last monthly installment is paid in the month in which the Participant dies.

(b) AUTOMATIC 60 PERCENT SURVIVING SPOUSE METHOD If a Participant has been married for at least one year on the date benefits commence, benefits are paid in the form of a joint and survivor annuity. Monthly installments are paid for the life of the Participant with payments continuing for the life of the spouse, if the spouse survives the Participant.

The Participant's monthly installments are reduced to reflect the cost of the survivor benefit. This reduction does not affect the amount of any Early Retirement Supplement or Interim Supplement. The reduction is determined by multiplying the monthly benefit payable to the employee by 5%; except that, in the case of an employee whose monthly

benefit is subject to redetermination at age 62 and one month, the amount of reduction in the monthly benefit for the survivor benefit election before the employee attains the age at which the monthly benefit is redetermined shall be based on the monthly benefit payable to such employee after the monthly benefit is redetermined. Such 5% reduction percentage shall be (i) reduced by one-half of one percent (1/2%) (to a minimum of 0%) for each 12 months in excess of five (5) years that the spouse's age exceeds the employee's age, and (ii) increased by one-half of one percent (1/2%) for each 12 months in excess of five (5) years that the spouse's age is less than the employee's age.

The survivor benefit is monthly installments for the life of the spouse equal to 60 percent of the Participant's monthly benefit. For purposes of this subsection, the Participant's monthly benefit is the amount determined after reductions for early retirement and to reflect the cost of survivor benefits, and without regard to the Early Retirement Supplement or Interim Supplement. Notwithstanding the foregoing, if the reduction in the Participant's Basic Non-Contributory Early Retirement Benefit would have been eliminated at age 62 pursuant to item 10(b)(i) herein, the survivor benefit with respect to the Basic Non-Contributory Early Retirement Benefit shall be 60% of the Participant's benefit calculated as though such elimination had already occurred. The last monthly installment is paid in the month in which the spouse dies.

Only with regard to the Basic Non-Contributory benefit, if a Participant's spouse predeceases such Participant, the Participant may cancel the survivor benefit election and have such benefit restored to the amount payable without such election.

16. OPTIONAL FORMS OF PAYMENT FOR NON-CONTRIBUTORY AND CONTRIBUTORY BENEFITS

Effective April 1, 2002, the payment forms described in this Section 16 shall be available with respect to the entire accrued benefit for Participants covered by this Exhibit G (i.e., the benefits described in Sections 9(i), (ii) and (iii), except that the "pop-up" described in items (a), (b) and (c) of this Section 16 and Section 10(b)(i) does not occur with respect to the benefits described in Section 9(ii) and 9(iii), and thus will not be reflected in determining the benefits under the Surviving Beneficiary Methods with respect to those benefits. No benefits payable to a Participant covered by this Exhibit G shall be payable under the normal or optional forms described in Article V of the Plan.

The election of one of these options is subject to the procedures described in Article V. A Participant cannot designate a Beneficiary other than the spouse without following the procedures set forth in Section 5.02 of the Plan for obtaining the spouse's written consent.

(a) **OPTIONAL 50 PERCENT SURVIVING BENEFICIARY METHOD** The same as the automatic surviving spouse method of payment for married Participants, except that the Beneficiary's monthly Non-Contributory and Contributory Benefit is equal to 50 percent of the Participant's monthly Non-Contributory and Contributory Benefit. Notwithstanding the foregoing, if the reduction in the Participant's Basic Non-Contributory Early Retirement Benefit would have been eliminated at age 62 pursuant to item 10(b)(i) herein, the survivor benefit with respect to the Basic Non-Contributory Early Retirement Benefit shall be 50% of the Participant's benefit calculated as though such elimination had already occurred. Both married and unmarried Participants may elect this option and married Participants may name a Beneficiary other than the spouse. This coverage does not apply to any Early Retirement Supplement or Interim Supplement payable to the Participant. The reduction to cover the cost of this payment method is set forth in (d) below.

(b) **OPTIONAL 75 PERCENT SURVIVING BENEFICIARY METHOD** The same as the automatic surviving spouse method of payment for married Participants, except that the Beneficiary's monthly Non-Contributory and Contributory Benefit is equal to 75 percent of the Participant's monthly Non-Contributory and Contributory Benefit. Notwithstanding the foregoing, if the reduction in the Participant's Basic Non-Contributory Early Retirement Benefit would have been eliminated at age 62 pursuant to item 10(b)(i) herein, the survivor benefit with respect to the Basic Non-Contributory Early Retirement Benefit shall be 75% of the Participant's benefit calculated as though such elimination had already occurred. Both married and unmarried Participants may elect this option and married Participants may name a Beneficiary other than the spouse. This coverage does not apply to any Early Retirement Supplement or Interim Supplement payable to the Participant. The reduction to cover the cost of this payment method is set forth in (d) below.

(c) **OPTIONAL 100 SURVIVING BENEFICIARY METHOD** The same as the automatic surviving spouse method of

payment, except that the Beneficiary's monthly Non-Contributory and Contributory Benefit is equal to the Participant's monthly Non-Contributory and Contributory Benefit. Notwithstanding the foregoing, if the reduction in the Participant's Basic Non-Contributory Early Retirement Benefit would have been eliminated at age 62 pursuant to section 10(b)(i), the survivor benefit with respect to the Basic Non-Contributory Early Retirement Benefit shall be 100% of the Participant's benefit calculated as though such elimination had already occurred. Both married and unmarried Participants may elect this option and married Participants may name a Beneficiary other than the spouse. This coverage does not apply to any Early Retirement Supplement or Interim Supplement payable to the Participant. The reduction to cover the cost of this payment method is set forth in (d) below.

(d) OPTION FACTORS

Surviving Beneficiary

Joint and Survivor Option Rate Table

FULL YEARS
FACTORS TO
CONVERT
NORMAL
FORM OF
BENEFICIARY
RETIREMENT
TO
SURVIVOR
OPTION IS
OLDER (+)
OR YOUNGER
(-) FOR
INDICATED
PERCENTAGE
THAN
EMPLOYEE
PAYABLE TO
BENEFICIARY

Full Years	Survivor Option Rate (%)
20	95.50
	96.00
100.00 +	
19	95.00
	95.50
99.50 + 18	
	94.50
	95.00
99.00 + 17	
	94.00
	94.50
98.50 + 16	
	93.50
	94.00
98.00 + 15	
	93.00
	93.50
97.50 + 14	
	92.50
	93.00
97.00 + 13	
	92.00
	92.50
96.50 + 12	
	91.50
	92.00
96.00 + 11	
	91.00
	91.50
95.50 + 10	
	90.50
	91.00
95.00 + 9	
	89.75
	90.50
94.50 + 8	
	89.00
	90.00
94.00 + 7	
	88.25
	89.50
93.50 + 6	
	87.50

89.00
93.00 + 5
86.75
88.50
92.50 + 4
86.00
88.00
92.00 + 3
85.25
87.50
91.50 + 2
84.50
87.00
91.00 + 1
83.75
86.50
90.50 0
83.00
86.00
90.00 - 1
82.25
85.50
89.50 - 2
81.50
85.00
89.00 - 3
80.75
84.50
88.50 - 4
80.00
84.00
88.00 - 5
79.25
83.50
87.50 - 6
78.50
83.00
87.00 - 7
77.75
82.50
86.50 - 8
77.00
82.00
86.00 - 9
76.25
81.50
85.50 - 10
75.50
81.00
85.00 - 11
75.00
80.50
84.50 - 12
74.50
80.00
84.00 - 13
74.00
79.50
83.50 - 14
73.50
79.00
83.00 - 15
73.00
78.50
82.50 - 16
72.50
78.00
82.00 - 17
72.00
77.50
81.50 - 18
71.50
77.00
81.00 - 19
71.00
76.50
80.50 - 20
70.50
76.00
80.00

17. SURVIVOR COVERAGE AND EARLY RETIREMENT/INTERIM SUPPLEMENT

Survivor coverage for spouses and Beneficiaries is based solely on the Non-Contributory and Contributory Retirement Benefits. Payment of the Early Retirement Supplement and the Interim Supplement always ceases in the month following the month the Participant 's death occurs, and the reductions indicated by the table in item 16(d) herein do not apply.

18. CHANGE IN METHOD OF PAYMENT

Effective April 1, 2002, this Section 18 shall apply with respect to the entire accrued benefit for Participants covered by this Exhibit G [i.e., the benefits described in Sections 9(i), (ii) and (iii)].

Except as provided in this Section, the form in which retirement benefits are paid cannot change after the Annuity Starting Date.

(a) DEATH OF SPOUSE If the form of payment is the automatic 60 percent surviving spouse method and the spouse dies after payment of benefits has commenced, the Participant may elect the automatic life only method. Such an election cannot be made if it will violate the terms of a qualified domestic relations order.

(b) DISABILITY RETIREMENT The automatic 50 percent surviving spouse method for disability retirement is cancelled if the spouse dies or is divorced from the Participant before the Participant reaches the age of 55, unless this would violate the terms of a qualified domestic relations order.

19. PRERETIREMENT DEATH BENEFIT

Effective April 1, 2002, this Section 19 shall apply with respect to the entire accrued benefit for Participants covered by this Exhibit G [i.e., the benefits described in Sections 9(i), (ii) and (iii)].

A preretirement death benefit is paid to a surviving spouse where the Participant dies before retirement with a vested right to a benefit. A spouse is eligible for a preretirement death benefit only if the spouse was married to the Participant for at least one year on the date the Participant died.

(a) NON-CONTRIBUTORY BASIC BENEFITS UPON DEATH AFTER TERMINATION OF EMPLOYMENT If a Participant dies after termination of employment with vested rights, but before satisfying the requirements for normal or regular early retirement, the spouse receives the monthly Basic Non-Contributory benefit the spouse would have received if the Participant had survived to the earliest date on which the Participant could have commenced benefits, elected to retire on that date, elected to receive the 50 percent surviving beneficiary method of payment, without regard to the reductions set forth in item 16(d) herein, and died on the following day. The spouse may elect to receive this benefit commencing any time after the Participant would have reached age 55. The reduction for early commencement of payments is the same reduction applied for deferred vested retirements as set forth in item 13(b) herein, based upon the date payments actually commence and the age the Participant would have attained had he or she survived to such date.

(b) CONTRIBUTORY BENEFITS UPON DEATH AFTER TERMINATION OF EMPLOYMENT If a Participant dies after termination of employment with vested rights, but before satisfying the requirements for normal or regular early retirement, the spouse receives the monthly Contributory benefit the spouse would have received if the Participant had survived to the earliest date on which the Participant could have commenced benefits, elected to retire on that date, elected to receive the 50 percent surviving beneficiary method of payment, without regard to the reductions set

forth in item 16(d) herein, and died on the following day. The spouse may elect to receive this benefit commencing any time after the Participant would have reached age 55. The reduction for early commencement of payments is the same reduction applied for deferred vested retirements as set forth in item 13(b) herein, based upon the date payments actually commence and the age the Participant would have attained had he or she survived to such date.

(c) NON-CONTRIBUTORY BENEFITS UPON DEATH AS AN ACTIVE EMPLOYEE OR ON DISABILITY RETIREMENT If a Participant is active or on a Disability Retirement on the date the Participant dies, the spouse's monthly benefit is equal to the Basic Non-Contributory benefit the spouse would have received if the Participant had retired on the date of death and elected the automatic 60 percent surviving spouse method of payment. Payment commences in the month following the month in which the Participant dies, unless deferred pursuant to Section 5.05.

(d) CONTRIBUTORY DEATH BENEFITS UPON DEATH AS AN ACTIVE EMPLOYEE OR ON DISABILITY RETIREMENT If a Participant is participating in the Contributory Benefit portion of the Plan, a monthly benefit shall be payable to his spouse following the employee's death, while active, or disabled and under age 65. The monthly benefit is 60% of the Participant's accrued Contributory Retirement Benefit for service to the date of death which would otherwise have been payable at age 65. The 60% is increased by 1/4% for each year in excess of five years that the spouse's age exceeds the employee's age or decreased by 1/4% for each year in excess of five years that the spouse's age is less than the employee's age. The benefit is payable immediately, whether or not the employee is vested. A minimum payout shall be made to the beneficiary or estate of the spouse equal to all employee contributions plus Credited Interest, less any amounts paid to the spouse.

20. TRANSFERRED EMPLOYEES

Notwithstanding anything in this Exhibit G to the contrary, with regard to employees covered under this Exhibit G who retire by October 1, 1999, assets and liabilities relating to their benefits under this Plan shall be transferred to the Delphi Retirement Plan and the monthly pension of such employees shall be paid solely from the Delphi Retirement Plan.

21. AMENDMENT OF THIS EXHIBIT

The Company may, in its discretion, amend this Exhibit. An amendment cannot reduce the amount of any Participant's accrued benefit as of the date the amendment is adopted. If the amendment will result in a decrease in future benefit accruals, the Participants must be given notice of the amendment after it is adopted and not less than 15 days before the effective date.

22. TERMINATION OF THIS EXHIBIT

The Company reserves the right to terminate this benefit structure in the event it adversely affects the Plan's qualified status under the Internal Revenue Code. This benefit structure will be considered to have an adverse impact on the Plan's qualified status if it becomes impossible to maintain the Plan's qualified status without modifying in some way the benefits of Participants who are not eligible for this benefit structure.

