FORM 10-K

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

(Mark One)
[x] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended DECEMBER 31, 1997.

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____.

COMMISSION FILE NUMBER: 1-11311

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

DELAWARE	13-3386776
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
21557 TELEGRAPH ROAD, SOUTHFIELD, MI	48086-5008
(Address of principal executive offices)	(zip code)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE: (248) 746-1500

SECURITIES REGISTERED PURSUANT TO SECTION 12(B) OF THE ACT:

TITLE OF EACH CLASS	NAME OF EACH EXCHANGE ON WHICH REGISTERED
Common Stock, par value $.01 per share	New York Stock Exchange

SECURITIES REGISTERED PURSUANT TO SECTION 12(G) OF THE ACT: NONE

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.
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As of March 3, 1998, the aggregate market value of the registrant's Common Stock, par value $.01 per share, held by non-affiliates of the registrant was $3,622,846,056. The closing price of the Common Stock on March 3, 1998 as reported on the New York Stock Exchange was $54 7/16 per share.

As of March 3, 1998, the number of shares outstanding of the registrant's Common Stock was 67,006,857 shares.

DOCUMENTS INCORPORATED BY REFERENCE

Certain sections of the registrant's Notice of Annual Meeting of Stockholders and Proxy Statement for its Annual Meeting of Stockholders to be held on May 14, 1998, as described in the Cross-Reference Sheet and a Table of Contents included herewith, are incorporated by reference into Part III of this Report.

CROSS REFERENCE SHEET
AND
TABLE OF CONTENTS

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(1) Certain information is incorporated by reference, as indicated below, from the registrant's Notice of Annual Meeting of Stockholders and Proxy Statement for its Annual Meeting of Stockholders to be held on May 14, 1998 (the "Proxy Statement").

(2) Proxy Statement sections entitled "Election of Directors" and "Management and Directors."

(3) Proxy Statement section entitled "Executive Compensation."

(4) Proxy Statement section entitled "Management and Directors - Security Ownership of Certain Beneficial Owners and Management."

(5) Proxy Statement section entitled "Certain Transactions."

PART I

ITEM 1 - BUSINESS

As used in this Report, unless the context otherwise requires, the "Company" or "Lear" refers to Lear Corporation and its consolidated subsidiaries. A significant portion of the Company's operations are conducted through wholly-owned subsidiaries of Lear Corporation.

BUSINESS OF THE COMPANY

GENERAL

Lear is the largest supplier of automotive interior systems in the estimated $48 billion global automotive interior systems market and one of the ten largest independent automotive suppliers in the world. The Company has experienced substantial growth in market presence and profitability over the last five years as a result of both internal growth and acquisitions. The Company's sales have grown from approximately $2.0 billion for the year ended December 31, 1993 to over $7.3 billion for the year ended December 31, 1997, a compound annual growth rate of 39%. In addition, the Company's operating income has grown from $79.6 million for the year ended December 31, 1993 to $481.1 million for the year ended December 31, 1997, a compound annual growth rate of 57%. The Company's present customers include 27 original equipment manufacturers ("OEMs"), the most significant of which are Ford, General Motors, Fiat, Chrysler, Volvo, Saab, Volkswagen and BMW. As of December 31, 1997, the Company employed over 50,000 people in 25 countries and operated 179 manufacturing, technology, product engineering and administration facilities.

Lear has in-house capabilities in all five principal automotive interior segments: seat systems; floor and acoustic systems; door panels; instrument panels; and headliners. In addition, as one of the leading global suppliers of interior systems and components to OEMs, Lear is able to offer its customers design, engineering and project management support for the entire automotive interior. Management believes that the ability to offer automotive interior "one-stop-shopping" provides Lear with a competitive advantage as OEMs continue to reduce their supplier base and demand improved quality and enhanced technology. In addition, the Company's broad array of products and process offerings enables it to provide each customer with products tailored to its particular needs.

Lear is focused on delivering high quality automotive interior systems and components to its customers on a global basis. Due to the opportunity for significant cost savings and improved product quality and consistency, OEMs have increasingly required their suppliers to manufacture automotive interior systems and components in multiple geographic markets. In recent years, the Company has aggressively expanded its operations in Western Europe and emerging markets in Eastern Europe, South America, South Africa and the Asia/Pacific Rim region, giving it the capability to provide its products on a global basis to its OEM customers. In 1997, the Company implemented a new management structure to support the global growth and as a result there are now two Chief Operating Officers, one in charge of international operations and one in charge of North American and South American operations. Also in 1997, the Company launched new business for Audi and Porsche in Western Europe, expanded its seat system program for Fiat in South America and commenced interior systems production for Ford in China. In 1996, Lear entered into a joint venture to supply seat systems in Thailand to a joint venture between Ford and Mazda. In addition, during 1996 Lear was awarded a contract to supply seat and interior trim systems in Argentina for Ford's Ranger program and began its production of seat systems for the Palio (Fiat's world car) in Brazil. Since late 1995, the Company has also established joint ventures in Brazil and Argentina and has opened facilities in South Africa, India, Indonesia, Australia and Venezuela. As a result of the Company's efforts to expand its worldwide operations, the Company's sales outside the United States and Canada have grown from $0.6 billion, or 30.4% of the Company's net sales, for the year ended December 31, 1993 to $2.7 billion, or 36.5% of the Company's net sales, for the year ended December 31, 1997.

In 1997, Lear held a 14% share of the estimated $48 billion global automotive interior market. In addition, the Company in 1997 held a leading 37% share of the estimated $8.2 billion North American seat systems market and a 40% share of the estimated $1.5 billion North American floor and acoustic systems market. In 1997, the Company was also a leading independent supplier to the estimated $7.5 billion Western European seat systems market, with an 18% share. The door panel, headliner and instrument panel segments of the automotive interior market contain no dominant independent supplier and are in the early stages of the outsourcing and/or consolidation process. The Company believes that the same competitive pressures that contributed to the rapid expansion of its seat systems business in North America since 1983 will continue to encourage OEMs in automotive markets around the world to outsource more of their door panel, headliner and instrument panel requirements.

The Company is the successor to a manufacturer of automotive steel components founded in 1917 that served as a supplier to General Motors and Ford from its inception.

STRATEGY

Lear's business objective is to expand its position as the leading supplier of automotive interior systems in the world. Lear intends to build on its full-service capabilities, strong customer relationships and worldwide presence to increase its share of the global automotive interior market. To achieve this objective, the Company intends to continue to pursue a strategy based upon the following elements:

- - Enhance its Strong Relationships with OEMs. The Company's management has developed strong relationships with its 27 OEM customers which allow Lear to identify business opportunities and anticipate customer needs in the early stages of vehicle design. Management believes that working closely with OEMs in the early stages of designing and engineering vehicle interior systems gives it a competitive advantage in securing new business. Lear maintains "Customer Focused Divisions" for each of its major customers. This organizational structure consists of several dedicated groups, each of which is focused on serving the needs of a single customer and supporting that customer's programs and product development. Each division can provide all the interior systems and components the customer needs, allowing that customer's purchasing agents, engineers and designers to have a single point of contact. Lear maintains an excellent reputation with OEMs for timely delivery and customer service and for providing world class quality at competitive prices. As a result of the Company's service and performance record, many of the Company's facilities have won awards from OEMs with which they do business.

- - Penetrate Emerging Markets. Geographic expansion will continue to be an important element of the Company's growth strategy. In 1997, more than two-thirds of total worldwide vehicle production occurred outside the United States and Canada. Emerging markets such as South America and the Asia/Pacific Rim region present strong global growth opportunities as demand for automotive vehicles has been increasing dramatically in these areas. For example, from 1991 through 1997, sales of light vehicles in China have increased nearly 392%, while sales in Brazil have increased over 146%. It is anticipated that population and per capita income in China, Brazil and other emerging markets will continue to increase. Industry analysts forecast that these underlying trends will result in continued strong increases in light vehicle sales in these and certain other emerging markets. As a result of Lear's strong customer relationships and worldwide presence, management believes that the Company is well positioned to expand with OEMs in emerging markets.

- - Capitalize on New Outsourcing Opportunities. The door panel, Western European instrument panel and headliner segments of the automotive interior market contain no dominant independent supplier and are in the early stages of the outsourcing and/or consolidation process. These segments constituted over 20% of the total estimated $48 billion global automotive interior market in 1997. The Company believes that the same competitive pressures that contributed to the rapid expansion of its seat systems business in North America since 1983 will continue to encourage customers to outsource more of their door, instrument panel and headliner system and component requirements. In addition, management believes that as the outsourcing of these systems accelerates and OEMs continue their worldwide expansion and seek ways to improve vehicle quality and reduce costs, OEMs will increasingly look to independent suppliers such as Lear, to fill the role of "Systems Integrator" to manage the design, purchasing and supply of the total automotive interior. In 1997, Lear was named the interior systems integrator for a high profile Chrysler vehicle. Management believes that Lear's full service capabilities make it well positioned to obtain additional systems integrator awards.

- - Invest in Product Technology and Design Capability. Lear has made substantial investments in product technology and product design capability to support its products. The Company maintains six advanced technology centers and twenty-one customer focused product engineering centers where it designs and develops new products and conducts extensive product testing. The Company also has state-of-the-art acoustics testing, instrumentation and data analysis capabilities. Lear's investments in research and development are consumer-driven and customer-focused. The Company conducts extensive analysis and testing of consumer responses to automotive interior styling and innovations. Because OEMs increasingly view the vehicle interior as a major selling point to their customers, the focus of Lear's research and development efforts is to identify new interior features that make vehicles safer, more comfortable and attractive to consumers. For example, in 1997, the Company introduced the Revolution(TM) Seat Module. The Revolution(TM) Seat Module utilizes a unique seat frame that can be fitted with a wide variety of the Company's seat backs and cushions to meet the needs of a range of different vehicles. The Revolution(TM) Seat Module simplifies and standardizes seat system assembly, enhances interior room and lowers total vehicle costs. Additionally, in 1997, Lear expanded upon its One-Step(TM) door product and introduced the One Step(TM) liftgate. Similar to the One Step(TM) door, this product incorporates all necessary componentry, including hardware, electrical, glass and interior trim, while providing unique structural integrity which allows for both vehicle weight and cost savings.

- - Utilize Worldwide JIT Facility Network. Beginning in the 1980s, Lear established facilities, most of which were, and still are, dedicated to a single customer, that allow it to receive components from its suppliers on a just-in-time ("JIT") basis and deliver seat systems to its customers on a sequential JIT basis. This process minimizes inventories and fixed costs for both the Company and its customers and enables the Company to deliver products in as little as 90 minutes notice. In many cases, by carefully managing floor space and overall efficiency, Lear can move the final assembly and sequencing of other interior systems and components from centrally located facilities to its existing JIT facilities. Management believes that the efficient utilization of the Company's JIT facilities located around the world is an important aspect of Lear's global growth strategy and, together with the Company's system integration skills, provides Lear with a significant competitive advantage in terms of delivering total interior systems to OEMs.

- - Grow Through Strategic Acquisitions. Strategic acquisitions have been, and management believes will continue to be, an important element in the Company's worldwide growth and in its efforts to capitalize on the outsourcing and supplier consolidation trends. The Company seeks acquisitions which strengthen Lear's relationships with OEMs, complement Lear's existing products and process capabilities and provide Lear with growth opportunities in new markets. The Company has made eight acquisitions since 1993 and will continue to consider strategic acquisitions that provide opportunities to enhance its market position, expand its global presence, increase its product offerings, improve its technological capabilities or enhance customer relationships.

The development and use of these strategies has been, and management believes will continue to be, an important element in the Company's future growth. For automotive vehicles manufactured in North America, Lear's total content per vehicle has increased from $112 per vehicle in the fiscal year ended December 31, 1993 to $320 per vehicle in the fiscal year ended December 31, 1997. For automotive vehicles manufactured in Western Europe, Lear's total content per vehicle has increased from $34 per vehicle in the fiscal year ended December 31, 1993 to $123 per vehicle in the fiscal year ended December 31, 1997. For automotive vehicles manufactured in South America, Lear's total content per vehicle has increased from $1 per vehicle in the fiscal year ended December 31, 1995 to $129 per vehicle in the fiscal year ended December 31, 1997.

ACQUISITIONS

To supplement its internal growth and implement its business strategy, the Company has made several strategic acquisitions since 1990. The following is a summary of recent major acquisitions:

ITT Automotive's Seat Sub-Systems Unit Acquisition

On August 25, 1997, the Company acquired the Seat Sub-Systems Unit of ITT Automotive, a division of ITT Industries ("ITT Seat Sub-Systems"). ITT Seat Sub-Systems was a North American supplier of power seat adjusters and power recliners with 1996 sales to non-Lear facilities of approximately $115 million.

Keiper Seating Acquisition

On July 31, 1997, the Company acquired certain equity and partnership interests in Keiper Car Seating GmbH&Co and certain of its subsidiaries and affiliates (collectively, "Keiper Seating") for DM 400 million (approximately $252.5 million). Keiper was a leading supplier of automotive vehicle seat systems on a JIT basis for markets in Germany, Hungary, Italy, Brazil and South Africa, and had 1996 sales of approximately $615 million. Management believes that the Keiper acquisition will strengthen Lear's core seat system business, expand Lear's presence in Europe, Brazil and South Africa and strengthen Lear's relationships with Mercedes Benz, Audi, Volkswagen and Porsche.

Dunlop Cox Acquisition

On June 5, 1997, the Company acquired all of the outstanding shares of capital stock of Dunlop Cox Limited ("Dunlop Cox"). Dunlop Cox, based in Nottingham, England, provides Lear with the ability to design and manufacture manual and electronically-powered automotive seat adjusters. For the year ended December 31, 1996, Dunlop Cox had sales of approximately $39 million.

Borealis Acquisition

On December 10, 1996, the Company acquired all of the issued and outstanding shares of common stock of Borealis Industrier, A.B. ("Borealis"), a leading Western European supplier of instrument panels, door panels and other automotive components. The acquisition of Borealis provided the Company with the technology to manufacture instrument panels, giving the Company the ability to produce all five principal automotive interior systems. Borealis also produced door panels, climate systems, exterior trim and

various components for the Western European automotive, light truck and heavy truck industries. In addition, the Borealis acquisition increased the Company's presence in the Western European market and strengthened its relationships with Volvo, Saab and Scania. The aggregate purchase price for the Borealis acquisition was approximately $91.1 million.

Masland Acquisition

On July 1, 1996, the Company completed the acquisition of all of the issued and outstanding shares of common stock of Masland Corporation ("Masland") for an aggregate purchase price of $473.8 million. The acquisition of Masland gave Lear manufacturing capabilities to produce floor and acoustic systems. In 1997, as a result of the Masland acquisition, Lear held a 40% share of the estimated $1.5 billion North American floor and acoustic systems market. Also as a result of the Masland acquisition, Lear became a major supplier of interior and luggage trim component and other acoustical products which are designed to minimize noise, vibration and harshness for passenger cars and light trucks. The Masland acquisition also provided Lear with access to certain leading-edge technology. Its 33,000 square foot Technology Center in Plymouth, Michigan provides full service acoustics testing, design, product engineering, systems integration and program management.

AI Acquisition

On August 17, 1995, the Company acquired all of the issued and outstanding shares of common stock of Automotive Industries Holding, Inc. ("AI"), a leading designer and manufacturer of high quality interior systems and blow molded plastic parts to automobile and light truck manufacturers. Prior to the AI acquisition, Lear had participated primarily in the seat systems segment of the interior market, which comprises approximately 50% of the total combined worldwide interior market. By providing the Company with substantial manufacturing capabilities in door panels and headliners, the AI acquisition made Lear one of the largest independent Tier I suppliers of automotive interior systems in the North American and Western European light vehicle interior market.

FSB Acquisition

On December 15, 1994, the Company, through its wholly-owned subsidiary, Lear Seating Italia Holdings, S.r.L., acquired the primary automotive seat systems supplier to Fiat and certain related businesses (the "Fiat Seat Business" or the "FSB"). Lear and Fiat also entered into a long-term supply agreement for Lear to produce all outsourced automotive seat systems for Fiat and affiliated companies worldwide. The acquisition of the Fiat Seat Business not only established Lear as a market leader in automotive seat systems in Europe, but, combined with its position in North America, made Lear one of the largest automotive seat systems manufacturers in the world. In addition, it gave the Company access to rapidly expanding markets in South America and has resulted in the formation of new joint ventures which are supplying automotive seat systems to Fiat or its affiliates in Brazil and Argentina.

NAB Acquisition

On November 1, 1993, Lear significantly strengthened its position in the North American automotive seating market by purchasing the North American seat cover and seat systems business (the "NAB") of Ford Motor Company. The NAB consisted of an integrated United States and Mexican operation which produced seat covers for approximately 80% of Ford's North American vehicle production (as well as for several independent suppliers) and manufactures seat systems for certain Ford models. Prior to the NAB acquisition, the Company outsourced a significant portion of its seat cover requirements. The expansion of the Company's seat cover business has provided Lear with better control over the costs and quality of one of the critical components of a seat system. In addition, by virtue of the NAB Acquisition, the Company has enhanced its relationship with one of its largest OEM customers, entering into a five year supply agreement with Ford, which expires in November 1998, covering models for which the NAB had produced seat covers and seat systems at the time of the acquisition. The Company also assumed during the term of the supply agreement primary engineering responsibility for a substantial portion of Ford's car models, providing Lear with greater involvement in the planning and design of seat systems and related products for future light vehicle models.

Other

On February 24, 1998, the Company signed an agreement to negotiate exclusively to acquire the seating business of Delphi Automotive Systems, a division of General Motors Corporation ("Delphi Seating"). Delphi Seating is a leading supplier of seat systems to General Motors. The Delphi Seating acquisition is expected to close in the second quarter of 1998. However, there can be no assurances that the Delphi Seating acquisition will be consummated.

PRODUCTS

Lear's products have evolved from the Company's many years of manufacturing experience in the automotive seat frame market where it has been a supplier to General Motors and Ford since its inception in 1917. The seat frame has structural and safety requirements which make it the basis for overall seat design and was the logical first step to the Company's emergence as a premier supplier of entire seat systems and seat components. With the acquisitions of Borealis, Masland and AI, the Company has expanded its product offerings and can now manufacture and supply its customers with complete interiors, including floor and acoustic systems, door panels, instrument panels and headliners. The Company also produces a variety of blow molded products and other automotive components such as fluid reservoirs, fuel tank shields, exterior airdams, front grille assemblies, engine covers, battery trays/covers and insulators. Lear believes that as OEMs continue to seek ways to improve vehicle quality while simultaneously reducing the costs of the various vehicle components, they will increasingly look to suppliers such as Lear with the capability to test, design, engineer and deliver products for a complete vehicle interior. In addition, with the Borealis, Masland and AI Acquisitions, the Company believes that it has significant cross-selling opportunities across its customer base as well as its vehicle platforms and is well-positioned to expand its position as the leading supplier of automotive interior systems and components in the world.

The following is the approximate composition by product category of the Company's net sales in the year ended December 31, 1997: seat systems, $4.8 billion; floor and acoustic systems, $0.6 billion; door panels, $0.3 billion; headliners, $0.1 billion; instrument panels $.1 billion; and other components, including tier II sales, $1.4 billion.

- - Seat Systems. The seat systems business consists of the manufacture, assembly and supply of vehicle seating requirements. Seat systems typically represent approximately 50% of the cost of the total automotive interior. The Company produces seat systems for automobiles and light trucks that are fully finished and ready to be installed in a vehicle. Seat systems are fully assembled seats, designed to achieve maximum passenger comfort by adding a wide range of manual and power features such as lumbar supports, cushion and back bolsters and leg and thigh supports.

As a result of its product technology and product design strengths, the Company has been a leader in incorporating convenience features and safety improvements into its seat designs. The Company has also developed methods to reduce its customers costs to install seating. For example, in 1997, the Company showcased the Revolution(TM) Seat Module. The Revolution(TM) Seat Module utilizes a unique seat frame that can be fitted with a wide variety of the Company's seat backs and cushions to meet the needs of a range of different vehicles. The Revolution(TM) Seat Module simplifies and standardizes seat system assembly, enhances interior room and lowers total vehicle costs. Additionally, in 1997, Lear began production of the ventilated seat for SAAB, which draws heat and moisture away from the seat with fans that are embedded in the seat cushions. In addition, Lear has increased production of its new integrated restraint seat system that increases occupant comfort and convenience. Licensed exclusively to Lear, this patented seating concept uses a special ultra high-strength steel tower, a blow-molded seat back frame and a split-frame design to improve occupant comfort and convenience. Other recent product ideas include newly developed fabric seat heaters, a lightweight "ultra low mass seat," and a Code-Alarm(TM) integrated seat, which includes a security device that automatically moves the back of the driver seat against the steering wheel to deter automobile theft.

Lear's position as a market leader in seat systems is largely attributable to seating programs on new vehicle models launched in the past five years. The Company is currently working with customers in the development of a number of seat systems products to be introduced by automotive manufacturers in the future.

- - Floor and Acoustic Systems. Floor systems consist both of carpet and vinyl products, molded to fit precisely the front and rear passenger compartments of cars and trucks, and accessory mats. While carpet floors are used predominately in passenger cars and trucks, vinyl floors, because of their better wear and washability characteristics, are used primarily in commercial and fleet vehicles. The Company is one of the largest independent suppliers of vinyl automotive floor systems in North America, and one of the only suppliers of both carpet and vinyl automotive floor systems. With the Masland acquisition, the Company acquired Maslite(TM), a material that is 40% lighter than vinyl, which has replaced vinyl accessory mats on selected applications.

The automotive floor system is multi-purpose. Its performance is based on the correct selection of materials to achieve an attractive, quiet, comfortable and durable interior compartment. Automotive carpet requirements are more stringent than the requirements for carpet used in homes and offices. For example, automotive carpet must provide higher resistance to fading and improved resistance to wear despite being lighter in weight than carpet found in homes and offices. Masland's significant experience has enabled the Company to meet these specialized needs. Carpet floor systems generally consist of tufted carpet to which a specifically engineered thermoplastic backcoating has been added. This backcoating, when heated, enables the Company to mold the carpet to fit precisely the interior of the vehicle. Additional insulation materials are added to provide noise, vibration and harshness

resistance. Floor systems are complex products which are based on sophisticated designs and use specialized design materials to achieve the desired visual, acoustic and heat management requirements in the automotive interior.

Lear's primary acoustic product, after floor systems, is the dash insulator. The dash insulator attaches to the vehicle's sheet metal firewall, separating the passenger compartment from the engine compartment, and is the primary component for preventing engine noise and heat from entering the passenger compartment. The Company's ability to produce both the dash insulator and the floor system enables it to accelerate the design process and supply an integrated system. The Company believes that OEMs, recognizing the cost and quality advantages of producing the dash insulator and the floor system as an integrated system, will increasingly seek suppliers to coordinate the design, development and manufacture of the entire floor and acoustic system.

In 1997, the Company held a 40% share in the estimated $1.5 billion North American floor and acoustic systems market. In addition, the Company participates in the European floor systems market through its joint venture with Sommer-Allibert S.A.

- - Door Panels. Door panels consist of several component parts that are attached to a base molded substrate by various methods. Specific components include vinyl or cloth-covered appliques, armrests, radio speaker grilles, map pocket compartments, carpet and sound-reducing insulation. Upon assembly, each component must fit precisely, with a minimum of misalignment or gap, and must match the color of the base substrate. In 1997, Lear introduced the One-Step(TM) liftgate, which includes many of the features integrated in the One-Step(TM) door including an innovative system which consolidates all of the liftgate's internal mechanisms, including glass, window regulators and latches, providing customers with a higher quality product at a lower price. Assembly of the One-Step(TM) liftgate involves combining an injection molded plastic trim panel with all major mechanical components into a single system which can be shipped to OEMs fully assembled, tested and ready to install. Management believes that both the One-Step(TM) door and One-Step(TM) liftgate, while not yet in production, offer Lear significant opportunities to capture a major share of the estimated $10 billion modular door market.

In 1997, among independent automotive interior suppliers, the Company held a leading 14% share of the estimated $1.7 billion North American door panel market. Management believes that this leadership position has been achieved by offering OEMs the widest variety of manufacturing processes for door panel production. In Western Europe, the Company held a small position in the door panel market. These markets contain no dominant supplier and are just beginning to experience the outsourcing and consolidation trends that have characterized the seat systems market since the 1980's. With its global scope, technological expertise and established customer relationships, Lear believes that it is well-positioned to benefit from these positive industry dynamics.

- - Instrument Panels. The instrument panel is a complex system of foil coverings, foams, plastics and metals designed to house various components and act as a safety device for the vehicle occupants. Specific components of the instrument panel include the heating, venting and air conditioning (HVA/C) module, air distribution ducts, air vents, cross car structure, glove compartment assemblies, electrical components, wiring harness, radio system, and passenger airbag units. As the primary occupant focal point of the vehicle interior, the instrument panel is designed to be aesthetically pleasing while also serving as the structural carrier of various components.

Safety issues surrounding air bag technologies are currently a significant focus of the instrument panel segment. Lear will continue to seek to increase its presence in this area through its research and development efforts, resulting in innovations such as the introduction of cost effective, integrated, seamless airbag covers, which increase occupant safety. Management believes that future trends in the instrument panel segment will continue to focus on safety.

Cost, weight and part minimization are also key elements in instrument panel development for the next generation of vehicle systems. Lear's goals are to meet future OEM requirements by increasing the integration level of instrument panel components, and by incorporating additional safety features on the primary carrier. Currently, the majority of instrument panel components are assembled at the assembly plant by the OEM. By utilizing its years of JIT assembly experience of complex automotive interior systems, management believes Lear has the ability to capitalize on the OEMs' trend toward outsourcing of complete modular systems and to increase its share of the worldwide instrument panel market.

- - Headliners. The Company designs and manufactures headliners, which consist of the headliner substrate, covering material, visors, overhead consoles, grab handles, coat hooks, lighting, wiring and insulators. As with door panels, upon assembly, each headliner component must fit precisely and must match the color of the base substrate. With its sophisticated design and engineering capabilities, the Company believes it is able to supply headliners with enhanced quality and lower costs than OEMs could achieve internally.

OEMs are increasingly requiring independent suppliers, such as Lear to produce integrated overhead systems. In 1997, Lear introduced an advanced overhead system which incorporates HVA/C ducting, an occupant position detection system, CD changer,

trim inflatable tubular structure side air bags and surround sound speakers into a single integrated overhead system. The Company believes that as this and other products move from the design stage to the production stage over the next several years, Lear will have significant opportunities to increase its share of the headliner market. In 1997, the Company created a joint venture with Donnelly Corporation for the design, development, marketing and production of overhead systems for the global automotive market.

The headliner market is highly fragmented, with no dominant independent supplier. As OEMs continue to seek ways to improve vehicle quality and simultaneously reduce costs, the Company believes that headliners will increasingly be outsourced to suppliers such as Lear, providing the Company with significant growth opportunities.

- - Component Products. In addition to the interior systems and other products described above, the Company is able to supply a variety of interior trim, blow molded plastic parts and other automotive components.

Lear produces seat covers for integration into its own seat systems and for delivery to external customers. The Company's major external customers for seat covers are other independent seat systems suppliers as well as the OEMs. The Company is currently producing approximately 80% of the seat covers for Ford's North American vehicles. The expansion of the Company's seat cover business gives the Company better control over the costs and quality of one of the critical components of a seat system. Typically, seat covers comprise approximately 30% of the aggregate cost of a seat system.

Lear produces steel and aluminum seat frames for passenger cars and light trucks. Seat frames are primarily manufactured using precision stamped, tubular steel and aluminum components joined together by highly automated, state-of-the-art welding and assembly techniques. The manufacture of seat frames must meet strict customer and government specified safety standards. The Company's seat frames are either delivered to its own plants, where they become part of a complete seat system that is sold to the OEM customer or are delivered to other independent seating suppliers for use in the manufacture of assembled seating systems.

The Company also produces a variety of interior trim products, such as pillars, cowl panels, scuff plates, trunk liners, quarter panels and spare tire covers, as well as blow molded plastic products, such as fluid reservoirs, vapor canisters and duct systems. In contrast to interior trim products, blow molded products require little assembly. However, the manufacturing process for such parts demands considerable expertise in order to consistently produce high-quality products. Blow molded parts are produced by extruding a shaped parison or tube of plastic material and then clamping a mold around the parison. High pressure air is introduced into the tube causing the hot plastic to take the shape of the surrounding mold. The part is removed from the mold after cooling and is finished by trimming, drilling and other operations.

MANUFACTURING

All of the Company's manufacturing facilities use JIT manufacturing techniques. Most of the Company's seating related products and many of the Company's other interior products are delivered to the OEMs on a JIT basis. The JIT concept, first broadly utilized by Japanese automotive manufacturers, is the cornerstone of the Company's manufacturing and supply strategy. This strategy involves many of the principles of the Japanese system, but was adapted for compatibility with the greater volume requirements and geographic distances of the North American market. The Company first developed JIT operations in the early 1980's at its seat frame manufacturing plants in Morristown, Tennessee and Kitchener, Ontario, Canada. These plants had previously operated under traditional manufacturing practices, resulting in relatively low inventory turnover rates, significant scrap and rework, a high level of indirect labor costs and long production set-up times. As a result of JIT manufacturing techniques, the Company has been able to consolidate plants, increase capacity and significantly increase inventory turnover, quality and productivity.

The JIT principles first developed at Lear's seat frame plants were next applied to the Company's growing seat systems business and have now evolved into sequential parts delivery principles. The Company's seating plants are typically no more than 30 minutes or 20 miles from its customers' assembly plants and are able to manufacture seats for delivery to the customers' facilities in as little as 90 minutes. Orders for the Company's seats are received on a weekly basis, pursuant to blanket purchase orders for annual requirements. These orders detail the customers' needs for the following week. In addition, constant computer and other communication connections are maintained between personnel at the Company's plants and personnel at the customers' plants to keep production current with the customers' demand.

As the Company expands its product line to include total automotive interiors, it is also expanding its JIT facility network. The Company's strategy is to leverage its JIT seat system facilities by moving the final assembly and sequencing of other interior components from its centrally located facilities to its JIT facilities.

A description of the Company's manufacturing processes for its product segments is set forth below.

- - Seat Systems. Seat assembly techniques fall into two major categories, traditional assembly methods (in which fabric is affixed to a frame using Velcro, wire or other material) and more advanced bonding processes. The Company's principal bonding technique involves its patented SureBond(TM) and DryBond(TM) processes, in which fabric is affixed to the underlying foam padding using adhesives. The SureBond(TM) and DryBond(TM) processes have several major advantages when compared to traditional methods, including design flexibility, increased quality and lower cost. The SureBond(TM) and DryBond(TM) processes, unlike alternative bonding processes, result in a more comfortable seat in which air can circulate freely. The SureBond(TM) and DryBond(TM) processes, moreover, are reversible, so that seat covers that are improperly installed can be removed and repositioned properly with minimal materials cost. In addition, the SureBond(TM) and DryBond(TM) processes are not capital intensive when compared to competing bonding technologies. Approximately one-fourth of the Company's seats are manufactured using the SureBond(TM) and DryBond(TM) processes.

The seat assembly process begins with pulling the requisite components from inventory. Inventory at each plant is kept at a minimum, with each component's requirement monitored on a daily basis. This allows the plant to minimize production space, but also requires precise forecasts of the day's output. Seats are assembled in modules, then tested and packaged for shipment. The Company operates a specially designed trailer fleet that accommodates the off-loading of vehicle seats at the customers' assembly plants.

The Company obtains steel, aluminum and foam chemicals used in its seat systems from several producers under various supply arrangements. These materials are readily available. Leather, fabric and certain purchased components are generally purchased from various suppliers under contractual arrangements usually lasting no longer than one year. Some of the purchased components are obtained through the Company's own customers.

- - Floor and Acoustic Systems. The Company produces carpet at its plant in Carlisle, Pennsylvania. Smaller "focused" facilities are dedicated to specific groups of customers and are strategically located near their production facilities. This proximity improves responsiveness to its customers and speeds product delivery to customer assembly lines, which is done on a JIT basis. The Company's manufacturing operations are complemented by its research and development efforts, which have led to the development of a number of proprietary products, such as its EcoPlus(TM) recycling process as well as Maslite(TM), a lightweight proprietary material used in the production of accessory mats.

- - Door Panels/Headliners. The Company uses numerous molding, bonding, trimming and finishing manufacturing processes. The wide variety of manufacturing processes helps to satisfy a broad range of customers' different cost and functionality specifications. The Company's ability and experience in producing interior products for such a vast array of applications enhances its ability to provide total interior solutions to OEMs globally. The Company is beginning to employ many of the same JIT principles used at the Company's seat facilities.

The core technologies used in the Company's door panel and headliner systems include injection molding, low-pressure injection molding, rotational molding and urethane foaming, compression molding of Wood-Stock(TM) (a proprietary process that combines polypropylene and wood flour), glass reinforced urethane and a proprietary headliner process. One element of Lear's strategy is to focus on more complex, value-added products such as door panels and armrests. The Company delivers these integrated systems at attractive prices to the customer because certain services such as design and engineering and sub-assembly are provided more cost efficiently by the Company. The principal purchased components for interior trim systems are polyethylene and polypropylene resins which are generally purchased under long-term agreements and are available from multiple suppliers. Lear is continuing to develop recycling methods in light of future environmental requirements and conditions in order to maintain its competitive edge in this segment.

The combined pressures of cost reduction and fuel economy enhancement have caused automotive manufacturers to concentrate their efforts on developing and employing lower cost, lighter materials. As a result, plastic content in cars and light trucks has grown significantly. Increasingly, automotive content requires large plastic injection molded assemblies for both the interior and exterior. Plastics are now commonly used in such nonstructural components as interior and exterior trim, door panels, instrument panels, grilles, bumpers, duct systems, taillights and fluid reservoirs. For interior trim applications, substitution of plastics for other materials is largely complete, and little growth through substitution is expected. However, further advances in injection molding technologies are improving the performance and appearance of parts molded in reinforced thermoplastics.

- - Instrument Panels. Lear's in-house process capabilities for producing instrument panels include injection molding, vacuum forming, and other various finishing methods. Lear's foil and foam capabilities, whereby molded vinyl is bonded to a plastic substrate using an expandable foam, are used throughout the world. One of Lear's current development projects is an instrument panel concept for trucks

produced with low pressure injection molding which management believes will be in production by the second quarter of 1998. Lear is continuing to develop recycling methods in light of future environmental requirements and conditions in order to reduce costs and increase its presence in this segment. The wide variety of available manufacturing processes helps Lear to continue to meet customer cost and functionality specifications.

CUSTOMERS

Lear serves the worldwide automobile and light truck market, which produces approximately 50 million vehicles annually. The Company's OEM customers currently include Ford, General Motors, Fiat, Chrysler, Volvo, Saab, Opel, Jaguar, Volkswagen, Audi, BMW, Rover, Honda USA, Daimler (Mercedes) Benz, Mitsubishi, Mazda, Toyota, Subaru, Nissan, Isuzu, Peugeot, Porsche, Renault, Suzuki, Saturn, Hyundai and Daewoo. During the year ended December 31, 1997, Ford and General Motors, the two largest automobile and light truck manufacturers in the world, accounted for approximately 29% and 27%, respectively, of the Company's net sales. For additional information regarding customers, foreign and domestic operations and sales, see Note 15, "Geographic Segment Data," to the consolidated financial statements of the Company included in this Report.

In the past six years, in the course of retooling and reconfiguring plants for new models and model changeovers, certain OEMs have eliminated the production of seat systems and other interior systems and components from certain of their facilities, thereby committing themselves to purchasing these items from outside suppliers. During this period, the Company became a supplier of these products for a significant number of new models, many on a JIT basis.

The purchase of seat systems and other interior systems and components from full-service independent suppliers like Lear has allowed the Company's customers to realize a competitive advantage as a result of (i) a reduction in labor costs since suppliers like the Company generally enjoy lower direct labor and benefit rates, (ii) the elimination of working capital and personnel costs associated with the production of interior systems by the OEM, (iii) a reduction in net overhead expenses and capital investment due to the availability of significant floor space for the expansion of other OEM manufacturing operations and (iv) a reduction in transaction costs by utilizing a limited number of sophisticated system suppliers instead of numerous individual component suppliers. In addition, the Company offers improved quality and on-going cost reductions to its customers through continuous, Company-initiated design improvements. The Company believes that such cost reductions will lead OEMs to outsource an increasing portion of their automotive interior requirements in the future and provide the Company with significant growth opportunities.

The Company's sales of value-added assemblies and component systems have increased as a result of the decision by many OEMs to reduce their internal engineering and design resources. In recent years, the Company has significantly increased its capacity to provide complete engineering and design services to support its product line. Because assembled parts such as door panels, floor and acoustic systems, armrests and consoles need to be designed at an early stage in the development of new vehicles or model revisions, the Company is increasingly given the opportunity to participate earlier in the product planning process. This has resulted in opportunities to add value by furnishing engineering and design services and managing the sub-assembly process for the manufacturer, as well as providing the broader range of parts that are required for assembly.

Lear maintains "Customer Focused Divisions" for each of the Company's major customers. This organizational structure consists of several dedicated groups, each of which is primarily focused on serving the needs of a single customer and supporting that customer's programs and product development. Each division is capable of providing whatever interior component the customer needs, thereby providing that customer's purchasing agents, engineers and designers with a single point of contact for their total automotive interior needs.

The Company receives blanket purchase orders from its customers that normally cover annual requirements for products to be supplied for a particular vehicle model. Such supply relationships typically extend over the life of the model, which is generally four to seven years, and do not require the purchase by the customer of any minimum number of products. Although such purchase orders may be terminated at any time, the Company does not believe that any of its customers have terminated a material purchase order prior to the end of the life of a model. The primary risk to the Company is that an OEM will produce fewer units of a model than anticipated. In order to reduce its reliance on any one model, the Company produces interior systems and components for a broad cross-section of both new and more established models.

The Company's sales for the year ended December 31, 1997 were comprised of the following vehicle categories: 43% light truck; 21% mid-size; 18% compact; 12% luxury/sport; and 6% full-size. The following table presents an overview of the major vehicle models for which the Company, or its affiliates, produces automotive interior systems or components and the locations of such production:

NORTH AMERICA

BMW:
Z3
Z3 Coupe
M Roadster

CHRYSLER:
Chrysler Cirrus
Chrysler Concorde
Chrysler LHS
Chrysler Sebring
Chrysler Sebring
Convertible
Chrysler Town & Country
Dodge Avenger
Dodge Caravan
Dodge Dakota
Dodge Durango
Dodge Intrepid
Dodge Neon
Dodge Ram
Dodge Ram Van
Dodge Ram Wagon
Dodge Ramcharger
Dodge Stratus
Dodge Viper
Eagle Talon
Jeep Cherokee
Jeep Grand Cherokee
Jeep Wrangler
Plymouth Breeze
Plymouth Neon
Plymouth Prowler
Plymouth Voyager

FORD:
Ford Contour
Ford Crown Victoria
Ford Econoline

FORD (CONT):
Ford Escort
Ford Expedition

Ford Explorer
Ford F-Series
Ford Mustang
Ford Ranger
Ford Taurus
Ford Windstar
Lincoln Continental
Lincoln Navigator
Lincoln Town Car
Mercury Grand Marquis
Mercury Mountaineer
Mercury Mystique
Mercury Sable
Mercury Tracer
Mercury Villager

GENERAL MOTORS:
Buick Century
Buick LeSabre
Buick Park Avenue
Buick Regal
Buick Riviera
Buick Skylark
Cadillac Catera
Cadillac DeVille/Concours
Cadillac Eldorado/Seville
Chevrolet Astro
Chevrolet Blazer
Chevrolet C/K
Chevrolet Camaro
Chevrolet Cavalier
Chevrolet Corvette
Chevrolet Express
Chevrolet Kodiak

GENERAL MOTORS (CONT):
Chevrolet Lumina
Chevrolet Malibu

Chevrolet Metro
Chevrolet Monte Carlo
Chevrolet Prizm
Chevrolet S 10
Chevrolet Suburban
Chevrolet Swing
Chevrolet Tahoe
Chevrolet Venture
GMC Jimmy
GMC Safari
GMC Savana
GMC Sierra
GMC Sonoma
GMC Suburban
GMC Top-Kick
GMC Yukon
Oldsmobile 88
Oldsmobile Achieva
Oldsmobile Aurora
Oldsmobile Bravada
Oldsmobile Cutlass
Oldsmobile Intrigue
Oldsmobile Silhouette
Pontiac Bonneville
Pontiac Firebird
Pontiac Grand Am
Pontiac Grand Prix
Pontiac Sunfire
Pontiac Tran Sport
Saturn
Saturn EV1

SUZUKI:
Sidekick
Swift

HONDA:
Accord
Acura CL

Civic
Passport

MAZDA:
626
B-Series Truck
MX-6
MITSUBISHI:
Eclipse
Galant

NISSAN:
Altima
Frontier
Quest
Sentra

SUBARU/ISUZU:
Isuzu Rodeo
Subaru Legacy

TOYOTA:
Avalon
Camry
Corolla
Sienna
Tacoma

VOLKSWAGEN:
Cabrio
Golf
GPA Minivan
Jetta

VOLVO:
S/V 70

WESTERN EUROPE

ALFA ROMEO:
145
146
936
Coupe/GTV
Giuletta
Spider

AUDI:
A3
A4
A6
A8
Cabriolet

BMW:
3 Series
5 Series

CHRYSLER:
Eurostar

CITROEN:
Berlingo
Saxo

FERRARI:
F355 Berlinetta
F355 Spider
550 Maranello

FIAT:
Barchetta
Bravo/Brava
Coupe
Ducato
Marea
Panda
Punto
Punto Cabriolet

FORD:
Escort
Fiesta
Ka
Mondeo
Puma
Scorpio

HONDA:
Accord
Civic

JAGUAR:
XJ Saloon
XK8

LANCIA:
Dedra
Delta
Kappa
Y

MERCEDES:
A-class
C-class
E-class
SL
SLK

NISSAN:
Micra
Primera
Terrano

OPEL:
Astra
Calibra
Corsa
Frontera

OPEL (Con't):
Omega
Vectra

PORSCHE:
911
Boxster

PEUGEOT:
306
406
406 Coupe

RENAULT:
Cabrio
Clio
Express
Laguna
Megane
Safrane
Scenic
Twingo

ROLLS ROYCE:
Rolls Royce:

WESTERN EUROPE (CONT)

ROVER:	SAAB:	VOLKSWAGEN:	VOLVO:
100/Metro	9-3	Caravelle	Series 800
200	9-5	Golf	Series 900
400	9000	Passat	C70
600		Vento	S/V70
800	SEAT:		S/V90
Defender	Arosa		
Discovery			
Freelander	TOYOTA:		
MGF	Avensis		
Mini			
Range Rover			

OTHER REGIONS

AUSTRALIA	INDONESIA	SOUTH AFRICA	S. AMERICA(CONT)
GENERAL MOTORS:	GENERAL MOTORS:	BMW:	FIAT(CONT):
Berlina	S-10 Blazer	3 Series	Siena
Calais			Tempra
Caprice	KOREA	HONDA:	Uno
Executive	HYUNDAI:	Ballade	
Statesman	Grandeur	Civic	FORD:
Ute			Ranger
	POLAND	MERCEDES:	
CHINA	DAEWOO:	C-class	GENERAL MOTORS:
FORD:	Lublin	E-class	Chevrolet Cavalier
China Transit			Chevrolet C/K
	FIAT:		Chevrolet Lumina
CZECH REPUBLIC	500	MITSUBISHI:	Corsa
SKODA:	600	Colt	Grand Blazer
Skoda Pickup	Palio		
	Siena	THAILAND	PUEGEOT:
HUNGARY	Uno	VOLVO:	306
OPEL:		S/V70	405
Astra	OPEL:	900 Series	504
	Astra		
INDIA		SOUTH AMERICA	VOLKSWAGEN:
OPEL:	VOLVO:	FIAT:	Gol
Astra	S/V40	Duna	Kombi
		Fiorino	Polo
		Palio	Saveiro

Because of the economic benefits inherent in outsourcing to suppliers such as Lear and the costs associated with reversing a decision to purchase seat systems and other interior systems and components from an outside supplier, the Company believes that automotive manufacturers' commitment to purchasing seating and other interior systems and components from outside suppliers, particularly on a JIT basis, will increase. However, under the contracts currently in effect in the United States and Canada between each of General Motors, Ford and Chrysler with the United Auto Workers ("UAW") and the Canadian Auto Workers ("CAW"), in order for any of such manufacturers to obtain from external sources components that it currently produces, it must first notify the UAW or the CAW of such intention. If the UAW or the CAW objects to the proposed outsourcing, some agreement would have to be reached between the UAW or the CAW and the OEM. Factors that will normally be taken into account by the UAW, the CAW and the OEM include whether the proposed new supplier is technologically more advanced than the OEM, whether the new supplier is unionized, whether cost benefits exist and whether the OEM will be able to reassign union members whose jobs are being displaced to other jobs within the same factories. As part of its long-term agreement with General Motors, in 1997, the Company operated its Rochester Hills, Michigan, Wentzville, Missouri and Lordstown, Ohio facilities with General Motors' employees and reimburses General Motors for the wages of such employees on the basis of the Company's employee wage structure. The Company enters into these arrangements to enhance its relationship with its customers. As of January 1, 1998, the Company established its own work force at the Lordstown, Ohio facility replacing the General Motors employees.

