LEAR CORP
Form DEFM14A
May 23, 2007

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
SCHEDULE 14A
Amendment No. 3
Proxy Statement Pursuant To Section 14(a)
of the Securities Exchange Act of 1934

Filed by the Registrant þ
Filed By a Party other than the Registrant o
Check the appropriate box:

o Preliminary Proxy Statement
o **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
þ Definitive Proxy Statement
o Definitive Additional Materials
o Soliciting Material Pursuant to §240.14a-12

LEAR CORPORATION
(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the Appropriate Box):

o No fee required.

þ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

1) Title of each class of securities to which transaction applies:

   Common Stock, par value $0.01 per share (the Common Stock), of Lear Corporation

2) Aggregate number of securities to which transaction applies:

   76,685,623 shares of Common Stock; 720,575 options to purchase Common Stock; restricted stock units with respect to 1,856,831 shares of Common Stock; stock appreciation rights with respect to 2,209,952 shares of Common Stock; deferred unit accounts with respect to 104,896 shares of Common Stock; and performance shares with respect to 100,103 shares of Common Stock.

3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

   The maximum aggregate value was determined based upon the sum of (A) 76,685,623 shares of Common Stock multiplied by $36.00 per share; (B) options to purchase 720,575 shares of Common Stock with exercise prices less than $36.00 multiplied by $3.94 (which is the difference between $36.00 and the weighted average exercise price of $32.06 per share); (C) restricted stock units with respect to 1,856,831 shares of Common Stock multiplied by $36.00 per share; (D) stock appreciation rights with respect to 2,209,952 shares of Common Stock multiplied by $9.16 (which is the difference between $36.00 and the weighted average exercise price of $26.84 per share); (E) deferred unit accounts with respect to 104,896 shares of Common Stock multiplied by $36.00 per share; and (F) performance shares with respect to 100,103 shares of Common Stock multiplied by $36.00 per share. In accordance with Section 14(g) of the Securities Exchange Act of 1934, as amended, the filing fee was determined by multiplying 0.0000307 by the sum calculated in the preceding sentence.

4) Proposed maximum aggregate value of transaction:

$2,857,990,534

5) Total fee paid:

$87,770

þ Fee paid previously with preliminary materials.

o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

1) Amount Previously Paid:

2) Form, Schedule or Registration Statement No.:

3) Filing Party:

4) Date Filed:

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21557 Telegraph Road
Southfield, Michigan 48033

May 23, 2007

Dear Fellow Stockholder:

On behalf of the Board of Directors, you are cordially invited to attend the 2007 Annual Meeting of Stockholders to be held on June 27, 2007, at 10:00 a.m. (Eastern Time) at Hotel Du Pont, located at 11th and Market Streets, Wilmington, Delaware 19801.

At the annual meeting, you will be asked to consider and vote upon a proposal to adopt the Agreement and Plan of Merger, dated as of February 9, 2007, by and among Lear Corporation, AREP Car Holdings Corp. and AREP Car Acquisition Corp., pursuant to which AREP Car Acquisition Corp. will merge with and into Lear. AREP Car Holdings Corp. and AREP Car Acquisition Corp. are affiliates of American Real Estate Partners, L.P. and Mr. Carl C. Icahn. If the merger agreement is adopted and the merger is completed, you will be entitled to receive $36.00 in cash, without interest and less any applicable withholding tax, for each share of Lear common stock owned by you (unless you have exercised your appraisal rights with respect to the merger), as more fully described in the enclosed proxy statement.

Lear s board of directors, after careful consideration of a variety of factors including the unanimous recommendation of a special committee of disinterested and independent directors, has determined that the merger agreement and the transactions contemplated thereby are advisable, substantively and procedurally fair to, and in the best interests of, Lear and its unaffiliated stockholders, and approved the merger agreement, the merger and the other transactions contemplated thereby. **Accordingly, our board of directors recommends that you vote FOR the adoption of the merger agreement.**

The attached proxy statement provides you with detailed information about the annual meeting, the merger agreement and the merger. A copy of the merger agreement is attached as Appendix A to the proxy statement. We encourage you to read the entire proxy statement and the merger agreement carefully. You may also obtain more information about Lear from documents we have filed with the Securities and Exchange Commission.

In addition, you are being asked at the annual meeting to elect directors, approve amendments to our Amended and Restated Certificate of Incorporation, ratify the appointment of Ernst & Young LLP as our independent registered public accounting firm, consider two stockholder proposals (if presented at the meeting) and transact any other business properly brought before the meeting.

Whether or not you plan to attend the annual meeting, please complete, date, sign and return, as promptly as possible, the enclosed proxy card in the accompanying reply envelope.

Thank you in advance for your cooperation and continued support.

Sincerely,

Robert E. Rossiter
Chairman and Chief Executive Officer

Neither the Securities and Exchange Commission nor any state securities regulatory agency has approved or disapproved the merger, passed upon the merits or fairness of the merger or passed upon the adequacy or accuracy of the disclosure in this document. Any representation to the contrary is a criminal offense.

This proxy statement is dated May 23, 2007, and is first being mailed to stockholders on or about May 23, 2007.

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LEAR CORPORATION
NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
June 27, 2007
10:00 a.m., Eastern Time

To the Stockholders of Lear Corporation:

The 2007 Annual Meeting of Stockholders will be held on June 27, 2007, at 10:00 a.m. (Eastern Time) at Hotel Du Pont, located at 11th and Market Streets, Wilmington, Delaware 19801. The purpose of the meeting is to:

1. vote upon a proposal to adopt the Agreement and Plan of Merger, dated as of February 9, 2007, by and among Lear Corporation, AREP Car Holdings Corp. and AREP Car Acquisition Corp., and the merger contemplated thereby;

2. vote upon a proposal to adjourn or postpone the annual meeting, if necessary, to permit further solicitation of proxies if there are not sufficient votes at the time of the annual meeting to adopt the merger agreement;

3. elect three directors;

4. approve amendments to our Amended and Restated Certificate of Incorporation to provide for the annual election of directors;

5. ratify the appointment of Ernst & Young LLP as our independent registered public accounting firm for 2007;

6. consider two stockholder proposals, if presented at the meeting; and

7. conduct any other business properly before the meeting or any adjournments or postponements thereof.

Voting is limited to stockholders of record at the close of business on May 14, 2007. A list of stockholders entitled to vote at the meeting, and any postponements or adjournments of the meeting, will be available for examination between the hours of 9:00 a.m. and 5:00 p.m. at our headquarters at 21557 Telegraph Road, Southfield, Michigan 48033 during the ten days prior to the meeting and also at the meeting.

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

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

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

By Order of the Board of Directors,

Wendy L. Foss

Vice President, Finance & Administration and Corporate Secretary

May 23, 2007

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SUMMARY TERM SHEET

The following summary highlights selected information in this proxy statement with respect to the merger agreement and the merger and may not contain all the information that may be important to you. Accordingly, we encourage you to read carefully this entire proxy statement, its appendices and the documents referred to or incorporated by reference in this proxy statement. Each item in this summary includes a page reference directing you to a more complete description of that topic. See Where You Can Find More Information beginning on page 175. References to Lear,   the Company,   we,   our or us in this proxy statement refer to Lear Corporation and its subsidiaries unless otherwise indicated or the context otherwise requires.

The Parties to the Merger (Page 76)

Lear Corporation

Lear Corporation was incorporated in Delaware in 1987 and is one of the world s largest automotive interior systems suppliers based on net sales. Our net sales have grown from $14.4 billion for the year ended December 31, 2002, to $17.8 billion for the year ended December 31, 2006. We supply every major automotive manufacturer in the world, including General Motors, Ford, DaimlerChrysler, BMW, Fiat, PSA, Volkswagen, Hyundai, Renault-Nissan, Mazda, Toyota, Porsche and Honda. We supply automotive manufacturers with complete automotive seat and electrical distribution systems and select electronic products.

Historically, we have also supplied automotive interior components and systems, including instrument panels and cockpit systems, headliners and overhead systems, door panels and flooring and acoustic systems. In October 2006, we completed the contribution of substantially all of our European interior business to International Automotive Components Group, LLC, (IAC Europe), a joint venture with WL Ross & Co. LLC (WL Ross) and Franklin Mutual Advisers, LLC (Franklin), in exchange for a one-third equity interest in IAC Europe. In addition, on March 31, 2007, we completed the transfer of substantially all of the assets of our North American interior business (as well as our interests in two China joint ventures) and approximately $27 million of cash to International Automotive Components Group North America, Inc. (IAC North America), another joint venture with WL Ross and Franklin, in exchange for a 25% equity interest in the IAC North America joint venture and warrants to purchase an additional 7% equity interest.

Parent

AREP Car Holdings Corp., a Delaware corporation (Parent), is an indirect subsidiary of American Real Estate Partners, L.P. (AREP), an affiliate of Mr. Carl C. Icahn. Parent was formed exclusively for the purpose of effecting the merger. AREP is a master limited partnership, formed in Delaware in 1987, and a diversified holding company owning subsidiaries engaged in three primary business segments: Gaming, Real Estate and Home Fashion. Icahn Partners LP, Icahn Partners Master Fund LP, Koala Holding Limited Partnership and High River Limited Partnership, which are also affiliates of Mr. Carl C. Icahn, beneficially own in the aggregate approximately 16% of our outstanding common stock.

Merger Sub

AREP Car Acquisition Corp., a Delaware corporation (Merger Sub), is a direct wholly-owned subsidiary of Parent. Merger Sub was formed exclusively for the purpose of effecting the merger.

The Merger (Page 78)

The Agreement and Plan of Merger, dated as of February 9, 2007 (the merger agreement), provides that Merger Sub will merge with and into Lear (the merger). Lear will be the surviving corporation (the Surviving Corporation), in the merger and will continue to do business as Lear Corporation following the merger. In the merger, each outstanding share of Lear common stock will be converted into the right to receive $36.00 in cash, without interest and less any applicable withholding tax. We refer to this amount in this proxy statement as the merger consideration. However, shares held in treasury, owned by Parent or Merger

Sub or held by stockholders who have properly demanded statutory appraisal rights, if any, will not be converted.

Effects of the Merger (Page 55)

If the merger is completed, you will be entitled to receive $36.00 in cash, without interest and less any applicable withholding taxes, for each share of our common stock owned by you, unless you have exercised your statutory appraisal rights with respect to the merger. As a result of the merger, Lear will cease to be an independent, publicly-traded company. You will not own any shares of the Surviving Corporation.

Treatment of Options and Other Awards (Page 79)

At the effective time of the merger, except as otherwise agreed by a holder and Parent, all outstanding restricted stock units under our equity incentive plans (whether vested or unvested) will be cancelled and converted into the right to receive a cash payment equal to the number of restricted stock units multiplied by $36.00. All outstanding stock appreciation rights and options to acquire our common stock (whether vested or unvested) will be cancelled and converted into the right to receive a cash payment equal to the number of outstanding shares of our common stock underlying the stock appreciation rights or options multiplied by the amount (if any) by which $36.00 exceeds the applicable exercise price. All deferred amounts held in unit accounts denominated in shares of our common stock under our Outside Directors Compensation Plan will be converted into the right to receive a cash payment of $36.00 multiplied by the number of shares deemed held in such deferred unit account, payable or distributable in accordance with the terms of the agreement, plan or arrangement relating to such deferred unit account. All outstanding performance shares (whether vested or unvested) will be cancelled and converted into the right to receive a cash payment equal to the target number of units or shares of common stock previously subject to performance shares multiplied by $36.00, with respect to that percentage of such performance shares that vest upon a change in control as provided in our Long-Term Stock Incentive Plan. All payments of the merger consideration will be without interest and less any applicable withholding taxes.

Recommendation of the Special Committee and Our Board of Directors (Page 26)

Special Committee. The special committee is a committee of three independent and disinterested members of our board of directors that was formed for the purpose of evaluating any proposal that may be made relating to the acquisition of Lear. The special committee unanimously determined that the merger is advisable, substantively and procedurally fair to, and in the best interests of, Lear and its unaffiliated stockholders (by which we mean, for purposes of this proxy statement, stockholders of Lear other than the directors and executive officers of Lear and Mr. Icahn and his affiliates) and unanimously recommended that the board of directors (i) approve the merger agreement and the transactions contemplated thereby, including the merger, and (ii) recommend that the stockholders of Lear vote in favor of adoption of the merger agreement. For a discussion of the factors considered by the special committee in reaching its conclusions, see Special Factors Reasons for the Merger; Recommendation of the Special Committee and Our Board of Directors beginning on page 26.

Board of Directors. The board of directors (other than Vincent Intrieri, who did not participate in board deliberations concerning the merger), acting upon the unanimous recommendation of the special committee, unanimously (i) determined that the merger agreement and the transactions contemplated thereby, including the merger, are advisable, substantively and procedurally fair to, and in the best interests of, Lear and its unaffiliated stockholders, (ii) approved the merger agreement and the transactions contemplated thereby and (iii) resolved to recommend that the stockholders adopt the merger agreement and the transactions contemplated thereby and directed that such matter be submitted for consideration of our stockholders at the annual meeting. The board of directors recommends that our stockholders vote FOR the adoption of the merger agreement and FOR the adjournment or postponement of the annual meeting, if necessary, to solicit additional proxies in favor of the adoption of the merger agreement.

Interests of Lear s Directors and Executive Officers in the Merger (Page 59)

In considering the recommendation of the board of directors, you should be aware that our directors and executive officers may have interests in the merger that are different from, or in addition to, your interests as a stockholder, and that may present actual or potential conflicts of interest. Such interests include (i) the accelerated vesting of certain equity awards and the accelerated vesting and payment of certain deferred compensation and non-qualified retirement arrangements for certain directors and officers, (ii) certain enhanced constructive termination rights for executives with employment agreements following a change in control and (iii) rights to continued indemnification and insurance coverage after the merger for acts or omissions occurring prior to the merger. In addition, at Parent s request in connection with the merger agreement, we entered into employment agreement amendments with each of Douglas G. DelGrosso, Robert E. Rossiter and James H. Vandenberghe. The effectiveness of each amendment is conditioned upon the consummation of the merger with Parent and Merger Sub. Pursuant to the amendments, following the closing of the merger, Mr. DelGrosso would serve as Chief Executive Officer of Lear, Mr. Rossiter would serve initially as Executive Chairman of the Board of Directors and Mr. Vandenberghe would serve as Vice Chairman and Chief Financial Officer of Lear. In addition, one of our directors, Mr. Intrieri, is a director of American Property Investors, Inc. (API), the general partner of AREP.

Opinion of J.P. Morgan Securities Inc. (Page 30)

J.P. Morgan Securities Inc. (JPMorgan) delivered its opinion to our special committee, with a copy to the board of directors, that, as of February 8, 2007, and based upon and subject to the assumptions, qualifications and limitations set forth in its opinion, the consideration of $36.00 per share in cash to be received by the holders of shares of our common stock (other than affiliates of specified entities controlled by Mr. Icahn) pursuant to the merger agreement was fair from a financial point of view to such holders of shares of our common stock.

The full text of the JPMorgan opinion, dated February 8, 2007, which sets forth, among other things, the assumptions made, procedures followed, matters considered, and qualifications and limitations of the review undertaken by JPMorgan in rendering its opinion is attached as Appendix B to this document and is incorporated into this document by reference. In connection with the rendering of JPMorgan s opinion to the special committee, JPMorgan provided its opinion for the information and assistance of the special committee (and, at the instruction of the special committee, to Lear s board of directors) in connection with and for the purposes of their evaluation of the merger. The JPMorgan opinion is not a recommendation to any stockholder of Lear as to how that stockholder should vote with respect to the merger or any other matter and should not be relied upon by any stockholder as such.

The Position of the AREP Group as to the Fairness of the Merger (Page 41)

Mr. Icahn, Mr. Intrieri, API, American Real Estate Holdings Limited Partnership (AREH), AREP, Icahn Partners LP, Icahn Partners Master Fund LP, Koala Holding Limited Partnership, High River Limited Partnership, Icahn Onshore LP, Icahn Offshore LP, Hopper Investments LLC, CCI Onshore Corp., CCI Offshore Corp., Barberry Corp., Parent and Merger Sub (which we refer to in this proxy statement as the AREP Group) did not participate in the deliberations of Lear s board of directors or the special committee regarding, or receive advice from Lear s or the special committee s legal or financial advisors as to, the substantive and procedural fairness of the proposed merger. The AREP Group did not undertake any independent evaluation of the fairness of the proposed merger to the unaffiliated stockholders of Lear or engage a financial advisor for such purposes. The AREP Group believes, however, that the proposed merger is substantively and procedurally fair to Lear s unaffiliated stockholders.

Financing (Page 57)

Parent and Merger Sub estimate that the total amount of funds necessary to consummate the merger and related transactions will be approximately $4.1 billion, of which $2.6 billion will be funded by a new senior secured credit facility and $155.0 million will be funded with cash on hand at Lear. The remaining $1.3 billion

will come from cash on hand at AREP. On February 8, 2007, Parent entered into a commitment letter with Bank of America, N.A. (Bank of America) and Banc of America Securities LLC (BAS), pursuant to which such parties committed to provide to Parent the debt financing necessary to complete the transactions contemplated by the merger agreement. As described in the commitment letter, Bank of America will act as the sole and exclusive administrative agent and BAS will act as sole lead arranger and sole bookrunner for credit facilities in an aggregate amount of $3.6 billion, consisting of a $1.0 billion senior secured revolving credit facility and a $2.6 billion senior secured term loan B facility. The credit facilities, along with an equity investment by AREP, are intended to refinance and replace Lear s existing credit facilities and to fund the transactions contemplated by the merger agreement. Funding of the debt financing is subject to the satisfaction of the conditions set forth in the commitment letters. See Special Factors Financing of the Merger beginning on page 57.

Parent is not obligated to complete the merger until the expiration of a 15-business day Marketing Period that it may use to complete its financing for the merger, which period begins upon satisfaction of other conditions to the merger. Under the merger agreement, we have agreed to provide Parent our reasonable cooperation in connection with arranging the debt financing, including participating in meetings, assisting with the preparation of offering materials, furnishing financial information, facilitating the pledge of collateral and obtaining third party consents and approvals.

There is no financing condition to the obligation of Parent and Merger Sub to consummate the merger. If the debt financing is not obtained and all of the conditions to Parent s obligation to complete the merger have been satisfied, Parent and Merger Sub will be required to provide the amounts necessary to close the merger. The failure to do so would be a breach of Parent s and Merger Sub s obligations under the merger agreement. If Parent and Merger Sub have failed to obtain the debt financing necessary to consummate the merger as a result of a breach or default by the commitment parties under the debt financing commitments, then, in any claim we make for actual damages, Parent, Merger Sub, AREP and their affiliates, individually or collectively, will not be liable to us or our affiliates in an amount more than $25 million in excess of the amount actually received by Parent, Merger Sub, AREP or their affiliates from the commitment parties under the debt financing commitments with respect to claims for the commitment parties breach of their debt financing commitments.

Regulatory Approvals (Page 69)

Under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the HSR Act), and the rules promulgated thereunder by the Federal Trade Commission (FTC), the merger may not be completed until notification and report forms have been filed with the FTC and the Antitrust Division of the Department of Justice (DOJ), and the applicable waiting period has expired or been terminated. Lear and Mr. Icahn filed notification and report forms under the HSR Act with the FTC and the Antitrust Division of the DOJ, and the waiting period expired on March 19, 2007. The merger is also subject to review by the governmental authorities of various other jurisdictions under the antitrust laws of those jurisdictions.

Material U.S. Federal Income Tax Consequences (Page 68)

The exchange of shares of our common stock for cash pursuant to the merger agreement generally will be a taxable transaction for U.S. federal income tax purposes. Stockholders who exchange their shares of our common stock in the merger will generally recognize a gain or loss in an amount equal to the difference, if any, between the cash received in the merger and their adjusted tax basis in their shares of our common stock. You should consult your tax advisor for a complete analysis of the effect of the merger on your federal, state and local and/or foreign taxes.

Conditions to the Merger (Page 86)

Conditions to Each Party s Obligations. Each party s obligation to complete the merger is subject to the satisfaction or waiver, at or prior to the effective time of the merger, of the following conditions:

the merger agreement must have been adopted by the affirmative vote of the holders of a majority of the outstanding shares of our common stock;

there is no order, injunction or decree preventing the consummation of the merger; and

any applicable waiting period (and any extension thereof) under the HSR Act will have expired or been terminated and, subject to materiality thresholds, approvals and authorizations from other applicable antitrust authorities will have been granted.

Conditions to Parent s and Merger Sub s Obligations. The obligation of Parent and Merger Sub to complete the merger is subject to the satisfaction or waiver, at or prior to the effective time of the merger, of the following additional conditions:

our representations and warranties must be true and correct, subject to certain materiality thresholds;

we must have performed in all material respects all obligations required to be performed by us under the merger agreement at or prior to the closing date;

we must deliver to Parent and Merger Sub at closing a certificate with respect to the satisfaction of the foregoing conditions relating to representations, warranties and obligations;

since the date of the merger agreement, there must not have been any event, change, effect, development, condition or occurrence that has had or would reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect (as defined in the merger agreement) or any specified force majeure event that has had or could reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect;

we must perform certain obligations and satisfy certain requirements with respect to Parent s debt financing arrangements; and

we must provide to Parent a certification that our shares of common stock are not United States real property interests.

Conditions to Lear s Obligations. Our obligation to complete the merger is subject to the satisfaction or waiver of the following further conditions:

the representations and warranties made by Parent and Merger Sub must be true and correct, subject to certain materiality thresholds;

Parent and Merger Sub must have performed in all material respects all obligations required to be performed by them under the merger agreement at or prior to the closing date;

Parent must deliver to us at closing a certificate with respect to the satisfaction of the foregoing conditions relating to representations, warranties and obligations; and

Parent must deliver to us at closing a solvency opinion.

Solicitation of Other Offers (Page 87)

Until 11:59 p.m., Eastern Standard Time, on March 26, 2007 (which we sometimes refer to as the end of the go shop period), we were permitted to initiate, solicit and encourage acquisition proposals (including by way of providing access to non-public information pursuant to one or more acceptable confidentiality agreements), and participate in discussions or negotiations with respect to acquisition proposals or otherwise cooperate with or assist or participate in,

or facilitate any such discussions or negotiations.

After 11:59 p.m., Eastern Standard Time, on March 26, 2007, we have agreed not to:

- initiate, solicit or knowingly encourage the submission of any inquiries, proposals or offers or any other efforts or attempts that constitute or may reasonably be expected to lead to any acquisition proposals or engage in any discussions or negotiations with respect thereto or otherwise cooperate with or assist or participate in, or knowingly facilitate any such inquiries, proposals, offers, discussions or negotiations;
- approve or recommend, or publicly propose to approve or recommend, any acquisition proposal;
- enter into any merger agreement, letter of intent, agreement in principle, share purchase agreement, asset purchase agreement or share exchange agreement, option agreement or other similar agreement relating to an acquisition proposal;
- enter into any agreement requiring us to abandon, terminate or fail to consummate the transactions contemplated by the merger agreement or breach our obligations under the merger agreement; or
- resolve, propose or agree to do any of the foregoing.

Notwithstanding these restrictions:

- we are permitted to continue discussions and provide non-public information to any party with whom we were having ongoing discussions or negotiations as of March 26, 2007 regarding a possible acquisition proposal (we were otherwise required to immediately cease or cause to be terminated discussions except as permitted below and cause any confidential information provided or made available to be returned or destroyed); and
- at any time after the date of the merger agreement and prior to the approval of the merger agreement by our stockholders, we are permitted to furnish information with respect to Lear and our subsidiaries to any person making an acquisition proposal and participate in discussions or negotiations with the person making the acquisition proposal, subject to certain limitations.

In addition, we may terminate the merger agreement and enter into a definitive agreement with respect to a superior proposal under certain circumstances. See The Merger Agreement Recommendation Withdrawal/ Termination in Connection with a Superior Proposal.

Termination of the Merger Agreement (Page 91)

The merger agreement may be terminated at any time prior to the consummation of the merger, whether before or after stockholder approval has been obtained:

- by mutual written consent of Lear and Parent;
- by either Lear or Parent if:
  - there is any final and non-appealable action that restrains, enjoins or otherwise prohibits any of the transactions contemplated by the merger agreement or a governmental entity declines to grant an approval necessary to satisfy the conditions to closing;
  - the merger is not completed on or before the Outside Date (as defined under The Merger Agreement Termination of the Merger Agreement), as may be extended by Parent in certain circumstances; or
  - our stockholders do not adopt the merger agreement at the annual meeting or any adjournment or postponement thereof.
- by Lear, if:
  - Parent or Merger Sub has breached any of its representations, warranties, covenants or agreements under the merger agreement in a manner that would result in the failure of certain conditions to closing to be satisfied, and where that breach is not cured or is incapable of being cured within the Outside Date and 30 days following written notice to the party committing such breach;

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the termination is effected prior to receipt of the requisite stockholder approval in order to enter into an agreement with respect to a superior proposal; or

if all of the conditions to each party s obligation to effect the merger have been satisfied, and Parent has failed to consummate the merger no later than ten calendar days after the last day of the Marketing Period.

by Parent, if:

we have breached any of our representations, warranties, covenants or agreements under the merger agreement in a manner that, either individually or in the aggregate, would result in the failure of certain conditions to closing to be satisfied, and where that breach is not cured or is incapable of being cured within the Outside Date and 30 days following written notice to us;

a change of the recommendation of our board of directors has occurred;

we or our board of directors (or any committee thereof) approves, adopts or recommends any acquisition proposal or approves or recommends, or enters into or allows us or any of our subsidiaries to enter into, a letter of intent or agreement for an acquisition proposal;

we fail under certain circumstances to issue a press release reaffirming the recommendation of our board of directors that our stockholders adopt the merger agreement;

we have intentionally or materially breached any of our obligations under the solicitation provision or the stockholder approval provisions of the merger agreement; we have failed to include in this proxy statement our board recommendation; or we or our board of directors (or any committee thereof) authorizes or publicly proposes any of the foregoing actions of this and the preceding three bullet points;

there has been a Material Adverse Effect that cannot be cured by the Outside Date; or

any specified force majeure event has occurred, subject to materiality thresholds.

Termination Fees (Page 93)

If we terminate the merger agreement or the merger agreement is terminated by Parent or Merger Sub under certain circumstances, we must pay a termination fee to Parent. In connection with such termination, we are required to pay a fee of $85.2 million to Parent plus up to $15 million of Parent s out-of-pocket expenses (including fees and expenses of financing sources, counsel, accountants, investment bankers, experts and consultants) relating to the merger agreement. If such termination had been to accept a superior proposal during the go shop period, we would have been required to pay a fee of $73.5 million to Parent plus up to $6 million of Parent s out-of-pocket expenses. Under certain circumstances, Parent must pay us a termination fee of $250 million.

Voting Agreement (Page 70)

In connection with the execution of the merger agreement, we entered into a voting agreement with Icahn Partners LP, Icahn Partners Master Fund LP, Koala Holding Limited Partnership and High River Limited Partnership, which are affiliates of AREP and Mr. Icahn. In the aggregate, such holders beneficially own approximately 16% of our outstanding common stock. Pursuant to the voting agreement, such holders agreed to vote in favor of the adoption of the merger agreement and, subject to certain exceptions, not to dispose of any shares of our common stock prior to consummation of the merger. Such holders have also agreed to vote in favor of a superior proposal under certain circumstances.

Limited Guaranty (Page 59)

In connection with the merger agreement, AREP provided to us a limited guaranty under which AREP has guaranteed the performance by Parent and Merger Sub of their payment of the termination fee under the merger agreement. The limited guaranty is our sole recourse against the guarantor.

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Appraisal Rights (Page 104)

Under Delaware law, holders of our common stock who do not vote in favor of adopting the merger agreement will have the right to seek appraisal of the fair value of their shares of our common stock as determined by the Delaware Court of Chancery if the merger is completed, but only if they comply with all requirements of Section 262 of the General Corporation Law of the State of Delaware (the DGCL), the text of which can be found in Appendix F of this proxy statement, which are summarized in this proxy statement. This appraisal amount could be more than, the same as or less than the merger consideration. Any holder of our common stock intending to exercise such holder s appraisal rights, among other things, must submit a written demand for an appraisal to us prior to the vote on the adoption of the merger agreement, must not vote or otherwise submit a proxy in favor of adoption of the merger agreement and must continuously hold its stock from the date of the written demand through the effective time of the merger. Your failure to follow exactly the procedures specified under Delaware law will result in the loss of your appraisal rights.

Market Price of Common Stock (Page 135)

The closing sale price of our common stock on the NYSE on February 2, 2007, the last trading day prior to our announcement that AREP made an offer to acquire all our issued and outstanding shares of common stock for $36.00 per share in cash, was $34.67. The $36.00 per share to be paid for each share of our common stock in the merger represents a premium of approximately 3.8% to the closing price on February 2, 2007. The $36.00 per share merger consideration represents a premium of 55.1% based on the 52-week volume weighted average price of our common stock as of February 2, 2007, and a premium of 46.4% based on the closing price of our common stock on October 16, 2006, the date on which Lear announced the private placement of $200 million of our common stock to affiliates of Mr. Icahn at a price of $23.00 per share.

ANSWERS TO QUESTIONS YOU MAY HAVE

The following questions and answers are intended to address briefly some commonly asked questions regarding the annual meeting, the merger and the merger agreement, and the other proposals on which you are being asked to vote. These questions and answers may not address all questions that may be important to you as a Lear stockholder. Please refer to the Summary Term Sheet and the more detailed information contained elsewhere in this proxy statement, the appendices to this proxy statement and the documents referred to or incorporated by reference in this proxy statement, which you should read carefully. See Where You Can Find More Information beginning on page 175.

Questions and Answers About the Annual Meeting

Q When and where is the annual meeting?

A. The annual meeting of stockholders of Lear will be held on June 27, 2007, at 10:00 a.m. (Eastern Time) at Hotel Du Pont, located at 11th and Market Streets, Wilmington, Delaware 19801.

Q. What do I need to do now?

A. Even if you plan to attend the annual meeting, after carefully reading and considering the information contained in this proxy statement, if you hold your shares in your own name as the stockholder of record, please complete, sign, date and return the enclosed proxy card in order to have your shares voted at the annual meeting. You can also attend the annual meeting and vote. If you hold your shares in street name, follow the procedures provided by your broker, bank or other nominee.

Q. How do I vote?

A: You may vote by:

- signing and dating each proxy card you receive and returning it in the enclosed prepaid envelope;
- using the telephone number printed on your proxy card; or
- if you hold your shares in street name, follow the procedures provided by your broker, bank or other nominee.

If you return your signed proxy card, but do not mark the boxes showing how you wish to vote, your shares will be voted FOR the proposal to adopt the merger agreement, FOR the adjournment proposal, FOR the election of the director nominees named in this proxy statement, FOR the proposal to amend our Amended and Restated Certificate of Incorporation, FOR the ratification of the appointment of Ernst & Young LLP as our public accounting firm for 2007 and AGAINST each of the two stockholder proposals.

Q. How can I change or revoke my vote?

A. You have the right to change or revoke your proxy at any time before the vote taken at the annual meeting by:

- delivering to Wendy L. Foss, our Vice President, Finance & Administration and Corporate Secretary, a signed, written revocation letter dated later than the date of your proxy;
- submitting a proxy to Lear with a later date; or

attending the meeting and voting in person (your attendance at the meeting will not, by itself, revoke your proxy; you must vote in person a the meeting to revoke your proxy).

Q. If my shares are held in street name by my bank, broker or other nominee, will my bank, broker or other nominee vote my shares for me?

A. If you hold your shares in street name through a bank, broker or other nominee, such bank, broker or nominee will vote those shares in accordance with your instructions. To so instruct your bank, broker or nominee, you should follow the information provided to you by such entity. Without instructions from you, a bank, broker or nominee will be permitted to exercise its own voting discretion with respect to so-called routine matters (such as Proposal Nos. 3 and 5) but may not be permitted to exercise voting discretion with respect to non-routine matters (such as Proposal Nos. 1, 2, 4, 6 and 7). Thus, if you do

not give your bank, broker or nominee specific instructions with respect to Proposal No. 3 (election of directors) and Proposal No. 5 (ratification of auditors), your shares will be voted in such entity s discretion. If you do not give your bank, broker or nominee specific instructions with respect to the remaining proposals to be presented at the meeting, your shares will not be voted on such matters. These shares are called broker non-votes. Shares represented by such broker non-votes will be counted in determining whether there is a quorum. Broker non-votes are not considered votes for or against any particular proposal and therefore will have no direct impact on any proposal. However, with respect to Proposal No. 1 (the proposal to adopt the merger agreement) and Proposal No. 4 (the proposal to amend our Amended and Restated Certificate of Incorporation), because such matters require the affirmative vote of holders of a majority of outstanding common stock, broker non-votes will have the same effect as votes against these proposals. We urge you to provide your bank, broker or nominee with appropriate voting instructions so that all your shares may be voted at the meeting.

Q. What do I do if I receive more than one proxy or set of voting instructions?

A. If you also hold shares directly as a record holder in street name, or otherwise through a nominee, you may receive more than one proxy and/or set of voting instructions relating to the annual meeting. These should each be voted and/or returned separately as described elsewhere in this proxy statement in order to ensure that all of your shares are voted.

Q. What happens if I sell my shares before the annual meeting?

A. If you transfer your shares of common stock after the record date but before the annual meeting, you will retain your right to vote at the annual meeting. However, you will have transferred the right to receive $36.00 per share in cash to be received by our stockholders in the merger, as described under Questions and Answers About the Merger and the Merger Agreement. In order to receive the $36.00 per share, you must hold your shares through completion of the merger.

Q. Will a proxy solicitor be used?

A. Yes. We have engaged MacKenzie Partners, Inc. to assist in the solicitation of proxies for the annual meeting for a fee of approximately $25,000, a nominal fee per stockholder contact, reimbursement of reasonable out-of-pocket expenses and indemnification against certain losses, costs and expenses.

Questions and Answers About the Merger and the Merger Agreement

Q What is the proposed merger transaction?

A. The proposed merger transaction is the acquisition of Lear by AREP Car Holdings Corp. (Parent), an affiliate of American Real Estate Partners, L.P. (AREP). Once the merger agreement has been adopted by the stockholders and other closing conditions under the merger agreement have been satisfied or waived, AREP Car Acquisition Corp. (Merger Sub), a wholly-owned subsidiary of Parent, will merge with and into Lear. Lear will be the Surviving Corporation and become a wholly-owned subsidiary of Parent after the merger.

Q. What will I receive in the merger?

A. Upon completion of the merger, you will be entitled to receive $36.00 in cash, without interest and less any applicable withholding tax, for each share of our common stock that you own, unless you have exercised your appraisal rights with respect to the merger. For example, if you own 100 shares of our common stock, you will receive $3,600.00 in cash in exchange for your shares of our common stock, less any applicable withholding tax. You will not own any shares in the Surviving Corporation.

Q. What vote is required for Lear s stockholders to adopt the merger agreement?

A. An affirmative vote of a majority of the outstanding shares of our common stock is required to adopt the merger agreement. The adoption of the merger agreement does not require the affirmative vote of a majority of unaffiliated stockholders.

Q. What vote of our stockholders is required to approve the proposal to adjourn or postpone the annual meeting, if necessary, to solicit additional proxies in favor of the adoption of the merger agreement?

A. The proposal to adjourn or postpone the annual meeting, if necessary, to solicit additional proxies in favor of the adoption of the merger agreement requires the affirmative vote of a majority of the outstanding shares of our common stock present in person or represented by proxy at the annual meeting and entitled to vote on the matter.

Q. How does Lear s board of directors recommend that I vote on the proposals relating to the merger agreement?

A. The board of directors, after careful consideration of a variety of factors including the unanimous recommendation of the special committee, recommends that you vote FOR the proposal to adopt the merger agreement and FOR the proposal to adjourn the annual meeting, if necessary, to solicit additional proxies if there are insufficient votes at the time of the annual meeting to adopt the merger agreement. You should read Special Factors Reasons for the Merger; Recommendation of the Special Committee and our Board of Directors for a discussion of the factors that the special committee and the board of directors considered in deciding to recommend the adoption of the merger agreement.

Q. What effects will the proposed merger have on Lear?

A. As a result of the proposed merger, Lear will cease to be a publicly-traded company and will be wholly-owned by Parent. You will no longer have any interest in our future earnings or growth. Following consummation of the merger, the registration of our common stock and our reporting obligations with respect to our common stock under the Securities Exchange Act of 1934, as amended (the Exchange Act), will be terminated upon application to the Securities and Exchange Commission (the SEC). In addition, upon completion of the proposed merger, shares of our common stock will no longer be listed on any stock exchange or quotation system, including the New York Stock Exchange (NYSE).

Q. Am I entitled to exercise appraisal rights instead of receiving the merger consideration for my shares?

A. Yes. As a holder of our common stock, you are entitled to appraisal rights under Delaware law in connection with the merger if you comply with all the requirements of Delaware law. See Appraisal Rights beginning on page 104.

Q. When is the merger expected to be completed?

A. We are working toward completing the merger as quickly as possible, and we anticipate that it will be completed at the end of the second quarter of 2007. However, the exact timing of the completion of the merger cannot be predicted. In order to complete the merger, we must obtain stockholder approval and the other closing conditions under the merger agreement must be satisfied or waived. In addition, Parent is not obligated to complete the merger until the expiration of a 15-business day Marketing Period that it may use to complete its financing for the merger. See The Merger Agreement Effective Time and The Merger Agreement Conditions to the Merger beginning on pages 78 and 86, respectively.

Q. What happens if the merger is not consummated?

A. If the merger agreement is not adopted by stockholders or if the merger is not completed for any other reason, stockholders will not receive any payment for their shares in connection with the merger. Instead, Lear will remain an independent public company and our common stock will continue to be listed and traded on the NYSE.

Under specified circumstances, Lear may be required to pay Parent a termination fee and reimburse Parent for its out-of-pocket expenses as described under the caption The Merger Agreement Termination Fees and Expenses.

Questions and Answers About the Other Proposals

Q What are the proposals at the annual meeting in addition to the adoption of the merger agreement?

A. In addition to the proposal to adopt the merger agreement and the merger, you are being asked to vote on the election of three directors, the adoption of amendments to our Amended and Restated Certificate of Incorporation to provide for the annual election of each director on our board, the ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm for 2007 and, if presented at the meeting, the two stockholder proposals described in this proxy statement.

Q. What effect will the adoption of the merger agreement have on the other proposals?

A. If the merger agreement and the merger are adopted by the affirmative vote of a majority of the outstanding shares of our common stock, then you will still have the right to vote on the other proposals at the annual meeting. If the merger is consummated, however, Lear will cease to be a publicly-traded company and you will no longer be a stockholder of Lear.

Q. What will happen to the other proposals if the merger agreement is not adopted by stockholders?

A. If the merger agreement is not adopted by our stockholders or if the merger is not completed for any other reason, Lear will remain an independent public company and you may be affected by the adoption, or failure to adopt, the other proposals described above if you remain a stockholder of Lear.

Q. What vote is required for Lear s stockholders to adopt the other proposals?

A. Our directors are elected by a plurality of the votes cast by the holders of our common stock. Plurality means that the three individuals who receive the highest number of the votes will be elected as directors. Any shares not voted (whether by abstention, broker non-vote or otherwise) have no impact on the election of directors except to the extent that the failure to vote for an individual results in another individual receiving a higher number of votes. Approval of the amendments to our Amended and Restated Certificate of Incorporation will require the affirmative vote of holders of a majority of the outstanding shares of our common stock. For each other item, the affirmative vote of the holders of a majority of the shares represented in person or by proxy and entitled to vote on the item will be required for approval.

Q. How does Lear s board of directors recommend that I vote on the other proposals?

A. The board of directors recommends that you vote FOR the election of the director nominees named in this proxy statement, FOR the proposal to amend our Amended and Restated Certificate of Incorporation, FOR the ratification of the appointment of Ernst & Young LLP as our public accounting firm for 2007 and AGAINST each of the two stockholder proposals.

Q. Who can help answer my other questions?

A. If you have additional questions about the merger, need assistance in submitting your proxy or voting your shares of our common stock, or need additional copies of the proxy statement or the enclosed proxy card, you may direct such question or request to Lear Corporation, 21557 Telegraph Road, P.O. Box 5008, Southfield, Michigan 48086-5008, Attention: Investor Relations, or through Lear s website at www.lear.com. You may also contact MacKenzie Partners, Inc., our proxy solicitor, toll-free at (800) 322-2885.

SPECIAL FACTORS

Background of the Merger

Since early 2005, the automotive industry environment, particularly in North America, has been severely challenged. Higher energy prices, shifts in consumer purchasing patterns away from sport utility vehicles and light trucks, increased competition and other effects of globalization, increases in the prices of key commodities and raw materials and the distressed financial condition of a large number of automobile manufacturers and suppliers have been some of the principal factors contributing to this challenging environment. As a result of these factors, automotive production in North America has declined significantly and General Motors, Ford and DaimlerChrysler, the Company s largest customers, have incurred substantial operating losses and undertaken major restructuring actions. Lear s operating and financial performance has also been materially adversely affected by these industry conditions.

In 2005, our board of directors initiated a strategic planning process focused on exploring ways to enhance shareholder value. The process involved three primary elements: (1) the development of a detailed strategic plan designed to restore the Company to historical levels of financial performance; (2) a review of the Company s long-term capital structure to ensure stability and sufficient liquidity and capital resources to implement the strategic plan; and (3) the formulation and execution of a strategy to address the Company s deteriorating interior systems division. In addressing these elements, the board asked management to review initiatives to improve the Company s product portfolio, customer diversification and cost structure, as well as to explore non-traditional growth and business combination opportunities.

Given the extremely dynamic and uncertain industry environment, the board also established strategic planning as a permanent part of its regular meeting agenda. At board meetings in November 2005 and February and May 2006, management presented its internal corporate strategy and the board invited industry experts to make presentations on the state of the automotive industry and implications to the Company. In the Fall of 2005, the board engaged Citigroup Global Markets Inc. and UBS Securities LLC to advise the Company on the divestiture of our interiors systems division. In April 2006, the board engaged JPMorgan to provide advisory services in connection with the strategic planning process.

During this time period, management also undertook the creation of a long-term financial plan that involved senior management establishing strategic priorities, setting overall objectives for the Company s operations and then having each of the Company s business units establish operating plans to achieve these objectives. The process was an extension of the Company s annual budgeting and planning process and occurred over several months through the first half of 2006. It was highly iterative and designed to reconcile the objectives established by the board and senior management with the realities of a challenging and evolving industry environment. In July 2006, management presented its long-range financial plan to the board, referred to herein as the July 06 Long-Range Plan. The July 06 Long-Range Plan, and the strategic plan on which it was based, relied extensively on aggressively restructuring the Company s operations to ensure cost competitiveness, including migrating production to lower-cost locations and better aligning the Company s capacity with the industry environment. The plan also included a refined product-line strategy that contemplated increased vertical integration. Finally, the plan provided for more aggressive investment in emerging markets, particularly in Asia, and further customer and revenue diversification.

Our board of directors and management also undertook several actions to preemptively address the refinancing of the Company s near and longer-term debt maturities. In April 2006, we entered into a $2.7 billion amended and restated credit agreement, which provided a revolving credit facility of $1.7 billion and a term loan facility of $1.0 billion. We used a portion of the proceeds of the new credit facility to refinance upcoming debt maturities. Thereafter, management began evaluating alternatives to refinance approximately $900 million of debt maturing in 2008 and 2009, which refinancing was ultimately completed in November 2006 through an offering of senior notes. This offering extended those debt maturities through 2016.