23. INTERPRETATION OF THIS EXHIBIT

The Company has the discretion to construe the language in this Exhibit and determine eligibility for and the amount of benefits. The Company also has the discretion to construe the terms of the Delphi Retirement Plan if interpretation of this Exhibit requires reference to that Plan.

24. COORDINATION WITH OTHER PLAN PROVISIONS

The rights of Employees under the Plan are precisely the same as the rights of other Company Employees, except to the extent this Exhibit explicitly provides otherwise. Except for matters explicitly addressed in this Exhibit, the rights of an Employee under the Plan should be determined by reference to the other Articles of the Plan.

EXHIBIT H

Average Monthly Benefit Payable From the Retirement Plan for Salaried Employees
of ITT Industries (Section 4.01(f)(iii)(Y))

EXHIBIT I

DIVESTITURES

1. Sealant Operations

As soon as practicable after June 30, 2000, a transfer of assets and liabilities shall be made from the Plan to the plan or plans designated by Acoustiseal, Inc., (the "Purchaser" of Lear's Sealant operations at St. Louis and Kansas City), with respect to Participants at such operations actively at work on June 15, 2000. Such transfer of assets and liabilities shall be in accordance with regulations under Code section 414(l). On and after the date of such transfer of assets and liabilities, the Employees referred to in this Exhibit I, item 1, shall be entitled to benefits from the Purchaser's plan(s) rather than from the Plan.

LEAR CORPORATION
EXECUTIVE SUPPLEMENTAL SAVINGS PLAN

AMENDED AND RESTATED DECEMBER 31, 2002

FOREWORD

Effective as of January 1, 1997, Lear Corporation adopted the Lear Corporation Executive Supplemental Savings Plan (the "Plan") for the benefit of certain of its key executives. Effective as of January 1, 2002 and January 1, 2003, except as otherwise provided, Lear Corporation has again amended and restated the Plan to reflect permitted changes that may be made to deferred compensation elections and certain other changes.

The purposes of the Plan are (a) to permit certain key executives to elect to defer payment of a portion of current compensation until a later year, and (b) to provide participants and their beneficiaries under the Lear Corporation Salaried Pension Plan (the "Pension Plan"), the Lear Corporation Salaried Retirement Savings Plan (the "Savings Plan") and the Lear Corporation Pension Equalization Program (the "SERP") with the amount of retirement income that is not provided under the Pension Plan, Savings Plan or SERP by reason of the participant having elected to defer compensation under this Plan or under Section 8.2 of the Lear Corporation Long Term Stock Incentive Plan.

It is intended that the Plan be an unfunded deferred compensation plan for "a select group of management or highly compensated employees," as that term is used in the Employee Retirement Income Security Act of 1974, as amended.

SECTION ONE

Definitions

- 1.1 Except to the extent otherwise indicated herein, and except to the extent otherwise inappropriate in the context, the definitions contained in the Pension Plan and Savings Plan are applicable under the Plan.
- 1.2 "Actuarial Equivalent" means, with respect to any specified annuity or benefit, another annuity or benefit, commencing at a different date and/or payable in a different form than the specified annuity or benefit, but which has the same present value as the specified annuity or benefit, when measured using the Applicable Interest Rate and Applicable Mortality Table as specified in the Pension Plan.
- 1.3 "Benefits Committee" means the Benefits Committee of the Corporation, as appointed by the Board of Directors.
- 1.4 "Board of Directors" means the Board of Directors of the Corporation.
- 1.5 "Code" means the Internal Revenue Code of 1986, as amended. Any reference to any Code Section shall also mean any successor provision thereto.
- 1.6 "Corporation" means Lear Corporation and any successor to such corporation by merger, purchase or otherwise.
- 1.7 "Deferred Account" means the bookkeeping account established under Section 3.1 established on behalf of a participant, and includes any deemed earnings credited thereon.
- 1.8 "Deferred Compensation" means the amount of a Key Executive's compensation that such Key Executive has deferred until a later year pursuant to an election under Section 2.2 of this Plan.
- 1.9 "Key Executive" means an executive employed by the Corporation who is entitled to participate in the Plan under Section 2.1.
- 1.10 "Long Term Stock Incentive Plan" means the Lear Corporation Long Term Stock Incentive Plan.
- 1.11 "Management Stock Purchase Program" or "MSPP" means the election to defer compensation for purposes of purchase of Company stock in accordance with Section 8.2 of the Lear Corporation Long Term Stock Incentive Plan.

- 1.12 "Pension Plan" means the Lear Corporation Pension Plan.
- 1.13 "Pension Make-up Amount" means the pension benefits established under Section 3.2 on behalf of a participant.
- 1.14 "Plan" means the Lear Corporation Executive Supplemental Savings Plan as from time to time in effect.
- 1.15 "Savings Plan" means the Lear Corporation Salaried Retirement Savings Plan. For 1997, Savings Plan shall also include the Masland Associates Security Plan.
- 1.16 "Savings Make-up Account" means the bookkeeping account established under Section 3.3 established on behalf of a participant, and includes any deemed earnings credited thereon.
- 1.17 "SERP" means the Lear Corporation Pension Equalization Program.

SECTION TWO

Participation and Deferral Election

2.1 Eligibility

Participation in the Plan shall be limited to employees of the Corporation, and any affiliated company participating in the Lear Corporation Pension Plan and/or the Lear Corporation Salaried Retirement Savings Plan, who are designated by the Senior Vice President of Human Resources of the Corporation and approved for participation in the Plan by the Benefits Committee ("Key Executives"). For purposes of participation as of January 1, 1997, this includes all Vice Presidents of the Corporation and its domestic subsidiaries, as well as all employees earning base pay of at least the "Base Salary Threshold" as of November 15, 1996. As of November 15, 1996, the Base Salary Threshold is \$125,000.

If first employed after November 15, 1996, an employee shall be eligible to participate as of the first of the month following one full calendar month of employment if he or she is a Vice President of the Corporation and its domestic subsidiaries, or his or her base salary as of date of employment is at least five sixths of the annual limit (as of such date of employment) under Code Section 401(a)(17), rounded to the nearest dollar, subject to approval of the Senior Vice President of Human Resources of the Corporation.

For years beginning January 1, 2001 and thereafter, an employee shall be eligible to participate as of the first of the month following one full calendar month of employment if he or she is a Vice President of the Corporation and its domestic subsidiaries, and any affiliated company participating in the Lear Corporation Pension Plan and/or the Lear Corporation Salaried Retirement Savings Plan, or his or her base salary as of date of employment is at least five sixths of the annual limit (as of such date of employment) under Code Section 401(a)(17), rounded to the nearest dollar, subject to approval of the Senior Vice President of Human Resources of the Corporation. An employee will automatically be eligible to participate if he or she is designated as an Eligible Employee for the MSPP for the coinciding Plan Year, even if that person is not otherwise eligible for this Plan in accordance with this paragraph.

As of each November 15, the Base Salary Threshold shall be redetermined as five sixths of the annual limit (as of such November 15) under Code Section 401(a)(17), rounded to the nearest dollar. Employees who have never participated under the Plan but who are Vice Presidents of the Corporation and its domestic subsidiaries, and any affiliated company participating in the Lear Corporation Pension Plan and/or the Lear Corporation Salaried Retirement Savings Plan, or earning base pay of at least the "Base Salary Threshold" shall be eligible to participate as of the following January 1.

Employees who elect to participate in the Plan shall continue to be eligible to participate in the Plan in future years, notwithstanding their base salary as of a November 15 falling below the Base Salary Threshold for employees who have never participated in the Plan.

2.2 Deferral Election

Elections of Deferred Compensation shall be made only by Key Executives and shall be on forms furnished by the Benefits Committee. A Deferred Compensation election shall apply only to compensation (as defined below) for the particular year specified in the election. Key Executives shall specify the percentage of such compensation to be deferred under the election, which percentage may not exceed the maximum rate of Employee Tax-deferred Contributions permitted under the Savings Plan for the year. For purposes of the preceding sentence, the term "compensation" means base pay plus short-term incentive bonuses as paid prior to reduction for (a) his or her Deferred Compensation election under this Plan, (b) pre-tax contributions under the Savings Plan and (c) any pre-tax contributions toward health care under Code Section 125, which is in excess of Limited Compensation. "Limited Compensation" is the smaller of (A) the limit on pensionable compensation specified by Code Section 401(a)(17) (including adjustments for changes in the cost of living as prescribed by the Code), or (B) compensation earned prior to the time the employee reaches the limit on Employee Tax-deferred Contributions specified by Code Section 402(g) (including adjustments for changes in the cost of living as prescribed by the Code).

Except as provided in the following paragraph, a Deferred Compensation election with respect to compensation for a particular calendar year (i) must be made before January 1 of such calendar year (or prior to participation in the Plan if the Key Executive becomes eligible to participate during the calendar year), (ii) must specify (from the available alternatives) the date such Deferred Compensation is to be paid (or commence to be paid) and, if such date is at termination of employment, the number of installments (not to exceed 10 years) in which such Deferred Compensation is to be paid, and (iii) once made, cannot be changed or revoked.

Effective with elections with respect to deferrals of compensation for calendar years beginning with 2003, Key Executives may change their elections made in prior years with regard to the payment date and number of installments, under the following conditions:

- a. such re-election shall be made on forms furnished by the Benefit Committee;
- b. such re-election shall be made from the available alternate dates and forms in effect at the time of such re-election; and
- c. such re-election shall only take effect if the Key Executive terminates employment on or after the second January 1 following such re-election, with the latest effective election or re-election on file determining the date and form of distribution if the Key Executive terminates employment prior to such second January 1 following the re-election.

In the case of an employee who is eligible under Section 2.1 as of one month following his or her date of employment, any Deferred Compensation election must be made within 30 days of employment, and it will apply to compensation earned from date of eligibility for the Savings Plan through the end of that calendar year.

2.3 Deferral Suspension

If a Key Executive makes a withdrawal of his or her 401(k) contributions under the Savings Plan and thereby becomes subject to a suspension of contributions under the Savings Plan, his or her Deferred Compensation under this Plan shall also be suspended for the same period required under the Savings Plan.

SECTION THREE

Accounts

3.1 Deferred Account

The aggregate of the amounts of Deferred Compensation and deemed earnings on such amounts shall be paid to the participant or his or her beneficiary, as applicable, from the general assets of the Corporation in accordance with this Plan and related election forms. Deemed earnings with respect to Deferred Compensation shall be credited monthly at the monthly compound equivalent of the Prime Rate plus 1% in effect at the beginning of each calendar quarter. Effective January 1, 1998, the interest rate will be credited at the Prime Rate in effect at the beginning of each calendar quarter. The Prime Rate shall be the prime rate as published in the Wall Street Journal Midwest edition showing such rate in effect as of the first business day of each calendar quarter. A bookkeeping account shall be maintained for each affected participant to record the amount of such Deferred Compensation and deemed earnings thereon. Participants are always 100 percent vested in their Deferred Accounts.

The Plan Administrator may also maintain separate bookkeeping accounts for Deferred Compensation for each participant for each calendar year plus deemed earnings with respect to such Deferred Compensation, to facilitate calculation upon distribution.

3.2 Pension Make-up Amount

A bookkeeping account shall be established on behalf of each participant in the Plan which, at any time, shall yield a benefit equal to the benefit as of such date that would have accrued under the Pension Plan and/or the SERP had the participant not elected to defer compensation under Section 2.2 of this Plan and not elected to defer compensation under the MSPP.

A participant shall be vested in his or her Pension Make-up Amount after three years of Service (as defined in the Pension Plan).

3.3 Savings Make-up Account

A bookkeeping account shall be established on behalf of each participant in the Plan, which shall be credited with the excess, if any, of (i) the amount of employer matching contributions which would have been made on behalf of a participant had the participant's Deferred Compensation been contributed to the Savings Plan (without regard to any refunds of participant contributions required under the Code, or the effects of Code Sections 401(a)(17), 402(g) or 415), over (ii) actual employer matching contributions under the Savings Plan. The Savings Make-up Account shall be credited monthly with deemed investment earnings at the monthly compound equivalent of the Prime Rate plus 1% in effect at the beginning of each calendar quarter. Effective January 1, 1998, the interest rate will be credited at the Prime Rate in effect at the beginning of each calendar quarter. The Prime Rate shall be the prime rate as published in the Wall Street Journal Midwest edition showing such rate in effect as of the first business day of each calendar quarter. A participant is vested in his or her Savings Make-up Account after three years of Service (as defined in the Pension Plan).

3.4 MSPP Make-up Account

A bookkeeping account shall be established on behalf of each participant in the Plan, which shall be credited with the excess, if any, of (i) the amount of employer matching contributions which would have been made on behalf of a participant had the participant's deferred compensation under the MSPP been contributed to the Savings Plan (without regard to any refunds of participant contributions required under the Code, or the effects of Code Sections 401(a)(17), 402(g) or 415), up to, but not exceeding the rate at which the participant contributed to the Savings Plan for such year, over (ii) actual employer matching contributions under the Savings Plan. The MSPP Make-up Account shall be credited monthly with deemed investment earnings at the monthly compound equivalent of the Prime Rate plus 1% in effect at the beginning of each calendar quarter. Effective January 1, 1998, the interest rate will be credited at the Prime Rate in effect at the beginning of each calendar quarter. The Prime Rate shall be the prime rate as published in the Wall Street Journal Midwest edition showing such rate in effect as of the first business day of each calendar quarter. A participant is vested in his or her MSPP Make-up Account after three years of Service (as defined in the Pension Plan).