General Motors experienced work stoppages during 1996 and 1997, primarily relating to the outsourcing of automotive components. Chrysler also experienced a work stoppage in 1997, primarily relating to the outsourcing of automotive components. These work stoppages halted the production of certain vehicle models and adversely affected the Company's operations.

The Company's contracts with its major customers generally provide for an annual productivity price reduction and, in some cases, provide for the recovery of increases in material and labor costs. Cost reduction through design changes, increased productivity and similar productivity price reduction programs with the Company's suppliers have generally offset changes in selling prices. The Company's cost structure is comprised of a high percentage of variable costs. The Company believes that this structure provides it with additional flexibility during economic cycles.

MARKETING AND SALES

Lear markets its products by maintaining strong customer relationships, which have been developed over its 80-year history through extensive technical and product development capabilities, reliable delivery of high quality products, strong customer service, innovative new products and a competitive cost structure. Close personal communications with automotive manufacturers is an integral part of the Company's marketing strategy. Recognizing this, the Company is organized into independent divisions, each with the ability to focus on its customers and programs and each having complete responsibility for the product, from design to installation. By moving the decision-making process closer to the customer, and by instilling a philosophy of "cooperative autonomy," the Company is more responsive to, and has strengthened its relationships with, its customers. OEMs have generally continued to reduce the number of their suppliers as part of a strategy of purchasing interior systems rather than individual components. This process favors suppliers like Lear with established ties to OEMs and the demonstrated ability to adapt to the new competitive environment in the automotive industry.

The Company's sales are originated almost entirely by its sales staff. This marketing effort is augmented by design and manufacturing engineers who work closely with OEMs from the preliminary design to the manufacture and supply of interior systems or components. Manufacturers have increasingly looked to suppliers like the Company to assume responsibility for introducing product innovation, shortening the development cycle of new models, decreasing tooling investment and labor costs, reducing the number of costly design changes in the early phases of production and improving interior comfort and functionality. Once the Company is engaged to develop the design for the interior system or component of a specific vehicle model, it is also generally engaged to supply these items when the vehicle goes into production. The Company has devoted substantial resources toward improving its engineering and technical capabilities and developing advanced technology centers in the United States and in Europe. The Company has also developed full-scope engineering capabilities, including all aspects of safety and functional testing, acoustics testing and comfort assessment. In addition, the Company has established numerous product engineering sites in close proximity to its OEM customers to enhance customer relationships and design activity. Finally, the Company has implemented a program of dedicated teams consisting of interior trim and seat system personnel who are able to meet all of a customer's interior needs. These teams provide a single interface for Lear's customers and help avoid duplication of sales and engineering efforts.

TECHNOLOGY

The Company conducts advanced product design development at its advanced technology centers in Southfield, Michigan, Plymouth, Michigan, Munich, Germany, Tidaholm, Sweden, Coventry, England and Turin, Italy and at twenty-one worldwide advanced product engineering centers. At these centers, the Company tests its products to determine compliance with applicable safety standards, the products' quality and durability, response to environmental conditions and user wear and tear. The Company also has state-of-the-art acoustics testing, instrumentation and data analysis capabilities.

The Company believes that in order to effectively develop total interior systems, it is necessary to integrate the research, design, development and styling of all interior subsystems. Accordingly, during 1997, the Company began expanding its advanced technology center at its world headquarters in Southfield, Michigan. When completed in 1998, the Company's advanced technology center in Southfield will give Lear the distinction of being the only global automotive supplier with engineering, research and development capabilities for all five interior systems at one location.

The Company has dedicated, and will continue to dedicate, resources to research and development to maintain its position as a leading technology developer in the automotive interior industry. Research and development costs incurred in connection with the development of new products and manufacturing methods, to the extent not recoverable from the customer, are charged to selling, general and administrative expenses as incurred. Such costs amounted to approximately $90.4 million, $70.0 million, and $53.3 million for the years ended December 31, 1997, 1996 and 1995, respectively. Engineering expenses related to current production are charged to cost of sales as incurred and amounted to $28.5 million, $21.4 million, and $14.1 million for the years ended December 31, 1997, 1996 and 1995, respectively.

In the past, the Company has developed a number of designs for innovative seat features which it has patented, including ergonomic features such as adjustable lumbar supports and bolster systems and adjustable thigh supports. In addition, the Company incorporates many convenience, comfort and safety features into its seat designs, including storage armrests, rear seat fold down panels, integrated restraint systems (belt systems integrated into seats), side impact air bags and child restraint seats. The Company continually invests in its CAE and CAD/CAM systems. Recent enhancements to these systems include customer telecommunications and direct interface with customer CAD systems.

Lear uses its patented SureBond(TM) process (the patent for which expires in approximately six years) in bonding seat cover materials to the foam pads used in certain of its seats. The SureBond(TM) process is used to bond a pre-shaped cover to the underlying foam to minimize the need for sewing and to achieve new seating shapes, such as concave shapes, which were previously difficult to manufacture. The Company has recently improved this process through the development of its patented DryBond(TM) process which allows for the bonding of vinyl and leather to seat cushions and seat backs. This process further increases manufacturing efficiency, provides longer work cycles for automotive seats and yields more design flexibility for automotive interior components.

The Company has virtually all technologies and manufacturing processes available for interior trim and under-the-hood applications. The manufacturing processes include, among other things, high and low pressure injection molding, vacuum forming, blow molding, soft foam molding, heat staking, water jet cutting, vibration welding, ultrasonic welding, and robotic painting. This wide range of capabilities allows the Company to assist its customers in selecting the technologies that are the most cost effective for each application. Combined with its design and engineering capabilities and its state-of-the-art technology and engineering centers, the Company provides comprehensive support to its OEM customers from product development to production.

The Company owns one of the few proprietary-design dynamometers capable of precision acoustics testing of front, rear and four-wheel drive vehicles. Together with its custom-designed reverberation room, computer-controlled data acquisition and analysis capabilities provide precisely controlled laboratory testing conditions for sophisticated interior and exterior noise, vibration and harshness (NVH) testing of parts, materials and systems, including powertrain, exhaust and suspension components. The Company also owns a 29% interest in Precision Fabrics Group, Inc. ("PFG"), which has patented a process to sew and fold an ultralight fabric into airbags which are 60% lighter than airbags currently used in the automotive industry. As this new airbag can fit into a shirt pocket when folded, it is adaptable to side restraint systems (door panels and seats) as well as headliners.

The Company holds a number of mechanical and design patents covering its products and has numerous applications for patents currently pending. In addition, the Company holds several trademarks relating to various manufacturing processes. The Company also licenses its technology to a number of seating manufacturers. Additionally, the Company continues to identify and implement new technologies for use in the design and development of its products.

JOINT VENTURES AND MINORITY INTERESTS

The Company currently has twenty-six joint ventures, eleven of which are included in the Company's consolidated financial statements, and fifteen of which are included in the Company's consolidated financial statements using the equity method of accounting. These joint ventures are located in 16 countries. The Company pursues attractive joint ventures in order to assist its entry into new markets, facilitate the exchange of technical information, expand its product offerings, and broaden its customer base. In 1997, the Company formed a joint venture with Donnelly Corporation for the design, development, marketing and production of overhead systems for the global automotive market. Also in 1997, with the Kieper Seating Acquisition, the Company acquired interests in joint ventures in Italy to supply seat systems to Alpha Romeo, Fiat, Lancia and Ferrari and in South Africa to supply seat systems to Mercedes, Honda and Mitsubishi. In 1996, the Company expanded its presence in the Asia/Pacific Rim region with a joint venture with NHK Spring Co., Ltd. to supply seat systems in Thailand to a joint venture between Ford and Mazda. In addition, Lear entered a joint venture with Jiangling Motors Co., Ltd. to supply seat systems and interior trim components in China for Isuzu trucks and Ford transit vans. In addition, several of the Company's recent acquisitions, including Masland and AI, have provided the Company with strategic joint ventures. With the Masland Acquisition, Lear acquired interests in PFG and Sommer Masland (U.K.) Ltd. Sommer Masland helped to expand Masland's geographical presence in Europe and strengthened its relationship with several existing customers, including Nissan, Peugeot and Saab. The AI Acquisition included a 40% interest in Industrias Automotrices Summa, S.A. de C.V. (Mexico), as well as a 33% interest in Guildford Kast Plastifol Ltd. (U.K.), both of which produce interior trim parts for automobiles.

COMPETITION

The Company is the leading supplier of automotive interior products with manufacturing capabilities in all five automotive interior systems: seat systems; floor and acoustic systems; door panels; instrument panels; and headliners. Within each system, the

Company competes with a variety of independent suppliers and OEM in-house operations. Set forth below is a summary of the Company's primary independent competitors.

- - Seat Systems. Lear is one of three primary suppliers in the outsourced North American seat systems market. The Company's main independent competitors are Johnson Controls, Inc. and Magna International, Inc. The Company's major independent competitors in Western Europe are Johnson Controls, Inc. and Bertrand Faure (headquartered in France).

- - Floor and Acoustic Systems. Lear is one of the largest of the three primary independent suppliers in the outsourced North American floor and acoustic systems market. The Company's primary competitors are Collins & Aikman Corp. Automotive Division, a division of Collins & Aikman Corporation, and the Magee Carpet Company. The Company's major competitors in Western Europe include Sommer Alibert Industrie, Emfisint Automotive SA, Radici Pietro Spa, Treves ETS and Rieter Automotive.

- - Other Interior Systems and Components. The market for outsourced headliners and door panels and the instrument panel market in Western Europe are highly fragmented. The Company's major independent competitors in these segments include Johnson Controls, Inc., Magna International, Inc., Davidson Interior Trim (a division of Textron, Inc.), UT Automotive (a subsidiary of United Technologies, Inc.), The Becker Group and a large number of smaller operations. The Company's primary competitors in the North American instrument panel market are Delphi Interior and Lighting Systems, a division of General Motors, Visteon, a division of Ford Motor Company and Textron Automotive Company.

SEASONALITY

Lear's principal operations are directly related to the automotive industry. Consequently, the Company may experience seasonal fluctuation to the extent automotive vehicle production slows, such as in the summer months when plants close for model year changeovers and vacation. Historically, the Company's sales and operating profit have been the strongest in the second and fourth calendar quarters. Net sales for the year ended December 31, 1997 by calendar quarter were as follows: first quarter, 24%; second quarter, 25%; third quarter, 22%; and fourth quarter, 29%. See Note 16, "Quarterly Financial Data," of the notes to the Company's consolidated financial statements included in this Report.

EMPLOYEES

As of December 31, 1997, the Company employed approximately 20,600 persons in the United States and Canada, 14,700 in Mexico, 12,300 in Europe and 3,400 in other regions of the world. Of these, about 8,300 were salaried employees and the balance were paid on an hourly basis. Approximately 35,000 of the Company's employees are members of unions. The Company has collective bargaining agreements with several unions including: the UAW; the CAW; the Textile Workers of Canada; the International Brotherhood of Teamsters, Chauffeurs, Warehousemen, and Helpers of America; the International Association of Machinists and Aerospace Workers; and the AFL-CIO. Each of the Company's unionized facilities in the United States and Canada has a separate contract with the union which represents the workers employed there, with each such contract having an expiration date independent of the Company's other labor contracts. The majority of the Company's European and Mexican employees are members of industrial trade union organizations and confederations within their respective countries. The majority of these organizations and confederations operate under national contracts which are not specific to any one employer. The Company has experienced some labor disputes at its plants, none of which has significantly disrupted production or had a materially adverse effect on its operations. The Company has been able to resolve all such labor disputes and believes its relations with its employees are generally good.

In addition, as part of its long-term agreements with General Motors, the Company currently operates two facilities with an aggregate of approximately 600 General Motors' employees and reimburses General Motors for the wages of such employees on the basis of the Company's wage structure.

ENVIRONMENTAL

The Company is subject to various laws, regulations and ordinances which govern activities such as discharges to the air and water, as well as handling and disposal practices for solid and hazardous wastes, and which impose costs and damages associated with spills, disposal or other releases of hazardous substances. The Company believes that it is in substantial compliance with such requirements. Management does not beieve that it will incur compliance costs pursuant to such requirements that would have a material adverse effect on the Company's consolidated financial position or future results of operations. See "Management's Discussion and Analysis of Financial Condition and Results of Operations of the Company -- Environmental Matters."

ITEM 2 - PROPERTIES

As of December 31, 1997, the Company's operations were conducted through 179 facilities, some of which are used for multiple purposes, including 144 manufacturing facilities, 21 product engineering centers and 6 advanced technology centers, in 25 countries employing over 50,000 people worldwide. The Company's world headquarters are located in Southfield, Michigan. The facilities range in size from 1,500 square feet to 1,000,000 square feet.

No facility is materially underutilized. Of the 179 existing facilities (which include facilities owned by the Company's less than majority-owned affiliates), 85 are owned and 94 are leased with expiration dates ranging from 1998 through 2007. Management believes substantially all of the Company's property and equipment is in good condition and that it has sufficient capacity to meet its current and expected manufacturing and distribution needs. See "Management's Discussion and Analysis of Financial Condition and Results of Operations of the Company -- Liquidity and Financial Condition."

The following table presents the locations of the Company's facilities:

ARGENTINA
Buenos Aires
Cordoba

AUSTRALIA
Adelaide
Brooklyn

AUSTRIA
Koflach

BRAZIL
Belo Horizonte
Cacapava
Curitiba
Sao Paolo

CANADA
Ajax
Kitchener
Maple
Mississauga
Oakville
St. Thomas
Whitby
Woodstock

CHINA
Nanchang
Wanchai

CZECH REPUBLIC
Prestice

ENGLAND
Colne
Coventry
Dunton
Middlemarch
Nottingham
Tamworth
Tipton
Washington

FRANCE
Meaux
Paris

GERMANY
Besigheim
Bremen-Mahndorf
Ebersberg
Eisenach
Gustavsburg
Kaiserslautern
Munich
Plattling
Quakenbruck
Remscheid
Rietberg
Sulzbach
Wackersdorf

HUNGARY
Gyor
Mor

INDIA
Gujarat

INDONESIA
Jakarta

IRELAND
Naas

ITALY
Caivano
Cassino
Grugliasco
Melfi
Orbassano
Pozzilli
Pozzo D'Adda
Termini Imerese

MEXICO
Cuautitlan
Hermosillo
Juarez
La Cuesta
Naucalpan
Puebla
Ramos Arizpe
Rio Bravo
Saltillo
San Lorenzo
Silao
Tlahuac
Toluca

POLAND
Myslowice
Tychy

SINGAPORE
Singapore

SOUTH AFRICA
Brits
East London

SPAIN
Pamplona

SWEDEN
Arendal
Aviken
Bengtsfors
Dals Langed
Fargelanda
Gnosjo
Goteborg
Ljungby
Tanumshede
Tidaholm
Trollhattan

THAILAND
Bangkok
Khorat

TURKEY
Bursa

UNITED STATES
Allen Park, MI
Arlington, TX
Atlanta, GA
Auburn Hills, MI
Bowling Green, OH
Bridgeton, MO
Carlisle, PA
Covington, VA
Dearborn, MI
Detroit, MI
Duncan, SC
El Paso, TX
Elsie, MI
Fenton, MI
Frankfort, IN

UNITED STATES (CONTINUED)
Fremont, OH
Greencastle, IN
Hammond, IN
Huron, OH
Janesville, WI
Kansas City, MO
Lansing, MI
Lebanon, OH
Lebanon, VA
Lewistown, PA
Livonia, MI
Lordstown, OH
Louisville, KY
Luray, VA
Madisonville, KY
Manteca, CA
Marlette, MI
Marshall, MI
Melvindale, MI
Mendon, MI
Midland, TX
Morristown, TN
New Castle, DE
Newark, DE
Novi, MI
Plymouth, MI
Pontiac, MI
Rochester Hills, MI
Romulus, MI
Roscommon, MI
Sheboygan, WI
Sidney, OH
Southfield, MI
Strasburg, VA
Troy, MI
Walker, MI
Warren, MI
Wentzville, MO
West Chicago, IL
Winchester, VA

VENEZUELA
Valencia

ITEM 3 - LEGAL PROCEEDINGS

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

The Company is subject to various laws, regulations and ordinances which govern activities such as discharges to the air and water, as well as handling and disposal practices for solid and hazardous wastes, and which impose costs and damages associated with spills, disposal or other releases of hazardous substances. The Company believes that it is in substantial compliance with such requirements. Management does not believe that it will incur compliance costs pursuant to such requirements that would have a material adverse effect on the Company's consolidated financial position or future results of operations. See "Management's Discussion and Analysis of Financial Condition and Results of Operations of the Company -- Environmental Matters."

The Company has been identified as a potentially responsible party ("PRP") under the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended ("CERCLA" or "Superfund"), for the cleanup of contamination from hazardous substances at two Superfund sites where liability has not been substantially resolved. Management believes that the Company is, or may be, responsible for less than one percent, if any, of the total costs at the two Superfund sites. The Company has also been identified as a PRP at two additional sites where liability has not been substantially resolved. In addition, the Company is one of a number of defendants in a state court action brought by a group of plaintiffs in Texas who have claimed various impacts from a Texas landfill to which the Company and others allegedly sent waste. The Company's expected liability, if any, at these additional sites is not material. The Company has set aside reserves which management believes are adequate to cover any such liabilities. Management believes that such matters will not result in liabilities that will have a material adverse effect on the Company's consolidated financial position or future results of operations.

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

No matters were submitted to a vote of security holders during the fourth quarter of 1997.

PART II

ITEM 5 MARKET FOR THE COMPANY'S COMMON STOCK AND RELATED STOCKHOLDER MATTERS

The Company's Common Stock is listed on the New York Stock Exchange under the symbol "LEA." The Transfer Agent and Registrar for the Company's Common Stock is The Bank of New York, located in New York, New York. On March 3, 1998, there were 772 holders of record of the Company's Common Stock.

To date, the Company has never paid a cash dividend on its Common Stock. Any payment of dividends in the future is dependent upon the financial condition, capital requirements, earnings of the Company and other factors. In addition, the Company is subject to certain contractual restrictions on the payment of dividends. See Note 8, "Long-Term Debt," of the notes to the consolidated financial statements included in this Report for information concerning such restrictions.

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

Year Ended December 31, 1997	Price Range of Common Stock	
	High	Low
4th Quarter	51 11/16	44 15/16
3rd Quarter	50 1/8	42
2nd Quarter	43 1/8	33 1/4
1st Quarter	39 7/8	33 1/2

Year Ended December 31, 1996:	Price Range of Common Stock	
	High	Low
4th Quarter	38 7/8	31 3/4
3rd Quarter	39 7/8	29 7/8
2nd Quarter	39 1/4	27 1/2
1st Quarter	34	25 1/4

ITEM 6 SELECTED FINANCIAL DATA

The following income statement and balance sheet data were derived from the consolidated financial statements of the Company. The consolidated financial statements of the Company for the years ended December 31, 1997, 1996, 1995, 1994 and 1993, have been audited by Arthur Andersen LLP. The selected financial data below should be read in conjunction with the consolidated financial statements of the Company and the notes thereto and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in this Report.

FOR THE YEAR ENDED DECEMBER 31,	1997	1996	1995	1994	1993
			(DOLLARS IN MILLIONS (1))		
OPERATING DATA:					
Net sales	$ 7,342.9	$ 6,249.1	$ 4,714.4	$ 3,147.5	$ 1,950.3
Gross profit	809.4	619.7	403.1	263.6	170.2
Selling, general and administrative expenses	286.9	210.3	139.0	82.6	62.7
Incentive stock and other compensation expense (2)	--	--	--	--	18.0
Amortization	41.4	33.6	19.3	11.4	9.9
Operating income	481.1	375.8	244.8	169.6	79.6
Interest expense, net	101.0	102.8	75.5	46.7	45.6
Other expense, net (3)	28.8	19.6	12.0	8.1	9.2
Income before income taxes and extraordinary items	351.3	253.4	157.3	114.8	24.8
Income taxes	143.1	101.5	63.1	55.0	26.9
Income (loss) before extraordinary items	208.2	151.9	94.2	59.8	(2.1)
Extraordinary items (4)	1.0	--	2.6	--	11.7
Net income (loss)	$ 207.2	$ 151.9	$ 91.6	$ 59.8	$ (13.8)
Diluted income (loss) per share before extraordinary items	$ 3.05	$ 2.38	$ 1.79	$ 1.26	$ (.06)
Diluted net income (loss) per share	$ 3.04	$ 2.38	$ 1.74	$ 1.26	$ (.39)
Weighted average shares outstanding (5)	68,248,083	63,761,634	52,488,938	47,438,477	35,500,014
BALANCE SHEET DATA:					
Current assets	$ 1,614.9	$ 1,347.4	$ 1,207.2	$ 818.3	$ 433.6
Total assets	4,459.1	3,816.8	3,061.3	1,715.1	1,114.3
Current liabilities	1,854.0	1,499.3	1,276.0	981.2	505.8
Long-term debt	1,063.1	1,054.8	1,038.0	418.7	498.3
Common stock subject to limited redemption rights, net	--	--	--	--	12.4
Stockholders' equity	1,207.0	1,018.7	580.0	213.6	43.2
OTHER DATA:					
EBITDA (6)	$ 665.5	$ 518.1	$ 336.8	$ 225.7	$ 122.2
Capital expenditures	$ 187.9	$ 153.8	$ 110.7	$ 103.1	$ 45.9
Number of facilities (7)	179	148	107	79	61
North American content per vehicle (8)	$ 320	$ 292	$ 227	$ 169	$ 112
North American vehicle production (9)	15.6	15.0	14.9	15.2	13.7
Western Europe content per vehicle (10)	$ 123	$ 109	$ 92	$ 44	$ 34
Western Europe vehicle production (11)	15.1	14.4	13.9	13.2	11.7

(1) Except per share data, weighted average shares outstanding, number of facilities, North American content per vehicle, North American vehicle production, Western Europe content per vehicle and Western Europe vehicle production.
(2) Includes a one-time charge of $18.0 million, of which $14.5 million is non-cash, for the year ended December 31, 1993 for incentive stock and other compensation expense.
(3) Consists of foreign currency exchange gain or loss, minority interests in consolidated subsidiaries, equity in net income of affiliates, state and local taxes and other expense.
(4) The extraordinary items resulted from the prepayment of debt.
(5) Weighted average shares outstanding is calculated on a diluted basis.
(6) "EBITDA" is operating income plus depreciation and amortization. EBITDA does not represent and should not be considered as an alternative to net income or cash flows from operations as determined by generally accepted accounting principles.
(7) Includes facilities operated by the Company's less than majority-owned affiliates and facilities under construction.
(8) "North American content per vehicle" is the Company's net sales in North America divided by total North American vehicle production.
(9) "North American vehicle production" includes car and light truck production in the United States, Canada and Mexico estimated from industry sources.
(10) "Western Europe content per vehicle" is the Company's net sales in Western Europe divided by total Western Europe vehicle production.
(11) "Western Europe vehicle production" includes car and light truck production in Austria, Belgium, France, Germany, Italy, Netherlands, Portugal, Spain, Sweden, and the United Kingdom, estimated from industry sources.

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

RESULTS OF OPERATIONS
Year Ended December 31, 1997 Compared With Year Ended December 31, 1996.

Lear achieved record sales in 1997 for the sixteenth consecutive year with net sales of $7.3 billion in the year ended December 31, 1997 exceeding 1996 net sales by $1.1 billion, or 17.5%. Net sales in the current year benefited from acquisitions, which collectively accounted for $.8 billion of the increase, new business introduced in North America, South America and Europe and incremental volume and content on established programs which was partially offset by $.2 billion of unfavorable foreign exchange.

Gross profit and gross margin improved to $809 million and 11.0% in 1997 as compared to $620 million and 9.9% in 1996. Gross profit in the current year reflects the contribution of acquisitions and the overall growth in industry build schedules on passenger car and truck programs by domestic and foreign automotive manufacturers.

Selling, general and administrative expenses, including research and development, as a percentage of net sales increased to 3.9% in 1997 as compared to 3.4% in the previous year. Actual expenditures in 1997 increased in comparison to the prior year due to the integration of engineering and administrative expenses incurred as a result of acquisitions and increased North American, European and Asia/Pacific Rim research, development and administrative expenses required to support existing and potential business opportunities.

Operating income and operating margin were $481 million and 6.6% in the year ended December 31, 1997 as compared to $376 million and 6.0% in the year ended December 31, 1996. In 1997, operating income benefited from increased revenue from domestic and foreign automotive manufacturers on new and existing car and light truck programs coupled with the benefits derived from acquisitions. Partially offsetting the increase in operating income were engineering and administrative support expenses associated with the expansion of domestic and international business. Non-cash depreciation and amortization charges were $184 million and $142 million for the years ended December 31, 1997 and 1996.

For the year ended December 31, 1997, interest expense decreased in comparison to prior year primarily as a result of savings generated from the redemption of the Company's 11 1/4% senior subordinated notes, reduced interest rates in certain currencies and the improvement in the Company's interest coverage ratio which triggers reductions in the borrowing rate under the Company's $1.8 billion senior revolving credit facility (the "Credit Agreement"). Partially offsetting the above was interest incurred on borrowings to finance acquisitions.

Other expenses in 1997, which include state and local taxes, foreign exchange, minority interests in consolidated subsidiaries, equity in net income of affiliates and other non-operating expenses, increased to $29 million from $20 million in 1996 due to foreign exchange losses at the Company's North American and Asia/Pacific Rim operations and to an increase in the provision for state and local taxes which were partially offset by higher equity income from affiliates.

Net income for the year ended December 31, 1997 was $207 million, or $3.04 per share, as compared to $152 million, or $2.38 per share, for the year ended December 31, 1996. The increase in net income was primarily due to increased sales from new and existing car and light truck programs and acquisitions. The provision for income taxes in 1997 was $143 million, an effective tax rate of 40.7%, as compared to $102 million, an effective tax rate of 40.1%, in the previous year. The increase in rate is largely the result of the increase in goodwill amortization in addition to changes in operating performance and related income levels among the various tax jurisdictions. Earnings per share increased in 1997 by 27.7% despite an increase in the weighted average number of shares outstanding of approximately 4.4 million shares.

The following chart shows net sales and operating income of the Company by principal geographic area:

GEOGRAPHIC OPERATING RESULTS (in millions)

Year ended	DEC. 31, 1997	Dec. 31, 1996	Dec. 31, 1995
NET SALES:			
United States and Canada	$4,665.5	$4,058.0	$3,108.0
Europe	1,949.1	1,621.8	1,325.4
Rest of World	728.3	569.3	281.0
Net Sales	$7,342.9	$6,249.1	$4,714.4
OPERATING INCOME:			
United States and Canada	$ 393.8	$ 302.6	$ 204.8
Europe	60.3	49.2	26.5
Rest of World	27.0	24.0	13.5
Operating Income	$ 481.1	$ 375.8	$ 244.8

United States and Canadian Operations

Net sales in the United States and Canada increased by 15.0% to $4.7 billion in the year ended December 31, 1997 as compared to $4.1 billion in the year ended December 31, 1996. Sales in 1997 benefited from new Ford, General Motors and Chrysler sport utility and truck programs, $.3 billion from acquisitions and increased industry build schedules by domestic automotive manufacturers on mature programs. Partially offsetting the increase in sales was downtime associated with customer work stoppages which collectively impacted revenue by approximately $.1 billion.

Operating income and operating margin were $394 million and 8.4% in 1997 as compared to $303 million and 7.5% in 1996. For the year ended December 31, 1997, operating income benefited from the overall growth in vehicle production volumes for new and ongoing programs, coupled with the contribution of recent acquisitions. Partially offsetting the increase in operating income were design, development and administrative expenses, including costs incurred from the integration of acquisitions necessary to support domestic business operations.

European Operations

Net sales in Europe were $1.9 billion and $1.6 billion in the years ended December 31, 1997 and 1996. Sales in 1997 reflect $.4 billion from recent acquisitions and increased market demand on new and ongoing passenger car and truck programs in Italy, Germany and Austria. Partially offsetting the increase in sales were unfavorable exchange rate movements in Germany, Italy, Sweden, Austria and Poland.

Operating income and operating margin were $60 million and 3.1% in 1997 as compared to $49 million and 3.0% in 1996. Operating income in 1997 benefited from acquisitions, increased market demand and content on mature seat and seat component programs and the effect of the Company's cost reduction programs. Partially offsetting the increase in operating income were new seat program expenses in Scandinavia and costs associated with the integration of Keiper Car Seating GMBH ("Keiper"), acquired in July 1997, into the Company's operations.

Rest of World Operations

Net sales of $.7 billion in 1997 in the Company's remaining geographic regions, consisting of Mexico, South America, the Asia/Pacific Rim Region and South Africa, increased by $.1 billion as compared to $.6 billion in the comparable period in 1996. Sales in 1997 benefited from increased vehicle production on new and established General Motors, Fiat and Volkswagen business in South America and the contribution of recent acquisitions.

Operating income and operating margin were $27 million and 3.7% in 1997 as compared to $24 million and 4.2% in 1996. For 1997, operating income reflects the overall growth in revenue, including the benefits derived from new seat programs launched within the past twelve months and incremental operating income generated from recent acquisitions. Partially offsetting the increase in operating income were facility and preproduction costs for recently opened facilities in Thailand and Brazil and the production phase out of a General Motors truck program in Mexico.

Year Ended December 31, 1996 Compared With Year Ended December 31, 1995.

Net sales of $6.2 billion in the year ended December 31, 1996 represented the fifteenth consecutive year of record sales and exceeded sales of $4.7 billion in the year ended December 31, 1995 by $1.5 billion, or 32.6%. Net sales in 1996, as compared to 1995, benefited from the full year contribution of the acquisition of Automotive Industries Holding, Inc. ("AI") and the acquisition of Masland Corporation ("Masland") in August 1995 and June 1996, respectively, which collectively accounted for $.8 billion of the increase. Further contributing to the overall increase in sales was new business introduced globally during 1996 and incremental volume and content on mature programs.

Gross profit and gross margin improved to $620 million and 9.9% in 1996 as compared to $403 million and 8.6% in 1995. Gross profit in 1996 reflects the contribution of the AI and Masland acquisitions coupled with the benefits derived from increased revenues from new and ongoing programs. Also contributing to the increase in gross profit was a decrease in start-up expenses from $32 million in 1995 to $18 million in 1996. Partially offsetting the increase in gross profit was the cumulative impact of the General Motors work stoppages in the first and fourth quarters of 1996 and downtime associated with a Chrysler model changeover.

Selling, general and administrative expenses, including research and development, as a percentage of net sales increased to 3.4% in the year ended December 31, 1996 as compared to 2.9% in 1995. The increase in actual expenditures in 1996 over 1995 was due to the inclusion of Masland and AI operating expenses as well as increased research and development and administrative support expenses associated with the expansion of domestic and international business.

Operating income and operating margin were $376 million and 6.0% in the year ended December 31, 1996 as compared to $245 million and 5.2% in 1995. For 1996, operating income benefited from the incremental operating income generated from acquisitions along with increased revenue from domestic and foreign automotive manufacturers on new and mature programs. Partially offsetting the increase in operating income were design, development and administrative expenses at North American and European Technical Centers, Chrysler's downtime for model changeover and the adverse impact of the General Motors work stoppages. Non-cash depreciation and amortization charges were $142 million and $92 million for the years ended December 31, 1996 and 1995, respectively.

For the year ended December 31, 1996, interest expense increased by $27 million to $103 million as compared to the year ended December 31, 1995. The increase in interest expense was largely the result of interest incurred on additional debt utilized to finance the Masland and AI acquisitions.

Other expenses, which include state and local taxes, foreign exchange, minority interests in consolidated subsidiaries, equity in net income of affiliates and other non-operating expenses, increased to $20 million in 1996 as compared to $12 million in 1995 as the effect of higher sales volumes on state and local taxes and the provision for minority interests from the Company's joint ventures more than offset favorable foreign exchange related to the Company's North American and European operations.

Net income in 1996 was $152 million, or $2.38 per share, as compared to $92 million, or $1.74 per share in 1995. The increase in net income in 1996 over 1995 was due to the Masland acquisition, a full year of activity from the August 1995 AI acquisition, new business awarded, cost reduction programs and increased production levels on existing programs. The provision for income taxes in 1996 was $102 million, or an effective tax rate of 40.1%, as compared to $63 million and 40.1% in 1995. Net income in 1995 reflects an extraordinary loss of $3 million related to the early retirement of debt. Earnings per share increased in 1996 by 36.8% despite an increase in the weighted average number of shares outstanding of approximately 11.3 million shares.

United States and Canadian Operations

Net sales in the United States and Canada were $4.1 billion and $3.1 billion in the years ended December 31, 1996 and 1995, respectively. Sales in 1996 benefited from the contribution of $.7 billion in incremental sales from the AI and Masland acquisitions, new passenger car and truck programs introduced within the past twelve months and modest vehicle production increases by domestic automotive manufacturers on carryover programs. Partially offsetting the increase in sales was the impact of the General Motors work stoppages and downtime associated with a Chrysler model changeover.

Operating income and operating margin were $303 million and 7.5% in 1996 as compared to $205 million and 6.6% in 1995. The increase in operating income was largely the result of the benefits derived from the acquisitions of AI and Masland as well as the overall growth in domestic vehicle sales, including production of new business programs. Partially offsetting the increase in operating income were reduced utilization at General Motors and Chrysler facilities and higher engineering and administrative expenses necessary to support established and new business opportunities.

European Operations

Net sales in Europe increased by 22.4% to $1.6 billion in the year ended December 31, 1996 as compared to $1.3 billion in the year ended December 31, 1995. Sales in 1996 benefited from increased market demand on existing passenger car and light truck programs in Italy, Germany and Austria and the full year contribution of the AI acquisition.

Operating income and operating margin were $49 million and 3.0% in 1996 as compared to $27 million and 2.0% in 1995. Operating income in 1996 benefited from incremental volume on carryover seat and seat component programs, the contribution of the AI acquisition and improved operating performance at certain of the Company's facilities in England and Germany.

Rest of World Operations

Net sales of $.6 billion in 1996 in the Company's remaining geographic regions, consisting of Mexico, South America, the Asia/Pacific Rim Region and South Africa, increased by $.3 billion as compared to $.3 billion in the comparable period in 1995. Sales in the year ended December 31, 1996 benefited from new business operations in South America, the Asia/Pacific Rim Region and South Africa which accounted for $.2 billion of the increase, higher production build schedules for General Motors and Chrysler programs in Mexico and sales from a Masland operation in Mexico.

Operating income and operating margin were $24 million and 4.2% in 1996 as compared to $14 million and 4.8% in 1995. Operating income in 1996 increased primarily due to the benefits derived from the growth in sales activity, including the production of new business operations and the acquisition of Masland. Partially offsetting the increase in operating income were facility and preproduction costs for recently opened facilities in Argentina, India and Venezuela.

LIQUIDITY AND FINANCIAL CONDITION

Capitalization

Strong operating cash flows and improved asset management during 1997 more than offset acquisition costs and resulted in the Company's lowest ever debt to total capitalization position, 47.9% at December 31, 1997 compared to 51.3% at December 31, 1996.

Reflecting the improved financial position, Lear received credit upgrades in 1997 from both Standard and Poor's Corporation ("S&P") and Moody's Investor Service ("Moody's"). S&P upgraded Lear's corporate credit rating from BB+ to BBB- and the 8 1/4% and 9 1/2% Subordinated Notes from BB- to BB+. Moody's upgraded Lear's Credit Agreement from Ba1 to Baa3 and the 8 1/4% and 9 1/2% Subordinated Notes from B1 to Ba3.

As of December 31, 1997, the Company had $648 million outstanding under the Credit Agreement and $53 million committed under letters of credit, resulting in approximately $1.1 billion unused and available. The Credit Agreement matures on September 30, 2001 and may be used for general corporate purposes, including acquisitions. Financing for the Keiper Car Seating, ITT Seat Sub-Systems, Dunlop Cox and Empetek acquisitions was provided from borrowings under the Company's Credit Agreement. In November 1997, the Company amended certain Credit Agreement covenants to reduce restrictions on the Company's ability to make acquisitions or invest internationally. Additionally, a mechanism was added to fund short-term fluctuations in the Company's daily working capital requirements more efficiently.

In addition to debt outstanding under the Credit Agreement, the Company had $462 million of debt outstanding as of December 31, 1997, consisting primarily of $336 million of the 8 1/4% and 9 1/2% subordinated notes due between 2002 and 2006 and $38 million of short-term borrowings. On July 15, 1997, the Company redeemed $125 million in aggregate principal amount of its 11 1/4% Senior Subordinated Notes due 2000 at par with borrowings under the Credit Agreement. The Company's scheduled principal payments on

long-term debt are $9, $17, $7, $652, and $139 million in 1998, 1999, 2000, 2001 and 2002, respectively. The majority of the 2001 required principal repayments relate to the expiration of the Credit Agreement.

In December 1997, the Company filed a $400 million universal shelf registration statement, under which a variety of senior and subordinated debt instruments can be issued. This registration statement was declared effective in January 1998 by the Securities and Exchange Commission and improves the Company's flexibility to issue debt securities to finance the replacement of existing subordinated notes, to reduce borrowings under the Credit Agreement, to fund acquisitions, or for general corporate purposes.

In July 1996, the Company issued and sold 7.5 million shares of common stock at $33.50 per share and $200 million aggregate principal amount of its 9 1/2% Subordinated Notes due 2006. The $438 million of net proceeds ($243 and $195 million from the common stock offering and the subordinated notes offering, respectively) received by the Company were used to repay indebtedness incurred under the Credit Agreement in connection with the acquisition of Masland in June 1996.

Cash Flow

Cash flows from operating activities generated $449 million in 1997 and $463 million in 1996. Net income increased 36.4%, from $152 million in 1996 to $207 million in 1997, as a result of acquisitions, new business and increased volume and content on existing programs. In addition, non-cash depreciation and goodwill amortization charges contributed $184 million in 1997 compared to $142 million in 1996, with the increase largely attributable to the acquisitions of Keiper Car Seating, Borealis and Masland. The net change in working capital provided a cash source of $100 million in 1997 and $216 million in 1996.

Net cash used in investing activities decreased from $682 million in 1996 to $520 million in 1997. The 1996 Masland and Borealis acquisitions resulted in a net use of funds of $529 million, while the 1997 Keiper Car Seating, ITT Seat Subsystems and Dunlop Cox acquisitions resulted in an aggregate net use of $332 million.

Capital Expenditures

Capital expenditures increased from $154 million in 1996 to $188 million in 1997 as a result of acquisitions, information systems, cost reduction projects and to support existing and future programs. Capital expenditures for 1998 are expected to increase to approximately $250 million, with the majority related to the expansion of facilities worldwide to accommodate new and existing interior system programs.

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

OTHER MATTERS

Environmental Matters

The Company is subject to local, state, federal and foreign laws, regulations and ordinances (i) which govern activities or operations that may have adverse environmental effects and (ii) that impose liability for the costs of cleaning up certain damages resulting from sites of past spills, disposal or other releases of hazardous substances. The Company's policy is to comply with all applicable environmental laws and maintain procedures to ensure compliance. However, the Company has been, and in the future may become, the subject of formal or informal enforcement actions or procedures. The Company currently is engaged in the cleanup of hazardous substances at certain sites owned, leased or operated by the Company, including soil and groundwater cleanup at its facility in Mendon, Michigan. Management believes that the Company will not incur compliance costs or cleanup costs at its facilities with known contamination that would have a material adverse effect on the Company's consolidated financial position or future results of operations.

The Company has been identified as a potentially responsible party ("PRP") under the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended ("CERCLA" or "Superfund"), for the cleanup of contamination from hazardous substances at two Superfund sites where liability has not been completely determined. The Company has also been identified as a PRP at two additional sites. Management believes that the Company is, or may be, responsible for less than one percent, if any, of the total costs at the two Superfund sites. Expected liability, if any, at the two additional sites is not material.

Inflation and Accounting Policies

Lear's contracts with its major customers generally provide for an annual productivity price reduction and provide for the recovery of increases in material and labor costs in some contracts. Cost reduction through design changes, increased productivity and similar programs with the Company's suppliers generally have offset changes in selling prices. The Company's cost structure is comprised of a high percentage of variable costs. The Company believes that this structure provides it with additional flexibility during economic cycles.