In October 2006, after considering various alternatives, our board of directors also approved the sale, in a private placement, of approximately 8.7 million shares of our common stock to affiliates of and funds managed by Mr. Icahn for $23.00 per share. This equity investment provided the Company with additional financing

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and operating flexibility and ultimately facilitated the refinancing of 2008 and 2009 debt maturities and the divestiture of the Company s North American interiors business. Affiliates of Mr. Icahn have been stockholders of Lear since March 2006. The shares of common stock issued to the Icahn affiliates yielded gross proceeds to the Company of $200 million and represented approximately 10.6% of our outstanding common stock at the time of issuance. In connection with the offering, Lear agreed to a limited waiver of Section 203 of the DGCL with respect to the Icahn affiliates for so long as their interest in our stock did not exceed 24% of our outstanding common stock. This 24% limitation was based on the Icahn affiliates approximate 16% beneficial interest in our common stock, together with their interest in financial instruments that provided economic exposure to an additional 8% of our common stock, immediately following the sale. Our board of directors conditioned the limited waiver on the Icahn affiliates complying with this limitation so that Lear would retain the benefits of Section 203 of the DGCL regarding board and stockholder approval of certain business combinations in the event the Icahn affiliates were to increase their combined beneficial interest in and economic exposure to the Company above 24%. In connection with the offering, neither the Company s board of directors or management nor the Icahn affiliates reviewed or analyzed a potential going private transaction involving the Company. The terms of the purchase agreement entered into between Lear and the Icahn affiliates in connection with the stock sale also permitted the Icahn affiliates to designate one person to serve on our board of directors. On November 9, 2006, our board of directors elected Vincent J. Intrieri, the designee of the Icahn affiliates, to our board of directors.

During the course of 2006, management and our board of directors remained keenly focused on the divestiture of the Company s interiors systems division. This business, which represented approximately $3.1 billion in net sales in 2005, had been suffering significant operating losses, particularly in North America. These losses were primarily the result of higher raw material prices and unfavorable industry conditions. As a result of a shift in customer sourcing strategies away from total interior awards to individual component and system sourcing, this business was also no longer of significant strategic value to the Company. In addition, challenges in the interiors segment resulted in a major diversion of Company resources and were damaging to our customer relationships. In July 2006, we entered into an agreement to contribute substantially all of our European interiors business to International Automotive Components Group, LLC (IAC Europe), a joint venture with WL Ross & Co. LLC (WL Ross) and Franklin Mutual Advisers, LLC (Franklin). We subsequently completed the contribution of our European interiors business to IAC Europe in October 2006. For nearly a year, we were seeking a similar joint venture for our North American interiors business. However, our substantial losses in North America made a transaction in this region much more difficult than in Europe. The equity investment in the Company by affiliates of and funds managed by Mr. Icahn, which provided the funds required to execute an alternative strategy for our North American interiors business, if necessary, was of significant value in completing our negotiations with WL Ross and Franklin. In November 2006, we reached a definitive agreement to transfer substantially all of our North American interiors business to International Automotive Components Group North America, Inc. (IAC North America), a joint venture with WL Ross and Franklin. We subsequently completed the contribution of our North American interiors business to IAC North America in March 2007.

The refinement of our strategic business plan, the development and implementation of a long-term capital structure strategy and the execution of our interiors strategy were all actions overseen by our board of directors, with the advice of outside advisors, and undertaken by the Company in furtherance of our strategic planning process. Following these initiatives, our board and management continued to focus on additional strategic actions that could further enhance shareholder value.

Between the date of Mr. Icahn s initial investment in Lear and January 2007, we had discussions periodically with Messrs. Intrieri and Icahn on Lear s strategy and additional ways in which Lear could increase shareholder value. As part of these ongoing discussions, Messrs. Icahn and Rossiter, our Chairman and Chief Executive Officer, jointly agreed to meet in New York in January 2007. On January 16, 2007, Mr. Rossiter and Daniel A. Ninivaggi, our Executive Vice President and General Counsel, met in New York with Messrs. Icahn and Intrieri. Mr. Rossiter described the current automotive industry environment, including production levels, the impact of oil prices on demand for certain of the Company s key platforms and the uncertainty over Lear s North American customers upcoming labor negotiations. Mr. Rossiter also

described the Company s investment plans in Asia and other growth markets and the importance of Lear s restructuring initiatives, particularly in North America and Western Europe. Mr. Rossiter indicated that management remained confident in Lear s business plan but the industry environment, particularly in North America, remained very challenging. Each of the topics raised by Mr. Rossiter were discussed further during this meeting. Mr. Icahn then expressed support for management s business strategy but indicated that in a very challenging industry environment, management should be even more aggressive in restructuring the Company s core business, lowering its cost structure and investing in growth areas.

During the meeting, Mr. Rossiter also remarked about volatile industry and market conditions and their negative effect on the Company s business, including how short-term stock price fluctuations affect perceptions about the Company s long-term prospects. Mr. Icahn suggested that the Company might be able to take a longer-term focus, more aggressively pursue restructuring initiatives and be better positioned to withstand volatile industry conditions as a private company with a strong financial sponsor. The parties discussed the benefits that a strong financial sponsor would provide to Lear s business. Mr. Rossiter agreed that such a transaction might be beneficial to Lear, provided that a transaction could be structured to maximize shareholder value. Mr. Icahn further stated that he would be interested in obtaining access to confidential information to consider the feasibility of his pursuing an acquisition of the Company. Mr. Icahn also stated that the strength and liquidity of the capital markets offered a particularly attractive opportunity for Lear to explore such a transaction.

Mr. Rossiter indicated that Lear s management and board had been engaged in a long-range strategic planning process for several months and, if Mr. Icahn requested, he would convey to the board Mr. Icahn s interest in exploring an acquisition of the Company. Mr. Icahn requested that Mr. Rossiter do so but emphasized that he was not making a proposal regarding a transaction, and would need further due diligence information regarding Lear s business and prospects in order to determine whether a transaction was feasible. Mr. Icahn also expressed his confidence in Lear s management team and the Company s business strategy and indicated he would only proceed in exploring a transaction on a negotiated basis and if our board of directors were to support his interest in doing so. The parties then discussed, in general terms, a proposed due diligence and transaction process and agreed to reconvene in the next few days for a more detailed discussion. Mr. Icahn did not condition his interest in exploring a potential transaction on the Company following any particular process.

On January 17, 18 and 19, 2007, Messrs. Rossiter, Ninivaggi, Icahn and Intrieri had several telephone calls to discuss the parties expectations regarding due diligence and a transaction process if Mr. Icahn were to decide to further explore a potential transaction. During these calls, Mr. Ninivaggi indicated that the decision to engage in any due diligence process or more specific discussions regarding a transaction would be subject to the prior approval of our board of directors.

On January 22, 2007, Messrs. Ninivaggi, Icahn and Intrieri, among others, participated in a conference call to further discuss the proposed due diligence process and timetable. Mr. Icahn noted that if he were to decide to pursue a transaction, he would likely do so through an affiliated entity, American Real Estate Partners, L.P. (AREP), or a subsidiary thereof. AREP, a Delaware master limited partnership, is a diversified holding company engaged in a variety of businesses, including gaming, real estate and home fashion. AREP s general partner is American Property Investors, Inc., which is wholly-owned, through an intermediate subsidiary, by Mr. Icahn. Mr. Icahn also noted that AREP would likely engage advisors to assist in a financial and business due diligence review of Lear. On January 23, 2007, A.T. Kearney, Inc. was engaged to conduct a business diligence review of Lear. Mr. Ninivaggi informed Mr. Icahn that he would discuss with our board of directors Mr. Icahn s request for confidential information and potential interest in a transaction.

On January 23, 2007, representatives of our management team and Winston & Strawn LLP (Winston & Strawn), our outside legal counsel, participated in a conference call with representatives of Mr. Icahn and AREP (the Icahn Group) during which they further discussed the general scope and timing of the proposed due diligence. Later that day, Mr. Rossiter called independent directors Larry W. McCurdy and James A. Stern to inform them of the discussions to date.

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On January 24, 2007, Mr. Ninivaggi spoke with Messrs. Rossiter, McCurdy and Stern regarding the ongoing discussions with the Icahn Group. Mr. Ninivaggi also contacted directors David P. Spalding, Henry D.G. Wallace and Richard F. Wallman, and informed them of the discussions to date. That same day, Mr. Rossiter spoke with Mr. McCurdy about potential next steps. Messrs. Rossiter and McCurdy determined that given the discussions over the past few days of a more specific proposed due diligence and transaction process, it was appropriate to convene a special meeting of our board of directors to discuss the recent events and solicit direction from the board as to how the process, if any, for exploring a potential transaction should proceed.

On January 25, 2007, our board of directors convened a special meeting. Mr. Ninivaggi and a representative of Winston & Strawn also participated in this meeting. Due to his affiliation with the Icahn Group, Mr. Intrieri excused himself from the meeting prior to any discussions regarding the potential transaction occurring. Mr. Rossiter was unable to attend the meeting because of an overseas business trip. At the meeting, Mr. McCurdy, our lead independent director, requested that Mr. Ninivaggi provide the directors with an update on the discussions that had taken place between management and the Icahn Group. Mr. Ninivaggi provided such an update and described to the board of directors the proposed process for exploring a potential transaction. The initial stage would consist of the sharing of certain non-public information with the Icahn Group and due diligence meetings between management and representatives of the Icahn Group to discuss Lear s business strategy and financial prospects. Following this initial due diligence period, the Icahn Group would indicate whether it believed a transaction was feasible and whether it wanted to further explore a potential transaction. If so, the Icahn Group would thereafter conclude its evaluation, finalize its financing commitments and deliver a definitive proposal regarding a transaction.

Our board of directors then discussed at length whether to provide the Icahn Group with access to the non-public information it had requested. The board discussed the Icahn Group s potential motivations, risks and potential harm to the Company of diverting management s resources from operating the Company s business.

After further discussion, Mr. McCurdy recommended, and our board of directors approved, the formation of a special committee comprised of independent directors McCurdy, Stern and Wallace, with Mr. McCurdy serving as chairman. The board delegated to the special committee the authority to review, evaluate and negotiate any proposal that the Icahn Group may make with respect to a potential transaction, and also to consider any alternatives thereto. The board retained the final authority to make any decision to approve or enter into any transaction. The board also authorized the special committee to retain financial and legal advisors. Over the course of the next two weeks, the special committee met six times, and our board of directors met five times.

Our board of directors concluded its deliberations by authorizing management to proceed with the initial phase of due diligence the Icahn Group had requested, subject to negotiation of an acceptable confidentiality agreement. Our board advised James H. Vandenberghe, our Vice Chairman and Chief Financial Officer, and Mr. Ninivaggi that management was to limit any discussion with the Icahn Group at this time to the requested due diligence information and transaction process. Our board further directed management to advise senior representatives of JPMorgan of the discussions with the Icahn Group and to be prepared to advise the special committee (and, at the instruction of the special committee, to inform the board of that advice) should the Icahn Group proceed with a transaction proposal. Our board had originally engaged JPMorgan in April 2006 to, among other things, advise the board in connection with the board s review of strategic alternatives and to prepare a financial analysis of Lear based on the July 06 Long-Range Plan. The special committee retained the authority to engage JPMorgan or any other financial advisor to assist the committee.

On January 26, 2007, we entered into a confidentiality agreement with AREP. The confidentiality agreement obligated AREP and its advisors to maintain the confidentiality of the information to be provided to them by us and the parties discussions of a potential transaction. On January 26, 2007, we began to provide due diligence materials to AREP, its counsel and A.T. Kearney. We provided most of the business and financial due diligence material over the next couple of days, and the legal and other due diligence materials during the following week. We also made the business and financial due diligence available to JPMorgan.

On January 28 and 29, 2007, representatives of Lear and AREP, along with their respective legal advisors, met in New York for due diligence meetings. The parties discussed in detail the July 06 Long-Range Plan, which management had updated over the past few days at the direction of the board to reflect the current industry outlook, referred to herein as the Long-Range Plan with Current Industry Outlook. The parties also discussed the status of strategic initiatives the Company was pursuing, including the previously announced divestiture of Lear s North American interiors business segment.

On January 29, 2007, Mr. Ninivaggi provided Messrs. McCurdy and Stern with an update on the due diligence meetings with the Icahn Group. Mr. McCurdy decided that the special committee should hold an initial meeting the following day to discuss the recent events and formally engage legal and financial advisors to the special committee. He also asked that Mr. Ninivaggi direct JPMorgan to update its financial analysis of the Company based on the current industry outlook, noting that there had been significant changes in industry conditions since the development of the July 06 Long-Range Plan.

Later that day, Messrs. Ninivaggi, Icahn and Intrieri met in New York to discuss the due diligence process and Mr. Icahn s proposed next steps. Based on AREP s initial due diligence review, Mr. Icahn confirmed his desire to proceed in evaluating the feasibility of a transaction. Mr. Icahn indicated that AREP would require several additional days to conclude its business and legal due diligence, following which AREP would be in a position to determine whether a transaction was feasible and, if so, make a proposal. That evening, Douglas G. DelGrosso, our President and Chief Operating Officer, and Messrs. Icahn and Intrieri had a dinner meeting in New York at which they discussed, in general terms, the state of the automotive industry and the prospects for Lear s business. At the meeting, Mr. Icahn expressed his interest in retaining Lear s senior management team, including Mr. DelGrosso, should a transaction occur. The parties did not discuss, or make any proposals regarding, the terms of any employment relationship or a proposed transaction.

On January 30, 2007, the special committee held a meeting to discuss the ongoing due diligence process and the discussions with the Icahn Group. At the request of the special committee, Mr. Ninivaggi and representatives of Winston & Strawn participated in the meeting. Mr. Ninivaggi informed the special committee that the Icahn Group had not made any proposal regarding a transaction with Lear but that Mr. Icahn had stated that, based on the due diligence conducted to date, the Icahn Group wished to proceed further with due diligence for purposes of evaluating a potential transaction. Mr. Ninivaggi also noted that Mr. Icahn had expressed an interest in retaining senior management following a potential transaction, but that no specific discussions had taken place regarding the terms of employment or management s participation in a transaction.

At the January 30th meeting, the special committee also decided to formally engage a financial advisor and legal counsel. Based on JPMorgan s previous engagement by our board of directors and familiarity with the Company, the special committee resolved to engage JPMorgan as its financial advisor in connection with the evaluation of any potential offer for Lear from the Icahn Group or any other person. The special committee noted that JPMorgan was uniquely positioned to advise the Company and evaluate the Company s long-range forecast, given JPMorgan s extensive industry experience, familiarity with the July 06 Long-Range Plan and knowledge of the factors and analysis that influenced the Company s development of that plan. The special committee also resolved to engage Winston & Strawn and Richards, Layton & Finger, P.A. (Richards Layton) as its legal advisors. In making its determination as to the qualifications and independence of the financial and legal advisors, the special committee considered the familiarity of JPMorgan and Winston & Strawn with the Company and that the advisors had not separately represented any members of management with respect to the potential acquisition or any other matters which the special committee believed would compromise the advisors independence. The special committee also noted that the board of directors (and not management) had originally engaged JPMorgan in 2006 to advise the board in connection with the board s review of Lear s strategic alternatives. The special committee also considered that neither JPMorgan nor Winston & Strawn had represented AREP and that neither JPMorgan nor Winston & Strawn had any significant relationships with Mr. Icahn or his affiliates that would compromise the independence of such advisors. In making its determination as to the independence of Richards Layton, the special committee applied a similar analysis. The same individuals at Winston & Strawn advised both the special committee and the board of directors with respect to the proposed transaction with AREP. JPMorgan

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and Richards Layton were engaged to advise the special committee with respect to the proposed transaction with AREP. The same individuals at JPMorgan and Richards Layton had previously advised the board on other matters. At the meeting, the special committee also authorized Mr. McCurdy to contact David P. Spalding, chairman of the Compensation Committee of our board of directors, to have the Compensation Committee review the implications of a potential change in control transaction involving the Company on employee compensation and benefits matters.

On January 31, 2007, additional business and financial due diligence continued, including a visit to Lear s headquarters facility by a representative of the Icahn Group. On that same day, Lear began to provide business and financial due diligence materials to Bank of America, N.A., which AREP identified as the debt financing source for a possible transaction with Lear.

On February 1, 2007, the special committee met to review management s financial projections. Also present at the meeting were Messrs. DelGrosso, Vandenberghe, Ninivaggi and Matthew J. Simoncini, our Senior Vice President, Finance and Chief Accounting Officer, as well as representatives of JPMorgan, Winston & Strawn and Richards Layton. At the meeting, Messrs. Vandenberghe and DelGrosso made a presentation regarding Lear s recent operating results, existing financial condition, and strategic plans, goals and prospects, including the financial forecasts prepared by management. In this regard, Mr. Vandenberghe discussed updated third-party production forecasts, which showed a decline in the long-term North American production outlook, particularly among the U.S. domestic automakers. The members of the special committee discussed the presentation and inquired of management regarding the preparation of the Company s long-range forecast and the most significant risks and opportunities to Lear s long-term prospects. JPMorgan also presented to the special committee a preliminary financial analysis of Lear based on both the Long-Range Plan with Current Industry Outlook and the July 06 Long-Range Plan. The preliminary financial analysis presented by JPMorgan was similar in nature to the analysis in JPMorgan s final presentation to the special committee on February 7, 2007 described under the heading Opinion of Financial Advisor to the Special Committee.

On February 2, 2007, Messrs. Rossiter, Ninivaggi, Icahn and Intrieri participated in several conference calls to discuss the status of AREP s evaluation process. During one such call, Mr. Icahn expressed an oral indication of interest in AREP acquiring Lear at a price of $35.00 per share of common stock. Mr. Icahn indicated that AREP had substantially completed its due diligence and that it was prepared to move quickly to negotiate and sign a definitive merger agreement over the next few days. Mr. Icahn also noted that AREP was prepared to enter into a merger agreement with a go shop provision that would permit Lear to solicit alternative proposals for a period of 45 days after signing a merger agreement, subject to a break-up fee associated with accepting an alternative proposal equal to 3% of the equity value of the transaction, plus reimbursement of up to $20 million of expenses. In addition, Mr. Icahn indicated that AREP was prepared to deliver a debt financing commitment letter from Bank of America, N.A. at the time of signing a merger agreement. Mr. Rossiter responded that he could not support a transaction on these terms but that he would advise the special committee of the offer.

Later in the evening, the special committee held a telephonic meeting to consider the proposal from AREP. Messrs. Rossiter, Vandenberghe, DelGrosso and Ninivaggi and representatives of JPMorgan, Winston & Strawn and Richards Layton also participated in the meeting. Representatives of Winston & Strawn and Richards Layton discussed the fiduciary duties of the directors in connection with their evaluation of the proposal from AREP and any other alternatives available to Lear. The special committee discussed the proposed terms of the AREP offer and Lear s long-range plan. Representatives of JPMorgan discussed with the special committee JPMorgan s preliminary financial analysis of the AREP proposal. The special committee concluded that it was not willing to recommend a transaction on the proposed terms, including most significantly, the combination of the price and the proposed break-up fee.

Following the meeting of the special committee, Messrs. Rossiter, Vandenberghe and DelGrosso and a representative of Winston & Strawn called Messrs. Icahn and Intrieri and informed them of the decision of the special committee. On this call, Mr. Icahn indicated that AREP was willing to increase its offer to $35.25 per share. Mr. Rossiter responded that, based on the special committee s position expressed earlier that evening,

he did not believe the special committee would look favorably on an offer of $35.25 per share. Later in the call, Mr. Icahn indicated that AREP s final and highest offer for Lear was $36.00 per share. Mr. Icahn stated that AREP was not willing to consider a price higher than $36.00 per share, given its perception of industry risk and the uncertainty surrounding Lear s long-range business plan. More specifically, Mr. Icahn indicated that he was concerned with Lear s ability to achieve its long-range business plan given the uncertain industry environment, including potential further deterioration in the North American automotive industry (particularly for the U.S. domestic automakers), volatility in raw material prices and risks surrounding upcoming labor negotiations involving the U.S. domestic automakers. Mr. Icahn also expressed concern regarding Lear s ability to realize and retain the cost savings associated with planned restructuring initiatives, which were critical to the achievement of Lear s long-range business plan. Mr. Rossiter indicated that he would convey Mr. Icahn s latest offer to the board of directors and suggested that he and Mr. Icahn continue discussions the next morning.

On the morning of February 3, 2007, Mr. Rossiter contacted Mr. Icahn to seek further improvement in the terms of the AREP proposal, including the price and the break-up fee. Mr. Rossiter indicated that in his opinion further improvement would be required before the special committee would recommend to the board that it accept the AREP proposal. Mr. Icahn responded that $36.00 per share was his best and final offer on the price but that he might consider some adjustment to the break-up fee. Mr. Rossiter indicated that he would discuss AREP s position with the board of directors at a meeting scheduled for later in the afternoon and that following that meeting, if appropriate, Mr. Ninivaggi and a representative of Winston & Strawn should speak with representatives of AREP regarding the break-up fee and other substantive and procedural aspects of the go shop process, including AREP s ability to match competing offers and the length of the go shop period.

On February 3, 2007, our board of directors (excluding Mr. Intrieri) held a telephonic meeting to discuss the proposal from AREP. Representatives of JPMorgan, Winston & Strawn and Richards Layton also participated in the meeting. Mr. Rossiter informed the board of the increase in AREP s proposed purchase price. Mr. Rossiter stated that Mr. Icahn had characterized the offer as final and that he would be unwilling to consider a higher price.

Messrs. Rossiter, Vandenberghe and DelGrosso then reviewed with the board and answered questions regarding Lear s long-range business plan and prospects. In this regard, the members of management discussed in detail the risks and opportunities relevant to the execution of the Company s long-range plan, including the sensitivity of the plan to industry production levels, commodity prices, the success of the Company s restructuring initiatives and other factors. Mr. Vandenberghe noted that since the formulation of the July 06 Long-Range Plan, the industry production outlook, particularly for the U.S. domestic automakers, had worsened. He further indicated that while management believed the long-term prospects of the Company were favorable, the adverse industry environment and external event risk, including risks associated with the upcoming labor negotiations involving the Company s major North American customers, made the AREP proposal worthy of serious consideration. JPMorgan also presented to the special committee a preliminary financial analysis of Lear relative to the AREP offer. The preliminary financial analysis presented by JPMorgan was similar in nature to the analysis in JPMorgan s final presentation to the special committee on February 7, 2007 described under the heading Opinion of Financial Advisor to the Special Committee. The directors and other participants in the meeting thereafter engaged in extensive discussion of the Company s long-range plan, including key assumptions and risks, as well as JPMorgan s financial analysis of AREP s offer.

Management and representatives of JPMorgan then exited the meeting. The board of directors, with representatives of Winston & Strawn and Richards Layton present, discussed the AREP proposal at length, focusing on the price, the go shop process and the terms of the break-up fee. The board discussed the various options available to it, including proceeding on the terms outlined in AREP s proposal, terminating discussions with AREP or continuing to negotiate with AREP. The board also considered the possibility of soliciting other potential buyers through a formal sale process in which the Company s financial advisor would solicit potential strategic and financial buyers of the Company in an auction process prior to the Company entering into a definitive merger agreement with any party. The board noted the potential disruption to Lear s

business and customer relationships, the risks and consequences of an unsuccessful sale process and the prospect that AREP might withdraw its proposal if Lear were to commence a formal sale process. The board discussed the potential harm to the Company s business in initiating a formal sale process without a committed buyer in hand, particularly given the uncertain outlook for the automotive industry. The board was also mindful of the lengthy sale process involving the Company s interiors business and the deterioration in that business performance during the process. The board noted that the go shop process proposed by AREP would enable the board to conduct an auction in which the Company could solicit potential buyers of the Company, while also providing the board assurance that there was a committed buyer in place. In addition, the board considered the likelihood of management successfully executing the long-range plan, including the risks and uncertainty associated with achieving that plan. Other potential transaction structures the board discussed included a potential sale of specific business units and a leveraged recapitalization of the Company accompanied by a dividend to stockholders.

The board determined that given the potential harm and disruption to Lear s business, it was not in the best interests of Lear to engage in an extensive and uncertain sale process of the Company. Rather, the board determined that if it were to recommend a sale of the Company, a negotiated deal with a potential purchaser that provided for a formal process in which Lear would have an opportunity to solicit other potential purchasers in a post-signing go shop period was the most likely transaction structure for maximizing shareholder value.

The board also concluded that it was not willing to agree to the current terms of the AREP proposal, but that it was willing to authorize management to engage in further discussion with AREP regarding a transaction. The board authorized Mr. Ninivaggi and Winston & Strawn to have further discussions with AREP and its counsel to seek to improve certain contractual terms of a transaction. In particular, the board requested management to seek a longer go shop period and a lower break-up fee, particularly if an alternative proposal were accepted during the go shop period. Due to the significant ownership interest in the Company of the Icahn affiliates and the board s concern that such interest could deter a potential purchaser from submitting a competing proposal or impede the ability of a competing proposal, should one emerge, to be approved by the Company s stockholders, the board also requested that the Company s representatives insist that the Icahn affiliates would be required to enter into a voting agreement pursuant to which they would agree to vote in favor of a superior proposal.

Following the meeting, Mr. Ninivaggi had several telephone calls with Messrs. Icahn and Intrieri to discuss the proposed terms of a transaction. Mr. Ninivaggi advised Messrs. Icahn and Intrieri that the board of directors was willing to continue to explore a potential transaction, but that the board would require further improvement in the terms of the break-up fee and other contractual terms. During these calls, Mr. Icahn reaffirmed that AREP was not willing to further increase the proposed offer price but would consider a somewhat lower break-up fee during the go shop period. Mr. Icahn had also previously indicated to Mr. Ninivaggi that the completion of the divestiture of Lear s North American interiors business would be a condition to the closing of the proposed AREP transaction. Mr. Ninivaggi advised Messrs. Icahn and Intrieri that he believed such a condition would be unacceptable to the special committee. Mr. Icahn also indicated that AREP was requesting that Messrs. Rossiter, DelGrosso, Vandenberghe and Ninivaggi remain with the Company following the transaction and execute new employment agreements as a condition to closing.

Also on February 3, 2007, the Compensation Committee of the board held a telephonic meeting, with representatives of Winston & Strawn, Richards Layton and Towers Perrins, the Compensation Committee s independent consulting firm, participating. The Compensation Committee reviewed with its advisors the potential implications of a change in control transaction involving Lear and whether any modifications to the change in control provisions of existing employee benefit plans or arrangements were appropriate. The Compensation Committee, with no advisors present, had a subsequent telephonic meeting on February 4, 2007 to further discuss this matter. At the February 4, 2007 meeting, the Compensation Committee concluded to recommend that no modifications be made.

During the evening of February 3, 2007, AREP delivered to Lear an initial draft of a proposed merger agreement. The draft merger agreement reflected the proposed transaction terms as expressed by Mr. Icahn.

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The draft merger agreement also provided that Lear would be required to pay a somewhat reduced break-up fee if an alternative proposal were accepted during the go shop period, AREP would be required to pay a reverse break-up fee to Lear equal to 3% of the equity value of the transaction as Lear s sole recourse against AREP for its breach of the merger agreement, and AREP would have the ability to match competing bids. In addition, the merger agreement included as a condition to closing that certain executive officers of Lear enter into amendments of their existing employment agreements. The merger agreement did not include as a condition to closing the completion of the divestiture of Lear s North American interiors business.

On February 4, 2007, Lear delivered to AREP its comments to the draft merger agreement. Also on February 4, 2007, our board of directors (excluding Mr. Intrieri), with representatives of Winston & Strawn and Richards Layton participating, held a telephonic meeting. Mr. Ninivaggi advised the board that there had been some limited progress on the proposed terms. In particular, Mr. Ninivaggi noted that AREP had agreed to reduce the break-up fee during the go shop period to 2.8% of the equity value of the transaction (inclusive of expenses) from the initially proposed 3% plus up to $20 million of expenses. Mr. Ninivaggi also noted that the Icahn affiliates had agreed to enter into a voting agreement pursuant to which they would agree to vote all of our common stock that they beneficially own in favor of a superior proposal that results in consideration of not less than $36.00 per share in cash net to the Company s stockholders. The proposed price of $36.00 per share and the go shop time period of 45 days, however, remained unchanged. Other material provisions Mr. Ninivaggi noted included the reverse break-up fee, the terms of the proposed guarantee being delivered by AREP, procedures for the go shop period and certain closing conditions. Representatives of Winston & Strawn and Richards Layton then discussed the fiduciary duties of the directors in connection with their evaluation of the proposal from AREP and any other alternatives available to Lear.

At the meeting, Mr. Ninivaggi also informed the board of AREP s request that Lear amend the employment agreements between Lear and Messrs. Rossiter, Vandenberghe, DelGrosso and Ninivaggi and that these amendments were important elements of the proposed transaction for AREP. Mr. Ninivaggi stated that he informed Mr. Icahn that he would not discuss at this time, or at any time prior to the closing of a transaction, his personal employment status with Lear given his role as counsel to Lear. Mr. Ninivaggi noted that, based on a previous discussion with Mr. Spalding, management would retain separate legal counsel to negotiate their amended employment agreements.

The special committee convened a telephonic meeting shortly after the meeting of our board of directors, with representatives of JPMorgan and Winston & Strawn participating. A representative of Winston & Strawn participated in the meeting and reviewed in detail the proposed terms of the merger agreement delivered by AREP. The special committee discussed concerns regarding the proposed terms of the merger agreement and determined that, at that time, it was not willing to recommend the transaction to the board of directors on the proposed terms. The special committee requested that management and the special committee s advisors continue to negotiate improved transaction terms. The special committee also concluded that while management could discuss with AREP the proposed terms of amended employment agreements, such amendments could not be a condition to closing, a representative of Winston & Strawn should participate in the discussions and the board of directors would need to approve any proposed amendments.

Also on February 4, 2007, Mr. Ninivaggi, at the direction of the special committee, directed JPMorgan to solicit expressions of interest from third parties that were most likely to be interested in a potential transaction. Based on its industry experience, regulatory considerations and the financial distress experienced by a large number of industry participants, JPMorgan expressed its belief that financial sponsors would be far more likely to have an interest in the Company than other parties. Over the next four days, JPMorgan approached eight different parties about a potential transaction, all of whom were financial buyers that had a history of investment in the automotive industry. Although five of the parties contacted expressed some interest in exploring a possible transaction were the Company to be sold, none of the parties presented a preliminary or definitive proposal with respect to a transaction or suggested it would have a serious interest in pursuing a transaction. JPMorgan reported the results of its inquiries at subsequent meetings of the board and the special committee on February 7 and 8, 2006.

During the evening of February 4, 2007, Mr. Rossiter in a telephone call with Mr. Icahn requested that AREP increase its proposed $36.00 per share offer and reduce the amount of the break-up fee during the go shop period. Mr. Icahn responded that AREP was not willing to further negotiate these transaction terms.

Early in the morning on February 5, 2007, our board of directors (excluding Mr. Intrieri) held a telephonic meeting. Mr. Ninivaggi and a representative of Winston & Strawn participated in the meeting and provided the board with an update on the negotiations with AREP. Mr. Ninivaggi informed the board that Mr. Rossiter had continued to push for an increase in the offer price and a further reduction in the break-up fee during the go shop period, but that AREP had refused to change its position on these issues. In addition, AREP had continued to object to the special committee s request for additional remedies (beyond a reverse break-up fee) in the event of a breach of the merger agreement by AREP. Aside from these issues, Mr. Ninivaggi indicated that the parties were making progress on the other terms of the proposed merger agreement. Mr. McCurdy then informed the board that the special committee had not yet reached a decision regarding its recommendation and would continue its deliberations. Mr. Vandenberghe reviewed with the board a draft of a press release Lear intended to issue that morning and an amended Schedule 13D certain affiliates of Mr. Icahn intended to file with the SEC that morning regarding the AREP proposal. The board authorized Winston & Strawn, JPMorgan and management to continue negotiations with AREP and to seek further improvements in the terms and conditions of the proposed merger agreement.

On the morning of February 5, 2007, certain affiliates of Mr. Icahn filed an amended Schedule 13D with the SEC in which they disclosed that AREP had made a proposal to acquire Lear for $36.00 per share and that the parties were still negotiating the terms of a possible transaction. That morning, Lear also issued a press release in which it announced the receipt of an offer from AREP and that negotiations were continuing.

On February 5 and 6, 2007, representatives of AREP, DLA Piper US LLP (DLA Piper), AREP s outside legal counsel, Lear and Winston & Strawn met in New York at the offices of Winston & Strawn to negotiate the terms of the merger agreement, the voting agreement and related transaction documents. During this time, Messrs. Stern, McCurdy and Ninivaggi also discussed the advisability of the special committee retaining Evercore Group L.L.C. (Evercore) as an additional financial advisor to assist the special committee in the evaluation of AREP s proposal. Lear had previously retained Evercore and its principal involved in the engagement to assist Lear in evaluating strategic alternatives. On February 7, 2007, the special committee formally retained Evercore to advise the special committee, specifically on the current automotive industry environment and its implications to Lear. The special committee believed that it would be helpful to have an additional perspective on the risks and uncertainties relevant to Lear s ability to achieve its long-range plan, as continuing to execute the Company s long-range plan could be the most viable and likely alternative to a sale of the Company to AREP.

On February 7, 2007, the special committee held a meeting in Birmingham, Michigan. Members of our senior management and representatives of JPMorgan, Evercore and Winston & Strawn participated in person and a representative of Richards Layton participated by teleconference. Mr. Ninivaggi and a representative of Winston & Strawn reviewed the key terms and conditions of the proposed merger agreement, including certain open issues. Mr. Ninivaggi noted that AREP had agreed to significantly increase the amount of the reverse break-up fee payable by AREP to Lear and improvements in certain procedural aspects of the go shop process.

The members of senior management then excused themselves from the meeting, after which a representative of Evercore made an oral presentation to the special committee on the automotive industry environment. Evercore did not furnish members of the special committee with any written materials. In its presentation, Evercore addressed the principal risks inherent in Lear achieving its long-range forecast from an industry perspective. Evercore noted that the automotive industry was undergoing fundamental structural changes, particularly with respect to the U.S. domestic automakers, that would continue to cause significant stress on the businesses of suppliers to such automakers. Evercore also noted the potential risks to the Company achieving its long-range forecast, including potential shifts in consumer purchasing patterns away from sport utility vehicles and light trucks and the outcome of upcoming labor negotiations involving the U.S. domestic automakers. Evercore indicated to the special committee that the automotive production levels

reflected in the Company s long-range forecast were a reasonable estimate of the expected production levels in the industry based on a comparison with published industry research. Evercore then answered questions from the special committee regarding the current state of the automotive industry and expected industry trends and their implications to Lear s ability to achieve its long-range plan.

The special committee then reviewed again with JPMorgan the financial analysis of AREP s offer prepared by JPMorgan. The special committee also discussed, and sought JPMorgan s views regarding, whether alternative buyers for Lear were likely to emerge if the Company undertook a formal sale process. The special committee and JPMorgan discussed that significant strategic buyer interest was unlikely. The parties also discussed that there were only a limited number of credible financial buyers that had demonstrated any recent interest in the automotive supply sector. Given that these financial buyers had not expressed an interest in pursuing a transaction with Lear in the past, and several had been contacted by JPMorgan earlier in the week and had not demonstrated any serious interest to JPMorgan in pursuing a transaction, the special committee determined that it was highly uncertain whether a formal sale process would result in a more favorable proposal than the AREP offer. The special committee also noted that Lear s stock price had been trading well below the proposed $36.00 per share offer price for many months and that during this period, little if any interest for a transaction involving Lear had been expressed.

Following the foregoing discussion, JPMorgan delivered an oral opinion (subsequently confirmed in writing) to the effect that, as of that date and based upon and subject to the assumptions, qualifications and limitations set forth in the opinion, the merger consideration of $36.00 per share to be received by Lear s stockholders (other than affiliates of specified entities controlled by Mr. Icahn) was fair, from a financial point of view, to such stockholders.

The representatives from JPMorgan and Evercore were then excused from the meeting, after which the special committee engaged in extensive discussions regarding the AREP proposal and alternatives thereto. In particular, the special committee focused in detail on the Company s long-range plan and the risks and opportunities relevant to the execution of such plan. Specifically, the special committee focused on the major restructuring actions being undertaken by the U.S. domestic automakers in North America and the longer-term implications these actions would have on North American vehicle production by these customers, which were reflected in declining production forecasts by independent forecasting services. The special committee also discussed Lear s exposure to other external risks, including continued volatility in raw material prices, the outcome of upcoming labor negotiations involving the U.S. domestic automakers and the trend in consumer purchasing patterns away from the Company s higher-value vehicle platforms, sport utility vehicles and light trucks. In addition, the special committee discussed the risks to Lear s ability to realize the cost savings associated with planned restructuring actions, which were critical to the achievement of Lear s long-range business plan.

In addition, the special committee considered that management supported the AREP proposal as the strategic alternative most likely to maximize shareholder value. The special committee noted that members of management may have had interests in the transaction that were different from or in addition to their interests as stockholders of Lear due to, among other things, the proposed retention of certain members of senior management by AREP and the effect of the proposed merger on existing employee benefit arrangements. Given management s potential conflicting interests, and considering its mandate from our board of directors, the special committee took great care in evaluating the terms of the AREP offer, as well as strategic alternatives (including continued execution of the Company s internal strategic plan and the key assumptions, risks and opportunities relevant to that plan). In this regard, the special committee consulted extensively throughout the evaluation process with its outside advisors, in many cases without management present.

The special committee also considered the current and historical market prices of Lear s common stock, including the market price of Lear s common stock relative to those of other industry participants and general market indices, the high volatility of Lear s common stock price and the fact that the merger consideration per share represented a premium of 3.8% based on the closing price of Lear s common stock of $34.67 per share on February 2, 2007 (the trading day prior to the announcement of AREP s offer to purchase Lear), a premium of 55.1% based on the 52-week volume weighted average price of Lear s common stock as of

February 2, 2007, and a premium of 46.4% based on the closing price of Lear s common stock on October 16, 2006 (the date on which Lear announced the private placement of $200 million of common stock to affiliates of Mr. Icahn). The announcement of Lear s private placement of common stock to affiliates of Mr. Icahn on October 16, 2006 caused a sudden increase in the market price of Lear s common stock that was unrelated to any development in Lear s operations, financial condition or business prospects. As a result, the special committee believed that this price increase was a relevant factor, in addition to the risks and uncertainties described above, in assessing whether the then-current market price of Lear s common stock was at a sustainable level with or without the investment in Lear by Mr. Icahn and his affiliates. The special committee also considered the 52-week volume weighted average market price of Lear s common stock to be a relevant metric as it reflected a recent and objective measure of the Company s value but was less affected by the impact of short-term stock price volatility.

Following further discussion among the committee members, the special committee concluded that it required further time to deliberate and reflect on the information presented and discussed at the meeting prior to making a recommendation with respect to the proposed transaction. Immediately following the meeting of the special committee, our board of directors (excluding Mr. Intrieri) held a meeting in Birmingham, Michigan. Mr. Ninivaggi and a representative of Winston & Strawn reviewed the key terms and conditions of the proposed merger agreement. Mr. McCurdy then informed the board that the special committee had not yet reached a decision regarding the AREP proposal. The board considered the proposed terms of the merger agreement and its alternative courses of action to entering into an agreement with AREP. As instructed by the special committee, representatives of JPMorgan reviewed with the full board JPMorgan s financial analysis presented to the special committee, and representatives of Evercore made a presentation on the near and longer-term automotive industry environment and possible implications for suppliers to the automotive manufacturers.

Messrs. Rossiter, Vandenberghe and DelGrosso then reviewed again with the board Lear s current long-range plan, after which management and the board engaged in extensive discussion of the plan. Also at this meeting, Mr. Spalding, as chairman of the Compensation Committee of the board, reported to the board that the Compensation Committee had reviewed the potential implications of a change in control transaction involving Lear and whether any modifications to the change in control provisions of the Company s existing employee benefit plans or arrangements were appropriate. Mr. Spalding informed the board that the Compensation Committee had concluded not to recommend any changes. Following its deliberations, the board concluded that it would not take any action with respect to the AREP offer until it had received a recommendation from the special committee.

Later that evening, Mr. Ninivaggi spoke with Mr. Icahn to discuss the remaining open issues on the merger agreement, including the circumstances under which a break-up fee would be payable. The parties did not reach agreement on the open issues. Although the special committee had not yet determined that it was willing to support a transaction at a price of $36.00 per share, the parties did not further discuss the proposed offer price as Mr. Icahn had continued to insist since discussions on February 2, 2007 that AREP was not willing to consider a higher price.

On the morning of February 8, 2007, the special committee held a meeting at Lear s corporate headquarters in Southfield, Michigan with no advisors or members of management present. At this time, the special committee reviewed in detail and further discussed the matters that were presented and reviewed at the meeting the prior evening, including whether the proposed AREP transaction was the strategic alternative most likely to maximize value for shareholders. The special committee focused extensively on the relative value of the $36.00 per share offer price to the price per share implied by a valuation of Lear based on the Long-Range Plan with Current Industry Outlook. The special committee noted that the financial analysis of Lear s Long-Range Plan with Current Industry Outlook suggested that the $36.00 per share offer price was at or near full value under the valuation methodologies utilized by JPMorgan. Furthermore, given the significant risks and uncertainties associated with Lear achieving the value implied by the Long-Range Plan with Current Industry Outlook, the special committee concluded that agreeing to the proposed transaction with AREP at a price of $36.00 per share would maximize value for the Company s shareholders compared to the continued execution of the Company s business plan or any other strategic alternatives available to the Company. The

special committee also noted that under the AREP proposal, Lear would have the ability to actively solicit potential buyers during the go shop period, which would provide a meaningful opportunity for any superior competing proposals to emerge following execution of the merger agreement, and could respond to unsolicited bids after the go shop period under specified circumstances.

After considering, among other things, the factors described below under Reasons for the Merger; Recommendation of the Special Committee and Our Board of Directors, the financial analyses and fairness opinion of JPMorgan and the presentation provided by and discussion with Evercore representatives, the special committee unanimously determined that the merger agreement and merger were advisable, substantively and procedurally fair to, and in the best interests of, Lear and its unaffiliated stockholders and unanimously recommended that our board of directors approve the merger agreement and recommend its adoption to Lear s stockholders, subject to the satisfactory resolution of certain open contractual issues.

Following the special committee meeting, our board of directors (excluding Mr. Intrieri) held a meeting in Southfield, Michigan. At the meeting, representatives of Winston & Strawn and Richards Layton reviewed the fiduciary duties of the directors in considering whether to approve the transaction with AREP. Mr. Ninivaggi and representatives of Winston & Strawn then reviewed the terms of the proposed merger agreement and related documents, including employment agreement amendments, with the directors. The special committee then reported to the full board of directors its recommendation in favor of the transaction and the reasons for its recommendation. As instructed by the special committee, representatives of JPMorgan then conveyed to the board the oral opinion previously delivered to the special committee. Messrs. Rossiter and Vandenberghe, being the management members of the board, then excused themselves from the meeting. The remaining directors discussed in detail the AREP proposal and possible alternatives, focusing extensively on the matters cited by the special committee in support of its recommendation in favor of the AREP proposal. Following these discussions, the board (excluding Messrs. Intrieri, Rossiter and Vandenberghe) unanimously approved the merger agreement and the merger, subject to the satisfactory resolution of certain open contractual issues. Messrs. Rossiter and Vandenberghe returned to the meeting and a vote of all of the directors present at the meeting occurred. After considering, among other things, the factors described below under Reasons for the Merger; Recommendation of the Special Committee and Our Board of Directors, the financial analyses and fairness opinion of JPMorgan, the presentation of Evercore and the recommendation of the special committee, all of our directors (excluding Mr. Intrieri) unanimously determined that the merger agreement and merger were advisable, substantively and procedurally fair to, and in the best interests of, Lear and its unaffiliated stockholders and unanimously resolved to adopt resolutions approving the merger agreement and the transactions contemplated thereby and recommend that our stockholders adopt the merger agreement. The board also directed the special committee to solicit alternative proposals during the go shop period provided for under the merger agreement.