SECTION FOUR

Payment of Benefits

4.1 Event of Payment

The vested account balances of all of a participant's Accounts are payable as hereinafter provided. No withdrawals, including loans, may be allowed from the Plan for any reason while the participant is still employed by the Corporation; however, reemployment of a participant shall not suspend the payment of any benefits hereunder.

4.2 Payment of Deferred Account

Payment of benefits from a participant's Deferred Account shall be made in accordance with deferred compensation agreements made at the time the participant elected to defer compensation. A separate deferred compensation agreement shall govern each year's Deferred Compensation and deemed earnings on such Deferred Compensation attributable to any year. The terms of these deferred compensation agreements dealing with the timing and form of payment may be changed from year to year by the Benefits Committee, but once an election is made by a participant as to the timing and form of a distribution from the Deferred Account with respect to a particular year, such election is irrevocable, except as provided in Section 2.2.

4.3 Payment of Savings Make-up Account

Distributions from the Savings Make-up Account shall be made in the same form and at the same time as benefit payments made under the Savings Plan.

Effective for terminations of employment on and after January 1, 2001, distributions from the Savings Make-up Account shall be made in the same form and at the same time as payments made in accordance with a participant's latest effective deferral election; however in no event shall payment of benefits in the form of a single lump sum be made prior to the January 1 following the date of the participant's termination of employment. A participant's latest deferral election becomes effective as of the January 1 following the date of such election, or such later date as may apply to newly-hired participants.

4.4 Payment of MSPP Make-up Account

Distributions from the MSPP Make-up Account shall be made in the same form and at the same time as benefit payments made under the Savings Plan.

Effective for terminations of employment on and after January 1, 2001, distributions from the MSPP Make-up Account shall be made in the same form and at the same time as payments made in accordance with a participant's latest effective deferral election; however in no event shall payment of benefits in the form of a single lump sum be made prior to the January 1 following the date of the participant's termination of employment. A participant's latest deferral election becomes effective as of the January 1 following the date of such election, or such later date as may apply to newly-hired participants.

4.5 Payment of Pension Make-up Amount

Except as provided in Section 4.6 below, distributions of the Pension Make-up Amount shall be made in the same form and at the same time as benefit payments made under the Pension Plan. To the extent a lump sum is payable from this Plan in accordance with this Section 4.5, the Actuarial Equivalence for such lump sum shall be determined in accordance with Exhibit A, item (c) of the Pension Plan.

4.6 Other Distributions of Pension Make-up Amount

- (a) If the aggregate value of a participant's Pension Make-up Amount (determined in accordance with Actuarial Equivalence as determined under the Pension Plan) is less than \$10,000, the participant or his or her beneficiary shall receive benefits under this Plan in the form of a single lump sum as soon as practicable after termination of employment, without regard to distribution elections made under the Pension Plan.
- (b) Notwithstanding Section 4.5 or subparagraph (a) of this Section, if an active participant is eligible to elect and so elects, the participant may receive the present value (as hereinafter defined) of the Pension Make-up Amount paid in a lump sum upon termination of employment.
- (i) Such election shall not be effective if termination of employment occurs before the end of the first full calendar year beginning after the election is made, except if termination occurs by reason of death.
 - (ii) Eligibility to elect this form of benefit shall be limited to employees who will be at least age 62 and have 10 years of Service (as defined in the Pension Plan) when benefits are to be paid, and (A) if the employee is restricted in stock ownership trades under Section 16b of the Security Exchange Commission Regulations, have approval of the Compensation Committee of the Board of Directors, or (B) if the employee is not restricted in stock ownership trades under Section 16b of the Security Exchange Commission Regulations, have approval of the Chief Executive Officer of the Corporation.
 - (iii) Present value shall mean the lump sum Actuarial Equivalent as defined under Exhibit A, item (c) of the Pension Plan.
 - (iv) The benefit calculation shall be made based on the immediate benefit, reduced as in accordance with the terms of the Pension Plan.
 - (v) If a participant becomes disabled, as defined in the Pension Plan, termination of employment shall be deemed to occur upon cessation of benefit accruals under the Pension Plan.
- (c) Notwithstanding Section 4.5 or subparagraph (a) of this Section, if an active participant is eligible to elect and so elects, the participant may receive the Pension Make-up Amount paid in a series of annual installments, as elected by the participant and not to exceed 20 years, commencing as of the first of the month coincident with or next following termination of employment and payable as of each anniversary thereafter.
- (i) Such election shall not be effective if termination of employment occurs before the end of the first full calendar year beginning after the election is made, except if termination occurs by reason of death.
 - (ii) Eligibility to elect this form of benefit shall be limited to employees who will be at least age 62 and have 10 years of Service (as defined in the Pension Plan) when benefits are to be paid, and (A) if the employee is restricted in stock ownership trades under Section 16b of the Security Exchange Commission Regulations, have approval of the Compensation Committee of the Board of Directors, or (B) if the employee is not restricted in stock ownership trades under Section 16b of the Security Exchange Commission Regulations, have approval of the Chief Executive Officer of the Corporation.
 - (iii) The amount of each annual installment shall mean the Actuarial Equivalent, using interest only, of the lump sum as defined under subsection 4.6(b). The interest rate for purposes of converting the lump sum into the level installments shall be the interest rate used to determine the lump sum. Interest on the unpaid portion shall be credited monthly with deemed investment earnings at the monthly compound equivalent of the Prime Rate plus

1% in effect at the beginning of each calendar quarter. Effective January 1, 1998, the interest rate will be credited at the Prime Rate in effect at the beginning of each calendar quarter. The Prime Rate shall be the prime rate as published in the Wall Street Journal Midwest edition showing such rate in effect as of the first business day of each calendar quarter. To the extent that the remaining unpaid balance as of each anniversary date is different from the scheduled amount based on the previous anniversary date calculation, the annual installment for that year shall be adjusted to reflect such difference.

- (iv) If a participant becomes disabled, as defined in the Pension Plan, termination of employment shall be deemed to occur upon cessation of benefit accruals under the Pension Plan.
- (v) If a participant in receipt of such annual installments dies, the unpaid balance in the participant's account shall be paid in a lump sum to the participant's beneficiary for purposes of the Pension Make-up Amount.

4.7 Beneficiaries

The participant's beneficiary under this Plan with respect to his or her participant Deferred Account shall be the person or persons designated as beneficiary by the participant by filing with the Benefits Committee a written beneficiary designation on a form provided by, and acceptable to, such Benefits Committee. In the event the participant does not make an effective designation of a beneficiary with respect to his or her participant deferred account, the participant's beneficiary with respect to his or her participant deferred account shall be the beneficiary of such participant's beneficiary under the Savings Plan.

The participant's beneficiary under this Plan with respect to his or her Pension Make-up Amount shall be the person who is entitled to benefit payments under the Pension Plan because of the death of the participant.

The participant's beneficiary under this Plan with respect to his or her Savings Make-up Account shall be the person who is entitled to benefit payments under the Savings because of the death of the participant.

The participant's beneficiary under this Plan with respect to his or her participant MSPP Make-up Account shall be the person or persons designated as beneficiary by the participant by filing with the Benefits Committee a written beneficiary designation on a form provided by, and acceptable to, such Benefits Committee. In the event the participant does not make an effective designation of a beneficiary with respect to his or her participant deferred account, the participant's beneficiary with respect to his or her MSPP Make-up Account shall be the beneficiary of such participant's beneficiary under the Savings Plan.

4.8 Termination of the Pension Plan or Savings Plan

In the event that the Pension Plan is terminated, payments of the Pension Make-up Amount which have not previously been paid shall continue to be paid directly by the Corporation but only to the same extent and for the same duration as that part of the payee's benefit from the Pension Plan, which is directly related to such Pension Make-up Amount, is continued to be provided by the assets of the Pension Plan.

In the event that the Savings Plan is terminated, Savings Make-up Accounts and MSPP Make-up Accounts shall be paid directly by the Corporation in the same manner as the distribution of the participant's accounts under the Savings Plan.

SECTION FIVE

Administration and General Provisions

5.1 Plan Administrator

The Benefits Committee shall be the "administrator" of the Plan within the meaning of the Employee Retirement Income Security Act of 1974, as amended.

5.2 Benefits Committee

The Benefits Committee shall be vested with the general administration of the Plan. The Benefits Committee shall have the exclusive right to interpret the Plan provisions and to exercise discretion where necessary or appropriate in the interpretation and administration of the Plan and to decide any and all matters arising thereunder or in connection with the administration of the Plan. The decisions, actions and records of the Benefits Committee shall be conclusive and binding upon the Corporation and all persons having or claiming to have any right or interest in or under the Plan.

The Benefits Committee may delegate to such officers, employees or departments of the Corporation such authority, duties, and responsibilities of the Benefits Committee as it, in its sole discretion, considers necessary or appropriate for the proper and efficient operation of the Plan, including, without limitation, (i) interpretation of the plan, (ii) approval and payment of claims, and (iii) establishment of procedures for administration of the Plan.

5.3 General Provisions

- (a) The Corporation shall make no provision for the funding of any benefits payable hereunder that (i) would cause the Plan to be a funded plan for purposes of Code Section 404(a)(5), or Title I of the Employee Retirement Income Security Act of 1974, as amended, or (ii) would cause the Plan to be other than an "unfunded and unsecured promise to pay money or other property in the future" under Treasury Regulations section 1.83-3(e); and shall have no obligation to make any arrangement for the accumulation of funds to pay any amounts under this Plan. Subject to the restrictions of the preceding sentence, the Corporation may establish a grantor trust described in Treasury Regulations sections 1.677(a)(-1)(d) and accumulate funds therein to pay amounts under the Plan, provided that the assets of the trust shall be required to satisfy the claims of the Corporation's general creditors in the event of the Corporation's bankruptcy or insolvency.
- (b) In the event that the Corporation shall decide to establish an advance accrual reserve on its books against the future expense of the Plan, or to establish a grantor trust (which trust will conform to the terms of the model trust described in Rev. Proc. 92-64) with assets subject to the claims of creditors, such reserve or trust shall not under any circumstances be deemed to be an asset of this Plan but, at all times, shall remain a general asset of the Corporation, subject to the claims of the Corporation's creditors.
- (c) A person entitled to any amount under this Plan shall be a general unsecured creditor of the Corporation with respect to such amount.

SECTION SIX

Amendment and Termination

6.1 Amendment of the Plan

Subject to the provisions of Section 6.3, the Plan may be wholly or partially amended or otherwise modified at any time by the Compensation Committee of the Board of Directors.

6.2 Termination of the Plan

Subject to the provisions of Section 6.3, the Plan may be terminated at any time by the Compensation Committee of the Board of Directors.

6.3 No Impairment of Benefits

Notwithstanding the provisions of Sections 6.1 and 6.2, no amendment to or termination of the Plan shall impair any rights to benefits which have accrued hereunder.

Adopted:

By: /s/ Michael P. Miller

Name: Michael P. Miller

Title: Vice President Global
Compensation and Benefits

Date: December 31, 2002

SUMMARY OF CERTAIN RETIREMENT BENEFIT ARRANGEMENTS WITH KENNETH L. WAY

Mr. Way retired as the Chairman of the Board of Lear Corporation in December 2002. Mr. Way led Lear since it became an independent company in 1988, and he contributed significantly to Lear's success. In recognition of Mr. Way's contributions, Lear's Compensation Committee approved a special recognition award in the amount of \$1,500,000. The special recognition award was issued to Mr. Way in the form of 55,514.43 phantom stock units which will be paid in cash or shares of Lear common stock, at the discretion of Lear, on the earlier of January 1, 2006 or the date on which Mr. Way no longer serves as a director or has any other associations with Lear. A cash payment would be determined by the current trading price of Lear's common stock at the time of payment multiplied by the number of phantom stock units. Lear has also agreed to provide Mr. Way with the following retirement provisions: (a) medical and dental coverage under COBRA until June 2004 (at which time Mr. Way will be covered by Lear's retiree medical plan), (b) use of a company vehicle and gas card until June 2004, (c) dues for existing country club memberships until June 2004, and (d) financial counseling and tax preparation services through the end of 2004. Mr. Way also received a payment in the amount of \$79,482.81 in March 2003 in connection with the payout of performance shares to Lear's senior management under the Long-Term Stock Incentive Plan. In connection with his retirement, Mr. Way is also entitled to a pension under Lear's Qualified and Non-Qualified plans as well as payments under Lear's Executive Supplemental Savings Plan and Retirement Savings Plan based on the terms and conditions of such plans and the respective elections made by Mr. Way under such plans.

July 5, 2000

Mr. David C. Wajsglas
2464 Heronwood
Bloomfield Hills, MI 48302

Dear Dave:

Lear Corporation (the "Company") considers it essential to its best interest and the best interests of its stockholders to foster the continuous employment of key management personnel.