During 1997, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 130, "Reporting Comprehensive Income." SFAS No. 130 establishes standards for the reporting and display of comprehensive income. Comprehensive income is defined as all changes in a Company's net assets except changes resulting from transactions with shareholders. It differs from net income in that certain items currently recorded to equity would be a part of comprehensive income. Comprehensive income must be reported in a financial statement with the cumulative total presented as a component of equity. SFAS No. 130 must be adopted by the Company in its 1998 quarterly financial statements.

Foreign Currencies

As a result of the Company's continued global expansion, the amount of its revenues and expenses denominated in currencies other than the U.S. dollar continues to increase. The Company closely monitors its exposure to currency fluctuations and, where cost justified, adopts strategies to reduce this exposure.

Year 2000

The Company is currently working to resolve the potential impact of the year 2000 on the processing of date-sensitive information by the Company's computerized information systems. The year 2000 problem is the result of computer programs being written using two digits (rather than four) to define the applicable year. Any of the Company's programs that have time-sensitive software may recognize a date using "00" as the year 1900 rather than the year 2000, which could result in miscalculations or system failures. The Company has completed an evaluation of the impact of the year 2000 issue and management believes that the costs of addressing this issue will not have a material impact on the Company's financial position, results of operations or cash flows in future periods. The Company will expense any maintenance or modification costs incurred to resolve this issue while the costs of new software will be capitalized and amortized over the software's useful life.

FORWARD-LOOKING STATEMENTS

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

ITEM 8 CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Lear Corporation:

We have audited the accompanying consolidated balance sheets of LEAR CORPORATION AND SUBSIDIARIES ("the Company") as of December 31, 1997 and 1996, and the related consolidated statements of income, stockholders' equity and cash flows for each of the three years in the period ended December 31, 1997. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 1997 and 1996, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 1997 in conformity with generally accepted accounting principles.

/s/ ARTHUR ANDERSEN LLP

Detroit, Michigan,
January 30, 1998.

CONSOLIDATED BALANCE SHEETS
LEAR CORPORATION AND SUBSIDIARIES
(In millions, except share data)

December 31,	1997	1996
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 12.9	$ 26.0
Accounts receivable, net of reserves of $14.7 in 1997 and $9.0 in 1996	1,065.8	909.6
Inventories	231.4	200.0
Recoverable customer engineering and tooling	152.6	113.9
Other	152.2	97.9
Total current assets	1,614.9	1,347.4
Long-Term Assets:		
Property, plant and equipment, net	939.1	866.3
Goodwill, net	1,692.3	1,448.2
Other	212.8	154.9
Total long-term assets	2,844.2	2,469.4
	$4,459.1	$3,816.8
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Short-term borrowings	$ 37.9	$ 10.3
Accounts payable and drafts	1,186.5	960.5
Accrued liabilities	620.5	520.2
Current portion of long-term debt	9.1	8.3
Total current liabilities	1,854.0	1,499.3
Long-Term Liabilities:		
Deferred national income taxes	61.7	49.6
Long-term debt	1,063.1	1,054.8
Other	273.3	194.4
Total long-term liabilities	1,398.1	1,298.8
Stockholders' Equity:		
Common Stock, par value $.01 per share, 150,000,000 shares authorized, 66,872,188 and 65,586,129 shares issued at December 31,1997 and 1996, respectively	.7	.7
Additional paid-in capital	851.9	834.5
Notes receivable from sale of common stock	(.1)	(.6)
Common stock held in treasury, 10,230 shares at cost	(.1)	(.1)
Retained earnings	401.3	194.1
Minimum pension liability	(.5)	(1.0)
Cumulative translation adjustment	(46.2)	(8.9)
Total stockholders' equity	1,207.0	1,018.7
	$4,459.1	$3,816.8

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

CONSOLIDATED STATEMENTS OF INCOME
LEAR CORPORATION AND SUBSIDIARIES
(In millions, except per share data)

For the year ended December 31,	1997	1996	1995
Net sales	$ 7,342.9	$ 6,249.1	$ 4,714.4
Cost of sales	6,533.5	5,629.4	4,311.3
Selling, general and administrative expenses	286.9	210.3	139.0
Amortization of goodwill	41.4	33.6	19.3
Operating income	481.1	375.8	244.8
Interest expense	101.0	102.8	75.5
Foreign currency exchange loss	6.4	.5	8.6
Other expense, net	27.9	19.1	7.8
Income before provision for national income taxes, minority interests in consolidated subsidiaries, equity in net income of affiliates and extraordinary item	345.8	253.4	152.9
Provision for national income taxes	143.1	101.5	63.1
Minority interests in consolidated subsidiaries	3.3	4.0	(1.7)
Equity in net income of affiliates	(8.8)	(4.0)	(2.7)
Income before extraordinary item	208.2	151.9	94.2
Extraordinary loss on early extinguishment of debt	1.0	--	2.6
Net income	$ 207.2	$ 151.9	$ 91.6
Basic net income per share:			
Income before extraordinary item	$ 3.14	$ 2.51	$ 1.92
Extraordinary loss	(.01)	--	(.05)
Basic net income per share	$ 3.13	$ 2.51	$ 1.87
Diluted net income per share:			
Income before extraordinary item	$ 3.05	$ 2.38	$ 1.79
Extraordinary loss	(.01)	--	(.05)
Diluted net income per share	$ 3.04	$ 2.38	$ 1.74

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

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
LEAR CORPORATION AND SUBSIDIARIES
(In millions)

For the year ended December 31,	1997	1996	1995
COMMON STOCK			
Balance at beginning of period	$ .7	$ .6	$ .5
Sale of common stock (Note 4)	--	.1	.1
Balance at end of period	$ .7	$ .7	$ .6
ADDITIONAL PAID-IN CAPITAL			
Balance at beginning of period	$ 834.5	$ 559.1	$274.3
Sale of common stock (Note 4)	00	242.7	281.4
Stock options exercised	8.4	6.7	.2
Stock options cancelled	(5.8)	--	--
Tax benefit of stock options exercised	14.8	17.0	1.3
Conversion of Masland stock options	--	9.0	--
Conversion of AI stock options	--	--	1.9
Balance at end of period	$ 851.9	$ 834.5	$559.1
NOTE RECEIVABLE FROM SALE OF COMMON STOCK			
Balance at beginning of period	$ (.6)	$ (.9)	$ (1.0)
Repayment of stockholders' note receivable	.5	.3	.1
Balance at end of period	$ (.1)	$ (.6)	$ (.9)
TREASURY STOCK			
Balance at beginning of period	$ (.1)	$ (.1)	$ (.1)
Balance at end of period	$ (.1)	$ (.1)	$ (.1)
RETAINED EARNINGS (DEFICIT)			
Balance at beginning of period	$ 194.1	$ 42.2	$(49.4)
Net income	207.2	151.9	91.6
Balance at end of period	$ 401.3	$ 194.1	$ 42.2
MINIMUM PENSION LIABILITY			
Balance at beginning of period	$ (1.0)	$ (3.5)	$ (5.8)
Minimum pension liability adjustment	.5	2.5	2.3
Balance at end of period	$ (.5)	$ (1.0)	$ (3.5)
CUMULATIVE TRANSLATION ADJUSTMENT			
Balance at beginning of period	$ (8.9)	$ (17.4)	$ (4.9)
Cumulative translation adjustment	(37.3)	8.5	(12.5)
Balance at end of period	$ (46.2)	$ (8.9)	$(17.4)
TOTAL STOCKHOLDERS' EQUITY	$1,207.0	$1,018.7	$580.0

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

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

For the year ended December 31,	1997	1996	1995
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$ 207.2	$ 151.9	$ 91.6
Adjustments to reconcile net income to net cash provided by operating activities-			
Depreciation and amortization of goodwill	184.4	142.3	92.0
Post-retirement benefits accrued, net	8.5	6.9	6.4
Extraordinary loss	1.0	--	2.6
Recoverable customer engineering and tooling, net	(48.4)	(35.3)	15.6
Other, net	(3.7)	(19.1)	(.6)
Net change in working capital items	100.4	215.9	(74.8)
Net cash provided by operating activities	449.4	462.6	132.8
CASH FLOWS FROM INVESTING ACTIVITIES:			
Additions to property, plant and equipment	(187.9)	(153.8)	(110.7)
Acquisitions	(332.2)	(529.0)	(881.3)
Other, net	.4	1.1	6.2
Net cash used in investing activities	(519.7)	(681.7)	(985.8)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Long-term revolving credit borrowings, net (Note 8)	136.9	(211.3)	595.2
Additions to other long-term debt	24.1	317.3	8.0
Reductions in other long-term debt	(157.1)	(113.7)	(3.5)
Short-term borrowings, net	24.2	(7.5)	(72.2)
Proceeds from sale of common stock, net	8.4	249.5	281.7
Deferred financing fees	(.2)	(3.1)	(9.6)
Increase (decrease) in drafts	2.2	(29.5)	42.2
Other, net	.5	(.1)	.1
Net cash provided by financing activities	39.0	201.6	841.9
Effect of foreign currency translation	18.2	9.4	13.2
NET CHANGE IN CASH AND CASH EQUIVALENTS	(13.1)	(8.1)	2.1
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	26.0	34.1	32.0
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 12.9	$ 26.0	$ 34.1
CHANGES IN WORKING CAPITAL, NET OF EFFECTS OF ACQUISITIONS:			
Accounts receivable, net	$ (72.7)	$ 42.5	$(156.4)
Inventories	(10.3)	30.9	(27.4)
Accounts payable	150.4	52.7	42.6
Accrued liabilities and other	33.0	89.8	66.4
	$ 100.4	$ 215.9	$ (74.8)
SUPPLEMENTARY DISCLOSURE:			
Cash paid for interest	$ 109.3	$ 97.0	$ 72.9
Cash paid for income taxes	$ 91.9	$ 74.3	$ 57.3

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

(1) BASIS OF PRESENTATION

The consolidated financial statements include the accounts of Lear Corporation, a Delaware corporation ("Lear"), and its wholly-owned and majority-owned subsidiaries (collectively, the "Company"). Investments in less than majority-owned businesses are generally accounted for under the equity method (Note 6).

The Company and its affiliates are involved in the design and manufacture of interior systems and components for automobiles and light trucks. The Company's main customers are automotive original equipment manufacturers. The Company operates facilities worldwide (Note 15). Certain foreign subsidiaries are consolidated as of November 30.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Inventories

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

December 31,	1997	1996
Raw materials	$ 165.7	$ 124.7
Work-in-process	22.5	25.0
Finished goods	43.2	50.3
	$ 231.4	$ 200.0

Recoverable Customer Engineering and Tooling

Costs incurred by the Company for certain engineering and tooling projects for which customer reimbursement is anticipated are capitalized and classified as either recoverable customer engineering and tooling or other long-term assets dependent upon when reimbursement is anticipated. Provisions for losses are provided at the time the Company anticipates engineering and tooling costs to exceed anticipated customer reimbursement.

Property, Plant and Equipment

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

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

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

December 31,	1997	1996
Land	$ 60.5	$ 52.3
Buildings and improvements	345.9	302.2
Machinery and equipment	919.4	790.4
Construction in progress	54.8	31.8
Total property, plant and equipment	1,380.6	1,176.7
Less accumulated depreciation	(441.5)	(310.4)
Net property, plant and equipment	$ 939.1	$ 866.3

Goodwill

Goodwill is amortized on a straight-line basis over 40 years. Accumulated amortization of goodwill amounted to $156.9 million and $115.1 million at December 31, 1997 and 1996, respectively.

Long Term Assets
The Company adopted Statement of Financial Accounting Standards ("SFAS") No.121, "Recognition of Impairment of Long-Lived Assets," as of January 1, 1996. In accordance with this statement, the Company re-evaluates the carrying values of its long-term assets whenever circumstances arise which call into question the recoverability of such carrying values. The evaluation takes into account all future estimated cash flows from the use of assets, with an impairment being recognized if the evaluation indicates that the future cash flows will not be greater than the carrying value. No such impairment was recognized in 1997 or 1996.

Research and Development
Costs incurred in connection with the development of new products and manufacturing methods to the extent not recoverable from the Company's customers are charged to selling, general and administrative expenses as incurred. These costs amounted to $90.4 million, $70.0 million and $53.3 million for the years ended December 31, 1997, 1996 and 1995, respectively. Engineering expenses related to current production are charged to cost of sales as incurred and amounted to $28.5 million, $21.4 million and $14.1 million for the years ended December 31, 1997, 1996 and 1995, respectively.

Foreign Currency Translation
With the exception of foreign subsidiaries operating in highly inflationary economies, which are measured in U.S. dollars, assets and liabilities of foreign subsidiaries are translated into U.S. dollars at the exchange rates in effect at the end of the period. Revenues and expenses of foreign subsidiaries are translated using an average of exchange rates in effect during the period. Translation adjustments that arise from translating a foreign subsidiary's financial statements from the functional currency to U.S. dollars are reflected as cumulative translation adjustment in the consolidated balance sheets. The Company's operations in Brazil, whose functional currency is the Brazilian Real, have not been treated as highly inflationary.

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

Use of Estimates
The preparation of the consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Although no single asset or liability subject to estimation is material to the Company's consolidated financial position, in aggregate such items are material. Generally, assets and liabilities subject to estimation and judgment include amounts related to unsettled pricing discussions with customers and suppliers, pension and post-retirement costs (Notes 10 and 11), plant consolidation and reorganization reserves, self-insurance accruals, asset valuation reserves and accruals related to litigation and environmental remediation costs. Management does not believe that the ultimate settlement of any such assets or liabilities will materially affect the Company's financial position or future results of operations.

The Company has established reserves related to severance, business consolidation and fixed asset recovery issues mainly as a result of the acquisitions discussed in Note 3. As of December 31, 1997, reserves for severance costs were $25.1 million, reserves for business consolidations were $16.0 million and reserves for fixed asset recovery issues were $12.3 million. The amount of these reserves utilized, including amounts paid or fixed asset value adjustments, in the year ended December 31, 1997 was $6.9 million, $3.7 million, and $1.7 million for severance, business consolidations and fixed asset recovery issues, respectively. As of December 31, 1996, reserves for severance costs were $15.0 million, reserves for business consolidations were $8.4 million and reserves for fixed asset recovery issues were $10.5 million.

Earnings Per Share
In 1997, the Company adopted SFAS No. 128, "Earnings Per Share," which was effective December 15, 1997. The statement changes the calculation of earnings per share to be more consistent with countries outside of the United States. In general, the statement requires two calculations of earnings per share to be disclosed, basic EPS and diluted EPS. Basic EPS is computed using only weighted average shares outstanding. Diluted EPS is computed using the average share price for the period when calculating the dilution of stock options. Net income per share information has been restated for all years presented. Shares outstanding for the years ended December 31,1997, 1996 and 1995, respectively, were as follows:

	1997	1996	1995
Weighted average shares outstanding	66,304,770	60,485,696	48,944,181
Dilutive effect of stock options	1,943,313	3,275,938	3,544,757
Diluted shares outstanding	68,248,083	63,761,634	52,488,938

Reclassifications
Certain items in prior years' financial statements have been reclassified to conform with the presentation used in the year ended December 31, 1997.

(3) ACQUISITIONS

1997 ACQUISITIONS

ITT AUTOMOTIVE SEAT SUB-SYSTEMS UNIT
On August 25, 1997, the Company acquired the Seat Sub-Systems Unit of ITT Automotive, a division of ITT Industries ("ITT Seat Sub-Systems"). ITT Seat Sub-Systems was a North American supplier of power seat adjusters and power recliners with 1996 sales to non-Lear facilities of approximately $115 million.

KEIPER CAR SEATING GMBH & CO.
On July 31, 1997, the Company acquired certain equity and partnership interests in Keiper Car Seating GmbH & Co. and certain of its subsidiaries and affiliates (collectively, "Keiper Seating") for approximately $252.5 million. Keiper Seating was a leading supplier of automotive vehicle seat systems with operations in Germany, Italy, Hungary, Brazil and South Africa with unaudited sales for the year ended December 31, 1996 of approximately $615 million.

As part of the Keiper Seating acquisition, the Company had acquired a 25% ownership interest in Euro American Seating Corporation ("EAS"). On December 12, 1997, the Company acquired the remaining 75% of EAS. EAS was a supplier of automotive seat systems to original equipment manufacturers with 1997 sales of approximately $30 million.

DUNLOP COX LIMITED
On June 5, 1997, the Company acquired all of the outstanding shares of common stock of Dunlop Cox Limited ("Dunlop Cox"). Dunlop Cox, based in Nottingham, England, provided Lear with the ability to design and manufacture manual and electronically-powered automotive seat adjusters. For the year ended December 31, 1996, Dunlop Cox had sales of approximately $39 million.

The ITT Seat Sub-Systems, Keiper Seating and Dunlop Cox acquisitions (collectively, the "1997 Acquisitions") were accounted for as purchases, and accordingly, the assets purchased and liabilities assumed in the acquisitions have been reflected in the accompanying balance sheet as of December 31, 1997. The operating results of the 1997 Acquisitions have been included in the consolidated financial statements of the Company since the date of each acquisition. The aggregate purchase price of the 1997 Acquisitions and related allocation, were as follows (in millions):

Consideration paid to former owners, net of cash acquired of $ 9.2 million	$332.2
Deferred purchase price	28.1
Debt assumed	4.4
Estimated fees and expenses	3.5
Cost of acquisitions	$368.2
Property, plant and equipment	$ 85.0
Net working capital	11.9
Other assets purchased and liabilities assumed, net	(4.9)
Goodwill	276.2
Total cost allocation	$368.2

The purchase price and related allocation for each of these acquisitions may be revised up to one year from the date of acquisition based on revisions of preliminary estimates of fair values made at the date of purchase. Such changes are not expected to be significant.

1996 ACQUISITIONS

BOREALIS INDUSTRIER, AB
On December 10, 1996, the Company acquired all of the issued and outstanding capital stock of Borealis Industrier, AB ("Borealis") for an aggregate purchase price of $91.1 million (including the assumption of $18.8 million of Borealis' existing net indebtedness and $1.5 million of fees and expenses). Borealis was a supplier of instrument panels and other interior components to the European automotive market. The Borealis acquisition was accounted for as a purchase, and accordingly, the assets purchased and liabilities assumed have been reflected in the accompanying balance sheets. The operating results of Borealis have been included in the consolidated financial statements of the Company since the date of acquisition.

MASLAND CORPORATION
On June 27, 1996, the Company, through a wholly-owned subsidiary ("PA Acquisition Corp."), acquired 97% of the issued and outstanding shares of common stock of Masland Corporation ("Masland") pursuant to an offer to purchase which was commenced on May 30, 1996. On July 1, 1996, the remaining issued and outstanding shares of common stock of Masland were acquired and PA Acquisition Corp. merged with and into Masland, such that Masland became a wholly-owned subsidiary of the Company. The aggregate purchase price for the acquisition of Masland (the "Masland Acquisition") was $473.8 million (including the assumption of $80.7 million of Masland's existing net indebtedness and $8.1 million in fees and expenses). Funds for the Masland Acquisition were provided by borrowings under the $1.5 Billion Credit Agreement and the $300 Million Credit Agreement, as described in Note 8.

Masland was a leading supplier of floor and acoustic systems to the North American automotive market. Masland also was a major supplier of interior luggage compartment trim components and other acoustical products which are designed to minimize noise, vibration and harshness for passenger cars and light trucks.

The Masland Acquisition was accounted for as a purchase, and accordingly, the assets purchased and liabilities assumed in the acquisition have been reflected in the accompanying balance sheets. The operating results of Masland have been included in the consolidated financial statements of the Company since the date of acquisition. The purchase price and final allocation, which was not materially different than preliminary estimates, were as follows (in millions):

Consideration paid to stockholders, net of cash acquired of $16.1 million	$337.8
Consideration paid to former Masland stock option holders	22.1
Debt assumed	96.8
Stock options issued to former Masland option holders	9.0
Fees and expenses	8.1
Cost of acquisition	$473.8
Property, plant and equipment	$125.8
Net working capital	31.5
Other assets purchased and liabilities assumed, net	(15.7)
Goodwill	332.2
Total cost allocation	$473.8

See Note 17 for pro forma information.

1995 ACQUISITION

AUTOMOTIVE INDUSTRIES
On August 17, 1995, the Company purchased all of the issued and outstanding shares of common stock of Automotive Industries Holding, Inc. ("AI") for an aggregate purchase price of approximately $881.3 million, including the retirement of $250.5 million of AI's existing indebtedness and $14.4 million in fees and expenses (the "AI Acquisition"), including $4.8 million paid to Lehman Brothers Inc., an affiliate of the Lehman Funds as defined in Note 4. AI was a leading designer and manufacturer of high-quality interior trim systems and blow molded products principally for North American and European car and light truck manufacturers.

The AI Acquisition was accounted for as a purchase, and accordingly the assets purchased and liabilities assumed in the acquisition have been reflected in the accompanying balance sheets. The operating results of AI have been included in the consolidated financial statements of the Company since the date of acquisition. The purchase price and the related allocation, were as follows (in millions):

Cash consideration paid to stockholders, net of cash acquired of $9.1 million	$614.5
Stock options issued to former AI option holders	1.9
Retirement of debt assumed	250.5
Fees and expenses	14.4
Cost of acquisition	$881.3
Property, plant and equipment	$264.7
Net non-cash working capital	43.8
Other assets purchased and liabilities assumed, net	(1.7)
Debt assumed	(33.9)
Goodwill	608.4
Total cost allocation	$881.3

See Note 17 for pro forma information.

(4) PUBLIC STOCK OFFERINGS

COMPANY OFFERINGS
In July 1996, the Company issued and sold 7,500,000 shares of common stock in a public offering (the "1996 Offering"). The total proceeds to the Company from the stock issuance were $251.3 million. Fees and expenses related to the 1996 Offering totaled $8.5 million, including approximately $1.1 million paid to Lehman Brothers Inc., an affiliate of the Lehman Funds. Net of issuance costs, the Company received $242.8 million, which was used to repay debt incurred in connection with the Masland Acquisition (Note 3). See Note 17 for pro forma information.

In September 1995, the Company issued and sold 10,000,000 shares of common stock in a public offering (the "1995 Offering"). The total proceeds to the Company from the stock issuance were $292.5 million. Fees and expenses related to the 1995 Offering totaled $11.0 million, including approximately $1.8 million paid to Lehman Brothers Inc. Net of issuance costs, the Company received $281.5 million, which was used to repay debt incurred in connection with the AI Acquisition (Note 3). See Note 17 for pro forma information.

SECONDARY OFFERINGS
In June 1997, the Company's then-largest shareholders, certain merchant banking partnerships affiliated with Lehman Brothers Holdings, Inc., (the "Lehman Funds"), sold all 10,284,854 of their remaining shares of common stock of Lear in a secondary offering. Prior to the offering, the Lehman Funds held approximately 16% of the outstanding common stock of the Company. The Company received no proceeds from the sale of these shares.

Concurrent with the 1996 and 1995 Offerings, 7,500,000 shares and 11,500,000 shares, respectively, were sold by certain stockholders of the Company, including the Lehman Funds. The Company received no proceeds from the sales of these shares.

(5) SUBORDINATED NOTES OFFERINGS
In July 1996, the Company completed a public offering of $200.0 million principal amount of its 9 1/2% Subordinated Notes due 2006 (the "9 1/2% Notes"). Interest is payable on the 9 1/2% Notes semi-annually on January 15 and July 15. Fees and expenses related to the issuance of the 9 1/2% Notes were approximately $4.5 million. Net of issuance costs, the Company received $195.5 million, which was used to repay debt incurred in connection with the acquisition of Masland (Note 3). See Note 17 for pro forma information.

(6) INVESTMENTS IN AFFILIATES
The investments in affiliates are as follows:

Percent Beneficial Ownership as of December 31,	1997	1996	1995
Sommer Masland UK Limited	50%	50%	-%
Industrias Cousin Freres, S.L. (Spain)	50	50	50
Lear - Donnelly Overhead Systems, L.L.C.	50	-	-
SALBI, A.B.	50	50	-
Lear Corporation Thailand	49	49	49
Detroit Automotive Interiors, L.L.C.	49	49	-
Interiores Automotrices Summa, S.A. de C.V. (Mexico)	40	40	40
General Seating of America, Inc.	35	35	35
General Seating of Canada, Ltd.	35	35	35
Markol Otomotiv Yan Sanayi Ve Ticaret (Turkey)	35	35	35
Jiangxi Jiangling Lear, Interior Systems Co., Ltd. (China)	33	50	-
Guildford Kast Plastifol Dynamics, Ltd. (U.K.)	33	33	33
Probel, S.A. (Brazil)	31	31	31
Precision Fabrics Group	29	29	-
Pacific Trim Corporation Ltd. (Thailand)	20	20	20

All of the above investments in affiliates are accounted for using the equity method, except Probel, S.A. which is accounted for using the cost method. The investments in Guildford Kast Plastifol Dynamics, Ltd. and Interiores Automotrices Summa, S.A. de C.V. were acquired as part of the AI Acquisition (Note 3). The investments in Sommer Masland UK Limited and Precision Fabrics Group were acquired as part of the Masland Acquisition (Note 3). The investment in SALBI, A.B. was acquired as part of the Borealis acquisition (Note 3).

In October, 1997, the Company formed a joint venture with Donnelly Corporation named Lear-Donnelly Overhead Systems, L.L.C. The joint venture designs, develops, markets and produces overhead systems for the global automotive market.

Summarized group financial information for affiliates accounted for under the equity method is as follows (unaudited; in millions):

December 31,	1997	1996
Balance sheet data:		
Current assets	$127.7	$134.1
Non-current assets	78.1	79.3
Current liabilities	69.8	67.7
Non-current liabilities	77.7	60.9

Year Ended December 31,	1997	1996	1995
Income statement data:			
Net sales	$493.2	$471.0	$201.6
Gross profit	75.4	68.1	37.9
Income before provision for income taxes	25.2	21.6	14.2
Net income	20.3	17.9	10.0

The aggregate investment in affiliates was $71.3 million and $53.2 million as of December 31, 1997 and 1996, respectively. The Company had sales to affiliates of approximately $28.1 million, $22.2 million and $17.6 million for the years ended December 31, 1997, 1996 and 1995, respectively. Dividends of approximately $3.9 million, $3.0 million and $1.3 million were received by the Company for the years ended December 31, 1997, 1996 and 1995, respectively. The Company has guaranteed certain obligations of its affiliates. The Company's share of amounts outstanding under guaranteed obligations as of December 31, 1997 amounted to $3.1 million. Management does not believe that the Company will be required to pay any amounts related to these guarantees.

On January 2, 1998, the Company purchased an additional 15% of the outstanding common stock of General Seating of America, Inc. and General Seating of Canada, Ltd.

(7) SHORT-TERM BORROWINGS

Short-term borrowings consist of lines of credit. At December 31, 1997, the Company had unsecured lines of credit available from banks of approximately $284.1 million, subject to certain restrictions imposed by the Credit Agreement (Note 8). Weighted average interest rates on the outstanding borrowings at December 31, 1997 and 1996 were 7.2% and 9.4%, respectively.

(8) LONG-TERM DEBT
Long-term debt is comprised of the following (in millions):

December 31,	1997	1996
Credit agreements	$647.7	$481.3
Other	88.5	111.8
	736.2	593.1
Less - Current portion	(9.1)	(8.3)
	727.1	584.8
9 1/2% Subordinated Notes	200.0	200.0
8 1/4% Subordinated Notes	136.0	145.0
11 1/4% Senior Subordinated Notes	-	125.0
	336.0	470.0
	$1,063.1	$1,054.8

In November 1997, the Company amended its $1.8 billion senior revolving credit facility (the "Credit Agreement") to reduce restrictions on the Company's ability to make acquisitions or capital expenditures, and invest internationally. Additionally, a money market rate swing-line loan option was added. The Credit Agreement matures on September 30, 2001 and borrowings thereunder may be used for general corporate purposes. The Credit Agreement is secured by a pledge of the capital stock of certain of the Company's domestic and foreign subsidiaries, and the Company's obligations thereunder are guaranteed by certain of its significant domestic subsidiaries. Loans under the Credit Agreement bear interest, at the election of the Company, at a floating rate equal to (i) the higher of a specified bank's prime rate and the federal funds rate plus 0.5%, (ii) the money market rate or (iii) the Eurodollar rate plus .275% to .625%, depending on the level of a certain financial ratio.

The Company had available under the Credit Agreement unused long-term revolving credit commitments of $1.1 billion at December 31, 1997, net of $53.1 million of outstanding letters of credit. Borrowings on revolving credit loans were $3,422.3 million, $2,790.8 million and $4,979.5 million for the years ended December 31, 1997, 1996 and 1995, respectively. Repayments on revolving credit loans were $3,260.3 million, $3,027.8 million and $4,384.3 million for the years ended December 31, 1997, 1996 and 1995, respectively. Interest was being charged at the Eurodollar rate plus .275%, approximately 5.83% at December 31, 1997 and the Eurodollar rate plus .300%, approximately 5.97% at December 31, 1996, for loans under the Credit Agreement.

Other senior debt at December 31, 1997, is principally made up of amounts outstanding under the Canadian Dollar Revolving Term Facility, certain capital leases and a term loan with a German bank. Other senior debt matures principally in years 1998 to 2000 and bears interest at rates consistent with the Company's other debt instruments.

The 8 1/4% Subordinated Notes, due in 2002, require interest payments semi-annually on February 1 and August 1 and are callable beginning February 1, 1998. The 9 1/2% Subordinated Notes, due in 2006, require interest payments semi-annually on January 15 and July 15 and are callable beginning July 15, 2001. In July 1997, the Company redeemed all of its 11 1/4% Senior Subordinated Notes due 2000 (the "11 1/4% Notes") at par using borrowings under the Credit Agreement. The accelerated amortization of deferred financing fees related to the 11 1/4% Notes totaled approximately $1.6 million. This amount, net of the related tax benefit of $.6 million, has been reflected as an extraordinary loss in the consolidated statement of income.

In December 1996, the Company amended and restated its Credit Agreement with a syndicate of financial institutions to consolidate a $1.5 billion credit agreement originated in August 1995 (the "$1.5 Billion Credit Agreement") and a $300 million credit agreement originated in June 1996 (the "$300 Million Credit Agreement"). The $1.5 Billion Credit Agreement refinanced a $500 Million Credit Agreement which was originated in November 1994 (the "$500 Million Credit Agreement"). See Note 17 for pro forma information. The accelerated amortization of deferred financing fees related to the $500 Million Credit Agreement totaled approximately $4.0 million. This amount, net of the related tax benefit of $1.4 million, has been reflected as an extraordinary loss in the consolidated statement of income for the year ended December 31, 1995. Lehman Commercial Paper, Inc., an affiliate of the Lehman Funds, was a managing agent of the $1.5 Billion Credit Agreement and received fees of $.5 million in connection with this transaction.

The Credit Agreement and indentures relating to the Company's subordinated debt contain restrictive covenants. The most restrictive of these covenants are the Credit Agreement's financial covenants related to maintenance of certain levels of leverage and interest coverage. These agreements also, among other things, restrict the Company's ability to incur additional indebtedness, declare dividends, create liens, make investments and advances and sell assets.

The scheduled maturities of long-term debt at December 31, 1997 for the five succeeding years are as follows (in millions):

1998	$ 9.1
1999	17.4
2000	6.5
2001	651.8
2002	139.0

(9) NATIONAL INCOME TAXES

A summary of income before provision for national income taxes and components of the provision for national income taxes is as follows (in millions):

Year Ended December 31,	1997	1996	1995
Income before provision for national income taxes, minority interests in consolidated subsidiaries, equity in net income of affiliates and extraordinary item:			
Domestic	$ 213.2	$ 135.7	$ 51.0
Foreign	132.6	117.7	101.9
	$ 345.8	$ 253.4	$ 152.9
Domestic provision for national income taxes:			
Current provision	$ 109.8	$ 48.4	$ 31.6
Deferred -			
Deferred provision	(18.3)	2.8	(12.2)
Benefit of previously unbenefitted net operating loss carryforwards	(5.9)	-	(.4)
	(24.2)	2.8	(12.6)
Total domestic provision	85.6	51.2	19.0
Foreign provision for national income taxes:			
Current provision	65.1	51.0	41.2
Deferred -			
Deferred provision	(1.9)	6.6	5.3
Benefit of previously unbenefitted net operating loss carryforwards	(5.7)	(7.3)	(2.4)
	(7.6)	(.7)	2.9
Total foreign provision	57.5	50.3	44.1
Provision for national income taxes	$ 143.1	$ 101.5	$ 63.1

The differences between tax provisions calculated at the United States Federal statutory income tax rate of 35% for the years ended December 31, 1997, 1996 and 1995, and the consolidated national income tax provision are summarized as follows (in millions):

Year Ended December 31,	1997	1996	1995
Income before provision for national income taxes, minority interests in consolidated subsidiaries, equity in net income of affiliates and extraordinary item multiplied by the United States Federal statutory rate	$121.0	$ 88.7	$ 53.5
Differences between domestic and effective foreign tax rates	3.9	1.3	(3.3)
Net operating losses not tax benefited	10.2	15.8	11.4
Decrease in valuation allowance	(3.6)	(8.3)	(4.2)
Domestic income taxes provided on foreign earnings	--	--	2.6
Amortization of goodwill	12.4	10.4	5.8
Utilization of net operating losses and other	(.8)	(6.4)	(2.7)
	$143.1	$101.5	$ 63.1

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

December 31,	1997	1996
Deferred national income tax liabilities:		
Long-term asset basis differences	$ 63.4	$ 54.5
Taxes provided on unremitted foreign earnings	10.3	15.6
Retirement benefit plans	--	3.1
Deferred finance fees	2.9	--
Recoverable customer engineering and tooling	30.3	12.0
Other	2.1	10.3
	$ 109.0	$ 95.5
Deferred national income tax assets:		
Tax credit carryforwards	$ (.3)	$ --
Tax loss carryforwards	(78.7)	(66.4)
Retirement benefit plans	(22.4)	(24.1)
Accruals	(64.8)	(32.1)
Self -insurance reserves	(11.6)	(10.4)
Asset valuations	(18.2)	--
Minimum pension liabilities	(2.6)	(2.1)
Deferred compensation	(2.4)	(3.9)
Other	(6.5)	(9.9)
	(207.5)	(148.9)
Valuation allowance	64.8	61.2
	$(142.7)	$ (87.7)
Net deferred national income tax (asset) liability	$ (33.7)	$ 7.8

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

December 31,	1997	1996
Deferred national income tax assets:		
Current	$ (85.9)	$ (41.5)
Long-term	(15.0)	(2.9)
Deferred national income tax liabilities:		
Current	5.5	2.6
Long-term	61.7	49.6
Net deferred national income tax (asset) liability	$ (33.7)	$ 7.8

Deferred national income taxes have been provided on earnings of the Company's Canadian subsidiary to the extent it is anticipated that the earnings will be remitted in the form of future dividends. Deferred national income taxes have not been provided on the undistributed earnings of the Company's other foreign subsidiaries as such amounts are considered to be permanently reinvested. The cumulative undistributed earnings at December 31, 1997 on which the Company had not provided additional national income taxes were approximately $106.9 million.

As of December 31, 1997, the Company had tax loss carryforwards of $189.0 million which relate to certain foreign subsidiaries. Of the total loss carryforwards, $91.2 million has no expiration and $97.8 million expires in 1998 through 2004.

(10) RETIREMENT PLANS

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

Components of the Company's net pension expense are as follows (in millions):

Year Ended December 31,	1997	1996	1995
Service cost	$ 14.7	$ 10.6	$ 6.2
Interest cost on projected benefit obligation	13.4	10.6	7.4
Actual return on assets	(20.1)	(13.1)	(12.1)
Net amortization and deferral	13.4	8.4	6.9
Net pension expense	$ 21.4	$ 16.5	$ 8.4

The following table sets forth a reconciliation of the funded status of the Company's defined benefit pension plans to the related amounts recorded in the consolidated balance sheets (based on September 30 and December 31 measurement dates in 1997 and 1996, respectively, in millions):

	DECEMBER 31, 1997		December 31, 1996	
	PLANS WHOSE ASSETS EXCEED ABO	PLANS WHOSE ABO EXCEEDS ASSETS	Plans Whose Assets Exceed ABO	Plans Whose ABO Exceeds Assets
Actuarial present value of:				
Vested benefit obligation	$ 38.2	$121.5	$ 26.8	$ 93.2
Non-vested benefit obligation	6.9	6.1	3.8	5.1
Accumulated benefit obligation (ABO)	45.1	127.6	30.6	98.3
Effects of anticipated future compensation increases	19.9	8.4	19.4	5.8
Projected benefit obligation	65.0	136.0	50.0	104.1
Plan assets at fair value	59.6	78.4	39.2	68.8
Projected benefit obligation in excess of plan assets	5.4	57.6	10.8	35.3
Unamortized net gain (loss)	3.8	(1.9)	(2.1)	(3.2)
Unrecognized prior service cost	2.1	(31.5)	(.5)	(21.6)
Unamortized net asset (obligation) at transition	1.9	1.1	2.4	(.9)
Adjustment required to recognize minimum liability	--	26.9	.1	18.2
Accrued pension liability recorded in the consolidated balance sheets	$ 13.2	$ 52.2	$ 10.7	$ 27.8

The projected benefit obligation for plans whose ABO exceeds assets includes both foreign and domestic plans. For domestic plans this excess was $19.8 million and $18.9 million as of December 31, 1997 and 1996, respectively. The actuarial assumptions used in determining pension expense and the funded status information shown above were as follows:

Year Ended December 31,	1997	1996	1995
Discount rate:			
Domestic plans	7.5%	7.25-7.5%	7.25-8%
Foreign plans	4.5-7.5%	7-8%	7-8%
Rate of salary progression:			
Domestic plans	5%	5-5.8%	5.6%
Foreign plans	1-5%	3-5%	3-5%
Long-term rate of return on assets:			
Domestic plans	9%	7.75-9%	7.75-9%
Foreign plans	7.5%	8%	8%

Plan assets include cash equivalents, common and preferred stock, and government and corporate debt securities.

SFAS No. 87, "Employers' Accounting for Pensions," required the Company to record a minimum liability as of December 31, 1997 and 1996. As of December 31, 1997, the Company recorded a long-term liability of $26.9 million, an intangible asset of $26.1 million, which is included with other assets, and a reduction in stockholders' equity of $.5 million, net of income taxes of $.3 million.

In 1997, one of the Company's defined benefit pension plans agreed to provide a series of early retirement windows. In addition, the Canadian plans decreased the assumed discount rate from 8.0% in 1996 to 7.5% in 1997. Also, the measurement date was changed from December 31 in 1996 to September 30 in 1997. The aggregate impact of these changes was to increase pension cost and ABO by $4.0 million and $11.8 million, respectively.

In 1996, one of the Company's defined benefit pension plans increased the benefit rate and increased the supplemental early retirement benefit. In addition, the domestic plans decreased the assumed discount rate from 8.0% in 1995 to 7.5% in 1996. The aggregate impact of these changes was to increase pension cost and ABO by $1.4 million and $5.0 million, respectively.

The Company also sponsors defined contribution plans and participates in government sponsored programs in certain foreign countries. Contributions are determined as a percentage of each covered employee's salary. The Company also participates in multi-employer pension plans for certain of its hourly employees and contributes to those plans based on collective bargaining agreements. The aggregate cost of the defined contribution and multi-employer pension plans charged to income was $10.4 million, $4.7 million and $2.6 million for the years ended December 31, 1997, 1996 and 1995, respectively.

(11) POST-RETIREMENT BENEFITS

The Company's post-retirement plans cover a portion of the Company's domestic employees and Canadian employees. The plans generally provide for the continuation of medical benefits for all employees who complete 10 years of service after age 45 and retire from the Company at age 55 or older. The Company does not fund its post-retirement benefit obligation. Rather, payments are made as costs are incurred by covered retirees.

On January 1, 1995, the Company adopted SFAS No. 106, "Employers' Accounting for Post-retirement Benefits Other Than Pensions," for its foreign plans. This standard requires that the expected cost of post-retirement benefits be charged to expense during the years in which the employees render service to the Company. As of January 1, 1995, the Company's Accumulated Post-retirement Benefit Obligation ("APBO") for its foreign plans was approximately $9.7 million which is being amortized over approximately 11 years, representing the average remaining service life of the eligible employees.

The Company adopted SFAS No. 106 for its domestic plans as of July 1, 1993. At that date, the Company's APBO was approximately $32.0 million. Because the Company had previously recorded a liability of $6.3 million related to these benefits,

the net transition obligation was $25.7 million and is being amortized over 20 years. The following table sets forth a reconciliation of the funded status of the accrued post-retirement benefit obligation to the related amounts recorded in the consolidated financial statements as of December 31, 1997 and 1996 (based on September 30 and December 31 measurement dates in 1997 and 1996, respectively, in millions):

December 31,	1997	1996
Accumulated Post-retirement Benefit Obligation:		
Retirees	$28.7	$27.2
Fully eligible active plan participants	9.2	8.3
Other active participants	32.3	30.8
Unrecognized net gain	6.9	4.8
Unrecognized prior service cost	(.3)	(1.4)
Unamortized transition obligation	(27.5)	(28.5)
Liability recorded in the consolidated balance sheets	$49.3	$41.2

Components of the Company's net post-retirement benefit expense under SFAS No. 106 were as follows (in millions):

Year Ended December 31,	1997	1996	1995
Service cost	$ 4.6	$ 4.2	$ 3.6
Interest cost on APBO	4.9	4.0	3.5
Amortization of unrecognized net (gain) loss	(.3)	(.5)	.4
Amortization of unrecognized prior service cost	-	.2	-
Amortization of transition obligation	1.8	1.8	1.8
Net post-retirement benefit expense	$11.0	$ 9.7	$ 9.3

For the domestic plans, the APBO was calculated using an assumed discount rate of 7.5% as of December 31, 1997 and 1996. Domestic post-retirement benefit expense was calculated using an assumed discount rate of 7.5% in 1997 and 1996 and 8.0% in 1995. Domestic health care costs were assumed to increase 9.2% in 1997, grading down over time to 5.5% in 10 years. For the foreign plans, 1997 and 1996 post-retirement benefit expense and the APBO as of December 31, 1997 and 1996, were calculated using an assumed discount rate of 8.0%. Foreign health care costs were assumed to increase 8.5% in 1997, grading down over time to 5.5% in 10 years. To illustrate the significance of these assumptions, a rise in the assumed rate of health care cost increases of 1% each year would increase the APBO as of December 31, 1997 by $8.8 million and increase the net post-retirement benefit expense by $1.4 million for the year ended December 31, 1997.

(12) COMMITMENTS AND CONTINGENCIES

The Company is the subject of various lawsuits, claims and environmental contingencies. In addition, the Company has been identified as a potentially responsible party under the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended ("CERCLA" or "Superfund"), for the cleanup of contamination from hazardous substances at two Superfund sites, and may incur indemnification obligations for cleanup at two additional sites. In the opinion of management, the expected liability resulting from these matters is adequately covered by amounts accrued, and will not have a material adverse effect on the Company's consolidated financial position or future results of operations.