Following an adjournment of the board meeting, Messrs. McCurdy and Ninivaggi along with a representative of Winston & Strawn contacted Messrs. Icahn and Intrieri to negotiate the remaining open contractual issues, including the circumstances under which the break-up fee would be payable. Following these negotiations, Mr. McCurdy reported to the board (excluding Mr. Intrieri) that the open issues were satisfactorily resolved with Messrs. Icahn and Intrieri on the terms previously approved by the board. Representatives of Lear, Winston & Strawn, AREP and DLA Piper then finalized the definitive documentation for the transaction during the remainder of the day. Late in the evening on February 8, 2007, AREP delivered to Lear the signed debt financing commitment letter from Bank of America, N.A. and Banc of America Securities LLC. The parties executed the merger agreement and related agreements on the morning of February 9, 2007, and the transaction was announced to the public in a press release later that day.

Beginning on February 9, 2007, pursuant to the solicitation provisions set forth in the merger agreement, JPMorgan contacted parties that it had identified as being potentially interested in making a competing proposal to acquire the Company, including those parties that had previously expressed to JPMorgan a general interest in exploring such a transaction. On February 26, 2007, the special committee expanded the engagement of Evercore to include an active role in soliciting, receiving and evaluating competing proposals. JPMorgan and Evercore identified potential purchasers on the basis of their likelihood of interest in participating in a transaction with the Company and their ability to execute such a transaction. The special

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committee also requested that JPMorgan prepare a debt financing proposal that it would make available to parties interested in making a competing proposal.

As part of the go shop process, the special committee established a protocol by which it retained active oversight of the solicitation process and the activities of the Company s management and the special committee s advisors in connection therewith. Contacts with potential purchasers were coordinated through the special committee s advisors, with the assistance of management to the extent requested by the special committee and its advisors.

During the go shop period, JPMorgan and Evercore contacted a total of 41 parties, consisting of 24 financial sponsors and 17 potential strategic buyers. No parties initiated contact with Evercore or JPMorgan. Ten of the parties contacted requested a draft confidentiality agreement for the purpose of receiving access to confidential due diligence materials, and of those, eight parties executed a confidentiality agreement with the Company. The other parties contacted by JPMorgan and Evercore declined to participate further in an evaluation of the Company. The Company promptly made available to any party who executed a confidentiality agreement access to an electronic due diligence data room, a written management presentation and an opportunity to meet with management and the special committee s financial advisors. At the direction of the special committee, each party who executed a confidentiality agreement with the Company also received a letter from the special committee s advisors outlining the proposed solicitation process.

The go shop period under the merger agreement expired at 11:59 p.m. Eastern Time on March 26, 2007. At that time, the Company was engaged in ongoing discussions with three parties, who had formed a group for purposes of evaluating a competing proposal. Two members of the group subsequently withdrew their interest and terminated discussions with the Company. The remaining party thereafter indicated that due to resource constraints, it would require an equity partner or partners to pursue a competing proposal and requested that the Company enter into discussions and provide confidential information to two private equity firms that had indicated an interest in exploring a competing proposal, as a group, with the remaining party. Under the merger agreement, the Company was prohibited from doing so without AREP s consent. On May 10, 2007, the Company formally requested AREP s consent, which was granted on May 14, 2007.

As of the date of this proxy statement, no party has submitted a competing proposal for the Company, although the Company is engaged in certain ongoing discussions. The Company expects these discussions to continue following the date of this proxy statement, although no assurances can be given that they will result in a competing proposal. The special committee has determined that proceeding with the AREP transaction while the Company is engaged in these discussions is substantively and procedurally fair to, and in the best interests of, Lear and its unaffiliated stockholders. The Company intends to disclose any material developments relating to these discussions in the manner required by applicable laws.

During the go shop period, the special committee met six times to review the status of the solicitation process and related matters. Since the expiration of the go shop period, the special committee has met on a periodic basis. At each of these meetings, the special committee s advisors and certain members of the Company s management were present. In addition, the special committee s advisors and members of the special committee had periodic discussions throughout the go shop period and thereafter regarding significant developments.

Reasons for the Merger; Recommendation of the Special Committee and Our Board of Directors

The special committee, consisting solely of independent and disinterested directors, and acting with the advice and assistance of its independent financial and legal advisors, evaluated and negotiated the merger proposal, including the terms and conditions of the merger agreement. The special committee unanimously determined that the merger agreement and the merger are advisable, substantively and procedurally fair to, and in the best interests of Lear and its unaffiliated stockholders and unanimously recommended that our board of directors adopt, authorize and declare advisable the merger agreement and recommend to Lear s stockholders that they vote in favor of adoption of the merger agreement. Following the receipt of the recommendation of the special committee, the board of directors (excluding Mr. Intrieri) unanimously

approved the merger agreement and the transactions contemplated thereby and recommend that our stockholders adopt the merger agreement.

In the course of reaching their determination, the special committee and the board of directors considered the following factors and potential benefits of the merger, each of which they believed supported their decision and provided assurance of the substantive fairness of the merger to Lear s unaffiliated stockholders:

- their belief that the merger was more favorable to stockholders than the alternative of remaining a stand-alone independent company, because of the uncertain returns to stockholders if Lear remained independent (taking into account, in particular, management s projections of the future financial performance of Lear, the risks involved in achieving projected financial results, the existing state of the automotive industry and the financial distress of several of our major customers and the industry supply base);

- the fact that the automotive operations of Lear s three largest customers, General Motors, Ford and DaimlerChrysler, which accounted for approximately 32%, 23% and 10%, respectively, of Lear s net sales in 2006, have recently experienced significant operating losses, and these automakers are continuing to restructure their North American operations, which may have an adverse impact on our operating results and the price of our common stock;

- their belief that the merger was more favorable to Lear s stockholders than the potential value that might result from other alternatives available to us, including continuing to operate in the ordinary course of business and the alternatives of pursuing other strategic initiatives;

- the results of Lear s extensive strategic planning process, including an examination of the industry risks that may impact Lear s ability to achieve its strategic plan, as well as the level of investment required by Lear to implement the plan;

- their belief that the cash consideration of $36.00 per share was likely the most favorable financial terms that could be obtained from the Icahn Group, and that further negotiation could have caused the Icahn Group to abandon the transaction;

- the fact that the terms of the merger agreement would provide Lear a 45-day post-signing go shop period during which we would have the right to solicit additional interest in a transaction involving Lear and, after such 45-day period, Lear would have the ability to continue discussions with persons who had made an acquisition proposal during the go shop period or with whom we were engaged in discussions concerning an acquisition proposal, and to respond to unsolicited proposals during the period prior to the stockholders vote, subject to certain conditions as more fully described below under The Merger Agreement Solicitation of Other Offers ;

- their belief that the terms of the go shop process would facilitate an active solicitation of interest from third parties and that neither the Icahn affiliates ownership interest in the Company nor board position would be an impediment to obtaining a competing proposal, particularly given the terms of the voting agreement;

- the fact that affiliates of Parent which beneficially owned approximately 16% of our outstanding common stock were willing to enter into a voting agreement in connection with the merger, pursuant to which such holders agreed to vote in favor of the adoption of the merger agreement and in favor of a superior proposal that results in consideration of no less than $36.00 per share in cash, net, to Lear s stockholders;

- their belief that while improvements in Lear s operating performance could yield improved operating results, the achievement of such improvements is uncertain and subject to significant execution risk;

the current and historical market prices of our common stock, including the market price of our common stock relative to those of other industry participants and general market indices; the high volatility of our common stock, the fact that the merger consideration per share represented a premium

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of 3.8% based on the closing price of Lear s common stock of $34.67 on February 2, 2007 (the trading day prior to the announcement of AREP s offer to purchase Lear); a premium of 55.1% based on the 52-week volume weighted average price of our common stock as of February 2, 2007, and a premium of 46.4% based on the closing price of our common stock on October 16, 2006 (the date on which Lear announced the private placement of $200 million of our common stock to affiliates of Mr. Icahn), as more fully described under Special Factors Background of the Merger ;

the financial analyses presented by JPMorgan that are described in Opinion of Financial Advisor to the Special Committee and the opinion of JPMorgan delivered on February 8, 2007, that, as of such date and based upon and subject to the limitations, qualifications and assumptions set forth in the opinion, the merger consideration of $36.00 per share to be received by the holders of our common stock (other than affiliates of specified entities controlled by Mr. Icahn) in the merger was fair, from a financial point of view, to such holders, as more fully described below under Opinion of Financial Advisor to the Special Committee ;

the current strength and liquidity of the private equity and debt financing markets and the risk that such conditions could be less favorable in the future;

their belief that, as a public company with substantial leverage, Lear s ability to finance its restructuring and investment initiatives could be limited, particularly given the effect volatile industry conditions could have on the Company s financial performance and access to capital markets and the availability of trade credit from an already distressed supplier base;

the financial and other terms and conditions of the merger agreement as reviewed by the special committee, including the fact that the merger would not be subject to a financing condition and the transaction did not have any significant antitrust risk;

the fact that the merger consideration is all cash, so that the transaction allows our stockholders to immediately realize at the closing a fair value in cash for their investment and provides such stockholders certainty of value for their shares;

the lack of other interested acquirers notwithstanding the fact that the market price of our common stock had traded substantially below the merger price for much of the 12-month period prior to the announcement of AREP s proposal;

their concern over the potential impact on our business and stock price of an unsuccessful public auction of the Company and their belief that if Lear were to engage in some form of auction, it would be in the best interests of the stockholders to have a committed buyer in place prior to commencing such process;

the fact that AREP has provided a guarantee in Lear s favor with respect to the performance by Parent and Merger Sub of certain of their payment obligations under the merger agreement;

the fact that our senior management team supported the merger and the merger agreement and the fact that members of our management have not committed to be exclusive to Parent and are therefore available to enter into discussions and arrangements with a subsequent bidder, if any, for Lear;

the availability of statutory appraisal rights to holders of our common stock who comply with the required procedures under Delaware law, which allows such holders to seek appraisal of the fair value of their shares as determined by the Delaware Court of Chancery; and

the fact that we would not have to establish the existence and amount of our damages in the event of a failure of the merger to be consummated under certain circumstances in light of the $250 million reverse break-up fee payable by Parent if Parent were to breach its obligations under the merger agreement and fail to complete the merger.

The special committee and the board of directors also considered a number of factors relating to the procedural safeguards involved in the negotiation of the merger, including those discussed below, each of

which it believed supported its decision and provided assurance of the substantive and procedural fairness of the merger to Lear s unaffiliated stockholders:

the fact that our board of directors established a special committee of independent directors, consisting solely of directors who are not officers, employees or controlling stockholders of Lear and who are not affiliated in any way with Parent or Merger Sub, to review, evaluate and negotiate proposals made by the Icahn Group with respect to a potential transaction and to consider any alternatives thereto;

the fact that the merger could not be completed unless it is approved by the holders of a majority of Lear s outstanding shares of common stock, and that this decision will allow Lear s unaffiliated stockholders to make their own informed judgment as to whether the proposed transaction is in their best interests;

the fact that, subject to compliance with the terms and conditions of the merger agreement, if a third party has proposed an alternative transaction that is a superior proposal, our board of directors is permitted, prior to the adoption of the merger agreement by our stockholders, to change its recommendation, approve or recommend the superior proposal or, upon the payment to Parent of a reasonable break-up fee, terminate the merger agreement in order to enter into a definitive agreement with respect to the superior proposal as more fully described below under The Merger Agreement Recommendation Withdrawal/ Termination in Connection with a Superior Proposal ;

the fact that the terms and conditions of the merger agreement resulted from extensive negotiations between the special committee and its advisors and AREP, Parent and Merger Sub and their respective advisors; and

the opinion of JPMorgan delivered on February 8, 2007, that, as of such date and based upon and subject to the limitations, qualifications and assumptions set forth in the opinion, the merger consideration of $36.00 per share to be received by the holders of our common stock (other than affiliates of specified entities controlled by Mr. Icahn) in the merger was fair, from a financial point of view, to such holders.

The special committee and the board of directors also considered a variety of risks and other potentially negative factors concerning the merger agreement and the merger, including the following:

the fact that the $36.00 price per share will represent the maximum price per share receivable by our stockholders unless the merger agreement is terminated in accordance with its terms, and that our stockholders will not participate in any future earnings or growth of Lear and therefore will not benefit from any appreciation in our value, including any appreciation in value that could be realized as a result of improvements to our operations;

the fact that certain of our directors and executive officers may ultimately have interests in the transaction that may be different from, or in addition to, their interests as stockholders of Lear, including the employment agreement amendments that Parent requested certain of our executive officers sign as part of the merger negotiations;

the restrictions on the conduct of our business prior to the completion of the merger, requiring Lear to conduct business only in the ordinary course, subject to specific limitations, which could delay or prevent us from undertaking business opportunities that may arise pending completion of the merger and the length of time between signing and closing when these restrictions are in place;

the fact that if Parent were to breach its obligations under the merger agreement and fail to complete the merger, our remedy may be limited to $250 million, or less under certain circumstances;

the requirement that we pay a termination fee of up to $85.2 million and Parent s and Merger Sub s reasonable out-of-pocket expenses up to $15 million, if our board of directors terminates the merger agreement under certain

circumstances; and

the fact that the receipt of the $36.00 per share cash consideration in the merger will generally be taxable to our stockholders.

The special committee and the board of directors expressly adopted the analysis and the opinion of JPMorgan, among other factors considered, in reaching its determination as to the fairness to our unaffiliated stockholders of the transactions contemplated by the merger agreement. In reaching such determination, the special committee and the board of directors were able to rely on the opinion of JPMorgan that the merger consideration of $36.00 per share to be received by the holders of our common stock (other than affiliates of specified entities controlled by Mr. Icahn) in the merger was fair, from a financial point of view, to such holders, because: (i) the stockholders of Lear that are unaffiliated with Lear (assuming that officers and directors of Lear and entities controlled by Mr. Icahn are affiliates) constitute a subset of the larger group of stockholders of Lear that are not entities controlled by Mr. Icahn; (ii) the opinion of JPMorgan, to the effect that the merger consideration to be received by the holders of our common stock (other than affiliates of specified entities controlled by Mr. Icahn) in the merger was fair, from a financial point of view, to such holders, thus encompasses all of the stockholders of Lear that are unaffiliated with Lear; and (iii) the stockholders of Lear that are not entities controlled by Mr. Icahn but are affiliates of Lear are receiving the same merger consideration as the stockholders that are not affiliates. The special committee and the board of directors did not (i) retain an unaffiliated representative (other than the special committee) to act solely on behalf of unaffiliated stockholders for purposes of negotiating the terms of the merger agreement or (ii) structure the transaction to require approval of at least a majority of unaffiliated stockholders. Nevertheless, the special committee believed that taking into account the factors listed above, as well as the fact that the merger agreement resulted from extensive negotiations between the special committee and its advisors and AREP, Parent and Merger Sub and their advisors, the absence of these two safeguards did not diminish the fairness of the process undertaken by the special committee.

In the course of reaching its decision to recommend that our board of directors adopt, authorize and declare advisable the merger agreement and recommend to Lear s stockholders that they vote in favor of adoption of the merger agreement, the special committee did not consider the liquidation value of Lear because it considers Lear to be a viable going concern. The special committee therefore did not consider liquidation value to be a relevant valuation method. Further, the special committee did not consider net book value, which is an accounting concept, as a factor because it believed that net book value is not a material indicator of the value of Lear as a going concern but rather is indicative of historical costs. Lear s net book value per share as of December 31, 2006 was $7.88 per share, and the $36.00 per share cash merger consideration is approximately 78% above this amount.

The foregoing summarizes the material factors considered by the special committee and the board of directors in their consideration of the merger. After considering these factors, the special committee and the board of directors concluded that the positive factors relating to the merger agreement and the merger outweighed the potential negative factors. In view of the wide variety of factors considered by the special committee and the board of directors, and the complexity of these matters, the special committee and the board of directors did not find it practicable to quantify or otherwise assign relative weights to the foregoing factors. In addition, individual members of the special committee and the board of directors may have assigned different weights to various factors. The special committee and the board of directors approved and recommended the merger agreement and the merger based upon the totality of the information presented to and considered by them.

Opinion of Financial Advisor to the Special Committee

At the meeting of the special committee of our board of directors held on February 7, 2007, JPMorgan rendered its oral opinion to the special committee that, as of that date and based upon and subject to the assumptions, qualifications and limitations set forth in its written opinion, the consideration of $36.00 per share in cash (the Consideration) to be paid to the holders of Lear s common stock (other than affiliates of specified entities controlled by Mr. Icahn) in the merger is fair, from a financial point of view, to such holders. JPMorgan s oral opinion was subsequently confirmed in writing and provided to the special committee and, at the instruction of the special committee, to Lear s board of directors. JPMorgan has consented to the inclusion of its written opinion as Appendix B to this document.

The full text of the written opinion of JPMorgan, dated February 8, 2007, which sets forth, among other things, the assumptions made, procedures followed, matters considered, and qualifications and limitations of the review undertaken by JPMorgan in rendering its opinion is attached as Appendix B to this document and is incorporated into this document by reference. In connection with the rendering of JPMorgan s opinion to the special committee, JPMorgan presented a related financial presentation to the special committee and, at the direction of the special committee, to Lear s board of directors on February 7, 2007. Copies of JPMorgan s February 7, 2007 presentation (dated February 6, 2007) are available for inspection and copying at Lear s principal executive office during regular business hours by any Lear stockholder or its representative who has been so designated in writing, and will be provided to any Lear stockholder upon written request at the expense of the requesting party. The February 7, 2007 presentation is filed as an exhibit to the Schedule 13E-3 filed by Lear with the SEC, copies of which may be obtained from the SEC. For instructions on how to obtain materials from the SEC, see Where You Can Find More Information beginning on page 175. The summary of the JPMorgan opinion set forth in this document is qualified in its entirety by reference to the full text of the JPMorgan opinion. We urge you to read the JPMorgan opinion carefully and in its entirety. JPMorgan provided its opinion for the information and assistance of the special committee (and, at the instruction of the special committee, to Lear s board of directors) in connection with and for the purposes of their evaluation of the merger. JPMorgan s written opinion addresses only the fairness, from a financial point of view, as of the date of such opinion, of the Consideration to be paid to holders of Lear s common stock (other than affiliates of specified entities controlled by Mr. Icahn) in the merger, and does not address any other aspect of the merger nor any other matter. The JPMorgan opinion is not a recommendation to any stockholder of Lear as to how that stockholder should vote with respect to the merger or any other matter and should not be relied upon by any stockholder as such.

In connection with rendering its opinion, JPMorgan, among other things:

reviewed a draft dated February 7, 2007 of the merger agreement;

reviewed certain publicly available business and financial information concerning Lear and the industries in which it operates;

compared the proposed financial terms of the merger with the publicly available financial terms of certain transactions involving companies JPMorgan deemed relevant and the consideration received for such companies;

compared the financial and operating performance of Lear with publicly available information concerning certain other companies JPMorgan deemed relevant and reviewed the current and historical market prices of Lear s common stock and certain publicly traded securities of such other companies;

reviewed certain internal financial analyses and forecasts prepared by the management of Lear relating to its business, for which you should see Important Information Regarding Lear Financial Forecast ; and

performed such other financial studies and analyses and considered such other information as JPMorgan deemed appropriate for the purposes of its opinion.

In addition, JPMorgan held discussions with certain members of the management, special committee and board of directors of Lear with respect to certain aspects of the merger, the past and current business operations of Lear, the financial condition and future prospects and operations of Lear, and certain other matters JPMorgan believed necessary or appropriate to its inquiry.

In giving its opinion, JPMorgan relied upon and assumed, without assuming responsibility or liability for independent verification, the accuracy and completeness of all information that was publicly available or was furnished to or discussed with it by Lear or otherwise reviewed by or for JPMorgan. JPMorgan did not conduct nor was it provided with any valuation or appraisal of any assets or liabilities, nor did JPMorgan evaluate the solvency of

Lear or Parent under any state or federal laws relating to bankruptcy, insolvency or similar matters. JPMorgan s financial analyses, which formed the basis of JPMorgan s opinion, were

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performed in reliance upon, among other things, the Long-Range Plan with Current Industry Outlook provided to JPMorgan by management of Lear at the direction of the special committee. See Important Information Regarding Lear Financial Forecast. In relying on financial analyses and forecasts provided to it, JPMorgan assumed that they were reasonably prepared based on assumptions reflecting the best currently available estimates and judgments by management as to the expected future results of operations and financial condition of Lear to which such analyses or forecasts relate. JPMorgan did not express any view as to such analyses or forecasts or the assumptions on which they were based.

The forecasts furnished to JPMorgan by Lear at the direction of the special committee were prepared by the management of Lear. Lear does not publicly disclose internal management projections of the type provided to JPMorgan in connection with JPMorgan s analysis of the merger, and those projections were not prepared with a view toward public disclosure. Those projections were based on numerous variables and assumptions that are inherently uncertain and may be beyond the control of Lear s management, including, without limitation, factors related to general economic and competitive conditions and prevailing interest rates. Accordingly, actual results could vary significantly from those set forth in those projections. See Important Information Regarding Lear Financial Forecast. Lear s management reviewed and engaged in extensive discussions with, and answered questions from, the board of directors regarding the accuracy and completeness of the Long-Range Plan with Current Industry Outlook, including the key assumptions and risks, the sensitivity of the plan to industry production levels, commodity prices, the success of Lear s restructuring initiatives and other matters. See Special Factors Background of the Merger. With consideration for the inherent uncertainties in long-range financial projections, the special committee and the board of directors of Lear found JPMorgan s reliance on the Long-Range Plan with Current Industry Outlook, along with other historical and industry statements and other historical financial and operating data, to be reasonable for purposes of JPMorgan rendering its fairness opinion.

JPMorgan also assumed that the merger and the other transactions contemplated by the merger agreement will be consummated as described in the merger agreement, and that the definitive merger agreement will not differ in any material respects from the draft of the merger agreement furnished to JPMorgan. JPMorgan also assumed that the representations and warranties made by Lear and Parent in the merger agreement and the related agreements are and will be true and correct in all respects material to its analysis. JPMorgan is not a legal, regulatory or tax expert and relied on the assessments made by advisors to Lear with respect to such issues. JPMorgan further assumed that all material governmental, regulatory or other consents and approvals necessary for the consummation of the merger will be obtained without any adverse effect on Lear.

The JPMorgan opinion is necessarily based on economic, market and other conditions as in effect on, and the information made available to JPMorgan as of, the date of its opinion. It should be understood that subsequent developments may affect the JPMorgan opinion. JPMorgan does not have any obligation to update, revise, or reaffirm its opinion, and the special committee does not currently intend to request an updated opinion from JPMorgan. The JPMorgan opinion is limited to the fairness, from a financial point of view, of the Consideration to be paid to the holders of Lear s common stock (other than affiliates of specified entities controlled by Mr. Icahn) in the proposed merger and JPMorgan expressed no opinion as to the fairness of the merger to, or any consideration received in connection with the merger by, the holders of any other class of securities, creditors or other constituencies of Lear or to the underlying decision by Lear to engage in the merger.

Prior to the execution of the merger agreement, JPMorgan was not authorized to and did not solicit expressions of interest from other potential acquirors of Lear, except that during the four-day period between the public announcement by affiliates of Parent of its proposal to enter into the merger and the execution of the merger agreement, JPMorgan, at the direction of the special committee, approached a limited number of parties with respect to their potential interest in a transaction. JPMorgan assumed in its opinion that the terms of the merger are the most beneficial terms from Lear s perspective that could under the circumstances be negotiated among the parties to such transaction, and JPMorgan expressed no opinion as to whether any alternative transaction might produce consideration for Lear s stockholders in excess of that contemplated in the merger.

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Summary of JPMorgan s Analyses.

In connection with its opinion, JPMorgan performed the following financial analysis:

- comparable company trading multiples analysis,
- precedent transaction multiples analysis, and
- discounted cash flow analysis.

The comparable companies and transactions were selected from JPMorgan s proprietary databases of publicly traded automotive suppliers and transactions involving automotive suppliers.

JPMorgan determined the implied value of Lear s common stock based on the Long-Range Plan with Current Industry Outlook, which was provided to JPMorgan by Lear s management at the direction of the special committee. In addition, Lear s management provided JPMorgan with certain additional forecasts previously prepared by Lear s management and referred to as the July 06 Long-Range Plan. For comparative purposes only, JPMorgan also determined the implied value of Lear s common stock based on the July 06 Long-Range Plan. However, since JPMorgan was advised by the special committee that the July 06 Long-Range Plan no longer reflected management s or the special committee s current estimate of the Company s future financial performance, in rendering its opinion, JPMorgan relied on the Long-Range Plan with Current Industry Outlook and did not rely on the July 06 Long-Range Plan.

Lear management advised JPMorgan that it believed that the financial analyses and forecasts Lear prepared were reasonably prepared and reflected their best available judgments and estimates and JPMorgan assumed with the special committee s consent that the financial analyses and forecasts prepared by Lear management were reasonably prepared on a basis reflecting the best currently available estimates and judgments of management.

The following is a summary of the material financial analyses performed by JPMorgan in connection with rendering its opinion to the special committee (and, at the direction of the special committee, providing its opinion to Lear s board of directors). Some of the summaries of the financial analyses include information presented in tabular format. To fully understand the financial analyses, the tables should be read together with the text of each summary. Considering the data set forth in the tables without considering the narrative description of the financial analyses, including the methodologies and assumptions underlying the analyses, could create a misleading or incomplete view of the financial analyses. The presentation by JPMorgan to the special committee included the summary information described in the tables below, but did not include the specific data with respect to each of the comparable companies and comparable transactions underlying all calculations presented in the tables below.

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Comparison of trading multiples. Using public filings with the SEC and other publicly available information, selected published equity research estimates and Lear s management forecasts, JPMorgan compared financial information, financial ratios and valuation multiples for Lear to corresponding measures for certain publicly traded companies selected by JPMorgan. Although none of the selected companies is directly comparable to Lear in all respects, JPMorgan selected the following companies based on JPMorgan s view of the comparability of their operating and financial characteristics:

	Firm Value/2007 Sales	Firm Value/2008 Sales	Firm Value/2007 EBITDA	Firm Value/2008 EBITDA	Firm Value/2007 EBIT	Firm Value/2008 EBIT	Price Per Share/2007 Earnings Per Share	Price Per Share/2008 Earnings Per Share
North American automotive suppliers:								
American Axle & Manufacturing Holdings Inc.*	0.57x	0.56x	4.9x	4.3x	12.1x	9.0x	16.0x	10.4x
ArvinMeritor, Inc.*	0.27	0.26	5.7	5.0	9.2	7.4	16.5	10.4
BorgWarner Inc.*	1.01	0.89	7.1	6.4	11.7	10.4	14.8	12.9
Commercial Vehicle Group, Inc.	0.78	0.61	7.9	5.1	10.1	6.0	15.0	8.1
Donaldson Company, Inc.	1.65	2.74	11.6	N/M	14.1	N/A	19.4	N/M
Eaton Corporation	1.06	1.02	8.1	7.4	10.9	9.8	12.7	11.3
Gentex Corporation	3.52	3.17	12.5	11.0	15.3	13.2	22.0	19.3
Johnson Controls Inc.*	0.67	0.62	9.0	8.1	12.9	11.4	15.1	13.2
Magna International Inc.*	0.32	0.29	4.3	3.8	7.5	6.2	11.5	9.6
Modine Manufacturing Company	0.58	0.54	6.9	6.4	13.0	11.4	15.8	14.9
Stoneridge, Inc.	0.62	0.55	6.3	5.7	11.2	9.7	25.7	15.9
Tenneco Inc.*	0.44	0.41	5.4	5.1	9.0	8.4	12.5	10.7
TRW Automotive Holdings Corp.*	0.42	0.41	4.7	4.6	8.3	8.0	12.3	10.8
Visteon Corporation*	0.23	0.22	4.2	5.9	14.5	N/M	N/M	N/M
Global automotive suppliers:								
Autoliv, Inc.	0.94x	0.89x	6.6x	5.9x	10.8x	9.6x	14.9x	13.1x
Brembo SpA	1.06	1.00	6.5	6.0	10.1	9.1	12.8	11.0
Continental AG	1.20	1.14	7.2	6.7	10.9	9.9	16.0	14.4
Denso Corporation	1.20	1.10	8.3	7.5	N/A	N/A	19.4	17.3
ElringKlinger AG	2.57	N/A	10.3	N/A	14.8	N/A	24.6	N/A
Faurecia SA	0.25	N/A	4.2	N/A	14.2	N/A	19.4	N/A
GKN PLC	0.68	N/A	6.0	N/A	9.4	N/A	12.3	N/A
Grammer AG	0.35	N/A	4.5	N/A	7.1	N/A	10.6	N/A
SOGEFI SpA	0.98	0.96	6.2	6.1	9.0	8.9	12.7	12.1
Tomkins plc	0.92	0.90	7.2	6.8	10.6	9.7	13.6	12.6

Trelleborg AB	0.84	0.82	7.6	7.2	11.2	10.3	11.9	10.6
Valeo SA	0.39	0.38	4.1	3.8	13.2	12.0	17.0	14.9

JPMorgan calculated the firm values of the selected companies as multiples of estimated sales, EBITDA and EBIT for the 2007 and 2008 calendar years for the selected companies. JPMorgan calculated the firm value of each company by adding the market value of its common equity as of February 2, 2007 to the sum of its long-term and short-term debt and the book value of its preferred stock and minority interest, and subtracting cash and cash equivalents, of each company as of the most recent relevant filing date for each such company. Estimated sales, EBITDA and EBIT for each company were based on estimates published by Wall Street equity research firms. The following table presents the summary results of this analysis:

	Firm Value/2007 Sales	Firm Value/2008 Sales	Firm Value/2007 EBITDA	Firm Value/2008 EBITDA	Firm Value/2007 EBIT	Firm Value/2008 EBIT	Price Per Share/2007 Earnings Per Share	Price Per Share/2008 Earnings Per Share
North American automotive suppliers:								
Median	0.60x	0.56x	6.6x	5.7x	11.4x	9.3x	15.1x	11.0x
Median of Select Peers(1)	0.43x	0.41x	5.2x	5.0x	10.5x	8.4x	14.8x	10.7x
Global suppliers:								
Median	0.93x	0.93x	6.5x	6.4x	10.8x	9.7x	14.2x	12.9x

(1) The companies considered in this computation are marked with an asterisk (*) in the list of North American automotive suppliers above. JPMorgan selected a group of peers from the list of comparable companies that were all North American Tier I automotive suppliers with similar product and customer base characteristics to Lear to provide a subset of the comparable companies that more closely resembled Lear with respect to such characteristics.

Based on this analysis, various characteristics of the selected companies as compared with Lear, industry performance and general business, economic, market and financial conditions distinct to the geographic regions in which the selected companies operate, and JPMorgan s experience and judgment (and not based solely on the results of mathematical analyses set forth in the table above), JPMorgan applied a range of multiples of Lear s estimated 2007 EBITDA, as reflected in its Long-Range Plan with Current Industry Outlook, of 4.75x to 5.75x to determine an implied range of equity values per share of Lear. Based on the analysis, JPMorgan derived an implied per share range of equity values for Lear of between $23.60 and $34.14. In calculating the range of implied equity values, JPMorgan used the multiple of estimated 2007 EBITDA based on its belief that such multiple was customary for the calculation of implied equity value of a firm in the Company s industry and did not utilize the multiples of Firm Value/Sales or Firm Value/ EBIT in the calculation of implied equity value. The ranges of the actual multiples of firm value to 2007 EBITDA for the North American automotive suppliers, the selected peer North American automotive suppliers and the global automotive suppliers were as follows:

	Multiples of Firm Value/2007 EBITDA	
	High	Low
North American Automotive Suppliers	12.5x	4.2x
North American Select Peers	9.0x	4.2x
Global Suppliers	10.3x	4.1x

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Transaction comparables. Using publicly available information, JPMorgan examined the following selected automotive supplier transactions.

Date Announced	Acquirer	Target	Firm Value/ Sales	Firm Value/ EBIT	Firm Value/ EBITDA
October 2006	Robert Bosch GmbH	Pacifica Group Ltd.	0.69x	12.0x	5.4x
October 2006	Hitachi, Ltd.	Clarion Co., Ltd.	0.47	16.3	8.4
September 2006	Asahi Tec Corporation	Metaldyne Corporation	0.64	27.4	6
June 2006	Platinum Equity LLC	Textron Fastening Systems business of Textron Inc.	0.35	N/A	N/A
May 2006	Red Diamond Capital Partners, L.P.	Automotive division of Avon Rubber plc	0.38	4.2	4.2
April 2006	Continental AG	Automotive electronics business of Motorola, Inc.	0.63	N/A	8.9
January 2006	Bain Capital, LLC	Sensors and controls business of Texas Instruments Incorporated	2.62	11.4	10.1
December 2005	Cooper-Standard Automotive Inc.	Automotive brake and fuel tubing business of ITT Industries, Inc.	0.48	9.3	4.6
September 2005	The Carlyle Group	AxleTech Industries, Inc.	1.40	N/A	9.0
March 2005	Johnson Controls, Inc.	Battery business of Delphi Corporation	0.36	N/A	4.0
January 2005	Valeo SA	Engine electronics division of Johnson Controls, Inc.	0.94	12.7	9.5
November 2004	BorgWarner Germany GmbH	BERU AG	1.47	9.6	6.5
October 2004	Magna International	Tesma International Inc.	0.81	7.9	5.5
October 2004	Magna International	Decoma International Inc.	0.34	5.5	3.4

September 2004	The Cypress Group	Cooper-Standard Automotive Inc.	0.63	4.7	8.5
July 2004	The Cypress Group	Dana AG	0.47	8.1	6.1
July 2004	Thomas H Lee Partners	Progressive Moulded Products Ltd.	1.40	N/A	7.0

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Date Announced	Acquirer	Target	Firm Value/ Sales	Firm Value/ EBIT	Firm Value/ EBITDA
July 2004	Montagu Private Equity	Stabilus GmbH	1.10	N/A	6.4
June 2004	Kohlberg & Company LLC	Stanadyne Corporation	1.10	12.3	7.0
May 2004	GS Capital Partners	Autocam Corporation	1.21	N/A	7.0
March 2004	Continental AG	Phoenix AG	0.48	12.5	5.8
September 2003	Vestar Capital Partners	FL Selenia SpA	1.40	20.3	7.9
May 2003	Hg Capital	W.E.T. Automotive Systems AG	1.00	6.1	4.9
May 2003	Tomkins plc	Stackpole Limited	1.24	10.9	6.2
May 2003	The Carlyle Group	Automotive parts business of UIS, Inc.	0.89	N/A	6.1
May 2003	Rheinmetall AG	Kolbenschmidt Pierburg AG	0.36	8.5	3.1
March 2003	Castle Harlan, Inc.	Advanced Accessory Systems, LLC	0.79	N/A	5.6
November 2002	The Blackstone Group	Automotive business of TRW Inc.	0.46	10.6	4.9
November 2002	The Carlyle Group	Edscha AG	0.58	7.8	4.9
August 2002	CVC Capital	Kwik-Fit Holdings Limited	0.40	5.1	3.6
August 2002	Johnson Controls, Inc.	Automotive battery business of Varta AG	0.53	10.8	5.7
August 2002	Questor Management Co. LLC	Teksid Aluminum SpA	0.56	N/A	6.8
July 2002	Magna International Inc.	Donnelly Corporation	0.49	25.5	8.9
July 2002	Doughty Hanson & Co.	A.T.U. Group	1.11	13.9	10.5
May 2002	Hitachi, Ltd.	Unisia JECS Corporation	0.35	28.5	4.8
January 2002	CSFB	Oxford Automotive, Inc.	0.30	25.3	4.9

Based on public filings with the SEC, other publicly available information and selected published equity research estimates, JPMorgan calculated the implied firm values of the target companies in the selected transactions as multiples of each target s estimated trailing twelve-month sales, estimated trailing twelve-month EBIT, and estimated trailing twelve-month EBITDA. The following table summarizes the results of this analysis:

	Firm Value/ Sales	Firm Value/ EBIT	Firm Value/ EBITDA
Median	0.63x	10.8x	6.1x

Based on this analysis, various characteristics of the selected companies and the selected transactions, industry performance and general business, economic, market and financial conditions distinct to the geographic regions in which the companies involved in the selected transactions operate, and JPMorgan s

experience and judgment (and not based solely on the results of mathematical analyses set forth in the table above), JPMorgan selected a range of multiples of Lear s estimated 2006 EBITDA of 5.5x to 6.5x for Lear, which implied a per share range of equity values for Lear of between $28.30 and $38.25. In calculating the range of implied equity values, JPMorgan used the multiple of 2006 EBITDA based on its belief that such multiple was customary for the calculation of implied equity value of a firm in the Company s industry and did not utilize the multiples of Firm Value/Sales or Firm Value/ EBIT in the calculation of implied equity value.

The range of actual multiples of firm value to 2006 EBITDA for the selected comparable transactions was 3.1x to 10.1x.

Discounted Cash Flow Analysis. JPMorgan conducted a discounted cash flow analysis based on the Long-Range Plan with Current Industry Outlook for the purpose of determining a range of implied equity values per share for Lear s common stock. JPMorgan calculated the unlevered free cash flows that Lear is expected to generate during fiscal years 2007 through 2016 using the actual financial results for fiscal year 2006 and the projections for fiscal years 2007 to 2010 in the Long-Range Plan with Current Industry Outlook, extrapolating for the years 2011 to 2016 based on assumptions provided by management. The calculations showed unlevered free cash for each year as follows:

	2007	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**
Unlevered free cash flow	$ 243	$ 439	$ 468	$ 527	$ 425	$ 429	$ 434	$ 442	$ 446	$ 457

In calculating Lear s terminal value, JPMorgan applied a perpetual growth rate ranging from 0.5% to 1.5% of the unlevered free cash flow of Lear for periods subsequent to 2016, which were based on growth rates projected in the periods measured. Projected cash flows were then discounted to present value using discount rates ranging from 10.0% to 11.0%, that were estimated based on the range of JPMorgan s calculation of Lear s weighted average cost of capital.

The foregoing discounted cash flow analysis indicated a range of equity values of between $25.30 and $34.45 per share of Lear s common stock on a stand-alone basis.

Other Information. JPMorgan also referenced a 52-week high and low range of Lear s common stock and the high and low range of Wall Street research analysts price targets as of February 2, 2007. Specifically, the reference range for the 52-week high and low was $15.60 to $35.56 per share and the analyst target prices ranged from $16.00 to $37.00 per share. JPMorgan noted that historical stock trading and analyst price targets are not valuation methodologies but were presented merely for informational purposes.

JPMorgan also reviewed the premium and discount of the Consideration to the historical prices of Lear s common stock. JPMorgan s analysis indicated that the Consideration represented:

a premium of 3.8% based on the closing price of Lear s common stock of $34.67 on February 2, 2007 (the trading day prior to the announcement of an offer to purchase Lear by affiliates of Parent);

a discount of 10.2% based on the closing price of Lear s common stock on February 8, 2007 (the trading day prior to announcement of the merger) of $40.07;

a premium of 7.0% based on the closing price of Lear s common stock of $33.66 one week prior to February 2, 2007;

a premium of 21.9% based on the closing price of Lear s common stock of $29.53 one month before February 2, 2007;

a premium of 46.4% based on the closing price of Lear s common stock of $24.59 on October 16, 2006 (the date on which Lear announced the execution of an agreement relating to the private placement of $200 million of

common stock to affiliates of Parent);

a premium of 1.2% based on the 52-week high of Lear s common stock of $35.56 as of February 2, 2007;

a premium of 55.1% based on the 52-week volume weighted average price of Lear s common stock of $23.21 as of February 2, 2007; and

a premium of 130.8% based on the 52-week low of Lear s common stock of $15.60 as of February 2, 2007.

In addition, JPMorgan conducted a discounted cash flow analysis using unlevered free cash flow projections based on the July 06 Long-Range Plan and otherwise using the assumptions, range of growth rates and range of discount rates referred to above under the caption Discounted Cash Flow Analysis. Because JPMorgan was advised by the special committee that the July 06 Long-Range Plan no longer reflected the current industry production outlook of independent industry analysts, this discounted cash flow analysis, which indicated a range of equity values of between $35.90 and $46.50 per share of Lear s common stock on a stand-alone basis, was presented for informational purposes only and was not relied upon by JPMorgan in rendering its opinion.

JPMorgan s presentations on February 1, 2007 and February 3, 2007 also included an analysis of a hypothetical leveraged buyout of Lear by a financial buyer and the value that Lear s stockholders could receive in such a transaction. In conducting its analysis, JPMorgan considered both the Long-Range Plan with Current Industry Outlook and the July 06 Long-Range Plan. For purposes of this analysis, JPMorgan assumed the transaction would be completed on January 1, 2007 and that a subsequent sale of Lear would occur on December 31, 2011 at a price ranging from 5.0x to 6.0x Lear s projected 2011 EBITDA. JPMorgan also assumed that a purchaser s required rate of return would be 20% in a transaction of this type. Based on this analysis, in the February 3, 2007 presentation, JPMorgan calculated an implied per share range of values for Lear of $24.57 to $33.87 based on the Long-Range Plan with Current Industry Outlook (the same analysis in the February 1, 2007 presentation resulted in an implied per share range of values for Lear of $23.36 to $32.74 with the difference resulting largely from slightly different assumptions with respect to the amount of leverage in the calculations) and an implied per share range of values for Lear of $30.96 to $40.92 based on the July 06 Long-Range Plan (the same analysis in the February 1, 2007 presentation resulted in an implied per share range of values for Lear of $29.75 and 39.70 with the difference resulting largely from slightly different assumptions with respect to the amount of leverage in the calculations). JPMorgan prepared these analyses for informational purposes only and did not include these analyses in the February 7, 2007 presentation or rely on them in rendering its opinion.

Finally, JPMorgan also conducted an analysis on the same basis as described above under the caption Transaction Comparables, except that the firm value of Lear was increased for purposes of the analysis by $256 million of factored receivables outstanding as of December 31, 2006, based on information provided to JPMorgan by management of Lear. Because comparable information regarding factored receivables was not available for the companies reviewed other than Lear, the analysis, which indicated a range of equity values for Lear of between $24.95 and $34.90 per share, was provided for informational purposes only and was not relied upon by JPMorgan in rendering its opinion.

The foregoing paragraphs summarize the material financial analyses performed by JPMorgan in connection with rendering its opinion, which was presented to the special committee by JPMorgan. The preparation of a fairness opinion is a complex process which involves various determinations as to the most appropriate and relevant methods of financial and comparative analysis and the application of those methods to the particular circumstances. Therefore, the opinion is not susceptible to partial analysis or a summary description. The foregoing summary and its analyses must be considered as a whole, and selecting portions of the forgoing summary and these analyses, without considering all of the analyses as a whole, could create an incomplete view of the process or assumptions underlying the analyses and JPMorgan s opinion. In arriving at its opinion, JPMorgan considered all of the financial analyses it performed and did not attribute any particular weight to any individual analysis or factor it considered or reach any specific conclusion with respect to any such analysis. Rather, JPMorgan made its determination as to the fairness to the stockholders of Lear, from a financial point of view, on the basis of its experience and professional judgment after considering the results of all of the analyses summarized above. Analyses based upon forecasts of future results are inherently uncertain, as they are subject to numerous factors or events beyond the control of the parties and their advisors, including

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JPMorgan. Accordingly, forecasts and analyses used by JPMorgan are not necessarily indicative of actual values or actual future results, which may be significantly higher or lower than suggested by those analyses. Moreover, JPMorgan s analyses are not and do not purport to be appraisals or otherwise reflective of the prices at which businesses actually could be bought or sold.

The special committee selected JPMorgan to render its opinion because of its reputation as an internationally recognized investment banking and advisory firm with substantial experience in transactions similar to the proposed merger and because JPMorgan is familiar with Lear and its business.

JPMorgan will receive a fee from Lear for its services as the financial advisor to the special committee in the proposed merger, $2.0 million of which was payable upon the announcement of any transaction, and the balance of which is payable upon the consummation of the merger or an alternate transaction, if any, involving Lear. The fee to which JPMorgan is entitled will be $12.0 million in the aggregate, in the event of a transaction between Lear and Mr. Icahn or any of his affiliates in which the consideration paid or payable to Lear s stockholders is up to $36.00 per share; or $15.0 million in the case of any other transaction. Lear has also agreed to pay JPMorgan a fee in an amount equal to 20% of any payment received by Lear from another person following or in connection with the termination, abandonment or failure to occur of the merger.