The Board of Directors of the Company (the "Board") has determined that appropriate steps should be taken to reinforce and encourage the continued attention and dedication of members of the Company's management, including yourself, to their assigned duties. The Board recognizes that, as is the case with many publicly-held companies, the possibility of a Change in Control (as that term is hereafter defined) exists. The Company wishes to assure itself of both present and future continuity of management in the event of any Change in Control and that certain of its executives are not practically disabled from discharging their duties upon a Change in Control. In order to induce you to remain in the employ of the Company, and in consideration of your agreement to the termination of any existing employment contract you may have with the Company or any predecessor, the Company agrees that you shall receive, upon the terms and conditions set forth herein, the compensation and benefits set forth in this letter agreement ("Agreement") during the Term hereof.

1. TERM OF AGREEMENT. This Agreement shall commence as of July 1, 2000 ("Effective Date") and the term of this Agreement shall at all times be three years, that is, the term of this Agreement shall be automatically extended each day for an additional day such that this Agreement shall continually have an unexpired term of three years, until the date three years after written notice is provided by either the Company or the Executive that this Agreement is not to be further extended or until the date the Executive reaches his or her normal retirement date under the Company's retirement plan for salaried employees then in effect, whichever shall first occur (the "Term"). There shall be no renewal of the Term after the Date of Termination.

2. TERMS OF EMPLOYMENT. During the Term, you agree to be a full-time employee of the Company serving in the position of Vice President - Controller of the Company and to devote substantially all of your working time and attention to the business and affairs of the Company and, to the extent necessary, to discharge the responsibilities associated with your position as Vice President - Controller of the Company, to use your best efforts to perform faithfully and efficiently such responsibilities. In addition, you agree to serve in such other capacities or offices to which you may be assigned, appointed or elected from time to time by the Board. Nothing herein shall prohibit you from devoting your time to civic and community activities, serving as a member of the Board of Directors of other corporations who do not compete with the Company, or managing personal investments, as long as the foregoing do not interfere with the performance of your duties hereunder.

3. COMPENSATION.

(i) As compensation for your services, under this Agreement, you shall be entitled to receive an initial base salary of \$275,000 per annum, to be paid in accordance with existing payroll practices for executives of the Company. Increases in your base salary, if any, shall be as approved by the Compensation Committee of the Board. In addition, you shall be eligible to receive an annual incentive compensation bonus ("Bonus") to be approved from time to time by the Compensation Committee of the Board.

(ii) In addition to compensation provided for in Subsection (i) of this Section 3, the Company agrees (A) to provide the same or comparable benefits with respect to any compensation or benefit plan in which you participate as of the Effective Date which is material to your total compensation, unless an equitable arrangement (embodied in an ongoing substitute or alternative plan) has been made with respect to such plan; and (B) to maintain your ability to participate therein (or in such substitute or alternative plan) on a basis not materially less favorable, both in terms of the opportunities provided and the level of your participation relative to other participants, than exists on the Effective Date.

(iii) The Company shall reimburse you for all reasonable travel, entertainment and other business expenses incurred by you in the performance of your responsibilities under this Agreement promptly upon receipt of written substantiation of such expenses. You shall also be paid all additional amounts necessary to discharge all federal and state tax liabilities incurred by you that are attributable to all deemed compensation arising as a consequence of your personal use of property owned or leased by the Company, excepting only your personal use of any Company aircraft, including federal and state taxes assessed against such additional compensation.

(iv) You shall be entitled to perquisites available to other officers of the

Company, and shall be entitled to four (4) weeks of vacation per year.

4. TERMINATION OF EMPLOYMENT. Your employment may be terminated as set forth herein. If your employment should terminate during the Term, your entitlement to benefits shall be determined in accordance with Section 5 hereof.

(i) NOTICE. Your employment may be terminated by either the Company or you by giving a Notice of Termination, as defined in Subsection (vii) of this Section 4.

(ii) DISABILITY. If, as a result of your incapacity due to physical or mental illness, you become permanently disabled and begin actually to receive disability benefits pursuant to the Lear Corporation's Salary Continuation Plan, the Lear Corporation's Long Term Disability (LTD) Plan for Salaried Employees, the Lear Corporation Executive Disability Insurance Plan or any successor thereto, your employment may be terminated for "Disability".

(iii) CAUSE. Termination of your employment for "Cause" shall mean termination upon:

(A) an act of fraud, embezzlement or theft by you in connection with your duties or in the course of your employment with the Company;

- (B) your intentional wrongful damage to the property of the Company;
- (C) your intentional wrongful disclosure of secret processes or confidential information of the Company;
- (D) your intentional breach of Section 10 or Section 11 hereof while you remain in the employ of the Company;
- (E) an act of Sexual Harassment (as defined below);
- (F) an act of Gross Misconduct (as defined below);
- (G) discrimination on the basis of race, color, religion or national origin; or
- (H) a felony conviction for a crime involving moral turpitude.

and the determination by the Directors of the Company as hereafter provided that any such act shall have been materially harmful to the Company. For purposes of this Agreement, "Sexual Harassment" shall mean unwelcome sexual advances, requests for sexual favors, and other verbal or physical conduct of a sexual nature, based on the totality of the circumstances, such as the nature of the sexual advances and the context in which the alleged incidents occurred, when (1) submission to such conduct is made either explicitly or implicitly a term or condition of an individual's employment, (2) submission to or rejection of such conduct by an individual is used as the basis of employment decisions affecting such individual, or (3) such conduct has the purpose or effect of unreasonably interfering with an individual's work performance or creating an intimidating, hostile, or offensive working environment. For purposes of this Agreement, "Gross Misconduct" shall mean a willful or negligent act or omission, which is contrary to established policies or practices of the Company and which has or will have a material and adverse impact on the business or reputation of the Company, or on the business of the Company's customers or suppliers as such relate to the Company. For purposes of this Agreement, no act, or failure to act, on your part shall be deemed for "Cause" unless done, or omitted to be done, by you not in good faith and without reasonable belief that your action or omission was in the best interest of the Company. Notwithstanding the foregoing, you shall not be deemed to have been terminated for "Cause" hereunder unless and until there shall have been delivered to you a copy of a resolution duly adopted by the affirmative vote of a majority of the Directors then in office at a meeting of the Directors called and held for such purpose (after reasonable notice to you and an opportunity for you, together with your counsel, to be heard before the Directors), finding that, in the good faith opinion of the Directors, you have committed an act set forth above in this Section 4(iii) and specifying the particulars thereof in detail. Nothing herein shall limit your right or your beneficiaries' right to contest the validity or propriety of any such determination.

(iv) GOOD REASON. For purposes of this Agreement, "Good Reason" shall mean the occurrence, without your express written consent, of any of the following circumstances or events unless such circumstances or events are fully corrected prior to the Date of Termination specified in the Notice of Termination, as such terms are defined in Subsections (viii) and (vii) of this Section 4, respectively, given in respect thereof:

- (A) any reduction by the Company in your base salary or adverse change in the manner of computing your Bonus, as in effect from time to time, except for across-the-board salary reductions similarly affecting all executive officers of the Company;
- (B) the failure by the Company to pay or provide to you within seven (7) days of receipt by the Company of your written demand any amounts of base salary or Bonus or any benefits which are due, owing and payable to you pursuant to the terms hereof, except pursuant to an across-the-board compensation deferral similarly affecting all executive officers, or to pay to you any portion of an installment of deferred compensation due under any deferred compensation program of the Company;
- (C) except in the case of across-the-board reductions, deferrals or eliminations similarly affecting all executive officers of the Company, the failure by the Company to (i) continue in effect any compensation or benefit plan in which you participate which is material to your total compensation and benefits, including but not limited to the Company's plans currently in effect or hereafter adopted, and any plans adopted in substitution therefor, or (ii) continue to provide you with benefits substantially similar, in aggregate, to the Company's life insurance, medical, dental, health, accident or disability plans in which you are participating at the date of this Agreement;
- (D) the failure to elect, reelect or otherwise maintain you in the office or position in the Company which you held immediately prior to such failure, or your removal as a Director of the Company (or any successor thereof) if you shall have been a Director of the Company;
- (E) there has been an adverse change in your responsibilities, position (including substantial change in status, reporting relationships or working conditions), authority or duties, which situation is not remedied within ten (10) calendar days after receipt by the Company of written notice from you of such change; or
- (F) without limiting, the generality or effect of the foregoing, any

material breach of this Agreement by the Company.

Your continued employment with the Company shall not constitute consent to, or a waiver of rights with respect to, any circumstance constituting Good Reason hereunder.

(v) CHANGE IN CONTROL. Notwithstanding, anything contained in this Agreement to the contrary, if a Constructive Termination (as defined in Section 4(vi)) shall have occurred after a Change in Control shall have occurred, you may terminate employment with the Company during the 30 day period immediately following the first anniversary of the occurrence of such Change in Control, with the right to severance compensation as provided in Section 5(iv) hereof and, if

applicable, Section 6 hereof. For purposes of this Agreement, a "Change in Control" shall have occurred if at any time during the Term any of the following events shall occur:

(A) the Company is merged or consolidated or reorganized into or with another corporation or other legal person or entity and as a result of such merger, consolidation or reorganization less than 51% of the combined voting power of the then outstanding securities of such corporation or person immediately after such transaction is held in the aggregate by the holders of the then outstanding securities entitled to vote generally in the election of Directors ("Voting Stock") of the Company immediately prior to such transaction;

(B) the Company sells or otherwise transfers all or substantially all of its assets to any other corporation or other legal person or entity if less than 51% of the combined voting power of the then outstanding Voting Stock of such corporation or person immediately after such sale or transfer is held in the aggregate by the holders of Voting Stock of the Company immediately prior to such sale or transfer;

(C) there is a report filed on Schedule 13D or Schedule 14D-1 (or any successor schedule, form or report), each as promulgated pursuant to the Securities Exchange Act of 1934 (the "Exchange Act"), disclosing that any person (as the term "person" is used in Section 13(d)(3) or Section 14(d)(2) of the Exchange Act) has become the beneficial owner (as the term "beneficial owner" is defined under Rule 13d-3 or any successor rule or regulation promulgated under the Exchange Act) of securities representing 20% or more of the then outstanding Voting Stock of the Company;

(D) the Company shall file a report or proxy statement with the Securities and Exchange Commission pursuant to the Exchange Act disclosing in response to Item 1 of Form 8-K thereunder or Item 6(e) of Schedule 14A thereunder (or any successor schedule, form or report or item therein) that a change in control of the Company has or may have occurred or will or may occur in the future pursuant to any then existing, contract or transaction; or

(E) during any period of two consecutive years, individuals who at the beginning of any such period constitute the Directors of the Company cease for any reason to constitute at least a majority thereof unless the election, or the nomination for election by the Company's shareholders, of each Director of the Company first elected during such period was approved by a vote of at least two-thirds of the Directors of the Company then still in office who were Directors of the Company at the beginning, of any such period.

Notwithstanding the foregoing provisions of Sections 4(v)(A) and 4(v)(B) hereof, a Change in Control shall not be deemed to have occurred under Section 4(v)(A) or 4(v)(B) if: (i) the Chairman and CEO, President and COO, and Vice Chairman (i.e., the top three executive officers) of the Company shall hold officer positions of substantially equivalent responsibility and authority with the corporation surviving such merger, consolidation, or reorganization, or the entity acquiring such assets (the "Acquiror"); and (ii) not less than 40% of the members of the Board of Directors or other governing body of the Acquiror shall have been directors of the Company during the 90 day period immediately preceding such merger, consolidation, reorganization or acquisition of assets. Notwithstanding the foregoing provisions of Section 4(v)(C) and 4(v)(D) hereof, a Change in Control shall not be deemed to have occurred for purposes of this Agreement solely because (a) the Company, (b) an entity in which the Company directly or indirectly beneficially owns more than 50% of the voting securities or (c) any Company-sponsored employee stock ownership plan or any other employee benefit plan of the Company, or any entity holding shares of Voting Stock for or pursuant to the terms of any such plan, either files or becomes obligated to file a report or a proxy statement under or in response to Schedule 13D, Schedule 14D-1, Item I of Form 8-K or Item 6(e) of Schedule 14A (or any successor schedule, form or report or item therein) under the Exchange Act, disclosing beneficial ownership by it of shares of Voting Stock of the Company, whether in excess of 20% or otherwise, or because the Company reports that a change in control of the Company has or may have occurred or will or may occur in the future by reason of such beneficial ownership by the entities described in clauses (a), (b) and (c) of this paragraph.

(vi) CONSTRUCTIVE TERMINATION. For purposes of this Agreement, "Constructive Termination" shall mean the occurrence, without your express written consent, of any of the following circumstances or events unless such circumstances or events are fully corrected prior to the Date of Termination specified in the Notice of Termination, as such terms are defined in Subsections (viii) and (vii) of this Section 4, respectively, given in respect thereof:

(A) any reduction, other than across-the-board reduction, by the Company in your base salary or adverse change in the manner of computing your Bonus, as in effect from time to time;

(B) the failure by the Company to pay or provide to you within seven (7) days of receipt by the Company of your written demand any amounts of base salary or Bonus or any benefits which are due, owing and payable to you pursuant to the terms hereof, or to pay to you any portion of an installment of deferred compensation due under any deferred compensation program of the Company;

(C) the failure by the Company to (i) continue in effect any

compensation or benefit plan in which you participate which is material to your total compensation and benefits, including but not limited to the Company's plans currently in effect or hereafter adopted, and any plans adopted in substitution therefor, or (ii) continue to provide you with benefits substantially similar, in aggregate, to the Company's life insurance, medical, dental, health, accident or disability plans in which you are participating at the date of this Agreement;

(D) the failure to elect, reelect or otherwise maintain you in the office or substantially same position in the Company which you held immediately prior to such failure, or your removal as a Director of the Company (or any successor thereof) if you shall have been a Director of the Company;

(E) there has been an adverse change in your responsibilities, position (including substantial change in status, reporting relationships or working conditions), authority or duties, which situation is not remedied within ten (10) calendar days after receipt by the Company of written notice from you of such change;

(F) the requirement by the Company that you change your principal location of work to any location which is in excess of 50 miles from your principal location of work immediately prior to such relocation, or a material increase in your travel away from your office in the course of discharging your responsibilities or duties hereunder, without, in either case, your prior written consent; or

(G) without limiting, the generality or effect of the foregoing, any material breach of this Agreement by the Company.