Approximately 35,000 of the Company's workforce worldwide are subject to collective bargaining agreements. 33% of the Company's workforce are subject to collective bargaining agreements which expire within one year. Relationships with all unions are good and management does not anticipate any difficulties with respect to the agreements.

Lease commitments at December 31, 1997 under noncancelable operating leases with terms exceeding one year are as follows (in millions):

1998	$ 41.3
1999	36.4
2000	30.6
2001	25.3
2002	22.3
2003 and thereafter	25.3
Total	$181.2

The Company's operating leases cover principally buildings and transportation equipment. Rent expense incurred under all operating leases and charged to operations was $37.8 million, $29.8 million, and $21.2 million for the years ended December 31, 1997, 1996 and 1995, respectively.

(13) STOCK OPTION PLANS

The Company has four stock option plans under which it has issued stock options, the 1988 Stock Option Plan, the 1992 Stock Option Plan, the 1994 Stock Option Plan, and the 1996 Stock Option Plan. Options issued to date under these plans generally vest over a three-year period and expire ten years from the original plan date.

As part of the acquisitions of AI and Masland (Note 3), outstanding AI stock options were converted into options to acquire 229,405 shares of the Company's common stock at prices ranging from $14.06 to $23.12 per share and outstanding Masland stock options were converted into options to acquire 517,920 shares of the Company's common stock at prices ranging from $11.63 to $30.17 per share. The values of the AI and Masland options converted as of the date of each acquisition were $1.9 million and $9.0 million, respectively, and were included in the purchase price of each acquisition.

A summary of options transactions during each of the three years in the period ended December 31, 1997 is shown below:

	Stock Options	Price Range
Outstanding at December 31, 1994	4,425,768	$ 1.29 - $15.50
Granted	265,405	$14.06 - $30.25
Expired or cancelled	(49,000)	$ 5.00 - $15.50
Exercised	(165,263)	$ 1.29
Outstanding at December 31, 1995	4,476,910	$ 1.29 - $30.25
Granted	1,076,920	$11.63 - $33.00
Expired or cancelled	(36,000)	$15.50 - $33.00
Exercised	(1,832,588)	$ 1.29 - $23.12
Outstanding at December 31, 1996	3,685,242	$ 1.29 - $33.00
Granted	554,000	$37.25
Expired or cancelled	(166,685)	$ 1.29 - $37.25
Exercised	(1,286,059)	$ 1.29 - $33.00
Outstanding at December 31, 1997	2,786,498	$ 1.29 - $37.25

Pro Forma
At December 31, 1997, the Company had several stock option plans, which are described above. The Company applies APB Opinion 25 and related Interpretations in accounting for its plans. Accordingly, compensation cost was calculated as the difference between the exercise price of the option and the market value of the stock at the date the option was granted. If compensation cost for the Company's stock option plans was determined based on the fair value at the grant dates consistent with the method prescribed in SFAS No. 123, "Accounting for Stock-Based Compensation," the Company's net income and

earnings per share would have been reduced to the pro forma amounts indicated below (in millions, except per share information).

Year Ended December 31,	1997	1996	1995
As reported (in millions, except per share data)			
Income before extraordinary item	$208.2	$151.9	$94.2
Net income	$207.2	$151.9	$91.6
Diluted net income per share before extraordinary item	$ 3.05	$ 2.38	$1.79
Diluted net income per share	$ 3.04	$ 2.38	$1.74
Pro forma			
Income before extraordinary item	$204.3	$150.4	$94.2
Net income	$203.3	$150.4	$91.6
Diluted net income per share before extraordinary item	$ 2.99	$ 2.36	$1.79
Diluted net income per share	$ 2.98	$ 2.36	$1.74

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions used for grants in 1997, 1996 and 1995: risk-free interest rates of 7.5%; expected dividend yields of 0.0%; and expected lives of 10 years. The expected volatility used was 30.2% in 1997 and 31.5% in 1996 and 1995.

(14) FINANCIAL INSTRUMENTS

The Company hedges certain foreign currency risks through the use of forward foreign exchange contracts and options. Such contracts are generally deemed as, and are effective as, hedges of the related transactions. As such, gains and losses from these contracts are deferred and are recognized on the settlement date, consistent with the related transactions. The Company and its subsidiaries had contracted to exchange notional United States dollar equivalent principal amounts of $231.8 million as of December 31, 1997 and $113.1 million as of December 31, 1996. All contracts outstanding as of December 31, 1997 mature in 1998. The deferred gain on such contracts as of December 31, 1997 was $.3 million compared to an unrealized loss of less than $.1 million as of December 31, 1996.

The carrying values of the Company's subordinated notes vary from the fair values of these instruments. The fair values were determined by reference to market prices of the securities in recent public transactions. As of December 31, 1997, the aggregate carrying value of the Company's subordinated notes was $336.0 million compared to an estimated fair value of $357.9 million. As of December 31, 1996, the aggregate carrying value of the Company's subordinated notes was $470.0 million compared to an estimated fair value of $485.9 million. The carrying values of cash, accounts receivable, accounts payable and notes payable approximate the fair values of these instruments due to the short-term, highly liquid nature of these instruments. The carrying value of the Company's senior indebtedness approximates its fair value which was determined based on rates currently available to the Company for similar borrowings with like maturities.

The Company uses interest rate swap contracts to hedge against interest rate risks in future periods. As of December 31, 1997, the Company had entered into three one-year swap contracts with an aggregate notional value of $120.0 million which became effective and/or go into effect between June 1997 and August 1998. Pursuant to each of the contracts, the Company will make payments calculated at a fixed rate of between 6.1% and 6.3% of the notional value and will receive payments calculated at the Eurodollar rate. This effectively fixes the Company's interest rate on the portion of the indebtedness under the Credit Agreement covered by the contracts at the fixed rates in the contracts plus a margin of .275% to .625% during the time the contracts are effective. The fair value of these contracts as of December 31, 1997, and 1996 was a negative $0.2 million and negative $0.6 million, respectively.

Several of the Company's European subsidiaries factor their accounts receivable with financial institutions subject to limited recourse provisions and are charged a discount fee ranging from the current LIBOR rate plus 0.4% to plus 1.5%. The amount of such factored receivables, which is not included in accounts receivable in the consolidated balance sheets at December 31, 1997 and 1996, was approximately $137.0 million and $152.6 million, respectively.

(15) GEOGRAPHIC SEGMENT DATA

Worldwide operations are divided into four geographic segments -- United States, Canada, Europe and Rest of World. The Rest of World segment includes operations in Mexico, South America, South Africa and the Asia/Pacific Rim region. Geographic segment information is as follows (in millions):

Year Ended December 31,	1997	1996	1995
Net Sales:			
United States	$3,838.7	$3,386.6	$2,431.8
Canada	1,106.5	893.3	874.5
Europe	1,958.9	1,627.6	1,328.5
Rest of World	788.5	610.5	307.4
Intersegment sales	(349.7)	(268.9)	(227.8)
	$7,342.9	$6,249.1	$4,714.4
Operating Income:			
United States	$ 311.8	$ 225.2	$ 152.4
Canada	82.0	77.4	52.4
Europe	60.3	49.2	26.5
Rest of World	27.0	24.0	13.5
	$ 481.1	$ 375.8	$ 244.8
Identifiable Assets:			
United States	$2,408.4	$2,288.3	$1,859.6
Canada	293.8	283.9	254.2
Europe	1,442.2	1,021.2	815.3
Rest of World	303.8	208.0	116.5
Unallocated (a)	10.9	15.4	15.7
	$4,459.1	$3,816.8	$3,061.3

(a) Unallocated Identifiable Assets consist of deferred financing fees.

The net assets of foreign subsidiaries were $439.6 million and $341.2 million at December 31, 1997 and 1996, respectively. The Company's share of foreign net income was $79.5 million, $67.5 million and $58.6 million for the years ended December 31, 1997, 1996 and 1995, respectively.

A majority of the Company's sales are to automobile manufacturing companies. The following is a summary of the percentage of net sales to major customers:

Year Ended December 31,	1997	1996	1995
Ford Motor Company	29%	32%	33%
General Motors Corporation	27	30	34
Fiat S.p.A.	10	10	10

In addition, a significant portion of remaining sales are to the above automobile manufacturing companies through various other automotive suppliers or to affiliates of these automobile manufacturing companies.

(16) QUARTERLY FINANCIAL DATA
(unaudited; in millions, except per share data)

	THIRTEEN WEEKS ENDED			
	MARCH 29, 1997	JUNE 28, 1997	SEPT. 27, 1997	DEC. 31, 1997
Net sales	$1,724.0	$1,839.3	$1,635.9	$2,143.7
Gross profit	177.9	213.5	175.3	242.7
Income before extraordinary item	41.9	61.1	36.6	68.6
Net income	41.9	61.1	35.6	68.6
Diluted net income per share before extraordinary item	.62	.90	.53	1.00
Diluted net income per share	.62	.90	.52	1.00

	Thirteen Weeks Ended			
	March 30, 1996	June 29, 1996	Sept. 28, 1996	Dec. 31, 1996
Net sales	$1,405.8	$1,618.7	$1,505.6	$1,719.0
Gross profit	120.6	166.9	143.7	188.5
Net income	25.8	50.1	24.8	51.2
Diluted net income per share	.43	.83	.37	.75

(17) PRO FORMA FINANCIAL DATA

The following pro forma unaudited financial data is presented to illustrate the estimated effects of (i) the 1996 Offering (Note 4), (ii) the Masland Acquisition (Note 3), (iii) the refinancing of the Company's $500 Million Credit Agreement (Note 8), (iv) the AI Acquisition (Note 3) and certain acquisitions completed by AI prior to the acquisition of AI by Lear, (v) the 1995 Offering (Note 4), (vi) the completion of the $300 Million Credit Agreement (Note 8), and (vii) the issuance of the 9-1/2% Notes (Note 5) as if these transactions had occurred as of the beginning of each year presented (in millions, except per share data). The 1996 Acquisitions have not been included in the pro forma information as their inclusion would not be material to the results of operations or financial position of the Company.

	YEAR ENDED DECEMBER 31, 1996				Year Ended December 31, 1995				
	COMPANY HISTORICAL	MASLAND ACQUISITION	OPERATING AND FINANCING ADJUSTMENTS	PRO FORMA	Company Historical	AI Acquisition	Masland Acquisition	Operating and Financing Adjustments	Pro Forma
Net sales	$ 6,249.1	$263.7	$(2.0)	$6,510.8	$4,714.4	$523.7	$473.2	$(3.3)	$5,708.0
Income before extraordinary item	151.9	10.4	(8.4)	153.9	94.2	18.0	17.4	(25.9)	103.7
Net income	151.9	10.4	(8.4)	153.9	91.6	18.0	17.4	(23.3)	103.7
Diluted net income per share before extraordinary item	2.38			2.27	1.79				1.54
Diluted net income per share	2.38			2.27	1.74				1.54

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Lear Corporation:

We have audited in accordance with generally accepted auditing standards, the consolidated financial statements of LEAR CORPORATION AND SUBSIDIARIES ("the Company") included in this Form 10-K, and have issued our report thereon dated January 30, 1998. Our audits were made for the purpose of forming an opinion on those financial statements taken as a whole. The schedule on page 49 is the responsibility of the Company's management and is presented for purposes of complying with the Securities and Exchange Commission's rules and is not part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and, in our opinion, fairly states in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

/s/ ARTHUR ANDERSEN LLP

Detroit, Michigan
January 30, 1998.

LEAR CORPORATION AND SUBSIDIARIES

SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS
(IN MILLIONS)

DESCRIPTION	BALANCE AT BEGINNING OF PERIOD	ADDITIONS	RETIREMENTS	OTHER CHANGES	BALANCE END OF PERIOD
FOR THE YEAR ENDED DECEMBER 31, 1995:					
Valuation of accounts deducted from related assets:					
Allowance for doubtful accounts	$ 3.1	$ .5	$ (.5)	$ .9	$ 4.0
Reserve for unmerchantable inventories	4.1	3.2	(2.1)	1.1	6.3
	$ 7.2	$ 3.7	$ (2.6)	$ 2.0	$ 10.3
FOR THE YEAR ENDED DECEMBER 31, 1996:					
Valuation of accounts deducted from related assets:					
Allowance for doubtful accounts	$ 4.0	$ 3.3	$ (.6)	$ 2.3	$ 9.0
Reserve for unmerchantable inventories	6.3	4.6	(1.0)	(.6)	9.3
	$ 10.3	$ $7.9	$ (1.6)	$ 1.7	$ 18.3
FOR THE YEAR ENDED DECEMBER 31, 1997:					
Valuation of accounts deducted from related assets:					
Allowance for doubtful accounts	$ 9.0	$ 5.1	$ (2.6)	$ 3.2	$ 14.7
Reserve for unmerchantable inventories	9.3	3.6	(3.7)	3.2	12.4
	$ 18.3	$ 8.7	$ (6.3)	$ 6.4	$ 27.1

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

There has been no disagreement between the management of the Company and the Company's accountants on any matter of accounting principles or practices or financial statement disclosures.

PART III

ITEM 10 - DIRECTORS AND EXECUTIVE OFFICERS OF THE COMPANY

Incorporated by reference from the Proxy Statement sections entitled "Election of Directors," and "Management and Directors."

ITEM 11 - EXECUTIVE COMPENSATION

Incorporated by reference from the Proxy Statement sections entitled "Executive Compensation."

ITEM 12 - SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Incorporated by reference from the Proxy Statement section entitled "Management and Directors - Security Ownership of Certain Beneficial Owners and Management."

ITEM 13 - CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

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

PART IV

ITEM 14 - EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

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

1. Consolidated Financial Statements:

Report of Independent Public Accountants

Consolidated Balance Sheets as of December 31, 1997 and 1996.

Consolidated Statements of Income for the years ended December 31, 1997, 1996 and 1995.

Consolidated Statements of Stockholders' Equity for the years ended December 31, 1997, 1996 and 1995.

Consolidated Statements of Cash Flows for the years ended December 31, 1997, 1996 and 1995.

Notes to Consolidated Financial Statements

2. Financial Statements Schedules:

Report of Independent Public Accountants

Schedule II - Valuation and Qualifying Accounts

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

3. The exhibits listed on the "Index to Exhibits" on pages 53 through 54 are filed with this Form 10-K or incorporated by reference as set forth below.

(b) The following reports on Form 8-K were filed during the quarter ended December 31, 1997.

None.

(c) The exhibits listed on the "Index to Exhibits" on pages 54 through 55 are filed with this Form 10-K or incorporated by reference as set forth below.

(d) Additional Financial Statement Schedules.

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on March 23, 1998.

Lear Corporation

By: /s/ Kenneth L. Way

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

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of Lear Corporation and in the capacities indicated on March 23, 1998.

/s/ Kenneth L. Way --- Kenneth L. Way Chairman of the Board and Chief Executive Officer	/s/ Larry W. McCurdy --- Larry W. McCurdy a Director
/s/ James H. Vandenberghe --- James H. Vandenberghe Executive Vice President, Chief Financial Officer and a Director	/s/ Roy E. Parrott --- Roy E. Parrott a Director
/s/ Robert E. Rossiter --- Robert E. Rossiter President, Chief Operating Officer -International Operations and a Director	/s/ Robert W. Shower --- Robert W. Shower a Director
/s/ Donald J. Stebbins --- Donald J. Stebbins Senior Vice President and Chief Financial Officer	/s/ David P. Spalding --- David P. Spalding a Director
/s/ Gian Andrea Botta --- Gian Andrea Botta a Director	/s/ James A. Stern --- James A. Stern a Director
/s/ Irma B. Elder --- Irma B. Elder a Director	

INDEX TO EXHIBITS

EXHIBIT NUMBER	EXHIBIT
3.1-	Restated Certificate of Incorporation of the Company (incorporated by reference to Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 30, 1996).
3.2-	Amended and Restated By-laws of the Company (incorporated by reference to Exhibit 3.4 to Lear's Registration Statement on Form S-1 (No. 33-52565)).
4.1-	Indenture dated as of July 1, 1996 by and between the Company and the Bank of New York, as trustee, relating to the 9 1/2% Subordinated Notes due 2006 (incorporated by reference to Exhibit 4.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 28, 1996).
4.2-	Indenture dated as of February 1, 1994 by and between Lear and The First National Bank of Boston, as Trustee, relating to the 8 1/4% Subordinated Notes (incorporated by reference to Exhibit 4.1 to the Company's Transition Report on Form 10-K filed on March 31, 1994).
10.1-	$1,800,000 Amended and Restated Credit and Guarantee Agreement dated as of December 20, 1996 (the "Credit Agreement") among the Company, Lear Corporation Canada Ltd., the foreign subsidiary borrowers named therein, the several financial institutions party thereto (collectively, the "Lenders"), The Chase Manhattan Bank, as general administrative agent for the Lenders and The Bank of Nova Scotia, as Canadian administrative agent for the Lenders, (incorporated by reference to Exhibit 10.1 to the Company's Report on Form 10-K filed for the year ended December 31, 1996).
10.2-	First Amendment, dated as of November 26, 1997 of the $1,800,000 Amended and Restated Credit and Guarantee Agreement, dated as of December 20, 1996 among the Company, Lear Corporation Canada Ltd., the foreign subsidiary borrowers named therein, the several financial institutions party thereto (collectively, the "Lenders"), the Managing Agents named therein, the Co-Agents named therein, the Lead Managers named therein, and The Bank of Nova Scotia and The Chase Manhattan Bank, as administrative agents for the Lenders thereunder, filed herewith.
10.3-	Employment Agreement dated March 20, 1995 between the Company and Kenneth L. Way (incorporated by reference to Exhibit 10.9 to the Company's Annual Report on Form 10-K for the year ended December 31, 1994).
10.4-	Employment Agreement dated March 20, 1995 between the Company and Robert E. Rossiter (incorporated by reference to Exhibit 10.10 to the Company's Annual Report on Form 10-K for the year ended December 31, 1994).
10.5-	Employment Agreement dated March 20, 1995 between the Company and James H. Vandenberghe (incorporated by reference to Exhibit 10.11 to the Company's Annual Report on Form 10-K for the year ended December 31, 1994).
10.6-	Employment Agreement dated March 20, 1995 between the Company and Terrence E. O'Rourke (incorporated by reference to Exhibit 10.6 to the Company's Report on Form 10-K filed for the year ended December 31, 1996).
10.7-	Employment Agreement dated May 29, 1996 between the Masland Corporation and Dr. Frank J. Preston, filed herewith.
10.8-	Stock Option Agreement dated as of September 29, 1988 between the Company and certain management investors (the "Management Investors") (incorporated by reference to Exhibit 10.6 to the Company's Registration Statement on Form S-1 (No. 33-25256)).
10.9-	Amendment to Stock Option Agreement dated as of March 2, 1995 between the Company and Kenneth L. Way (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended July 1, 1995).
10.10-	Amendment to Stock Option Agreement dated as of March 2, 1995 between the Company and Robert E. Rossiter (incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q for the quarter ended July 1, 1995).
10.11-	Amendment to Stock Option Agreement dated as of March 2, 1995 between the Company and James H. Vandenberghe (incorporated by reference to Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q for the quarter ended July 1, 1995).
10.12-	Amendment to Stock Option Agreement dated as of March 2, 1995 between the Company and James A. Hollars (incorporated by reference to Exhibit 10.6 to the Company's Quarterly Report on Form 10-Q for the quarter ended July 1, 1995).
10.13-	Amendment to Stock Option Agreement dated as of March 2, 1995 between the Company and Randal T. Murphy (incorporated by reference to Exhibit 10.5 to the Company's Quarterly Report on Form 10-Q for the quarter ended July 1, 1995).
10.14-	Lear's 1992 Stock Option Plan (incorporated by reference to Exhibit 10.7 to the Company's Annual Report on Form 10-K for the year ended June 30, 1993).
10.15-	Amendment to Lear's 1992 Stock Option Plan (incorporated by reference to Exhibit 10.26 to the Company's Transition Report on Form 10-K filed on March 31, 1994).
10.16-	Lear's 1994 Stock Option Plan (incorporated by reference to Exhibit 10.27 to the Company's Transition Report on Form 10-K filed on March 31, 1994).

EXHIBIT NUMBER	EXHIBIT
10.17-	Masland Holdings, Inc. 1991 Stock Purchase and Option Plan (incorporated by reference to Exhibit 99.4 to the Company's Current Report on Form 8-K dated June 27, 1996).
10.18-	Masland Corporation 1993 Stock Option Incentive Plan (incorporated by reference to Exhibit 99.5 to the Company's Current Report on Form 8-K dated June 27, 1995).
10.19-	Lear's Supplemental Executive Retirement Plan, dated as of January 1, 1995 (incorporated by reference to Exhibit 10.28 to the Company's Annual Report on Form 10-K for the year ended December 31, 1994).
10.20-	Share Purchase Agreement dated as of December 10, 1996, between the Company and Borealis Holding AB, (incorporated by reference to Exhibit 10.23 to the Company's Report on Form 10-K for the year ended December 31, 1996).
10.21-	Agreement and Plan of Merger dated as of May 23, 1996, by and among the Company, PA Acquisition Corp. and Masland Corporation (incorporated by reference to Exhibit 2.1 to the Company's Registration Statement on Form S-3 (No. 333-05809)).
10.22-	Agreement and Plan of Merger dated as of July 16, 1995, among the Company, AIHI Acquisition Corp. and Automotive Industries Holding, Inc. (incorporated by reference to the Exhibit 2.1 to the Company's Current Report on Form 8-K dated August 17, 1995).
10.23-	Lear Corporation 1996 Stock Option Plan, as amended and restated (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 28, 1997).
10.24-	Lear Corporation Long-Term Stock Incentive Plan, as amended and restated (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 28, 1997).
10.25-	Lear Corporation Outside Directors Compensation Plan, as amended and restated (incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 28, 1997).
10.26-	Second Amended and Restated Secured Promissory Note dated as of March 29, 1997 between Lear Corporation and James A. Hollars (incorporated by reference to Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 28, 1997).
10.27-	Purchase Agreement dated as of May 26, 1997 among Keiper GmbH & Co., Putsch GmbH & Co. KG, Keiper Recaro GmbH, Keiper Car Seating Verwaltungs GmbH, Lear Corporation GmbH & Co., and Lear Corporation (incorporated by reference to Exhibit 10.5 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 28, 1997).
10.28-	Operating Agreement of Lear Donnelly Overhead Systems, L.L.C. dated as of the 1st day of November, 1997, by and between the Company and Donnelly Corporation, filed herewith.
10.29-	Form of the Lear Corporation Long-Term Stock Incentive Plan Deferral and Restricted Stock Unit Agreement, filed herewith.
10.30-	Form of the Lear Corporation 1996 Stock Option Plan Stock Option Agreement, filed herewith.
10.31-	Restricted Property Agreement dated as of December 17, 1997 between the Company and Robert E. Rossiter, filed herewith.
10.32-	Lear Corporation 1992 Stock Option Plan, 3rd amendment dated March 14, 1997, filed herewith.
10.33-	Lear Corporation 1992 Stock Option Plan, 4th amendment dated August 4, 1997, filed herewith.
10.34-	Employment Agreement dated March 20, 1995 between the Company and Gerald G. Harris (incorporated by reference to Exhibit 10.7 to the Company's Report on Form 10-K for the year ended December 31, 1996).
11.1-	Computation of income (loss) per share, filed herewith.
21.1-	List of subsidiaries of the Company, filed herewith.
23.1-	Consent of independent public accountants, filed herewith.
27.1-	Financial Data Schedule, filed herewith.

EXHIBIT 10.2

FIRST AMENDMENT

FIRST AMENDMENT, dated as of November 26, 1997 (this "Amendment"), to the Amended and Restated Credit and Guarantee Agreement, dated as of December 20, 1996 (as amended, supplemented or otherwise modified from time to time, the "Credit Agreement"), among LEAR CORPORATION, a Delaware corporation (the "U.S. Borrower"), LEAR CORPORATION CANADA LTD., a company organized under the laws of the province of Ontario, Canada (the "Canadian Borrower"), the FOREIGN SUBSIDIARY BORROWERS parties thereto (together with the U.S. Borrower and the Canadian Borrower, the "Borrowers"), the several banks and other financial institutions from time to time parties thereto (the "Lenders"), the Managing Agents named therein (the "Managing Agents"), the Co-Agents named therein (the "Co-Agents"), the Lead Managers named therein (the "Lead Managers"), and THE BANK OF NOVA SCOTIA, a Canadian chartered bank (as hereinafter defined, the "Canadian Administrative Agent"), and THE CHASE MANHATTAN BANK, a New York banking corporation (as hereinafter defined, the "General Administrative Agent"), as administrative agents for the Lenders thereunder (collectively, the "Administrative Agents").

W I T N E S S E T H :

WHEREAS, pursuant to the Credit Agreement, the Lenders have agreed to make, and have made, extensions of credit to the Borrowers; and

WHEREAS, the Borrowers have requested that certain provisions of the Credit Agreement be modified in the manner provided for in this Amendment, and the Lenders are willing to agree to such modifications as provided for in this Amendment;

NOW, THEREFORE, in consideration of the premises and mutual agreements contained herein, and for other good and valuable consideration, the sufficiency of which is hereby acknowledged, the parties hereto hereby agree as follows:

1. Defined Terms. Unless otherwise defined herein, terms defined in the Credit Agreement and used herein shall have the meanings given to them in the Credit Agreement.

2. Amendments to Credit Agreement. (A) Subsection 1.1 of the Credit Agreement is hereby amended by (i) (A) deleting the word "and" appearing immediately prior to clause (c) of the defined term "Interest Payment Date" contained in such subsection and inserting in lieu thereof the punctuation "," and (B) inserting the following new clause (d) immediately prior to the period at the end of clause (c) of such definition:

> "and (d) as to any Money Market Rate Swing Line Loan, the last day of the interest period with respect thereto selected by the U.S. Borrower and the Swing Line Lender"

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and (ii) adding the following new definitions to such subsection in correct alphabetical order:

"`Money Market Rate': as defined in subsection 3.2(b).

`Money Market Rate Swing Line Loan': as defined in subsection 3.2(b)."

(B) Subsection 3.2(b) of the Credit Agreement is hereby amended by deleting it in its entirety and inserting in lieu thereof the following:

"(b) Unless otherwise agreed between the U.S. Borrower and the Swing Line Lender, such Swing Line Loan shall be an ABR Loan. Any such ABR Loan may not be converted into a Eurodollar Loan. If, however, the U.S. Borrower and the Swing Line Lender agree that a Swing Line Loan (a "Money Market Rate Swing Line Loan") shall bear interest at a fixed interest rate (a "Money Market Rate") for a fixed interest period of up to 7 days, such Money Market Rate Swing Line Loan shall bear interest for such interest period at such interest rate so agreed upon. If a Money Market Rate Swing Line Loan is not repaid on the last day of the interest period with respect thereto, it shall on such date be converted automatically to an ABR Loan. A Money Market Rate Swing Line Loan shall not be optionally prepayable prior to the last day of the interest period with respect thereto except with the consent of the Swing Line Lender."

(C) Subsection 10.1 of the Credit Agreement is hereby amended by adding the following new paragraph to the end of such subsection:

"(h) Each Money Market Rate Swing Line Loan shall bear interest during the interest period applicable thereto at a rate per annum equal to the applicable Money Market Rate; provided, that any Money Market Rate Swing Line Loan in which Lenders purchase participating interests pursuant to the last sentence of subsection 3.5(a) shall, from and after the date of such purchase, bear interest until the end of the interest period applicable thereto at a rate per annum equal to the ABR."

(D) Subsection 10.4 of the Credit Agreement is hereby amended by (i) inserting the phrase "(other than Money Market Rate Swing Line Loans)" immediately after the term "Swing Line Loans" in the first sentence of paragraph (a) of such subsection and (ii) inserting the phrase "(other than Money Market Rate Swing Line Loans)" directly after the word "outstanding" in paragraph (g) of such subsection.

(E) Subsection 10.6(a) of the Credit Agreement is hereby amended by deleting the phrase "Eurodollar Rate or the Eurocurrency Rate" contained in two places in the first sentence of such subsection and inserting in lieu thereof in each such place the phrase "Eurodollar Rate, Eurocurrency Rate or Money Market Rate".

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(F) Subsection 10.11 of the Credit Agreement is hereby amended by inserting the following phrase immediately after the word "thereto," contained in clause (d) of such subsection:

"or the making by the U.S. Borrower of a prepayment of Money Market Rate Swing Line Loans on a day which is not the last day of the interest period with respect thereto, including, without limitation, in each case, any such loss or expense arising from the reemployment of funds obtained by it or from fees payable to terminate the deposits from which such funds were obtained,"

(G) Subsection 14.1(a) of the Credit Agreement is hereby amended by deleting it in its entirety and inserting in lieu thereof the following:

"(a) [RESERVED]".

(H) Subsection 14.2(i) of the Credit Agreement is hereby amended by (i) deleting the amount "$80,000,000" contained in such subsection and inserting in lieu thereof the amount "$100,000,000" and (ii) deleting the proviso contained in such subsection and inserting in lieu thereof the following new proviso:

"provided that such letters of credit are not used in connection with the issuance of any commercial paper by the U.S. Borrower or its Subsidiaries"

(I) Subsection 14.3 of the Credit Agreement is hereby amended by (i) deleting the word "and" at the end of paragraph (r) of such subsection, (ii) deleting paragraph (s) of such subsection in its entirety and inserting in lieu thereof the following new paragraph (s):

"(s) Liens in respect of U.S. assets with an aggregate book value not to exceed 10% of the Consolidated Net Worth of the U.S. Borrower;"

and (iii) adding the following new paragraph (t) to the end of such subsection:

"(t) extensions, renewals and replacements of any Lien described in subsections 14.3(a) through (s) above, provided that the principal amount of the Indebtedness secured thereby is not increased and such extension or renewal is limited to the property so encumbered (and improvements or attachments thereto)."

(J) Subsection 14.4(d) of the Credit Agreement is hereby amended by deleting the amount "$60,000,000" contained in such subsection and inserting in lieu thereof the amount "$100,000,000".

(K) Subsection 14.4(e) of the Credit Agreement is hereby amended by deleting the amount "$10,000,000" contained in such subsection and inserting in lieu thereof the amount "$50,000,000".

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(L) Subsection 14.5(e) of the Credit Agreement is hereby amended by deleting the phrase "and is not a party to the Subsidiary Guarantee or the Additional Subsidiary Guarantee" contained therein in its entirety.

(M) Subsection 14.7 of the Amended and Restated Credit and Guarantee Agreement is hereby amended by deleting clause (b) contained therein in its entirety and inserting in lieu thereof the following new clause:

"(b) if no Default or Event of Default has occurred and is continuing (or would occur and be continuing after giving effect thereto) when any such dividend is declared by the Board of Directors of the U.S. Borrower or such payment is made on the account of the purchase of capital stock of the U.S. Borrower, cash dividends on the U.S. Borrower's capital stock or such payments made on the account of the purchase of capital stock of the U.S. Borrower not to exceed, in the aggregate, in any fiscal quarter (the "Payment Quarter") an amount equal to the greater of (i) $25,000,000 and (A) 100% of Consolidated Net Income of the U.S. Borrower and its consolidated Subsidiaries for the period of four consecutive fiscal quarters ended immediately prior to the Payment Quarter (such period of four quarters being the "Calculation Period" in respect of such Payment Quarter), less (B) the cash amount of all (I) dividends paid and redemptions made by the U.S. Borrower during such Calculation Period in respect of capital stock and (II) payments made on the account of the purchase of capital stock of the U.S. Borrower during such Calculation Period, but only to the extent permitted by the terms of the outstanding Subordinated Debt"

(N) Subsection 14.8 of the Credit Agreement is hereby amended by deleting it in its entirety and inserting in lieu thereof the following:

"14.8 [RESERVED]".

(O) Subsection 14.9 of the Credit Agreement is hereby amended by (i) deleting paragraph (e) of such subsection in its entirety and inserting in lieu thereof the following new paragraph:

"(e) (i) loans, advances, and extensions of credit by any Subsidiary to the U.S. Borrower and (ii) loans, advances, extensions of credit, capital contributions and other investments by the U.S. Borrower or any Subsidiary to or in any Subsidiary;",

(ii) deleting the word "and" at the end of paragraph (l) of such subsection, (iii) deleting the period at the end of paragraph (m) of such subsection and inserting in lieu thereof the punctuation and word"; and" and (iv) inserting at the end of such subsection the following new paragraph:

"(n) investments in or acquisitions of companies or business units, in each case, engaged primarily in the manufacturing of automotive parts business and businesses related thereto so long as (i) no Default or Event of Default shall have

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occurred and be continuing before and after giving effect to such transaction, (ii) the U.S. Borrower would be in pro forma compliance with subsection 14.1(c) after giving effect to such transaction and (iii) such transaction does not include a hostile bid made by the U.S. Borrower or its Subsidiaries."

3. Conditions to Effectiveness. This Amendment shall become effective on the date (the "Amendment Effective Date") on which the General Administrative Agent shall have received counterparts hereof, duly executed and delivered by the Borrowers, the Swing Line Lender and the Majority Lenders.

4. Representations and Warranties. The Borrowers represent and warrant that the representations and warranties made by the Borrowers in the Loan Documents are true and correct in all material respects on and as of the Amendment Effective Date, before and after giving effect to the effectiveness of this Amendment, as if made on and as of the Amendment Effective Date, except to the extent such representations and warranties expressly relate to an earlier date.

5. Payment of Expenses. The Borrowers agree to pay or reimburse the General Administrative Agent for all of their out-of-pocket costs and reasonable expenses incurred in connection with this Amendment and any other documents prepared in connection herewith and the transactions contemplated hereby, including, without limitation, the reasonable fees and disbursements of counsel to the General Administrative Agent.

6. No Other Amendments; Confirmation. Except as expressly amended, modified and supplemented hereby, the provisions of the Credit Agreement, the Notes and the other Loan Documents are and shall remain in full force and effect.

7. Governing Law; Counterparts. (a) This Amendment and the rights and obligations of the parties hereto shall be governed by, and construed and interpreted in accordance with, the laws of the State of New York.

(b) This Amendment may be executed by one or more of the parties to this Amendment on any number of separate counterparts, and all of said counterparts taken together shall be deemed to constitute one and the same instrument. A set of the copies of this Amendment signed by all the parties shall be lodged with the U.S. Borrower and the General Administrative Agent. This Amendment may be delivered by facsimile transmission of the relevant signature pages hereof.

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IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed and delivered by their respective proper and duly authorized officers as of the day and year first above written.

LEAR CORPORATION

By: /s/

Title:

LEAR CORPORATION CANADA LTD.

By: /s/

Title:

LEAR CORPORATION SWEDEN AB

By: /s/

Title:

LEAR FRANCE SARL

By: /s/

Title:

LEAR CORPORATION GMBH & CO. KG

By: /s/

Title:

NS BETEILIGUNG GMBH

By: /s/

Title:

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THE CHASE MANHATTAN BANK, as General Administrative Agent, as a Lender and as Swing Line Lender

By: /s/

Title:

THE BANK OF NOVA SCOTIA

By: /s/

Title:

CHASE MANHATTAN BANK DELAWARE

By: /s/

Title:

ABN AMRO BANK N.V. CHICAGO BRANCH

By: /s/

Title:

By: /s/

Title:

THE ASAHI BANK, LTD.

By: /s/

Title:

BANCA NAZIONALE DEL LAVORO S.P.A. NEW YORK BRANCH

By: /s/

Title:

By: /s/

Title:

8

BANK AUSTRIA AKTIENGESELLSCHAFT

By: /s/

Title:

By: /s/

Title:

BANK OF AMERICA NT & SA

By: /s/

Title:

BANK OF MONTREAL

By: /s/

Title:

THE BANK OF NEW YORK

By: /s/

Title:

THE BANK OF TOKYO-MITSUBISHI LTD., NEW YORK BRANCH

By: /s/

Title:

By:

Title:

BANKERS TRUST COMPANY

By: /s/

Title:

9

BANQUE NATIONALE DE PARIS

By: /s/

Title:

BANQUE PARIBAS

By: /s/

Title:

By: /s/

Title:

CREDIT AGRICOLE INDOSUEZ

By: /s/

Title:

CANADIAN IMPERIAL BANK OF COMMERCE

By: /s/

Title:

CIBC INC.

By: /s/

Title:

CITICORP USA, INC.

By: /s/

Title:

COMERICA BANK

By: /s/

Title:

10

COOPERATIVE CENTRALE
RAIFFEISEN-BOERENLEENBANK B.A.,"RABOBANK
NEDERLAND", NEW YORK BRANCH

By: /s/

Title:

By: /s/

Title:

CREDITO ITALIANO S.P.A.

By: /s/

Title:

By: /s/

Title:

CREDIT LYONNAIS CHICAGO BRANCH

By: /s/

Title:

DAI-ICHI KANGYO BANK, LTD.,
CHICAGO BRANCH

By: /s/

Title:

DRESDNER BANK AG NEW YORK AND GRAND
CAYMAN BRANCHES

By: /s/

Title:

By: /s/

Title:

11

FIRST AMERICAN NATIONAL BANK

By: /s/

Title:

FIRST BANK NATIONAL ASSOCIATION

By: /s/

Title:

BANKBOSTON, N.A.

By: /s/

Title:

FIRST UNION NATIONAL BANK

By: /s/

Title:

FLEET NATIONAL BANK

By:

Title:

THE FUJI BANK, LIMITED

By: /s/

Title:

GULF INTERNATIONAL BANK B.S.C.

By: /s/

Title:

By: /s/

Title:

12

THE INDUSTRIAL BANK OF JAPAN, LIMITED

By: /s/

Title:

ISTITUTO BANCARIO SAN PAOLO DI TORINO SPA

By: /s/

Title:

By: /s/

Title:

KEYBANK NATIONAL ASSOCIATION

By: /s/

Title:

KREDIETBANK N.V.

By:

Title:

By:

Title:

LEHMAN COMMERCIAL PAPER INC.

By: /s/

Title:

13

THE LONG-TERM CREDIT BANK OF JAPAN,
LTD. CHICAGO BRANCH

By: /s/

Title:

THE MITSUBISHI TRUST AND BANKING
CORPORATION, CHICAGO BRANCH

By: /s/

Title:

THE MITSUI TRUST AND BANKING COMPANY,
LIMITED

By: /s/

Title:

NATIONSBANK N.A.

By: /s/

Title:

NBD BANK

By: /s/

Title:

ROYAL BANK OF CANADA

By: /s/

Title:

THE ROYAL BANK OF SCOTLAND PLC

By: /s/

Title:

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THE SAKURA BANK, LTD.

By:

Title:

THE SANWA BANK LIMITED,
CHICAGO BRANCH

By: /s/

Title:

SOCIETE GENERALE

By: /s/

Title:

THE SUMITOMO BANK, LIMITED
CHICAGO BRANCH

By: /s/

Title:

THE SUMITOMO TRUST AND BANKING CO.,
LTD., NEW YORK BRANCH

By:

Title:

THE TOKAI BANK, LTD.,
CHICAGO BRANCH

By: /s/

Title:

THE TOYO TRUST & BANKING CO., LTD.

By:

Title:

15

YASUDA TRUST AND BANKING COMPANY,
LIMITED

By: /s/

Title:

ACKNOWLEDGEMENT AND CONSENT

Each of undersigned corporations as guarantors under (i) the Second Amended and Restated Subsidiary Guarantee, dated as of December 20, 1996 (the "Second Amended and Restated Subsidiary Guarantee"), made by Lear Corporation (Germany) Ltd., Lear Seating Holdings Corp. No. 50, Lear Tooling Corporation, Lear Corporation Mendon, LS Acquisition Corporation No. 24, Fair Haven Industries, Inc., ASAA, Inc., Automotive Industries Manufacturing Inc. and Masland Industries, Inc. in favor of The Chase Manhattan Bank, as General Administrative Agent, and (ii) the Second Amended and Restated Additional Subsidiary Guarantee, dated as of December 20, 1996 (together with the Second Amended and Restated Subsidiary Guarantee, the "Subsidiary Guarantees"), made by Lear Operations Corporation and NAB Corporation in favor of The Chase Manhattan Bank, as General Administrative Agent, hereby (a) consents to the transaction contemplated by this Amendment and (b) acknowledges and agrees that the guarantees contained in such Subsidiary Guarantees (and all collateral security therefor) are, and shall remain, in full force and effect after giving effect to this Amendment and all prior modifications to the Credit Agreement.

LEAR CORPORATION (GERMANY) LTD.
LEAR SEATING HOLDINGS CORP. NO. 50
LEAR CORPORATION MENDON
LS ACQUISITION CORPORATION NO. 24
FAIR HAVEN INDUSTRIES, INC.
ASAA, INC.
AUTOMOTIVE INDUSTRIES
MANUFACTURING INC.
MASLAND INDUSTRIES, INC.
LEAR OPERATIONS CORPORATION
NAB CORPORATION

By:/s/

Title: Authorized Signatory

EXHIBIT 10.7

Date: May 29, 1996

Dr. Frank J. Preston
50 Spring Road
Carlisle, PA 17013

Dear Frank:

Masland Corporation (the "Company") considers it essential to its best interest and the best interests of its stockholders to foster the continuous employment of key management personnel.

The Board of Directors of the Company (the "Board") has determined that appropriate steps should be taken to reinforce and encourage the continued attention and dedication of members of the Company's management, including yourself, to their assigned duties. In order to induce you to remain in the employ of the Company, and in consideration of your agreement to the termination of any existing employment contract you may have with the Company or any predecessor; the Company agrees that you shall receive, upon the terms and conditions set forth herein, the compensation and benefits set forth in this letter agreement ("Agreement") during the Term hereof.

1. Term of Agreement. This Agreement shall commence as of the date of the consummation the Offer (as defined in that certain Agreement and Plan of Merger dated May 23, 1996 (the "Merger Agreement") (the "Effective Date") by and among Lear Corporation ("Lear"), PA Acquisition Corp. and the Company) and, unless earlier terminated as provided herein, shall continue in effect until the fourth anniversary of such date (the "Term"); provided, that this Agreement shall be of no force or effect unless and until the Offer is consummated. The Term may be extended pursuant to paragraph 12, hereafter.

2. Terms of Employment. During the Term, you agree to be a full-time employee of the Company serving in the position of Corporate Senior Vice President of Lear and President of the Masland Division and to devote substantially all of your working time and attention to the business and affairs of the Company and, to the extent necessary to discharge the responsibilities associated with your position as Corporate Senior Vice President of Lear and President of the Masland Division, to use your best efforts to perform faithfully and efficiently such responsibilities. In addition, you agree to serve in such other capacities or offices to which you may be assigned, appointed or elected from time to time by the Board or the Board of Directors of Lear. Nothing herein shall prohibit you from devoting your time to civic and community activities, serving as a member of the Board of Directors of other corporations who do not compete with the Company (provided that you have received prior written approval from the Company's Chairman) or managing personal investments, as long as the foregoing do not interfere with the performance of your duties hereunder.