In addition, Lear has agreed to indemnify JPMorgan and its affiliates from and against certain liabilities arising from its engagement, including liabilities under securities laws. Lear has also agreed to reimburse JPMorgan for its expenses incurred in connection with its services, including the fees and disbursements of counsel retained by JPMorgan.

JPMorgan and its affiliates have performed in the past, and may continue to perform, certain financial advisory and financing services for Lear, all for customary compensation. Such past services have involved (i) acting as financial advisor in connection with a review of strategic alternatives pursuant to an engagement letter entered into in April 2006 (the fees for which are to be credited against the fees payable to JPMorgan as a result of this transaction or any alternative transaction involving Lear), (ii) acting as a co-lead arranger in connection with an amendment to Lear s primary credit facility that included a new $1.0 billion term loan in April 2006, (iii) acting as an underwriter for $400 million of Lear s senior secured 18-month term loan in July 2005, (iv) acting as joint lead arranger on Lear s $1.7 billion revolving credit facility in March 2005, (v) acting as the issuing agent for letters of credit under Lear s $1.7 billion revolving credit facility and (vi) providing certain cash management services in North America. In connection with the investment banking services set forth above, JPMorgan received fees of approximately $5.0 million and $13.1 million in 2005 and 2006, respectively. JPMorgan did not provide any material services for Parent, Merger Sub or its affiliates in 2005 or 2006.

In addition, at the request of the special committee made to JPMorgan following the execution of the merger agreement, JPMorgan agreed to provide financing, for which it may receive additional fees, in connection with any superior proposal for Lear, which Lear may solicit in accordance with the terms of the merger agreement. Following JPMorgan s agreement to provide financing in connection with any superior proposal for Lear, on February 27, 2007, the special committee expanded the scope of services to be provided by Evercore to include financial advisory services in connection with soliciting and evaluating alternative transaction proposals.

In the ordinary course of JPMorgan s business, JPMorgan and its affiliates may actively trade the debt and equity securities of Lear or AREP for its own account or for the accounts of its customers and, accordingly, JPMorgan may at any time hold long or short positions in such securities.

Pursuant to the terms of the original engagement of Evercore by Lear on February 7, 2007, Evercore will receive a fee of $250,000 from Lear for its advisory services to the special committee. The fees payable to Evercore were increased as part of the expansion of Evercore s duties by the special committee in connection with the go shop process. Evercore will receive an additional fee of $500,000 payable upon the consummation of the merger and an additional fee of $1.5 million if it delivers a fairness opinion to Lear in connection with the transaction. Also, if a merger or an alternative transaction involving Lear results in consideration in excess of $36.00 per share to Lear s stockholders, Evercore will receive a success fee equal to

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3% of the amount per share above $36.00 multiplied by the fully-diluted number of outstanding shares of Lear, which fee will be reduced by any other fees paid or payable by Lear to Evercore.

The AREP Group s Purpose and Reasons for the Merger

If the proposed merger is completed, Lear will become a subsidiary of Parent. For Parent and Merger Sub, the purpose of the transaction is to effectuate the transactions contemplated by the merger agreement. For the AREP Group, the purpose of the merger is to allow AREP to indirectly own Lear and to bear the rewards and risks of such ownership after Lear s common stock ceases to be publicly traded. The transaction has been structured as a cash merger in order to provide Lear s current stockholders (other than AREP, Parent, Merger Sub and their direct subsidiaries) with cash for their shares of Lear common stock and to provide a prompt and orderly transfer of ownership of Lear in a single step, without the necessity of financing separate purchases of Lear common stock in a tender offer or implementing a second-step merger to acquire any shares of common stock not tendered into any such tender offer, and without incurring any additional transaction costs associated with such activities.

The AREP Group believes that it is best for Lear to operate as a privately held entity. As a privately held entity, Lear will have the flexibility to focus on continuing improvements to its business without the constraints and distractions caused by the public equity market s valuation of Lear. In addition, the AREP Group believes that Lear s future business prospects can be improved through AREP s active participation in the strategic direction and operation of Lear. The AREP Group believes that there will be significant opportunities associated with AREP s investment in Lear, but they also realize that there are substantial risks, including the risks and uncertainties related to Lear s prospects, including the prospects described in management s projections summarized under Important Information Regarding Lear Financial Forecast and the operational and other risks related to the incurrence by the Surviving Corporation of significant additional debt as described below under Financing of the Merger.

The AREP Group believes that structuring the transaction as a merger is preferable to other transaction structures because it will enable Parent to acquire all of the equity of Lear at one time and provides the opportunity for Lear s stockholders to receive fair value for their shares.

The Position of the AREP Group as to the Fairness of the Merger

The members of the AREP Group are making the statements included in this subsection solely for the purposes of complying with the requirements of Rule 13e-3 and related rules under the Exchange Act. The views of the AREP Group as to the fairness of the proposed merger should not be construed as a recommendation to any Lear stockholder as to how that stockholder should vote on the proposal to approve the merger agreement. The members of the AREP Group do not admit that they are affiliates of Lear for any purpose other than Rule 13e-3.

The views of the AREP Group as to the fairness of the proposed merger should not be construed as a recommendation to any stockholder as to how such stockholder should vote on the proposal to approve and adopt the merger agreement.

The AREP Group did not participate in the deliberations of Lear s board of directors or the special committee regarding, or receive advice from Lear s or the special committee s legal or financial advisors as to, the substantive and procedural fairness of the proposed merger. The AREP Group did not undertake any independent evaluation of the fairness of the proposed merger to the unaffiliated stockholders of Lear or engage a financial advisor for such purposes.The AREP Group believes, however, that the proposed merger is substantively fair to Lear s unaffiliated stockholders based on the following factors:

- the current state of the automotive industry and the financial distress of Lear s major customers and suppliers, including challenging conditions in North America and Europe, which Lear expects to continue in the foreseeable future and which could affect Lear s ability to implement its restructuring and have an adverse impact on Lear s operating results and the price of Lear s common stock. Historically, the majority of Lear s sales have been derived from the U.S.-based automotive manufac-

turers in North America and, to a lesser extent, automotive manufacturers in Western Europe. These customers have experienced declines in market share in their traditional markets. Lear s ability to increase sales in the future will depend, in part, on its ability to increase its penetration of Asian automotive manufacturers worldwide and to leverage its existing North American and European customer base across all product lines;

the fact that the automotive operations of Lear s three largest customers have recently experienced significant operating losses, and these automakers are continuing to restructure their North American operations, which may have an adverse impact on Lear s operating results and the price of Lear s common stock;

the current and historical market prices of Lear common stock, including the market price of Lear common stock relative to those of other industry participants and general market indices; the high volatility of Lear common stock, the fact that the merger consideration per share represented a premium of 3.8% based on the closing price of Lear s common stock of $34.67 on February 2, 2007, the trading day prior to the announcement of the offer to purchase Lear by affiliates of Mr. Icahn, a premium of 55.1% based on the 52-week volume weighted average price of Lear common stock as of February 2, 2007, a premium of 46.4% based on the closing price of Lear common stock on October 16, 2006 (the date on which Lear announced the private placement of $200 million of Lear common stock to affiliates of Parent) and a premium of 56.5% to the price per share paid by certain affiliates of Mr. Icahn in the private placement;

the members of the AREP Group believe that the $36.00 per share merger consideration is fair in relation to Lear s going concern value, which they estimated at lower than $36.00 based upon a number of factors. These included their review of the trading prices of Lear s common stock during the year preceding the announcement of AREP s proposal to acquire Lear, which ranged from $16.01 to $34.67. The members of the AREP Group also reviewed various Wall Street research analyst reports issued prior to the announcement of the transaction, the majority of which had sell or neutral ratings on Lear s common stock. Finally, the members of the AREP Group reviewed earnings projections provided by Lear as appear elsewhere in this proxy statement, to which they applied standard market multiples for comparable companies similar to the multiples used by JPMorgan in its analyses;

the fact that the terms of the merger agreement would provide Lear a 45-day post-signing go shop period during which Lear would have the right to solicit additional interest in a transaction involving Lear and, after such 45-day period, permit Lear to respond to unsolicited proposals during the period prior to the stockholders vote, subject to certain conditions as more fully described below under The Merger Agreement Solicitation of Other Offers ;

the board of directors (without the participation of Mr. Intrieri) unanimously determined that the merger agreement and the merger are substantively and procedurally fair to the unaffiliated stockholders of Lear and in the best interests of such stockholders;

the merger will provide consideration to the stockholders entirely in cash, which provides certainty of value;

the fact that appraisal rights under Delaware law are available to holders of shares of Lear s common stock who dissent from the merger and comply with all of the required procedures under Delaware law, which provides stockholders who dispute the fairness of the merger consideration with an opportunity to have a court determine the fair value of their shares, which may be more than, less than, or the same as the amount such stockholders would have received under the merger agreement;

the fact that under the merger agreement Lear is only obligated to negotiate with Parent on one occasion if the initial superior proposal is $37 per share or greater to Lear s stockholders; and

the fact that Lear would not have to establish the existence and amount of its damages in the event of a failure of the merger to be consummated under certain circumstances in light of the $250 million

reverse break-up fee payable by Parent if Parent were to breach its obligations under the merger agreement and fail to complete the merger.

The AREP Group also believes that a number of factors relating to the procedural safeguards involved in the negotiation of the merger, including those discussed below, provided assurance of the substantive and procedural fairness of the proposed merger to Lear s unaffiliated stockholders:

the $36.00 per share merger consideration and other terms and conditions of the merger agreement resulted from extensive negotiations between the special committee and its advisors and AREP, Parent and Merger Sub and their respective advisors;

the special committee consists solely of directors who are not officers or controlling stockholders of Lear, or affiliated with AREP or its affiliates;

the special committee unanimously determined that the merger agreement and the merger are substantively and procedurally fair to the unaffiliated stockholders of Lear and in the best interests of such stockholders;

the special committee retained and received advice from JPMorgan, as financial advisor, as well as the fairness opinion referred to under Opinion of Financial Advisor, and Winston & Strawn and Richards Layton, as legal advisors, each of which has extensive experience in transactions similar to the proposed merger; the fact that the AREP Group did not participate in or have any influence on the deliberative process of, or the conclusions reached by, the special committee or the negotiating positions of the special committee; and

the fact that there is a provision in the merger agreement allowing the board of directors or the special committee to withdraw or change its recommendation of the merger agreement, and to terminate the merger agreement, in certain circumstances relating to the presence of a superior proposal, subject, in certain cases, to a payment by Lear to Parent of a termination fee.

The AREP Group did not consider the liquidation value of Lear because they considered Lear to be a viable, going concern and therefore did not consider liquidation value to be a relevant methodology. Further, the AREP Group did not consider net book value of Lear, which is an accounting concept, as a factor because they believed that net book value is not a material indicator of the value of Lear as a going concern but rather is indicative of historical costs. Lear s net book value per share as of December 31, 2006 was approximately $7.88, or approximately 78% lower than the $36.00 per share cash merger consideration.

The foregoing discussion of the information and factors considered and given weight by the AREP Group in connection with the fairness of the merger is not intended to be exhaustive but includes the material factors considered by the AREP Group. The AREP Group did not find it practicable to assign, and did not assign, relative weights to the individual factors considered in reaching their conclusions as to the fairness of the proposed merger. Rather, their fairness determinations were made after consideration of all of the foregoing factors as a whole.

Opinion and Report of Advisors to the AREP Group

Opinion of Morgan Joseph & Co. Inc.

In connection with the review and analysis of the merger by the AREP Group, the audit committee and the special committee of the board of directors (the API Committees) of API engaged Morgan Joseph & Co. Inc. (Morgan Joseph) to advise the API Committees and to furnish a written opinion as to the fairness to AREP, from a financial point of view, of the consideration to be paid by AREP in the merger. Morgan Joseph was engaged to provide an opinion as to the fairness to AREP, from a financial point of view, of the consideration to be paid by AREP in the merger, solely to comply with provisions of indentures governing AREP indebtedness. Morgan Joseph did not consider or opine as to the value of the transaction or the fairness of the transaction to the unaffiliated stockholders of Lear. Approximately 90% of the outstanding depositary units of AREP (MLP Units) are owned by affiliates of Mr. Icahn, and, therefore, AREP is deemed to be an affiliate of Mr. Icahn. API is wholly owned by affiliates of Mr. Icahn.

The API Committees selected Morgan Joseph as their financial advisor because Morgan Joseph has substantial experience in transactions similar to the merger. Morgan Joseph regularly engages in the valuation of businesses and securities in connection with mergers and acquisitions, leveraged buyouts, negotiated underwritings, secondary distributions of listed and unlisted securities and private placements.

At a meeting of the API Committees on February 9, 2007, Morgan Joseph furnished to the API Committees its opinion (the Morgan Joseph Opinion) that, as of such date, and based upon the assumptions made, matters considered and limitations of its review set forth therein, the consideration to be paid by AREP in the merger was fair, from a financial point of view, to AREP.

The description of the Morgan Joseph Opinion set forth in this section is qualified in its entirety by reference to the full text of the Morgan Joseph Opinion. You are urged to read the Morgan Joseph Opinion in its entirety for a description of the procedures followed, assumptions made, matters considered and qualifications and limitations on the Morgan Joseph Opinion and the review and analyses undertaken by Morgan Joseph in furnishing to the API Committees the Morgan Joseph Opinion. The Morgan Joseph Opinion is filed as an exhibit to the Schedule 13E-3 filed by Lear with the SEC, copies of which may be obtained from the SEC. For instructions on how to obtain materials from the SEC, see Where You Can Find More Information beginning on page 175.

The Morgan Joseph Opinion is addressed and was furnished solely to the API Committees and addresses only the fairness, from a financial point of view, of the consideration to be paid by AREP in the merger. It does not address the merits of the underlying business decision by AREP, the API Committees or any of AREP s affiliates or constituents to propose, consider, approve, recommend, declare advisable or consummate the merger, and does not constitute a recommendation to AREP, the API Committees, AREP s full board of directors, the holders of MLP units, or any other AREP constituent, person or entity as to any specific action that should be taken (or not be taken) in connection with the merger or as to any strategic or financial alternatives to the merger or as to the timing of any of the foregoing.

In connection with furnishing the Morgan Joseph Opinion, Morgan Joseph reviewed and analyzed, among other things, the following:

the February 6, 2007 draft of the merger agreement (which at such date Morgan Joseph assumed was, with respect to all material terms and conditions thereof, substantially in the form of the definitive agreement executed and delivered by the parties thereto);

the Annual Report on Form 10-K filed by Lear with the SEC for its fiscal year ended December 31, 2005, the Quarterly Reports on Form 10-Q filed by Lear with the SEC for its fiscal quarters ended April 1, 2006, July 1, 2006, September 30, 2006, and certain other filings made by Lear with the SEC under the Exchange Act;

the Annual Report on Form 10-K filed by AREP with the SEC for its fiscal year ended December 31, 2005, the Quarterly Reports on Form 10-Q filed by AREP with the SEC for its fiscal quarters ended March 31, 2006, June 30, 2006 and September 30, 2006, and certain other Exchange Act filings made by AREP with the SEC;

certain other publicly available business and financial information concerning Lear and AREP, respectively, and the industries in which they operate, which Morgan Joseph believed to be relevant;

certain internal information and other data relating to Lear and AREP, respectively, and their respective business and prospects, including budgets, projections and certain presentations prepared by Lear and AREP, respectively, which were provided to Morgan Joseph by AREP s senior management;

the reported sales prices and trading activity of Lear s common stock;

certain publicly available information concerning certain other companies which Morgan Joseph believed to be relevant and the trading markets for certain of such other companies securities;

the financial terms of certain recent unrelated transactions which Morgan Joseph believed to be relevant; and

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the resolutions of the board of directors of API, dated February 2, 2007, establishing and appointing the membership of the special committee of the board of directors of API and prescribing its authority and mandate with respect to the proposed merger, a complete and correct copy of which were provided to Morgan Joseph by AREP s senior management.

Morgan Joseph also participated in various conferences with certain officers, directors (including the members of the API Committees), employees and outside consultants of AREP and its affiliates concerning the business, operations, assets, financial condition and prospects of AREP and Lear, respectively, and undertook such other studies, analyses and investigations as Morgan Joseph deemed relevant to the Morgan Joseph Opinion.

In performing its analyses, numerous assumptions were made with respect to industry performance, general business, economic, market and financial conditions and other matters, many of which are beyond the control of Morgan Joseph, Mr. Icahn, API, AREP, Parent, Merger Sub and Lear. Any estimates contained in the analyses performed by Morgan Joseph are not necessarily indicative of actual values or future results, which may be significantly more or less favorable than those suggested by such analyses. Additionally, estimates of the value of businesses or securities do not purport to be appraisals or to reflect the prices at which those businesses or securities might actually be sold. Accordingly, the analyses and estimates are inherently subject to substantial uncertainty.

In preparing the Morgan Joseph Opinion, Morgan Joseph assumed and relied upon the accuracy and completeness of all financial and other publicly available information and data used by it and did not attempt independently to verify such information, nor did Morgan Joseph assume any responsibility or liability to do so. Morgan Joseph also assumed and relied upon the assurances of senior management of AREP and its affiliates that no relevant information had been omitted or remained undisclosed to Morgan Joseph, and Morgan Joseph did not attempt independently to verify any such information, nor did Morgan Joseph assume any responsibility or liability to do so. Morgan Joseph assumed that the forecasts and projections of Lear, which were provided by AREP s senior management and reviewed by Morgan Joseph, had been reasonably prepared based on the best current estimates, information and judgment of AREP s and Lear s senior management, respectively, as to the future financial condition, cash flows and results of operations of AREP and Lear and their consolidated subsidiaries, respectively. Morgan Joseph neither made an investigation of any such forecasts or projections or the assumptions on which they are based, nor did it assume any responsibility to do so. Morgan Joseph further assumed that the transfer of substantially all of the assets of Lear s North American interior business segment to IAC North America will be completed and that the merger will be consummated in accordance with the terms and subject to the conditions contained in the merger agreement, without any economic or material further amendments thereto or modification thereof, and without any waiver by AREP or Lear of any of the conditions to their respective obligations thereunder.

Morgan Joseph made no independent investigation of any legal, accounting or tax matters affecting Lear, AREP or any of their respective affiliates, or the merger, and Morgan Joseph assumed the accuracy and completeness of all legal, accounting and tax advice provided to AREP and the API Committees by AREP s management and the API Committees independent professional advisors. Morgan Joseph did not conduct a physical inspection of any of the properties, assets or facilities of Lear or AREP, nor did it make or obtain any independent valuation or appraisal of such properties, assets or facilities. Morgan Joseph also took into account its assessment of general economic, market and financial conditions and its experience in transactions that, in whole or in part, it deemed to be relevant for purposes of its analyses, as well as its experience in securities valuation in general.

The Morgan Joseph Opinion necessarily is based upon economic, market, financial and other conditions as they existed on February 9, 2007 and does not address the fairness of the consideration to be paid by AREP to holders of Lear s common stock in the proposed merger on any other date. Morgan Joseph expressed no opinion as to the price at which the depositary units of AREP or any other securities will trade at any future time.

In connection with furnishing to the API Committees the Morgan Joseph Opinion, Morgan Joseph performed a variety of financial analyses, which are summarized below. These analyses were presented to the

API Committees at a meeting held on February 9, 2007. The summary set forth below does not purport to be a complete description of the analyses performed by Morgan Joseph in this regard. The preparation of an opinion regarding financial fairness involves various determinations as to the most appropriate and relevant methods of financial analyses and the application of these methods to the particular circumstances, and, therefore, such an opinion is not readily susceptible to a partial analysis or summary description. Accordingly, notwithstanding the separate analyses summarized below, Morgan Joseph believes that its analyses must be considered as a whole and that selecting portions of its analyses and factors considered by it, without considering all of its analyses and factors, or attempting to ascribe relative weights to some or all of its analyses and factors, could create an incomplete view of the evaluation process underlying the Morgan Joseph Opinion.

The financial forecasts and forward-looking financial data of Lear and AREP, which were furnished to Morgan Joseph and used by it in some of its analyses, were prepared by the management of Lear and AREP, respectively. Morgan Joseph was advised by the API Committees that neither Lear nor AREP publicly discloses financial forecasts or forward-looking financial data of the type provided to Morgan Joseph in connection with its review of the proposed merger, and, as a result, these financial forecasts and forward-looking financial data were not prepared by Lear and AREP, respectively, with a view towards public disclosure or in accordance with any AICPA or other prescribed accounting guidelines or published best practices for public company financial forecasts or projections. Morgan Joseph was specifically informed by management of Lear and AREP, respectively, that these financial forecasts and forward-looking financial data were based on numerous variables and assumptions developed and applied in good faith by management of Lear and AREP, respectively. These variables and assumptions are inherently uncertain, including, without limitation, factors related to general market, industry, economic and competitive conditions. Accordingly, Morgan Joseph was informed that actual results could vary significantly from those set forth in such financial forecasts and forward-looking financial data.

No company or transaction used in the analyses described below is identical to AREP, Lear or the proposed merger. Accordingly, an analysis of the results thereof necessarily involves complex considerations and judgments concerning differences in financial and operating characteristics and other factors that could affect the proposed merger or the public trading or other values of AREP, Lear or companies to which they are being compared. Mathematical analysis (such as determining an average or median) is not in itself a meaningful method of using selected acquisition or company data. In addition, in performing such analyses, Morgan Joseph relied, without any independent verification, on projections prepared by research analysts at established securities firms, any of which may or may not prove to be accurate.

The following is a summary of the material analyses performed by Morgan Joseph in connection with the Morgan Joseph Opinion.

Selected Comparable Transactions Analysis

Using publicly available information, Morgan Joseph reviewed the purchase prices and multiples paid in the following selected merger and acquisition transactions which it deemed relevant in reviewing the financial terms of the proposed merger (the Selected Transactions), presented below in Acquiror/ Target format (with parenthetical reverse chronological date of announcement):

Robert Bosch/ Pacifica Group Ltd. (October 18, 2006);

Asahi Tec Corp./ Metaldyne Corp. (September 1, 2006);

EQT Partners/MTU Friedrichshafen GmbH (December 28, 2005);

BorgWarner Germany/ Beru AG (November 1, 2004);

Magna International, Inc./ Tesma International Inc. (October 25, 2004);

Cypress Group, Goldman Sachs/ Cooper-Standard Holdings Inc. (September 9, 2004);

Cypress Group/ Dana Corp. (automotive parts division) (July 9, 2004);

Cypress Group/ Affina Group Inc. (July 9, 2004);

Carlyle Group/ United Components Inc. (May 1, 2003);

Blackstone Group/ TRW Inc. (automotive parts division) (November 17, 2002);

Timkin Co./ The Torrington Company (October 16, 2002);

Collins & Aikman Corp./ Textron Automotive Trim (August 7, 2001); and

Heartland Industrial Partners/ Collins & Aikman Corp. (January 12, 2001).

Morgan Joseph selected these transactions, among other reasons, because the targets involved in such transactions operate in the automotive interior systems supplier industries, the industries in which Lear operates, and have similar lines of business and product segments to Lear. No transaction deemed by Morgan Joseph to meet the selection criteria described in this paragraph was excluded from Morgan Joseph s analysis. However, none of the target companies or selected transactions is identical or directly comparable to Lear or the proposed merger, respectively. Accordingly, Morgan Joseph s analysis involved complex considerations and judgments concerning differences in Lear s financial and operating characteristics relative to the targets in the selected transactions and other factors that would affect the acquisition values in the precedent transactions, such as the variability of earnings, product growth opportunities, the complementary aspects of an acquisition and conversely the diversification aspects, and the market conditions affecting opportunities within the automotive sector over time.

Morgan Joseph applied a methodology similar to the one it used in its selected publicly traded companies analysis described below, but relied on multiples derived from merger and acquisition transactions involving target companies in industries similar, although not identical, based on their participation in one or more product segments in which Lear competes. These product segments include, but are not limited to, automotive interior seating, electrical distribution systems and select electronic and other products.

Morgan Joseph considered all of the Selected Transactions (which ranged in transaction value from $4.725 billion to $452.8 million) as a group and did not view any single transaction to be more relevant than the others. The financial information reviewed by Morgan Joseph included the purchase prices and multiples paid by the acquiring company of the acquired company s financial results over the twelve-month period preceding the acquisition (LTM). The table below summarizes the results of this analysis:

Multiples Observed from the Selected Transactions

	25th Percentile	**50th Percentile**	**75th Percentile**
Multiple of Transaction Value:			
/LTM Sales	0.6x	0.7x	0.7x
/LTM EBITDA(1)	5.1x	6.0x	6.8x
/LTM EBIT(2)	8.3x	10.1x	10.6x

(1) EBITDA means earnings before interest, taxes, depreciation and amortization.

(2) EBIT means earnings before interest and taxes.

Using the multiples calculated above and applying Morgan Joseph s considerations and judgments discussed above, Morgan Joseph derived a valuation range of 5.1x to 6.8x Lear s 2006 adjusted EBITDA of $856.0 million to arrive at an implied share price range for Lear of $28.71 to $47.80, yielding a median implied share price of $38.50. The merger consideration is within this range of implied share prices. The implied share price range set forth above assumed adjustments to EBITDA to eliminate the results of Lear s North American interior business segment, which has since been divested, and to eliminate certain charges considered to be of a non-recurring nature including goodwill

and fixed asset impairment and restructuring charges (the EBITDA Adjustments). The range of EBITDA multiples applied by Morgan Joseph reflect the 25th percentile, at the low end, and the 75th percentile, at the high end, of the range of the Selected Transactions.

Selected Publicly Traded Companies Analysis

Using publicly available information, Morgan Joseph reviewed the stock prices (at February 2, 2007) and selected market trading multiples of the following companies (the Selected Companies):

American Axle & Manufacturing Holdings Inc.;

Dana Corp.;

Faurecia SA;

Johnson Controls Inc.;

Magna International, Inc.;

TRW Automotive Holdings Corp.;

Valeo SA; and

Visteon Corp.

Although none of the Selected Companies is directly comparable to Lear in all respects, they were chosen because they are publicly traded companies with operations, lines of business, product segments and market size that for purposes of analysis may be considered similar to certain of Lear s operations, lines of business, product segments and market size.

The financial information reviewed by Morgan Joseph included market trading multiples exhibited by the Selected Companies with respect to their LTM, their 2006 estimated financial performance and their 2007 estimated financial performance. The table below provides a summary of these comparisons:

Multiples Observed from the Selected Companies

	25th Percentile	50th Percentile	75th Percentile
Multiple of Enterprise Value:			
/LTM EBITDA	4.5x	4.9x	5.7x
/2006 Estimated EBITDA	4.7x	5.5x	6.2x
/2007 Estimated EBITDA	4.5x	4.7x	4.9x

The multiples shown in the table above exclude Johnson Controls from the averages. Johnson Controls is a direct competitor of Lear in the automotive seating business. However, approximately 43% of Johnson Control s revenues in fiscal 2006 and approximately 66% of operating income, excluding restructuring costs, were derived from businesses other than Johnson Control s automotive interior systems and products. As a result, Morgan Joseph believed that Johnson Controls multiples were not indicative of comparable public companies in the automotive parts industry. Other than Johnson Controls, no company deemed by Morgan Joseph to meet the selection criteria described above was excluded from Morgan Joseph s analysis.

The financial information reviewed by Morgan Joseph also included market trading multiples exhibited by Lear with respect to its LTM, its 2006 estimated financial performance and its 2007 estimated financial performance, as set forth in the table below:

Multiples for Lear

Multiple of Enterprise Value:	
/LTM EBITDA	6.8x

/2006 Estimated EBITDA	6.8x
/2007 Estimated EBITDA	5.4x

Because of the inherent differences in the business operations, financial condition and prospects of Lear, and the business operations and financial condition of the Selected Companies, Morgan Joseph did not rely

solely on the quantitative results of the selected publicly traded companies analysis. Morgan Joseph also made non-mathematical, qualitative and subjective judgments concerning differences between the characteristics of the comparable companies and Lear which, in its judgment, could affect the values of such companies. The non-mathematical qualitative and subjective judgments made by Morgan Joseph included an evaluation of the liquidity, stockholder base, trading volume, different stages of maturity and industry cycle of each Selected Company, as well as any recent extraordinary corporate transactions involving each Selected Company.

Using the multiples calculated above and applying the qualitative and subjective judgments of Morgan Joseph described above, Morgan Joseph derived a valuation range of 4.5x to 6.2x Lear s 2006 adjusted EBITDA of $856.0 million to arrive at an implied share price range for Lear of $22.16 to $40.79, yielding a median implied share price of $30.45. The merger consideration is within this range of implied share prices. The implied share price range set forth above took into account the EBITDA Adjustments. The range of EBITDA multiples applied by Morgan Joseph reflect the 25th percentile, at the low end, and the 75th percentile, at the high end, of the range of the Selected Companies.

Discounted Cash Flow Analysis

Morgan Joseph selected the range of discount rates used for this analysis by calculating Lear s implied weighted average cost of capital (WACC). Lear s WACC was calculated by using various assumptions, including, but not limited to, an assumed cost of equity of 14.4% to 18.1%, an assumed pre-tax cost of debt of 8.5%, and an assumed marginal tax rate of 38%. These assumptions were based upon Morgan Joseph s judgment relating to the debt to total capitalization ratios of companies within the automotive products sector which are comparable in size and/or performance to Lear, current effective tax rates, current debt market rates for debt issues relevant to Lear, current risk free rates of return, and measures of risk for Lear and its competitors, suppliers and customers within the automotive sector. The WACC calculation resulted in an approximate 11% discount rate for Lear which was used as a midpoint for the 10%-12% discount rate range.

Morgan Joseph performed a discounted cash flow analysis to estimate the present value of the stand-alone, unlevered, after-tax free cash flows that Lear was projected to generate over the calendar years 2006 through 2010, based on internal estimates provided by Lear s and AREP s managements. Unlevered free cash flow represents the amount of cash generated and available for principal, interest and dividend payments after providing for the funding of Lear s ongoing business operations. These cash flows were discounted to a present value using discount rates ranging from 10.0% to 12.0%. To calculate the implied enterprise value range for Lear, the discounted cash flows were added to a range of estimated terminal (end date) values, which was calculated by using the EBITDA Exit Multiple Methodology.

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This method calculates the terminal value by applying multiples ranging from 4.5x to 5.5x, based on EBITDA multiples paid as per the comparable transactions analysis, to the projected 2010 EBITDA of Lear. The implied terminal values were then discounted to present value using 10.0% to 12.0% discount rates. The present values of the implied terminal values of Lear were then added to the present value of the after-tax free cash flows to arrive at a range of enterprise values. The table below provides a summary of the range of enterprise values.

		Enterprise Value		
	Net Present Value of Free Cash Flow as of December 31, 2006(1)	**4.5x**	**5.0x**	**5.5x**
WACC				
10.0%	$ 1,958.5	$ 5,323.1	$ 5,697.0	$ 6,070.8
11.0%	$ 1,914.8	$ 5,159.7	$ 5,520.3	$ 5,880.8
12.0%	$ 1,872.6	$ 5,003.2	$ 5,351.0	$ 5,698.8

(1) Represents the net present value of free cash flow as of December 31, 2006 for the years 2007 through 2010.

This analysis indicated an implied equity value per share range for Lear. The table below provides a summary of the range of implied equity value per share range.

		Equity Value per Share(1)		
	Net Debt and Minority Interest as of December 31, 2006(2)	**4.5x**	**5.0x**	**5.5x**
WACC				
10.0%	$ 2,061.0	$ 41.31	$ 46.04	$ 50.78
11.0%	$ 2,061.0	$ 39.24	$ 43.80	$ 48.37
12.0%	$ 2,061.0	$ 37.26	$ 41.66	$ 46.07

(1) Based on 79.0 million fully diluted shares outstanding February 2, 2007.

(2) Does not include amounts outstanding under asset backed securitizations and factoring facilities.

Although the Discounted Cash Flow analysis produced values higher than the consideration to be paid by AREP in the merger, Morgan Joseph believes that the analyses described in the Morgan Joseph Opinion must be considered as a whole and not on an individual basis, and that to consider it otherwise than as an entirety could potentially present an inaccurate or misleading description of such analyses.

Premiums Paid Analysis

Morgan Joseph reviewed the premiums paid for 317 selected publicly announced U.S. domestic transactions announced between February 2, 2006 and February 2, 2007 having transaction values of between $1.0 billion and $10.0 billion. Morgan Joseph then compared the average premiums of these transactions based on per share market prices of the target company at reference points of one day prior to transaction announcement, one week prior to transaction announcement and one month prior to transaction announcement, respectively, to the implied premium based on the merger consideration of $36.00 per share in cash to Lear s stock price at the same reference points as well as to Lear s average stock price over a one-month,

three-month and twelve-month period. The following table shows the average premiums of the above mentioned transactions and the implied premium based on the merger consideration.

	Target Offer Premium to		
	1 Day Prior	**1 Week Prior**	**1 Month Prior**
Average Offer Premium	52.3%	69.0%	24.9%
Lear Merger Offer Premium	3.8%	4.0%	29.2%

AREP and Morgan Joseph entered into a letter agreement dated February 1, 2007 relating to the services to be provided by Morgan Joseph in connection with the proposed merger. Pursuant to the terms of such letter agreement, AREP paid $375,000 to Morgan Joseph upon execution of the engagement letter and $375,000 on February 9, 2007 upon the delivery of the Morgan Joseph Opinion to the API Committees. AREP also agreed to reimburse Morgan Joseph for its reasonable out-of-pocket expenses incurred in connection with its engagement, including certain fees and disbursements of its legal counsel. Such fees and reimbursements were not contingent upon consummation of the merger. Under a separate letter agreement, AREP agreed to indemnify Morgan Joseph against liabilities relating to or arising out of its engagement, including liabilities under the U.S. federal securities laws.

In the ordinary course of business during the past two years, Morgan Joseph (i) was engaged by the API Committees to provide fairness opinions to the API Committees in January 2005 in connection with certain acquisition transactions similar in nature to the proposed merger involving the acquisition by AREP of certain companies in which affiliates of Mr. Icahn owned capital stock, for which Morgan Joseph received aggregate fees of $1,000,000, and (ii) has been engaged by the API Committees to provide fairness opinions to the API Committees in connection with (a) a potential transaction involving the acquisition by AREP of certain debt instruments and the assumption of certain rights and obligations under certain derivative securities of a certain publicly traded company held by affiliates of Mr. Icahn, for which Morgan Joseph would receive fees of $750,000 upon delivery of its opinion to the API Committees and (b) an additional potential transaction involving the acquisition by AREP of all of the capital stock owned by affiliates of Mr. Icahn of a certain closely held company, for which Morgan Joseph has received a fee of $375,000 upon execution of an engagement letter in connection therewith and would receive an additional fee of $375,000 upon delivery of its opinion to the API Committees.

In accordance with the letter agreement, the Morgan Joseph Opinion is addressed solely to the API Committees, solely for their use in connection with their review and evaluation of the consideration proposed to be paid by AREP in the merger. Neither the Morgan Joseph Opinion nor its underlying financial analyses may be relied on by any person or entity other than the members of the API Committees, in their capacity as such, without the prior written consent of Morgan Joseph. In accordance with the letter agreement, no holders of MLP Units, or any other AREP constituent, person or entity can rely or assert reliance on the Morgan Joseph Opinion or underlying financial analyses in connection with any voting, credit extension, audit or other consideration or assessment of the relative merits, risks or financial reporting requirements of the merger, or otherwise. Morgan Joseph s view is that its duties in connection with the Morgan Joseph Opinion extend solely to the API Committees and that it has no legal responsibilities in respect thereof to any other person or entity under the laws of the State of New York, the laws which govern the engagement letter agreement between AREP and Morgan Joseph. Morgan Joseph states in the letter agreement that it would likely assert the substance of this view and the disclaimer described above as a defense to claims and allegations, if any, that might hypothetically be brought or asserted against it by any persons or entities other than the API Committees with respect to the Morgan Joseph Opinion and its financial analyses thereunder. Morgan Joseph also states, however, that because no court has definitely ruled to date on the availability of this defense to a financial advisor who furnished to its client for its exclusive use a fairness opinion, this issue necessarily would have to be judicially resolved on the merits in a final and non-appealable judgment of a court of competent jurisdiction. The letter agreement provides that there can be no assurance that such a court would apply the laws of the state of New York to the analyses and ultimate resolution of this issue if it were to be properly briefed by the relevant litigants and

presented to the court. The letter agreement also provides that, in all cases, the hypothetical assertion or availability of such a defense would have absolutely no effect on Morgan

Joseph s rights and responsibilities under U.S. federal securities laws, or the rights and responsibilities of the API Committees under applicable state law or under U.S. federal securities laws.

A.T. Kearney Report

In connection with its review and analysis of the proposed merger of Merger Sub with and into Lear, AREP engaged A.T. Kearney, Inc. to conduct a business diligence review of Lear and to provide a strategic assessment of Lear, its competitors and the automotive industry generally. A.T. Kearney s review of Lear was limited to operational issues and did not address valuation or the fairness of the transaction to unaffiliated stockholders of Lear. This report is referred to as the A.T. Kearney Report. A.T. Kearney is an affiliate of an international management consulting firm with experience providing business strategy, operations and organization planning and consulting services. AREP instructed A.T. Kearney to conduct a strategic assessment of Lear, including an analysis of Lear s revenue plan, restructuring plan, competitive position and prospects within the seating and electronic and electrical markets. A.T. Kearney did not review or analyze transactions comparable to the merger, provide advice or recommendations with respect to the consideration to be offered in connection with the merger or evaluate the fairness of the proposed merger to the stockholders of Lear.

A.T. Kearney regularly engages in business diligence reviews and strategic assessments similar to that conducted for AREP. AREP selected A.T. Kearney to perform the business diligence review and strategic assessment based on A.T. Kearney s knowledge, experience, and reputation in conducting such reviews and assessments, in general, and its understanding of the automotive parts industry in particular. A.T. Kearney has had no material relationship with AREP during the past two years and A.T. Kearney received customary fees in connection with the preparation and delivery of the A.T. Kearney Report.

On February 2, 2007, A.T. Kearney presented the A.T. Kearney Report to AREP. The A.T. Kearney Report is filed as an exhibit to the Schedule 13E-3 filed by Lear with the SEC, copies of which may be obtained from the SEC. For instructions on how to obtain materials from the SEC, see Where You Can Find More Information beginning on page 175. The following is a summary of the material analyses and conclusions contained in the A.T. Kearney Report. Please refer to the full text of the A.T. Kearney Report for a further description of the assumptions made, matters considered and qualifications and limitations on the A.T. Kearney Report and the review and analyses undertaken by A.T. Kearney in furnishing to AREP the A.T. Kearney Report.

The A.T. Kearney Report is addressed and was furnished to AREP. It does not address the merits of the underlying business decision by AREP or any of AREP s affiliates or constituents to propose, consider, approve, recommend, declare advisable or consummate the merger, and does not constitute a recommendation to the stockholders of Lear, AREP, the holders of AREP s depositary units, or any other AREP or Lear constituent, person or entity as to any specific action that should be taken (or not be taken) in connection with the merger or as to any strategic or financial alternatives to the merger or as to the timing of any of the foregoing.

The A.T. Kearney Report was prepared and delivered not for purposes of assessing the fairness to AREP or Lear stockholders of the merger or the consideration to be paid in connection with the merger, but as part of a general business strategy consulting assignment intended to educate AREP with respect to the industry in which Lear operates and Lear s competitive position within that industry. The A.T. Kearney Report was not intended as a valuation of the fair market price per share in connection with the merger and it does not address the merits or fairness of the merger or the merger consideration.

Project Methodology

In connection with furnishing the A.T. Kearney Report, A.T. Kearney reviewed and analyzed, among other things, publicly available information and reports on the automotive industry and the automotive Tier I market generally and the seating and electrical and electronics markets specifically; information provided by members of Lear s management team; onsite interviews of Lear executives; and publicly available information on Lear and Lear s major customers and competitors.

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A.T. Kearney assumed and relied upon the accuracy and completeness of all publicly available information and data used by it and did not attempt to independently verify such information, nor did A.T. Kearney assume any responsibility or liability to do so. A.T. Kearney also assumed and relied upon the information and projections provided to it by AREP and Lear and that no relevant information had been omitted. A.T. Kearney did not attempt to independently verify any such information, nor did it assume any responsibility to do so.

Throughout the course of its engagement, A.T. Kearney s representatives were in contact with AREP in order to respond to specific instructions about the scope of its due diligence.

Summary of Findings

A.T. Kearney identified the following as strengths with respect to Lear and its business:

- The seating market shows growth potential because seats are increasing in content and are increasingly used for vehicle differentiation;
- Lear operates in a seat market with consolidated competition and rational pricing;
- Lear has strong people, operations and systems;
- Lear is favorably viewed in the industry and is trusted by most auto makers to deliver major programs; and
- Lear s business has a strong balance of market presence in North America and Europe with a growing Asian presence.

A.T. Kearney identified the following concerns with respect to Lear and its businesses:

- Generic risks associated with the North American based automotive Tier I market, including declining sales from the traditional Big 3 auto makers, cost pressures from auto makers and raw material pricing volatility;
- Lear s ability to quickly transition sales and associated cost structure from North America to Asia and Eastern Europe are impacted by a significant union presence in Lear operations in North America and declining North American revenue which will create excess capacity in that region; and
- A softening of Lear s revenue pipeline in 2008 and 2009 with limited commercial opportunities in that timeframe.

A.T. Kearney concluded that Lear is a well-positioned major seat supplier with a much smaller, sub-scale electrical and electronics business and made the following conclusions with respect to Lear and its businesses:

- In late 2006 and projected into 2007, Lear has improved operating income levels to 3.2% and has rebounded from a weak performance in 2005;
- Lear is executing a restructuring program for a total restructuring savings of approximately $125.0 million annually with an investment of approximately $300.0 million over the 2005-2007 timeframe;
- Lear enjoys a strong relationship with its major customers and has successfully executed new program launches;
- A review of 10 of Lear s major programs representing in excess of $4 billion in revenues indicated that all programs reviewed were positive contributors with manageable risks;
- Lear s program management system and culture provide strong financial control, assumption tracking and execution management;
- Lear is implementing a metal strategy to increase vertical integration and expand the metal and mechanism content, which requires it to increase competency in this complex area;

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There is softness in the North American revenue pipeline in 2008 and 2009 that can be offset by aggressive sales activity in the near-future and/or increased restructuring and cost savings efforts; and

The Electrical distribution business is 4th in the market place, while electronics is a sub-scale niche player:

While these businesses are stable performers, their smaller size and differing competencies may require strategies different from that for the seating business.

Plans for Lear After the Merger

If the merger agreement is adopted by Lear stockholders and certain other conditions to the closing of the merger are either satisfied or waived, Merger Sub will be merged with and into Lear and Lear will be the Surviving Corporation. Following the merger, the equity of the Surviving Corporation will be wholly-owned by Parent and none of Lear s current stockholders will have any equity interest in the Surviving Corporation. If the merger is completed, Parent will be the sole beneficiary of the Surviving Corporation s future earnings and growth, if any, and will be entitled to vote on corporate matters affecting the Surviving Corporation following the merger. Similarly, Parent will also bear the risks of ongoing operations, including the risks of any decrease in the Surviving Corporation s value after the merger and the operational and other risks related to the incurrence by the Surviving Corporation of significant additional debt as described below under Financing of the Merger.

Upon consummation of the merger, Lear s common stock will cease to be publicly traded. Following the consummation of the merger, the registration of Lear s common stock and Lear s reporting obligation under the Exchange Act with respect to Lear s common stock will be terminated upon application to the SEC. In addition, upon consummation of the merger, Lear s common stock will no longer be listed on any exchange or quotation system, including the NYSE, and price quotations will no longer be available. Lear will not be subject to the obligations and constraints, and the related direct and indirect costs, associated with having publicly traded equity securities.