Your continued employment with the Company shall not constitute consent to, or a waiver of rights with respect to, any circumstance constituting Constructive Termination hereunder.

(vii) NOTICE OF TERMINATION. Any termination of your employment by the Company or by you shall be communicated by written Notice of Termination to the other party hereto in accordance with Section 9 hereof. For purposes of this Agreement, a "Notice of Termination" shall mean a notice which shall indicate the specific termination provision in this Agreement relied upon, if any, and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of your employment under the provision so indicated.

(viii) DATE OF TERMINATION. "Date of Termination" shall mean

(A) if your employment is terminated for Disability pursuant to Subsection (ii) of this Section 4, the date on which you are considered disabled pursuant to the Lear Corporation's Salary Continuation Plan, the Lear Corporation's Long Term Disability (LTD) Plan for Salaried Employees, the Lear Corporation Executive Disability Insurance Plan or any successor thereto;

(B) if your employment is terminated by reason of your death, the date of your death;

(C) if your employment is terminated by you for Good Reason or by either party for any other reason (other than Disability, death, or your voluntary resignation without Good Reason), the date specified in the Notice of Termination (which, in the case of a termination by you for Good Reason, shall not be less than thirty (30) nor more than sixty (60) days from the date such Notice of Termination is given); and

(D) if your employment is terminated by your voluntary resignation without Good Reason (as defined in Subsection (iv) of this Section 4), the Date of Termination shall be forty-five (45) days from the date such Notice of Termination is given or such earlier date after the date such Notice of Termination is given, as may be identified by the Company.

Unless the Company instructs you not to do so, you shall continue to perform services as provided in this Agreement through the Date of Termination.

(ix) EMPLOYEE BENEFITS. A termination by the Company pursuant to Section 4(ii) hereof or by you pursuant to Section 4(iv) or Section 4(v) hereof shall not affect any rights which you may have pursuant to any other agreement, policy, plan, program or arrangement of the Company providing employee benefits, which rights shall be governed by the terms thereof; provided, however, that if you shall have received or shall be receiving benefits under Section 5 hereof and, if applicable, Section 6 hereof, you shall not be entitled to receive benefits under any other policy, plan, program or arrangement of the Company providing severance compensation to which you would otherwise be entitled. If this Agreement or your employment is terminated under circumstances in which you are not entitled to any payments under Section 5 hereof, you shall have no further obligation or liability to the Company hereunder with respect to your prior or any future employment by the Company.

5. COMPENSATION UPON TERMINATION OR DURING DISABILITY. Upon termination of your employment with the Company during the Term, you shall be entitled to the following compensation and benefits:

(i) If your employment is terminated for Disability, (a) for the period from the Date of Termination until the end of the calendar year in which such termination occurs, you shall receive all compensation payable to you under the Company's disability and medical plans and programs, as in effect on the Date of Termination, plus an additional payment from the Company (if necessary) such that the aggregate amount received by you in the nature of salary continuation from all sources equals your base salary, at the rate in effect on the Date of Termination, plus any Bonus earned and all other amounts to which you are entitled under any compensation or benefit plans of the Company, prorated for the portion of the Bonus, compensation or benefit measurement period occurring

prior to the Date of Termination, and (b) for the period from the end of the calendar year in which such termination occurs until the end of the Term, you shall receive all compensation payable to you under the Company's disability and medical plans and programs, as in effect on the Date of Termination, plus an additional payment from the Company (if necessary) such that the aggregate amount received by you in the nature of salary continuation from all sources equals your base salary at the rate in effect on the Date of Termination. After the end of the Term, your benefits shall be determined under the Company's retirement, insurance and other compensation programs then in effect in accordance with the terms of such programs, provided that such terms shall not be less advantageous to you than the terms of such programs in effect as of the Effective Date.

(ii) If your employment shall be terminated (a) by the Company for Cause, or (b) by you other than for Good Reason or a Constructive Termination after a Change in Control, the Company shall pay you your base salary proportionately allocated on a pro-rata basis through the Date of Termination, at the rate in effect at the time Notice of Termination is given, plus all other amounts to which you are fully vested and irrevocably entitled under any compensation or benefit plans of the Company as of the Date of Termination, and the Company shall have no further obligations in any respect whatsoever for payment of compensation or benefits to you under this Agreement. Provided, however, that if your employment is terminated by your voluntary resignation without Good Reason, you shall be compensated under this Subsection 5(ii) only to the extent that you actively performed your assigned responsibilities through the Date of Termination.

(iii) If your employment shall be terminated by reason of your death, the Company shall pay your estate or designated beneficiary (as designated by you by written notice to the Company, which designation shall remain in effect for the remainder of the Term and any extensions thereof until revoked or a new beneficiary is designated, in either case by written notice to the Company) your base salary proportionately allocated on a pro-rata basis through the Date of Termination and for a period of 12 whole calendar months thereafter plus, if the Date of Termination shall not occur on the first day of a calendar month, the balance of the month in which the Date of Termination occurs, at the rate in effect at the time of your death, plus any Bonus earned, prorated for the portion of the Bonus measurement period occurring prior to the date of your death, plus all other amounts to which you are entitled under any compensation or benefit plans of the Company at the date of your death, including, but not limited to, all life insurance proceeds payable on your death to which your estate or beneficiaries are otherwise entitled in accordance with the terms thereof, and the Company shall have no further obligation to you, your beneficiaries or your estate under this Agreement.

(iv) If your employment shall be terminated (a) by the Company other than for Cause or Disability or (b) by you for Good Reason or because of Constructive Termination after a Change in Control, then you shall be entitled to the benefits provided below:

(A) The Company shall pay you your full base salary through the Date of Termination at the rate in effect at the time Notice of Termination is given (or, if greater, at the rate in effect 30 days prior to the time Notice of Termination is given), plus all other amounts to which you are entitled under any compensation or benefit plans of the Company, including, without limitation, any Bonus earned, prorated for the portion of the Bonus measurement period occurring, prior to the Date of Termination, at the time such payments are due, except as otherwise provided below.

(B) The Company shall pay or cause to be paid to you, in lieu of any further payments to you for the portion of the Term subsequent to the Termination Date, excluding any amounts payable under Section 5(iv)(D) hereof, and excluding your rights at law or in equity (other than rights to damages for termination of your employment or this Agreement), a payment, which shall be made either (i) if mutually agreed to by you (or your estate or other representative) and the Company as of the Date of Termination, in a lump sum within five business days after the Termination Date in an amount equal to the present value of the Severance Payment (as defined below), using a discount rate equal to the applicable interest rate promulgated by the Internal Revenue Service ("IRS") under Section 417(e)(3) of the Internal Revenue Code of 1986, as amended ("Code") for the third month preceding the month in which the Termination Date occurs, and if the IRS ceases to promulgate such interest rates, the last such interest rate so promulgated, or (ii) in the absence of such an agreement, in installments, without interest (with exceptions for any amounts imputed or otherwise deemed or recharacterized as interest under the Code) in thirty-six (36) equal monthly installments with each such monthly installment payment equal to 1/36th of the aggregate amount of the Severance Payment. The "Severance Payment" shall be equal to the sum of:

(i) the aggregate base salary (at the highest rate in effect at any time during the Term) which you would have received pursuant to this Agreement for two years, had your employment with the Company continued for such period; plus

(ii) the aggregate Bonus (based upon the highest annual Bonus that you received with respect to any calendar year during, the three calendar years immediately preceding the calendar year in which the Termination Date occurred) which you would have received pursuant to this Agreement for two years, had your employment with the Company continued for such period; plus

(iii) the cash value of all benefits that would be payable to you under the Company Pension Equalization Plan ("PEP"), the Company Management Stock Purchase Plan ("MSPP"), the Company Executive Supplemental Savings Plan ("ESSP"), and the Company Long-Term Stock Incentive Plan ("LTSIP") (the PEP, MSPP, ESSP and LTSIP are collectively referred to herein as the "Plans"), (based upon the highest annual aggregate rate that you received benefits under each of the Plans with respect to any calendar year during the three calendar years immediately preceding the calendar year in which the Termination Date

occurs) pursuant to this Agreement for two years, had your employment with the Company continued for such period, other than Plan benefits providing base salary, Bonus and the benefits to be provided pursuant to Section 5(iv)(D) hereof.

You and the Company acknowledge that references in this Section 5(iv)(B) to the PEP, the MSPP, the ESSP, and the LTSIP, shall be deemed

to be references to such plans as amended or restated from time to time and to any similar plan of the Company that supplements or supersedes any such plans; provided that any amendment during the Term that reduces benefits under the PEP, the MSPP, the ESSP, or the LTSIP (or any similar plan of the Company that supplements or supersedes any of such plans) in any way (including without limitation by reducing, the rate of benefit accruals or contribution levels under any of such plans, or by changing, the basis upon which actuarial equivalents are determined under any such plans) shall be disregarded for purposes of this Section 5(iv)(B). In addition, you and the Company acknowledge that references in this Section 5 to any Section of the Code shall be deemed to be references to such Section as amended from time to time or to any successor thereto.

(C) The Company shall pay all legal fees and expenses incurred by you as a result of such termination (including without limitation all such fees and expenses, if any, incurred in seeking to obtain or enforce any right or benefit provided by this Agreement in accordance with Section 21 hereof).

(D) The Company shall arrange to provide to you, for the remainder of the Term, benefits provided under any "welfare benefit plan" of the Company as the term "welfare benefit plan" is defined in Section 3(1) of the Employee Retirement Income Security Act of 1974, as amended, which you were receiving or entitled to receive during the Term ("Welfare Benefits"). If and to the extent that any such Welfare Benefits shall not or cannot be paid or provided under any policy, plan, program or arrangement of the Company (i) solely due to the fact that you are no longer an officer or employee of the Company or did not continue as an officer or employee of the Company during the remainder of the Term or (ii) as a result of the amendment or termination of any plan providing for Welfare Benefits, the Company shall then itself pay or provide for the payment of such Welfare Benefits to you, your dependents and beneficiaries. Without otherwise limiting the purposes or effect of the no mitigation obligation in Section 5(viii) hereof, Welfare Benefits payable to you (including your dependents and beneficiaries) pursuant to this Section 5(iv)(D) shall be reduced to the extent comparable benefits are actually received by you (including your dependents and beneficiaries) from another employer during such period, and any such benefits actually received by you shall be reported by you to the Company.

(E) Your right to acquire any shares of the Company's capital stock under any and all outstanding stock options, or other rights previously granted to you under any stock option, stock purchase, stock appreciation, or similar equity-based plans of the Company shall expire as of the Date of Termination and be null, void, and of no further force or effect, except (i) to the extent the express terms of such stock option, stock purchase, stock appreciation, or similar equity-based plans provide for vesting or other manner of continuation after the Date of Termination, or (ii) on such terms and conditions as mutually agreed to by you and the Company as of the Date of Termination.

(v) Any Bonus that is payable to you with respect to a period that is less than a full calendar year (a "partial calendar year") shall be prorated by multiplying (i) the Bonus that would have been payable to you with respect to the entire calendar year had your employment with the Company continued until the end of such year by (ii) a fraction, the numerator of which equals the number of days in the partial calendar year and the denominator of which equals 365.

(vi) The Company, if permitted by law, may set-off or counterclaim losses, fines or damages in respect of any claim, debt or obligation against any payment to or benefit for you provided for in this Agreement.

(vii) Without limiting your rights at law or in equity, if the Company fails to make any payment or provide any benefit required to be made or provided hereunder on a timely basis, the Company will pay interest on the amount or value thereof at an annualized rate of interest equal to the "prime rate" as quoted from time to time during the relevant period in The Wall Street Journal, plus three percent. Such interest will be payable as it accrues on demand. Any change in such prime rate will be effective on and as of the date of such change.

(viii) The Company hereby acknowledges that it will be difficult, and may be impossible, for you to find reasonably comparable employment following the Termination Date. In addition, the Company acknowledges that its severance pay plans and policies applicable in general to its salaried employees do not provide for mitigation, offset or reduction of any severance payment received thereunder. Accordingly, the parties hereto expressly agree that the payment of the severance compensation by the Company to you in accordance with the terms of this Agreement shall be liquidated damages and that you shall not be required to mitigate the amount of any payment provided for in this Agreement by seeking other employment or otherwise, nor shall any profits, income, earnings or other benefits from any source whatsoever create any mitigation, offset, reduction or any other obligation on the part of you hereunder or otherwise, except as expressly provided in this Section 5.