3. Compensation.

(i) As compensation for your services, under this Agreement, you shall be entitled to receive an initial base salary of $275,000 per annum, to be paid in accordance with existing payroll practices for executives of the Company. Increases in your base salary, if any, shall be determined by the Compensation Committee of Lear. In addition, you shall be eligible to receive an annual incentive compensation bonus ("Bonus") to be determined from time to time by the Compensation Committee of the Board of Directors of Lear.

(ii) In addition to compensation provided for in Subsection (i) of this Section 3, the Company agrees (A) to provide the same or comparable benefits with respect to any compensation or benefit plan in which you participate as of the Effective Date which is material to your total compensation (including, without limitation, the Supplement Employee Retirement Pension Agreement dated March 30, 1995 with Frank J. Preston), unless an equitable arrangement (embodied in an ongoing substitute or alternative plan) has been made with respect to such plan; and (B) to maintain your ability to participate therein (or in such substitute or alternative plan) on a basis not materially less favorable, both in terms of the opportunities provided and the level of your participation relative to other participants, than exists on the Effective Date.

(iii) The Company shall reimburse you for all reasonable travel, entertainment and other business expenses incurred by you in the performance of your responsibilities under this Agreement promptly upon receipt of written substantiation of such expenses. You shall also be paid all additional amounts necessary to discharge all federal and state tax liabilities incurred by you that are attributable to all deemed compensation arising as a consequence of your personal use of property owned or leased by the Company, excepting only your personal use of any Company aircraft, including federal and state taxes assessed against such additional compensation.

(iv) You shall be entitled to perquisites available to all other executives of the Company and shall be entitled to 4 weeks of vacation per year.

(v) Upon consummation of the Merger, the options to purchase 60,000 shares of Common Stock, $.01 par value per share, of the Company ("Company Common Stock") granted to you on January 3, 1995 and 30,000 shares of Company Common Stock granted to you on May 11, 1995, in each case under the 1993 Stock Option Incentive Plan of the Company, shall (i) become options to purchase Common Stock, $.01 par value per share, of Lear pursuant to Section 6.07 of the Merger

Agreement and (ii) shall all become vested and exercisable upon consummation of the Merger.

4. Termination of Employment. Your employment may be terminated by either the Company or you by giving a Notice of Termination, as defined in Subsection (iv) of this Section 4. If your employment should terminate during the Term, your entitlement to benefits shall be determined in accordance with Section 5 hereof.

(i) Disability. If, as a result of your incapacity due to physical or mental illness, you are unable to perform your duties hereunder for more than six consecutive months or six months aggregate during any twelve month period, your employment may be terminated for "Disability".

(ii) Cause. Termination of your employment for "Cause" shall mean termination upon (A) the willful and continued failure by you to substantially perform your duties with the Company (other than any such failure resulting from your Disability), (B) the engaging by you in conduct which is significantly injurious to the Company, monetarily or otherwise, (C) your conviction of a felony, (D) your abuse of illegal drugs or other controlled substances or your habitual intoxication, or (E) the breach of any of your material obligations hereunder including without limitation any breach of Section 9 or 10 hereof. For purposes of this Subsection, no act or failure to act, on your part shall be deemed "willful" unless knowingly done, or omitted to be done, by you not in good faith and without reasonable belief that your action or omission was in the best interest of the Company.

(iii) Good Reason. For purposes of this Agreement, "Good Reason" shall mean the occurrence, without your express written consent, of any of the following circumstances unless such circumstances are fully corrected prior to the Date of Termination specified in the Notice of Termination, as such terms are defined in Subsections (v) and (iv) of this Section 4, respectively, given in respect thereof:

(A) The permanent assignment to you of any duties inconsistent with your status as an executive officer of the Company, your physical relocation on a permanent basis to an area outside of the metropolitan Detroit area, a substantial adverse alteration in the nature or status of your responsibilities from those in effect immediately prior to such assignment of duties, your removal from any office specified in Section 2 hereof;

(B) Any reduction by the Company in your base salary as in effect from time to time, except for across-the-board salary reductions similarly affecting all executive officers of the Company;

(C) The failure by the Company to pay or provide to you within seven (7) days of receipt by the Company of your written demand any amounts of base salary or Bonus or any benefits which are due, owing and payable to you pursuant to the terms hereof, except pursuant to an across-the-board compensation deferral similarly affecting all executive officers, or to pay to you any portion of an installment of deferred compensation due under any deferred compensation program of the Company;

(D) Except in the case of across-the-board reductions, deferrals or eliminations similarly affecting all executive officers of the Company, the failure by the Company to (i) continue in effect any compensation plan in which you participate which is material to your total compensation, including but not limited to the Company's plans currently in effect or hereafter adopted, and any plans adopted in substitution therefore, or (ii) continue to provide you with benefits substantially similar, in aggregate, to the Company's life insurance, medical, dental, health, accident or disability plans in which you are participating at the date of this Agreement; or

(E) The failure of the Company to obtain a satisfactory agreement from any successor to assume and agree to perform this Agreement, as contemplated in Section 7 hereof.

Your continued employment with the Company shall not constitute consent to, or a waiver of rights with respect to, any circumstance constituting Good Reason hereunder.

(iv) Notice of Termination. Any termination of your employment by the Company or by you shall be communicated by written Notice of Termination to the other party hereto in accordance with Section 8 hereof. For purposes of this Agreement, a "Notice of Termination" shall mean a notice which shall indicate the specific termination provision in this agreement relied upon, if any, and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of your employment under the provision so indicated.

(v) Date of Termination, Etc. "Date of Termination" shall mean (A) if your employment is terminated for Disability pursuant to Subsection (i) of this Section 4, thirty (30) days after Notice of Termination is given (provided that you shall not have returned to the full-time performance of your duties during such thirty (30) day period), (B) if your employment is terminated by reason of your death, the date of your death, (C) if by you for Good Reason or by either party for any other reason (other than Disability, death, or your voluntary resignation without Good Reason),

the date specified in the Notice of Termination (which, in the case of a termination by you for Good Reason, shall not be less than thirty (30) nor more than sixty (60) days from the date such Notice of Termination is given), and (D) if your employment is terminated by your voluntary resignation without Good Reason (as defined in Subsection (iii) of this Section 4), the Date of Termination shall be forty-five (45) days from the date such Notice of Termination is given or such other date as may be identified by the Company. Unless the Company instructs you not to do so, you shall continue to perform services as provided in this Agreement through the Date of Termination.

5. Compensation Upon Termination or During Disability. Upon termination of your employment with the Company during the Term, you shall be entitled to the following compensation and benefits:

(i) If your employment is terminated for Disability, you shall receive until the end of the Term all compensation payable to you under the Company's disability and medical plans and programs, as in effect on the Date of Termination plus an additional payment from the Company (if necessary) such that the aggregate amount received by you in the nature of salary continuation from all sources equals your base salary at the rate in effect on the Date of Termination. After the end of the Term, your benefits shall be determined under the Company's retirement, insurance and other compensation programs then in effect in accordance with the terms of such programs, provided that such terms shall not be less advantageous to you than the terms of such programs in effect as of the Effective Date.

(ii) If your employment shall be terminated (A) by the Company for Cause, or (B) by you other than for Good Reason, the Company shall pay you your full base salary through the Date of Termination, at the rate in effect at the time Notice of Termination is given, plus all other amounts to which you are entitled under any compensation or benefit plans of the Company at the time such payments are due, and the Company shall have no further obligations to you under this Agreement. Provided, however, that if your employment is terminated by your voluntary resignation without Good Reason, you shall be compensated per this Paragraph only to the extent that you actively performed your assigned responsibilities through the Date of Termination.

(iii) If your employment shall be terminated by reason of your death, the Company shall pay your estate or designated beneficiary (as designated by you by written notice to the Company, which designation shall remain in effect for the remainder of the Term and any extensions thereof until revoked or a new beneficiary is designated, in either case by written notice to the Company) your full base salary

through the Date of Termination and for a period of 12 whole calendar months thereafter plus, if the Date of Termination shall not occur on the first day of a calendar month, the balance of the month in which the Date of Termination occurs, at the rate in effect at the time of your death, plus any Bonus earned, prorated for the portion of the Bonus measurement period occurring prior to the date of your death, plus all other amounts to which you are entitled under any compensation or benefit plans of the Company at the date of your death, and the Company shall have no further obligation to you, your beneficiaries or your estate under this Agreement.

(iv) If your employment shall be terminated (a) by the Company other than for Cause or Disability or (b) by you for Good Reason, then you shall be entitled to the benefits provided below:

(A) The Company shall pay you your full base salary through the Date of Termination at the rate in effect at the time Notice of Termination is given (or, if greater, at the rate in effect 30 days prior to the time Notice of Termination is given), plus all other amounts to which you are entitled under any compensation or benefit plans of the Company, including without limitation, any Bonus measurement period occurring prior to the Date of Termination, at the time such payments are due, except as otherwise provided below;

(B) in lieu of any further salary payment to you for periods subsequent to the Date of Termination, the Company shall pay to you your full base salary at the rate in effect immediately prior to the time Notice of Termination is given (or, if greater, at the rate in effect 30 days prior to the time Notice of Termination is given), payable periodically in accordance with past payroll practices, until the end of the Term;

(C) in lieu of any further Bonus payments to you for periods subsequent to the Date of Termination, the Company shall pay to you a Bonus payable in each March following the Date of Termination in respect of the previous plan fiscal year equal to the quotient obtained by aggregating the Bonuses received by you in respect of the two plan fiscal years ending prior to the Date of Termination (the "Bonus Period") and dividing such sum by two. Such Bonus shall be paid in respect of each plan fiscal year or portion thereof ending after the Date of Termination until the end of the Term, and shall be prorated for partial years, if any, including without limitation the portion of the calendar year occurring after the Date of Termination and the final plan fiscal year in respect of which any such March Bonus is payable pursuant to this Section 5(iv)(C). Provided, however, that the amount of bonus to be paid pursuant to

this Paragraph shall not be greater than the amount of bonus that would have been paid in accordance with Bonus Plans, existing from time to time, had your employment not been terminated;

(D) until the end of the Term, you will continue to participate in all other compensation and benefit plans (including perquisites) in which you were participating immediately prior to the time Notice of Termination is given, or comparable plans substituted therefor; provided, however, that if you are ineligible, (e.g., by operation of law or the terms of the applicable plan to continue to participate in any such plan) the Company will provide you with a comparable level of compensation or benefits;

(E) the Company shall also pay to you all reasonable legal fees and expenses incurred by you in contesting or disputing any such termination or in seeking to obtain or enforce any right or benefit provided by this Agreement if such termination is determined by arbitration to have been for Good Reason or other than Cause or Disability; and

(F) if you should die after the Date of Termination and prior to the end of the period of payment provided for in paragraphs (B), (C), and (D) hereof, the Company shall pay your estate or your designated beneficiary any amounts that are or become payable pursuant to any of such paragraphs until the end of the Term.

(v) In addition to all other amounts payable to you under this Section 5, you shall be entitled to receive all benefits payable to you pursuant to the terms of any plan or agreement of the Company relating to retirement benefits.

6. Travel. You shall be required to travel to the extent necessary for the performance of your responsibilities under this Agreement.

7. Successors; Binding Agreement. The Company will, by Agreement in form and substance satisfactory to you, require any successor (whether direct or indirect, by purchase merger, consolidation or otherwise) to all or substantially all the business and/or assets of the Company, to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. Failure of the Company to obtain such assumption and agreement prior to the effectiveness of any such succession shall entitle you to compensation from the Company in the same amount and on the same terms as you would be entitled to hereunder if you terminate your employment for Good Reason, except that for purposes of implementing the foregoing, the date on which any such succession becomes effective shall be deemed the Date of Termination. As used in this Agreement,

"Company" shall mean the Company as herein before defined and any successor to its business and/or assets as aforesaid which assumes and agrees to perform this Agreement by operation of law, or otherwise.

8. Notices. For the purpose of this Agreement, notices and all other communications provided for in the Agreement shall be in writing and shall be deemed to have been duly given when delivered or mailed by United States certified mail, return receipt requested, postage prepaid, addressed to the respective addresses set forth on the first page of this Agreement, provided that all notices to the Company shall be directed to the attention of the Secretary of the Company (or, if you are the Secretary at the time such notice is to be given, to the Chairman of the Company's Board of Directors), or to such other address as either party may have furnished to the other in writing in accordance herewith, except that notice of change of address shall be effective only upon receipt.

9. Noncompetition.

(i) Until the Date of Termination, you agree not to enter into competitive endeavors and not to undertake any commercial activity which is contrary to the best interests of Lear, the Company or their respective affiliates, including becoming an employee, owner (except for passive investments of not more than one percent of the outstanding shares of, or any other equity interest in, any company or entity listed or traded on a national securities exchange or in an over-the-counter securities market), officer, consultant, agent or director of any firm or person which either directly or indirectly competes with a line or lines of business of Lear or the Company. Notwithstanding any provision of this Agreement to the contrary, you agree that your breach of the provisions of this Section 9(i) shall permit the Company to terminate your employment for Cause.

(ii) If you are terminated for Cause or if you resign, until the later of (A) one year after the Date of Termination and (B) the conclusion of any period that you continue to be paid your salary (including any other payments in lieu of salary) pursuant to Section 5 hereof and for one year thereafter, or you are terminated other than for Cause, until the later of (A) the Date of Termination and (B) the conclusion any period that you continue to be paid your salary (including any other payment in lieu of salary) pursuant to Section 5 hereof, you agree not to become an employee, owner (except for passive investments of not more than one percent of the outstanding shares of, or any other equity interest in, any company or entity listed or traded on a national securities exchange or in an over-the-counter securities market), consultant, officer, agent or director of any firm or person which directly or indirectly competes with a line or lines of business of Lear or the Company. During the period of payment provided in Section 5 hereof, you will be available, consistent

with other responsibilities that you may then have, to answer questions and provide advice to the Company. Notwithstanding anything in this Agreement to the contrary, you agree that, from and after any breach by you of the provisions of this Section 9(ii), the Company shall cease to have any obligations to make payments to you under this Agreement.

(iii) If you are terminated for Cause or if you resign, until the later of (A) one year after the Date of Termination and (B) the conclusion of any period that you continue to be paid your salary (including any other payments in lieu of salary) pursuant to Section 5 hereof and for one year thereafter, or if you are terminated other than for Cause, until the later of (A) the Date of Termination and (B) the conclusion of any period that you continue to be paid your salary (including any other payment in lieu of salary) pursuant to Section 5 hereof, you shall not directly or indirectly, either on your own account or with or for anyone else, (X) solicit or attempt to solicit any of Lear or the Company's customers (Y) solicit or attempt to solicit for any business endeavor any employee of Lear or the Company or (Z) otherwise divert or attempt to divert from Lear or the Company any business whatsoever or interfere with any business relationship between Lear or the Company and any other person.

(iv) You acknowledge and agree that damages for breach of the covenant not to compete in this Section 9 will be difficult to determine and will not afford a full and adequate remedy, and therefore agree that the Company, in addition to seeking actual damages pursuant to Section 11 hereof, may seek specific enforcement of the covenant not to compete in any court of competent jurisdiction, including, without limitation, by the issuance of a temporary or permanent injunction, without the necessity of a bond. You and the Company agree that the provisions of this covenant not to compete are reasonable. However, should any court or arbitrator determine that any provision of this covenant not to compete is unreasonable, either in period of time, geographical area, or otherwise, the parties agree that this covenant not to compete should be interpreted and enforced to the maximum extent which such court or arbitrator deems reasonable.

10. Confidentiality.

(i) You shall not knowingly use, disclose or reveal to any unauthorized person, during or after the Term, any trade secret or other confidential information relating to the Company or any of its affiliates, or any of their respective businesses or principals, such as, without limitation, dealers' or distributor's lists, information regarding personnel and manufacturing processes, marketing and sales plans, and all other such information; and you confirm that such information is the exclusive

property of the Company and its affiliates. Upon termination of your employment, you agree to return to the Company on demand of the Company all memoranda, books, papers, letters and other data, and all copies thereof or therefrom, in any way relating to the business of the Company and its affiliates, whether made by you or otherwise in your possession.

(ii) Any ideas, processes, characters, productions, schemes, titles, names, formats, adaptations, plots, slogans, catchwords, incidents, treatment, and dialogue which you may conceive, create, organize, prepare or produce during the period of your employment and which ideas, processes, etc. relate to any of the businesses of the Company, shall be owned by the Company and its affiliates whether or not you should in fact execute an assignment thereof or other instrument or document which may be reasonably necessary to protect and secure such rights to the Company.

(iii) Notwithstanding anything in this Agreement to the contrary, you agree that from and after any breach by you of the provisions of this Section 10 during any period of payment provided in Section 5 hereof, the Company shall cease to have any obligations to make payments to you under this Agreement.

11. Arbitration.

(i) Except as contemplated by Section 9 and Section 11 (iii) hereof, any dispute or controversy arising under or in connection with this Agreement that cannot be mutually resolved by the parties to this Agreement and their respective advisors and representatives shall be settled exclusively by arbitration in Southfield, Michigan before one arbitrator of exemplary qualifications and stature, who shall be selected jointly by an individual to be designated by the Company and an individual to be selected by you, or if such two individuals cannot agree on the selection of the arbitrator, who shall be selected pursuant to the procedures of the American Arbitration Association.

(ii) The parties agree to use their best efforts to cause (a) the two individuals set forth in the preceding Section 11 (i), or, if applicable, the American Arbitration Association, to appoint the arbitrator within 30 days of the date that a party hereto notifies the other party that a dispute or controversy exists that necessitates the appointment of an arbitrator, and (b) any arbitration hearing to be held within 30 days of the date of selection of the arbitrator, and, as a condition to his or her selection, such arbitrator must consent to be available for a hearing at such time.

(iii) Judgment may be entered on the arbitrator's award in any court having jurisdiction, provided that you shall be entitled to seek specific performance of your

right to be paid and to participate in benefit programs during the pendency of any dispute or controversy arising under or in connection with this Agreement. The Company and you hereby agree that the arbitrator shall be empowered to enter an equitable decree mandating specific performance of the terms of this Agreement.

(iv) If you prevail in full or in substantial part, the Company shall bear all expenses of the arbitrator incurred in any arbitration hereunder. The Company agrees to pay your reasonable and documented legal fees and expenses in connection with any arbitration hereunder if you prevail in full or in substantial part.

12. Extension of Term. The Term of this Agreement shall be automatically extended for a period of one year on each anniversary of the Effective Date of this Agreement; said automatic extension commencing on the second anniversary of the Effective Date. There shall be no renewal of the Term after the Date of Termination.

13. Modifications. No provision of this Agreement may be modified, amended, waived or discharged unless such modification, amendment, waiver or discharge is agreed to in writing and signed by both you and such officer of the Company as may be specifically designated by the Board.

14. No Implied Waivers. Failure of either party at any time to require performance by the other party of any provision hereof shall in no way affect the full right to require such performance at any time thereafter. Waiver by either party of a breach of any obligation hereunder shall not constitute a waiver of any succeeding breach of the same obligation. Failure of either party to exercise any of its rights provided herein shall not constitute a waiver of such right.

15. Governing Law. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of Michigan.

16. Payments Net of Taxes. Any payments provided for herein which are subject to Federal, State or local tax or other withholding requirements, shall have such amounts withheld prior to payment.

17. Survival of Obligations. The obligations of the Company under Section 5(iii) and your obligations under Sections 9 and 10 hereof shall survive the expiration of the Term of this Agreement.

18. Capacity of Parties. The parties hereto warrant that they have the capacity and authority to execute this Agreement.

19. Validity. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of the Agreement, which shall remain in full force and effect.

20. Counterparts. This Agreement may be executed in several counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same instrument.

21. Entire Agreement. This Agreement and any attachments hereto, contain the entire agreement by the parties with respect to the matters covered herein and supersedes any prior agreement (including without limitation any prior employment agreement), condition, practice, custom, usage and obligation with respect to such matters insofar as any such prior agreement, condition, practice, custom, usage or obligation might have given rise to any enforceable right. No agreements, understandings or representations, oral or otherwise, express or implied, with respect to the subject matter hereof have been made by either party which are not expressly set forth in this Agreement.

[signature page follows]

If this letter sets forth our agreement on the subject matter hereof, kindly sign and return to the Company the enclosed copy of this letter which will then constitute our agreement on this subject.

Sincerely,

MASLAND CORPORATION

BY: /s/ William J. Branch

Agreed to this 29th day of May, 1996

BY: /s/ Frank J. Preston

Dr. Frank J. Preston

EXHIBIT 10.28

OPERATING AGREEMENT
OF
LEAR DONNELLY OVERHEAD SYSTEMS, L.L.C.

THIS OPERATING AGREEMENT is made and entered into as of the lst day of November, 1997, by and between Lear Corporation, a Delaware corporation ("Lear"), Automotive Industries Manufacturing, Inc., a Delaware corporation and wholly-owned subsidiary of Lear ("AIM") and Donnelly Corporation, a Michigan corporation ("Donnelly"). Capitalized terms not otherwise defined herein shall have the meanings ascribed to them in Article XII hereof.

ARTICLE I.
FORMATION

1.1 BACKGROUND. Lear and Donnelly have been involved in the designing, engineering, manufacturing, sales, marketing and servicing of Products and have particular expertise and technical know-how with respect to the Products. The Members desire to operate the Company for the purpose of designing, engineering, manufacturing, marketing, selling and servicing of Products in the United States and other countries worldwide, as may be agreed upon by the Members (the "Business").

1.2 FORMATION. On or before Closing, the Company will be formed pursuant to the Michigan Limited Liability Company Act (the "Act") in accordance with the terms and conditions of its Articles of Organization. Upon the request of the Board of Directors of the Company or as required by law, the Members shall promptly execute all amendments of the Articles of Organization and all other documents and take all such other actions as may be necessary or advisable to enable the Company to accomplish all filing, recording, publishing and other ministerial acts necessary or appropriate to comply with all requirements for the formation and continued operation of the Company under the Act.

1.3 INTENT. It is the intent of the Members that the Company be operated in a manner consistent with its treatment as a "partnership" for federal and state income tax purposes. No Member shall take any action inconsistent with the express intent of the Members as set forth herein.

1.4 PARTICIPATING PERCENTAGES. The participating percentages ("Participating Percentages") of the Members in the Company are as follows:

Member		Participating Percentage
Donnelly		50%
Lear and AIM	(jointly owned)	50%

ARTICLE II.
GENERAL PROVISIONS

2.1 NAME. The name of the Company shall be "Lear Donnelly Overhead Systems, L.L.C." or such other name as the Board of Directors may from time to time select. In addition, either Member shall have the unilateral right at any time to remove its name from the name of the Company, and the Company and the Members agree to cooperate and to take any necessary actions to effectuate such name change.

2.2 PRINCIPAL PLACE OF BUSINESS. The principal place of business of the Company shall be located at 39650 Orchard Hill Place, Novi, Michigan 48375, or such other place as the Members may from time to time agree.

2.3 COMPANY PURPOSES. The Company shall be formed for the purposes of (a) the designing, engineering, manufacturing, selling, marketing and servicing of Products; and (b) the engaging in any and all acts, things, businesses and activities that are related, incidental or conducive, directly or indirectly, to the attainment of the foregoing purposes with respect to the Products, including the licensing of technical assistance and the procurement of marketing and sales services and representation from the Members and their Affiliates. The Company may engage in other business only upon the unanimous vote of the Members. The Company shall have the power to do any and all acts necessary, appropriate, proper, advisable, incidental or convenient to or for the furtherance of the purposes and business described herein.

2.4 EXPANSION. Either Member may at any time cause the Company to make recommendations to the Members with regard to the engaging by the Company in business involving goods and/or services other than or in addition to the Products which would require consideration of additional enhancements to the Company's capital structure by contribution of existing operations of the Members, acquisition of third-party operations, or other capital improvements as necessary or desirable. Any expansion of the purposes of the Company beyond those set forth in Section 2.3 hereof shall require the unanimous consent of the Members.

2.5 TERM. The term of the Company commenced on the filing of the Articles of Organization and shall continue until the Company is terminated in accordance with the terms of the Articles of Organization, this Agreement or applicable law and the filing of the Certificate of Dissolution in accordance with Section 10.5 of this Agreement.

2.6 REGISTERED AGENT; REGISTERED OFFICE. The Registered Agent for the Company shall be Richard Perreault and the Registered Office for the Company shall be located at 39650 Orchard Hill Place, Novi, Michigan 48375. The Members shall have the power from time to time to appoint a new Registered Agent and/or specify a new Registered Office.

ARTICLE III.
CONTRIBUTIONS

3.1 CAPITAL CONTRIBUTIONS BY THE MEMBERS. As of the date of this Agreement, each Member agrees to make its respective initial capital contribution set forth in subsections (a) and (b) below, each such contribution to be in accordance with the initial approved capital plan:

(a) Lear and AIM shall contribute good and marketable title to the assets specified in the Transfer Agreement (as hereinafter defined) (the "Lear Assets") subject to indebtedness of $10 million to be assumed by the Company but free and clear of all Liens other than Permitted Encumbrances. The Members agree that the Lear Assets are valued at $21 million (prior to considering the $10 million indebtedness) and shall constitute Lear's and AIM's initial capital contribution and, in addition, shall entitle Lear to receive from the Company a preferred distribution of $3 million as provided in Section 4.2(d). The allocation of the total value of the Lear Assets to the individual assets will be agreed upon by Lear and Donnelly within thirty (30) days after Closing. The assumption of existing liabilities for each Member is being done to establish a desirable amount of leverage that is consistent with the business plan for the Company and is pursuant to a plan which is intended to qualify under Treasury Reg. Subsection.1.707-5(a)(4).

(b) Donnelly shall contribute good and marketable title to the assets described in the Transfer Agreement (the "Donnelly Assets") subject to indebtedness of $10 million to be assumed by the Company but free and clear of all Liens other than Permitted Encumbrances. The Members agree that the Donnelly Assets are valued at $18 million (prior to considering the $10 million indebtedness) and shall constitute Donnelly's initial capital contribution. The allocation of the total value of the Donnelly Assets to the individual assets will be agreed upon by Lear and Donnelly within thirty (30) days after Closing. The assumption of existing liabilities for each Member is being done to establish a desirable amount of leverage that is consistent with the business plan for the Company and is pursuant to a plan which is intended to qualify under Treasury Reg. Subsection.1.707-5(a)(4).

(c) Lear and Donnelly will enter into a Services Agreement in the form attached as Exhibit A detailing certain services each will provide the Company. Lear and Donnelly will enter into a Transfer Agreement with the Company in the form attached as Exhibit B detailing the method in which the Lear Assets and Donnelly Assets will be transferred to the Company.

(d) Additional capital contributions shall require the unanimous action of the Members in accordance with Section 6.3 hereof. Any increase in the capital of the Company shall be contributed by the Members in accordance with their Participating Percentages. In the event the Members are unable to unanimously agree upon the need for additional capital, either Member may, at its sole option, loan to the Company from time to time such amounts as may be reasonably necessary for the short term (in no event for a period greater than six months including any period of renewal or other extension) continued operation of the existing business of the Company but not for any capital improvements, expansion, or manufacture of Products not reasonably necessary to fulfill an existing purchase order. Any loans from a Member to the Company shall be on commercially reasonable terms applicable to a senior bank loan.

Capital accounts shall be maintained for each Member in the manner required by Treasury Regulation Sections 1.704-1(b)(2)(ii)(b)(1) and (b)(2)(iv).

(e) Section 8.4 of the Transfer Agreement provides that additional capital contributions will be required and Section 4.2(d) hereof provides that Lear's preferential distribution will be reduced, if certain levels of pre-tax, pre-depreciation and amortization levels are not achieved. If those levels are not achieved, the parties agree that the initial value of Lear Assets or Donnelly Assets, as the case may be, are overstated. To adjust the capital accounts to reflect the actual value of the Lear Assets or the Donnelly Assets:

(i) Prior to any payment required under Section 8.4 of the Transfer Agreement, the capital account of either Member shall be reduced by the amount of any such payment.

(ii) The capital account of Lear shall be reduced by any reduction of the amount of its special distribution pursuant to Section 4.2(d).

(f) The Lear-AIM Membership interest shall be jointly owned by Lear and AIM. Lear and AIM agree that said Membership Interest shall be allocated between them based upon the value of the properties each contributes to the Company. In connection with such contributions and in connection with allocations and distributions, the term "Lear" shall also include AIM, but not otherwise.

3.2 FIRST TIER DEBT. It is the intention of the Members that the expenditures necessary to develop and operate the Business will be financed with the initial Capital Contributions, additional capital contributions, Company revenues, third-party loans and, in the sole discretion of the Members, Member Loans. The Members agree that in the event Capital Contributions and Company revenues are insufficient, the Company shall first seek loans from third-party lenders (the "First Tier Debt").

3.3 MEMBER LOANS. Except as otherwise provided herein, if funds are needed by the Company in addition to the Capital Contributions, Company revenues and First Tier Debt, the Members may, but shall not be obligated to, loan additional funds to the Company ("Member Loans"). Except as otherwise unanimously agreed by the Members, all Member Loans shall be made on a pro-rata basis according to each Member's respective Participating Percentage in such amount as may be determined to be necessary by the Board of Directors pursuant to Section 6 hereof. All Member Loans shall bear interest at the Prime Rate (as the same may change from time to time) plus 1%, shall compound annually, shall be nonrecourse to the Members, shall be repayable in whole or part at any time without penalty, and shall be evidenced by a promissory note executed by or on behalf of the Company which shall contain such other terms and conditions as are commercially reasonable or as may be agreed to by the Members. Except for the distributions referenced in Section 4.2 (b) hereof, the amount of principal and interest payable on Member Loans shall be paid to the Members which have made Member Loans to the Company pro-rata based upon the principal balance of the Member Loans outstanding prior to any distribution of available funds to the Members pursuant to Article IV being made.

3.4 EMPLOYEE CONTRIBUTION. The Members agree to each assign to work for the Company the employees currently working at operations transferred to the Company. The employees so assigned will be leased to the Company from Lear and Donnelly under an agreement in substantially the forms attached as Exhibits C-1 and C-2, with the cost to be borne by the Company. Additional support, supervisory and management employees will be leased to the Company by Lear and Donnelly as agreed.

3.5 INTELLECTUAL PROPERTY CONTRIBUTION. The Members agree to license or sub-license the intellectual property and know-how to be used by the Company and included as part of the Lear Assets or the Donnelly Assets (collectively, the "Intellectual Property") on a royalty-free (except for any pass through of the actual royalty payments owing by the Member to any unaffiliated third party) and worldwide basis under a license or sub-license in substantially the forms attached as Exhibits D-1 and D-2. The Company, upon the unanimous approval of the Members, shall have the right to license or sub-license its affiliates to use such Intellectual Property provided any license or sub-license to a foreign affiliate of the Company shall bear a royalty at a fair market rate.

3.6 PURCHASE AND SUPPLY AGREEMENT. The Company will enter into a Purchase and Supply Agreement with Lear and Donnelly in the form attached hereto as Exhibit E, which agreement describes the procedures and responsibilities concerning the purchase and sale of Products.

ARTICLE IV.
DISTRIBUTIONS

4.1 AMOUNT AND TIME OF DISTRIBUTIONS.

(a) CASH FLOW. "Cash Flow" shall mean the sum of Operating Cash Flow and Capital Proceeds.

(b) OPERATING CASH FLOW. "Operating Cash Flow" means the gross cash proceeds from the Company's operations less the portion thereof used to pay or establish reserves for Company expenses and fees, principal and interest payments on Company debt (including First Tier Debt and Member Loans or other loans), capital improvements, replacements and contingencies, all as determined by the Board of Directors in its reasonable discretion. Operating Cash Flow shall not be reduced by depreciation, amortization, or other similar non-cash allowances, and shall be increased by any reductions in reserves which, when previously established, reduced Operating Cash Flow.

(c) CAPITAL PROCEEDS. "Capital Proceeds" of the Company means the net cash proceeds from all sales, dispositions and refinancings of the Company's property, less any portion thereof used to make principal and interest payments on Company debt or established reserves, as determined by the Board of Directors in its reasonable discretion. Capital Proceeds shall be increased by any reductions in reserves which, when previously established, reduced Capital Proceeds. Distributions of Capital Proceeds shall be made from time to time in the reasonable discretion of the Board of Directors. The Members may unanimously agree to suspend such distributions at any time for such duration as the Members may determine, which agreement shall be binding upon the Company.

4.2 DISTRIBUTIONS OF OPERATING CASH FLOW.

(a) Distributions, if any, of Cash Flow shall be made from time to time in the reasonable discretion of the Board of Directors. The Members may unanimously agree to suspend such distributions at any time for such duration as the Members may determine, which agreement shall be binding upon the Company. Distributions, if any, shall be made to the Members pro-rata based on their Participating Percentages, except as set forth in Section 4.2(d).

(b) The Company shall within ninety (90) days after the end of each Fiscal Year, distribute to the Members pro rata based upon their Participating Percentages an amount equal to thirty-five percent (35%) of the Company's taxable income for the immediately preceding Fiscal Year in order for the Members to satisfy their respective tax liability resulting from the taxable income of the Company for the immediately preceding Fiscal Year.

(c) Except as provided in Section 4.2(b), the Company shall not make any distributions of Cash Flow to the Members until all Member Loans are repaid in full.

(d) Lear shall be entitled to a special preferential distribution of $3 million on January 1, 2002, provided that the amount of the distribution shall be reduced by the amount that the EBITDA for 1998 and 1999 generated by the operations contributed by Lear at the Initial Closing (as defined in the Transfer Agreement) is less than that defined and shown on Exhibit H. Such reduction shall be in addition to any payments required from Lear to the Company for EBITDA shortfall provided in the Transfer Agreement.

4.3 WRONGFUL WITHDRAWAL. Except as provided in Section 4.4 hereof, no Member may withdraw or resign from the Company. Upon the attempted withdrawal or resignation of a Member in breach of this Agreement, such Member shall not be entitled to receive the value of such Member's Interest. Rather, such Member shall merely be entitled to continue to receive its share of distributions as provided in Sections 4.1 and 4.2 hereof (reduced by any damages incurred by the Company as a result of such attempted withdrawal or resignation) as if such withdrawing or resigning Member was still a Member of the Company.

4.4 PERMITTED WITHDRAWAL.

(a) Right to Withdraw. Neither Member shall have the right to withdraw from the Company until the third (3rd) anniversary of the date of this Agreement, except pursuant to Subsection 4.5(c) hereof. After the third (3rd) anniversary of the date of this Agreement, either Member may withdraw from the Company at any time by providing written notice to the other Member of its intent to do so at least ninety (90) days prior to the date of such proposed withdrawal and by complying with the remainder of this Section 4.4.

(b) Withdrawal After Not Meeting Company Goals. If one Member (the "Selling Member") sends a notice of withdrawal within sixty (60) days after receiving the annual certified financial

statements for the Company for the years ended December 31, 2000, or December 31, 2001, and the Company has not met the goals set forth on Schedule 4.5 attached hereto for the Company's previous fiscal year, then the other Member shall have thirty (30) days in which to notify the Selling Member that it wishes to purchase all but not less than all of the Selling Member's Interest for cash at the Fair Market Value.

(i) If the non-selling Member notifies the Selling Member that it does desire to purchase the Selling Member's Interest, then the Members shall obtain the Fair Market Value of such Interest. After the Fair Market Value has been determined, the non-selling Member may ratify its decision to purchase the Interest of the Selling Member (and the Selling Member shall be obligated to sell its Interest at that price, payable in cash) or specify that the Company will be liquidated.

(ii) If the non-selling Member does not purchase the Interest of the Selling Member, the Company will be liquidated and dissolved. The Members will attempt to agree on how the Company's obligations to its customers will be completed. Failing agreement by the parties, the Company shall stay in existence for the sole purpose of completing its obligations to customers. As soon as existing obligations are satisfied, the Company will be liquidated and dissolved.

(c) Withdrawal After Material Default. If prior to the receipt of a written notice of withdrawal, there has been a Material Breach of this Agreement or any of the Ancillary Agreements, then the non-breaching Member may, at its option, by written notice to the breaching Member given within thirty (30) days of the expiration of the applicable cure period(remedies pursuant to this Section 4.5(c) are available only if the required notice is given within thirty (30) days of the expiration of the applicable cure period):

(i) Liquidate the Company, in which case the Company shall be liquidated as provided in subsection (b)(ii) above;

(ii) State a proposed purchase price at which it is willing to purchase the breaching Member's Interest, at which time the breaching Member must either sell its Interest to the other Member at that price or purchase the other Member's Interest at one hundred thirty-five percent (135%) of that price, in both cases payable in cash;

(iii) Request that the breaching Member state a proposed price at which it is willing to purchase the interest of the non-breaching Member. If the breaching Member provides such a price within thirty (30) days after such notice, the non-breaching Member may, at its option, either sell its Interest at that price or purchase the breaching Member's Interest at a price

equal to eighty (80%) percent of the proposed purchase price (and the breaching Member shall be obligated to purchase at that price), in each case payable in cash. Alternatively, at such price the non-breaching Member may request a determination of the Fair Market Value of the breaching Member's Interest and after such determination of the Fair Market Value has been completed, elect to buy or sell as specified in the immediately preceding sentence or elect either alternative in subsection (iv) below; or

(iv) Request a determination of the Fair Market Value of the breaching Member's Interest in which case the non-breaching Member may, after the determination of the Fair Market Value has been completed, purchase the breaching Member's Interest for eighty (80%) percent of the Fair Market Value payable in cash (and the breaching Member shall be obligated to sell its Interest at that price) or may elect to liquidate the Company in the manner provided in subsection (b)(ii) above.

(d) Withdrawal Without Cause; Change of Control. If a Member wishes to withdraw and neither of the conditions in subsections (b) or (c) above pertains, then the withdrawing Member must provide a written notice of its intent to withdraw to the other Member and specify a price upon which it is willing to purchase the Interest of the other Member. In the event of a change of Control of a Member where after such change of Control, Control is held, directly or indirectly, by an entity described on Schedule 4.5(d) attached hereto, such Member will be deemed to have given a withdrawal notice unless the other Member consents in writing, and within thirty days after the change of Control, such Member shall notify in writing the non-withdrawing Member of a price at which it would be willing to sell its Interest. The other Member may then, at its option, exercised by written notice given to the withdrawing Member within thirty (30) days after receipt of notice from the withdrawing Member, elect to:

(i) Liquidate the Company in which case the Company shall be liquidated as provided subsection (b)(ii) above;

(ii) Purchase the Interest of the withdrawing Member at eighty percent (80%) of the purchase price specified by the withdrawing Member, payable in cash (and the withdrawing Member is obligated to sell its Interest at that price);

(iii) Sell its Interest to the withdrawing Member at the purchase price specified by the withdrawing Member (and the withdrawing Member is obligated to purchase such Interest at that price, payable in cash); or

(iv) Request a determination of the Fair Market Value of the withdrawing Member's Interest in which case the non-withdrawing Member may, after the determination of the Fair Market Value has been completed, purchase the withdrawing Member's Interest for eighty percent (80%) of the

Fair Market Value price or the price specified in subsection (d)(ii) above (and the withdrawing Member is obligated to sell its Interest at that price) or may elect to liquidate the Company in the manner provided in subparagraph (b)(ii) above.

(e) The closing of all transactions shall occur within sixty (60) days after the price has been determined and the purchasing Member has been determined. Each Member shall use its best efforts to promptly conclude the transfer as provided herein, and any transfer of an Interest pursuant to this Section 4.4 shall be made upon the express warranty that the Interest of the selling Member is transferred free and clear of any Liens of whatsoever nature (except as arise pursuant to this Agreement) and without prejudice to later enforcement by the Company or the purchasing Member of any unsatisfied obligation of the selling Member to the Company or the purchasing Member existing as of the date of transfer or arising subsequent to such date from facts or circumstances which existed on or before such date. In connection with the closing of the transfer of a Member's Interest pursuant to this Section 4.4, the Company and the purchasing Member shall cause all Member Loans of the selling Member to be repaid in full (and all mortgages and security interests securing such Member Loans, if any, shall be released and discharged of record by the selling Member) and cause the selling Member and its Affiliates to be released from all guarantees, indemnities and similar obligations, if any, relating to obligations of the Company. All such releases shall be in form and substance reasonably satisfactory to the selling Member and the Company.

4.5 RETURN OF CAPITAL. No Member shall be entitled to the return of, or interest on, that Member's Capital Contributions except as provided herein.

4.6 RESTRICTED DISTRIBUTIONS. Notwithstanding any provision to the contrary contained in this Agreement, the Company shall not make any distribution to any Member on account of its Interest if such distribution would violate Section 307 of the Act.

ARTICLE V.
PROFITS AND LOSSES

5.1 PROFIT AND LOSS ALLOCATIONS.

(a) PROFIT ALLOCATION. Profits and any item thereof for any Fiscal Year shall be allocated to the Members pro rata based on their Participating Percentages.

(b) LOSS ALLOCATIONS. Losses and any item thereof for any Fiscal Year shall be allocated to the Members pro rata based on their Participating Percentages.

(c) ADJUSTMENT TO ALLOCATIONS. It is the intention of the Members that Profit or Loss for each Fiscal Year will be allocated to the Members by Sections 5.1(a) and (b) hereof in such a manner that would cause each Member's Adjusted Capital Account Balance at the end of such Fiscal Year to equal the amount that would be distributed to such Member in respect of its Interest upon a hypothetical liquidation of the Company at the end of such Fiscal Year. In determining the amounts distributable to the

Members upon a hypothetical liquidation, it shall be presumed that (i) all of the Company's assets would be sold at their Gross Asset Value, (ii) payments to any holder on any nonrecourse debt would be limited to the Gross Asset Value of the assets secured by repayment of such debt, and (iii) all distributions to the Members would be made solely in accordance with Sections 4.2 and 4.3 hereof. If, upon the advice of the accounting firm retained to prepare the income tax returns of the Company, it is determined that the intentions set forth in this Section 5.1(c) are not being met by the allocations made pursuant to Sections 5.1(a) and (b) hereof, the Board of Directors shall make such allocations of Profit or Loss, or items of income, gain, loss or deduction, comprising such Profit or Loss as are necessary to achieve the intentions set forth herein.