Other than Mr. Intrieri and, as described below, Messrs. Rossiter and Vandenberghe, none of the current directors of Lear will remain directors of the Surviving Corporation. Parent s current intention is for Lear s current executive officers to continue as executive officers of the Surviving Corporation. At the request of Parent in connection with the merger agreement, Lear entered into amendments of the existing employment agreements of each of Messrs. DelGrosso, Rossiter and Vandenberghe. The effectiveness of each amendment is conditioned upon the consummation of the merger. Pursuant to these amendments, Mr. DelGrosso would serve as Chief Executive Officer of the Surviving Corporation. Mr. Rossiter initially would serve as Executive Chairman of the board of directors of the Surviving Corporation, and Mr. Vandenberghe would serve as Vice Chairman and Chief Financial Officer of the Surviving Corporation. With the exception of Mr. DelGrosso, the amendments provide these executive officers with annual compensation comparable to their existing employment agreements.

Mr. DelGrosso would receive an increase in his base compensation from $925,000 to $1,150,000 in connection with his promotion to Chief Executive Officer. Mr. DelGrosso would also receive a bonus of at least 125% of base salary for the first year after the closing date of the merger. Mr. Rossiter s annual base salary would be $1,150,000 (as compared to $1,100,000 under Mr. Rossiter s current employment agreement) and he would receive a bonus of at least 150% of base salary for the first year of the term of the amended agreement. Mr. Vandenberghe s annual base salary would be $925,000 (unchanged from Mr. Vandenberghe s current employment agreement) and he would receive a bonus of at least 100% of base salary for the first year of the term of the amended agreement. The bonus percentages for each of Mr. Rossiter and Mr. Vandenberghe under the amendments are the same as their 2006 annual target opportunities under our Annual Incentive Compensation Plan. See Compensation Discussion and Analysis and Executive Compensation Summary Compensation Table. The amendments also provide that the merger will not be treated as a change in control for purposes of the employment agreements and contemplate that each of Messrs. DelGrosso, Rossiter and Vandenberghe will participate in management equity plans following the merger. Under the equity plans, Messrs. DelGrosso, Rossiter and Vandenberghe would be granted options to

purchase 0.6%, 0.6% and 0.4% of the outstanding common stock of the Surviving Corporation, respectively. These options would have a term of ten years and would vest equally on an annual basis at a rate of 25% per year over a period of four years. With respect to Mr. Vandenberghe, the options would accelerate and fully vest upon a change in control and with respect to Messrs. DelGrosso and Rossiter, the options would accelerate and fully vest upon (1) a change in control or (2) a termination of employment (A) by the company other than for cause or incapacity or by a notice of non-renewal (or due to death) or (B) by the executive for good reason. In addition, the amendments allow the executives to elect to have up to 70% of their accumulated benefit under a supplemental pension plan paid to them on January 15, 2008 and up to 30% of such accumulated benefit paid to them on January 15, 2009.

It is expected that Lear s operations will be conducted substantially as they currently are being conducted. AREP, Parent and Merger Sub have advised Lear that they do not have any current intentions, plans or proposals to cause Lear to engage in an extraordinary corporate transaction following consummation of the merger such as a merger, reorganization or liquidation or any other material changes in its business. Nevertheless, following consummation of the merger, the management and/or board of directors of the Surviving Corporation may initiate a review of the Surviving Corporation and its assets, corporate and capital structure, capitalizations, operations, business, properties and personnel to determine what changes, if any, would be desirable following the merger to enhance the business and operations of the Surviving Corporation. As a result of this review, the Surviving Corporation may engage in the types of transactions set forth above if the management or board of directors of the Surviving Corporation decides that such transactions are in the best interest of the Surviving Corporation upon such review. The Surviving Corporation expressly reserves the right to make any changes it deems appropriate in light of such evaluations and review or in light of future developments.

Certain Effects of the Merger

If the merger agreement is approved by Lear s stockholders and the other conditions to the closing of the merger are either satisfied or waived, Merger Sub will be merged with and into Lear, the separate corporate existence of Merger Sub will cease and Lear will continue its corporate existence under Delaware law as the Surviving Corporation in the merger. Upon consummation of the merger, the certificate of incorporation and by-laws of the Surviving Corporation will be the certificate of incorporation and by-laws of Merger Sub, except that the name of the Surviving Corporation will be Lear Corporation. As a result of the proposed merger, Lear will cease to be a publicly-traded company and will be wholly-owned by Parent. Lear s stockholders immediately prior to the closing of the merger will no longer have any interest in Lear s future earnings or growth. Following consummation of the merger, the registration of our common stock and our reporting obligations with respect to our common stock under the Exchange Act will be terminated upon application to the SEC. In addition, upon completion of the proposed merger, shares of our common stock will no longer be listed on the NYSE or any other stock exchange or quotation system.

Upon consummation of the merger, each outstanding share of Lear common stock will be converted into the right to receive $36.00 in cash, without interest and less any applicable withholding taxes. At the effective time of the merger, except as otherwise agreed by a holder and Parent, all outstanding restricted stock units under our equity incentive plans (whether vested or unvested) will be cancelled and converted into the right to receive a cash payment equal to the number of restricted stock units multiplied by $36.00. All outstanding stock appreciation rights and options to acquire our common stock (whether vested or unvested) will be cancelled and converted into the right to receive a cash payment equal to the number of outstanding shares of our common stock underlying the stock appreciation rights or options multiplied by the amount (if any) by which $36.00 exceeds the applicable exercise price. All deferred amounts held in unit accounts denominated in shares of our common stock under our Outside Directors Compensation Plan will be converted into the right to receive a cash payment of $36.00 multiplied by the number of shares deemed held in such deferred unit account, payable or distributable in accordance with the terms of the agreement, plan or arrangement relating to such deferred unit account. All outstanding performance shares (whether vested or unvested) will be cancelled and converted into the right to receive a cash payment equal to the target number of units or shares of common stock previously subject to performance shares multiplied by $36.00, with respect to that percentage of such performance shares that vest

upon a change in control as provided in our Long-Term Stock Incentive Plan. All payments of the merger consideration will be without interest and less any applicable withholding taxes.

Following the merger, the entire equity in Lear will be owned by Parent, and Parent will have the right to vote on corporate matters affecting Lear following the merger. If the merger is completed, the AREP unitholders will be the sole beneficiaries of our future earnings and growth. Similarly, the AREP unitholders will also bear the risks of ongoing operations including the risks of any decrease in our value after the merger and the operational and other risks related to the incurrence by Lear of indebtedness as described below under Financing of the Merger. If the merger is completed, the unaffiliated stockholders of Lear will have no interest in Lear s net book value or any future net earnings.

The table below sets forth the interests of the affiliates of Mr. Icahn in Lear s net book value and net income (loss) prior to and immediately after the merger, based upon the net book value of Lear at December 31, 2006 and March 31, 2007, and the net income (loss) of Lear for the year ended December 31, 2006 and the three months ended March 31, 2007.

	Ownership Prior to Merger(1)(2)		**Ownership After Merger(3)**	
	$ (in millions)	**Percentage**	**$ (in millions)**	**Percentage**
Net book value at December 31, 2006	$ 94.2	15.6%	$ 602.0	100.0%
Net income (loss) for the year ended December 31, 2006	$ (110.7)	15.6%	$ (707.5)	100.0%
Net book value at March 31, 2007	$ 108.3	15.6%	$ 692.5	100.0%
Net income (loss) for the three months ended March 31, 2007	$ 7.8	15.6%	$ 49.9	100.0%

(1) Based upon 76,685,623 shares of common stock outstanding as of May 14, 2007.

(2) Based upon beneficial ownership of affiliates of Mr. Icahn of 11,994,943 shares of common stock as of May 14, 2007. Please see footnote (1) of Security Ownership of Certain Beneficial Owners and Management for a description of the beneficial ownership of affiliates of Mr. Icahn.

(3) Does not give effect to indebtedness to be incurred in connection with the merger.

In connection with the merger, certain of Lear s management will receive benefits and be subject to obligations in connection with the merger that are different from, or in addition to, the benefits and obligations of Lear s stockholders generally, as described in more detail under Interests of Lear s Directors and Executive Officers in the Merger.

The merger will trigger a change of control provision in Lear s existing $1.0 billion senior secured 7 year term loan and $1.7 billion senior secured revolving credit facility. Pursuant to a commitment letter between AREP and Bank of America, these facilities would be refinanced with senior secured credit facilities in an aggregate amount of $3.6 billion, consisting of a $1.0 billion senior secured revolving credit facility and a $2.6 billion senior secured term loan B facility. The interest rates payable under the existing credit facilities and the refinancing facilities are substantially the same.

The merger will be treated as an acquisition of the stock of Lear by Parent for United States federal income tax purposes. As a result, the tax basis in Lear s assets and liabilities will remain the same as they were prior to the merger and all of its tax attributes at the date of the merger will continue to exist after the merger, subject to the limitations discussed below.

Sections 382 and 383 of the Internal Revenue Code of 1986, as amended (the Code), impose limitations on the ability of a corporation to use certain tax attributes, such as net operating loss and tax credit carryovers, following an ownership change. The annual limitation is dependent upon the value of the corporation, the long-term tax exempt rate and the availability of net unrealized built-in gains with respect to the assets of the corporation, in each case, at the time of the ownership change. Any annual limitation that is unused is carried forward and serves to increase the limitation in subsequent years. Since the merger will cause an ownership change, as defined in Code Section 382(g), Lear s net operating loss and tax credit carryovers will be subject to an annual limitation. However, Lear does not expect these limitations to materially impact

its ability to utilize its net operating loss and tax credit carryovers within their respective expiration periods as long as sufficient U.S. taxable income is generated subsequent to the merger.

In connection with the merger, there may be certain material U.S. federal income tax consequences to Lear s stockholders. The receipt of cash in exchange for shares of our common stock pursuant to the merger will be a taxable transaction for U.S. federal income tax purposes, as described in more detail under Material U.S. Federal Income Tax Consequences of the Merger to Our Stockholders.

Directors and Management of the Surviving Corporation

Upon consummation of the merger, the directors of Merger Sub and the officers of Lear immediately prior to the effective time of the merger will be the initial directors and officers of the Surviving Corporation, except as Merger Sub may otherwise determine.

Charter and By-laws

Upon consummation of the merger, the charter and by-laws of the Surviving Corporation shall be the charter and by-laws of Merger Sub, except that the name of the Surviving Corporation shall be Lear Corporation.

Financing of the Merger

Parent and Merger Sub estimate that the total amount of funds necessary to consummate the merger and related transactions will be approximately $4.1 billion, of which $2.6 billion will be funded by a new senior secured credit facility and $155.0 million will be funded with cash on hand at Lear. The remaining $1.3 billion will come from cash on hand at AREP. On February 8, 2007, Parent entered into a commitment letter with Bank of America and BAS, pursuant to which such parties committed to provide to Parent the debt financing necessary to complete the transactions contemplated by the merger agreement. As described in the commitment letter, Bank of America will act as sole and exclusive administrative agent and BAS will act as sole lead arranger and sole bookrunner for the new credit facilities. The credit facilities, along with available cash of Lear, Parent and Merger Sub on the closing date, are intended to refinance and replace Lear s existing credit facilities and to fund the transactions contemplated by the merger agreement. Funding of the debt financing is subject to the satisfaction of the conditions set forth in the commitment letter. Pursuant to the debt financing commitments, and subject to their terms and conditions, Bank of America committed to provide, in the aggregate:

a $2.6 billion seven-year senior secured term loan facility for the purpose of financing a portion of the merger, refinancing certain existing indebtedness of Lear and paying the transaction costs associated with the foregoing; and

a $1.0 billion five-year senior secured revolving credit facility, with sublimits and subfacilities consistent with Lear s existing credit facility, for the purpose of financing the merger (including payment of fees and expenses), providing ongoing working capital and for other general corporate purposes of Lear and its subsidiaries. Up to $400 million of the revolving credit facility will be available for the issuance of letters of credit, and up to $300 million will be available for swingline loans.

The following table sets forth a summary of the estimated sources and uses of funds for the financing of the merger and related transactions, as of the closing date (in millions):

Sources of Funds

Lear cash on hand	$	155.2
Term loan facility		2,600.0
Revolving credit facility		
AREP equity contribution		1,300.0
Total	$	4,055.2

Uses of Funds

Purchase of common stock		2,856.7
Refinancing existing debt(a)		1,118.4
Estimated transaction costs		80.1
Existing revolving credit facility		
Total	$	4,055.2

(a) Consists of $997.0 term loan and $121.4 of outstanding senior notes (including redemption payments).

Parent has no current plans or arrangements to refinance or repay the senior secured credit facilities to be provided in connection with the merger. Parent currently contemplates servicing these loans with income from operations.

Conditions Precedent to the Debt Financing Commitments

The availability of the debt financing described above is subject, among other things, to satisfaction of the following conditions:

- consummation of the merger prior to or substantially simultaneously with the initial borrowing under the term loan and revolving facilities, in all material respects in accordance with the terms of the merger agreement,
- negotiation, execution and delivery of definitive documentation for the debt financing;
- AREH, through Parent, making an equity contribution of at least $1.3 billion prior to or substantially simultaneously with the initial borrowing under the term loan and revolving facilities;
- repayment of all indebtedness under Lear s existing credit facilities, release of all related liens and completion of a tender offer for outstanding securities under certain of Lear s indentures or receipt by Bank of America of call notices sufficient to redeem all indebtedness under certain of Lear s indentures;
- the accuracy in all material respects of certain representations and warranties of Lear contained in the merger agreement and certain representations and warranties of Merger Sub and Lear contained in the definitive documentation for the debt facilities;
- receipt by Bank of America of audited financial statements of Lear for the fiscal year ended December 31, 2006, unaudited financial statements for each subsequent fiscal quarter ended 45 days or more prior to the closing of the merger and pro forma unaudited financial statements for the fiscal year ended December 31, 2006 and for each subsequent fiscal quarter ended 45 days or more prior to the closing of the merger; and
- other customary conditions for leveraged acquisition financings.

As of the date of this proxy statement, Lear has delivered to Bank of America all required financial information described in the sixth bullet point above. There can be no assurance that the other conditions to the debt financing will be met.

Parent is not obligated to complete the merger until the expiration of a 15-business day Marketing Period that it may use to complete its financing for the merger, which period begins upon satisfaction of other conditions to the merger. Under the merger agreement, we have agreed to provide Parent our reasonable cooperation in connection with arranging the debt financing, including participating in meetings, assisting with the preparation of offering materials, furnishing financial information, facilitating the pledge of collateral and obtaining third party consents and approvals.

Parent has agreed with us that it will use its reasonable best efforts to obtain the debt financing contemplated by the debt financing commitments. The debt financing, however, is not a condition to the consummation of the merger. If the debt financing is not obtained and all of the conditions to Parent s obligation to complete the merger have been satisfied, Parent and Merger Sub will be required to provide the amounts necessary to the merger. The failure to do so would be a breach of Parent s and Merger Sub s obligations under the merger agreement. If Parent and Merger Sub have failed to obtain the debt financing necessary to consummate the merger as a result of a breach or default by the commitment parties under the debt financing commitments, then, in any claim we make for actual damages, Parent, Merger Sub, AREP and their affiliates, individually or collectively, will not be liable to us or our affiliates in an amount more than $25 million in excess of the amount actually received by Parent, Merger Sub, AREP or their affiliates from the commitment parties under the debt financing commitments with respect to claims for the commitment parties breach of their debt financing commitments. See The Merger Agreement Financing. The debt

financing commitments expire on September 30, 2007.

The borrower of the term loans and under the revolving credit facility will be Lear, as the Surviving Corporation, upon the consummation of the merger. BAS will arrange a syndicate of banks, financial institutions and other entities, including Bank of America, to act as lenders under the term loan and revolving credit facilities.

Limited Guaranty

In connection with the merger agreement, AREP and Lear entered into a limited guaranty under which AREP has guaranteed the payment by Parent and Merger Sub of their obligations under section 7.4(f) of the merger agreement. Under section 7.4(f) of the merger agreement, if we terminate the merger agreement under certain circumstances, we will be entitled to receive (1) liquidated damages of $250 million if we have satisfied our conditions to the closing but Parent has failed to take all necessary steps to consummate the merger and there has not been a failure of Parent and Merger Sub to obtain the debt financing necessary to consummate the merger as a result of a breach or default by the commitment parties or (2) if there has been a failure of Parent and Merger Sub to obtain the debt financing necessary to consummate the merger as a result of a breach or default by the commitment parties, an amount equal to our actual damages but in no case greater than $25 million in excess of any amounts received by Parent, Merger Sub or their affiliates from the lenders under the debt financing commitments with respect to claims for breach of the debt financing commitments. AREP s obligations under the limited guaranty will remain in full force and effect until the closing of the transactions contemplated by the merger agreement or the termination of the merger agreement (except that AREP s obligation to guaranty payment shall survive such termination). The limited guaranty is our sole recourse against the guarantor.

The summary of the material terms of the guaranty above and elsewhere in this proxy statement is qualified in its entirety by reference to the guaranty of payment, a copy of which is attached to this proxy statement as Appendix D and which we incorporate by reference into this document.

Interests of Lear s Directors and Executive Officers in the Merger

Certain members of our board of directors and executive officers may have interests in the merger that are different from, or are in addition to, the interests of our stockholders generally. The special committee and our board of directors were aware of these interests and considered them, among other matters, in approving the merger agreement. The consummation of the merger will constitute a change of control for purposes of each of the plans and agreements described below.

Aggregate Merger Payments

The following table shows the total amounts that would be payable to our directors and executive officers upon consummation of the merger, based on the merger consideration of $36.00 per share in cash, for (1) shares of Lear s common stock that they hold directly and (2) the accelerated payment of all outstanding equity and other awards that they hold, in each case as of May 14, 2007. Values of outstanding awards that accrue interest or whose payout values increase pro rata over time were calculated assuming a closing date for the merger of June 29, 2007. Amounts under Aggregate Payments on Outstanding Awards in the table below represent the sum of all payments upon consummation of the merger on all outstanding awards held by

directors and executive officers as of May 14, 2007. The treatment of each type of outstanding award is individually described and quantified in more detail in the subsequent tables beginning on page 63.

	Payments for Direct Stock Holdings		Aggregate	
	Number of Shares(#)(1)	Merger Consideration($)	Payments on Outstanding Awards(5)(6)	Total Merger Payments($)(6)
Executive Officers				
Robert E. Rossiter	93,957(2)	3,382,452	8,193,816	11,576,268
James H. Vandenberghe	63,003	2,268,108	4,776,402	7,044,510
Douglas G. DelGrosso	34,813(3)	1,253,268	3,744,683	4,997,951
Daniel A. Ninivaggi	12,914	464,904	2,056,196	2,521,100
Raymond E. Scott	8,021	288,756	2,008,701	2,297,457
James M. Brackenbury	6,900	248,400	1,613,291	1,861,691
Shari L. Burgess	2,566	92,376	616,056	708,432
Roger A. Jackson	7,979	287,244	1,919,659	2,206,903
James L. Murawski	1,189	42,804	528,661	571,465
Matthew J. Simoncini	2,780	100,080	1,171,069	1,271,149
Directors				
David E. Fry	1,103	39,708	351,760	391,468
Vincent J. Intrieri	0	0	121,608	121,608
Conrad L. Mallett	475	17,100	211,767	228,867
Larry W. McCurdy	2,000	72,000	919,817	991,817
Roy E. Parrott	3,230	116,280	223,293	339,573
David P. Spalding	6,000	216,000	811,989	1,027,989
James A. Stern	6,400(4)	230,400	844,280	1,074,680
Henry D.G. Wallace	1,000	36,000	287,240	323,240
Richard F. Wallman	1,500	54,000	245,560	299,560

(1) Amounts shown exclude indirect holdings in 401(k) plan stock accounts. Shares held in 401(k) accounts will be sold and the cash consideration will be reallocated in the remaining accounts under the 401(k) plan.

(2) Includes 45,000 shares held in a grantor retained annuity trust for the benefit of Mr. Rossiter s children.

(3) Includes 19,713 shares held in trust by Mr. DelGrosso s spouse.

(4) Includes 2,400 shares held in trust for Mr. Stern s children.

(5) For executive officers, includes payments on outstanding stock options, stock appreciation rights, restricted stock units (and related dividend equivalent accounts), performance shares and cash-settled performance units. For directors, includes payments on outstanding stock options, deferred stock units and restricted units and payments of dividend and interest account balances. Specific amounts payable for each type of award are shown in more detail in the tables beginning on page 63.

(6) Represents gross payments. Actual payments will be subject to applicable withholding taxes.

Employment Agreements

We have existing employment agreements with fifteen of our officers. Under the employment agreements, Lear may generally reduce an executive s base salary or bonus, defer payment of his compensation, or eliminate or modify his benefits, without giving rise to a claim of constructive termination, so long as such changes are made for all executive officers; however, any such actions by Lear within one year after a change in control would give the executive a basis for termination for good reason. Our executive officers receive certain benefits under their employment agreements upon an involuntary termination of employment by Lear without cause (or termination by the executive with good reason). These benefits are in the form of cash severance, pension vesting enhancement, continuation of medical/welfare benefits and an excise tax gross-up. Please see Executive Compensation Potential Payments Upon Termination or a Change of Control for a

detailed description of the compensation payable to each of our five highest paid executive officers upon termination of employment following a change of control.

At the request of Parent in connection with the merger agreement, we entered into amendments of the existing employment agreements of each of Messrs. DelGrosso, Rossiter and Vandenberghe. The effectiveness of each amendment is conditioned upon the consummation of the merger with Parent and Merger Sub. Pursuant to these amendments, Mr. DelGrosso would serve as Chief Executive Officer of Lear. Mr. Rossiter initially would serve as Executive Chairman of the board of directors of Lear, and Mr. Vandenberghe would serve as Vice Chairman and Chief Financial Officer of Lear. With the exception of Mr. DelGrosso, who would be promoted to Chief Executive Officer, the amendments provide these executive officers with annual compensation comparable to their existing employment agreements.

Mr. DelGrosso would receive an increase in his base compensation from $925,000 to $1,150,000 in connection with his promotion to Chief Executive Officer. Mr. DelGrosso would also receive a bonus of at least 125% of base salary for the first year after the closing date of the merger. Mr. Rossiter would serve as Executive Chairman of the Board of Directors of Lear for the first two years after the closing date, with an annual base salary of $1,150,000 (as compared to $1,100,000 under Mr. Rossiter s current employment agreement), and as the Non-Executive Chairman of the Board of Directors of Lear in the next year, with an annual base salary of $700,000. Mr. Rossiter would receive a bonus of at least 150% of base salary for the first year of the term of the amended agreement. Mr. Vandenberghe would serve as Chief Financial Officer of Lear for one year after the closing date, with an annual base salary of $925,000 (unchanged from Mr. Vandenberghe s current employment agreement) and as a consultant to Lear thereafter, receiving a monthly fee of $41,666.66. Mr. Vandenberghe would receive a bonus of at least 100% of base salary for the first year of the term of the amended agreement. The bonus percentages for each of Mr. Rossiter and Mr. Vandenberghe under the amendments are the same as their 2006 annual target opportunities under our Annual Incentive Compensation Plan. See Compensation Discussion and Analysis and Executive Compensation Summary Compensation Table. The amendments also provide that the merger will not be treated as a change in control for purposes of the employment agreements, as amended, and contemplate that each of Messrs. DelGrosso, Rossiter and Vandenberghe will participate in management equity plans following the merger. Under the equity plans, Messrs. DelGrosso, Rossiter and Vandenberghe would be granted options to purchase 0.6%, 0.6% and 0.4% of the common stock of the Surviving Corporation, respectively. These options would have a term of ten years and would vest equally on an annual basis at a rate of 25% per year over a period of four years. With respect to Mr. Vandenberghe, the options would accelerate and fully vest upon a change in control and with respect to Messrs. DelGrosso and Rossiter, the options would accelerate and fully vest upon (1) a change in control or (2) a termination of employment (A) by the company other than for cause or incapacity or by a notice of non-renewal (or due to death) or (B) by the executive for good reason. In addition, the amendments allow the executives to elect to have up to 70% of their accumulated benefit under the supplemental pension plans paid to them on January 15, 2008 and up to 30% of such accumulated benefit paid to them on January 15, 2009.

The summary of the material terms of the employment agreement amendments above and elsewhere in this proxy statement is qualified in its entirety by reference to the employment agreement amendments, copies of which are attached to this proxy statement as Appendix E and which are incorporated by reference into this document.

Equity Awards

Our Long-Term Stock Incentive Plan provides for accelerated vesting or payout of equity awards upon a change in control, even for an executive who does not terminate employment. These benefits, which apply to all employees and outside directors who hold equity awards, include the following:

- stock options and stock appreciation rights become immediately exercisable and remain so throughout their entire term;

- restrictions on restricted stock units lapse; and

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a pro rata number of performance shares and performance units vest and pay out as of the date of the change in control. The amount is determined based on the length of time in the performance period that elapsed prior to the effective date of the change in control, assuming achievement of all relevant performance objectives at target levels.

In connection with the merger agreement, we entered into amendments of the Long-Term Stock Incentive Plan award agreements of each of Messrs. Rossiter, DelGrosso, Vandenberghe, Ninivaggi, Brackenbury and Scott. Pursuant to these amendments, restrictions on restricted stock units will not lapse, and performance shares and performance units will not vest, in connection with the merger until two business days after the merger closes. The affected awards will become payable at that time.

Stock Options

As of May 14, 2007, there were approximately 722,200 shares of our common stock issuable pursuant to stock options granted under our equity incentive plans to our current executive officers and directors. Under the terms of the equity plans and the merger agreement, except as otherwise agreed to by Parent and a holder of an option, each outstanding option held by an executive officer or director that is unexercised as of the effective time of the merger will become fully vested, cancelled and converted into the right to receive a cash payment equal to the number of shares of our common stock underlying the outstanding options multiplied by the amount (if any) by which $36.00 exceeds the option exercise price, without interest and less any applicable withholding taxes.

The following table identifies, for each of our directors and executive officers, (1) the aggregate number of shares of our common stock subject to outstanding options with an exercise price below $36.00 as of May 14, 2007, all of which are fully vested, (2) the weighted average exercise price of these in-the-money options, (3) the aggregate value of these in-the-money options and (4) the number of shares of our common stock underlying underwater options as of May 14, 2007 to be cancelled upon the consummation of

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the merger. The information in the table assumes that all options remain outstanding on the closing date of the merger and that Parent and the holder have not otherwise agreed to separate treatment of these options.

	In-The-Money Options(1)			Underwater Options to be Cancelled in Merger(2)
Name	Number of Shares Underlying Options	Weighted Average Exercise Price($)	Aggregate Value($)	Number of Shares Underlying Options
Robert E. Rossiter(3)	81,250	35.93	5,688	170,000
James H. Vandenberghe(3)				165,000
Douglas G. DelGrosso	32,500	35.93	2,275	100,000
Daniel A. Ninivaggi				
Raymond E. Scott				29,000
James M. Brackenbury				12,000
Shari L. Burgess	1,950	35.93	137	7,750
Roger A. Jackson				68,000
James L. Murawski				
Matthew J. Simoncini				7,500
David E. Fry(3)				4,000
Vincent J. Intrieri(3)				
Conrad L. Mallett(3)				4,000
Larry W. McCurdy(3)	2,500	29.03	17,425	7,750
Roy E. Parrott(3)	1,250	35.93	88	5,250
David P. Spalding(3)	2,500	29.03	17,425	7,750
James A. Stern(3)	2,500	29.03	17,425	7,750
Henry D.G. Wallace(3)				
Richard F. Wallman(3)				2,000

(1) Exercise price of options is below the $36.00 per share merger consideration.

(2) Exercise price of options is above the $36.00 per share merger consideration.

(3) The individual is a director.

Stock Appreciation Rights

As of May 14, 2007, there were approximately 769,218 stock appreciation rights (SARs) granted under our equity incentive plans to our current executive officers. None of our non-employee directors have been granted stock appreciation rights. Under the terms of the incentive plans and the merger agreement, except as otherwise agreed to by Parent and a holder of a stock appreciation right, each outstanding stock appreciation right that is unexercised as of the effective time of the merger will become fully vested (if not already), cancelled and converted into the right to receive a cash payment equal to the number of outstanding shares of our common stock underlying the stock appreciation rights multiplied by the amount by which $36.00 exceeds the stock appreciation right exercise price, without interest and less any applicable withholding tax.

The following table identifies, for each of our executive officers, the aggregate number of shares subject to stock appreciation rights (which are all in the money) as of May 14, 2007, the weighted-average exercise price of unvested stock appreciation rights, the value of the unvested stock appreciation rights, the weighted-average exercise price of the aggregate (vested and unvested) stock appreciation rights and the value of the aggregate stock appreciation rights. The information in the table assumes that all these stock appreciation

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rights remain outstanding as of the closing of the merger and that Parent and the holder have not otherwise agreed to separate treatment of these stock appreciation rights.

Name	Aggregate Number of SARs	Weighted Average Exercise Price of Unvested SARs($)	Value of Unvested SARs($)	Weighted Average Exercise Price of Vested and Unvested SARs($)	Aggregate Value of Vested and Unvested SARs($)
Robert E. Rossiter	222,750	29.21	1,168,729	28.88	1,585,980
James H. Vandenberghe	123,750	29.21	649,294	28.88	881,100
Douglas G. DelGrosso	123,750	29.21	649,294	28.88	881,100
Daniel A. Ninivaggi	70,950	29.64	365,382	29.28	476,784
Raymond E. Scott	59,400	29.21	311,661	28.88	422,928
James M. Brackenbury	45,900	29.21	311,661	29.21	311,661
Shari L. Burgess	17,199	29.63	88,645	29.27	115,749
Roger A. Jackson	55,350	29.31	289,008	28.96	389,664
James L. Murawski	17,199	29.63	88,645	29.27	115,749
Matthew J. Simoncini	32,970	30.06	167,983	29.70	207,711

Restricted Stock Units

As of May 14, 2007, there were approximately 512,877 restricted stock units outstanding under our equity incentive plans held by our current executive officers. Our non-employee directors do not hold any restricted stock units. Under the terms of the equity incentive plans, except as otherwise agreed to by Parent and a holder of a restricted stock unit, each outstanding restricted stock unit that is outstanding as of the consummation of the merger will become fully vested, cancelled and converted into the right to receive a cash payment equal to the number of outstanding restricted stock units multiplied by $36.00, without interest and less any applicable withholding tax.

The following table identifies, for each of our executive officers, the aggregate number of shares of our common stock subject to outstanding units as of May 14, 2007 and the value of these units that will become fully vested in connection with the merger. The table also identifies the estimated aggregate value as of June 29, 2007 (assuming a closing of the merger on such date) of the dividend equivalent accounts associated with the restricted stock units for each executive officer. These dividend equivalent accounts are paid out upon vesting of the underlying restricted stock units. The information in the table assumes that all these units remain outstanding on the closing date of the merger and that Parent and the holder have not otherwise agreed to separate treatment of such restricted stock units.

Name	Number of Units	Aggregate Value($)	Aggregate Value of Dividend Equivalents($)
Robert E. Rossiter	158,555	5,707,980	171,918
James H. Vandenberghe	96,597	3,477,492	100,452
Douglas G. DelGrosso	69,669	2,508,084	63,622
Daniel A. Ninivaggi	37,968	1,366,848	34,712
Raymond E. Scott	38,925	1,401,300	35,649
James M. Brackenbury	31,119	1,120,284	31,946
Shari L. Burgess	11,052	397,872	11,194

Roger A. Jackson	37,136	1,336,896	38,731
James L. Murawski	8,756	315,216	7,492
Matthew J. Simoncini	23,100	831,600	16,450

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Performance Shares

As of May 14, 2007, there were approximately 86,566 shares of our common stock subject to performance shares held by our current executive officers, which generally vest at the end of the respective three-year performance periods if performance goals are met. Our non-employee directors have not been granted performance shares. At the effective time of the merger, except as otherwise agreed by a holder and Parent, all outstanding performance shares (whether vested or unvested) will be cancelled and converted pro-rata into the right to receive a cash payment equal to the target number of shares of common stock previously subject to performance shares multiplied by $36.00, without interest and less any applicable withholding taxes, based on the number of completed months that have elapsed within the applicable 36-month performance period as of the effective date.

The following table identifies, for each of our executive officers, the aggregate number of shares of our common stock subject to performance shares as of May 14, 2007, the pro-rata number of the performance shares as of June 29, 2007 (assuming a closing of the merger on such date) and the value of those pro-rata performance shares that will become fully vested and payable in connection with the merger. The information in the table assumes that all performance shares remain outstanding on the closing date of the merger and that Parent and the holder have not otherwise agreed to separate treatment of such performance shares.

Name	Number of Performance Shares	Pro Rata Performance Shares @ 6/29/07	Aggregate Pro Rata Value($)
Robert E. Rossiter	28,470	17,250	621,000
James H. Vandenberghe	11,971	7,253	261,108
Douglas G. DelGrosso	11,045	6,482	233,352
Daniel A. Ninivaggi	6,244	3,732	134,352
Raymond E. Scott	5,686	3,384	121,824
James M. Brackenbury	5,706	3,400	122,400
Shari L. Burgess	3,746	2,239	80,604
Roger A. Jackson	5,871	3,538	127,368
James L. Murawski	3,717	2,214	79,704
Matthew J. Simoncini	4,110	2,453	88,308

Cash-Settled Performance Units

As of May 14, 2007, there were approximately 77,250 cash-settled performance units held by our current executive officers, all of which were unvested. Our non-employee directors have not been granted performance units. At the effective time of the merger, except as otherwise agreed by a holder and Parent, all outstanding performance units will be cancelled and converted pro-rata into the right to receive a cash payment equal to the target number of units multiplied by the stated per-unit value of $30.00, without interest and less any applicable withholding taxes, based on the number of completed months that have elapsed within the 36-month performance period as of the effective date.

The following table identifies, for each of our executive officers, the aggregate number of performance units as of May 14, 2007, the pro-rata portion of the performance units as of June 29, 2007 (assuming a closing of the merger on such date) and the value of those pro-rata performance units that will be paid to the executive officers in connection with the merger. The information in the table assumes that all performance units remain outstanding on the closing date of the merger and that Parent and the holder have not otherwise agreed to separate treatment of such performance units.

Name	Number of Performance Units	Pro Rata Performance Units @ 6/29/07	Aggregate Pro Rata Value($)
Robert E. Rossiter	20,250	3,375	101,250
James H. Vandenberghe	11,250	1,875	56,250
Douglas G. DelGrosso	11,250	1,875	56,250
Daniel A. Ninivaggi	8,700	1,450	43,500
Raymond E. Scott	5,400	900	27,000
James M. Brackenbury	5,400	900	27,000
Shari L. Burgess	2,100	350	10,500
Roger A. Jackson	5,400	900	27,000
James L. Murawski	2,100	350	10,500
Matthew J. Simoncini	5,400	900	27,000

For a more detailed description of the compensation payable through equity awards and otherwise to each of our five highest paid executive officers following a change of control, please see Executive Compensation Potential Payments Upon Termination or Change of Control.

Director Compensation Plan

Pursuant to the Lear Corporation Outside Directors Compensation Plan, each non-employee director receives annually on the last business day of each January, restricted units representing shares of Lear common stock having a value of $90,000 on the date of the grant. These restricted units vest in equal installments on each of the first three anniversaries of the grant date and the value of the vested units is payable in cash at such time. Directors may elect to defer receipt of these cash amounts into stock unit accounts and/or interest bearing accounts, which accrue interest at the prime rate. During the vesting period, non-employee directors receive credits in the interest account equal to amounts that would be paid as dividends on the shares represented by the restricted units. Non-employee directors may also elect to defer receipt of their quarterly cash retainer and meeting fees into the stock unit or interest accounts.

Under the terms of the Outside Directors Compensation Plan, upon a change of control the unvested restricted units and the balance of the director s deferred stock unit account will be converted into an obligation to pay cash in an amount equal to the number of restricted units and deferred stock units held in such account (collectively, Units) multiplied by $36.00. This obligation will be payable or distributable in accordance with the terms of the agreement, plan or arrangement relating to such account. In addition, upon the completion of the merger, the value of all interest accounts held under the Outside Directors Compensation Plan will be paid to the respective directors.

As of May 14, 2007, the aggregate value of Units held by current directors was approximately $3.8 million. The following table identifies, for each of our non-employee directors, the aggregate number of

Units held as of May 14, 2007, the value of such Units, and the estimated aggregate value of the directors dividend and interest accounts as of June 29, 2007 (assuming a closing of the merger on such date).

Name	Number of Units	Aggregate Value($)	Aggregate Value of Dividend and Interest Accounts($)
David E. Fry	9,660	347,760	4,000
Vincent J. Intrieri	3,378	121,608	
Conrad L. Mallett	5,724	206,064	5,703
Larry W. McCurdy	24,448	880,128	22,264
Roy E. Parrott	6,128	220,608	2,597
David P. Spalding	18,551	667,836	126,728
James A. Stern	22,374	805,464	21,391
Henry D.G. Wallace	7,884	283,824	3,416
Richard F. Wallman	6,749	242,964	2,596

Indemnification and Insurance

Parent and Merger Sub have agreed that all rights to indemnification existing in favor of the current or former directors, officers and employees of Lear or any of its Subsidiaries (the Indemnified Persons) as provided in our Amended and Restated Certificate of Incorporation or bylaws, or the articles of organization, bylaws or similar constituent documents of any of our subsidiaries as in effect as of the date of this Agreement with respect to matters occurring prior to the effective time of the merger will survive the merger and continue in full force and effect for a period of not less than six (6) years after the effective time of the merger unless otherwise required by law.

In addition, the Surviving Corporation will, to the fullest extent permitted under applicable law, indemnify and hold harmless (and advance funds in respect of each of the foregoing) each Indemnified Person against any costs or expenses (including advancing reasonable attorneys fees and expenses in advance of the final disposition of any claim, suit, proceeding or investigation to each Indemnified Person to the fullest extent permitted by law), judgments, fines, losses, claims, damages, liabilities and amounts paid in settlement (with the prior written consent of Parent) in connection with any actual or threatened claim, action, suit, proceeding or investigation, whether civil, criminal, administrative or investigative (an Action), arising out of, relating to or in connection with any action or omission occurring or alleged to have occurred whether before the effective time of the merger (including acts or omissions in connection with such persons serving as an officer, director or other fiduciary in any entity if such service was at the request or for the benefit of Lear), except for in any case, any claim, judgments, fines, penalties and amounts to be paid which relate to any act or omission which constitutes a material violation of law and except for other exceptions to indemnification that are required by law. In the event of any such Action, the Surviving Corporation will reasonably cooperate with the Indemnified Person in the defense of any such Action, and will pay all reasonable expenses, including reasonable attorneys fees, that may be incurred by any Indemnified Person in enforcing the indemnity and other obligations provided in the merger agreement.

We are required to purchase on or prior to the effective time of the merger, and the Surviving Corporation is required to maintain with reputable and financially sound carriers, tail policies to the current directors and officers liability insurance and fiduciary liability insurance policies maintained by us and our subsidiaries on the date of the merger agreement. The tail policies and fiduciary liability policies must be effective for six years after the effective time of the merger with respect to claims arising from facts or events that existed or occurred prior to or at the effective time of the merger. The policies must also contain coverage that is at least as protective to the persons covered by the existing policies, and must in any event include non-management directors Side A (DIC) coverage. The Surviving Corporation must provide copies of the policies to the past, current and future directors and officers of

Lear entitled to the benefit of such policies as reasonably requested. The Surviving Corporation is only required to provide as much coverage as can be obtained by paying

aggregate premiums equal to 300% of the aggregate annual amount we currently pay for such coverage. AREP may substitute an alternative for the tail policies that affords, in the aggregate, no less favorable protection to such officers and directors, provided that any such alternative is approved by our board of directors prior to the effective time of the merger.

Special Committee Compensation

The special committee consists of three disinterested and independent directors, Messrs. McCurdy, Stern and Wallace. Our board of directors authorized the compensation for the special committee members, in addition to the reimbursement of expenses and payment of all other fees as members of the board of directors. The board of directors determined that each member of the special committee will receive remuneration in the amount of $2,500 per meeting attended in consideration of his acting in such capacity. The approved compensation for the special committee members was not, and is not, contingent upon the consummation or approval of any transaction involving Lear.

Mr. Vincent Intrieri

Our board of directors elected Vincent J. Intrieri to the board of directors in November 2006 pursuant to the terms of a stock purchase agreement entered into between Lear and affiliates of and funds managed by Mr. Icahn. The stock purchase agreement permitted these stockholders to designate one person to serve on our board of directors for so long as they retain a direct or indirect interest in at least 15% of our outstanding common stock. Mr. Intrieri s initial term expires at our 2008 annual meeting of stockholders. Mr. Intrieri currently is a Senior Managing Director of Icahn Partners LP and Icahn Partners Master Fund LP, private investment funds controlled by Mr. Icahn, and a director of API, the general partner of AREP. As described in Special Factors Background of the Merger, Mr. Intrieri participated in meetings relating to the merger and negotiation of the merger agreement on behalf of Parent and Merger Sub. Mr. Intrieri did not participate in any of the meetings of our board of directors at which the merger or merger agreement was discussed, or in any vote with respect thereto.

Material U.S. Federal Income Tax Consequences of the Merger to Our Stockholders

The following discussion is a summary of the material U.S. federal income tax consequences of the merger to U.S. holders (as defined below) of Lear common stock whose shares are converted into the right to receive cash in the merger. This summary is based on the provisions of the Code, U.S. Treasury regulations promulgated thereunder, judicial authorities and administrative rulings, all as in effect as of the date of the proxy statement and all of which are subject to change, possibly with retroactive effect.

For purposes of this discussion, the term U.S. holder means a beneficial owner of shares of our common stock that is, for U.S. federal income tax purposes:

- an individual who is a citizen or resident of the United States;
- a corporation (including any entity treated as a corporation for U.S. federal income tax purposes) created or organized under the laws of the United States, any state thereof, or the District of Columbia;
- a trust that (i) is subject to the supervision of a court within the United States and the control of one or more U.S. persons or (ii) has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person; or
- an estate that is subject to U.S. federal income tax on its income regardless of its source.

Holders of our common stock who are not U.S. holders may be subject to different tax consequences than those described below and are urged to consult their tax advisors regarding their tax treatment under U.S. and non-U.S. tax laws.

The following does not purport to consider all aspects of U.S. federal income taxation of the merger that might be relevant to U.S. holders in light of their particular circumstances, or those U.S. holders that may be subject to special rules (for example, dealers in securities or currencies, brokers, banks, financial institutions,

insurance companies, mutual funds, tax-exempt organizations, stockholders subject to the alternative minimum tax, partnerships (or other flow-through entities and their partners or members), persons whose functional currency is not the U.S. dollar, stockholders who hold our stock as part of a hedge, straddle, constructive sale or conversion transaction or other integrated investment, stockholders that acquired our common stock pursuant to the exercise of an employee stock option or otherwise as compensation, Lear executives acquiring shares in the Surviving Corporation in connection with the transactions contemplated by the merger agreement, or U.S. holders who exercise statutory appraisal rights), nor does it address the U.S. federal income tax consequences to U.S. holders that do not hold our common stock as capital assets within the meaning of Section 1221 of the Code (generally, property held for investment). In addition, the discussion does not address any aspect of foreign, state, local, estate, gift or other tax law that may be applicable to a U.S. holder.

The tax consequences to stockholders that hold our common stock through a partnership or other pass-through entity will depend on the status of the stockholder and the activities of the partnership. Partners in a partnership or other pass-through entity holding our common stock should consult their tax advisors.

This summary of certain material U.S. federal income tax consequences is not tax advice. Holders are urged to consult their tax advisors with respect to the application of U.S. federal income tax laws to their particular situations as well as any tax consequences arising under the U.S. federal estate or gift tax rules, or under the laws of any state, local, foreign or other taxing jurisdiction or under any applicable tax treaty.