6. CERTAIN ADDITIONAL PAYMENTS BY THE COMPANY.

(i) Anything in this Agreement to the contrary notwithstanding, in the event that it shall be determined (as hereafter provided) that any payment by the

Company to or for your benefit, whether paid or payable pursuant to the terms of this Agreement or otherwise (a "Payment"), would be subject to the excise tax imposed by Section 4999 (or any successor thereto) of the Code, and any interest or penalties with respect to such excise tax (such excise tax, together with any such interest and penalties, are hereafter collectively referred to as the "Excise Tax"), then you shall be entitled to receive an additional payment or payments (collectively, a "Gross-Up Payment"), including without limitation any Gross-Up Payment made with respect to the Excise Tax, if any, attributable to (i) any incentive stock option, as defined by Section 422 of the Code ("ISO"), or (ii) any stock appreciation or similar right, whether or not limited, granted in tandem with any ISO. The Gross-Up Payment shall be in an amount such that, after payment by you of the Excise Tax, plus any additional taxes, penalties and interest, and any further Excise Taxes imposed upon the Gross-Up Payment, you retain, after payment of all such taxes and Excise Taxes, an amount of the Gross-Up Payment equal to the Payment that you would have received if no Excise Taxes had been

imposed upon the Payment and no additional taxes or further Excise Taxes had been imposed upon the Gross-Up Payment.

(ii) Subject to the provisions of Section 6(v) hereof, all determinations required to be made under this Section 6, including whether an Excise Tax is payable by you and the amount of such Excise Tax and whether a Gross-Up Payment is required and the amount of such Gross-Up Payment, shall be made by a nationally recognized firm of certified public accountants (the "Accounting Firm") selected by you in your sole discretion. You shall direct the Accounting Firm to submit its determination and detailed supporting calculations to both the Company and you within 30 calendar days after the Termination Date. If the Accounting Firm determines that any Excise Tax is payable by you, the Company shall pay the required Gross-Up Payment to you within five (5) business days after receipt of the aforesaid determination and calculations. If the Accounting Firm determines that no Excise Tax is payable by you, it shall, at the same time as it makes such determination, furnish you with an opinion that you do not owe any Excise Tax on your Federal income tax return. Any determination by the Accounting Firm as to the amount of the Gross-Up Payment to be paid by the Company within such 30 calendar day period shall be binding upon the Company and you. As a result of the uncertainty in the application of Section 4999 (or any successor thereto) of the Code at the time of the initial determination by the Accounting Firm hereunder, it is possible that Gross-Up Payments which will not have been made by the Company should have been made ("Underpayment"), consistent with the calculations required to be made hereunder. In the event that the Company exhausts its remedies pursuant to Section 6(v) hereof and you thereafter are required to make a payment of any Excise Tax, you shall direct the Accounting Firm to determine the amount of the Underpayment that has occurred and to submit its determination and detailed supporting calculations to both the Company and you as promptly as possible. Any such Underpayment shall be promptly paid by the Company to or for your benefit within three calendar days after receipt of such determination and calculations.

(iii) The Company and you shall each cooperate with the Accounting Firm in connection with the preparation and issuance of the determination provided for in Section 6(ii) hereof. Such cooperation shall include without limitation providing the Accounting Firm access to and copies of any books, records and documents in the possession of the Company or you, as the case may be, that are reasonably requested by the Accounting Firm.

(iv) The fees and expenses of the Accounting Firm for its services in connection with the determinations and calculations provided for in Section 6(ii) hereof shall initially be paid by you. The Company shall reimburse you for your payment of such costs and expenses within five (5) business days after receipt from you of a statement therefor and evidence of your payment thereof.

(v) You shall notify the Company in writing, of any claim by the IRS that, if successful, would require the payment by the Company of a Gross-Up Payment. Such notification shall be given as soon as practicable but no later than 10 business days after you receive notice of such claim and shall apprise the Company of the nature of such claim and the date on which such claim is requested to be paid. You shall not pay such claim prior to the earlier of (A) the expiration of the 30 calendar day period following the date on which you give such notice to the Company or (B) the date that any payment of taxes with respect to such claim is due. If the Company notifies you in writing prior to the expiration of such period that it desires to contest such claim, you shall:

(A) give the Company any information reasonably requested by the Company relating, to such claim;

(B) take such action in connection with contesting such claim as the Company shall reasonably request in writing, from time to time, including without limitation accepting legal representation with respect to such claim by an attorney reasonably selected by the Company;

(C) cooperate with the Company in good faith in order effectively to contest such claim; and

(D) permit the Company to participate in any proceedings relating to such claim;

provided, however, that the Company shall bear and pay directly all costs and expenses (including additional interest and penalties) incurred in connection with such contest and shall indemnify and hold you harmless, on an after-tax basis, for any Excise Tax or income tax, including interest and penalties with respect thereto, imposed as a result of such representation and payment of costs and expenses. Without limitation on the foregoing provisions of this Section 6(v), the Company shall, provided that such control does not have a material adverse affect on your individual income tax with respect to matters unrelated to the contest of the Excise Tax, control all proceedings taken in connection with such contest and, at its sole option, may, provided that such pursuit or foregoing does not have a material adverse affect on your individual income tax with respect to matters unrelated to the contest of the Excise Tax, pursue or forego any and all administrative appeals, proceedings, hearings and conference with the IRS in respect of such claim (but, you may participate therein at your own cost and expense) and may, at its sole option, provided that such payment, suit, contest or prosecution does not have a material adverse affect on your individual income tax with respect to matters unrelated to the contest of the Excise Tax, either direct you to pay the tax claimed and sue for a refund or contest the claim in any permissible manner, and you agree to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as the Company shall

determine; provided, however, that if the Company directs you to pay the tax claimed and sue for a refund, the Company shall advance the amount of such payment to you on an interest-free basis and shall indemnify and hold you harmless, on an after-tax basis, from any Excise Tax or income tax, including interest or penalties with respect thereto, imposed with respect to such advance or with respect to any imputed income with respect to such advance; and further provided that any extension of the statute of limitations relating to payment of taxes for your taxable year with respect to which the contested amount is claimed to be due is limited solely to such contested amount. Furthermore, the Company's control of such contest shall be limited to issues with respect to which a Gross Up Payment would be payable hereunder, and you shall be entitled to settle or contest, as the case may be, any other issue raised by the IRS.

(vi) If, after the receipt by you of an amount advanced by the Company pursuant to Section 6(v) hereof, you receive any refund with respect to such claim, you shall (subject to the Company's complying with the requirements of Section 6(v) hereof) promptly pay to the Company the amount of such refund (together with any interest paid or credited thereon after any taxes applicable thereto). If, after the receipt by you of an amount advanced by the Company pursuant to Section 6(v) hereof, a determination is made that you shall not be entitled to any refund with respect to such claim and the Company does not notify you in writing of its intent to contest such denial or refund prior to the expiration of 30 calendar days after such determination, then such advance shall be forgiven and shall not be required to be repaid and the amount of such advance shall offset, to the extent thereof, the amount of Gross-Up Payment required to be paid.

7. TRAVEL. Except to the extent that you are permitted to terminate your employment for Constructive Termination after a Change in Control as provided in Section 4(v), you shall be required to travel to the extent necessary for the performance of your responsibilities under this Agreement.

8. SUCCESSORS; BINDING AGREEMENT. The Company will, by agreement in form and substance satisfactory to you, require any successor (whether direct or indirect, by purchase merger, consolidation or otherwise) to all or substantially all the business and/or assets of the Company, to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. Failure of the Company to obtain such assumption and agreement prior to the effectiveness of any such succession shall entitle you to compensation from the Company in the same amount and on the same terms as you would be entitled to hereunder if you terminate your employment for Good Reason, except that for purposes of implementing, the foregoing, the date on which any such succession becomes effective shall be deemed the Date of Termination. As used in this Agreement, "Company" shall mean the Company as hereinbefore defined and any successor to its business and/or assets as aforesaid which assumes and agrees to perform this Agreement by operation of law, or otherwise. This Agreement shall inure to the benefit of and be enforceable by your personal or legal representatives, executors, administrators, successors, heirs, distributees and/or legatees. This Agreement is personal in nature and neither of the parties hereto shall, without the consent of the other, assign, transfer or delegate this Agreement or any rights or obligations hereunder except as expressly provided in this Section 8. Without limiting the generality of the foregoing, your right to receive payments hereunder shall not be assignable or transferable, whether by pledge, creation of a security interest or otherwise, other than by a transfer by your will or by the laws of descent and distribution and, in the event of any attempted assignment or transfer contrary to this Section 8, the Company shall have no liability to pay to the purported assignee or transferee any amount so attempted to be assigned or transferred. The Company and you recognize that each party will have no adequate remedy at law for any material breach by the other of any of the agreements contained herein and, in the event of any such breach, the Company and you hereby agree and consent that the other shall be entitled to a decree of specific performance, mandamus or other appropriate remedy to enforce performance of this Agreement.

9. NOTICES. For the purpose of this Agreement, notices and all other communications provided for in this Agreement shall be in writing, and shall be deemed to have been duly given when delivered by hand, or mailed by United States certified mail, return receipt requested, postage prepaid, or sent by Federal Express or similar overnight courier service, addressed to the respective addresses set forth on the first page of this Agreement, or sent by facsimile with confirmation of receipt to the respective facsimile numbers set forth on the first page of this Agreement, provided that all notices to the Company shall be directed to the attention of the Secretary of the Company (or, if you are the Secretary at the time such notice is to be given, to the Chairman of the Company's Board of Directors), or to such other address or facsimile number as either party may have furnished to the other in writing in accordance herewith, except that notice of change of address or facsimile number shall be effective only upon receipt.

10. NONCOMPETITION.

(i) Until the Date of Termination, you agree not to engage in any Competitive Activity. For purposes of this Agreement, the term "Competitive Activity" shall mean your participation, without the written consent of an officer of the Company of higher rank and standing than yourself (and if there is no such person then by the Chairman of the Board of Directors), in the management of any business enterprise if such enterprise engages in substantial and direct competition with the Company (including without limitation any supplier to an original equipment automotive vehicle manufacturer) and such enterprise's sales of any product or service competitive with any product or service of the Company amounted to 25% of such enterprise's net sales for its most recently completed fiscal year and if the Company's net sales of said product or service amounted to 25% of the Company's net sales for its most recently completed fiscal year. "Competitive Activity" shall not include (i) the mere ownership of securities in any enterprise and exercise of rights appurtenant thereto or (ii) participation in management of any enterprise or business operation thereof other than in connection with the competitive operation of such enterprise.

(ii) You agree not to engage in any Competitive Activity (A) until one (1) year after the Date of Termination if you are terminated for Cause or you terminate your employment for other than Good Reason or Constructive Termination after a Change in Control, or (B) until three (3) years after the Date of Termination if you are terminated by the Company other than for Cause or you terminate your employment for Good Reason or Constructive Termination after a Change in Control.

(iii) You shall not directly or indirectly, either on your own account or with or for anyone else, (A) solicit or attempt to solicit any of the Company's customers (B) solicit or attempt to solicit for any business endeavor any employee of the Company or (C) otherwise divert or attempt to divert from the Company any business whatsoever or interfere with any business relationship between the Company and any other person, (a) until one (1) year after the Date of Termination if you are terminated for Cause or you terminate your employment for other than Good Reason or Constructive Termination after a Change in Control, or (b) until three (3) years after the Date of Termination if you are terminated other than for Cause or you terminate your employment for Good Reason or Constructive Termination after a Change in Control.

(iv) You acknowledge and agree that damages for breach of the covenants in this Section 10 will be difficult to determine and will not afford a full and adequate remedy, and therefore agree that the Company, in addition to seeking actual damages pursuant to Section 10 hereof, may seek specific enforcement of the covenant not to compete in any court of competent jurisdiction, including,

without limitation, by the issuance of a temporary or permanent injunction, without the necessity of a bond. You and the Company agree that the provisions of this covenant not to compete are reasonable. However, should any court or arbitrator determine that any provision of this covenant not to compete is unreasonable, either in period of time, geographical area, or otherwise, the parties agree that this covenant not to compete should be interpreted and enforced to the maximum extent which such court or arbitrator deems reasonable.