5.2 SPECIAL ALLOCATIONS.

(a) MINIMUM GAIN CHARGEBACK. Notwithstanding any other provision of this Agreement, if there is a net decrease in Minimum Gain during any Fiscal Year, each Member shall be specially allocated items of Company income and gain for such year (and, if necessary, for subsequent years) in an amount equal to the portion of that Member's share of the net decrease in Minimum Gain during such year that is allocable to the disposition of any Company assets subject to one or more nonrecourse liabilities of the Company. The items to be so allocated shall be determined in accordance with Treasury Regulation Section 1.704-2(j)(2)(i). Any Member's share of any net decrease in Minimum Gain shall be determined in accordance with Treasury Regulation Section 1.704-2(g). This Section 5.2(a) is intended to comply with the minimum gain chargeback requirement in the Treasury Regulations and shall be interpreted consistently therewith.

(b) NONRECOURSE DEDUCTIONS. Nonrecourse deductions for any Fiscal Year shall be allocated to the Members in accordance with their Participating Percentages. For purposes of this Section 5.2(b), "nonrecourse deductions" shall have the meaning set forth in Section 1.704-2(b)(1) of the Treasury Regulations. The amount of nonrecourse deductions for a Fiscal Year shall equal the excess, if any, of the net increase, if any, in the amount of Minimum Gain during that Fiscal Year over the aggregate amount of any distributions during that Fiscal Year of proceeds of a nonrecourse liability (as that term is defined in Treasury Regulation Section 1.704-2(b)(3)) that are allocable to an increase in Minimum Gain, determined according to the provisions of Treasury Regulation Section 1.704-2(d).

(c) MEMBER MINIMUM GAIN CHARGEBACK NOTWITHSTANDING ANY OTHER PROVISION OF THIS AGREEMENT EXCEPT SECTION 5.2(A). If there is a net decrease in Member Minimum Gain attributable to Member Nonrecourse Debt during any Fiscal Year, each Member who has a share of the Member Minimum Gain attributable to such Member Nonrecourse Debt shall be specially allocated items of Company income and gain for such year (and, if necessary, subsequent years) in an amount equal to the portion of such Member's share of the net decrease of Member Minimum Gain attributable to such Member Nonrecourse Debt that is allocable to the disposition of any Company assets subject to such Member Nonrecourse Debt. The items to be so allocated shall be determined in accordance with Treasury Regulation Section 1.704-2(j)(2)(ii). Any Member's share of the net decrease in Member Minimum Gain shall be determined in accordance with Treasury Regulation Section 1.704-2(i)(5). This Section 5.2(c) is

intended to comply with the minimum gain chargeback requirements in the Treasury Regulations and shall be interpreted consistently therewith.

(d) MEMBER NONRECOURSE DEDUCTIONS. Any Member nonrecourse deductions for any Fiscal Year shall be specially allocated to the Member who bears economic risk of loss with respect to the Member Nonrecourse Debt to which such Member nonrecourse deductions are attributable in accordance with Treasury Regulation Section 1.704-2(i). For purposes of this Section 5.2(d), "Member nonrecourse deductions" has the same meaning as "partner nonrecourse deduction" in Treasury Regulation Section 1.704-2(i)(1). The amount of Member nonrecourse deductions with respect to a Member Nonrecourse Debt for a Fiscal Year equals the excess, if any, of the net increase, if any, in the amount of Member Minimum Gain attributable to such Member Nonrecourse Debt during that Fiscal Year over the aggregate amount of any distributions during that Fiscal Year to the Member that bears the economic risk of loss for such Member Nonrecourse Debt to the extent such distributions are from the proceeds of such Member Nonrecourse Debt and are allocable to an increase in Member Minimum Gain attributable to such Member Nonrecourse Debt, determined in accordance with Treasury Regulation Section 1.704-2(i)(1).

(e) QUALIFIED INCOME OFFSET. In the event any Member unexpectedly receives any adjustment, allocation or distribution described in paragraphs (4), (5) or (6) of Treasury Regulation Section 1.704-(b)(2)(ii)(d), a pro rata portion of each item of Company income and gain shall be specially allocated to the Member in an amount and manner sufficient to eliminate, to the extent required by the Treasury Regulations, the Adjusted Capital Account Deficit of that Member as quickly as possible.

(f) GROSS INCOME ALLOCATION. In the event that any Member has a deficit Capital Account at the end of any Fiscal Year that is in excess of the sum of (i) the amount that such Member is obligated to restore and (ii) the amount that the Member is deemed to be obligated to restore pursuant to the penultimate sentence of Treasury Regulation Sections 1.704-2(g)(1) and (i)(5), that Member shall be specially allocated items of Company income and gain in the amount of such excess as quickly as possible, provided that an allocation pursuant to this Section 5.2(f) shall be made only if and to the extent that such Member would have a deficit Capital Account in excess of such sum after all other allocations provided for in this Article V have been made as if Sections 5.2(e) and 5.2(f) were not in the Agreement.

(g) ALLOCATION IN THE EVENT OF SECTION 754 ELECTION. To the extent an adjustment to the adjusted tax basis of any Company asset pursuant to Code Section 734(b) or Code Section 743(b) is required, pursuant to Treasury Regulation Section 1.704-1(b)(2)(iv)(m), to be taken into account in determining Capital Accounts, the amount of that adjustment to the Capital Accounts shall be treated as an item of gain (if the adjustment increases the basis of the asset) or loss (if the adjustment decreases the basis of the asset), then that gain or loss shall be specially allocated to the Members in the manner consistent with the manner in which their Capital Accounts are required to be adjusted pursuant to that Treasury Regulation.

5.3 CURATIVE ALLOCATIONS.

(a) REGULATORY ALLOCATIONS. The allocations set forth in Section 5.2 hereof ("Regulatory Allocations") are intended to comply with certain requirements of Treasury Regulations Section 1.704-1(b) and 1.704-2. The Regulatory Allocations may not be consistent with the manner in which the Members intend to divide Partnership distributions. Accordingly, the Board of Directors is authorized to divide allocations of Profits, Losses and other items among the Members so as to prevent the Regulatory Allocations from distorting the manner in which Company distributions are required to be divided among the Members pursuant to this Agreement. In general, the Members anticipate that this will be accomplished by specially allocating Profits and Losses and items of income, gain, loss and deduction among the Members so that the net amount of the Regulatory Allocations and such special allocations to each Member is zero. The Board of Directors will have complete discretion to accomplish this result in any reasonable manner.

(b) RECHARACTERIZATION OF FEES OR DISTRIBUTIONS. In the event that a guaranteed payment to a Member is ultimately recharacterized as a distribution for federal income tax purposes (as the result of an audit of the Company's return or otherwise) and if such Recharacterization has the effect of disallowing a deduction or reducing the adjusted basis of any asset of the Company, then an amount of Company gross income equal to such disallowance or reduction shall be allocated to the recipient of such payment. In the event that a distribution to a Member is ultimately recharacterized as a guaranteed payment for federal income tax purposes (as a result of an audit of the Company's return or otherwise), and if any such recharacterization gives rise to a deduction, such deduction shall be allocated to the recipient of the distribution.

5.4 SPECIAL TAX ALLOCATIONS.

(a) CONTRIBUTED PROPERTY. In accordance with Code Section 704(c) and the Treasury Regulations thereunder, including Treasury Regulation Section 1.704-1(b)(2)(iv)(d)(3), income, gain, loss and deduction with respect to any property contributed to the Company shall, solely for tax purposes, be allocated among the Members in any permissible manner so that a contributing Member, to the maximum extent possible, recognizes the variation, if any, between the Adjusted Basis and the initial Gross Asset Value of the property contributed by that Member. The Members shall agree on which acceptable accounting method is used.

(b) ADJUSTED PROPERTY. In the event the Gross Asset Value of any Company asset is adjusted pursuant to subsection (b) of the definition of Gross Asset Value, subsequent allocations of income, gain, loss and deduction with respect to that asset shall take into account any variation between the Gross Asset Value of that asset before such adjustment and its Gross Asset Value after such adjustment in the same manner as the variation between Adjusted Basis and Gross Asset Value is taken into account under Section 5.4(a) hereof with respect to contributed property, and such variation shall be allocated in accordance with the principles of Treasury Regulation Section 1.704-1(b)(2)(iv)(f).

(c) RECAPTURE OF DEDUCTIONS AND CREDITS. If any "recapture" of deductions or credits previously claimed by the Company is required under the Code upon the sale or other taxable disposition of any Company property, those recaptured deductions or credits shall, to the extent possible, be allocated to the Members pro rata in the same manner that the deductions and credits giving rise to the recapture items were originally allocated using the "first-in, first-out" method of accounting; provided, however, that this Section 5.4(c) shall only affect the characterization of income allocated among the Members for tax purposes.

(d) EFFECT OF SECTION 5.4 ALLOCATIONS. Allocations pursuant to this Section 5.4 are solely for purposes of federal, state and local taxes and shall not affect or in any way be taken into account in computing any Member's Capital Account or share of Profits, Losses, other items or distributions pursuant to any provision of this Agreement. Except as provided in this Section 5.4, the income, gains, losses and credits of the Company for each taxable period shall, for federal, state and local income tax purposes, be allocated among the Members in the same manner and proportion that such items have been allocated to the Members' Capital Accounts.

(e) DISCRETION OF THE BOARD OF DIRECTORS. Any elections or other decisions relating to the allocations under this Section 5.4 shall be made by the Board of Directors in any manner that reasonably reflects the purpose and intention of this Agreement.

5.5 KNOWLEDGE OF TAX CONSEQUENCES. The Members are aware of the income tax consequences of the allocations made by this Article V and the economic impact of the allocations on the amounts receivable by them under this Agreement. The Members hereby agree to be bound by the provisions of this Article V in reporting their share of Company income and loss for income tax purposes.

ARTICLE VI.
MANAGEMENT OF THE COMPANY

6.1 BOARD OF DIRECTORS. The business and affairs of the Company shall be managed under the direction and control of a Board of Directors (the "Board of Directors"), which shall consist of six (6) individuals; three (3) of the Directors shall be nominated and appointed by Lear and three (3) of the Directors shall be nominated and appointed by Donnelly. The nominees and appointees of each Member shall be officers or employees of such Members. The Directors of the Company initially shall be the following persons:

Lear Nominees	Donnelly Nominees
Joseph F. McCarthy	John Donnelly
Terrence E. O'Rourke	Hans Huber
Frank J. Preston	Donn Viola

(a) ELECTION. Directors shall be elected at the annual meeting of the Members and each Director shall be elected to hold office for a term of one (1) year or until his successor shall be elected and qualified.

(b) VACANCIES. Vacancies in the Board of Directors arising from any cause shall be filled by the Member who nominated and appointed the Director to the seat that has become vacant.

(c) RESIGNATION AND REMOVAL. A Director may resign by written notice to the Company. The resignation shall be effective upon its receipt by the Company or at a subsequent time as set forth in the notice of resignation. A Director may be removed, with or without cause, at any time, by the Member which nominated and appointed him.

(d) COMMITTEES. The Board of Directors may, upon unanimous consent of all of the Directors, establish an Executive Committee and such other committees as they may determine (collectively, "Committees") and may authorize such Committees to exercise any and all of the powers of the Board, to the extent permitted by law, and may designate the members of any such Committees. Each Committee so established shall have at least one (1) Director nominated and appointed by Donnelly and one (1) Director nominated and appointed by Lear.

(e) MEETINGS. An Organizational Meeting of the Board of Directors shall be held immediately following the Annual Meeting of Members. The Annual Members' Meeting shall be held within six months after the end of each Fiscal Year, as determined by the Chairman of the Board in each Fiscal Year. The Chairman of the Board shall also convene additional meetings of the Board of Directors upon the request of any two or more Directors. In addition to the meetings of the Board of Directors following the Annual Meeting of Members, the Board of Directors shall meet at least once each fiscal quarter at a date and time to be determined by the Chairman of the Board. Due notice of all meetings of the Board of Directors, as provided in this Agreement and as required by applicable law, shall be given. All meetings of the Board of Directors shall be presided over by the Chairman of the Board or any representative nominated by the Chairman of the Board. Meetings may be held within or outside the State of Michigan. In the event that any member of the Board of Directors cannot attend a meeting of the Board of Directors, he may appoint a proxy to represent and vote for him. A Power of Attorney or an Appointment Letter by which the proxy is appointed shall be presented at or before the commencement of the meeting.

(f) NOTICE. Written notice of meetings of the Board of Directors or Committees shall be provided to each Director or Committee member, as applicable, sent to the Director's or Committee

member's last known residence or place of business, not less than three (3) business days prior to the date of the meeting. Notice of the meeting shall specify the time and place of holding of the meeting and any and all business to be transacted at such meeting. Notice may be waived by any writing either before or after such meeting. Attendance of a Director or Committee member at a meeting constitutes a waiver of notice of the meeting except where a Director or Committee member attends a meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened.

(g) QUORUM AND VOTING. A quorum for the transaction of business shall consist of two (2) Directors or Committee members being present in person or by proxy, provided one (1) of the Directors or Committee members present has been appointed by Donnelly and one (1) of the Directors or Committee members present has been appointed by Lear. The vote of the majority of the Directors or Committee members present at a meeting at which a quorum is present constitutes the action of the Board of Directors or the Committee unless the vote of a larger number is required by law or this Agreement; provided, however, that no decision of the Board of Directors or any Committee thereof will be effective unless concurred in by at least one Director appointed by each Member. In the event a quorum is not present, the Chairman of the Board or the Chairman of the Committee shall reschedule the meeting and provide due notice as provided herein.

(h) ADJOURNMENT. If at any meeting of the Board of Directors, the Directors are unable to reach agreement, any Director present may require that the matter be adjourned for consideration and a decision at the next meeting of the Board of Directors in order: (i) to provide an opportunity for consultation with one or both Members, or (ii) to provide an opportunity for a more complete attendance when the matter is considered.

(i) ACTION BY UNANIMOUS WRITTEN CONSENT. Action required or permitted to be taken pursuant to authorization voted at a meeting of the Board of Directors or a Committee may be taken without a meeting, without prior notice and without a vote if before or after the action all members of the Board of Directors or the Committee consent thereto in writing. Such consent shall be filed with the minutes of the proceedings of the Board of Directors or the Committee and shall have the same effect as a vote of the Board of Directors or the Committee for all purposes.

(j) PARTICIPATION BY COMMUNICATION EQUIPMENT. A member of the Board of Directors or a Committee may participate in a meeting of the Board of Directors or Committee by means of a conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other. Such participation constitutes presence in person at the meeting.

6.2 RIGHTS AND POWERS OF THE BOARD OF DIRECTORS. The Board of Directors shall have full, exclusive and complete power to manage and control the business and affairs of the Company. Decisions of the Board of Directors within the scope of its authority shall be binding upon the Company and each Member. Notwithstanding the foregoing, the rights and powers of the Board of Directors shall be limited as set forth in Section 6.3 hereof.

6.3 ACTIONS REQUIRING UNANIMOUS MEMBER APPROVAL. Notwithstanding anything to the contrary contained in this Agreement, neither the Board of Directors nor the Company shall have the authority, right, power or privilege to do or undertake any of the following acts without the prior unanimous approval of the Members:

(a) Amendment of the Company's Articles of Organization or this Operating Agreement;

(b) Admission of a Person as a new Member; declaration or payment of any distribution by the Company (whether in cash or by issuance of membership Interests), or the direct or indirect redemption, retirement, purchase or other acquisition of any membership Interest in the Company; or authorization of a call for additional capital contributions;

(c) Sell, transfer, exchange, lease, assign, mortgage, pledge, hypothecate or otherwise dispose of assets (tangible or intangible) of the Company outside of the ordinary course of business of the Company.

(d) Enter into any agreement, contract, transaction or obligation of the Company that involves consideration exceeding $2.5 million in any one transaction or a series of related transactions (other than purchases and sales of inventory items in the ordinary course of business).

(e) Merge or consolidate the Company with or into another Person or, except as provided in Section 4.5 hereof, dissolve the Company;

(f) Appoint or remove, other than for cause, the President or chief financial officer of the Company;

(g) Enter into (other than Purchase Orders issued to the Company on the terms set forth in the Purchase and Supply Agreement), amend or waive any rights under any contracts or other agreements with a Member, or any Affiliate of a Member which involve aggregate payments or other consideration exceeding $50,000 in any one transaction or series of related transactions;

(h) Approval of the annual budget of the Company and each annual and any long-range or other business plan of the Company; any material change to, or deviation from, the most recently approved annual budget and any expenditures not contemplated by such budget aggregating more than $1 million or which would require additional funding from the Members by way of capital contributions or Member Loans, and approval of any expenditure aggregating more than $1 million even if included in the annual budget of the Company;

(i) Appointment or removal of the independent accountants of the Company;

(j) Set compensation for members of the Board of Directors of the Company;

(k) Except as otherwise permitted pursuant to Section 4.5 hereof, take any action which would cause the dissolution of the Company or make it impossible for the Company to continue in the ordinary course of business; or

(l) Take any other action which this Agreement specifically requires to be unanimously agreed upon by the Members.

6.4 FILING OF DOCUMENTS. The Board of Directors shall file or cause to be filed all certificates or documents as may be determined by the Board of Directors to be necessary or appropriate for the formation, continuation, qualification and operation of a limited liability company in the State of Michigan and any other state or jurisdiction in which the Company may elect to do business. To the extent that the Board of Directors determines the action to be necessary or appropriate, it shall do all things to maintain the Company as a limited liability company under the laws of the State of Michigan and any other state or jurisdiction in which the Company may elect to do business.

6.5 LIABILITY OF BOARD OF DIRECTORS. The Board of Directors shall not be liable to the Company or the Members for errors in judgment or for acts or omissions committed in good faith, except for acts or omissions which are adjudged by a court of competent jurisdiction to be grossly negligent, fraudulent, willful and wanton misconduct, or material breach of the fiduciary duty of loyalty to the Company.

6.6 INDEMNIFICATION OF THE BOARD OF DIRECTORS AND OFFICERS. The Company, its receiver or trustee shall, to the maximum extent allowed by law, indemnify, defend and hold harmless the members of the Board of Directors, the Members who appointed or nominated them and their respective Affiliates, and the officers of the Company (each, an "Indemnitee"), to the extent of the Company's assets, from and against any liability, damage, cost, expense, loss, claim or judgment incurred by the Indemnitee arising out of any claim based upon acts performed or omitted to be performed by the Indemnitee in connection with the business of the Company, including without limitation, attorneys' fees and costs incurred by the Indemnitee in settlement or defense of such claims. Notwithstanding the foregoing, no Indemnitee shall be so indemnified, defended or held harmless for claims based upon his or its acts or omissions in breach of this Agreement, or which constitute fraud, gross negligence, willful misconduct, or a material breach of the fiduciary duty of loyalty to the Company. Except as otherwise expressly prohibited by this Agreement, amounts incurred by an Indemnitee in connection with any action or suit arising out of or in connection with Company affairs shall be reimbursed by the Company.

6.7 TRANSACTIONS WITH MEMBERS OR AFFILIATES. Except as otherwise provided in Section 6.3(g) hereof, the Members and any of their respective Affiliates shall have the right to contract or otherwise deal with the Company in connection with the sale of goods or services by the Members or their Affiliates to the Company in the following circumstances: (a) with the consent of the Members or (b) if (i) the compensation paid or promised for such goods or services is reasonable and is paid only for goods and services actually furnished to the Company, (ii) the goods or services to be furnished shall be reasonable for and necessary to the Company, and (iii) the terms for the furnishing of such goods or services shall be at least as favorable to the Company as would be attainable in an arms-length transaction. Any payment made to a Member or any Affiliate thereof for such goods or services shall be disclosed to all Members

at the time of payment. The burden of proving reasonableness with respect to transactions described in Section 6.7(b) above shall be upon the Member transacting business with the Company.

6.8 OFFICERS.

(a) OFFICES. The officers of the Company shall consist of a Chairman, a President and CEO, a Secretary/Treasurer and CFO, a Vice President and Chief Technical Officer, a Vice President Marketing and Business Development, and a Vice President European Operations. Officers other than President, Secretary, and Treasurer may be left vacant in the discretion of the Board of Directors. The Directors shall have the sole power to remove any officer with or without cause and shall have the right to fill any vacancy in such position howsoever created, provided that no office restricted to a person nominated by one of the Members may be vacated or filled without the affirmative action of a Director nominated by such Member.

(b) CHAIRMAN. The Chairman shall preside at all meetings of the Board of Directors and Members. At any time the President is an immediate past former employee of one Member or its affiliates, the Chairman shall be designated by the other Member. If the President is not an immediate past former employee of either Member or its affiliates, the office of the Chairman shall rotate on an annual basis, alternating between a Director nominated by Lear and a Director nominated by Donnelly. The first Chairman shall be nominated by Donnelly.

(c) PRESIDENT. The President shall be the Chief Executive Officer of the Company, shall be responsible for the general management of the business of the Company, shall be responsible for the implementation of all orders and resolutions of the Board of Directors, and shall have the power and responsibility for the performance of other duties as the Board of Directors may from time to time prescribe. Except as required by law or this Agreement, subject to direction or limitation by the Board of Directors, the President shall have full responsibility and authority to act for and on behalf of the Company in all of its matters. In the absence or disability of the Chairman, the President shall perform and exercise the powers of the Chairman. The first President shall be nominated by Lear.

(d) SECRETARY/TREASURER AND CHIEF FINANCIAL OFFICER. The Secretary/Treasurer and Chief Financial Officer, subject to the control of the Board of Directors and the Chairman, shall, in general, perform all the duties of Secretary and Treasurer, including those relating to the minutes of meetings of the Board of Directors and Members, notice of such meetings, Member lists, attestation of contracts, documents and instruments to which the Company is a Member, if attestation is required, the custody of all funds and securities of the Company, and shall perform all acts incident to the office with respect to the Company's funds, securities, and financial instruments and documents, at all times subject to direction or limitation by the Board of Directors and President.

(e) VICE PRESIDENT AND CHIEF TECHNICAL OFFICER. The Vice President and Chief Technical Officer shall be responsible for the research, design, and engineering activities of the Company. Except as required by law or this Agreement, subject to direction or limitation by the Board of Directors

and the Chairman or President, the Vice President and Chief Technical Officer shall have full responsibility and authority to act for and on behalf of the Company in all such matters.

(f) OTHER VICE PRESIDENTS. Other Vice Presidents provided for in Section 6.8 (a) shall be responsible for those duties decided upon by the Board of Directors at the time the position is so appointed, subject to direction or limitation by the Board of Directors and President.

(g) OTHER OFFICERS. Other officers may be appointed by the Board of Directors only with the unanimous consent of the Members.

(h) FINANCIAL AUTHORITY OF OFFICERS. The President shall have the right to make capital expenditures for budgeted and non-budgeted items in such amounts as are established by resolution of the Board of Directors from time to time.

6.9 COMPENSATION OF DIRECTORS. No Director of the Company who at the time is also employed or retained by, or is an officer, director, partner, member or principal of a Member or its Affiliate, shall receive any compensation for his or her services to the Company in such capacity, in each case without the unanimous approval of all Members.

ARTICLE VII.
THE MEMBERS

7.1 MEETINGS OF THE MEMBERS. The Board of Directors shall decide the time, place and agenda for all annual meetings of the Members, subject to the provisions of this Agreement and applicable law; provided that at least 10 days' prior written notice shall be given to all Members with respect to any meeting of the Members, including an annual meeting of the Members. An annual meeting of the Members shall be held every year, no later than six (6) months after the end of the Fiscal Year, at a place to be designated by the Board of Directors within the State of Michigan unless otherwise unanimously agreed upon by the Board of Directors. Special meetings of Members of the Company may be held at any time in compliance with resolutions of the Board of Directors, this Agreement or applicable law. The Chairman of the Board of Directors shall call a special meeting of the Members to be held within thirty (30) days of the request therefor made by any Member. A waiver of any required notice shall be equivalent to the giving of such notice if such waiver is in writing and signed by the Person entitled to such notice, whether before, at or after the time stated therein. The Members may make use of telephones and other electronic devices to hold meetings, provided that each Member is able to simultaneously participate with the other Members with respect to all discussions and votes of the Members. The Members may act without a meeting if the action taken is reduced to writing (either prior to or thereafter) and consented to in writing by all of the Members. Written minutes shall be taken at each meeting of the Members; however, any action taken or matter agreed upon by the Members at the meeting shall be deemed final, whether or not written minutes are prepared or finalized.

7.2 VOTING OF THE MEMBERS. Unless the specific language herein requires unanimous consent, all actions, approvals, elections and consents required in this Agreement to be made by the Members shall be effective if approved by a majority-in-interest of the Members. All meetings of Members shall be presided over by the Chairman of the Board of Directors. In the event the Chairman of the Board is unable to or prevented from attending the meeting, the President shall preside over the meeting. For determining the voting interest of a Member, reference shall be made to its Participating Percentage.

7.3 OTHER BUSINESS INTERESTS OF THE MEMBERS. This Agreement shall not be construed to grant any right, privilege or option to any Member to participate in any manner in any other business, corporation, partnership or investment in which the other Member hereto may participate, including those which may be the same as or similar to the Company's business and in direct competition therewith. Each of the Members expressly waives the doctrine of corporate opportunity (or any analogous doctrines), subject to the terms of the Noncompetition Agreements, and consents subject to the terms of the Noncompetition Agreements, to the participation by the other Member or its Affiliates and any officer, director, stockholder, associate, member, partner, beneficiary or employee thereof in any other such business, corporation, partnership or investment.

7.4 RIGHTS AND OBLIGATIONS OF MEMBERS.

(a) FIDUCIARY DUTY. Subject to Section 7.3, each Member shall have a fiduciary duty to the other Member to take into account the best interests of the Company when exercising its membership rights under this Agreement or when acting through a director; provided, however, that each Member or any director nominated or appointed by a Member shall be entitled to vote consistent with the Member's own interests when the Member's own interest is not, or may not be, consistent with the interest of the Company or the Members as a whole. To the extent that, at law or in equity, a director, a Member or its board of directors, or Affiliate thereof, has duties (including fiduciary duties) and liabilities relating thereto to the Company or to the Members, such director, Member, its directors or Affiliates, acting in connection with the Company's business or affairs shall not be liable to the Company or to any Member for its good-faith reliance on the provisions of this Agreement. The provisions of this Agreement, to the extent that they modify the duties and liabilities of a Member, the Board of Directors or an Affiliate otherwise existing at law or in equity, are agreed by the Members to replace such other duties and liabilities of such Persons.

(b) LIMITATION OF LIABILITY. Each Member's and the Board of Directors' liability for the debts and obligations of the Company shall be limited as set forth in the Act and other applicable law.

(c) COMPANY RECORDS. For any purpose relating to its Interest, upon written request, the designated representatives of each Member shall have the right, during ordinary business hours, to inspect and copy the Company records required to be maintained by the Board of Directors at the Company's place of business as set forth in Section 8.1 hereof. The designated representative of each Member shall have the right at any reasonable time to inspect and copy records of the Company including, but not limited to, all checks, bills, invoices, vouchers, statements, cash receipts, correspondence and other records in connection with the management of the Company.

7.5 DEFAULTING MEMBER.

(a) EVENTS OF DEFAULT. A Member's violation or breach of any of the terms or provisions of this Agreement or any Ancillary Agreement shall constitute an event of default hereunder unless the Member so defaulting (the "Defaulting Member") shall cure the same within 30 days (or, with respect to the breach of an Ancillary Agreement, within such cure period, if any, as may be provided therein) after receiving written notice of such violation or breach from the other Member; provided, further, that if a default under this Agreement is a nonmonetary default and cannot reasonably and with due diligence and in good faith be cured within said 30-day period, and if the Defaulting Member immediately commences and proceeds to complete the cure of such default with due diligence and in good faith, the 30-day period with respect to such default under this Agreement shall be extended to include such additional period of time as may be reasonably necessary to cure such default.

(b) REMEDIES ON DEFAULT. Subject to the terms of this Agreement, upon the occurrence of a default by a Member, the other Member shall have all rights and remedies available at law and in equity and may institute arbitration and/or legal proceedings in accordance with Section 13.17 hereof against the Defaulting Member with respect to any damages or losses incurred by the non-Defaulting Member. The non-defaulting Member shall also have rights set forth in Section 4.5 (c) hereof if the default is a Material Breach.

ARTICLE VIII.
BOOKS, RECORDS, REPORTS AND ACCOUNTING

8.1 RECORDS. The Board of Directors shall keep or cause to be kept at the place of business of the Company the following: (a) true and full information regarding the status of the business and financial condition of the Company; (b) promptly after becoming available, a copy of the Company's federal, state and local income tax returns for each year; (c) a current list of the name and last known business, residence or mailing address of each Member and member of the Board of Directors; (d) a copy of this Agreement and the Articles of Organization and all amendments thereto, together with executed copies of any written powers of attorney pursuant to which this Agreement and the Articles of Organization and all amendments thereto have been executed; (e) true and full information regarding the amount of cash and description and statement of the agreed value of any other property or services contributed by each Member and which each Member has agreed to contribute in the future, and the date on which each has become a Member; and (f) other information regarding the affairs of the Company as is just and reasonable. Any such records maintained by the Company may be kept on or be in the form of any information storage device, provided that the records so kept are convertible into legible written form within a reasonable period of time.

8.2 FISCAL YEAR AND ACCOUNTING. The Fiscal Year of the Company shall be the calendar year or such other accounting period as shall be required under the Code. All amounts computed for the purposes of this Agreement and all applicable questions concerning the economic rights of Members shall be determined using the accrual method of accounting in accordance with U.S. generally accepted accounting principles consistently applied ("GAAP") and shall accurately reflect the financial position and

results of operations of the Company. All decisions as to other accounting matters, except as specifically provided to the contrary herein, shall be made by the Board of Directors. The books and records of the Company shall be audited at the end of each Fiscal Year by an independent certified public accountant designated by Lear and reasonably acceptable to Donnelly. In addition to any other rights of the Members to access to information of the Company, the Members shall have the right, at their expense, to cause their auditors or other representatives at any time during normal business hours to examine, review and/or audit all of the books and records of the Company and, in connection therewith, the Member and its representatives shall have access to the Company's accountants and auditors and their work papers.

8.3 ANNUAL REPORTS. As soon as practicable, but in no event later than four months after the close of each Fiscal Year, the Board of Directors shall cause to be furnished to the Members as of the last day of that Fiscal Year reports containing such financial statements of the Company for the Fiscal Year, presented in accordance with GAAP, including a balance sheet, a statement of income, a statement of Members' equity and a statement of cash flows, which statements shall have been audited by the independent certified public accountant retained by the Company.

8.4 INTERIM REPORTS. As soon as practicable, but in no event later than the first business day following the 15th day of the month after the close of each calendar quarter, the Board of Directors shall cause to be furnished to the Members unaudited financial statements of the Company for that calendar quarter, including a balance sheet and statement of income. If requested by a Member at least 90 days prior to any June 30, as soon as practicable but in no event later than three (3)] weeks after the close of the calendar quarter ending on or about June 30, the Board of Directors shall cause to be furnished to the Members as of the last day of the first half of the Fiscal Year of the Company reports containing such financial statements of the Company for such half Fiscal Year, presented in accordance with GAAP, including a balance sheet, statement of income, statement of Members' equity and a statement of cash flows, which statements shall have been audited by the independent certified public accountant retained by the Company.

8.5 PREPARATION OF TAX RETURNS. The Board of Directors shall arrange for the preparation and timely filing of all returns of the Company for federal, state and local income tax purposes and shall cause to be furnished to the Members the tax information reasonably required for federal, state and local income tax reporting purposes. The classification, realization and recognition of income, gain, losses and deductions and other items, for federal income tax purposes, shall be on that method of accounting as the Board of Directors shall determine, in its reasonable discretion, to be in the best interests of the Members.

8.6 TAX ELECTIONS. Unless otherwise directed by both Members, the Board of Directors may determine whether to make any available elections pursuant to the Code in its reasonable discretion.

8.7 TAX MATTERS MEMBER. Lear is hereby designated as the tax matters Member. All tax elections shall be approved by both Members. All tax returns prepared by the tax matters Member shall be provided to the other Member for review at least ten (10) days prior to the filing date.

8.8 BUDGET. At the commencement of each Fiscal Year, the Board of Directors shall submit a budget for approval at the annual meeting of Members for the coming Fiscal Year projecting profit and loss, cash flow and capital expenditures.

ARTICLE IX.
TRANSFERS

9.1 TRANSFERS.

(a) RESTRICTION. Except as provided in Section 4.5 hereof, or this Article IX, a Member shall not make any Transfer of all or any portion of its Interest including, without limitation, a Transfer of a right to Profits, Losses or distributions, without the unanimous consent of all Members which consent may be withheld or granted in each Member's sole discretion.

(b) REQUIREMENTS FOR TRANSFEREE BECOMING A SUBSTITUTED MEMBER. No Person shall become a substituted Member in the Company until and unless the following conditions precedent are satisfied: (i) the Transferee shall have assumed, in a form acceptable to the other Member, any and all of the obligations under this Agreement with respect to the Interest to which the Transfer relates; (ii) all reasonable expenses required in connection with the Transfer shall have been paid by or for the account of the Transferee; and (iii) all agreements, articles, minutes, written consents and all other necessary documents and instruments shall have been executed and filed and all other acts shall have been performed which the Board of Directors deems necessary to make the Transferee a substitute Member of the Company and to preserve the status of the company as a limited liability company;

(c) PERMITTED TRANSFEREES. Notwithstanding anything in this Agreement to the contrary, each Member may at any time, without the consent of the other Member, Transfer all or any portion of its Interest in the Company to any Affiliate (a "Permitted Transferee"), subject to the provisions of Section 9.1(b)(i), (ii) and (iii), and provided (i)such Permitted Transferee is not otherwise a Competing Enterprise (as defined in the Noncompetition and Nonsolicitation Agreements described in Section 11.1 hereof) or an Affiliate of a Competing Enterprise, and (ii) such Transfer would not cause a deemed termination of the Company for tax purposes. In addition, no Transfer by a Member or any of its Permitted Transferees under this Section shall release such Member from any obligations or liabilities under this Agreement. Any Member or Permitted Transferee intending to Transfer any membership Interest of the Company pursuant to this Section shall notify the other Members of any intended Transfer not less than thirty (30) days prior to such Transfer, giving the name and address of the intended Permitted Transferee and the Permitted Transferee's status as set forth in this Section and shall provide such additional information as the other Member may reasonably request.

9.2 RIGHT OF FIRST OFFER; RIGHT OF FIRST REFUSAL. Any Member may sell all but not less than all of its Interest, but only on the following terms and conditions.

(a) By complying with the remaining terms of this Section 9.2, a Member ("Selling Party") may sell all but not less than all of its Interest to a Bona Fide Third Party which agrees to be bound by all of the terms of this Agreement and the Ancillary Agreements, including Noncompetition and Non-Solicitation Agreement on the same terms as those applicable to the Selling Party. With regard to the Purchase and Supply Agreement of the Selling Party:

(i) If the buyer is not the other Member, the Purchase and Supply Agreement will be assigned to and assumed by the buyer if the buyer is capable of performing in the reasonable opinion of the other Member, and otherwise it shall be assigned to the other Member.

(ii) The Selling Party will transfer to the same party specified in subsection (i) above and the assignee will assume all of the Selling Party's contracts with OEMs for the purchase of Products under the Purchase and Supply Agreement. If any OEM will not permit such transfer, the Selling Party will continue to fulfill its obligations to the OEM under its contracts and to the Company under the Purchase and Supply Agreement with respect thereto.

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(b) If the Selling Party has not received an unsolicited offer from a Bona Fide Third Party (i) the Selling Party must notify the non-Selling Party of the desire of the Selling Party to sell its Interest. The notice shall specify the price and other terms on which the Selling Party is willing to sell its Interest; (ii) the non-Selling Party shall then have thirty days in which to offer to purchase from the Selling Party all, but not less than all, of the Interest offered on the terms and conditions set forth in the notice. If the non-Selling Party determines not to purchase the Interest from the Selling Party on the terms and conditions set forth in the notice, or if the non-Selling Party fails to notify the Selling Party in writing of its intentions within thirty days of the notice from the Selling Party, then subject to the other terms and conditions of this Agreement, the Selling Party may sell all, but not less than all, of its Interest to any Bona Fide Third Party for a price and on the terms and conditions no less favorable to the Selling Party than set forth in the notice during the following , a period which is one hundred eighty (180) days if no filing is required under the Hart Scott Rodino Antitrust Act ("HSR") or if a filing is required under HSR the shorter of 240 days or 30 days after expiration or early termination of the HSR pre-merger notification period, provided the Selling Party sends a written notice to the non-Selling Party stating the name of the purchaser and the price and terms of the transaction at least thirty (30) days prior to closing and provided further that the Selling Member and purchaser comply with the requirements of Section 9.1(b) on or prior to such closing..

(c) If the Selling Party receives an unsolicited offer for the purchase of all of its Interest from a Bona Fide Third Party and decides to entertain the offer, then:

(i) the Selling Party must notify the non-Selling Party of the unsolicited offer received by the Selling Party from the Bona Fide Third Party for the purchase of the Selling Party's Interest. The notice shall state

the terms and conditions of the transaction and the identity of the Bona Fide Third Party;

(ii) the non-Selling Party shall have thirty (30) days in which to offer to purchase from the Selling Party all but not less than all of its Interest on the terms and conditions proposed by the Bona Fide Third Party. If the non-Selling Party decides not to purchase the Selling Party's Interest on the terms and conditions set forth in the notice, or if the non-Selling Party fails to notify the Selling Party of its intentions within thirty (30) days of the notice from the Selling Party, then the Selling Party may sell all, but not less than all, of its Interest in the Company to the Bona Fide Third Party on the terms and conditions set forth in the notice within a period which is one hundred eighty (180) days if no filing is required under the HSR or if a filing is required under HSR the shorter of 240 days or 30 days after the expiration or early termination of the HSR pre-merger notification, provided the Selling Party and the Bona Fide Third Party comply with the requirements of Section 9.1(b) on or prior to the closing of such sale.

9.3 CLOSING. The closing of any purchase by one Member of the other Member's Interest under Section 9.2 shall occur within sixty (60) days after written notice to the Selling Party of the other Member's election to purchase if no filing is required under HSR, or if a filing is required under HSR, the shorter of 240 days or 30 days after the expiration or early termination of the HSR pre-merger notification period.

9.4 TRANSFERS VOID. If a Member purports to withdraw or Transfer its Interest in breach of any provision of this Agreement, that purported withdrawal or Transfer shall be void and of no effect.

9.5 BANKRUPTCY OF A MEMBER. A Member shall continue as a Member of the Company upon the Bankruptcy of that Member.

ARTICLE X.
LIQUIDATION AND WINDING UP

10.1 DISSOLUTION. The Company shall dissolve only upon the earlier of:

(a) the unanimous vote of the Members;

(b) the election of either Member to liquidate under Section 4.5 of this Agreement;

(c) upon the acquisition by one Person of all of the outstanding Interests;

(d) the occurrence of any event which makes it unlawful for the business of the Company to be carried on;

(e) the entry of a decree of judicial dissolution under Section 801(e) of the Act; or

(f) the sale or other disposition of all or substantially all of the Company's assets and the collection of all assets received in connection with such sale or other disposition.

10.2 CONTINUATION OF THE BUSINESS OF THE COMPANY. If the resignation of a Member leaves only one remaining Member, that remaining Member shall have the right, exercisable by the Member within 90 days of the occurrence of such resignation, to admit an additional Member to the Company or to readmit the resigned Member, and that newly admitted (or re-admitted) Member along with the remaining Member may elect to continue the business of the Company as set forth in Section 10.1(d) hereof without dissolution.

10.3 LIQUIDATION. Upon the dissolution of the Company, the Company shall cease to carry on its business, except insofar as may be necessary for the winding up of its business, but its separate existence shall continue until the Certificate of Dissolution has been filed as required by the Act. Upon dissolution of the Company, the business and affairs of the Company shall be wound up and the Company liquidated as rapidly as business circumstances permit, the Board of Directors shall act as the liquidating trustee, and the assets of the Company shall be liquidated. Unless the Members unanimously agree to the contrary, the Board of Directors shall first seek the assistance of a qualified investment banker to evaluate the Company as a going business and for a reasonable period of time (not to exceed six (6) months) to seek a buyer for the Company's business as a whole or in such separate parts as yield the greatest return to the Members. There shall be no prohibition or impediment to the purchase of the assets of the business by either Member on the same basis as a purchase by a third party. The proceeds of any sale shall be distributed (to the extent permitted by applicable law) in the following order:

(a) first, to creditors, including Members that are creditors, in the order of priority as required by applicable law (whether by payment or making of reasonable provision for payment thereof);

(b) second, to the Members in accordance with Section 4.3.

10.4 REASONABLE TIME FOR WINDING UP. A reasonable time shall be allowed for the orderly winding up of the business and affairs of the Company and the liquidation of its assets pursuant to Section 10.3 hereof in order to minimize any losses otherwise related to that winding up. The liquidating trustee may set up reasonable reserves for contingent, conditional and non-mature liabilities and obligations of the Company.

10.5 DEFICIT CAPITAL ACCOUNT. Upon liquidation, each Member shall look solely to the assets of the Company for the return of that Member's Capital Contribution. Except as provided herein, no Member shall be personally liable for a deficit Capital Account balance of that Member, it being expressly understood that the distribution of liquidation proceeds shall be made solely from existing Company assets

in the order and priority set forth in Section 10.3 hereof. It is the intent of this provision and the Qualified Income Offset provision of Section 5.2(e) that the tax allocations to the Members meet the alternate test for substantial economic effect under Treasury Regulation Section 1.704-1(b)(2)(ii)(d).

10.6 CERTIFICATE OF DISSOLUTION. When all debts, liabilities and obligations have been paid, satisfied, compromised or otherwise discharged, or adequate provisions have been made therefor, and all of the remaining property and assets have been distributed to the Members, a Certificate of Dissolution shall be executed and filed as required by the Act.

ARTICLE XI.
NONCOMPETITION AND NONSOLICITATION

11.1 NONCOMPETITION AND NONSOLICITATION. Donnelly agrees to enter into a separate noncompetition and nonsolicitation agreement with the Company and Lear, in substantially the form attached hereto as Exhibit F (the "Donnelly Noncompetition Agreement"), to prevent Donnelly and its respective Affiliates from competing with the business or soliciting the employees of the Company or Lear. Lear agrees to enter into a separate noncompetition and nonsolicitation agreement with the Company and Donnelly, in substantially the form attached hereto as Exhibit F (the "Lear Noncompetition Agreement"), to prevent Lear and its respective Affiliates from competing with the business or soliciting the employees of the Company or Donnelly.

ARTICLE XII.
DEFINITIONS

The following terms used in this Agreement shall have the meanings described below:

"ACT" means the Michigan Limited Liability Company Act, MCLA 450.4101, et seq., as it may be amended from time to time.

"ADJUSTED BASIS" shall have the meaning given such term in Code Section 1011.

"ADJUSTED CAPITAL ACCOUNT BALANCE" means that amount with respect to any Member equal to the balance of such Member's Capital Account at the end of the Fiscal Year after increasing the balance on such Member's Capital Account by any amount which the Member is deemed to be obligated to restore pursuant to the penultimate sentence of Treasury Regulation Sections 1.704-2(g)(1) and (i)(5).