Exchange of Shares of Common Stock for Cash Pursuant to the Merger Agreement. The receipt of cash in exchange for shares of our common stock pursuant to the merger will be a taxable transaction for U.S. federal income tax purposes. A U.S. holder whose shares of common stock are converted into the right to receive cash in the merger will recognize gain or loss for U.S. federal income tax purposes in an amount equal to the difference, if any, between the amount of cash received with respect to such shares and the stockholder s adjusted tax basis in such shares. Gain or loss will be determined separately for each block of shares (i.e., shares acquired at the same cost in a single transaction) surrendered for cash pursuant to the merger. Such gain or loss will be capital gain or loss if such stock was a capital asset in the hands of the U.S. holder and will be long-term capital gain or loss provided that a stockholder s holding period for such shares is more than one year at the time of the consummation of the merger. Long-term capital gains of individuals may be eligible for reduced rates of taxation. The deductibility of capital losses is subject to certain limitations.

Backup Withholding and Information Reporting. A stockholder may be subject to backup withholding at the applicable rate (currently 28 percent) on the cash payments to which such stockholder is entitled pursuant to the merger, unless the stockholder properly establishes an exemption or provides a taxpayer identification number and otherwise complies with the backup withholding rules. Each stockholder should complete and sign the substitute Internal Revenue Service (IRS) Form W-9 included as part of the letter of transmittal and return it to the paying agent, in order to provide the information and certification necessary to avoid backup withholding, unless an applicable exemption applies and is established in a manner satisfactory to the paying agent. Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules will be allowable as a refund or a credit against a stockholder s U.S. federal income tax liability provided the required information is timely furnished to the IRS.

Regulatory Approvals

Under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the HSR Act), and the rules promulgated thereunder by Federal Trade Commission (the FTC), the merger may not be completed until notification and report forms have been filed with the FTC and the Antitrust Division of the Department of Justice (the DOJ), and the applicable waiting period has expired or been terminated. Lear and Mr. Icahn filed notification and report forms under the HSR Act with the FTC and the Antitrust Division of the DOJ, and the waiting period expired on March 19, 2007. At any time before or after consummation of the merger, the Antitrust Division of the DOJ or the FTC could take such action under the antitrust laws as it deems necessary or desirable in the public interest, including seeking to enjoin the consummation of the merger or seeking divestiture of substantial assets of Lear or Parent. At any time before or after the

consummation of the merger, any state could take such action under antitrust laws as it deems necessary or desirable in the public interest. Such action could include seeking to enjoin the consummation of the merger or seeking divestiture of substantial assets of Lear or Parent. Private parties may also seek to take legal action under antitrust laws.

In addition, the merger is subject to various foreign antitrust laws. To the extent required, the parties have made or expect to make merger filings in certain foreign jurisdictions, and to observe the applicable waiting periods prior to completing the merger. In Canada, the Competition Bureau issued an advance ruling certificate in connection with the transaction on March 30, 2007, meaning that the transaction has been cleared and no challenge to the proposed merger may be brought by the Commissioner of Competition.

While there can be no assurance that the merger will not be challenged by a governmental authority or private party on antitrust grounds, Lear, based on a review of information provided by Parent relating to the businesses in which it and its affiliates are engaged, believes that the merger can be effected in compliance with federal, state and foreign antitrust laws. The term antitrust laws means the Sherman Antitrust Act, as amended, the Clayton Antitrust Act of 1914, as amended, the HSR Act, the Federal Trade Commission Act of 1914, as amended, and all other Federal, state and foreign statutes, rules, regulations, orders, decrees, administrative and judicial doctrines, and other laws that are designed or intended to prohibit, restrict or regulate actions having the purpose or effect of monopolization or restraint of trade.

Voting Agreement

In connection with the execution of the merger agreement, we entered into a voting agreement with Icahn Partners LP, Icahn Partners Master Fund LP, Koala Holding Limited Partnership and High River Limited Partnership, which are affiliates of AREP and Mr. Icahn. Pursuant to the voting agreement, such holders agreed, among other things, to vote all their shares of Lear common stock in favor of:

- the adoption of the merger agreement and the approval of the merger; and

- any definitive agreement with respect to a superior proposal (as defined under The Merger Agreement Solicitation of Other Offers).

The agreement to vote shares in favor of the merger agreement or another definitive agreement are subject to the merger consideration being no less than $36.00 per share in cash net to Lear s stockholders.

The voting agreement prohibits each of the parties described above from, at any time prior to the termination of the voting agreement, transferring, assigning or encumbering their shares of Lear common stock, except that each of those parties will be able to:

- transfer or agree to transfer shares to any affiliate, provided that the transferee agrees in writing to be bound by the voting agreement; and

- pledge shares pursuant to margin and/or other pledge arrangements, provided that the voting rights for any new margin or pledge arrangement are subject to restriction.

Each of the parties described above has also waived, to the full extent of the law, and agreed not to assert any appraisal rights pursuant to Section 262 of the DGCL or otherwise in connection with the merger. Those parties also agreed not to deposit any of their shares into a voting trust, enter into a voting agreement or grant any proxy or power of attorney with respect to the shares.

The voting agreement terminates upon the earlier of termination of the merger agreement and the effective time of the merger. If the merger agreement is terminated because of Lear entering into a definitive agreement with respect to a superior proposal, the voting agreement will survive until such definitive agreement terminates or the merger contemplated by the superior proposal becomes effective.

The summary of the material terms of the voting agreement above and elsewhere in this proxy statement is qualified in its entirety by reference to the voting agreement, a copy of which is attached to this proxy statement as Appendix C and which we incorporate by reference into this document. In connection with the merger, Parent also entered into a voting agreement with Icahn Partners LP, Icahn Partners Master Fund LP,

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Koala Holding Limited Partnership and High River Limited Partnership under the same terms as those described above.

Delisting and Deregistration of Common Stock

If the merger is completed, our common stock will be delisted from the NYSE and deregistered under the Exchange Act and we will no longer file periodic reports with the SEC on account of our common stock.

Litigation Related to the Merger

Between February 9, 2007 and February 21, 2007, certain stockholders filed six purported class action lawsuits against Lear, certain members of our board of directors and AREP and certain of its affiliates. Three of the lawsuits were filed in the Delaware Court of Chancery and have since been consolidated into a single action. Three of the lawsuits were filed in Michigan Circuit Court. The class action complaints, which are substantially similar, generally allege that the merger agreement unfairly limits the process of selling Lear and that certain members of our board of directors have breached their fiduciary duties in connection with the merger agreement and have acted with conflicts of interest in approving the merger agreement. The lawsuits seek to enjoin the merger, to invalidate the merger agreement and to enjoin the operation of certain provisions of the merger agreement, a declaration that certain members of our board of directors breached their fiduciary duties in approving the merger agreement and an award of unspecified damages or rescission in the event that the proposed merger with Merger Sub is completed. On February 23, 2007, the plaintiffs in the consolidated Delaware action filed a consolidated amended complaint, a motion for expedited proceedings and a motion to preliminarily enjoin the merger contemplated by the merger agreement. On March 27, 2007, the plaintiffs in the consolidated Delaware action filed a consolidated second amended complaint. On May 9, 2007, the judge overseeing the consolidated Michigan action ruled that the action should be dismissed without prejudice in favor of the consolidated Delaware action. A hearing on the plaintiffs motion for preliminary injunction in the consolidated Delaware action is scheduled for June 6, 2007, and a trial is scheduled for December 10, 2007.

On March 1, 2007, a Lear employee filed on behalf of himself, various Lear employee benefit plans and participants in those plans a two-count putative class action lawsuit in the Eastern District of Michigan against Lear, certain employees, officers and/or members of Lear s board of directors, Lear s Employee Benefits Committee, AREP and Messrs. Intrieri and Icahn. The complaint alleges that the merger agreement, as it relates to the sale of Lear common stock held by the plans, is a prohibited transaction that violates ERISA and that various defendants breached their ERISA-imposed fiduciary duties by approving the merger agreement. Plaintiffs state that they are seeking to enjoin the plans sale of common stock and restoration of alleged losses to the plans. On March 22, 2007, the Lear defendents filed a motion to dismiss all counts of the complaint against the Lear defendents. The plaintiffs also filed a motion for preliminary injunction and expedited briefing schedule on April 10, 2007. The court has set a scheduling conference for May 24, 2007, at which it will likely set hearing dates for the pending motions.

We believe that each of the lawsuits is without merit and intend to defend against them vigorously.

Provisions for Unaffiliated Stockholders

No provision has been made (i) to grant Lear s unaffiliated stockholders access to the corporate files of Lear, any other party to the proposed merger or any of their respective affiliates or (ii) to obtain counsel or appraisal services at the expense of Lear or any other such party or affiliate.

FORWARD-LOOKING STATEMENTS

This proxy statement, and the documents which we incorporate by reference in this proxy statement, contain forward-looking statements made by us or on our behalf. The words will, may, designed to, outlook, believes, anticipates, plans, expects, intends, estimates and similar expressions identify these forward-looking statements. statements contained or incorporated in this proxy statement which address operating performance, events or developments that we expect or anticipate may occur in the future, including statements related to business opportunities, awarded sales contracts, sales backlog and on-going commercial arrangements 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, including changes in interest rates or currency exchange rates;

the financial condition of our customers or suppliers;

fluctuations in the production of vehicles for which we are a supplier;

disruptions in the relationships with our suppliers;

labor disputes involving us or our significant customers or suppliers or that otherwise affect us;

our ability to achieve cost reductions that offset or exceed customer-mandated selling price reductions;

the outcome of customer productivity negotiations;

the impact and timing of program launch costs;

the costs and timing of facility closures, business realignment or similar actions;

increases in our warranty or product liability costs;

risks associated with conducting business in foreign countries;

competitive conditions impacting our key customers and suppliers;

raw material costs and availability;

our ability to mitigate the significant impact of increases in raw material, energy and commodity costs;

the outcome of legal or regulatory proceedings to which we are or may become a party;

unanticipated changes in cash flow, including our ability to align our vendor payment terms with those of our customers;

the finalization of our restructuring strategy; and

other risks described from time to time in our SEC filings.

In addition, the closing of the merger described in this proxy statement is subject to various conditions, including the receipt of the affirmative vote of the holders of a majority of the outstanding shares of our common stock, antitrust approvals and other customary closing conditions. No assurances can be given that the proposed transaction will be consummated on the terms contemplated or at all.

The forward-looking statements in this proxy statement are made as of the date hereof, and we do not assume any obligation to update, amend or clarify them to reflect events, new information or circumstances occurring after the date hereof except as required by law or the applicable regulations of the SEC.

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LEAR CORPORATION
21557 Telegraph Road
Southfield, Michigan 48033

SUMMARY OF THE ANNUAL MEETING

Annual Meeting

The 2007 Annual Meeting of Stockholders will be held at Hotel Du Pont, located at 11th and Market Streets, Wilmington, Delaware 19801, on June 27, 2007, at 10:00 a.m. (Eastern Time).

Record Date

The date fixed to determine stockholders entitled to notice of and to vote at the meeting is the close of business on May 14, 2007.

Mailing Date

We anticipate first mailing this proxy statement, the attached Notice of Annual Meeting and the enclosed proxy card on or about May 23, 2007.

Agenda

The agenda for the meeting is to:

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

Proxy Solicitation

We have engaged MacKenzie Partners, Inc. to assist in the solicitation of proxies for the annual meeting for a fee of approximately $25,000, a nominal fee per stockholder contact, reimbursement of reasonable out-of-pocket expenses and indemnification against certain losses, costs and expenses. We have requested that banks, brokers and other custodian nominees and fiduciaries supply, at our expense, proxy material to the beneficial owners of our common stock.

Voting of Proxies

Your proxy will be voted in accordance with your instructions, provided that you date, execute and return a proxy card. If you execute and return your proxy card but provide no specific instructions in the proxy card,

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your shares will be voted FOR the adoption of the merger agreement, FOR the proposal to adjourn or postpone the annual meeting, if necessary, to permit further solicitation of proxies if there are not sufficient votes at the time of the annual meeting to adopt the merger agreement, FOR our Board s nominees named on the proxy card, FOR the approval of amendments to our Amended and Restated Certificate of Incorporation, FOR the ratification of the appointment of our independent registered public accounting firm, and AGAINST the approval of the stockholder proposals, if presented.

We do not intend to bring any matters before the meeting except those indicated in the Notice of Annual Meeting and we do not know of any matter which anyone else intends to present for action at the meeting. If any other matters properly come before the meeting, however, the persons named in the enclosed proxy will be authorized to vote or otherwise act in accordance with their judgment.

Revoking Proxies

You may revoke your proxy at any time before it is voted at the meeting by:

delivering to Wendy L. Foss, our Vice President, Finance & Administration and Corporate Secretary, a signed, written revocation letter dated later than the date of your proxy;

submitting a proxy to Lear with a later date; or

attending the meeting and voting in person (your attendance at the meeting will not, by itself, revoke your proxy; you must vote in person at the meeting to revoke your proxy).

Outstanding Shares

On the record date, there were approximately 76,685,623 shares of our common stock, par value $0.01 per share, outstanding. Our common stock is the only class of our voting securities outstanding.

Quorum

A quorum is established when a majority of shares entitled to vote is present at the meeting, either in person or by proxy. Abstentions and broker non-votes (as described below under Required Vote) are counted for purposes of determining whether a quorum is present.

Voting

Each share of common stock that you hold as of the record date entitles you to one vote, without cumulation, on each matter to be voted upon at the meeting.

Required Vote

The adoption of the merger agreement requires the affirmative vote of a majority of the outstanding shares of our common stock. Approval of the proposal to adjourn or postpone the annual meeting, if necessary for the purpose of soliciting additional proxies, requires the affirmative vote of a majority of the shares of our common stock present in person or represented by proxy at the annual meeting and entitled to vote on the matter. Accordingly, with respect to the adoption of the merger agreement, your failure to affirmatively vote in favor of the adoption of the merger agreement will have the same effect as a vote against the adoption of the merger agreement.

Our directors are elected by a plurality of the votes cast by the holders of our common stock. Plurality means that the three individuals who receive the highest number of the votes will be elected as directors. Any shares not voted (whether by abstention, broker non-vote or otherwise) have no impact on the election of directors except to the extent that the failure to vote for an individual results in another individual receiving a higher number of votes.

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Approval of the amendments to our Amended and Restated Certificate of Incorporation to provide for the annual election of directors will require the affirmative vote of holders of a majority of the outstanding shares of our common stock.

For each other item, the affirmative vote of the holders of a majority of the shares represented in person or by proxy and entitled to vote on the item will be required for approval.

A properly executed proxy marked ABSTAIN with respect to any matter other than the election of directors will not be voted, although it will be counted for purposes of determining whether there is a quorum. Accordingly, an abstention will have the effect of a negative vote on such items.

Shares Held Through a Bank, Broker or Other Nominee

If you hold your shares in street name through a bank, broker or other nominee, such bank, broker or nominee will vote those shares in accordance with your instructions. To so instruct your bank, broker or nominee, you should follow the information provided to you by such entity. Without instructions from you, a bank, broker or nominee will be permitted to exercise its own voting discretion with respect to so-called routine matters (such as Proposal Nos. 3 and 5) but may not be permitted to exercise voting discretion with respect to non-routine matters (such as Proposal Nos. 1, 2, 4, 6 and 7). Thus, if you do not give your bank, broker or nominee specific instructions with respect to Proposal No. 3 (election of directors) and Proposal No. 5 (ratification of auditors), your shares will be voted in such entity s discretion. If you do not give your bank, broker or nominee specific instructions with respect to the remaining proposals to be presented at the meeting, your shares will not be voted on such matters. These shares are called broker non-votes. Shares represented by such broker non-votes will be counted in determining whether there is a quorum. Broker non-votes are not considered votes for or against any particular proposal and therefore will have no direct impact on any proposal. However, with respect to Proposal No. 1 (the proposal to adopt the merger agreement) and Proposal No. 4 (the proposal to amend our Amended and Restated Certificate of Incorporation), because such matters require the affirmative vote of holders of a majority of outstanding common stock, broker non-votes will have the same effect as votes against these proposals. We urge you to provide your bank, broker or nominee with appropriate voting instructions so that all your shares may be voted at the meeting.

Annual Report

Lear Corporation s 2006 Annual Report is being mailed to you with this proxy statement.

APPROVAL OF THE MERGER AGREEMENT AND THE MERGER (PROPOSAL NO. 1)

THE PARTIES TO THE MERGER

Lear

Lear Corporation
21557 Telegraph Road
Southfield, Michigan 48033

Lear Corporation was incorporated in Delaware in 1987 and is one of the world s largest automotive interior systems suppliers based on net sales. Our net sales have grown from $14.4 billion for the year ended December 31, 2002, to $17.8 billion for the year ended December 31, 2006. We supply every major automotive manufacturer in the world, including General Motors, Ford, DaimlerChrysler, BMW, Fiat, PSA, Volkswagen, Hyundai, Renault-Nissan, Mazda, Toyota, Porsche and Honda. We supply automotive manufacturers with complete automotive seat and electrical distribution systems and select electronic products.

Historically, we have also supplied automotive interior components and systems, including instrument panels and cockpit systems, headliners and overhead systems, door panels and flooring and acoustic systems. In October 2006, we completed the contribution of substantially all of our European interior business to IAC Europe, a joint venture with WL Ross and Franklin, in exchange for a one-third equity interest in IAC Europe. In addition, on March 31, 2007, we completed the transfer of substantially all of the assets of our North American interior business (as well as our interests in two China joint ventures) and approximately $27 million of cash to IAC North America, another joint venture with WL Ross and Franklin, in exchange for a 25% equity interest in the IAC North America joint venture and warrants to purchase an additional 7% equity interest. The legal transfer of certain assets included in the transaction remains subject to the satisfaction of certain post-closing conditions.

For more information about Lear, please visit our website at www.lear.com. Our website address is provided as an inactive textual reference only. The information provided on our website is not part of this proxy statement, and therefore is not incorporated by reference. See also Where You Can Find More Information beginning on page 175. Our common stock is publicly traded on the NYSE under the symbol LEA .

Parent

AREP Car Holdings Corp.
c/o American Real Estate Holdings Limited Partnership
767 Fifth Avenue, 47th Floor
New York, New York 10153

AREP Car Holdings Corp., a Delaware corporation, is an indirect subsidiary of American Real Estate Partners, L.P. (AREP), an affiliate of Mr. Carl C. Icahn. Parent was formed exclusively for the purpose of effecting the merger. AREP is a master limited partnership, formed in Delaware in 1987, and a diversified holding company owning subsidiaries engaged in three primary business segments: Gaming, Real Estate and Home Fashion. Icahn Partners LP, Icahn Partners Master Fund LP, Koala Holding Limited Partnership and High River Limited Partnership, which are also affiliates of Mr. Carl C. Icahn, beneficially own in the aggregate approximately 16% of our outstanding common stock. AREP s Depositary Units and Preferred Units are publicly traded on the NYSE under the symbols ACP and ACP-P, respectively.

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Merger Sub

AREP Car Acquisition Corp.
c/o American Real Estate Holdings Limited Partnership
767 Fifth Avenue, 47th Floor
New York, New York 10153

AREP Car Acquisition Corp., a Delaware corporation, is a direct wholly-owned subsidiary of Parent. Merger Sub was formed exclusively for the purpose of effecting the merger.

THE MERGER AGREEMENT

The summary of the material terms of the merger agreement below and elsewhere in this proxy statement is qualified in its entirety by reference to the merger agreement, a copy of which is attached to this proxy statement as Appendix A and which we incorporate by reference into this document. This summary does not purport to be complete and may not contain all of the information about the merger agreement that is important to you. We encourage you to carefully read the merger agreement in its entirety.

The merger agreement has been included to provide you with information regarding its terms. It is not intended to provide any other factual information about Lear. Such information can be found elsewhere in this proxy statement and in the other public filings we make with the SEC, which are available without charge at www.sec.gov.

The merger agreement contains representations and warranties Lear, Parent and Merger Sub made to each other as of specific dates. The assertions embodied in those representations and warranties were made solely for purposes of the contract between Lear, Parent and Merger Sub and may be subject to important qualifications and limitations agreed by Lear, Parent and Merger Sub in connection with negotiating its terms. Moreover, certain representations and warranties may not be accurate or complete as of any specified date because they are subject to a contractual standard of materiality different from those generally applicable to stockholders or were used for the purpose of allocating risk among Lear, Parent and Merger Sub rather than establishing matters as facts. We are not currently aware of any specific undisclosed material facts relating to Lear that contradict the representations and warranties contained in the merger agreement.

The Merger

The merger agreement provides for the merger of Merger Sub with and into Lear upon the terms, and subject to the conditions, of the merger agreement. As the Surviving Corporation, Lear will continue to exist following the merger. Upon consummation of the merger, the directors of Merger Sub and the officers of Lear immediately prior to the effective time of the merger will be the initial directors and officers, respectively, of the Surviving Corporation, except as Merger Sub may otherwise determine.

We, Parent or Merger Sub may terminate the merger agreement prior to the consummation of the merger in some circumstances, whether before or after the adoption by our stockholders of the merger agreement. Additional details on termination of the merger agreement are described in Termination of the Merger Agreement beginning on page 91.

Effective Time

The merger will be effective at the time a duly executed and verified certificate of merger is filed with the Secretary of State of the State of Delaware and such further actions as may be required by law to make the merger effective. We expect to complete the merger as promptly as practicable after our stockholders adopt the merger agreement and, if necessary, the expiration of the Marketing Period described below.

Unless otherwise agreed by the parties to the merger agreement, the parties are required to close the merger no later than the third business day after the satisfaction or waiver of the conditions described under Conditions to the Merger beginning on page 86, except that notwithstanding the satisfaction or waiver of such conditions, the parties will not be obligated to close the merger until the earlier to occur of a date during the Marketing Period specified by Parent on at least three business days notice to us and the final day of the Marketing Period.

For purposes of the merger agreement, Marketing Period means the first period of fifteen (15) consecutive business days after the later to occur of the date Parent and its financing sources have received certain financial and other information required to be provided by Lear under the merger agreement in connection with Parent s financing of the merger, and the first business day following the date on which the conditions to each party s obligations to effect the merger have been satisfied (other than conditions that can only be satisfied at closing). If the requisite stockholder vote is the last of all the conditions to be satisfied, Parent must use its reasonable best efforts to consummate the merger within five days following the vote.

The purpose of the Marketing Period is to provide Parent a reasonable and appropriate period of time during which it can market and place the permanent debt financing contemplated by the debt financing commitments for the purposes of financing the merger. To the extent Parent determines it does not need the benefit of the Marketing Period to market and place the debt financing, it may, in its sole discretion, determine to waive the Marketing Period and close the merger prior to the expiration of the Marketing Period if all closing conditions are otherwise satisfied or waived.

Merger Consideration

Each share of our common stock issued and outstanding immediately prior to the effective time of the merger will be converted into the right to receive $36.00 in cash, without interest and less certain applicable withholding taxes, other than shares owned by Parent, Merger Sub or any subsidiary of Parent or shares held by holders who have properly demanded and perfected their appraisal rights.

After the merger is effective, each holder of any shares of our common stock (other than the excepted shares described above) will no longer have any rights with respect to the shares, except for the right to receive the merger consideration. See Appraisal Rights beginning on page 104.

Treatment of Options and Other Awards

Restricted Stock Units. At the effective time of the merger, except as otherwise agreed by a holder and Parent, all outstanding restricted stock units (whether vested or unvested) will be cancelled and converted into the right to receive a cash payment equal to the number of restricted stock units multiplied by $36.00, without interest and less any applicable withholding taxes.

Stock Appreciation Rights. Immediately prior to the effective time of the merger, except as otherwise agreed by a holder and Parent, all outstanding stock appreciation rights (whether vested or unvested) will be cancelled and converted into the right to receive a cash payment equal to the number of outstanding shares of our common stock underlying the stock appreciation rights multiplied by the amount (if any) by which $36.00 exceeds the stock appreciation right exercise price, without interest and less any applicable withholding taxes.

Deferred Unit Accounts. At the effective time of the merger, except as otherwise agreed by a holder and Parent, all deferred amounts held in unit accounts denominated in shares of our common stock under our Outside Directors Compensation Plan will be converted into the right to receive a cash payment of $36.00 multiplied by the number of shares deemed held in such deferred unit account, payable or distributable in accordance with the terms of the agreement, plan or arrangement relating to such deferred unit account, less any required withholding taxes.

Stock Options. At the effective time of the merger, except as otherwise agreed by a holder and Parent, all outstanding options to acquire our common stock under equity incentive plans (whether vested or unvested) will be cancelled and converted into the right to receive a cash payment equal to the number of shares of our common stock underlying the options multiplied by the amount (if any) by which $36.00 exceeds the exercise price, without interest and less any applicable withholding taxes.

Performance Shares. At the effective time of the merger, except as otherwise agreed by a holder and Parent, all outstanding performance shares (whether vested or unvested) will be cancelled and converted into the right to receive a cash payment equal to the target number of units or shares of common stock previously subject to performance shares multiplied by $36.00, without interest and less any applicable withholding taxes, with respect to that percentage of such performance shares that vest upon a change in control as provided in the equity incentive plan.

Payment for the Shares of Common Stock

Parent will designate a paying agent reasonably acceptable to us to make payment of the merger consideration as described above. At or prior to the effective time of the merger, Parent will deposit or cause to be deposited in trust with the paying agent the funds necessary to pay the aggregate merger consideration.

As soon as reasonably practicable but no later than three business days after the effective time of the merger, the Surviving Corporation will cause the paying agent to send you a letter of transmittal and instructions advising you how to surrender your shares of common stock in exchange for the merger consideration. The paying agent will pay you your merger consideration after you have provided to the paying agent your signed letter of transmittal and any other items specified by the letter of transmittal. Interest will not be paid or accrue in respect of the merger consideration. The Surviving Corporation will reduce the amount of any merger consideration paid to you by any applicable withholding taxes. Shares of our common stock will be immediately cancelled upon receipt of stock certificates representing the shares.

If any cash deposited with the paying agent is not claimed within one year following the effective time of the merger, such cash will be returned to the Surviving Corporation upon demand subject to any applicable unclaimed property laws. Any unclaimed amounts remaining immediately prior to when such amounts would escheat to or become property of any government entity will be returned to the Surviving Corporation free and clear of any prior claims or interest. Any former stockholder of Lear that has not claimed its merger consideration may look only to the Surviving Corporation for payment.

No dividends or other distributions with respect to capital stock of the Surviving Corporation with a record date after the effective time of the merger shall be paid to the holder of any unsurrendered certificate. At the effective time of the merger, we will close our stock ledger. After that time, there will be no further transfer of shares of our common stock.

Representations and Warranties

The merger agreement contains representations and warranties by each of the parties to the merger agreement. These representations and warranties have been made solely for the benefit of the other parties to the merger agreement and:

- may be intended not as statements of fact, but rather as a way of allocating the risk to one of the parties if those statements prove to be inaccurate;
- have been qualified by disclosures that were made to the other party in connection with the negotiation of the merger agreement, which disclosures are not reflected in the merger agreement;
- may apply standards of materiality in a way that is different from what may be viewed as material to you or other investors; and
- were made only as of the date of the merger agreement or such other date or dates as may be specified in the merger agreement and are subject to more recent developments.

Accordingly, these representations and warranties may not describe the actual state of affairs as of the date they were made or at any other time.

In the merger agreement, Lear, Parent and Merger Sub each made representations and warranties relating to, among other things:

- corporate organization and existence;
- corporate power and authority to enter into and consummate the transactions contemplated by, and enforceability of, the merger agreement;
- the absence of conflicts with or defaults under organizational documents, other contracts and applicable laws;
- information supplied for inclusion in this proxy statement;
- required regulatory filings and consents and approvals of governmental entities;

litigation;

brokers; and

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- documents filed with the SEC, including financial statements.

Lear also made representations and warranties relating to:

- capital structure;
- subsidiaries and joint ventures;
- absence of certain changes or events since December 31, 2005;
- compensation, employee benefit and labor matters;
- tax matters;
- compliance with applicable laws;
- environmental matters;
- intellectual property matters;
- material leases and title to properties;
- material contracts;
- insurance;
- the receipt by the special committee and the board of directors of a fairness opinion from JPMorgan;
- the required vote of Lear stockholders;
- state takeover statutes;
- rights agreements;
- customers and suppliers;
- affiliate transactions;
- product warranties and product liability claims; and
- compliance with the Foreign Corrupt Practices Act.

Parent and Merger Sub also each made representations and warranties relating to:

- the debt financing commitments;
- the delivery of the limited guaranty;
- ownership and prior activities of Merger Sub; and
- the required vote of Parent s stockholders.

Many of Lear s representations and warranties are qualified by a Material Adverse Effect standard. For purposes of the merger agreement, Material Adverse Effect is defined to mean a material adverse event, change, effect,

development, condition or occurrence on or with respect to the business, results of operations, financial condition or prospects of Lear and our subsidiaries, taken as a whole, other than to the extent resulting from:

- changes in general economic conditions, including those affecting the financial, banking, currency, interest rates or capital markets; or
- conditions generally affecting any of the industries or markets in which Lear and our significant subsidiaries operate;

except, in each case, where such matters will be taken into account in determining a Material Adverse Effect to the extent of any disproportionate effect on Lear and our significant subsidiaries, taken as a whole, relative

to other companies operating in the same industries or segments and geographic markets as Lear and our significant subsidiaries.

Conduct of Business Prior to Closing

We have agreed in the merger agreement that, until the consummation of the merger, except as permitted by the merger agreement, required by applicable law or the regulatory requirements of the NYSE, or consented to in writing by Parent, we will:

- conduct, and cause our subsidiaries to conduct, our operations in the ordinary and usual course consistent with past practice; and

- use, and cause each of our subsidiaries to use, reasonable best efforts to preserve intact in all material respects our business organization, keep available the services of current officers and key employees and preserve the goodwill of and maintain satisfactory relationships with our customers and those other persons with whom we or our subsidiaries have material business relationships.

We have also agreed that, until the consummation of the merger, except as permitted by the merger agreement, required by applicable law or the regulatory requirements of the NYSE, or consented to in writing by Parent, we and our subsidiaries will not:

- amend or otherwise change our or our significant subsidiaries organizational or governing documents;

- issue, sell, grant options, pledge, dispose of or encumber, or authorize or propose the issuance, sale, grant of options or rights to purchase or pledge any of our securities, our subsidiaries securities or rights to acquire such securities, other than: with Lear or our wholly-owned subsidiaries; pursuant to the exercise of options or SARs or settlement of RSUs, performance shares or deferred unit accounts, in each case, that are outstanding as of the date of the merger agreement and in accordance with the existing terms of such awards; the issuance of certain permitted equity incentive compensation awards; and as required under our credit facility and indentures;

- acquire or redeem, directly or indirectly, or amend any Lear securities other than in connection with the exercise of outstanding equity awards, or any securities of our significant subsidiaries other than in the ordinary course of business;

- split, combine, redenominate or reclassify our or our subsidiaries capital stock or declare, set aside, make or pay any dividend or distribution (whether in cash, stock, property or otherwise) on any shares of our capital stock, options, warrants, convertible securities or other rights of any kind to acquire or receive our capital stock, except for any dividend or distribution by any subsidiary to us, to any wholly-owned subsidiary or to any other person in proportion to the ownership interest in such subsidiary;

- engage in or offer to make any acquisition, by means of a merger, consolidation or otherwise, or any sale, lease, encumbrance or other disposition of assets or securities outside the ordinary course of business and involving a transaction value in excess of $10 million (or $30 million in the aggregate);

- except in the ordinary course of business and except as permitted otherwise, enter into, make any proposal for, renew, extend or amend or modify in any material respect, terminate, cancel, waive, release or assign any right or claim under, certain categorized contracts, or amend or terminate certain categorized contracts or grant any release or relinquishment of any material rights under certain categorized contracts;

- except for borrowings under our existing credit, securitization and factoring facilities in the ordinary course of business, incur, create, assume or otherwise become liable for, or prepay any indebtedness for borrowed money (including the issuance of any debt security) in excess of $50 million;

assume, guarantee, endorse or otherwise become liable or responsible (whether directly, contingently or otherwise) for the obligations of, or make any loans, advances or capital contributions to, any other person (other than us or any one of our wholly-owned subsidiaries), in any case outside the ordinary course of business in an aggregate amount in excess of $10 million;

other than in the ordinary course of business, enter into or materially increase or decrease the outstanding balances of any intercompany loan or intercompany debt arrangements, except in connection with our securitization facilities;

mortgage, pledge or otherwise similarly encumber any of our material assets (tangible or intangible), or create, assume or suffer to exist any liens except for specified permitted liens;

incur capital expenditures that would result in us materially exceeding or making it reasonably likely we will materially exceed the 2007 capital expenditure forecast we publicly disclosed prior to entering the merger agreement;

change in any material respect any of the accounting, reserving, underwriting, claims or actuarial methods, principles or practices that we use, or any of the working capital policies applicable to us and our subsidiaries, except as required by law, GAAP or applicable statutory accounting principles;

other than in the ordinary course of business, after consultation with Parent, make or change any material tax election, settle or compromise any material tax liability, agree to an extension of the statute of limitations with respect to the assessment or determination of material taxes, file any amended tax return with respect to any material tax, enter into any closing agreement with respect to any material tax or surrender any right to claim a material tax refund or enter into any transaction that could give rise to a disclosure obligation as a reportable transaction under applicable tax law;

agree to grant or grant any stock-related, cash-based, performance or similar awards or bonuses or any other award that may be settled in Lear shares, preferred shares, or other Lear securities or in securities of our subsidiaries;

enter into, forgive, renew, or amend in any material respect any loans to officers or directors or any of their respective affiliates or associates;

enter into any new, or amend, terminate or renew any existing material employee benefit plan, except as required by law or any collective bargaining agreement;

grant any material increases in the compensation, perquisites or benefits or pay any bonuses to any executive officers or directors, except for our pension savings plan previously communicated to employees and as required by law or any collective bargaining agreement;

accelerate the vesting or payment of any compensation payable or the benefits provided or to become payable or provided to any of our current or former directors, officers, employees, independent contractors or service providers (other than as required by the terms of our employee benefit plans applicable to such individuals as in effect on the date of the merger agreement), or otherwise pay any amounts not due such individual, except as required by law or any collective bargaining agreement;

take any action with respect to salary, compensation, benefits or other terms and conditions of employment that would reasonably be expected to result in the holder of a change in control or similar agreement having good reason to terminate employment and collect severance payments and benefits pursuant to such agreement, except as required by law or any collective bargaining agreement;

make any deposits or contributions of cash or other property to or take any other action to fund or in any other way secure the payment of compensation or benefits under employee benefit plans or agreement subject to such

plans, other than in the ordinary course consistent with past practice;

except as required by law or in the ordinary course of business, enter into, materially amend or extend any collective bargaining or other labor agreement;

renew or enter into any non-compete, exclusivity, non-solicitation or similar agreement that would restrict or limit, in any material respect, the operations of Lear and our subsidiaries or the Surviving Corporation after the effective time of the merger;

compromise, settle or agree to settle any suit, action, claim, proceeding or investigation (including any suit, action, claim, proceeding or investigation relating to the merger agreement) or consent to the

same, other than compromises, settlements or agreements in the ordinary course of business following reasonable consultation with and taking into account the views of Parent that involve only the payment of monetary damages not in excess of $5 million individually or $15 million in the aggregate or consistent with the reserves of $18.4 million reflected in our balance sheet at December 31, 2006, in any case without the imposition of material equitable relief on, or the admission of wrongdoing by, us or any of our subsidiaries;

enter into any agreement, understanding or arrangement with respect to the voting or registration of our securities or the securities of any of our subsidiaries;

fail to use reasonable best efforts to keep in force our current material insurance policies or replacement or revised provisions providing reasonable insurance coverage with respect to our assets, operations and activities and those of our subsidiaries;

merge or consolidate Lear or any of our subsidiaries with any person, other than with Lear or any of our subsidiaries, and other than mergers or consolidations of subsidiaries in acquisitions that are otherwise permitted by the merger agreement;

adopt a plan of complete or partial liquidation or resolutions providing for a complete or partial liquidation, dissolution, restructuring, recapitalization or other reorganization of us or any of our significant subsidiaries;

fail to comply with our related party transaction policy;

amend, modify or waive in any material respect any of the provisions of the transaction documents, or enter into any new or additional agreements related thereto, in connection with the sale of our North American interiors business (without the consent of Parent, which shall not be unreasonably withheld), except for actions that do not materially and adversely affect the economics of such transactions;

other than in the ordinary course of business (and not for speculative purposes), enter into any contract that involves any exchange traded, over-the-counter or other swap, cap, floor, collar, futures contract, forward contract, option or any other derivative financial instrument or contract; or

authorize, commit or agree to take any of the foregoing actions.

Agreement to Take Further Action and to Use Reasonable Best Efforts

Subject to the terms and conditions set forth in the merger agreement, each of the parties to the merger agreement has agreed to use its reasonable best efforts to take, or cause to be taken, all appropriate action, to file or cause to be filed all documents and to do or cause to be done all things necessary, proper or advisable under applicable laws to expeditiously consummate the merger or any of the transactions contemplated by the merger agreement, including preparing and filing as promptly as practicable all documentation to effect all necessary filings, consents, licenses, approvals, authorizations, permits or orders from governmental entities or other persons.

The parties to the merger agreement have also agreed to cooperate with one another to promptly determine whether any other filings are required to be made or whether any other consents should be obtained under applicable law. In no event will Parent, Merger Sub or any of their respective affiliates be required to agree (1) to limit in any manner whatsoever or not to exercise any rights of ownership of any securities (including the shares of Lear common stock), or to divest, dispose of or hold separate any securities or all or a portion of their respective businesses, assets or properties or a portion of the business, assets or properties of us or our subsidiaries, or (2) to limit in any material respect the ability of such entities to conduct their respective businesses or own such assets or properties or to conduct the businesses or own the properties or assets of Lear and its subsidiaries or to control their respective businesses or operations of our or our subsidiaries businesses or operations. In addition, the obligations described in the preceding paragraph will not apply to either Parent or Merger Sub if compliance with such obligations would result in, or would

reasonably be expected to, result in a Material Adverse Effect.

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We have also agreed, upon the request of Parent or Merger Sub, to take all reasonable steps to exclude the applicability of, or to assist, at Parent s cost and expense, in any challenge to the validity or applicability to the merger or any other transaction contemplated by the merger agreement of, any state takeover laws.

Financing

Cooperation of Lear

We have agreed to, and have agreed to cause our subsidiaries to (and to use our reasonable best efforts to cause our and their respective representatives to), at Parent s sole expense, provide all cooperation as may be reasonably requested by Parent that is necessary, proper or advisable in connection with the arrangement of the debt financing, including (each of which obligations shall be satisfied by us using our reasonable best efforts to comply):

participation in a reasonable number of meetings, presentations, road shows, due diligence sessions and sessions with rating agencies;

assisting with the preparation of materials for rating agency presentations, offering documents, private placement memoranda, bank information memoranda, prospectuses and similar documents required in connection with the debt financing, except that we do not need to issue any private placement memoranda or prospectuses or other similar documents in relation to high yield debt securities and any such memoranda or prospectuses must contain disclosure and financial statements with respect to Lear or the Surviving Corporation reflecting the Surviving Corporation and/or its subsidiaries as the obligor;

furnishing Parent and its financing sources with financial and other pertinent information regarding Lear as may be reasonably requested by Parent as promptly as reasonably practical;

using reasonable best efforts to obtain, and to cooperate and assist with obtaining, accountants comfort letters, legal opinions, appraisals, surveys, engineering reports, title insurance and other documentation and items relating to the debt financing as reasonably requested by Parent;

using commercially reasonable efforts to execute and deliver any pledge and security documents, other definitive financing documents or other certificates as may be reasonably requested by Parent and otherwise reasonably facilitating the pledging of collateral (including cooperation in connection with the payoff of existing indebtedness and the release of related liens, if any), except that no obligation of Lear or its subsidiaries under such executed documents will be effective until the effective time of the merger;

taking all actions necessary to permit potential lenders and equity sources to evaluate our current assets, cash management and accounting systems, policies and procedures relating thereto for the purpose of establishing collateral agreements and to establish bank accounts and other accounts; and

using reasonable best efforts to obtain waivers, consents, estoppels and approvals from other parties to material leases, encumbrances or contracts to which any of our subsidiaries is a party and to arrange discussions among Parent, Merger Sub and their financing sources with other parties to material leases, encumbrances and contracts.

The merger agreement limits our obligation to incur any fees or liabilities with respect to the debt financing prior to the effective time of the merger. Parent has also agreed to reimburse us for all reasonable and documented out-of-pocket costs if the merger agreement is terminated, except under certain circumstances, and to indemnify and hold harmless Lear, our subsidiaries, directors, officers, employees, representatives and advisors from and against all losses, damages, claims, costs or expenses suffered or incurred in connection with any action taken by them at the request of Parent or Merger Sub or in connection with the arrangement of the debt financing.

Debt Financing

Parent has agreed to use its reasonable best efforts to take, or cause to be taken, all actions and to do, or cause to be done, all things necessary or advisable to arrange and obtain the debt financing on the terms and conditions described in the financing commitments.

Conditions to the Merger

Conditions to Each Party s Obligations. Each party s obligation to complete the merger is subject to the satisfaction or waiver, at or prior to the effective time of the merger, of the following conditions:

the merger agreement must have been adopted by the affirmative vote of the holders of a majority of the outstanding shares of our common stock;

there is no order, injunction or decree issued by any court or agency of competent jurisdiction preventing the consummation of the merger or any of the transactions contemplated by the merger agreement; and

any waiting period (and any extension thereof) applicable to the merger or any of the transactions contemplated by the merger agreement under the HSR Act will have expired or been terminated and, except as could not reasonably be expected to have a Material Adverse Effect, approvals and authorizations from other applicable antitrust authorities will have been granted.

Conditions to Parent s and Merger Sub s Obligations. The obligation of Parent and Merger Sub to complete the merger is subject to the satisfaction or waiver, at or prior to the effective time of the merger, of the following additional conditions:

our representations and warranties with respect to our capitalization, our Title IV employee pension benefits plans and our covenant not to materially reduce the value of the collateral under our primary credit facility must be true and correct in all material respects;

all other representations and warranties made by us in the merger agreement must be true and correct as of the date of the merger agreement and as of the closing date as if made at and as of such time (without giving effect to any qualification as to materiality or Material Adverse Effect set forth in such representations and warranties), except where the failure to be so true and correct could not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect; provided that any representations made by us as of a specific date need only be so true and correct as of the date made;

we must have performed in all material respects all obligations required to be performed under the merger agreement at or prior to the effective time of the merger;

since the date of the merger agreement, there must not have been any event, change, effect, development, condition or occurrence that has had or could reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect;

there must not have been any specified force majeure event that has had or could reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect (without taking into account the provisos included in the definition of Material Adverse Effect);

we must deliver to Parent at closing a certificate signed on behalf of Lear by its Chief Executive Officer or Chief Financial Officer with respect to the satisfaction of the foregoing conditions relating to representations, warranties and obligations;

we must perform certain obligations and satisfy certain requirements to cooperate with Parent s debt financing arrangements; and

we must provide to Parent a certification that our shares of common stock are not United States real property interests.

Conditions to Lear s Obligations. Our obligation to complete the merger is subject to the satisfaction or waiver, at or prior to the effective time of the merger, of the following further conditions:

the representations and warranties made by Parent and Merger Sub in the merger agreement must be true and correct (without giving effect to any materiality qualifications set forth in such representations and warranties) as of the date of the merger agreement and as of the closing date as if made as of such time, except where the failure of such representations and warranties to be so true and correct could not reasonably be expected to cause any event, change, effect, development, condition or occurrence that would prevent or materially delay consummation of the merger, receipt of the debt financing by Parent or the ability of Parent and Merger Sub to perform their obligations under the merger agreement or AREP under the guaranty; provided that any representations made by Parent and Merger Sub as of a specific date need only be true and correct as of the date made;

Parent and Merger Sub must have performed in all material respects all obligations required to be performed by them under the merger agreement at or prior to the effective time of the merger;

Parent s delivery to us at closing of a certificate with respect to the satisfaction of the foregoing conditions relating to representations, warranties and obligations; and

Parent s delivery to us at closing of a solvency opinion from a firm reasonably acceptable to us and Parent, addressed to our board of directors, in customary form and substance.