(v) As compensation for your covenants contained in Sections 10(ii)(B) and 10(iii)(b), the Company shall pay or cause to be paid to you a payment, which shall be made either (i) if mutually agreed to by you (or your estate or other representative) and the Company as of the Date of Termination, in a lump sum within five business days after the Termination Date in an amount equal to the present value of the Noncompete Payment (as defined below), using a discount rate equal to the applicable interest rate promulgated by the Internal Revenue Service ("IRS") under Section 417(e)(3) of the Internal Revenue Code of 1986, as amended ("Code") for the third month preceding the month in which the Termination Date occurs, and if the IRS ceases to promulgate such interest rates, the last such interest rate so promulgated, or (ii) in the absence of such an agreement, in installments, without interest (with exceptions for any amounts imputed or otherwise deemed or recharacterized as interest under the Code) in thirty-six (36) equal monthly installments with each such monthly installment payment equal to 1/36th of the aggregate amount of the Noncompete Payment. The "Noncompete Payment" shall be equal to the sum of:

(A) the aggregate base salary (at the highest rate in effect at any time during the Term) which you would have received pursuant to this Agreement for one year, had your employment with the Company continued for such period; plus

(B) the aggregate Bonus (based upon the highest annual Bonus that you received with respect to any calendar year during, the three calendar years immediately preceding the calendar year in which the Termination Date occurred) which you would have received pursuant to this Agreement

for one year, had your employment with the Company continued for such period plus

(C) the cash value of all benefits that would be payable to you under the Company Pension Equalization Plan ("PEP"), the Company Management Stock Purchase Plan ("MSPP"), the Company Executive Supplemental Savings Plan ("ESSP"), and the Company Long-Term Stock Incentive Plan ("LTSIP") (the PEP, MSPP, ESSP and LTSIP are collectively referred to herein as the "Plans"), (based upon the highest annual aggregate rate that you received benefits under each of the Plans with respect to any calendar year during the three calendar years immediately preceding the calendar year in which the Termination Date occurs) pursuant to this Agreement for one year, had your employment with the Company continued for such period, other than Plan benefits providing base salary, Bonus and the benefits to be provided pursuant to Section 5(iv)(D) hereof.

You and the Company acknowledge that references in this Section 10(v) to the PEP, the MSPP, the ESSP, and the LTSIP, shall be deemed to be references to such plans as amended or restated from time to time and to any similar plan of the Company that supplements or supersedes any such plans; provided that any amendment during the Term that reduces benefits under the PEP, the MSPP, the ESSP, or the LTSIP (or any similar plan of the Company that supplements or supersedes any of such plans) in any way (including without limitation by reducing, the rate of benefit accruals or contribution levels under, any of such plans, or by changing, the basis upon which actuarial equivalents are determined under any such plans) shall be disregarded for purposes of this Section 5(iv)(B). In addition, you and the Company acknowledge that references in this Section 10 to any Section of the Code shall be deemed to be references to such Section as amended from time to time or to any successor thereto.

11. CONFIDENTIALITY AND COOPERATION.

(i) You shall not knowingly use, disclose or reveal to any unauthorized person, during, or after the Term, any trade secret or other confidential information relating to the Company or any of its affiliates, or any of their respective businesses or principals, such as, without limitation, dealers' or distributor's lists, information regarding personnel and manufacturing processes, marketing and sales plans, and all other such information; and you confirm that such information is the exclusive property of the Company and its affiliates. Upon termination of your employment, you agree to return to the Company on demand by the Company all memoranda, books, papers, letters and other data, and all copies thereof or therefrom, in any way relating to the business of the Company and its affiliates, whether made by you or otherwise in your possession.

(ii) Any design, engineering methods, techniques, discoveries, inventions (whether patentable or not), formulae, formulations, technical and product specifications, bill of materials, equipment descriptions, plans, layouts, drawings, computer programs, assembly, quality control, installation and operating procedures, operating manuals, strategic, technical or marketing information, designs, data, secret knowledge, know-how and all other information of a confidential nature prepared or produced during the period of your employment and which ideas, processes, etc. relate to any of the businesses of the Company, shall be owned by the Company and its affiliates whether or not you should in fact execute an assignment thereof or other instrument or document which may be reasonably necessary to protect and secure such rights to the Company.

(iii) During the Term and for a period ending on the later of three (3) years after the Date of Termination or at the conclusion of any dispute which commences during the Term, you shall cooperate and comply with all reasonable requests made by the Company in prosecuting or defending any claim with respect to any litigation or arbitration or any pending or threatened litigation or arbitration, involving any invention, patent, trademark, trade name, secret process, or other intangible property in which the Company has, or reasonably believes it has, proprietary rights in and which you had substantial involvement in the development of during the Term of your employment. You shall not receive any additional compensation, other than reimbursement for reasonable costs and expenses incurred by you, in complying with the terms of this Section 11(iii).

12. ARBITRATION.

(i) Except as contemplated by Section 10(iv) or Section 12 (iii) hereof, any dispute or controversy arising under or in connection with this Agreement that cannot be mutually resolved by the parties to this Agreement and their respective advisors and representatives shall be settled exclusively by arbitration in Southfield, Michigan, before one arbitrator of exemplary qualifications and stature, who shall be selected jointly by an individual to be designated by the Company and an individual to be selected by you, or if such two individuals cannot agree on the selection of the arbitrator, who shall be selected pursuant to the procedures of the American Arbitration Association.

(ii) The parties agree to use their best efforts to cause (a) the two individuals set forth in the preceding Section 12(i), or, if applicable, the American Arbitration Association, to appoint the arbitrator within 30 days of the date that a party hereto notifies the other party that a dispute or controversy exists that necessitates the appointment of an arbitrator, and (b) any arbitration hearing to be held within 30 days of the date of selection of the arbitrator, and, as a condition to his or her selection, such arbitrator must consent to be available for a hearing, at such time.

(iii) Judgment may be entered on the arbitrator's award in any court having jurisdiction, provided that you shall be entitled to seek specific performance

of your right to be paid and to participate in benefit programs during the pendency of any dispute or controversy arising under or in connection with this Agreement. The Company and you hereby agree that the arbitrator shall be empowered to enter an equitable decree mandating specific performance of the terms of this Agreement. If any dispute under this Section 12 shall be pending, the Executive shall continue to receive at a minimum the base salary which the Executive was receiving immediately prior to the act or omission which forms the basis for the dispute.

13. MODIFICATIONS. No provision of this Agreement may be modified, amended, waived or discharged unless such modification, amendment, waiver or discharge is agreed to in writing and signed by both you and such officer of the Company as may be specifically designated by the Board.

14. NO IMPLIED WAIVERS. Failure of either party at any time to require performance by the other party of any provision hereof shall in no way affect the full right to require such performance at any time thereafter. Waiver by either party of a breach of any obligation hereunder shall not constitute a waiver of any succeeding breach of the same obligation. Failure of either party to exercise any of its rights provided herein shall not constitute a waiver of such right.

15. GOVERNING LAW. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of Michigan without giving effect to any conflicts of laws rules.

16. PAYMENTS NET OF TAXES. Except as otherwise provided in Section 6 herein, any payments provided for herein which are subject to Federal, State local or other governmental tax or other withholding requirements or obligations, shall

have such amounts withheld prior to payment, and the Company shall be considered to have fully satisfied its obligation hereunder by making such payments to you net of and after deduction for all applicable withholding obligations.

17. CAPACITY OF PARTIES. The parties hereto warrant that they have the capacity and authority to execute this Agreement.

18. VALIDITY. The invalidity or unenforceability of any provision of this Agreement shall not, at the option of the party for whose benefit such provision was intended, affect the validity or enforceability of any other provision of the Agreement, which shall remain in full force and effect.

19. COUNTERPARTS. This Agreement may be executed in several counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same instrument.

20. ENTIRE AGREEMENT. This Agreement and any attachments hereto, contain the entire agreement by the parties with respect to the matters covered herein and supersede any prior agreement (including without limitation any prior employment agreement), condition, practice, custom, usage and obligation with respect to such matters insofar as any such prior agreement, condition, practice, custom, usage or obligation might have given rise to any enforceable right. No agreements, understandings or representations, oral or otherwise, express or implied, with respect to the subject matter hereof have been made by either party which are not expressly set forth in this Agreement.

21. LEGAL FEES AND EXPENSES. It is the intent of the Company that you not be required to incur the expenses associated with the enforcement of your rights under this Agreement by litigation or other legal action because the cost and expense thereof would substantially detract from the benefits intended to be extended to you hereunder. Accordingly, if it should appear to you that the Company has failed to comply with any of its obligations under this Agreement or in the event that the Company or any other person takes any action to declare the Agreement void or unenforceable or institutes any litigation designed to deny, or to recover from you the benefits intended to be provided to you hereunder, the Company irrevocably authorizes you from time to time to retain counsel of your choice, at the expense of the Company as hereafter provided, to represent you in connection with the initiation or defense of any litigation or other legal action relating, thereto, whether by or against the Company or any Director, officer, shareholder or other person affiliated with the Company, in any jurisdiction. Notwithstanding any existing or prior attorney-client relationship between the Company and any such counsel, the Company irrevocably consents to your entering into an attorney-client relationship with such counsel, and in that connection the Company and you agree that a confidential relationship shall exist between you and such counsel. The Company shall pay or cause to be paid and be solely responsible for any and all attorneys' and related fees and expenses incurred by you (i) as a result of the Company's failure to perform this Agreement or any provision hereof or (ii) as a result of the Company or any person contesting the validity or enforceability of this Agreement or any provision hereof as aforesaid.

If this letter sets forth our agreement on the subject matter hereof, kindly sign and return to the Company the enclosed copy of this letter which will then constitute our agreement on this subject, effective on July 1, 2000 ("Effective Date").

Sincerely,

LEAR CORPORATION

By: /s/ Joseph F. McCarthy

Joseph F. McCarthy

Agreed to this 12th day of July, 2000

By: /s/ David C. Wajsgas

David C. Wajsgas

COMPUTATION OF NET INCOME PER SHARE
(In millions, except share information)

For the
Year Ended
For the
Year Ended
For the
Year Ended
December
31, 2002
December
31, 2001
December
31, 2000 --

---- Basic
Diluted
Basic
Diluted
Basic
Diluted ---

Income
before
cumulative
effect of a
change in
accounting
principle \$
311.5 \$
311.5 \$
26.3 \$ 26.3
\$ 274.7 \$
274.7

Cumulative
effect of a
change in
accounting
principle
298.5 298.5

Net income
\$ 13.0 \$
13.0 \$ 26.3
\$ 26.3 \$
274.7 \$
274.7

=====
=====
=====
=====
=====

Weighted
average
shares:
Common
shares
outstanding
65,365,218
65,365,218
63,977,391
63,977,391
65,176,499
65,176,499
Exercise of

stock
options(1)
--
1,691,921 -
- 1,327,643
-- 664,465
Exercise of
warrants(2)

Common and
equivalent
shares
outstanding
65,365,218
67,057,139
63,977,391
65,305,034
65,176,499
65,840,964
=====

Per common
and
equivalent
share:
Income
before
cumulative
effect of a
change in
accounting
principle \$
4.77 \$ 4.65
\$ 0.41 \$
0.40 \$ 4.21
\$ 4.17
Cumulative
effect of a
change in
accounting
principle
4.57 4.46 -
- - -

Net income
\$ 0.20 \$
0.19 \$ 0.41
\$ 0.40 \$
4.21 \$ 4.17
=====

For the
Year Ended
For the
Year Ended
December
31, 1999
December
31, 1998 --

Basic
Diluted
Basic
Diluted ---

--- Income

before
 cumulative
 effect of a
 change in
 accounting
 principle \$
 257.1 \$
 257.1 \$
 115.5 \$
 115.5
 Cumulative
 effect of a
 change in
 accounting
 principle -
 - - - - -

 ----- Net
 income \$
 257.1 \$
 257.1 \$
 115.5 \$
 115.5

=====
 =====
 =====
 =====

Weighted
 average
 shares:
 Common
 shares
 outstanding
 66,922,844
 66,922,844
 66,947,135
 66,947,135
 Exercise of
 stock
 options(1)
 -- 820,308
 --
 1,076,240
 Exercise of
 warrants(2)
 - - - - -

Common and
 equivalent
 shares
 outstanding
 66,922,844
 67,743,152
 66,947,135
 68,023,375

=====
 =====
 =====

Per common
 and
 equivalent
 share:
 Income
 before
 cumulative
 effect of a
 change in
 accounting
 principle \$
 3.84 \$ 3.80
 \$ 1.73 \$
 1.70
 Cumulative
 effect of a
 change in
 accounting
 principle -
 - - - - -

 ----- Net
 income \$
 3.84 \$ 3.80
 \$ 1.73 \$
 1.70

=====
=====
=====
=====

- - - - -

- (1) Amount represents the number of common shares issued assuming exercise of stock options outstanding, reduced by the number of shares which could have been purchased with the proceeds from the exercise of such options.
- (2) Amount represents the number of common shares issued assuming exercise of warrants outstanding.