"ADJUSTED CAPITAL ACCOUNT DEFICIT" means with respect to any Member, the deficit balance, if any, in that Member's Capital Account as of the end of the relevant Fiscal Year, after giving effect to the following adjustments: (i) credit to that Capital Account the amount by which that Member is obligated to restore or is deemed to be obligated to restore pursuant to the penultimate sentence of Treasury Regulation Sections 1.704-2(g)(1) and (i)(5), and (ii) debit to that Capital Account the items described in

paragraphs (4), (5) and (6) in Section 1.704-1(b)(2)(ii)(d) of the Treasury Regulations. This definition of Adjusted Capital Account Deficit is intended to comply with the provisions of Section 1.704-1(b)(2)(ii)(d) of the Treasury Regulations and shall be interpreted consistently therewith.

"AFFILIATE" OR "AFFILIATE" means a Person who, with respect to any other Person directly or indirectly through one or more intermediaries controls, is controlled by or is under common control with such other Person.

"AGREEMENT" means this Agreement, as it may be amended, restated or supplemented from time to time, complete with all Exhibits and Schedules hereto. Such Agreement shall constitute an "operating agreement" within the meaning of the Act.

"ANCILLARY AGREEMENTS" means the Noncompetition and Non-Solicitation Agreements attached as Exhibits F and G, the Purchase and Supply Agreement attached as Exhibit E, the Leased Worker Agreements attached as Exhibits C-1 and C-2, the Technology License Agreements attached as Exhibits D-1 and D-2, the Transfer Agreement attached as Exhibit B, and all other agreements, certificates, instruments or other documents delivered in connection with the execution of this Agreement.

"BANKRUPTCY" means, with respect to a Member or the Company, the happening of any of the following:

(a) the making of a general assignment for the benefit of creditors;

(b) the filing of a voluntary petition in bankruptcy or the filing of a pleading in any court of record admitting in writing an inability to pay debts as they become due;

(c) the entry of an order, judgment or decree by any court of competent jurisdiction adjudicating the Company or a Member to be bankrupt or insolvent;

(d) the filing of a petition or answer seeking any reorganization, liquidation, dissolution or similar relief under any statute, law or regulation;

(e) the filing of an answer or other pleading admitting the material allegations of, or consenting to, or defaulting in answering, a bankruptcy petition filed against the Company or a Member in any bankruptcy proceeding;

(f) the filing of an application or other pleading or any action otherwise seeking, consenting to or acquiescing in the appointment of a liquidating trustee, receiver or other liquidator of all or any substantial part of the Company's or a Member's properties;

(g) the commencement of any proceeding seeking reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under any statute, law or regulation which has not been quashed or dismissed within ninety (90) days; or

(h) the appointment without consent of the Company or such Member or acquiescence of a liquidating trustee, receiver or other liquidator of all or any substantial part of the Company's or a Member's properties without such appointment being vacated or stayed within 90 days and, if stayed, without such appointment being vacated within 90 days after the expiration of any such stay.

"CAPITAL ACCOUNT" means the accounting record of each Member's capital interest in the Company. There shall be credited to each Member's Capital Account (a) the amount of any contribution of cash by that Member, (b) the Gross Asset Value of property contributed by that Member, (c) that Member's allocable share of Profits and any items in the nature of income or gain that are specially allocated to that Member (not including allocations pursuant to Section 5.4 hereof) and (d) the amount of any Company liabilities that the Member assumes or takes subject to under Code Section 752. There shall be debited against each Member's Capital Account (i) the amount of all distributions of cash to that Member unless a distribution to the Member is a loan or is deemed a payment under Code Section 707(c), (ii) the Gross Asset Value of property distributed to that Member by the Company, (iii) that Member's allocable share of Losses and any items in the nature of expenses or losses which are specially allocated to that Member (not including allocations pursuant to Section 5.4 hereof), and (iv) the amount of any liabilities of that Member that the Company assumes or takes subject to under Code Section 752. The transferee of all or a portion of an Interest shall succeed to that portion of the transferor Member's Capital Account that is allocable to the portion of the Interest transferred. This definition of Capital Account and the other provisions herein relating to the maintenance of Capital Accounts are intended to comply with Treasury Regulation Sections 1.704-1(b) and 1.704-2 and shall be interpreted and applied in a manner consistent with those Treasury Regulation Sections. In the event the Board of Directors reasonably determines that it is prudent to modify the manner in which the Capital Accounts, or any debits or credits thereto (including, without limitation, debits or credits relating to liabilities that are secured by contributed or distributed property or which are assumed by the Company or the Members), are computed in order to comply with that Treasury Regulation, the Board of Directors may make such modification. The Board of Directors shall also make any appropriate modifications in the event unanticipated events might otherwise cause this Agreement not to comply with Treasury Regulation Sections 1.704-1(b) and 1.704-2.

"BONA FIDE THIRD PARTY" shall mean an entity less than five percent (5%) of the stock or other ownership of which is owned directly or indirectly by any Member or its respective Affiliates, which has equal or better financial stability as the Company.

"CAPITAL CONTRIBUTION" means, with respect to any Member, the amount of money contributed by that Member to the Company and, if property other than money is contributed, the initial Gross Asset Value of such property, net of liabilities assumed or taken subject to by the Company.

"CLOSING" shall mean the closing on the Initial Closing Date, as defined in the Transfer Agreement.

"CODE" means the Internal Revenue Code of 1986 (or successor thereto), as amended from time to time.

"COMPANY" means the limited liability company formed pursuant to this Agreement, as such limited liability company may from time to time be constituted.

"CONTROL" shall mean the right, directly or indirectly, to elect a majority of the Board of Directors, Operating Committee or similar governing body of an entity.

"DEFAULTING MEMBER" means a Member that has committed an event of default as described in Section 7.5 hereof.

"DEPRECIATION" means, for each Fiscal Year or other period, an amount equal to the depreciation, amortization or other cost recovery deduction allowable with respect to an asset for that year or other period, except that if the Gross Asset Value of an asset differs from its adjusted basis for federal income tax purposes at the beginning of the Fiscal Year or other period, Depreciation shall be an amount which bears the same ratio to that different Gross Asset Value (as originally computed) as the federal income tax depreciation, amortization, or other cost recovery deduction for that Fiscal Year or other period bears to the adjusted tax basis (as originally computed); provided, however, that if the federal income tax depreciation, amortization or other cost recovery deduction for the applicable year or period is zero, Depreciation shall be determined with reference to the Gross Asset Value (as originally computed) using any reasonable method selected by the Board of Directors.

"EFFECTIVE DATE" means the date of this Agreement.

"FAIR MARKET VALUE" shall have the meaning set forth in Section 13.18.

"FISCAL YEAR" means the year on which the accounting and federal income tax records of the Company are kept.

"GROSS ASSET VALUE" means with respect to any Company asset, the asset's Adjusted Basis, except as follows:

(a) the initial Gross Asset Value of any asset contributed by a Member to the Company shall be the gross fair market value of that asset, as determined by the contributing Member and the non-contributing Member;

(b) the Gross Asset Value of all Company assets shall be adjusted to equal their respective gross fair market values, as determined by the Board of Directors, as of the date upon which any of the following occurs: (i) the acquisition of an additional interest in the Company after the Effective Date by any new or existing Member, in exchange for more than a de minimis Capital Contribution or the distribution by the Company to a Member of more than a de minimis amount of Company property as consideration for an interest in the Company, if the Board of Directors determines that such adjustment is necessary or appropriate to reflect the relative economic interest of the Members of the Company; and (ii) the liquidation of the Company within the meaning of Treasury Regulation Section 1.704-1(b)(2)(ii)(g);

(c) the Gross Asset Value of any Company asset distributed to any Member shall be the gross fair market value of that asset on the date of distribution, as determined by the Member receiving that distribution and the other Member; and

(d) if an election under Code Section 754 has been made, the Gross Asset Value of Company assets shall be increased (or decreased) to reflect any adjustments to the adjusted basis of the assets pursuant to Code Section 734(b) or Code Section 743(b), but only to the extent that those adjustments are taken into account in determining Capital Accounts pursuant to Treasury Regulation Section 1.704-1(b)(2)(iv)(m) and Section 5.2(g) hereof; provided, however, that Gross Asset Value shall not be adjusted pursuant to this subsection (d) to the extent that the Board of Directors determines that an adjustment pursuant to subsection (b) hereof is necessary or appropriate in connection with a transaction that would otherwise result in an adjustment pursuant to this subsection (d).

If the Gross Asset Value of an asset has been determined or adjusted hereby, that Gross Asset Value shall thereafter be determined by taking into account all adjustments for Depreciation, if any, taken with respect to that asset for purposes of computing Profits and Losses.

"INTEREST" means the interest of a Member in the Company representing such Member's rights, powers and privileges as specified in this Agreement.

"LIEN" means any pledge, lien (including tax lien), charge, claim, encumbrance, security interest, mortgage, option, restriction on transfer (including, without limitation, any buy-sell agreement or right of first refusal or offer), forfeiture, penalty, equity or other right of another person of every nature and description whatsoever.

"MATERIAL BREACH" shall mean a breach of an obligation under this Agreement or any of the Ancillary Agreements which, if not cured as provided in Section 7.5, would have a material adverse impact on the sales, operations, profitability, prospects or financial viability of the Company or the rights of any Member under such agreement.

"MEMBER" means any Person that executes this Agreement as a Member, and any other Person admitted to the Company as an additional or substituted Member, that has not made a disposition of such Person's entire Interest.

"MEMBER LOAN" means a loan to the Company from a Member in accordance with Section 3.3 hereof.

"MEMBER MINIMUM GAIN" means an amount, with respect to each Member Nonrecourse Debt, equal to the Minimum Gain that would result if such Member Nonrecourse Debt were treated as a nonrecourse liability, determined in accordance with Treasury Regulation Section 1.704-2(i).

"MEMBER NONRECOURSE DEBT" shall have the meaning of "partner nonrecourse debt" set forth in Treasury Regulation Section 1.704-2(b)(4).

"MINIMUM GAIN" shall have the meaning set forth in Treasury Regulation Section 1.704-2(d).

"PARTICIPATING PERCENTAGE" shall have the meaning set forth in Section 1.4.

"PERMITTED ENCUMBRANCES" shall mean (a) liens for any current real estate or ad valorem taxes or assessments not yet delinquent or being contested in good faith by appropriate proceedings; (b) inchoate mechanic's, materialmen's, laborer's, and carrier's liens and other similar inchoate liens arising by operation of law or statute in the ordinary course of the business of the contributing Member for obligations which are not delinquent and which will be paid or discharged in the ordinary course of such business by the contributing Member assumed by the Company in accordance with the Transfer Agreement, and (b) Liens disclosed on Exhibit A (as to the Lear Assets) or Exhibit B (as to the Donnelly Assets).

"PERSON" means an individual, firm, corporation, partnership, limited liability company, limited liability partnership, association, estate, trust, pension or profit-sharing plan, or any other entity, including any governmental entity.

"PRIME RATE" means the annual base rate of interest charged by Comerica Bank, Detroit, Michigan, or any successor thereof, for corporate loans, and referred to by such bank as its "prime rate" or, if no such rate is so referred to by such bank, the annual rate of interest charged by such bank on 90-day unsecured commercial loans to its most creditworthy borrowers, which rate is to be adjusted on the first day of each calendar quarter.

"PRODUCTS" means automobile or truck interior overhead modular systems and components including hard trim components, harness and electrification interface to body harness, electronic value added features, interior trunk and engine compartment lighting components and assemblies, substrates and complete headliners, sun visors, overhead consoles, handles, hooks, and other miscellaneous overhead trim installed above the "belt line" of an automobile or truck, but excluding (a) mirrors and other rear vision systems and electronic and other value added features incorporated into or attached to such mirrors and rear vision systems, (b) windows, (c) sunroofs and (d) pillars which are not attached to or an integral part of the headliner.

"PROFITS" and "LOSSES" means for each Fiscal Year or other period, an amount equal to the Company's taxable income or loss for that year or period, determined in accordance with Code Section 703(a) (for this purpose, all items of income, gain, loss or deduction required to be stated separately pursuant to Code Section 703(a)(1) shall be included in taxable income or loss), with the following adjustments:

(a) any income of the Company exempt from federal income tax not otherwise taken into account in computing Profits or Losses shall be added to that taxable income or loss;

(b) any expenditures of the Company described in Code Section 705(a)(2)(B) or treated as Code Section 705(a)(2)(B) expenditures pursuant to Treasury Regulation Section 1.704-1(b)(2)(iv)(i), shall be subtracted from that taxable income or loss;

(c) in the event the Gross Asset Value of any Company asset is adjusted as required by subsections (b) or (c) of the definition of Gross Asset Value, the amount of that adjustment shall be taken into account as gain or loss from the disposition of that asset (assuming the asset was disposed of just prior to the adjustment) for purposes of computing Profits or Losses in the Fiscal Year of adjustment;

(d) gain or loss resulting from any disposition of Company property with respect to which gain or loss is recognized for federal income tax purposes shall be computed by reference to the Gross Asset Value of the property disposed of, notwithstanding that the Adjusted Basis of that property may differ from its Gross Asset Value;

(e) in lieu of the depreciation, amortization and other cost recovery deductions taken into account in computing the taxable income or loss, there shall be taken into account the Depreciation for the Fiscal Year or other period; and

(f) any items of income, gain, loss or deduction that are specially allocated shall not be taken into account in computing Profits or Losses.

"PURCHASE AND SUPPLY AGREEMENT" shall mean an agreement between the Company and a Member in substantially the form attached hereto as Exhibit G and H.

"REGISTERED AGENT" means the Registered Agent for service of process on the Company in the State of Michigan, which Agent may be either an individual resident of the State of Michigan or a corporation authorized to do business in the State of Michigan.

"REGISTERED OFFICE" means the business office in the State of Michigan of the Registered Agent.

"SELLING MEMBER" shall mean a Member which desires to sell, transfer or otherwise dispose of its Interest or Interest pursuant to the provisions of this Agreement.

"TAX MATTERS MEMBER" means the "tax matters partner" as defined in Code Section 6231(a)(7).

"TRANSFER" means to, directly or indirectly, sell, assign, transfer, give, donate, pledge, hypothecate, deposit, alienate, bequeath, devise or otherwise transfer, dispose of or encumber to any Person other than the Company.

"TRANSFEREE" means a Person to whom a Transfer is made.

"TREASURY REGULATIONS" means pronouncements, as amended from time to time, or their successor pronouncements, which clarify, interpret and apply the provisions of the Code, and which are designated as "Treasury Regulations" by the United States Department of the Treasury.

ARTICLE XIII.
MISCELLANEOUS

13.1 GOVERNING LAW. This Agreement shall be governed by and construed in accordance with the laws of the State of Michigan without giving effect to any applicable principles of conflicts of laws.

13.2 NOTICES. All notices and other communications under this Agreement shall be in writing and shall be deemed to have been duly given when delivered (i) in person, (ii) to the extent receipt is confirmed, by telecopy, facsimile or other electronic transmission service, (iii) by a nationally recognized overnight courier service, or (iv) by registered or certified mail (postage prepaid return receipt requested), to the parties at the following address:

To Lear:	Lear Corporation 21557 Telegraph Road Southfield, MI 48034 Attention: Vice President and General Counsel Telecopy No. (248) 746-1677
To Donnelly:	Donnelly Corporation 414 East Fortieth Street Holland, MI 49423 Attention: John Donnelly Telecopy No. (616) 786-6034
With copy to:	Daniel C. Molhoek Varnum, Riddering, Schmidt & Howlett 333 Bridge St. N.W. Grand Rapids, Michigan 49504 Telecopy No. (616) 336-7000

13.3 SEVERABILITY. If any provision of this Agreement shall be conclusively determined by a court of competent jurisdiction to be invalid or unenforceable to any extent, the remainder of this Agreement shall not be affected thereby.

13.4 BINDING EFFECT. Except as otherwise provided herein, this Agreement shall inure to the benefit of and be binding upon the Members, their respective successors, legal representatives, and permitted assigns.

13.5 PRONOUNS AND PLURALS. All pronouns and any variations thereof are deemed to refer to the masculine, feminine, neuter, singular or plural as the identity of the appropriate Person(s) may require.

13.6 NO THIRD PARTY RIGHTS. This Agreement is intended to create enforceable rights between the parties hereto only, and creates no rights in, or obligations to, any other Persons whatsoever.

13.7 TIME IS OF ESSENCE. Time is of the essence in the performance of each and every obligation herein imposed.

13.8 FURTHER ASSURANCES. The parties hereto shall execute all further instruments and perform all acts which are or may become necessary to effectuate the intent and accomplish the purposes of this Agreement.

13.9 ESTOPPEL CERTIFICATES. The Members hereby agree that, at the request from time to time of any Member, they will each execute and deliver an estoppel certificate stating, to the extent true, that this Agreement is in full force and effect and that to the best of such Member's knowledge and belief there are no defaults by any Member (or that certain defaults exist), as the case may be, under this Agreement.

13.10 SCHEDULES INCLUDED IN EXHIBITS; INCORPORATION BY REFERENCE. Any reference to an Exhibit to this Agreement contained herein shall be deemed to include any Schedules to such Exhibit. Each of the Exhibits referred to in this Agreement, and each Schedule to such Exhibits, is hereby incorporated by reference in this Agreement as if such Schedules and Exhibits were set out in full in the text of this Agreement.

13.11 AMENDMENTS. This Agreement may not be amended except by unanimous written agreement of all of the Members executed by duly authorized officers.

13.12 CREDITORS. None of the provisions of this Agreement shall be for the benefit of or enforceable by any creditors of the Company.

13.13 COUNTERPARTS; FACSIMILE TRANSMISSION. This Agreement may be executed by the parties hereto in counterparts, each of which shall be deemed to be an original instrument, but all of which together shall constitute one and the same instrument. The Agreement may be executed and delivered by facsimile transmission.

13.14 ENTIRE AGREEMENT; SECTION HEADINGS. This Agreement constitutes the entire Agreement among the parties hereto relating to the subject matter hereof and supersedes all prior agreements, understandings, and arrangements, oral or written, among the parties with respect to the subject matter hereof. The Section headings in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.

13.15 ASSIGNMENT. This Agreement and each and every covenant, term and condition hereof shall be binding upon and inure to the benefit of the Members hereto and their respective successors and permitted assigns. Except as otherwise specifically provided in this Agreement, neither this Agreement nor any rights or obligations hereunder shall be assignable or be delegated directly or indirectly by any Member hereto to a third party without the prior written consent of all the Members to this Agreement.

13.16 NO AGENCY CREATED. This Agreement does not create any agency relationship between the Members. No Member hereto shall have any authority to enter into, assume or create any obligations or agreements on behalf of or in the name of any other of the Members.

13.17 ARBITRATION. Any dispute, controversy or claim (hereinafter "Dispute") between the parties of any kind or nature whatsoever, arising under or related to this Agreement whether arising in contract, tort or otherwise, shall be resolved according to the following procedure. If a Dispute (excluding business decisions to be voted on by Members or Directors) arises among the Members under this Agreement or any Ancillary Agreement which is not resolved by good faith negotiation, then such Dispute, upon 30 days' prior notice from one Member to the other of its intent to arbitrate (an "Arbitration Notice"), shall be submitted to and settled by arbitration; provided, however, that nothing contained herein shall preclude any party hereto from seeking or obtaining (a) injunctive relief, or (b) equitable or other judicial relief to enforce the provisions hereof or to preserve the status quo pending resolution of disputes hereunder. The parties specifically acknowledge and agree that the provisions of the Noncompetition Agreements shall be specifically enforceable by a court of competent jurisdiction and that any claim for damages under this Agreement or any Ancillary Agreement (including the Noncompetition Agreements), although arising out of the same facts and circumstances, shall nonetheless be resolved through arbitration hereunder. Such arbitration shall be conducted in accordance with the commercial arbitration rules of the American Arbitration Association existing at the time of submission by one arbitrator. The Members shall attempt to agree upon an arbitrator. If one cannot be agreed upon, the Member which did not give the Arbitration Notice may request the Chief Judge of the United States District Court for the Eastern District of Michigan or the Chief Judge of the United States District Court for the Western District of Michigan to appoint an arbitrator. If he or she will not, the arbitrator shall be appointed by the American Arbitration Association. If an arbitrator so selected becomes unable to serve, his or her successor shall be similarly selected or appointed. All arbitration hearings shall be conducted on an expedited schedule, and all proceedings shall be confidential. Either Member may at its expense make a stenographic record thereof. The arbitrator shall apportion all costs and expenses of arbitration (including the arbitrator's fees and expenses, the fees and expenses of experts, and the fees and expenses of counsel to the parties), between the prevailing and non-prevailing Member as the arbitrator deems fair and reasonable. Any arbitration award shall be binding and enforceable against the parties hereto and judgment may be entered thereon in any court of competent jurisdiction. The arbitration will take place at Southfield, Michigan or Grand Rapids, Michigan at the election of the Member not giving the Arbitration Notice.

13.18 FAIR MARKET VALUE. The Fair Market Value of any Member's Interest shall mean the consideration that a willing buyer will pay a willing seller to accept. The parties will attempt to agree on such a Fair Market Value in the manner provided in subsection (b). If the parties cannot agree on a Fair Market Value, then the Fair Market Value shall be determined as follows:

(a) The Members shall attempt to mutually agree upon an independent investment banker or independent appraiser of established reputation which shall determine such Fair Market Value. The Members shall have sixty (60) days after one Member has requested an appraisal to agree on such an independent appraiser.

(b) If the Members cannot mutually agree on an independent appraiser in accordance with the provisions of subsection (a), then:

(i) Each Member, within thirty (30) days, shall select an independent investment banker or independent appraiser of established reputation, qualified to determine the Fair Market Value of the Interest.

(ii) The independent investment bankers or appraisers so selected mutually shall select a third independent investment bankers or appraiser of established reputation which is qualified to determine the Fair Market Value of the Interest and which shall have no material relationship with either party, and

(iii) The Fair Market Value shall be the value agreed upon by two of the three independent investment bankers or appraisers so selected, or absent agreement, the average of the two closest values calculated by the investment bankers or appraisers.

(iv) If either Member fails to appoint an investment banker or appraiser within thirty (30) days, the investment bankers or appraiser appointed by the Member which does appoint an investment banker or appraiser shall determine the Fair Market Value.

(c) The Fair Market Value of an Interest shall be the Fair Market Value of the Company multiplied by a fraction the numerator is the Interests percentage interest in the profits and losses of the Company and the denominator of which is 100.

(d) Each Member shall have an opportunity to meet with the investment bankers or appraisers to present its information relative to the Fair Market Value being determined.

(e) Each Member shall bear the cost of any investment bankers or independent appraiser that it selects. If only one investment banker or appraiser has been selected or if a third investment banker or appraiser is appointed, the cost of that investment banker or appraiser shall be borne equally by the Members. Each Member shall bear its respective internal costs of the appraisal.

IN WITNESS WHEREOF, the parties have executed this Operating Agreement by their duly authorized officer effective as of the day and year first above written.

WITNESSED BY: DONNELLY CORPORATION

/s/ Daniel C. Molhoek By /s/ Dwane Baumgardner
- ---------- ----------

Dwane Baumgardner
Its: Chief Executive Officer and President

Date:

WITNESSED BY:

LEAR CORPORATION

Kenneth Lango
- ---

By /s/ J.F. McCarthy

Its Vice President
Date:

WITNESSED BY:

AUTOMOTIVE INDUSTRIES
MANUFACTURING, INC.

By Kenneth Lango

By /s/ J. F. McCarthy

Vice Pres.

EXHIBIT LIST

A	Promissory Note
B.	Transfer Agreement
C-1	Donnelly Leased Worker Agreement
C-2	Lear Leased Worker Agreement
D-1	Donnelly Technology License Agreement
D-2	Lear Technology License Agreement
E.	Purchase and Supply Agreement
F.	Donnelly Noncompetition and Non-Solicitation Agreement
G.	Lear Noncompetition and Non-Solicitation Agreement
H.	EBITDA for 1998 and 1999

SCHEDULE 4.5(D)

Any entity which directly or through an Affiliate:

1) Manufactures and sells more than $750 million of automotive seats in any year;

2) Manufactures and sells more than $100 million of automotive windows in any year;

3) Manufactures and sells more than $50 million of automotive mirrors in any year; or

4) Manufactures and sells more than $50 million of electronics for use in automotive dashboards, consoles, overhead systems and mirrors in any year.

EXHIBIT B

AMENDED AND RESTATED
TRANSFER AGREEMENT

THIS AMENDED AND RESTATED TRANSFER AGREEMENT (this "Agreement") is entered into as of this 31st day of October, 1997, by and among LEAR CORPORATION, a Delaware corporation ("Lear"), AUTOMOTIVE INDUSTRIES MANUFACTURING INC., a Delaware corporation ("AIM"), DONNELLY CORPORATION, a Michigan corporation ("Donnelly"), and LEAR DONNELLY OVERHEAD SYSTEMS, L.L.C., a Michigan limited liability company (the "Company"). Lear, AIM and Donnelly are sometimes referred to in this Agreement as the "Transferors" or individually as a "Transferor."

RECITALS:

WHEREAS, Lear and Donnelly as members of the Company have executed an Operating Agreement of the Company dated September 3, 1997 (the "Operating Agreement"), which Operating Agreement provides for the transfer of certain assets from Lear, Donnelly and Eurotrim to the Company and the assumption by the Company of certain liabilities of Lear, Donnelly and Eurotrim;

WHEREAS, Lear and Donnelly and the Company have entered into a Transfer Agreement, dated September 3, 1997 (the "Original Transfer Agreement"), and the parties hereto desire that this Agreement should amend, restate and supersede the Original Transfer Agreement;

WHEREAS, Donnelly desires to transfer to the Company all of the outstanding common stock of Donnelly Eurotrim Limited, a corporation incorporated under the laws of the Republic of Ireland ("Eurotrim");

WHEREAS, Lear desires to transfer to the Company the entire ownership interest of Empetek autodily, s.r.o., a corporation incorporated under the laws of the Czech Republic ("Empetek");

NOW THEREFORE, in consideration of and in reliance upon the mutual representations, warranties and obligations in this Agreement and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree and hereby amend and restate the Original Transfer Agreement as follows:

ARTICLE 1
TRANSFER OF ASSETS

1.1 Definition Reference. Certain capitalized terms are defined in Article 10. Capitalized terms not defined herein shall have the meaning ascribed to them in the Operating Agreement.

1.2 Transferred Lear Assets. As of the closing dates indicated (as defined in Article 7), Lear and AIM will convey, transfer and assign to the Company, free and clear of all Liens other than Permitted Encumbrances, and the Company hereby accepts, the following assets (collectively, the "Transferred Lear Assets"):

(a) the entire ownership interest of Empetek (to be transferred as of the Initial Closing Date);

(b) Lear's Marlette, Michigan facility described on Schedule 1.2(b)(1) and all machinery, equipment, tools, fixtures, furniture and other fixed assets located at such facility, including but not limited to those assets listed on Schedule 1.2(b)(2) and inventory and supplies associated therewith (to be transferred as of the Initial Closing Date);

(c) the machinery, equipment, tools, fixtures, furniture and other assets located at Lear's Sheboygan, Wisconsin facility and at Lear's Colne and Tipton, England facilities are listed on Schedules 1.2(c)(1), (2) and (3), respectively (to be transfered as of the Initial Closing Date). The inventory and supplies associated with the Sheboygan, Colne and Tipton facilities will be transferred as of one or more Subsequent Closing Dates. The inventories shall be at least equal to the amounts reflected on the applicable balance sheets as of October 31, 1997, and AIM or Lear will contribute to the Company an amount in cash equal to any shortfall in the amount of inventory or the Company will refund to AIM or Lear an amount in cash equal to any excess over the October 31, 1997 amount. Prior to December 31, 1997, the parties will review the feasibility and desirability of modifying the purchasing arrangement between the Company and Lear with the Company assuming control of the production and/or inventory at the Sheboygan, Colne and Tipton facilities.;

(d) all accounts receivable of Lear or AIM arising on or after November 1, 1997, which are related to the business operations and assets of the businesses referenced in (b) above, except retained tooling receivables as provided in Subsection B below (to be transferred as of the Initial Closing Date);

(e) all of the assets specifically identified in Schedule 1.2(e) or otherwise reflected on the balance sheets included as part of Schedule 1.2(e) (as of the respective closing dates indicated); and

(f) all completed tooling which is related to the business operations and assets of the businesses referred to in (a) - (c) above shall be transferred (as of the respective

closing dates indicated); all tooling which is applicable to Products sold by Lear for vehicles in which the Product launch will occur prior to November 1, 1997, shall be completed by Lear through customer approval and then transferred to the Company. Any tooling which is related to the business operations and assets of the businesses referred to in (a) - (c) above for future programs with a start of production date after November 1, 1997, shall be transferred (as of the respective closing dates indicated) at its work-in-process stage together with any liabilities or prepaid assets associated with such work in process tools.

Notwithstanding anything set forth in this Section 1.2, all assets of Lear or AIM not described in (a) through (f) above, including, but not limited to, the following assets, shall be excluded from the transfers contemplated hereby (the "Excluded Lear Assets"):

A. all accounts receivable of Lear or AIM relating to the businesses transferred as described in Subsection (c) above arising at any time, and all accounts receivable of Lear or AIM relating to the businesses transferred as described in Subsections (b) above arising prior to November 1, 1997;

B. accounts receivable or payments with respect to tooling completed or to be completed by Lear as described in Subsection (f) above; and

C. all of the assets specifically identified in Schedule 1.2(C) hereto.

1.3 Transferred Donnelly Assets. As of the closing dates indicated (as defined in Article 7), Donnelly and Eurotrim will convey, transfer and assign to the Company, free and clear of all Liens other than Permitted Encumbrances, and the Company hereby accepts, the following assets (collectively, the "Transferred Donnelly Assets"):

(a) Donnelly's 128th South facility in Holland, Michigan described on Schedule 1.3(a)(1) and all machinery, equipment, tools, fixtures, furniture and other fixed assets located at such facility, including but not limited to the machinery, equipment and other tangible assets of DHT located at such facility and those assets listed on Schedule 1.3(a)(2) and all inventory and supplies associated therewith, but excluding certain furniture and fixtures and equipment related to Donnelly Customer Business Units located at such facility, including but not limited to those assets listed on Schedule 1.3(a)(3) (to be transferred as of the Initial Closing Date);

(b) certain specified machinery, equipment, tools, fixtures, furniture and other assets located at Donnelly's Grand Haven, Michigan facility described on Schedule 1.3(b) (to be transferred as of the Initial Closing Date) and the inventory and supplies associated therewith (to be transferred as of one or more Subsequent Closing Dates). The inventories shall be at least equal to the amounts reflected on the applicable balance sheet as of October 31, 1997, and Donnelly will contribute to the Company an amount in cash equal to any shortfall in the amount of inventory or the Company will refund to Donnelly an amount in

cash equal to any excess over the October 31, 1997 amount. Prior to December 31, 1997, the parties will review the feasibility and desirability of modifying the purchasing arrangement between the Company and Donnelly with the Company assuming control of the production and/or inventory at the Grand Haven facility);

(c) all of the issued and outstanding shares of capital stock of Eurotrim (to be transferred as of the Initial Closing Date);

(d) [intentionally omitted]

(e) all of the assets specifically identified in Schedule 1.3(e) or otherwise reflected on the balance sheets included as part of Schedule 1.3(e) (as of the respective closing dates indicated); and

(f) all completed tooling which is related to the business operations and assets referred to in (a)-(b) above shall be transferred as of the respective closing dates indicated; all tooling which is applicable to Products sold by Donnelly for vehicles in which the Product launch will occur prior to November 1, 1997, shall be completed by Donnelly through customer approval and then transferred to the Company. Any tooling which is related to the business operations and assets of the businesses referred to in (a) - (b) above for future programs with a start of production date after November 1, 1997, shall be transferred (as of the respective closing dates indicated) at its work-in-process stage together with any liabilities or prepaid assets associated with such work in process tools.

Notwithstanding anything set forth in this Section 1.3, all assets of Donnelly not described in (a) through (f) above, including, but not limited to, the following assets, shall be excluded from the transfers contemplated hereby (the "Excluded Donnelly Assets"):

A. all accounts receivable of Donnelly arising at any time;

B. accounts receivable or payments with respect to tooling completed or to be completed by Donnelly as described in Subsection (f) above; and

C. all of the assets specifically identified in Schedule 1.3C hereto.

1.4 Transfer of Contracts. As of the closing dates indicated on Schedule 1.4, Donnelly, Lear and AIM will convey, transfer and assign to the Company and the Company will assume their respective rights and obligations under their respective contracts identified on Schedule 1.4 (the "Assigned Contracts"), subject to any required approvals. The Assigned Contracts will include Donnelly's production and supply contract with Aeroplex.

1.5 Relocating Assets and Operations. The responsibility for and expense of moving the transferred assets shall allocated as follows:

(a) Lear shall be responsible for all of the relocation and set-up expenses relating to the transfer of the Transferred Lear Assets located in the Sheboygan, Wisconsin facility to the Marlette, Michigan facility, which relocation shall be completed on or before July 1, 2000, unless otherwise approved by the Members.

(b) Lear shall be responsible for all of the relocation and set-up expenses relating to the transfer of the Transferred Lear Assets located in the Colne, England facility to the Tipton, England facility, which relocation shall be completed on or before July 1, 2000, unless otherwise approved by the Members.

(c) Lear shall be responsible for all of the relocation and set-up expenses relating to the transfer of the Transferred Lear Assets located in the Tipton, England facility (including the Lear Transferred Assets from Colne, England) to another facility, at a location to be determined by the Company, which relocation shall be completed on or before July 1, 2000, unless otherwise approved by the Members.

(d) Donnelly shall be responsible for all of the relocation and set-up expenses relating to the transfer of the Transferred Donnelly Assets located in the Grand Haven, Michigan facility to the facility located at 128 South, Holland, Michigan, or to Marlette, Michigan which relocation shall be completed on or before July 1, 2000 unless otherwise approved by the Members.

1.6 Certain Production. With respect to the Grand Haven, Sheboygan, Colne and Tipton facilities, any production being conducted at such facilities as of the Closing Date applicable to such facility may continue to be conducted at such facility at the discretion of the Transferor with respect to that facility. With respect to production to be commenced after the Closing Date applicable to such facility, the parties to this Agreement may by mutual written consent agree to conduct such production at such facility; provided, however, that the Company shall have the unilateral right (exercisable upon nine months advance notice) to require that such product be removed from such facility to a location designated by the Company.

1.7 Capital Expenditures. With respect to each of the facilities referenced in Section 1.5 hereof, the Company shall pay the costs of those capital expenditures related to the production of Products that are approved in advance by the Company.

1.8 Eurotrim. The parties intend and agree to operate Eurotrim's business at Eurotrim's present location in Naas, Ireland.

ARTICLE 2
ASSUMPTION OF LIABILITIES

2.1 Assumed Lear Liabilities. As of the closing dates indicated, the Company will assume the following specified debts, liabilities and obligations of Lear and AIM (the "Assumed Lear Liabilities"):

(a) all accounts payable of Lear and AIM incurred after November 1, 1997, which are related to the Transferred Lear Assets and the business being transferred by Lear and AIM to the Company, except (i) costs to complete tooling described in Section 1.2(f), (ii) costs to relocate equipment as provided in Section 1.5 and (iii) accounts payable related to the business operation and assets described in Section 1.2(c).

(b) those liabilities reflected on the balance sheets included in Schedule 1.2(e) or otherwise specifically identified on Schedule 2.1(as of the respective closing dates indicated).

2.2 Assumed Donnelly Liabilities. As of the closing dates indicated, the Company will assume the following specified debts, liabilities and obligations of Donnelly (the "Assumed Donnelly Liabilities"):

(a) all accounts payable of Donnelly incurred after November 1, 1997, which are related to the Transferred Donnelly Assets and the business being transferred by Donnelly to the Company, except (i) costs to complete tooling described in Section 1.3(f), (ii) costs to relocate equipment as provided in Section 1.5 and (iii) accounts payable related to the business operation and assets described in Section 1.3(b); and

(b) those liabilities reflected on the balance sheets included in Schedule 1.3(e) or otherwise specifically identified on Schedule 2.2 (as of the respective closing dates indicated).

2.3 Excluded Liabilities. Except for the liabilities expressly assumed by the Company under the terms of this Agreement, the Company is not assuming and shall not be liable for any debts, liabilities or obligations of, or litigation or claims against, Lear, AIM, Donnelly or their respective subsidiaries and affiliates.

ARTICLE 3
CAPITAL CONTRIBUTION AND PRORATIONS

3.1 Capital Contributions. The assets transferred to the Company as described in Article 1 are capital contributions and/or loans to the Company as provided in the Operating Agreement.

3.2 Prorations. As of the applicable closing dates , the real and personal property taxes, water, gas, electricity and other utilities, local business or other license fees or taxes, rents and other similar periodic charges shall be prorated between the appropriate Transferor and the Company, with such Transferor bearing the pro rata portion of such taxes, charges and other amounts which relate

to the period prior to the date of this Agreement and the Company bearing the pro rata portion of such taxes, charges and other amounts which relate to the period on and after the date of this Agreement.

ARTICLE 4
REPRESENTATIONS AND WARRANTIES

Each of Lear, AIM and Donnelly (each a "Transferor") represents and warrants to the Company and to the parties to this Agreement other than itself as follows with respect to itself:

4.1 Corporate Status and Authority. Transferor is a corporation duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation, with full corporate power and authority to own, lease and operate the Transferred Assets being transferred by such Transferor pursuant to this Agreement and to carry on that portion of its business being transferred to the Company pursuant to this Agreement. Transferor has the power and authority to execute, deliver and perform this Agreement and all other agreements and documents to be executed and delivered by it in connection herewith. Transferor is qualified to do business as a foreign corporation in each jurisdiction where the failure to do so would reasonably be expected to have a materially adverse effect on the Transferred Assets or business being transferred by such Transferor to the Company. The execution, delivery and performance of this Agreement and the transfer to the Company by Transferor of such Transferor's Transferred Assets have been duly authorized by all requisite corporate action on Transferor's part. Transferor has duly executed this Agreement, and this Agreement constitutes Transferor's legal, valid and binding obligation, enforceable against it in accordance with its terms, subject to the effects of bankruptcy, insolvency, fraudulent conveyance, moratorium, reorganization or similar laws affecting creditors' rights and to equitable principles.

4.2 Conflicts and Consents. Transferor's execution and delivery of this Agreement, and the performance of its obligations hereunder, do not (a) conflict with or violate any provision of Transferor's Articles of Incorporation or Bylaws, (b) violate or, alone or with notice or the passage of time or both, result in the breach or the termination of, or otherwise give any contracting party the right to terminate or declare a default under, the terms of any material written agreement relating to the business or the Transferred Assets being transferred by such Transferor to the Company pursuant to this Agreement, or (c) violate any judgment, order, decree, or any material law, statute, regulation or other judicial or governmental restriction to which Transferor is subject. Transferor is not required to make any filing with, or to obtain any permit, authorization, consent or approval of, any governmental or regulatory authority as a condition to the lawful performance by Transferor of its obligations hereunder, except for governmental approvals pursuant to the Merger Control Statute and Article 85.

4.3 Title to Assets. Transferror has good and marketable title to the Transferred Assets being transferred by such Transferror to the Company pursuant to this Agreement, free and clear of all Liens except for Permitted Encumbrances. Title to the Transferred Assets being transferred by Transferor to the Company pursuant to this Agreement does not, and to its knowledge there exists

no condition affecting the title to or use of any part of its Transferred Assets which would, prevent the Company from occupying, using, or enforcing its rights acquired hereunder in respect of any part of such Transferred Assets from and after the date of this Agreement to the same full extent that Transferror could continue to do so if the transactions contemplated hereby did not take place.

4.4 Accounts Receivable. Those Transferred Assets being transferred by Transferor to the Company which are accounts receivable have arisen in the ordinary course of business, and are valid and collectible. None of Transferor's accounts receivable being transferred to the Company are or will be subject to any set-off or counterclaim.

4.5 Inventories. Those Transferred Assets being transferred by Transferor which constitute finished goods inventory are saleable in the ordinary course of business consistent with past practice. All of Transferor's work-in-process, raw materials and supplies inventories which are included in the Transferred Assets can be used or consumed in the usual and ordinary course of business as now conducted and are not in amounts in excess of normal requirements.

4.6 Condition of Assets. All of the Transferred Assets being transferred by the Transferor to the Company which are tangible assets are, in the aggregate, in good operating condition, normal wear and tear excepted, are capable of being used for their intended purpose in the ordinary course of business consistent with past practice and are, in the aggregate, all the assets necessary to conduct the business of Transferor being transferred to the Company.

4.7 Owned Real Property. A complete and accurate legal description of each Transferor's Owned Real Property or Transferor's Leased Real Property included in the Transferred Assets and being transferred to the Company pursuant to this Agreement is set forth on Schedule 4.7. There are no currently pending condemnation proceedings which affect such Transferor's Owned Real Property being transferred or Transferor's Leased Real Property, the lease for which is being transferred, to the Company pursuant to this Agreement nor are there any currently ongoing improvements by any public authority, any part of the cost of which will be assessed against such Owned Real Property. Since January 1, 1997, Transferor has not experienced any material interruption in the delivery of adequate service of any utilities or other public authorities required in the operation of its business. The Transferor's Owned Real Property and Transferor's Leased Real Property have adequate water supply, and storm and sanitary sewage facilities for the current needs of the business as conducted by the Transferor. The buildings located on the Owned Real Property are free of any material structural defects or zoning, use or other restrictions which could reasonably be expected to threaten their continued operation in substantially the same manner as currently operated by the Transferor.

4.8 Environmental Matters. Except as set forth on Schedule 4.8(a) with respect to Lear or AIM or on Schedule 4.8(b) with respect to Donnelly:

(a) Neither the Transferred Assets transferred by such Transferror nor any real property leased by Transferor which lease is being assumed by the Company nor any real

property where the business being transferred by Transferor to the Company is being conducted contain or have previously contained any Hazardous Substances or underground storage tanks.

(b) To the Knowledge of Transferor, there has been no Release of any Hazardous Substances at any or from any properties adjacent to any of Transferor's Owned Real Property, any real property leased by Transferor which lease is being assumed by the Company or any real property where the business being transferred to the Company is being conducted.

(c) The business and Transferred Assets of Transferor being transferred to the Company, any real property leased by Transferor which lease is being assumed by the Company and any real property where the business being transferred by Transferor to the Company is being conducted have complied and are in compliance with all Environmental Laws in all material respects.

(d) With respect to the business and the Transferred Assets being transferred by Transferor to the Company, any real property leased by Transferor which lease is being assumed by the Company and any real property where the business being transferred by Transferor to the Company is being conducted, Transferor has obtained and is in material compliance with all permits, licenses, and other authorizations that are required pursuant to Environmental Law.