Our board of directors may waive compliance with any of these conditions, although our board of directors is not aware of any condition to the merger that cannot be satisfied. Under Delaware law, after the merger agreement has been adopted by our stockholders, the merger consideration cannot be changed and the merger agreement cannot be altered in a manner adverse to our stockholders without re-submitting the revisions to our stockholders for their approval.

Solicitation of Other Offers

Until 11:59 p.m., Eastern Standard Time, on March 26, 2007 (which we sometimes refer to as the end of the go shop period), we had the right (acting under direction of our board of directors or, if then in existence, the special committee) to directly or indirectly initiate, solicit and encourage acquisition proposals (including by way of providing access to non-public information pursuant to one or more acceptable confidentiality agreements), and participate in discussions or negotiations with respect to acquisition proposals or otherwise cooperate with or assist or participate in, or facilitate any such discussions or negotiations. We were required to promptly provide or make available to Parent any non-public information concerning us or our subsidiaries that was provided to any person given such access which was not previously provided or made available to Parent.

After 11:59 p.m., Eastern Standard Time, on March 26, 2007, until the effective time of the merger or termination of the merger agreement, we have agreed not to, and to cause our subsidiaries and take reasonable best efforts to cause our representatives not to, directly or indirectly:

initiate, solicit or knowingly encourage the submission of any inquiries, proposals or offers or any other efforts or attempts that constitute or may reasonably be expected to lead to, any acquisition proposal or engage in any discussions or negotiations with respect thereto or otherwise cooperate with or assist or participate in, or knowingly facilitate any such inquiries, proposals, offers, discussions or negotiations;

approve or recommend, or publicly propose to approve or recommend, any acquisition proposal;

enter into any merger agreement, letter of intent, agreement in principle, share purchase agreement, asset purchase agreement or share exchange agreement, option agreement or other similar agreement relating to an acquisition proposal;

enter into any agreement requiring us to abandon, terminate or fail to consummate the transactions contemplated by the merger agreement or breach our obligations under the merger agreement; or

resolve, propose or agree to do any of the foregoing.

Notwithstanding these restrictions:

- we are permitted to continue the activities set forth in the first bullet point in the preceding paragraph from and after March 27, 2007 with respect to any party with whom we were having ongoing discussions or negotiations as of March 26, 2007 regarding a possible acquisition proposal (we were otherwise required to immediately cease or cause to be terminated any other solicitation, encouragement, discussion or negotiation with any person conducted prior to March 27, 2007 by us, our subsidiaries or any of our representatives with respect to any acquisition proposal and use reasonable best efforts to cause to be returned or destroyed in accordance with the applicable confidentiality agreement any confidential information provided to such person on behalf of us or any of our subsidiaries, except as permitted below); and

- at any time after the date of the merger agreement and prior to the approval of the merger agreement by our stockholders, we are permitted to furnish information with respect to Lear and its subsidiaries to any person making an acquisition proposal and participate in discussions or negotiations with the person making the acquisition proposal regarding the acquisition proposal (provided that we will not, will not allow our subsidiaries to, and will use reasonable best efforts to cause our representatives not to, disclose any non-public information to such person without first entering into an acceptable confidentiality agreement with such person and will promptly provide or make available to Parent any non-public information concerning Lear or its subsidiaries provided or made available to such other person which was not previously provided or made available to Parent), so long as, in the case of a person with whom we did not have ongoing negotiations at the end of the go shop period:

- such acquisition proposal was a written acquisition proposal that we received from a third party that our board of directors (acting upon the prior recommendation of a special committee, if any) believes in good faith to be bona fide;

- we have not intentionally or materially breached our obligations under the solicitation provisions of the merger agreement;

- our board of directors (acting upon the prior recommendation of a special committee, if any) determines in good faith, after consultation with its financial advisors and outside counsel, that such acquisition proposal constitutes or would reasonably be expected to result in a superior proposal; and

- after consultation with its outside counsel, our board of directors (acting upon the prior recommendation of a special committee, if any) determines in good faith that failure to take such action would reasonably be expected to be a breach of its fiduciary duties to our stockholders under applicable law.

In addition, we may terminate the merger agreement and enter into a definitive agreement with respect to a superior proposal under certain circumstances. See Recommendation Withdrawal/ Termination in Connection with a Superior Proposal.

Within 24 hours after March 11, 2007, we were required to notify Parent in writing of the identity of each person who had made an acquisition proposal, with whom we were having ongoing discussions or negotiations or to whom we had provided non-public information. We were also required to provide Parent a copy of each such acquisition proposal. From and after March 11, 2007, we must also notify Parent within 24 hours if we, or our representatives:

- receives any acquisition proposal;

- receives any request for information relating to us other than requests for information in the ordinary course of business and unrelated to an acquisition proposal or requests from any party with whom we had on-going negotiations at the end of the go shop period;

receives any inquiry or request for discussions or negotiations regarding any acquisition proposal; or

enters into an acceptable confidentiality agreement.

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We must notify Parent within 24 hours of the identity of any person making any request or proposal referenced above and provide to Parent a copy of such acquisition proposal, inquiry or request. From and after March 11, 2007, we must keep Parent reasonably informed (orally and in writing) on a current basis (and in any event no later than 24 hours after the occurrence of any changes or developments of the status of any acquisition proposal, inquiry or request (including pricing and other material terms and conditions thereof and of any material modification thereto), and any material developments (including through discussions and negotiations), including furnishing copies of any written inquiries, correspondence and draft documentation). In any event, we must promptly (within 24 hours) notify Parent orally and in writing if we determine to begin providing information or to engage in negotiations concerning an acquisition proposal.

We have agreed that we will not, and will cause our subsidiaries not to, enter into any confidentiality agreement with any person subsequent to the date of the merger agreement except an acceptable confidentiality agreement, defined below, and neither us nor any of our subsidiaries will be a party to any agreement that prohibits us from providing or making available to Parent or Merger Sub any information provided or made available to any other person pursuant to such an acceptable confidentiality agreement. Except to facilitate the making of a superior proposal, we have agreed that we will not, and will cause each of our subsidiaries not to, terminate, waive, amend or modify any provision of, or grant permission or request under, any standstill or confidentiality agreement to which we or any of our subsidiaries is a party, and we will, and will cause our subsidiaries to, enforce the provisions of any such agreement. We may permit a proposal to be made under a standstill agreement, however, if we determine in good faith, after consultation with outside counsel, that such actions are necessary to comply with the fiduciary duties of our board of directors to our stockholders under applicable law.

Parent and Merger Sub have agreed not to take any action with the purpose of restricting competing proposals or prohibiting, whether under any new or existing agreement, any lender from providing debt financing to any person making or contemplating making an acquisition proposal.

An acceptable confidentiality agreement means a confidentiality and standstill agreement that contains confidentiality and standstill provisions that are in the aggregate no less favorable to us than those contained in our confidentiality agreement with AREP, provided that any such confidentiality agreement need not contain provisions limiting the ability of the other party to have discussions or share information with, or enter into agreements, understandings or arrangements with potential sources of debt or equity financing or co-bidders, and provided further that any such confidentiality agreement must permit us to disclose to Parent and Merger Sub the information contemplated by the solicitation provision of the merger agreement.

An acquisition proposal means any inquiry, proposal or offer from any person or group of persons other than Parent, Merger Sub or their respective affiliates relating to any direct or indirect acquisition or purchase of a business that constitutes 30% or more of our consolidated net revenues, or 30% or more of our voting capital stock or options or warrants to acquire our voting capital stock, any tender offer or exchange offer that if consummated would result in any person or group of persons beneficially owning 30% or more of our voting capital stock or options or warrants to acquire our voting capital stock, or any merger, reorganization, consolidation, share exchange, business combination, recapitalization, liquidation, dissolution or similar transaction involving Lear or any of our subsidiaries whose business constitutes 30% or more of our consolidated net revenues, in each case excluding the disposition of our North American interior business.

A superior proposal means any bona fide acquisition proposal (except that references to 30% will be deemed to be reference to more than 50%) that our board of directors (acting upon the prior recommendation of a special committee, if any) has determined in its good faith judgment, after consultation with its financial advisor and outside counsel and after taking into account all legal, financial, regulatory and other aspects of the proposal, including the financing terms or financeability of such proposal, is on terms more favorable to our stockholders from a financial point of view than the transactions contemplated by the merger agreement and is reasonably capable of being consummated.

Recommendation Withdrawal/ Termination in Connection with a Superior Proposal

The merger agreement requires us to call, give notice of, convene and hold a meeting of our stockholders to adopt the merger agreement. In this regard, our board of directors resolved to recommend that our stockholders adopt the merger agreement. However, if our board of directors (acting upon the prior recommendation of a special committee, if any) determines in good faith, after consultation with outside counsel, that the failure to take such action would reasonably be expected to be a breach of its fiduciary duties to our stockholders under applicable law, it may, at any time prior to the adoption of the merger agreement by our stockholders:

- withdraw, modify or qualify, or propose publicly to withdraw, modify or qualify, in a manner adverse to Parent or Merger Sub, its recommendation that our stockholders adopt the merger agreement; or

- approve, recommend or endorse, or propose publicly to approve, recommend or endorse, any acquisition proposal; or

- make other statements that are reasonably calculated or expected to have the same effects described in the first two bullets above; and/or

- terminate the merger agreement and enter into a definitive agreement with respect to an acquisition proposal that our board of directors (acting upon the prior recommendation of a special committee, if any) concludes in good faith, after consultation with outside counsel and its financial advisors, is a superior proposal, after considering all of the adjustments to the terms of the merger agreement which may be offered by Parent.

To the extent the board proposes to take the foregoing actions with regard to its recommendation, it may only do so if:

- we have not intentionally or materially breached our obligations under the no solicitation provision of the merger agreement;

- we have given written notice to Parent at least ten calendar days in advance of our intention to take such action with respect to such superior proposal, which notice specifies the material terms and conditions of any such superior proposal, and we contemporaneously provided a copy of the relevant proposed transaction agreements with the party making such superior proposal and other material documents;

- we, and we cause our financial and legal advisors to, negotiate in good faith during such ten-day period with Parent (to the extent Parent desires to negotiate) to make such adjustments in the terms and conditions of the merger agreement so that such acquisition proposal ceases to constitute a superior proposal; and

- in the event of a material revision to a superior proposal, we deliver a new written notice according to the provisions of the second bullet point above to Parent, except that the notice period shall be ten days for the first material revision to a superior proposal and three days for each subsequent material revision to a superior proposal, and we are only obligated to negotiate with Parent on one occasion if the initial superior proposal is $37 per share or greater to our stockholders.

We agree that any violation of the restrictions set forth in this solicitation provision of the merger agreement by any of our representatives will be deemed to be a breach of the solicitation provision by us.

In addition, we are not entitled to enter into any agreement with respect to a superior proposal unless the merger agreement has been or is concurrently terminated in accordance with its terms and we have concurrently paid to Parent the applicable termination fee as described in further detail in Termination Fees and Expenses beginning on page 93.

Our board of directors is not prohibited by the merger agreement from (i) taking and disclosing to our stockholders a position contemplated by Rule 14e-2(a) and Rule 14d-9 under the Exchange Act (other than any prohibited disclosure of confidential information to third parties) but, if such statement constitutes a

change of board recommendation (as defined in the merger agreement), then the terms of the merger agreement applicable to a change in board recommendation will apply; or (ii) disclosing that the board of directors (acting upon the prior recommendation of a special committee, if any) has received an acquisition proposal and the terms of such proposal, if the board of directors (acting through a special committee, if any) determines, after consultation with its outside legal counsel, that it is required to make such disclosure in connection with its fiduciary duties under applicable law or to comply with obligations under the federal securities laws or the rules of the NYSE.

We agreed in the merger agreement not to take any action to exempt any person (other than Parent, Merger Sub and their affiliates) from the restrictions on business combinations contained in Section 203 of the DGCL (or any similar provision of any other law) or otherwise to cause these restrictions not to apply, unless (i) the merger agreement is simultaneously terminated by the parties mutual consent or by us in connection with an alternative acquisition agreement or (ii) the person receiving the exemption agrees that the exemption is limited to permitting it to form a group for purposes of making an acquisition proposal without becoming an interested person for purposes of Section 203 of the DGCL as a result of forming such group, and further agrees that the group and its members continue to remain subject to Section 203 of the DGCL for all other purposes.

The merger agreement requires our board of directors, after consultation with outside counsel and consistent with the exercise of its fiduciary duties, to take such actions consistent with its obligations under the merger agreement as it deems reasonably required to assure the integrity of the process contemplated by the solicitation provisions of the merger agreement.

Termination of the Merger Agreement

The merger agreement may be terminated and the merger may be abandoned at any time prior to the consummation of the merger, whether before or after stockholder approval has been obtained:

- by mutual written consent of Lear and Parent;

- by either Lear or Parent if:
  - any court of competent jurisdiction or other governmental entity issues a final and non-appealable order, decree, ruling, or action restraining, enjoining or otherwise prohibiting any of the transactions contemplated by the merger agreement, or any governmental entity finally and non-appealably declines to grant any of the approvals, the receipt of which is necessary to satisfy certain regulatory approval conditions to closing; but in each case, only to the extent the party seeking to terminate will have used its reasonable best efforts to contest, appeal and remove such order, decree, ruling or action in accordance with the reasonable best efforts provision of the merger agreement;

  - the merger is not completed on or before September 15, 2007, as extended at the election of Parent to the end of the Marketing Period if the Marketing Period has commenced and the end of the Marketing Period would be later (such date, as extended, the Outside Date), so long as the failure of the merger to be completed by such date is not due to the failure of the party seeking to terminate the merger agreement to perform or comply in all material respects with the covenants and agreements of such party set forth in the merger agreement; provided that if all of the conditions to the closing are satisfied on or prior to September 15, 2007 except for regulatory approval conditions, then Parent may elect to extend the Outside Date to no later than November 1, 2007 or, if there is an ongoing arbitration, to a date no later than seven days after final decision of the arbitrators; or

  - the requisite stockholder vote with respect to the adoption of the merger agreement has not been obtained at the annual meeting or any adjournment or postponement thereof.
- by Lear, if:
  - Parent or Merger Sub has breached any of its representations, warranties, covenants or agreements under the merger agreement in a manner that, if occurring or continuing at the effective time, would result in the failure of the conditions set forth in section 6.3(a) or 6.3(b) of the merger agreement,

as the case may be, which breach is not cured, or by its nature cannot be cured, by the earlier of (i) the Outside Date and (ii) 30 days following written notice to the party committing such breach;

the termination is effected prior to receipt of the requisite stockholder approval in accordance with and subject to the terms and conditions of the superior proposal termination right of the solicitation provision of the merger agreement, provided that we substantially concurrently with such termination enter into the alternative acquisition agreement; or

all of the conditions to each party s obligation to effect the merger have been satisfied, and Parent has failed to consummate the merger no later than ten calendar days after the last day of the Marketing Period.

by Parent, if:

we have breached any of our representations, warranties, covenants or agreements under the merger agreement in a manner that, if occurring or continuing at the effective time, would result in the failure of the conditions set forth in section 6.3(a) or 6.3(b) of the merger agreement, as the case may be, which breach is not cured, or by its nature cannot be cured, by the earlier of (i) the Outside Date and (ii) 30 days following written notice to the party committing such breach;

a change of the recommendation of our board of directors has occurred;

we or our board of directors (or any committee thereof) approves, adopts or recommends any acquisition proposal or approves or recommends, or enters into or allows us or any of our subsidiaries to enter into, a letter of intent, agreement in principle or definitive agreement for an acquisition proposal;

we fail to issue a press release reaffirming the recommendation of our board of directors that our stockholders adopt the merger agreement within 48 hours of a request to do so by Parent and after we first published or otherwise disclosed an acquisition proposal or material modification to an acquisition proposal to our stockholders;

we have intentionally or materially breached any of our obligations under the solicitation provision or the stockholder approval provisions of the merger agreement; we have failed to include in this proxy statement our board recommendation;

we or our board of directors (or any committee thereof) authorizes or publicly proposes any of the actions in the preceding four bullet points;

there has been an event, change, effect, development, condition or occurrence that has had or could reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect that cannot be cured by the Outside Date; or

any specified force majeure event has occurred that has had or could reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect (without taking into account the provisos included in the definition of Material Adverse Effect) that cannot be cured by the Outside Date.

The party desiring to terminate the merger agreement pursuant to any of the provisions above, except for by mutual written consent of Lear and Parent, will give written notice of such termination to the other party in accordance with the notice provision of the merger agreement, specifying the provision or provisions of the merger agreement pursuant to which such termination is effected.

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Fees and Expenses

Lear estimates that if the merger is completed, the fees and expenses incurred by Lear in connection with the merger will be approximately as follows:

Description	Amount
Financial advisory fees	$ 12,750,000
Legal and accounting fees and expenses	5,500,000
Proxy solicitation fees	40,000
SEC filing fees	87,770
Printing and mailing costs	400,000
Miscellaneous	322,230
Total	$ 19,100,000

In general, all expenses incurred by a party to the merger agreement will be paid by that party. If the merger agreement is terminated under certain circumstances, we may be required to pay Parent a termination fee and reimburse Parent for certain out-of-pocket expenses. Under certain other circumstances, Parent must pay us a termination fee. See Termination Fees and Expenses.

Termination Fees and Expenses

Payable by Lear

Termination Fees

If we terminate the merger agreement or the merger agreement is terminated by Parent or Merger Sub, under the conditions described in further detail below, we must pay a termination fee to Parent.

We must pay a termination fee of $85.2 million plus up to $15 million of Parent s out-of-pocket expenses if:

we or Parent terminates the merger agreement because the requisite stockholder vote for the merger is not obtained and we enter into a definitive agreement with respect to an acquisition proposal within twelve months after the termination of the merger agreement, the requisite vote of our stockholders is obtained for the alternative transaction within such twelve month period and such transaction is completed;

we or Parent terminates the merger agreement because the merger is not completed on or before September 15, 2007, as may be extended under the terms of the merger agreement, all conditions for our obligation to complete the merger are satisfied and we have failed to take all actions on our part to consummate the merger;

Parent terminates the merger agreement because we have breached any of our representations, warranties, covenants or agreements under the merger agreement in a manner that, either individually or in the aggregate and, in the case of the representations and warranties, measured on the date of the merger agreement or, if provided in the merger agreement, as of any subsequent date (as if made on such date), would result in, if occurring or continuing at the effective time, the failure of certain conditions to closing;

Parent terminates the merger agreement after the end of the go shop period because of a change of the recommendation of our board of directors has occurred, we or our board of directors (or any committee thereof) approves, adopts or recommends any acquisition proposal or approves or recommends, or enters into or allows us or any of our subsidiaries to enter into, a letter of intent, agreement in principle or definitive agreement for an acquisition proposal;

Parent terminates the merger agreement after the end of the go shop period because we fail to issue a press release reaffirming the recommendation of our board of directors that our stockholders adopt the merger agreement within 48 hours of a request to do so by Parent following the date that an

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acquisition proposal or material modification to an acquisition proposal is first published, sent or given to our stockholders;

Parent terminates the merger agreement after the end of the go shop period because we have intentionally or materially breached any of our obligations under the non-solicitation provision or the stockholder approval provisions of the merger agreement; we have failed to include in this proxy statement our board recommendation; or we or our board of directors (or any committee thereof) authorizes or publicly proposes any of the foregoing actions of this and the preceding two bullet points; or

we terminate the merger agreement after the end of the go shop period because we enter into an alternative acquisition agreement prior to receipt of the requisite stockholder approval for the merger with Merger Sub.

We would have been required to pay a termination fee of $73.5 million plus up to $6 million of Parent s expenses if:

Parent had terminated the merger agreement during the go shop period because a change of the recommendation of our board of directors had occurred, we or our board of directors (or any committee thereof) approved, adopted or recommended any acquisition proposal or approved, recommended or entered into or allowed us or any of our subsidiaries to enter into, a letter of intent, agreement in principle or definitive agreement for an acquisition proposal;

Parent had terminated the merger agreement during the go shop period because we failed to issue a press release reaffirming the recommendation of our board of directors that our stockholders adopt the merger agreement within 48 hours of a request to do so by Parent following the date an acquisition proposal or material modification to an acquisition proposal was first published, sent or given to our stockholders;

Parent terminated the merger agreement during the go shop period because we intentionally or materially breached any of our obligations under the non-solicitation provision or the stockholder approval provisions of the merger agreement; we failed to include in this proxy statement our board recommendation; or we or our board of directors (or any committee thereof) authorized or publicly proposed any of the foregoing actions of this and the preceding two bullet points; or

we terminated the merger agreement during the go shop period because we entered into an alternative acquisition agreement prior to receipt of the requisite stockholder approval for the merger with Merger Sub.

Payable by Parent

Parent has agreed to pay us a termination fee of $250 million if:

we terminate the merger agreement because Parent or Merger Sub has breached any of its representations, warranties, covenants or agreements under the merger agreement in a manner that, either individually or in the aggregate and, in the case of the representations and warranties, measured on the date of the merger agreement or, if provided in the merger agreement, as of any subsequent date (as if made on such date), would result in, if occurring or continuing at the effective time, the failure of certain conditions to closing;

we terminate the merger agreement because the merger is not completed on or before September 15, 2007, as may be extended by the terms of the merger agreement, all conditions for Parent s obligation to complete the merger are satisfied and Parent or Merger Sub has failed to take all actions on its part to consummate the merger; or

we terminate the merger agreement because Parent has failed to consummate the merger no later than ten calendar days after the last day of the Marketing Period and all of the conditions to Parent s obligation to effect the merger have been satisfied.

Notwithstanding the foregoing, if we terminate the merger agreement because the merger is not completed on or before September 15, 2007, as may be extended under the terms of the merger agreement, all conditions to Parent s obligation to complete the merger are satisfied, Parent or Merger Sub has failed to take all actions on its part to consummate the merger, and Parent and Merger Sub have failed to obtain the debt financing necessary to consummate the merger as a result of a breach or default by the commitment parties under the debt financing commitments, then, in any claim we make for actual damages, Parent, Merger Sub, AREP and their affiliates, individually or collectively, will not be liable to us or our affiliates in an amount more than $25 million in excess of the amount actually received by Parent, Merger Sub, AREP or their affiliates from the commitment parties under the debt financing commitments with respect to claims for the commitment parties breach of their debt financing commitments. Parent and Merger Sub have agreed to pursue any such claims against the commitment parties diligently and in good faith. The merger agreement contains further provisions governing the exclusivity of remedies and the limitations on liabilities of the parties.

Indemnification and Insurance

Parent and Merger Sub have agreed that all rights to indemnification existing in favor of the current or former directors, officers and employees of Lear or any of its Subsidiaries (the Indemnified Persons) as provided in our Amended and Restated Certificate of Incorporation or bylaws, or the articles of organization, bylaws or similar constituent documents of any of our subsidiaries as in effect as of the date of this Agreement with respect to matters occurring prior to the effective time of the merger will survive the merger and continue in full force and effect for a period of not less than six (6) years after the effective time of the merger unless otherwise required by law.

In addition, the Surviving Corporation will, to the fullest extent permitted under applicable law, indemnify and hold harmless (and advance funds in respect of each of the foregoing) each Indemnified Person against any costs or expenses (including advancing reasonable attorneys fees and expenses in advance of the final disposition of any claim, suit, proceeding or investigation to each Indemnified Person to the fullest extent permitted by law), judgments, fines, losses, claims, damages, liabilities and amounts paid in settlement (with the prior written consent of Parent) in connection with any actual or threatened claim, action, suit, proceeding or investigation, whether civil, criminal, administrative or investigative (an Action), arising out of, relating to or in connection with any action or omission occurring or alleged to have occurred whether before the effective time of the merger (including acts or omissions in connection with such persons serving as an officer, director or other fiduciary in any entity if such service was at the request or for the benefit of Lear), except for in any case, any claim, judgments, fines, penalties and amounts to be paid which relate to any act or omission which constitutes a material violation of law and except for other exceptions to indemnification that are required by law. In the event of any such Action, the Surviving Corporation will reasonably cooperate with the Indemnified Person in the defense of any such Action, and will pay all reasonable expenses, including reasonable attorneys fees, that may be incurred by any Indemnified Person in enforcing the indemnity and other obligations provided in the merger agreement.

We are required to purchase on or prior to the effective time of the merger, and the Surviving Corporation is required to maintain with reputable and financially sound carriers, tail policies to the current directors and officers liability insurance and fiduciary liability insurance policies maintained by us and our subsidiaries on the date of the merger agreement. The tail policies and fiduciary liability policies must be effective for six years after the effective time of the merger with respect to claims arising from facts or events that existed or occurred prior to or at the effective time of the merger. The policies must also contain coverage that is at least as protective to the persons covered by the existing policies, and must in any event include non-management directors Side A (DIC) coverage. The Surviving Corporation must provide copies of the policies to the past, current and future directors and officers of Lear entitled to the benefit of such policies as reasonably requested. The Surviving Corporation is only required to provide as much coverage as can be obtained by paying aggregate premiums equal to 300% of the aggregate amount we currently pay for such coverage. Guarantor may substitute an alternative for the tail policies that affords, in the aggregate, no less favorable protection to such officers and directors, provided that any such alternative is approved by our board of directors prior to the effective time of the merger.

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Employee Benefits

Until January 1, 2008, current employees (other than current employees who have entered into or will enter into an individual employment agreement with us or any of our subsidiaries) who terminate employment with the Surviving Corporation will be entitled to severance benefits that are no less favorable, in the aggregate, than those that would have been provided to them immediately prior to the effective time of the merger.

Amendment, Extension and Waiver

To the extent permitted by applicable law, the parties may amend the merger agreement at any time, except that after our stockholders have adopted the merger agreement, there will be no amendment that by law requires further approval of our stockholders. The merger agreement may not be amended, changed, supplemented or otherwise modified except by a written instrument signed by all of the parties to the merger agreement.

At any time before the consummation of the merger, each of the parties to the merger agreement may, by written instrument:

- extend the time for the performance of any of the obligations or other acts of the other parties;
- waive any inaccuracies in the representations and warranties of the other parties contained in the merger agreement or in any document delivered pursuant to the merger agreement; or
- waive compliance with any of the agreements or conditions contained in the merger agreement.

Governing Law and Arbitration

The merger agreement is governed by and construed in accordance with the laws of the State of Delaware, without giving effect to choice of law principles that would result in the application of the laws of another jurisdiction. The merger agreement specifies procedures for binding arbitration which, at Parent s sole option, may be instituted in the event of a disagreement between the parties regarding whether there has occurred any event, change, effect, development or condition pursuant to which Parent, in its sole discretion, believes it may terminate the merger agreement based on (i) the parties failure to complete the merger by the Outside Date; (ii) our breach of our representations, warranties, covenants or agreements; (iii) a Material Adverse Effect having occurred or (iv) a specified force majeure event having occurred. Except for disputes regarding these matters, each of the parties has consented to the personal jurisdiction of any Delaware chancery or federal court located in Wilmington, Delaware in the event any dispute arises out of the merger agreement or any transaction contemplated by it.

Assignment

The merger agreement may not be assigned by any party by operation or law or otherwise without the prior written consent of the other parties, except that:

- Parent or Merger Sub may assign any of their respective rights and obligations to any direct or indirect subsidiary of AREP so long as such assignment does not delay or impede the consummation of the transaction contemplated by the merger agreement; and
- AREP may transfer directly or indirectly all or any portion of the common stock or other equity of Parent or Merger Sub to any affiliate or sell up to 49% of the common stock or other equity of Parent or Merger Sub to any person but no such transfer or sale will relieve AREP, Parent or Merger Sub of their respective obligations under the merger agreement.

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IMPORTANT INFORMATION REGARDING THE AREP GROUP

None of the persons named herein have been, during the last five years: (a) convicted in a criminal proceeding (excluding traffic violations and similar violations or misdemeanors); or (b) party to any judicial or administrative proceeding (except for matters that were dismissed without sanction or settlement) that resulted in a judgment, decree or final order enjoining any filing person from future violations of, or prohibiting activities subject to, federal or state securities laws, or a finding of any violation of federal or state securities laws.

Unless otherwise noted, each natural person named herein is a United States citizen. Unless otherwise noted, each person named herein has a telephone number of (212) 702-4300 and a business address of c/o American Real Estate Partners, L.P., 767 Fifth Avenue, Suite 4700, New York, New York 10153.

Information Regarding Carl C. Icahn

Carl C. Icahn, Chairman of the Board. Carl C. Icahn s principal occupation is as an investor and fund manager of his affiliated entities. Mr. Icahn has served as Chairman of the Board of API since 1990. Mr. Icahn has served as chairman of the board and a director of Starfire Holding Corporation, or Starfire, a privately-held holding company, and chairman of the board and a director of various subsidiaries of Starfire, since 1984. Through his entities, CCI Onshore Corp. and CCI Offshore Corp., Mr. Icahn manages private investment funds, including Icahn Partners LP and Icahn Partners Master Fund LP. Since February 2005, Mr. Icahn has served as a director of CCI Onshore Corp. and CCI Offshore Corp., which are in the business of managing private investment funds, and, from September 2004 to February 2005, Mr. Icahn served as the sole member of their predecessors, CCI Onshore LLC and CCI Offshore LLC, respectively. Mr. Icahn was also chairman of the board and president of Icahn & Co., Inc., a registered broker-dealer and a member of the National Association of Securities Dealers, from 1968 to 2005. Since 1994, Mr. Icahn has been the principal beneficial stockholder of American Railcar, Inc., or American Railcar, a publicly traded company that is primarily engaged in the business of manufacturing covered hopper and tank railcars, and has served as chairman of the board and as a director of American Railcar since 1994. From October 1998 through May 2004, Mr. Icahn was the president and a director of Stratosphere Corporation, which operates the Stratosphere Casino Hotel & Tower. Mr. Icahn has been chairman of the board and a director of XO Holdings, Inc. since February 2006 and was chairman of the board and a director of XO Communications, Inc. (XO Holdings predecessor) from January 2003 to February 2006. XO Holdings, Inc. is a publicly traded telecommunications services provider that is majority owned by various entities controlled by Mr. Icahn. Mr. Icahn has served as a director of Cadus Corporation, a publicly traded company engaged in the ownership and licensing of yeast-based drug discovery technologies since July 1993. In May 2005, Mr. Icahn became a director of Blockbuster Inc., a publicly traded provider of in-home movie rental and game entertainment. In September 2006, Mr. Icahn became a director of ImClone Systems Incorporated, or Imclone Systems, a publicly traded biopharmaceutical company, and since October 2006 has been the chairman of the board of ImClone Systems.

Information Regarding Vincent J. Intrieri

Vincent J. Intrieri, Director. Vincent J. Intrieri s principal occupation is as Senior Managing Director of Icahn Partners LP and Icahn Partners Master Fund LP. Mr. Intrieri has served as a director of API since July 2006. Since February 2007, Mr. Intrieri has served as director and President of Parent and Merger Sub. Since December 2006, Mr. Intrieri has been a director of National Energy Group, Inc., or NEGI. Since November 2004, Mr. Intrieri has been a Senior Managing Director of Icahn Partners LP and Icahn Partners Master Fund LP, private investment funds controlled by Mr. Icahn. Since January 1, 2005, Mr. Intrieri has been Senior Managing Director of Icahn Associates Corp. and High River Limited Partnership. From March 2003 to December 2004, Mr. Intrieri was a Managing Director of High River Limited Partnership and from 1998 to March 2003 served as portfolio manager for Icahn Associates Corp. Each of Icahn Associates Corp. and High River Limited Partnership is owned and controlled by Mr. Icahn and is primarily engaged in the business of holding and investing in securities. Since April 2005, Mr. Intrieri has been the president and chief executive

officer of Philip Services Corporation, a metal recycling and industrial services company controlled by Mr. Icahn. Since August 2005, Mr. Intrieri has served as a director of American Railcar. From March 2005 to December 2005, Mr. Intrieri was a Senior Vice President, the Treasurer and the Secretary of American Railcar. Mr. Intrieri has served as a director of XO Holdings since February 2006. Prior to that, he had served as a director of XO Communications, Inc. (XO Holdings predecessor) from January 2003 to February 2006. Since April 2003, Mr. Intrieri has been Chairman of the Board of Directors and a director of Viskase Companies, Inc., a publicly traded producer of cellulose and plastic casings used in preparing and packaging meat products that is majority owned by various entities controlled by Mr. Icahn. Since November 2006, Mr. Intrieri has been a director of Lear. From 1995 to 1998, Mr. Intrieri served as portfolio manager for distressed investments with Elliott Associates L.P., a New York investment fund. Prior to 1995, Mr. Intrieri was a partner at the Arthur Andersen accounting firm. Mr. Intrieri is a certified public accountant.

Information Regarding American Real Estate Partners, L.P.

American Real Estate Partners, L.P., or AREP, is a master limited partnership formed in Delaware on February 17, 1987 with principal offices at 767 Fifth Avenue, Suite 4700, New York, New York 10153. AREP is a diversified holding company engaged in a variety of businesses including Gaming, Real Estate and Home Fashion. AREP s primary business strategy is to continue to grow and enhance the value of its businesses. AREP may also seek to acquire additional businesses that are distressed or in out-of-favor industries and will consider divestiture of businesses. In addition, AREP invests its available liquidity in debt and equity securities with a view towards enhancing returns as it continues to assess further acquisitions of operating businesses.

AREP s general partner is API. AREP owns its businesses and conducts its investment activities through a subsidiary limited partnership, American Real Estate Holdings Limited Partnership, or AREH, and its subsidiaries.

Information on the general partner of AREP is set forth below in Information Regarding Other Affiliates American Property Investors, Inc.

Information Regarding AREP Car Holdings Corp.

AREP Car Holdings Corp., or Parent, is a Delaware corporation formed on February 1, 2007, with principal offices at 767 Fifth Avenue, Suite 4700, New York, New York 10153. Parent is a wholly-owned subsidiary of AREH and was formed solely for the purpose of engaging in the planned acquisition of Lear and other related transactions.

The name and material occupations, positions, offices or employment currently and during the last five years of each executive officer and director of Parent is set forth below:

Vincent J. Intrieri, Director and President. Information regarding Mr. Intrieri is set forth above in Information Regarding Vincent J. Intrieri

Felicia Buebel, Secretary. Felicia P. Buebel s primary occupation is senior vice president and counsel to API, AREH and AREP. Ms. Buebel has been the secretary of Parent and Merger Sub since February 2007. Since August 2006, she has served as the assistant secretary of API. Ms. Buebel has been employed as senior vice president and counsel to API, AREH and AREP since December 2000.

Andrew Skobe, Chief Financial Officer, Vice President, Assistant Treasurer and Assistant Secretary. Andrew Skobe s primary occupation is interim Chief Accounting Officer, interim Chief Financial Officer and Treasurer of API. Mr. Skobe has served as Treasurer of API since August 2006 and, since March 2007, he has served as interim Chief Financial Officer and interim Chief Accounting Officer of API. Since February 2007, Mr. Skobe has served as Vice President, Assistant Treasurer and Assistant Secretary of Parent and Merger Sub. Since April 2007, Mr. Skobe has served as Chief Financial Officer of Parent and Merger Sub. From January 2006 until August 2006, Mr. Skobe held the position of Treasury Director for API. Prior to that time, from 2002, Mr. Skobe was Vice President and Treasurer for the Columbia House Company. From 2001 to 2002, he was a Financial Consultant for Parsons Consulting, and before that, he was CFO and Director of

Raging Knowledge. Mr. Skobe has also held senior financial positions at the Dun & Bradstreet Corporation, Marvel Entertainment Group, Inc., General Motors, and Manufacturers Hanover.

Information Regarding AREP Car Acquisition Corp.

AREP Car Acquisition Corp., or Merger Sub, is a Delaware corporation formed on February 1, 2007 with principal offices at 767 Fifth Avenue, Suite 4700, New York, New York 10153. Merger Sub is a wholly-owned subsidiary of Parent and was formed solely for the purpose of engaging in the planned acquisition of Lear and other related transactions.

The name and material occupations, positions, offices or employment currently and during the last five years of each executive officer and director of Merger Sub is set forth below:

Vincent J. Intrieri, Director and President. Information regarding Mr. Intrieri is set forth above in Information Regarding Vincent J. Intrieri.

Felicia Buebel, Secretary. Information regarding Ms. Buebel is set forth above in Information Regarding AREP Car Holdings Corp.

Andrew Skobe, Chief Financial Officer, Vice President, Assistant Treasurer and Assistant Secretary. Information regarding Mr. Skobe is set forth above in Information Regarding AREP Car Holdings Corp.

Information Regarding Certain Other Entities

American Property Investors, Inc.

American Property Investors, Inc., or API, is a corporation formed in Delaware on February 12, 1987 with principal offices at 767 Fifth Avenue, Suite 4700, New York, New York 10153. API is wholly-owned, through an intermediate subsidiary, by Carl C. Icahn. API s sole business is being the general partner of AREP and AREH.

The name and material occupations, positions, offices or employment currently and during the last five years of each executive officer and director of API is set forth below:

Carl C. Icahn, Chairman of the Board. Information regarding Mr. Icahn is set forth above in Information Regarding Carl C. Icahn.

William A. Leidesdorf, Director. William A. Leidesdorf s principal occupation is as owner and managing director of Renaissance Housing, LLC. Mr. Leidesdorf has served as a director of API since March 1991. Since December 2003, Mr. Leidesdorf has served as a director of American Entertainment Properties Corp., or AEPC, the sole member of American Casino & Entertainment Properties LLC, or ACEP. Since May 2005, Mr. Leidesdorf has served as a director of Atlantic Coast Entertainment Holdings, Inc., or Atlantic Coast. Mr. Leidesdorf was director of Renco Steel Group, Inc. and was a director of its subsidiary, WCI Steel, Inc., a steel producer which filed for Chapter 11 bankruptcy protection in September 2003. Since June 1997, Mr. Leidesdorf has been an owner and a managing director of Renaissance Housing, LLC, a company primarily engaged in acquiring multifamily residential properties. From April 1995 through December 1997, Mr. Leidesdorf acted as an independent real estate investment banker. Mr. Leidesdorf has been licensed by the Nevada State Gaming Control Commission.

Vincent J. Intrieri, Director. Information regarding Mr. Intrieri is set forth above in Information Regarding Vincent J. Intrieri.

James L. Nelson, Director. James L. Nelson s principal occupation is as Chairman and Chief Executive Officer of Eaglescliff Corporation. Mr. Nelson has served as a director of API since June 2001. Since December 2003, Mr. Nelson has been a director of AEPC. Since May 2005, Mr. Nelson has served as a director of Atlantic Coast. From 1986 until the present, Mr. Nelson has been Chairman and Chief Executive Officer of Eaglescliff Corporation, a specialty investment banking, consulting and wealth management company. From March 1998 through 2003, Mr. Nelson was Chairman and Chief Executive Officer of Orbit Aviation, Inc., a company engaged in the acquisition and completion of Boeing Business Jets for private and

corporate clients. From August 1995 until July 1999, Mr. Nelson was Chief Executive Officer and Co- Chairman of Orbitex Management, Inc., a financial services company in the mutual fund sector. From August 1995 until March 2001, he was on the Board of Orbitex Financial Services Group. Mr. Nelson currently serves as a director and Chairman of the Audit Committee of Viskase Companies, Inc. Mr. Nelson has been licensed by the Nevada State Gaming Control Commission.

Jack G. Wasserman, Director. Jack G. Wasserman s principal occupation is as an attorney. Mr. Wasserman has served as a director of API since December 1993. Since December 2003, Mr. Wasserman has been a director of AEPC. Since May 2005, Mr. Wasserman has served as a director of Atlantic Coast. Mr. Wasserman is an attorney and a member of the Bars of New York, Florida and the District of Columbia. From 1966 until 2001, he was a senior partner of Wasserman, Schneider, Babb & Reed, a New York-based law firm, and its predecessors. Since September 2001, Mr. Wasserman has been engaged in the practice of law as a sole practitioner. Mr. Wasserman has been licensed by the Nevada State Gaming Control Commission and is an independent member and Chairman of the compliance committee for all AREP s casinos. Since December 1998, Mr. Wasserman has been a director of NEGI. Mr. Wasserman is also a director of Cadus Corporation, a biotechnology company. Affiliates of Mr. Icahn are controlling shareholders of Cadus. Since March 2004, Mr. Wasserman has been a director of Triarc Companies, Inc., a publicly traded diversified holding company. Mr. Wasserman serves on the audit and compensation committees of Triarc.

Keith A. Meister, Principal Executive Officer and Vice Chairman of the Board. Keith A. Meister s principal occupation is as Principal Executive Officer and Vice Chairman of the Board of API. Mr. Meister has served as Principal Executive Officer and Vice Chairman of the Board of API since March 2006. He served as Chief Executive Officer of API from August 2003 until March 2006 and as President of API from August 2003 until April 2005. Mr. Meister also serves as a director of various direct and indirect subsidiaries of AREP. Mr. Meister is also a Managing Director of Icahn Partners LP, Icahn Partners Master Fund LP and Icahn Partners Master Fund II LP, which are private investment funds controlled by Mr. Icahn. From March 2000 through 2001, Mr. Meister served as co-president of J Net Ventures, a venture capital fund that he co-founded, focused on investments in information technology and enterprise software businesses. From 1997 through 1999, Mr. Meister served as an investment professional at Northstar Capital Partners, an opportunistic real estate investment partnership. Prior to Northstar, Mr. Meister served as an investment analyst in the investment banking group at Lazard Freres. He also serves on the Boards of Directors of the following companies: XO Holdings, American Railcar, and BKF Capital Group, Inc., an investment management firm in which Mr. Icahn is a stockholder.

Peter K. Shea, President. Peter K. Shea s principal occupation is as Head of Portfolio Company Operations at AREH. Mr. Shea has served as President of API since December 2006. Since December 2006, Mr. Shea, has been Head of Portfolio Company Operations at AREH. Since December 27, 2006, Mr. Shea has also served as a director of XO Holdings. Since December 2006, Mr. Shea has served as a director of American Railcar. Since December 20, 2006, Mr. Shea has served as a director of WPI. Since November 2006, Mr. Shea has been a director of Viskase Companies, Inc. Mr. Shea was an independent consultant to various companies and an advisor to private equity firms from 2002 until December 2006. During this period he also served as Executive Chairman of Roncadin GmbH, a European food company, and a Board Director with Sabert Corporation, a manufacturer of plastics and packaging products. From 1997 to 2001, he was a Managing Director of H.J. Heinz Company in Europe, a manufacturer and marketer of a broad line of food products across the globe. Mr. Shea has been Chairman, Chief Executive Officer or President of other companies including SMG Corporation, John Morrell & Company and Polymer United. SMG and John Morrell were international meat processing firms and Polymer United was a leading plastics manufacturer operating throughout Central America. Previously, he held various executive positions, including Head of Global Corporate Development, with United Brands Company, a Fortune 100 Company with a broad portfolio of companies operating in many sectors. Mr. Shea began his career with General Foods Corporation. He has also served on the Boards of Premium Standard Farms and New Energy Company of Indiana.

Andrew Skobe, Interim Chief Accounting Officer, Interim Chief Financial Officer and Treasurer. Information regarding Mr. Skobe is set forth above in Information Regarding AREP Car Holdings Corp.

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American Real Estate Holdings Limited Partnership

American Real Estate Holdings Limited Partnership, or AREH, is a limited partnership formed in Delaware on February 17, 1987 with principal offices at 445 Hamilton Avenue, Suite 1210, White Plains, NY 10601. AREH is a diversified holding company engaged in a variety of businesses including Gaming, Real Estate and Home Fashion. AREH s primary business strategy is to continue to grow and enhance the value of its businesses. AREH may also seek to acquire additional businesses that are distressed or in out-of-favor industries and will consider divestiture of businesses from which it does not foresee adequate future cash flow or appreciation potential. In addition, AREH invests its available liquidity in debt and equity securities with a view towards enhancing returns as it continues to assess further acquisitions of operating businesses.

AREH s sole limited partner is AREP, which owns a 99% limited partnership interest in AREH. AREH s general partner is API, which is also the general partner of AREP.

Information on the general partner of AREH is set forth above in Information Regarding Other Affiliates American Property Investors, Inc.