EXHIBIT 12.1

COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES

(Dollars in millions, except ratio of earnings to fixed charges)

Year Ended December 31,			

----- 2002			
2001 2000			
1999 1998 ---			

Income before provision for income taxes, minority interests in consolidated subsidiaries, equity in net (income) loss of affiliates and cumulative effect of a change in accounting principle \$	480.5	\$ 97.4	
	\$ 484.2	\$	
443.0	\$ 214.8		
Fixed charges	249.3	293.6	
	349.3	253.8	
	130.7		
Distributed income of affiliates	5.9	4.2	2.0
	1.8	2.3	-----

Earnings \$	735.7	\$ 395.2	
	\$ 835.5	\$	
698.6	\$ 347.8		
=====			
=====			
=====			
=====			
Interest expense \$	210.5	\$ 254.7	
	\$ 316.2	\$	
235.1	\$ 110.5		
Portion of lease expense representative of interest	38.8	38.9	
	33.1	18.7	
20.2	-----		

---- Fixed charges \$	249.3	\$ 293.6	
	\$ 349.3	\$	
253.8	\$ 130.7		
=====			
=====			
=====			
=====			

Ratio of
Earnings to
Fixed Charges
3.0 1.3 2.4
2.8 2.7 Fixed
Charges in
Excess of
Earnings -- -
- - - - -

List of Subsidiaries of the Company (1)

Alfombras San Luis S.A. (Argentina)
 Amtex, Inc. (Pennsylvania) (50%)
 Arbitrario B.V. (Netherlands)
 Asia Pacific Components Co., Ltd. (Thailand) (99.84%)
 Bing Assembly Systems, L.L.C. (Michigan) (49%)
 Chongqing Lear Chang'an Automotive Interior Trim Co., Ltd. (China) (45.375%)
 Consorcio Industrial Mexicanos de Autopartes, S.A. de C.V. (Mexico)
 Corporate Eagle Two, L.L.C. (Michigan) (50%)
 El Trim (Pty.) Ltd. (South Africa)
 General Seating of America, Inc. (Delaware) (50%)
 General Seating of Canada, Ltd. (Canada) (50%)
 General Seating of Thailand Corp., Ltd. (Thailand) (50%)
 Hanil Lear India Private, Ltd. (India) (50%)
 Hanyil Co., Ltd. (Korea) (29.1%)
 Industrias Cousin Freres, S.L. (Spain) (49.99%)
 Industrias Lear de Argentina, S.r.L. (Argentina)
 Jiangxi Jiangling Lear Interior Systems Co., Ltd. (China) (41.25%)
 J.L. Automotive, L.L.C. (Michigan) (49%)
 John Cotton Plastics, Ltd. (UK)
 LCT, Inc. (Michigan)
 LDOS UK Branch (UK)
 Lear ASC Corporation (Delaware)
 Lear Asian OEM Technologies, L.L.C. (Delaware)
 Lear Automotive Corporation Singapore Pte. Ltd. (Singapore)
 Lear Automotive Dearborn, Inc. (Delaware)
 Lear Automotive (EEDS) Almussafes Services S.A. (Spain)
 Lear Automotive EEDS Honduras, S.A. (Honduras)
 Lear Automotive (EEDS) Philippines, Inc. (Philippines)
 Lear Automotive (EEDS) Poland Sp. z.o.o. (Poland)
 Lear Automotive (EEDS) Services Saarlouis GmbH (Germany)
 Lear Automotive (EEDS) Spain S.L. (Spain)
 Lear Automotive (EEDS) Tunisia S.A. (Tunisia)
 Lear Automotive Electronics GmbH (Germany)
 Lear Automotive France, S.A.S. (France)
 Lear Automotive Interiors (Pty.) Ltd. (South Africa)
 Lear Automotive Manufacturing, L.L.C. (Delaware)
 Lear Automotive Services (Netherlands) B.V. (Netherlands)
 Lear Automotive Services (Netherlands) B.V. -- Philippines Branch (Netherlands)
 Lear Brits (S.A.) (Pty.) Ltd. (South Africa)
 Lear Canada (Canada)
 Lear Canada Investments, Ltd. (Canada)
 Lear Canada (Sweden) U.L.C. (Canada)
 Lear Car Seating do Brasil, Ltda. (Brazil)
 Lear Corporation Asientos S.L. (Spain)
 Lear Corporation Austria GmbH & Co. KG (Austria)
 Lear Corporation Austria GmbH (Austria)
 Lear Corporation Automotive Holdings (Delaware)
 Lear Corporation Automotive Systems (Delaware)
 Lear Corporation Belgium C.V.A. (Belgium)
 Lear Corporation Beteiligungs GmbH (Germany)
 Lear Corporation Canada, Ltd. (Canada)
 Lear Corporation China, Ltd. (Mauritius) (82.5%)
 Lear Corporation (Czech) s.r.o. (Czech Republic)
 Lear Corporation Drahtfedern GmbH (Germany)
 Lear Corporation EEDS and Interiors (Delaware)
 Lear Corporation France S.A.R.L. (France)
 Lear Corporation (Germany) Ltd. (Delaware)
 Lear Corporation Global Development, Inc. (Delaware)
 Lear Corporation GmbH & Co. KG (Germany)
 Lear Corporation Holdings Spain S.L. (Spain)
 Lear Corporation Hungary Automotive Manufacturing KFT (Hungary)
 Lear Corporation Interior Components (Pty.) Ltd. (South Africa)
 Lear Corporation Italia S.p.A. (Italy)
 Lear Corporation Japan K.K. (Japan)
 Lear Corporation Mendon (Delaware)
 Lear Corporation Mexico, S. A. de C. V. (Mexico)
 Lear Corporation North West (Pty.) Ltd. (South Africa)
 Lear Corporation (Nottingham), Ltd. (UK)
 Lear Corporation Poland Gliwice S.p. z o.o. (Poland)
 Lear Corporation Poland S.p. z o.o. (Poland)
 Lear Corporation Poland II S.p. z o.o. (Poland)
 Lear Corporation Portugal -- Componentes Para Automoveis, S.A. (Portugal)
 Lear Corporation Romania s.r.o. (Romania)
 Lear Corporation (S.A.) (Pty.) Ltd. (South Africa)
 Lear Corporation Seating France, S.A.S. (France)
 Lear Corporation Seating France Feignies, S.A.S. (France)
 Lear Corporation Seating France Lagny, S.A.S. (France)
 Lear Corporation Slovakia s.r.o. (Slovak Republic)
 Lear Corporation Spain S.L. (Spain)
 Lear Corporation (SSD), Ltd. (UK)
 Lear Corporation Sweden AB (Sweden)
 Lear Corporation UK Holdings, Ltd. (UK)
 Lear Corporation UK Interior Systems, Ltd. (UK)
 Lear Corporation (UK), Ltd. (UK)
 Lear Corporation Verwaltungs GmbH (Germany)
 Lear de Venezuela C.A. (Venezuela)
 Lear Diamond Electro-Circuit Systems Co., Ltd. (Japan) (50%)
 Lear do Brazil, Ltda. (Brazil)
 Lear Electrical (Poland) Sp. z.o.o. (Poland)
 Lear Electrical Systems de Mexico, S. de R.L. de C.V. (Mexico)
 Lear Furukawa Corporation (Delaware) (51%)
 Lear Holdings, S.r.l. de C.V. (Mexico)
 Lear Investments Company, L.L.C. (Delaware)
 Lear JIT (Pty.) Ltd. (South Africa)
 Lear Korea Yuhan Hoesa (Korea)
 Lear Mexican Holdings, L.L.C. (Delaware)
 Lear Mexican Trim Operations, S. de R.L. de C.V. (Mexico)
 Lear Midwest Automotive, Ltd. Partnership (Delaware)
 Lear Midwest, Inc. (Delaware)
 Lear Motorola Integrated Solutions, L.L.C. (Delaware) (50%)
 Lear Netherlands (Holdings) B.V. (Netherlands)
 Lear-N.H.K. Seating and Interior Co., Ltd. (Japan) (50%)
 Lear Offranville S.A.R.L. (France)
 Lear Operations Corporation (Delaware) (2)
 Lear Otomotiv Sanayi ve Ticaret Ltd. Sirketi (Turkey)
 Lear Rosslyn (Pty.) Ltd. (South Africa)
 Lear Seating Holdings Corp. # 50 (Delaware)
 Lear Seating Private, Ltd. (India)
 Lear Seating (Thailand) Corp., Ltd. (Thailand) (98%)
 Lear Sewing (Pty.) Ltd. (South Africa)

Lear South Africa Ltd. (Cayman Islands)
 Lear Technologies, L.L.C. (Delaware)
 Lear Teknik Oto Yan Sanayi Ltd. Sirket (Turkey) (67%)
 Lear Trim L.P. (Delaware)
 Lear UK Acquisition, Ltd. (UK)
 Lear UK ISM, Ltd. (UK)
 LECA S.p. z.o.o. (Poland)
 Markol Otomotiv Yan Sanayi VE Ticaret A.S. (Turkey) (35%)
 Martur Sunger ve Koltuk Tesisleri Ticaret A.S. (Turkey) (35%)
 Mawlaw 569, Ltd. (UK)
 Nanjing Lear Xindi Automotive Interiors Systems Co., Ltd. (China)
 (50%)
 Nawon Ind. Co., Ltd. (Korea) (14.259%)
 No-Sag Drahtfedern Spitzer & Co. KG (Austria) (62.5%)
 NTF Industries, Ltd. (India) (23.34%)
 OOO Lear (Russia)
 Precision Fabrics Group, Inc. (North Carolina) (39.71%)
 Rael Handels GmbH (Austria)
 Ramco Investments, Ltd. (Mauritius)
 RecepTec GmbH (Germany) (20.6534%)

RecepTec, L.L.C. (Michigan) (20.6534%)
 Samshin Precision & Ind. Co., Ltd. (Korea) (11.349%)
 Saturn Electronics de Juarez, S.A. de C.V. (Mexico) (45%)
 Saturn Electronics Texas, L.L.C. (Michigan) (45%)
 Shanghai Lear Automobile Interior Trim Co., Ltd. (China)
 (45.375%)
 Shanghai Songjiang Lear Automotive Carpet & Accoustics Co.,
 Ltd. (China) (41.25%)
 Siam Lear Automotive Co., Ltd. (Thailand)
 Societe No-Sag Francaise (France) (56%)
 Societe Offransvillaise de Technologie S.A. (France)
 Spitzer GmbH (Austria) (62.5%)
 Stapur S.A. (Argentina) (5%)
 Startskottet 20340 AB (Sweden) (10%)
 Total Interior Systems -- America, L.L.C. (Indiana) (39%)
 Track 25 AB (Sweden) (10%)
 Track 28 AB (Sweden) (10%)
 UPM S.r.L. (Italy) (39%)
 Wuhan Lear-DCAC Auto Electric Company, Ltd. (China)
 (75%)

- (1) All subsidiaries are wholly owned unless otherwise indicated.
- (2) Lear Operations Corporation also conducts business under the names Lear Corporation, Lear Corporation of Georgia, Lear Corporation of Kentucky and Lear Corporation of Ohio.

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

We consent to the incorporation by reference in the Registration Statements (Form S-3 File Nos. 333-16341, 333-43085, 333-38574, 333-85144 and 333-85144-01 through -09; and Form S-8 File Nos. 33-55783, 33-57237, 33-61739, 333-03383, 333-06209, 333-16413, 333-16415, 333-28419, 333-59467, 333-62647, 333-78623, 333-94787, 333-94789 and 333-61670) of Lear Corporation and in the related Prospectus of our report dated January 27, 2003, with respect to the consolidated financial statements and schedules of Lear Corporation included in this Annual Report (Form 10-K) for the year ended December 31, 2002.

ERNST & YOUNG LLP

Troy, Michigan
March 18, 2003

NOTICE REGARDING CONSENT OF ARTHUR ANDERSEN LLP

Section 11(a) of the Securities Act of 1933, as amended, (the "Securities Act"), provides that any person acquiring a security pursuant to a registration statement may assert a claim against every accountant who has with its consent been named as having prepared or certified any part of the registration statement, or as having prepared or certified any report or valuation that is used in connection with the registration statement, if that part of the registration statement at the time it becomes effective contains an untrue statement of a material fact, or omits a material fact required to be stated therein or necessary to make the statements therein not misleading.

In May 2002, Lear Corporation (the "Company") announced that the Board of Directors, upon the recommendation of its Audit Committee, ended its engagement with Arthur Andersen LLP as the Company's independent public accountants, and engaged Ernst & Young LLP to serve as the Company's independent public accountants for the fiscal year ending December 31, 2002. For more information, please see the Current Report on Form 8-K dated May 9, 2002 filed by the Company with the Securities and Exchange Commission.

The Company has been unable to obtain the written consent of Arthur Andersen LLP as to the incorporation by reference into our previously filed registration statements (Form S-3 File Nos. 333-16341, 333-38574, 333-43085, 333-85144 and 333-85144-01 through -09; and Form S-8 File Nos. 33-55783, 33-57237, 33-61739, 333-03383, 333-06209, 333-16413, 333-16415, 333-24819, 333-59467, 333-61670, 333-62647, 333-78623, 333-94787 and 333-94789) (the "Registration Statements") of its report for our fiscal years ended December 31, 2001 and 2000. Under these circumstances, Rule 437a of the Securities Act permits the Company to file this Form 10-K without a written consent from Arthur Andersen LLP. However, you will be unable to assert a claim against Arthur Andersen under Section 11(a) of the Securities Act for any purchases of the Company's securities pursuant to any Registration Statement made on or after the date of this Form 10-K. To the extent provided in Section 11(b)(3)(C) of the Securities Act, other persons who are liable under Section 11(a) of the Securities Act, including the Company's officers and directors, may still rely on Arthur Andersen's original audit reports as being made by an expert for purposes of establishing a due diligence defense under Section 11(b) of the Securities Act.

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Lear Corporation (the "Company") on Form 10-K for the period ended December 31, 2002 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, as the Chief Executive Officer of the Company, hereby certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to his knowledge:

1. The Report fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 18, 2003

Signed: /s/ Robert E. Rossiter

Robert E. Rossiter
Chief Executive Officer

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Lear Corporation (the "Company") on Form 10-K for the period ended December 31, 2002 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, as the Chief Financial Officer of the Company, hereby certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to his knowledge:

1. The Report fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 18, 2003

Signed: /s/ David C. Wajsgras

David C. Wajsgras
Chief Financial Officer