Information Regarding Icahn Partners LP

Icahn Partners LP, or Icahn Partners, is a limited partnership formed in Delaware on September 14, 2004 with principal offices at White Plains Plaza, 445 Hamilton Avenue, Suite 1210, White Plains, NY 10601. Icahn Partners is a private investment fund.

Icahn Partners general partner is Icahn Onshore LP. Information on the general partner of Icahn Partners is set forth below.

Information Regarding Icahn Partners Master Fund LP

Icahn Partners Master Fund LP, or Icahn Partners Master Fund, is a Cayman Island exempted limited partnership formed on October 20, 2004 with principal offices at c/o Walkers SPV Limited, P.O. Box 908GT, 87 Mary Street, George Town, Grand Cayman, Cayman Islands. Icahn Partners Master Fund is a private investment fund.

Icahn Partners Master Funds general partner is Icahn Offshore LP. Information on the general partner of Icahn Partners Master Fund is set forth below.

Information Regarding Koala Holding Limited Partnership

Koala Holding Limited Partnership, or Koala Holding, is a limited partnership formed in Delaware on May 15, 2003 with principal offices at principal offices at White Plains Plaza, 445 Hamilton Avenue, Suite 1210, White Plains, NY 10601. Koala Holding s principal business is investing in and holding securities.

Koala Holding s general partner is Barberry Corp. Information on the general partner of Koala Holding is set forth below.

Information Regarding High River Limited Partnership

High River Limited Partnership, or High River, is a limited partnership formed in Delaware on June 26, 1991 with principal offices at White Plains Plaza, 445 Hamilton Avenue, Suite 1210, White Plains, NY 10601. High River s principal business is investing in and holding securities.

High River s general partner is Hopper Investments LLC. Information on the general partner of High River is set forth below.

Information Regarding Icahn Onshore LP

Icahn Onshore LP, or Icahn Onshore, is a limited partnership formed in Delaware on September 14, 2004 with principal offices at White Plains Plaza, 445 Hamilton Avenue, Suite 1210, White Plains, NY 10601. The principal business of Icahn Onshore is to serve as the general partner of Icahn Partners.

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Icahn Onshore s general partner is CCI Onshore Corp. Information on the general partner of Icahn Onshore is set forth below.

Information Regarding Icahn Offshore LP

Icahn Offshore LP, or Icahn Offshore, is a limited partnership formed in Delaware on September 14, 2004 with principal offices at White Plains Plaza, 445 Hamilton Avenue, Suite 1210, White Plains, NY 10601. The principal business of Icahn Offshore is to serve as the general partner of Icahn Partners Master Fund.

Icahn Offshore s general partner is CCI Offshore Corp. Information on the general partner of Icahn Offshore is set forth below.

Information Regarding Hopper Investments LLC

Hopper Investments LLC, or Hopper, is a limited liability company formed in Delaware on July 15, 2004 with principal offices at White Plains Plaza, 445 Hamilton Avenue, Suite 1210, White Plains, NY 10601. The principal business of Hopper is to serve as the general partner of High River.

Hopper s sole member is Barberry Corp. Information on the sole member of Hopper is set forth below.

Information Regarding CCI Onshore Corp.

CCI Onshore Corp., or CCI Onshore, is a corporation formed in Delaware on September 14, 2004 with principal offices at White Plains Plaza, 445 Hamilton Avenue, Suite 1210, White Plains, NY 10601. CCI Onshore s principal business is to serve as the general partner of Icahn Onshore.

The name and material occupations, positions, offices or employment currently and during the last five years of each executive officer and director of CCI Onshore is set forth below:

Carl C. Icahn, Director and Chief Executive Officer. Information regarding Mr. Icahn is set forth above in Information Regarding Carl C. Icahn.

Vincent J. Intrieri, Managing Director. Information regarding Mr. Intrieri is set forth above in Information Regarding Vincent J. Intrieri.

Keith A. Meister, Managing Director. Information regarding Mr. Meister is set forth above in Information Regarding American Property Investors, Inc.

Information Regarding CCI Offshore Corp.

CCI Offshore Corp., or CCI Offshore, is a corporation formed in Delaware on September 14, 2004 with principal offices at White Plains Plaza, 445 Hamilton Avenue, Suite 1210, White Plains, NY 10601. CCI Offshore s principal business is to serve as the general partner of Icahn Offshore.

The name and material occupations, positions, offices or employment currently and during the last five years of each executive officer and director of CCI Offshore is set forth below:

Carl C. Icahn, Director and Chief Executive Officer. Information regarding Mr. Icahn is set forth above in Information Regarding Carl C. Icahn.

Vincent J. Intrieri, Managing Director. Information regarding Mr. Intrieri is set forth above in Information Regarding Vincent J. Intrieri.

Keith A. Meister, Managing Director. Information regarding Mr. Meister is set forth above in Information Regarding American Property Investors, Inc.

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Information Regarding Barberry Corp.

Barberry Corp., or Barberry, is a corporation formed in Delaware on June 28, 1989 with principal offices at 767 Fifth Avenue, Suite 4700, New York, New York 10153. Barberry s principal business is to serve as the sole member of Hopper and the general partner of Koala Holdings.

The name and material occupations, positions, offices or employment currently and during the last five years of each executive officer and director of Barberry is set forth below:

Carl C. Icahn, Chairman of the Board, Director and President. Information regarding Mr. Icahn is set forth above in Information Regarding Carl C. Icahn.

Gail Golden, Vice President. Ms. Golden s principal occupation is acting as an officer of various entities controlled by Mr. Icahn. Since 1978, Ms. Golden has served in various capacities at Icahn & Co., LLC and its predecessor (Icahn & Co) formerly a registered broker-dealer and a member of the National Association of Securities Dealers, from 1968 to 2005. Ms. Golden served as the Chief Executive Officer of Maupintour, LLC, a tour operator formerly indirectly wholly-owned by Mr. Icahn from 1999 to December 2005.

Vincent J. Intrieri, Vice President. Information regarding Mr. Intrieri is set forth above in Information Regarding Vincent J. Intrieri.

Keith Cozza, Secretary and Treasurer. Mr. Cozza s principal occupation is as Chief Financial Officer of Icahn Associates Corp. Mr. Cozza has been Chief Financial Officer of Icahn Associates Corp. since December 2006. Icahn Associates Corp. is an indirect wholly owned entity of Mr. Icahn primarily engaged in the business of acting as a holding company. Mr. Cozza has been the Vice President and Treasurer of Icahn & Co. since November 23, 2005. Icahn & Co. is an indirectly wholly owned entity of Mr. Icahn and was a registered broker-dealer and member of the National Association of Securities Dealers from 1968 to 2005. Since 2004, Mr. Cozza has served as an officer of various entities controlled by Mr. Icahn. From 2000 to 2004 Mr. Cozza was employed by Grant Thornton LLP, a public accounting firm.

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APPRAISAL RIGHTS

Under the DGCL, you have the right to dissent from the merger and to receive payment in cash for the fair value of your common stock as determined by the Delaware Court of Chancery, together with a fair rate of interest, if any, as determined by the court, in lieu of the consideration you would otherwise be entitled to pursuant to the merger agreement. These rights are known as appraisal rights. Lear s stockholders electing to exercise appraisal rights must comply with the provisions of Section 262 of the DGCL in order to perfect their rights. Lear will require strict compliance with the statutory procedures.

The following is intended as a brief summary of the material provisions of the Delaware statutory procedures required to be followed by a stockholder in order to dissent from the merger and perfect appraisal rights.

This summary, however, is not a complete statement of all applicable requirements and is qualified in its entirety by reference to Section 262 of the DGCL, the full text of which appears in Appendix F to this proxy statement. Failure to precisely follow any of the statutory procedures set forth in Section 262 of the DGCL may result in a termination or waiver of your appraisal rights.

Section 262 requires that stockholders be notified that appraisal rights will be available not less than 20 days before the stockholders meeting to vote on the merger. A copy of Section 262 must be included with such notice. This proxy statement constitutes Lear s notice to its stockholders of the availability of appraisal rights in connection with the merger in compliance with the requirements of Section 262. If you wish to consider exercising your appraisal rights, you should carefully review the text of Section 262 contained in Appendix F since failure to timely and properly comply with the requirements of Section 262 will result in the loss of your appraisal rights under the DGCL.

If you elect to demand appraisal of your shares, you must satisfy each of the following conditions:

You must deliver to Lear a written demand for appraisal of your shares before the vote with respect to the merger is taken. This written demand for appraisal must be in addition to and separate from any proxy or vote abstaining from or voting against the adoption of the merger agreement. Voting against or failing to vote for the adoption of the merger agreement by itself does not constitute a demand for appraisal within the meaning of Section 262, and failure to vote against the adoption of the merger agreement does not, by itself, constitute a waiver of your appraisal rights.

You must not vote in favor of the adoption of the merger agreement. A vote in favor of the adoption of the merger agreement, by proxy, by telephone or in person, will constitute a waiver of your appraisal rights in respect of the shares so voted and will nullify any previously filed written demands for appraisal.

You must hold of record your shares of common stock on the date the written demand for appraisal is made and you must continue to hold your shares of record through the effective time of the merger.

If you fail to comply with any of these conditions and the merger is completed, you will be entitled to receive the cash payment for your shares of common stock as provided for in the merger agreement, but you will have no appraisal rights with respect to your shares of common stock.

All demands for appraisal should be addressed to Lear Corporation, 21557 Telegraph Road, Southfield, Michigan 48033, Attention: Corporate Secretary, and must be delivered before the vote on the merger agreement is taken at the 2007 Annual Meeting of Stockholders, and should be executed by, or on behalf of, the record holder of the shares of our common stock. The demand must reasonably inform Lear of the identity of the stockholder and the intention of the stockholder to demand appraisal of his, her or its shares.

To be effective, a demand for appraisal by a holder of our common stock must be made by, or in the name of, such registered stockholder, fully and correctly, as the stockholder s name appears on his or her stock certificate(s). **Beneficial owners who do not also hold the shares of record may not directly make appraisal demands to Lear. The beneficial holder must, in such cases, have the registered owner, such as a broker or other nominee, submit the required demand in respect of those shares.** If shares are owned of record in a

fiduciary capacity, such as by a trustee, guardian or custodian, execution of a demand for appraisal should be made by or for the fiduciary; and if the shares are owned of record by more than one person, such as in a joint tenancy or tenancy in common, the demand should be executed by or for all joint owners. An authorized agent, including an authorized agent for two or more joint owners, may execute the demand for appraisal for a stockholder of record; however, the agent must identify the record owner or owners and expressly disclose the fact that, in executing the demand, he or she is acting as agent for the record owner. A record owner, such as a broker, who holds shares as a nominee for others, may exercise his or her right of appraisal with respect to the shares held for one or more beneficial owners, while not exercising this right for other beneficial owners. In that case, the written demand should state the number of shares as to which appraisal is sought. Where no number of shares is expressly mentioned, the demand will be presumed to cover all shares held in the name of the record owner.

If you hold your shares of common stock in a brokerage account or in other nominee form and you wish to exercise appraisal rights, you should consult with your broker or the other nominee to determine the appropriate procedures for the making of a demand for appraisal by the nominee.

Within 10 days after the effective time of the merger, the Surviving Corporation must give written notice that the merger has become effective to each Lear stockholder who has properly made a written demand for appraisal and who did not vote in favor of the adoption of the merger agreement. At any time within 60 days after the effective time, any stockholder who has demanded an appraisal has the right to withdraw the demand and to accept the cash payment specified by the merger agreement for his or her shares of common stock. Within 120 days after the effective date of the merger, any stockholder who has complied with Section 262 shall, upon written request to the Surviving Corporation, be entitled to receive a written statement setting forth the aggregate number of shares not voted in favor of the adoption of the merger agreement and with respect to which demands for appraisal rights have been received and the aggregate number of holders of such shares. Such written statement will be mailed to the requesting stockholder within 10 days after such written request is received by the Surviving Corporation or within 10 days after expiration of the period for delivery of demands for appraisal, whichever is later. Within 120 days after the effective time, either the Surviving Corporation or any stockholder who has complied with the requirements of Section 262 may file a petition in the Delaware Court of Chancery demanding a determination of the fair value of the shares held by all stockholders entitled to appraisal. Upon the filing of the petition by a stockholder, service of a copy of such petition shall be made upon the Surviving Corporation. The Surviving Corporation has no obligation to file such a petition in the event there are dissenting stockholders. Accordingly, the failure of a stockholder to file such a petition within the period specified could nullify the stockholder s previously written demand for appraisal.

If a petition for appraisal is duly filed by a stockholder and a copy of the petition is delivered to the Surviving Corporation, the Surviving Corporation will then be obligated, within 20 days after receiving service of a copy of the petition, to provide the Chancery Court with a duly verified list containing the names and addresses of all stockholders who have demanded an appraisal of their shares and with whom agreements as to the value of their shares have not been reached by the Surviving Corporation. After notice to dissenting stockholders who demanded appraisal of their shares, the Chancery Court is empowered to conduct a hearing upon the petition and to determine those stockholders who have complied with Section 262 and who have become entitled to the appraisal rights provided thereby.

After determination of the stockholders entitled to appraisal of their shares of our common stock, the Chancery Court will appraise the shares, determining their fair value exclusive of any element of value arising from the accomplishment or expectation of the merger, together with a fair rate of interest, if any. When the value is determined, the Chancery Court will direct the payment of such value, with interest accrued thereon during the pendency of the proceeding, if the Chancery Court so determines, to the stockholders entitled to receive the same, upon surrender by such holders of those shares.

In determining fair value, the Chancery Court is required to take into account all relevant factors. **You should be aware that the fair value of your shares as determined under Section 262 could be more than, the same as or less than the value that you are entitled to receive under the terms of the merger agreement.**

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Costs of the appraisal proceeding may be imposed upon the Surviving Corporation and the stockholders participating in the appraisal proceeding by the Chancery Court as the Chancery Court deems equitable in the circumstances. Upon the application of a stockholder, the Chancery Court may order all or a portion of the expenses incurred by any stockholder in connection with the appraisal proceeding, including, without limitation, reasonable attorneys fees and the fees and expenses of experts, to be charged pro rata against the value of all shares entitled to appraisal. Any stockholder who had demanded appraisal rights will not, after the effective time of the merger, be entitled to vote shares subject to that demand for any purpose or to receive payments of dividends or any other distribution with respect to those shares, other than with respect to payment as of a record date prior to the effective time of the merger; however, if no petition for appraisal is filed within 120 days after the effective time of the merger, or if the stockholder delivers a written withdrawal of his or her demand for appraisal and an acceptance of the terms of the merger within 60 days after the effective time of the merger, then the right of that stockholder to appraisal will cease and that stockholder will be entitled to receive the cash payment for shares of his, her or its common stock pursuant to the merger agreement. Any withdrawal of a demand for appraisal made more than 60 days after the effective time of the merger may only be made with the written approval of the Surviving Corporation and must, to be effective, be made within 120 days after the effective time.

In view of the complexity of Section 262, Lear s stockholders who may wish to dissent from the merger and pursue appraisal rights should consult their legal advisors.

YOUR BOARD RECOMMENDS A VOTE FOR THE APPROVAL OF THE MERGER AND THE MERGER AGREEMENT.

PROXIES SOLICITED BY THE BOARD OF DIRECTORS WILL BE VOTED FOR THE PROPOSAL UNLESS STOCKHOLDERS SPECIFY A CONTRARY VOTE.

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ADJOURNMENT OF THE ANNUAL MEETING (PROPOSAL NO. 2)

Lear is asking its stockholders to vote on a proposal to adjourn or postpone the 2007 Annual Meeting of Stockholders of Lear Corporation, if necessary, to permit the solicitation of proxies if there are not sufficient votes at the time of the meeting to approve the proposal to adopt the merger agreement.

YOUR BOARD RECOMMENDS A VOTE FOR THE ADJOURNMENT PROPOSAL. PROXIES SOLICITED BY THE BOARD OF DIRECTORS WILL BE VOTED FOR THE PROPOSAL UNLESS STOCKHOLDERS SPECIFY A CONTRARY VOTE.

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ELECTION OF DIRECTORS
(PROPOSAL NO. 3)

The Board consists of three classes. One class of directors is elected at each annual meeting of stockholders to serve a three year term. Directors elected at the 2007 Annual Meeting of Stockholders will hold office until their successors are elected at the 2010 Annual Meeting of Stockholders. Directors not up for election this year will continue in office for the remainder of their terms.

The Nominating and Corporate Governance Committee has nominated Larry W. McCurdy, Roy E. Parrott and Richard F. Wallman to stand for election to the Board. The Board has determined that each nominee is an independent director under the NYSE listing requirements. Unless contrary instructions are given, the shares represented by your proxy will be voted FOR the election of all nominees.

All nominees have consented to being named in this proxy statement and to serve if elected. However, if any nominee becomes unable to serve, proxy holders will have discretion and authority to vote for another nominee proposed by our Board. Alternatively, our Board may reduce the number of directors to be elected at the meeting.

Nominees For Terms Expiring at the 2010 Annual Meeting

Larry W. McCurdy Age: 71

Mr. McCurdy has been a director of Lear since 1988. In July 2000, Mr. McCurdy retired from Dana Corporation, a motor vehicle parts manufacturer and aftermarket supplier, where he served as President, Dana Automotive Aftermarket Group, since July 1998. Mr. McCurdy was Chairman of the Board, President and Chief Executive Officer of Echlin, a motor vehicle parts manufacturer, from March 1997 until July 1998 when it was merged into Dana Corporation. Prior to this, Mr. McCurdy was Executive Vice President, Operations of Cooper Industries, a diversified manufacturing company, from April 1994 to March 1997. Mr. McCurdy also serves as a director of Mohawk Industries, Inc., as well as the non-executive Chairman of Affinia Group Inc., a privately-held supplier of aftermarket motor vehicle parts.

Roy E. Parrott Age: 66

Mr. Parrott has been a director of Lear since February 1997. In January 2003, Mr. Parrott retired from Metaldyne Corporation where he served as President of Business Operations since December 2000. Metaldyne Corporation, an integrated metal solutions supplier, purchased Simpson Industries, Inc. in December 2000. Previously, Mr. Parrott was the Chief Executive Officer of Simpson Industries, Inc. from 1994 to December 2000 and Chairman of Simpson Industries, Inc. from November 1997 to December 2000. In June 2005, Mr. Parrott was elected as Chairman of the Board of Michigan Biotechnology Institute (M.B.I.), a non-profit corporation dedicated to the research and commercial development of physical science technologies.

Richard F. Wallman Age: 57

Mr. Wallman has been a director of Lear since November 2003. Mr. Wallman has more than 25 years of executive-level operations and financial oversight experience, most recently as Senior Vice President and Chief Financial Officer of Honeywell International, Inc. from 1999 to 2003 and of its predecessor, AlliedSignal, Inc., from 1995 to 1999. He has also held positions with International Business Machines Corporation, Chrysler Corporation and Ford Motor Company. Mr. Wallman also serves as a director of Hayes-Lemmerz International, Inc., Ariba, Inc., Avaya Inc., Roper Industries, Inc. and ExpressJet Holdings, Inc.

YOUR BOARD RECOMMENDS A VOTE FOR THE ELECTION OF EACH NOMINEE. PROXIES SOLICITED BY THE BOARD OF DIRECTORS WILL BE VOTED FOR THE PROPOSAL UNLESS STOCKHOLDERS SPECIFY A CONTRARY VOTE.

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DIRECTORS AND BENEFICIAL OWNERSHIP

Directors

Set forth below is a description of the business experience of each of our directors other than Messrs. McCurdy, Parrott and Wallman, whose biographies are set forth above. The terms of Messrs. Intrieri, Mallett, Rossiter and Vandenberghe expire at the annual meeting in 2008, and the terms of Messrs. Fry, Spalding, Stern and Wallace expire at the annual meeting in 2009. In October 2006, certain affiliates of Mr. Icahn purchased approximately 8.7 million shares of our common stock. In connection with such acquisition, the purchasers were granted a contractual right to nominate one member to our Board. The Board elected Mr. Intrieri to fill a vacancy on the Board to satisfy this obligation.

David E. Fry Age: 64

Dr. Fry, who has been a director of Lear since August 2002, had served as the President and Chief Executive Officer of Northwood University, a university of business administration with campuses in Midland, Michigan, Dallas, Texas and Palm Beach, Florida, from 1982 until early 2006 and is now President Emeritus. Dr. Fry also serves as a director of Decker Energy International. Dr. Fry is also a director and member of the executive committee of the Automotive Hall of Fame and past Chairman of the Michigan Higher Education Facilities Authority.

Vincent J. Intrieri Age: 50

Mr. Intrieri has been a director of Lear since November 2006. Mr. Intrieri has been affiliated with Icahn Associates Corp. since 1998. He has been a director of American Property Investors, Inc., the general partner of American Real Estate Partners, L.P., affiliates of Mr. Carl C. Icahn, since July 2006. Since November 2004, Mr. Intrieri has been Senior Managing Director of Icahn Partners LP and Icahn Partners Master Fund LP, private investment funds controlled by Mr. Icahn. From 1998 to March 2003, Mr. Intrieri served as portfolio manager for Icahn Associates Corp. Mr. Intrieri has also served as the Senior Managing Director of other entities owned and controlled by Mr. Icahn. He is the President and Chief Executive Officer of Philip Services Corporation, a director of American Railcar Industries, Inc. and a director of XO Holdings, Inc., each affiliated with Mr. Icahn. He is also the Chairman of the Board of Viskase Companies, Inc., a public company in which Mr. Icahn holds an interest. Since December 2006, Mr. Intrieri has been a director of National Energy Group, Inc., a publicly owned company formerly engaged in the business of managing the exploration, production and operations of natural gas and oil properties, a majority of the common stock of which is held by American Real Estate Partners, L.P.

Conrad L. Mallett, Jr. Age: 54

Justice Mallett, who has been a director of Lear since August 2002, has been the President and CEO of Sinai-Grace Hospital since August 2003. Prior to his current position, Justice Mallett served as the Chief Administrative Officer of the Detroit Medical Center since March 2003. Previously, he served as President and General Counsel of Hawkins Food Group LLC from April 2002 to March 2003, and Transition Director for Detroit Mayor Kwame M. Kilpatrick and Chief Operating Officer for the City of Detroit from January 2002 to April 2002. From August 1999 to April 2002, Justice Mallett was General Counsel and Chief Administrative Officer of the Detroit Medical Center. Justice Mallett was also a Partner in the law firm of Miller, Canfield, Paddock & Stone from January 1999 to August 1999. Justice Mallett was a Justice of the Michigan Supreme Court from December 1990 to January 1999 and served a two-year term as Chief Justice beginning in 1997. Justice Mallett also serves as a General Board Member of the Metropolitan Detroit YMCA.

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Robert E. Rossiter Age: 61

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 since October 2000, 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.

David P. Spalding Age: 53

Mr. Spalding has been a director of Lear since 1991. Mr. Spalding is the Vice President of Alumni Relations for Dartmouth College, a position he has held since October 2005. Prior to joining Dartmouth College, Mr. Spalding was a Vice Chairman of The Cypress Group L.L.C., a private equity fund manager, since 1994. Mr. Spalding is also the chairman of the investment committee of the Make-A-Wish Foundation of Metro New York.

James A. Stern Age: 56

Mr. Stern has been a director of Lear since 1991. Mr. Stern is Chairman of The Cypress Group L.L.C., a private equity fund manager, a position he has held since 1994. He is also a director of Affinia Group Inc. and AMTROL, Inc.

James H. Vandenberghe Age: 57

Mr. Vandenberghe is our Vice Chairman, a position he has held since November 1998, and has served as our Chief Financial Officer since March 2006. Mr. Vandenberghe also 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 and also serves as a director of DTE Energy.

Henry D.G. Wallace Age: 61

Mr. Wallace has been a director of Lear since February 2005. Mr. Wallace worked for 30 years at Ford Motor Company until his retirement in 2001 and held several executive-level operations and financial oversight positions, most recently as Group Vice President, Mazda & Asia Pacific Operations in 2001, Chief Financial Officer in 2000 and Group Vice President, Asia Pacific Operations in 1999. Mr. Wallace also serves as a director of AMBAC Financial Group, Inc., Diebold, Inc. and Hayes-Lemmerz International, Inc.

Board Information

Corporate Governance

The Board has approved Corporate Governance Guidelines and a Code of Business Conduct and Ethics. All of our corporate governance documents, including the Corporate Governance Guidelines, the Code of Business Conduct and Ethics and committee charters, are available on our website at www.lear.com or in printed form upon request by contacting Lear Corporation at 21557 Telegraph Road, Southfield, Michigan 48033, Attention: Investor Relations. The Board regularly reviews corporate governance developments and modifies these documents as warranted. Any modifications will be reflected on our website.

Board Meetings

In 2006, our full Board held eight (8) meetings and executed one (1) written consent. In addition to our full Board meetings, our directors attend meetings of permanent committees established by our Board. Each director participated in at least 75% of the total number of meetings of our Board and the committees on

which he or she serves. Our directors are encouraged to attend all annual and special meetings of our stockholders. In 2006, all of our directors attended the annual meeting of stockholders held on May 11, 2006.

Meetings of Non-Employee Directors

In accordance with our Corporate Governance Guidelines and the listing standards of the NYSE, our non-management directors meet regularly in executive sessions of the Board without management present. Our non-management directors have elected Larry W. McCurdy as the Presiding Director of such non-management sessions of our Board.

Independence of Directors

The Board has adopted Corporate Governance Guidelines to address significant issues of corporate governance, including Board and Board Committee composition and responsibilities, compensation of directors, executive selection and succession planning and director tenure. The Nominating and Corporate Governance Committee is responsible for overseeing and reviewing the Corporate Governance Guidelines and reporting and recommending to the Board any changes to the Guidelines.

The Company s Corporate Governance Guidelines adopted by the Board of Directors provide that a majority of the members of the Board, and each member of the Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee, must meet the criteria for independence set forth under applicable law and the NYSE listing standards. No director qualifies as independent unless the Board determines that the director has no direct or indirect material relationship with the Company. The Board has established guidelines to assist in determining director independence. These guidelines are set forth as Exhibit A to our Corporate Governance Guidelines and can be found on our website at www.lear.com and are set forth on Appendix G attached hereto. In addition to applying these director independence guidelines, the Board will consider all relevant facts and circumstances that it is aware of in making an independence determination.

Based on the NYSE listing standards and our director independence guidelines, the Board has affirmatively determined that (i) Anne K. Bingaman (a director during a portion of 2006) and Mr. Wallace have no relationship with us (other than as a director or stockholder) and are independent, (ii) Messrs. Fry, Intrieri, Mallett, McCurdy, Parrott, Spalding, Stern and Wallman have only immaterial relationships with us and are independent and (iii) Messrs. Rossiter and Vandenberghe are not independent. Mr. Rossiter is our Chairman and Chief Executive Officer and Mr. Vandenberghe is our Vice Chairman and Chief Financial Officer.

In making its determination with respect to Dr. Fry, the Board noted that until February 2005, Mr. Rossiter served as a Trustee of Northwood University, of which Dr. Fry was President and Chief Executive Officer until early 2006. Mr. Rossiter did not serve on the compensation committee of the Board of Trustees of Northwood. Northwood is a university which prepares and trains students for careers in the automotive industry. Lear actively recruits employees from Northwood and has sponsored automotive programs at Northwood in the past. The Board believes that Mr. Rossiter s uncompensated service as a Trustee of Northwood and Lear s sponsorship of automotive programs at the university furthered the interests of Lear. The Board has concluded that these relationships were not material and that Dr. Fry is independent.

In making its determination with respect to Mr. Intrieri, the Board considered that Mr. Intrieri is employed by, and/or a director of, various entities controlled by Mr. Carl Icahn, who beneficially owned approximately 16% of our outstanding common stock as of December 31, 2006. Lear s business with any of such entities was inconsequential in each of the last three years. The Board also considered the fact that Lear has done business for the past several years with Federal-Mogul Corporation. It is expected that once Federal-Mogul exits bankruptcy court protection, affiliates of Mr. Icahn may, subject to confirmation of Federal-Mogul s pending plan of reorganization, own a controlling interest in it. However, the Board noted that (i) Lear s business with Federal-Mogul was significantly less than the thresholds contained in the NYSE s guidelines and Lear s independence guidelines, (ii) Lear s business relationship with Federal-Mogul predates Mr. Icahn s significant equity interest in the Company, and (iii) Mr. Intrieri is neither employed by, nor a

director of, Federal-Mogul and has had no involvement in Lear s business with Federal-Mogul. The Board has concluded that these relationships are not material and that Mr. Intrieri is independent.

In making its determination with respect to Mr. McCurdy, the Board considered the fact that Mr. McCurdy is the Chairman of the Board of a company (i) in which Mr. Stern is an investor and on the board of which Mr. Stern also serves and (ii) formed by an investment fund in which Mr. Spalding was Vice-Chairman and Mr. Stern is the Chairman. Lear has done no business with such company in the past three years. The Board has concluded that these relationships are not material and that Mr. McCurdy is independent.

In making its determination with respect to Mr. Parrott, the Board considered that one child of Mr. Parrott is currently employed by Lear (in a junior-level materials specialist position at one of our plants) and two other children of Mr. Parrott were previously employed by Lear. None of these family members lives in the same household as Mr. Parrott and none is dependent on him for financial support. Mr. Parrott has not sought or participated in any employment decisions regarding these family members. The Board also considered the fact that Mr. Parrott sits on the board of a foundation that supports a university to which Lear made modest donations and made certain tuition payments on behalf of employees. The Board has concluded that these relationships are not material and that Mr. Parrott is independent.

In making its determination with respect to Mr. Spalding, the Board considered that we employ a brother of Mr. Spalding in a non-executive position (a senior account manager at one of our divisions). The employment relationship is on an arm s-length basis and Mr. Spalding has no involvement or interest, directly or indirectly, in employment decisions affecting his brother. The Board also considered that Mr. Spalding was a director of a company with which Lear has done business in the past few years. Mr. Spalding was also the Vice Chairman of an investment fund that previously held an interest in a company, and currently holds an interest in another company, with which Lear conducted business in the past few years. The amount of such business falls well below NYSE guidelines and Lear s director independence guidelines. In addition, Messrs. Rossiter and Vandenberghe have small investments as limited partners in the investment fund. The Board has concluded that these relationships are not material and that Mr. Spalding is independent.

In making its determination with respect to Mr. Stern, the Board considered that Mr. Stern is a director of a company with which Lear has done business in the past few years and which was previously controlled by the investment fund of which Mr. Stern is the Chairman. Further, the investment fund owns a significant interest in a company with which Lear has conducted business in the past three years. The amount of such business falls well below NYSE guidelines and Lear s director independence guidelines. The Board has concluded that these relationships are not material and that Mr. Stern is independent.

In making its determination with respect to Mr. Wallman, the Board considered that Mr. Wallman is on the board of directors of two companies with which Lear has done business in the last three years. The amount of such business falls well below NYSE guidelines and Lear s director independence guidelines. The Board has concluded that these relationships are not material and that Mr. Wallman is independent.

In addition, the Board also considered the fact that each of Messrs. Fry, Mallett and Stern are board members of certain charities to which Lear made modest donations in the past few years. The donated amounts to these charities fell far below NYSE guidelines and Lear s director independence guidelines. Also, Messrs. McCurdy, Spalding, Stern, Wallace and Wallman have held certain concurrent board memberships at other companies.

Communications to the Board

Stockholders and interested parties can contact the Board (including the presiding director and non-management directors) through written communication sent to Lear Corporation, 21557 Telegraph Road, Southfield, Michigan 48033, Attention: General Counsel. Lear s General Counsel reviews all written communications and forwards to the Board a summary and/or copies of any such correspondence that is directed to the Board or that, in the opinion of the General Counsel, deals with the functions of the Board or Board Committees or that he otherwise determines requires the Board s or any Board Committee s attention.

Concerns relating to accounting, internal accounting controls or auditing matters are immediately brought to the attention of our internal audit department and handled in accordance with procedures established by the Audit Committee with respect to such matters. From time to time, the Board may change the process by which stockholders may communicate with the Board. Any such changes will be reflected in our Corporate Governance Guidelines, which are posted on our website at www.lear.com.

Communications of a confidential nature can be made directly to Lear s non-management directors or the Chairman of the Audit Committee regarding any matter, including any accounting, internal accounting control or auditing matter, by submitting such concerns to the Audit Committee or the Presiding Director. Any submissions to the Audit Committee or the Presiding Director should be marked confidential and addressed to the Chairman of the Audit Committee or the Presiding Director, as the case may be, c/o Lear Corporation, P.O. Box 604, Southfield, Michigan 48037. In addition, confidential communications may be submitted in accordance with other procedures set forth from time to time in our Corporate Governance Guidelines, which are posted on our website at www.lear.com. The submission should contain, to the extent possible, a full and complete description of the matter, the parties involved, the date of the occurrence or, if the matter is ongoing, the date the matter was initiated and any other information that the reporting party believes would assist the Audit Committee or the Presiding Director in the investigation of such matter.

Audit Committee

In 2006, the Audit Committee, which held eight (8) meetings during the year, consisted of Mr. McCurdy, Mr. Stern, Mr. Wallace and Mr. Wallman, all of whom were non-employee directors and currently remain members of the Committee. Mr. McCurdy served as the Chairman of the Audit Committee. The Board has determined that all of the current members of the Audit Committee are independent as defined in the listing standards of the NYSE and that all such members are financially literate. In addition, the Board has determined that Mr. McCurdy, Mr. Wallace and Mr. Wallman are audit committee financial experts, as defined in Item 407(d) of Regulation S-K under the Securities Exchange Act of 1934, as amended, and have accounting or related financial management expertise. Our Corporate Governance Guidelines limit the number of audit committees on which an Audit Committee member can be a member to three or less without approval of the Board. Mr. Wallman serves on the audit committees of three public company boards in addition to our Audit Committee. The Board has determined that such simultaneous service does not impair Mr. Wallman s ability to effectively serve on the Audit Committee and has thus approved the simultaneous service by Mr. Wallman on the Audit Committee and on the audit committees of up to three additional public company boards of directors. For a description of the Audit Committee s responsibilities and findings, see Audit Committee Report beginning on page 170. The Audit Committee operates under a written charter setting forth its functions and responsibilities. A copy of the current charter is available on our website at www.lear.com or in printed form upon request.

Compensation Committee

The Compensation Committee held nine (9) meetings during 2006 and executed one (1) written consent. The Compensation Committee consisted of Messrs. Mallett, Spalding, McCurdy and Wallman, all of whom were non-employee directors and currently remain members of the Committee. Mr. Spalding served as the Chairman of the Compensation Committee. Anne K. Bingaman also served on the Compensation Committee until her resignation from the Board in May 2006. Mr. Mallett was appointed to the Compensation Committee in May 2006. The Compensation Committee has overall responsibility for approving and evaluating director and officer compensation plans, policies and programs of the Company and reviewing the disclosure of such plans, policies and programs to the Company s stockholders in the annual proxy statement. The Board has determined that all of the current members of the Compensation Committee are independent as defined in the listing standards of the NYSE. The Compensation Committee operates under a written charter setting forth its functions and responsibilities. A copy of the current charter is available on our website at www.lear.com or in printed form upon request.

In consultation with the Company s management, the Compensation Committee establishes the general policies relating to senior management compensation and oversees the development and implementation of

such compensation programs. Accordingly, the Company s human resources executives and staff support the Compensation Committee in its work. These members of management work with compensation consultants whose engagements have been approved by the Committee, accountants and legal counsel, as necessary, to implement the Compensation Committee s decisions, to monitor evolving competitive practices and to make compensation recommendations to the Compensation Committee. The Company s human resources management develops specific compensation recommendations for senior executives, which are first reviewed by senior management and then presented to the Compensation Committee and its independent compensation consultant. The Committee has final authority to approve, modify or reject the recommendations and to make its decisions in executive session. The Compensation Committee approves all awards to executive officers. Under the Company s equity award policy, an aggregate equity award pool to non-executives may be approved by the Compensation Committee and allocated to individuals by a committee consisting of the CEO and the Chairman of the Compensation Committee.

The Compensation Committee has retained Towers Perrin as its independent compensation consultant. The consultant reports directly to the Committee as requested but also supports management in the development and recommendation of compensation programs and packages. The Compensation Committee has the sole authority to approve the scope and terms of the engagement of such compensation consultant and to terminate such engagement. The mandate of the consultant is to serve the Company and work for the Committee in its review of executive compensation practices, including the competitiveness of pay levels, design issues, market trends and technical considerations. Towers Perrin has assisted the Committee with the development of competitive market data and a related assessment of the Company s executive compensation levels, evaluation of long-term incentive grant strategy and compilation and review of total compensation data and tally sheets (including data for certain termination and change in control scenarios) for certain of the Company s named executive officers. As part of this process, the Committee also reviewed a comprehensive global survey of peer group companies which was compiled by Towers Perrin in 2006 and is generally compiled every two years.

Executive Committee

The Executive Committee currently consists of Messrs. Stern, McCurdy, Parrott, Rossiter, Spalding and Wallace, with Mr. Stern serving as Chairman. Mr. Wallace was appointed to the Executive Committee in May 2006. The Executive Committee meets, as needed, during intervals between meetings of our Board and may exercise certain powers of our Board relating to the general supervision and control of the business and affairs of the Company. In 2006, the Executive Committee held one meeting and executed four (4) written consents.

Nominating and Corporate Governance Committee

In 2006, the Nominating and Corporate Governance Committee, which held five (5) meetings during the year, consisted of Messrs. Stern, Fry and Mallett, all of whom currently remain members of the Committee. Mr. Stern served as the Chairman of the Nominating and Corporate Governance Committee. The Board of Directors has determined that the current members of the Nominating and Corporate Governance Committee are independent as defined in the listing standards of the NYSE.

The Nominating and Corporate Governance Committee is responsible for, among other things: (i) identifying individuals qualified to become members of the Board, consistent with criteria approved by the Board; (ii) recommending to the Board director nominees for the next annual meeting of the stockholders of Lear; (iii) in the event of a vacancy on or an increase in the size of the Board, recommending to the Board director nominees to fill such vacancy or newly established Board seat; (iv) recommending to the Board director nominees for each committee of the Board; (v) establishing and reviewing annually Lear s Corporate Governance Guidelines and Code of Business Conduct and Ethics; and (vi) reviewing potential conflicts of interest involving executive officers of Lear. The Nominating and Corporate Governance Committee operates under a written charter setting forth its functions and responsibilities. A copy of the current charter is available on our website at www.lear.com or in printed form upon request.

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Special Committee

A Special Committee, comprised of Messrs. McCurdy, Spalding, Stern and Wallace, held one (1) meeting in 2006. The Special Committee was created for the purpose of reviewing final terms of various refinancings in 2006.

Recommendation of Directors by Stockholders

In accordance with its charter, the Nominating and Corporate Governance Committee will consider candidates for election as a director of Lear recommended by any Lear stockholder, provided that the recommending stockholder follows the same procedures set forth in Section 2.3 of Lear s By-Laws for nominations by stockholders of persons to serve as directors.

Pursuant to Section 2.3 of the By-Laws, nominations of persons for election to the Board at a meeting of stockholders may be made by any stockholder of Lear entitled to vote for the election of directors at the meeting who sends a timely notice in writing to the Corporate Secretary of Lear. To be timely, a stockholder s notice must be delivered to, or mailed and received by, the Corporate Secretary of Lear at the principal executive offices of Lear not less than 60 nor more than 90 days prior to the meeting; provided, however, that if Lear has not publicly disclosed the date of the meeting at least 70 days prior to the meeting date, notice may be timely made by a stockholder if received by the Corporate Secretary of Lear not later than the close of business on the tenth day following the day on which Lear publicly disclosed the meeting date. For purposes of the By-Laws, publicly disclosed or public disclosure means disclosure in a press release reported by the Dow Jones News Service, Associated Press or a comparable national news service or in a document publicly filed by us with the SEC.

The stockholder s notice or recommendation is required to contain certain prescribed information about each person whom the stockholder proposes to recommend for election as a director, the stockholder giving notice and the beneficial owner, if any, on whose behalf notice is given. The stockholder s notice must also include the consent of the person proposed to be nominated and to serve as a director if elected. Recommendations should be sent to Lear Corporation, 21557 Telegraph Road, Southfield, Michigan 48033; Attention: Wendy L. Foss, Vice President, Finance & Administration and Corporate Secretary.

A copy of our By-Laws has been filed with the SEC as an exhibit to our Current Report on Form 8-K filed on August 9, 2002.

Criteria for Selection of Directors

The following are the general criteria for the selection of Lear s directors that the Nominating and Corporate Governance Committee utilizes in evaluating candidates for Board membership. None of the following criteria should be construed as minimum qualifications for director selection nor is it expected that director nominees will possess all of the criteria identified. Rather, they represent the range of complementary talents, backgrounds and experiences that the Nominating and Corporate Governance Committee believes would contribute to the effective functioning of our Board. The general criteria set forth below are not listed in any particular order of importance.

Strong automotive background, with an understanding of Lear s customers and markets.

Extensive general business background with a record of achievement.

Financial and accounting expertise.

Gender, racial and geographic diversity.

Strong international experience, particularly in those regions in which Lear seeks to conduct business.

Understands the potential role of technology in the development of Lear s business.

Marketing or sales background in the automotive industry.

Schedule is sufficiently flexible to permit attendance at Board meetings at regularly scheduled times.

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- A contributor but accepting of opinions of others and supportive of decisions that are in the stockholders best interests.

- Able to assimilate complex business problems and analyze them in the context of Lear s strategic goals.

- A team player yet possessing independence to appropriately question and challenge corporate strategy, as required.

The Nominating and Corporate Governance Committee is responsible for, subject to approval by the Board, establishing and periodically reviewing the criteria for Board membership and selection of new directors, including independence standards. The Nominating and Corporate Governance Committee may also recommend to the Board changes to the portfolio of director skills, experience, perspective and background required for the effective functioning of the Board considering Lear s strategy and its regulatory, geographic and market environments. Any such changes to the director selection criteria must be approved by the Board.

The Nominating and Corporate Governance Committee considers candidates for Board membership suggested by its members and other Board members, as well as management and stockholders. Once a potential candidate has been identified, the Nominating and Corporate Governance Committee evaluates the potential candidate based on the Board s criteria for selection of directors (described above) and the composition and needs of the Board at the time.

If a director candidate were to be recommended by a stockholder in accordance with the procedures set forth under Recommendation of Directors by Stockholders above, the Nominating and Corporate Governance Committee would evaluate such candidate in the same manner in which it evaluates other director candidates considered by the committee.

The Nominating and Corporate Governance Committee has approved the retention of Russell Reynolds Associates, Inc., a third-party search firm, to assist the committee with its search for qualified director candidates. The firm has the task of identifying potential director candidates based on the criteria for the selection of Lear s directors approved by the Board of Directors.

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DIRECTOR COMPENSATION

Compensation of Directors

As described more fully below, the following chart summarizes the annual compensation for our non-employee directors during 2006.

Name	Fees Earned or Paid in Cash ($)(1)(2)	Stock Awards ($)(2)(3)	Options Awards ($)(2)(3)	Total($)
Anne K. Bingaman*	$ 34,500	$ (20,417)		$ 14,083
David E. Fry	$ 64,500	$ 77,917	$ 13,549	$ 155,966
Vincent J. Intrieri**	$ 12,750			$ 12,750
Conrad L. Mallett, Jr.	$ 72,000	$ 77,917	$ 13,549	$ 163,466
Larry W. McCurdy	$ 114,000	$ 77,917	$ 13,549	$ 205,466
Roy E. Parrott	$ 58,500	$ 77,917	$ 13,549	$ 149,966
David P. Spalding	$ 83,500	$ 77,917	$ 13,549	$ 174,966
James A. Stern	$ 89,500	$ 77,917	$ 13,549	$ 180,966
Henry D.G. Wallace	$ 70,500	$ 77,917		$ 148,417
Richard F. Wallman	$ 82,500	$ 77,917	$ 13,549	$ 173,966

* Ms. Bingaman resigned from the Board effective May 31, 2006.

** Mr. Intrieri was elected to the Board on November 9, 2006.