(e) With respect to the business and Transferred Assets being transferred by Transferor to the Company, any real property leased by Transferor which lease is being assumed by the Company and any real property where the business being transferred by Transferor to the Company is being conducted, Transferor has not received any written or oral notice, report, or information regarding actual or alleged violations of Environmental Law, or any liabilities or potential liabilities, including any investigatory, remedial, or corrective obligations relating to it or its facilities arising under Environmental Law, the subject of which has not been fully resolved or settled.

(f) With respect to the business and Transferred Assets being transferred by Transferor to the Company, any real property leased by Transferor which lease is being assumed by the Company and any real property where the business being transferred by Transferor to the Company is being conducted, Transferor has not treated, stored, disposed of, arranged for or permitted the disposal of, transported, handled, or released any substance, including without limitation any Hazardous Substance, or owned or operated any property or facility (and no such property or facility is contaminated by any such substance) in a manner that has given or would give rise to liabilities, including any liability for response costs, corrective action costs, personal injury, property damage, natural resources damages, or attorney fees, pursuant to any Environmental Law.

(g) Neither this Agreement nor the consummation of the transaction that is the subject of this Agreement will result in any obligations for site investigation or cleanup, or notification to or consent of government agencies, pursuant to any Environmental Law.

(h) No environmental lien has attached to any of the Transferred Assets being transferred to the Company by Transferor.

(i) No facts, events, or conditions relating to the business or Transferred Assets being transferred by such Transferor to the Company, any real property leased by Transferor which lease is being assumed by the Company or any real property where the business being transferred by Transferor to the Company is being conducted will prevent, hinder, or limit continued compliance with Environmental Law, give rise to any investigatory, remedial, or corrective obligations pursuant to Environmental Law, or give rise to any other liabilities pursuant to Environmental Law.

4.9 Taxes. Transferor has filed all federal, state and local tax returns required to be filed by it with respect to the business and Transferred Assets being transferred by such Transferor to the Company, and has paid all taxes which have become due pursuant thereto or otherwise, other than taxes the liability for which is being contested in good faith. There are no tax claims, audits or proceedings pending in connection with the properties, business, income, expenses, net worth and franchises of Transferor and, to the Knowledge of Transferor, there are no such threatened claims, audits or proceedings.

4.10 Financial Information. Schedule 4.10(a) with respect to Lear, AIM and Empetek, and Schedule 4.10(b) with respect to Donnelly and Eurotrim contain unaudited internal financial projections concerning the Transferred Assets and business operations being transferred by such Transferor to the Company (the "Financial Projections"). To the knowledge of Transferor, the assumptions underlying such Transferor's Financial Projections are accurate and there are no material facts known to such Transferor that would make such Financial Projections or underlying assumptions inaccurate or invalid.

4.11 Litigation. No material claim, litigation, action, or proceeding is pending, or, to the knowledge of Transferor, threatened, and no order, injunction or decree is outstanding, against or relating to the business or Transferred Assets being transferred by Transferor to the Company or the Assumed Donnelly Liabilities or Assumed Lear Liabilities, as the case may be, of such Transferor which are being assumed by the Company, and, to the Knowledge of Transferor, there is no state of facts or event which would reasonably be expected to form the basis for such a claim, litigation, action, investigation or proceeding.

4.12 Employee Benefits. Except as disclosed in Schedule 4.12 to this Agreement, with respect to the business, operations and Transferred Assets being transferred by each Transferor to the Company:

(a) Transferor has delivered or made available to the other parties to this Agreement prior to the execution of this Agreement copies of all of Transferor's Benefit Plans currently adopted, maintained by, sponsored in whole or in party by, or contributed to by Transferor.

(b) None of Transferor's Benefit Plans is or has been a "multiemployer plan" within the meaning of Section 3(37) of ERISA.

(c) All of Transferor's Benefit Plans are in material compliance with the applicable terms of ERISA, the Internal Revenue Code and any other applicable laws, rules or regulations.

(d) Each ERISA Plan of Transferor which is intended to be qualified under Section 401(a) of the Internal Revenue Code has received a favorable determination letter which takes into account the Tax Reform Act of 1986 and subsequent legislation for which a determination letter is available from the Internal Revenue Service, and Transferor is not aware of any circumstances likely to result in revocation of any such favorable determination letter.

(e) As of the date of the most recent actuarial valuation, no Pension Plan of Transferor had any "unfunded current liability," as that term is defined in Section 302(d)(8)(A) of ERISA, and the fair market value of the assets of any such plan exceeds the plan's "benefit liabilities," as that term is defined in Section 4001(a)(16) of ERISA, which were determined under actuarial factors that would apply if the plan terminated in accordance with all applicable legal requirements and assuming the adoption of interest rate and mortality tables described in Section 417(e)(3)(A)(i) and the use of such interest rates published in January 1997, and assuming that all participants take a lump sum distribution of their vested accrued benefits on January 1, 1997. Since the date of the most recent actuarial valuation, there has been (i) no material change in the financial position of any Pension Plan of Transferor, (ii) no change in the actuarial assumptions with respect to any Pension Plan of Transferor, and (iii) no increase in benefits under any Pension Plan of Transferor as a result of plan amendments or changes in applicable law which is reasonably likely to materially adversely affect the funding status of any such plan.

4.13 Labor and Employment Matters. Except as disclosed on Schedule 4.13 to this Agreement with respect to persons employed in connection with the business, operations and Transferred Assets being transferred by such Transferor to the Company: (a) Transferor is not a party to any collective bargaining or similar agreement, (b) Transferor is in substantial compliance with any collective bargaining or similar agreement to which it is a party and with all applicable laws concerning employment and employment practices, terms and conditions of employment, wages and hours, occupational safety and health, and is not engaged in any material unfair labor or employment practices, (c) there is, and during twelve (12) months prior to the date of this Agreement there has been, no labor strike or other material dispute between Transferor and its employees, and (d) there

are no material charges, investigations, administrative proceedings or formal complaints of discrimination pending against Transferor before any federal, state or local agency or court.

4.14 Compliance with Contracts. With respect to the Assigned Contracts listed on Schedule 1.4, except as provided on such Schedule: (a) the Assigned Contracts are valid, binding and enforceable agreements in accordance with their terms; (b) neither Transferor nor the other party to any Assigned Contract to which such Transferor is a party is in default under or in breach of any thereof; (c) no event has occurred which, with notice or lapse of time or both, would constitute such a default or breach; and (d) there is no requirement to obtain the written consent of any third party to the assignment thereof to the Company. There have been no discussions or correspondence concerning the breach or termination of any of the foregoing and there is no default under or any breach of any of the foregoing by any other party thereto.

4.15 Compliance with Laws. Transferor holds all material governmental permits, licenses, certificates, permits or other permissions necessary to use and operate the Transferred Assets of Transferor. Transferor is presently using the Transferred Assets and conducting its business in compliance with all applicable statutes, ordinances, rules, regulations and orders of any governmental authority, except for immaterial violations. Transferor is not subject to or in default under any judgment, order or decree of any court, administrative agency or other governmental authority applicable to the Transferred Assets or the business conducted using the Transferred Assets.

4.16 Brokers and Finders. No broker, finder or other person or entity acting in a similar capacity has participated on behalf of Transferor in bringing about the transaction herein contemplated, rendered any services with respect thereto or been in any way involved therewith.

ARTICLE 5
REPRESENTATIONS AND WARRANTIES REGARDING EMPETEK

Lear and AIM, jointly and severally, represent and warrant to the Company and Donnelly as follows:

5.1 Capitalization. The registered ownership interest of Empetek consists of 26,354,000 Czech crowns, all of which have been contributed to Empetek. All of the registered ownership interest of Empetek has been duly authorized, is duly and validly issued and outstanding, is fully paid and nonassessable, and is owned of record and beneficially solely by Lear, free and clear of any Liens, charges or other encumbrances of any nature whatsoever. There are no outstanding options, warrants, contracts, preemptive rights, proxies, calls, commitments or demands or rights of any character obligating Empetek to issue any ownership interest or options or rights with respect thereto, and there are no existing or outstanding securities of any kind convertible or exchangeable for any ownership interest of Empetek. The Articles of Incorporation, Bylaws, minute books and stock books of Empetek which have been furnished to Donnelly are true and complete and current up to the date of this Agreement.

5.2 Absence of Undisclosed Liabilities. Except to the extent specifically reflected and adequately reserved against in the balance sheet of Empetek included in Schedule 5.2 or otherwise disclosed in Schedule 5.2, Empetek had no material liabilities or obligations whatsoever, whether accrued, absolute, contingent or otherwise.

5.3 Material Contracts. Except as set forth on Schedule 5.3, Empetek is not a party to nor bound by any contract or agreement that could reasonably be expected to result in aggregate payments by Empetek or liability of Empetek in excess of the amount identified in Schedule 5.3.

5.4 Corporate Status and Authority. Empetek is a corporation duly organized, validly existing and in good standing under the laws of their respective jurisdictions of incorporation, with full corporate power and authority to own, lease and operate its assets and to carry on its business as presently conducted. Empetek is qualified to do business as a foreign corporation in each jurisdiction where the failure to do so would reasonably be expected to have a materially adverse effect on its assets or business. The execution, delivery and performance of this Agreement by Lear has been duly authorized by all requisite corporate action on Empetek's part.

5.5 Conflicts and Consents. Lear's execution and delivery of this Agreement, and the performance of its obligations hereunder, do not (a) conflict with or violate any provision of Empetek's Articles of Incorporation or Bylaws, (b) violate or, alone or with notice or the passage of time or both, result in the breach or the termination of, or otherwise give any contracting party the right to terminate or declare a default under, the terms of any material written agreement relating to Empetek's business or assets, or (c) violate any judgment, order, decree, or any material law, statute, regulation or other judicial or governmental restriction to which Empetek is subject.

5.6 Title to Assets. Empetek has good and marketable title to its assets, free and clear of all Liens except for Permitted Encumbrances. Title to the assets of Empetek does not, and to their knowledge there exists no condition affecting the title to or use of any part of its assets which would, prevent Empetek from occupying, using, or enforcing its rights acquired hereunder in respect of any part of such sssets from and after the date of this Agreement to the same full extent that Empetek could continue to do so if the transactions contemplated hereby did not take place.

5.7 Accounts Receivable. Empetek's accounts receivable have arisen in the ordinary course of business, and are valid and collectible. None of Empetek's accounts receivable are or will be subject to any set-off or counterclaim.

5.8 Inventories. Empetek's finished goods inventory is saleable in the ordinary course of business consistent with past practice. All of Empetek's work-in-process, raw materials and supplies inventories which are included in the Transferred Assets can be used or consumed in the usual and ordinary course of business as now conducted and are not in amounts in excess of normal requirements.

5.9 Condition of Assets. Empetek's tangible assets are, in the aggregate, in good operating condition, normal wear and tear excepted, are capable of being used for their intended purpose in the ordinary course of business consistent with past practice and are, in the aggregate, all the assets necessary to conduct the business of Empetek as presently conducted.

5.10 Owned Real Property. A complete and accurate legal description of Empetek's Owned Real Property and Leased Real Property is set forth on Schedule 5.10. There are no currently pending condemnation proceedings which affect Empetek's Owned Real Property being transferred or Leased Real Property nor are there any currently ongoing improvements by any public authority, any part of the cost of which will be assessed against such Owned Real Property. Since January 1, 1997, Empetek has not experienced any material interruption in the delivery of adequate service of any utilities or other public authorities required in the operation of its business. Empetek's Owned Real Property and Leased Real Property have adequate water supply, and storm and sanitary sewage facilities for the current needs of the business as conducted by the Empetek. The buildings located on the Owned Real Property are free of any material structural defects or zoning, use or other restrictions which could reasonably be expected to threaten their continued operation in substantially the same manner as currently operated by Empetek.

5.11 Environmental Matters. Except as set forth on Schedule 5.11,

(a) Empetek's owned or leased real property does not contain and has not previously contained any Hazardous Substances or underground storage tanks.

(b) To the Knowledge of Lear, there has been no Release of any Hazardous Substances at any or from any properties adjacent to any of Empetek's Owned Real Property or any real property leased by Empetek.

(c) Empetek's business, assets and real property have complied and are in compliance with all Environmental Laws in all material respects.

(d) Empetek has obtained and is in material compliance with all permits, licenses, and other authorizations that are required pursuant to applicable Environmental Law.

(e) Empetek has not received any written or oral notice, report, or information regarding actual or alleged violations of Environmental Law, or any liabilities or potential liabilities, including any investigatory, remedial, or corrective obligations relating to it or its facilities arising under Environmental Law, the subject of which has not been fully resolved or settled.

(f) Empetek has not treated, stored, disposed of, arranged for or permitted the disposal of, transported, handled, or released any substance, including without limitation any Hazardous Substance, or owned or operated any property or facility (and no such property or facility is contaminated by any such substance) in a manner that has given or would give

rise to liabilities, including any liability for response costs, corrective action costs, personal injury, property damage, natural resources damages, or attorney fees, pursuant to any Environmental Law.

(g) Neither this Agreement nor the consummation of the transaction that is the subject of this Agreement will result in any obligations for site investigation or cleanup, or notification to or consent of government agencies, pursuant to any Environmental Law.

(h) No environmental lien has attached to any of material assets of Empetek.

(i) No facts, events, or conditions relating to Empetek or its assets will prevent, hinder, or limit continued compliance with Environmental Law, give rise to any investigatory, remedial, or corrective obligations pursuant to Environmental Law, or give rise to any other liabilities pursuant to Environmental Law.

5.12 Taxes. Empetek has filed all federal, state and local tax returns required to be filed by it, and has paid all taxes which have become due pursuant thereto or otherwise, other than taxes the liability for which is being contested in good faith. There are no tax claims, audits or proceedings pending in connection with the properties, business, income, expenses, net worth and franchises of Empetek and, to the Knowledge of Lear, there are no such threatened claims, audits or proceedings.

5.13 Litigation. No material claim, litigation, action, or proceeding is pending, or, to the knowledge of Lear, threatened, and no order, injunction or decree is outstanding, against or relating to Empetek, there is no state of facts or event which would reasonably be expected to form the basis for such a claim, litigation, action, investigation or proceeding.

5.14 Employee Benefits. Except as disclosed in Schedule 5.14 to this Agreement, with respect to Empetek:

(a) Empetek has delivered or made available to the other parties to this Agreement prior to the execution of this Agreement copies of all of Empetek's Benefit Plans currently adopted, maintained by, sponsored in whole or in party by, or contributed to by Empetek.

(b) All of Empetek's Benefit Plans are in material compliance with theapplicable terms of all applicable laws, rules or regulations.

5.15 Labor and Employment Matters. Except as disclosed on Schedule 5.15 to this Agreement: (a) Empetek is not a party to any collective bargaining or similar agreement, (b) Empetek is in substantial compliance with any collective bargaining or similar agreement to which it is a party and with all applicable laws concerning employment and employment practices, terms and conditions of employment, wages and hours, occupational safety and health, and is not engaged

in any material unfair labor or employment practices, (c) there is, and during twelve (12) months prior to the date of this Agreement there has been, no labor strike or other material dispute between Empetek and its employees, and (d) there are no material charges, investigations, administrative proceedings or formal complaints of discrimination pending against Empetek before any federal, state or local agency or court.

5.16 Compliance with Contracts. With respect to the material contracts of Empetek: (a) such contracts are valid, binding and enforceable agreements in accordance with their terms; (b) neither Empetek nor the other party to such material contract to which Empetek is a party is in default under or in breach of any thereof; (c) no event has occurred which, with notice or lapse of time or both, would constitute such a default or breach; and (d) there is no requirement to obtain the written consent of any third party as a result of the transactions contemplated by this Agreement. There have been no discussions or correspondence concerning the breach or termination of any of the foregoing and there is no default under or any breach of any of the foregoing by any other party thereto.

5.17 Compliance with Laws. Empetek holds all material governmental permits, licenses, certificates, permits or other permissions necessary to use its assets and operate its business. Empetek is presently using its assets and conducting its business in compliance with all applicable statutes, ordinances, rules, regulations and orders of any governmental authority, except for immaterial violations. Empetek is not subject to or in default under any judgment, order or decree of any court, administrative agency or other governmental authority applicable to their respective assets and business.

5.18 Brokers and Finders. No broker, finder or other person or entity acting in a similar capacity has participated on behalf of Empetek in bringing about the transaction herein contemplated, rendered any services with respect thereto or been in any way involved therewith.

ARTICLE 6
REPRESENTATIONS AND WARRANTIES REGARDING EUROTRIM

Donnelly represents and warrants to Lear and AIM as follows:

6.1 Capitalization. The issued and outstanding capital stock of Eurotrim consists of one ordinary share. All of the issued and outstanding capital stock of Eurotrim has been duly authorized, is duly and validly issued and outstanding, is fully paid and nonassessable, and is owned of record and beneficially solely by Donnelly, free and clear of any Liens, charges or other encumbrances of any nature whatsoever. There are no outstanding options, warrants, contracts, preemptive rights, proxies, calls, commitments or demands or rights of any character obligating Eurotrim to issue any shares of stock or options or rights with respect thereto, and there are no existing or outstanding securities of any kind convertible or exchangeable for shares of stock or other securities of Eurotrim. The Articles of Incorporation, Bylaws, minute books and stock books of

Eurotrim which have been furnished to Lear are true and complete and current up to the date of this Agreement.

6.2 Absence of Undisclosed Liabilities. Except to the extent specifically reflected and adequately reserved against in the balance sheet of Eurotrim included in Schedule 6.2 or otherwise disclosed in Schedule 6.2, Eurotrim had no material liabilities or obligations whatsoever, whether accrued, absolute, contingent or otherwise.

6.3 Material Contracts. Except as set forth on Schedule 6.3, Eurotrim is not a party to or bound by any contract or agreement that could reasonably be expected to result in aggregate payments by Eurotrim or liability of Eurotrim in excess of the amount identified in Schedule 6.3.

6.4 Corporate Status and Authority. Eurotrim is a corporation duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation, with full corporate power and authority to own, lease and operate its assets and to carry on its business as presently conducted. Eurotrim is qualified to do business as a foreign corporation in each jurisdiction where the failure to do so would reasonably be expected to have a materially adverse effect on its assets or business. The execution, delivery and performance of this Agreement by Donnelly has been duly authorized by all requisite corporate action on Eurotrim's part.

6.5 Conflicts and Consents. Donnelly's execution and delivery of this Agreement, and the performance of its obligations hereunder, do not (a) conflict with or violate any provision of Eurotrim's Articles of Incorporation or Bylaws, (b) violate or, alone or with notice or the passage of time or both, result in the breach or the termination of, or otherwise give any contracting party the right to terminate or declare a default under, the terms of any material written agreement relating to Eurotrim's business or assets, or (c) violate any judgment, order, decree, or any material law, statute, regulation or other judicial or governmental restriction to which Eurotrim is subject.

6.6 Title to Assets. Eurotrim has good and marketable title to its assets , free and clear of all Liens except for Permitted Encumbrances. Title to the Transferred Assets being transferred by Eurotrim to the Company pursuant to this Agreement does not, and to its knowledge there exists no condition affecting the title to or use of any part of its assets which would, prevent Eurotrim from occupying, using, or enforcing its rights acquired hereunder in respect of any part of such Assets from and after the date of this Agreement to the same full extent that Eurotrim could continue to do so if the transactions contemplated hereby did not take place.

6.7 Accounts Receivable. Eurotrim's accounts receivable have arisen in the ordinary course of business, and are valid and collectible. None of Eurotrim's accounts receivable are or will be subject to any set-off or counterclaim.

6.8 Inventories. Eurotrim's finished goods inventory is saleable in the ordinary course of business consistent with past practice. All of Eurotrim's work-in-process, raw materials and

supplies inventories which are included in the Transferred Assets can be used or consumed in the usual and ordinary course of business as now conducted and are not in amounts in excess of normal requirements.

6.9 Condition of Assets. Eurotrim's tangible assets are, in the aggregate, in good operating condition, normal wear and tear excepted, are capable of being used for their intended purpose in the ordinary course of business consistent with past practice and are, in the aggregate, all the assets necessary to conduct the business of Eurotrim as presently conducted.

6.10 Leased Real Property. A complete and accurate legal description of Eurotrim's Leased Real Property is set forth on Schedule 6.10. There are no currently pending condemnation proceedings which affect Eurotrim's Leased Real Property nor are there any currently ongoing improvements by any public authority, any part of the cost of which will be assessed against such Leased Real Property. Since January 1, 1997, Eurotrim has not experienced any material interruption in the delivery of adequate service of any utilities or other public authorities required in the operation of its business. Eurotrim's Leased Real Property has adequate water supply, and storm and sanitary sewage facilities for the current needs of the business as conducted by the Eurotrim. The buildings located on the Leased Real Property are free of any material structural defects or zoning, use or other restrictions which could reasonably be expected to threaten their continued operation in substantially the same manner as currently operated by the Eurotrim.

6.11 Environmental Matters. Except as set forth on Schedule 6.11,

(a) Eurotrim's Leased Real Property does not contain and has not previously contained any Hazardous Substances or underground storage tanks.

(b) To the Knowledge of Donnelly, there has been no Release of any Hazardous Substances at any or from any properties adjacent to any real property leased by Eurotrim.

(c) Eurotrim's business, assets and real property have complied and are in compliance with all Environmental Laws in all material respects.

(d) Eurotrim has obtained and is in material compliance with all permits, licenses, and other authorizations that are required pursuant to applicable Environmental Law.

(e) Eurotrim has not received any written or oral notice, report, or information regarding actual or alleged violations of Environmental Law, or any liabilities or potential liabilities, including any investigatory, remedial, or corrective obligations relating to it or its facilities arising under Environmental Law, the subject of which has not been fully resolved or settled.

(f) Eurotrim has not treated, stored, disposed of, arranged for or permitted the disposal of, transported, handled, or released any substance, including without limitation any Hazardous Substance, or owned or operated any property or facility (and no such property or facility is contaminated by any such substance) in a manner that has given or would give rise to liabilities, including any liability for response costs, corrective action costs, personal injury, property damage, natural resources damages, or attorney fees, pursuant to any Environmental Law.

(g) Neither this Agreement nor the consummation of the transaction that is the subject of this Agreement will result in any obligations for site investigation or cleanup, or notification to or consent of government agencies, pursuant to any Environmental Law.

(h) No environmental lien has attached to any of material assets of Eurotrim.

(i) No facts, events, or conditions relating to Eurotrim or its assets will prevent, hinder, or limit continued compliance with Environmental Law, give rise to any investigatory, remedial, or corrective obligations pursuant to Environmental Law, or give rise to any other liabilities pursuant to Environmental Law.

6.12 Taxes. Eurotrim has filed all federal, state and local tax returns required to be filed by it , and has paid all taxes which have become due pursuant thereto or otherwise, other than taxes the liability for which is being contested in good faith. There are no tax claims, audits or proceedings pending in connection with the properties, business, income, expenses, net worth and franchises of Eurotrim and, to the Knowledge of Donnelly, there are no such threatened claims, audits or proceedings.

6.13 Litigation. No material claim, litigation, action, or proceeding is pending, or, to the knowledge of Lear, threatened, and no order, injunction or decree is outstanding, against or relating to Eurotrim, there is no state of facts or event which would reasonably be expected to form the basis for such a claim, litigation, action, investigation or proceeding.

6.14 Employee Benefits. Except as disclosed in Schedule 6.14 to this Agreement, with respect to Eurotrim:

(a) Eurotrim has delivered or made available to the other parties to this Agreement prior to the execution of this Agreement copies of all of Eurotrim's Benefit Plans currently adopted, maintained by, sponsored in whole or in party by, or contributed to by Eurotrim.

(b) All of Eurotrim's Benefit Plans are in material compliance with the applicable terms of all applicable laws, rules or regulations.

6.15 Labor and Employment Matters. Except as disclosed on Schedule 6.15 to this Agreement : (a) Eurotrim is not a party to any collective bargaining or similar agreement, (b) Eurotrim is in substantial compliance with any collective bargaining or similar agreement to which it is a party and with all applicable laws concerning employment and employment practices, terms and conditions of employment, wages and hours, occupational safety and health, and is not engaged in any material unfair labor or employment practices, (c) there is, and during twelve (12) months prior to the date of this Agreement there has been, no labor strike or other material dispute between Eurotrim and its employees, and (d) there are no material charges, investigations, administrative proceedings or formal complaints of discrimination pending against Eurotrim before any federal, state or local agency or court.

6.16 Compliance with Contracts. With respect to the material contracts of Eurotrim: (a) such contracts are valid, binding and enforceable agreements in accordance with their terms; (b) neither Eurotrim nor the other party to such material contract to which such Eurotrim is a party is in default under or in breach of any thereof; (c) no event has occurred which, with notice or lapse of time or both, would constitute such a default or breach; and (d) there is no requirement to obtain the written consent of any third party as a result of the transactions contemplated by this Agreement. There have been no discussions or correspondence concerning the breach or termination of any of the foregoing and there is no default under or any breach of any of the foregoing by any other party thereto.

6.17 Compliance with Laws. Eurotrim holds all material governmental permits, licenses, certificates, permits or other permissions necessary to use its assets and operate its business. Eurotrim is presently using its assets and conducting its business in compliance with all applicable statutes, ordinances, rules, regulations and orders of any governmental authority, except for immaterial violations. Eurotrim is not subject to or in default under any judgment, order or decree of any court, administrative agency or other governmental authority applicable to Eurotrim's asses and business.

6.18 Brokers and Finders. No broker, finder or other person or entity acting in a similar capacity has participated on behalf of Eurotrim in bringing about the transaction herein contemplated, rendered any services with respect thereto or been in any way involved therewith.

ARTICLE 7
CLOSING

7.1 Closing. The consummation of the transactions and transfers contemplated hereby shall take place at one or more closings (the "Closings"). The initial transfers contemplated hereby shall take place as of November 1, 1997 (the "Initial Closing Date") unless otherwise mutually agreed to by Lear, AIM and Donnelly. The subsequent transfers contemplated hereby shall take place at such dates and times (the "Subsequent Closing Dates") as are mutually agreed to by Lear, AIM and Donnelly and in each case shall be on or before December 31, 1999. Notwithstanding the foregoing, each of the Closings shall be subject to the fulfillment or waiver of the conditions

precedent contained in Sections 7.2. The transfers and deliveries described herein for each such Closing shall be mutually interdependent and regarded as occurring simultaneously at such Closing; and no such transfer or delivery shall become effective until all the other transfers and deliveries provided for in herein with respect to such Closing have also been consummated.

7.2 Conditions Precedent. The obligations of each party to this Agreement to complete each Closing and consummate the transactions contemplated hereby are contingent upon the fulfillment of each of the following conditions on or before each such Initial Closing Date or Subsequent Closing Date, as the case may be, except to the extent that such party waives one or more such conditions to its obligations:

(a) Representations and Warranties. The representations and warranties of the other parties to this Agreement shall be true and correct in all material respects on and as of such Initial Closing Date or Subsequent Closing Date, as the case may be, with the same effect as though such representations and warranties had been made on and as of such date except for representations and warranties that speak as of specific date other than such Initial Closing Date or Subsequent Closing Date, which shall be true and correct in all material respects as of such date.

(b) Consents and Approvals. All material consents, approvals, permits, licenses and actions or filings or notices (including those required pursuant to the European Union merger control statute or Article 85) to any governmental or regulatory authority (including, but not limited to, authorities of the United States, the European Union, any European country, or any other national, state or local governmental authority) or of any third party necessary to permit the parties to perform their respective obligations hereunder and to consummate the transactions contemplated hereby shall have been duly obtained, made or given and shall be in full force and effect, and all waiting periods under applicable laws shall have expired or be terminated.

(c) Litigation. No claim, action, suit, arbitration or other proceeding by or before any federal, state, local or foreign court or governmental, regulatory or administrative agency or authority shall be pending or threatened on the Initial Closing Date or the Subsequent Closing Date, as the case may be, which seeks to enjoin, restrain or prohibit the consummation, or to change in any material respect, the transactions contemplated by this Agreement or seeks material damages from one or more parties to this Agreement in connection with the contemplated transactions.

(d) Material Adverse Change. There shall have been no determination by either Lear or Donnelly that the Closing and the consummation of the transactions contemplated by this Agreement are not in the best interests of such party and its shareholders by reason of a material adverse change since the date of this Agreement in the Transferred Assets, business, financial condition or results of operations of the businesses being transferred by

Lear and AIM (in the case of a determination by Donnelly) or by Donnelly (in the case of a determination by Lear).

(e) Completion of Schedules. Each of the parties hereto shall have completed the Schedules and Exhibits to be provided by such party pursuant to this Agreement, the Operating Agreement and the Agreements contemplated thereby in form and substance satisfactory to the other parties hereto.

(f) Completion of Tooling Schedules. Each party shall have completed and delivered to the other parties schedules concerning such party's tooling and such schedules shall be satisfactory in form and substance to the other parties hereto.

(g) Closing Documentation. Each party shall have received at such Closing the following documentation signed by all necessary parties to such documentation:

(i) Bill of Sale. Each Transferor shall execute and deliver a bill of sale in the form attached hereto as Exhibit A.

(ii) Assignment and Assumption. Each Transferor will execute an assignment of accounts receivable, intangible assets and contracts and the Company will execute assumptions of the transferred obligations therewith.

(iii) Stock Transfer Agreement and Stock Power. At the Closing on the Initial Closing Date, Lear shall execute and deliver to the Company the Stock Transfer Agreement attached as Exhibit B-1 hereto with respect to the ownership interest of Empetek, and Donnelly shall execute and deliver to the Company the Stock Transfer Agreement attached as Exhibit B-2 hereto with respect to the outstanding shares of Eurotrim.

(iv) Warranty Deed. Each Transferor shall execute and deliver a Warranty Deed with respect to Owned Real Property being transferred by such Transferor to the Company.

(v) Title Insurance. With respect to Owned Real Property, the Transferor transferring such Owned Real Property shall deliver to the Company a written title insurance binder or policy for such Owned Real Property naming the Company as an insured.

(vi) Other Agreements. The Operating Agreement among Lear, Donnelly and the Company, and all other agreements referenced therein will have been executed and delivered by all parties.

ARTICLE 8

ADDITIONAL AGREEMENTS

8.1 Repurchase of Accounts Receivable. If an account receivable that was included in the Transferred Assets is not paid in full within ninety (90) days after the Effective Date, then upon the written request of the Company the Transferor that transferred such account receivable to the Company shall within thirty (30) days after such written report repurchase such account receivable from the Company for cash in an amount equal to the unpaid balance of such account receivable. With respect to any account receivable of Transferor that is not paid in full within ninety (90) days after the Effective Date, upon the written request of the Company, such Transferor shall repurchase such account receivable from the Company for cash in an amount equal to the unpaid balance of such account receivable.

8.2 Expenses; Transfer Taxes. Each Transferor shall pay all real estate and conveyance taxes, filing fees, survey fees and title insurance premiums with respect to the Transferred Assets being transferred by such Transferor to the Company. Each Transferor shall pay all of the expenses incident to the transactions contemplated by this Agreement which are incurred by such Transferor or its representatives.

8.3 Further Assurances. The parties hereto shall execute all further instruments and perform all acts which are or may become necessary to effectuate the intent and accomplish the purposes of this Agreement.

8.4 Assignment of Contracts. To the extent the assignment of any contract, lease, commitment or other asset to be assigned to the Company pursuant to this Agreement shall require the consent of any other person, this Agreement shall not constitute a contract to assign the same if an attempted assignment would constitute a breach thereof or give rise to any right of acceleration or termination. Each Transferor shall use its reasonable best efforts to obtain consents to any such assignment. If such consent is not obtained, the transferor agrees to cooperate with the Company in any reasonable arrangement designed to provide for the Company the benefits thereunder, including, but not limited to, having (a) the Company act as agent for such Transferor; and (b) such Transferor enforce for the benefit of the Company, at the Company's expense, any and all rights of such Transferor against the other party thereto arising out of the cancellation by such other party or otherwise.

8.5 Waiver of Bulk Transfer Laws. The Company hereby waives compliance with the provisions of any so-called "Bulk Transfer Laws," or any similar law as enacted in any jurisdiction, to the extent applicable to the transactions contemplated hereby.

8.6 Operation and Maintenance. Each Transferor agrees that from the date of this Agreement until its tangible Transferred Assets are transferred to the Company, such Transferor shall operate and maintain such Transferred Assets in the ordinary course of its business.

ARTICLE 9

INDEMNIFICATION

9.1 Survival of Representations and Warranties. The representations and warranties contained in Article 4 (with respect to Lear, AIM and Donnelly), Article 5 (with respect to Lear and AIM), and Article 6 (with respect to Donnelly) of this Agreement shall survive the Closing and continue to be binding for a period of five (5) years after the date hereof. The covenants and agreements of the parties hereto contained herein shall survive the Closing and shall remain in full force and effect until they have been performed.

9.2 Indemnification by Lear. Lear and AIM shall jointly and severally indemnify the Company and Donnelly and their respective directors, officers, employees and agents (the "Donnelly Indemnified Parties") against and hold them harmless from:

(a) Representations. All Liability, loss, damage, deficiency or expense resulting from or arising out of any breach of any representation or warranty by Lear or AIM herein;

(b) Covenants. All Liability, loss, damage or deficiency resulting from or arising out of any breach or nonperformance of any covenant or obligation made or incurred by Lear or AIM herein;

(c) Liabilities. Any imposition (including, but not limited to, imposition by operation of any bulk transfer or other Law) by a third party upon any of the Donnelly Indemnified Parties of any Liability of Lear or AIM which the Company has not specifically agreed to assume pursuant to this Agreement; and

(d) Costs. Any and all reasonable costs and expenses (including, but not limited to, reasonable legal, accounting, expert witness and consulting fees) related to any of the foregoing.

9.3 Indemnification by Donnelly. Donnelly shall indemnify the Company, Lear and AIM and their respective directors, officers, employees and agents (the "Lear Indemnified Parties") against and hold them harmless from:

(a) Representations. All Liability, loss, damage, deficiency or expense resulting from or arising out of any breach of any representation or warranty by Donnelly herein;

(b) Covenants. All Liability, loss, damage or deficiency resulting from or arising out of any breach or nonperformance of any covenant or obligation made or incurred by Donnelly herein;

(c) Liabilities. Any imposition (including, but not limited to, imposition by operation of any bulk transfer or other Law) by a third party upon any of the Lear

Indemnified Parties of any Liability of Donnelly which the Company has not specifically agreed to assume pursuant to this Agreement; and

(d) Costs. Any and all reasonable costs and expenses (including, but not limited to, reasonable legal, accounting, expert witness and consulting fees) related to any of the foregoing.

9.4 Indemnification for Misrepresented Financial Information. Notwithstanding anything in this Article 9 to the contrary, in the event that a Transferor's representation contained in Section 4.10 concerning Historical Financial Information or Financial Projections materially differs from or understates historical or expected financial results, that Transferor shall compensate the other Member for the difference between the value of the Transferor's business contributed to the Company based upon the information set forth herein less the value of such business based upon the correct information as determined pursuant to this Section 9.4. If the actual aggregate EBITDA for 1998 and 1999 for the Transferred Assets and related business operations contributed by a Transferor to the Company is less than an amount equal to the projected EBITDA contained in the Financial Projections (as defined in Schedule 9.4 hereto) minus $1,000,000, then within ninety (90) days after the end of 1999 the Transferor shall contribute to the Company an amount in cash equal to the amount by which projected EBITDA minus $1,000,000 exceeds the actual aggregate EBITDA for such years.

9.5 Third Party Claims. If any legal proceedings shall be instituted or any claim asserted by any third party in respect of which Donnelly Indemnified Parties on the one hand, or Lear Indemnified Parties on the other hand, may be entitled to indemnity hereunder, the party asserting such right to indemnity (the "Indemnitee") shall give the party from whom indemnity is sought (the "Indemnifying Party") prompt written notice (the "Claims Notice") thereof. The Claims Notice shall describe the asserted claim in reasonable detail and shall indicate an estimate of the amount of the Liability that has been or may be suffered by the Indemnitee. A delay in giving the Claims Notice shall only relieve the recipient of liability to the extent the recipient suffers actual prejudice because of the delay. The Indemnifying Party shall be entitled to assume the defense of any action, suit or claim brought against the Indemnitee with respect to which the Indemnifying Party may have any indemnity liability hereunder. The Indemnifying Party shall be responsible for any legal or other expenses incurred by the Indemnifying Party in connection with the defense thereof. In the event the Indemnifying Party assumes such defense, the Indemnitee shall continue to have the right to be represented, at its own expense, by counsel of its choice in connection with the defense of such a proceeding or claim. Neither the Indemnifying Party nor the Indemnitee shall make any settlement of any claim or consent to the entry of any judgment without the written consent of the other party (which consent shall not be unreasonably withheld). The parties hereto agree to cooperate fully with each other in connection with the defense, negotiation or settlement of any such proceeding or claim. Each party, without cost to the other party, shall make available to the other party and their attorneys and accountants all books and records of such party relating to such proceeding or litigation.

ARTICLE 10

CERTAIN DEFINITIONS

When used in this Agreement, the following terms in all of their tenses and cases shall have the meanings assigned to them below or elsewhere in this Agreement:

"Affiliate" of any Person means any person directly or indirectly controlling, controlled by, or under common control with, any such Person.

"Benefit Plan" of any party means any and all employee benefit plans of such party as defined in ERISA, including, but not limited to, all pension, retirement, profit-sharing, deferred compensation, stock option, employee stock ownership, severance pay, vacation, bonus or other incentive plans, all other employee programs, arrangements or agreements, all medical, vision, dental or other health plans, all life insurance plans, and all other employee benefit plans or fringe benefit plans currently adopted, maintained by, sponsored by or contributed to by any party or its subsidiary for the benefit of employees, retirees, dependents, spouses, directors, or other beneficiaries.

"Contracts" means any commitment, understanding, instrument, lease, pledge, mortgage, indenture, note, license, agreement, purchase or sale order, contract, promise, or similar arrangement evidencing or creating any obligation, whether written or oral.

"DHT" means Donnelly Happich Technology, an entity affiliated with Donnelly.

"Environmental Law" shall mean all federal, state, and local statutes, regulations, ordinances, and similar provisions having the force or effect of law, all judicial and administrative orders and determinations, all contractual obligations, and all common law concerning public health and safety, worker health and safety, and pollution or protection of the environment including without limitation all those relating to the presence, use, production, generation, handling, transport, treatment, storage, disposal, distribution, labeling, testing, processing, discharge, release, threatened release, control, or cleanup of any Hazardous Substance.

"EBITDA" means earnings before interest, taxes, depreciation and amortization as determined according to generally accepted accounting principles consistently applied.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

"ERISA Plan" of a party means a Benefit Plan of that party or any subsidiary of such party which is an "employee pension benefit plan," as that term is defined in Section 3(2) of ERISA.

"Governmental Authority" means any foreign, federal, state, regional or local authority, agency, body, court or instrumentality, regulatory or otherwise, which, in whole or in part, was formed by or operates under the auspices of any foreign, federal, state, regional or local government.

"Hazardous Substance" means any substance in any concentration which is or could be detrimental to human health or safety or to the environment, currently or hereafter listed, defined, or designated as hazardous, toxic, radioactive or dangerous, or otherwise regulated, under any Environmental Law, whether by type or by quantity, including any substance containing any such substance as a component. Hazardous Substance includes, without limitation, any toxic waste, pollutant, contaminant, hazardous substance, toxic substance, hazardous waste, special waste, industrial substance, oil or petroleum or any derivative or byproduct thereof, radon, radioactive material, asbestos, asbestos-containing material, urea, formaldehyde, foam insulation, lead and Polychlorinated Biphenyls.

"Intellectual Property Rights" means know-how, manufacturing techniques, trade secrets and confidential proprietary information, but does not include patents and trademarks.

"Internal Revenue Code" means the Internal Revenue Code of 1986, as amended.

"Knowledge" means with respect to Lear the actual knowledge as of the applicable closing date of Frank Preston, Joseph McCarthy or any other manager or staff employee of Lear or Empetek associated with the Transferred Lear Assets and transferred business operations. "Knowledge" means with respect to Donnelly the actual knowledge as of the applicable closing date of John Donnelly, William R. Jellison, or any other manager or staff employee of Donnelly or Eurotrim associated with the Transferred Donnelly Assets and transferred business operations.

"Law" means any common law and any federal, state, regional, local or foreign law, rule, statute, ordinance, rule, order or regulation in effect as of the Effective Date (other than federal or state antitrust Laws as they may relate to the transactions contemplated by this Agreement).

"Liabilities" means responsibilities, obligations, duties, commitments, claims, and liabilities of any and every kind, whether known or unknown, accrued, absolute, contingent or otherwise.

"Lien" means any pledge, lien (including tax lien), charge, claim, encumbrance, security interest, mortgage, option, restriction on transfer (including, without limitation, any buy-sell agreement or right of first refusal or offer), forfeiture, penalty, equity or other right of another Person of every nature and description whatsoever.

"Owned Real Property" means those certain parcels of owned real property, together with the buildings, structures and other improvements erected thereon, and together with all easements, rights and privileges appurtenant thereto, which are described in Schedule 4.7 hereto (or Schedule 5.10 hereto in the case of Empetek).

"Pension Plan" of a party shall mean any ERISA Plan of that party or any subsidiary of that party which is also a "defined benefit plan" as defined in Section 414(j) of the Internal Revenue Code.

"Permitted Encumbrances" means all matters set forth in Schedule 9.1, and shall also include the following:

(a) all liens for taxes and assessments, both general and special, and other governmental charges which are not yet due and payable as of the Effective Date;

(b) all land use, building and zoning codes and ordinances of general effect, and other laws, ordinances, regulations, rules, orders, licenses and determinations of any federal, state, county, municipal or other governmental authority, now or hereafter enacted of general effect, made or issued by any such governmental authority affecting the Owned Real Property;

(c) all easements, rights-of-way, covenants, conditions, restrictions, reservations, licenses, agreements, and other matters of record;

(d) all electric power, telephone, gas, sanitary sewer, storm sewer, water and other utility lines, pipelines, service lines, and facilities of any nature on, over or under the Owned Real Property, and all licenses, easements and rights-of-way, and other agreements relating thereto; and

(e) other imperfections of title, easements and encumbrances, if any, which taken together with items (a) through (d) above do not, individually or in the aggregate, materially adversely affect the marketability or insurability of title to any parcel of Owned Real Property or materially detract from the Company's title to or ability to use the Transferred Assets other than Owned Real Property.

"Person" means any individual, firm, corporation, partnership, limited liability company, limited liability partnership, association, estate, trust, pension or profit-sharing plan, or any other entity, including any government entity.

"Petroleum Products" means petroleum, gasoline, oil, fuel oil, diesel fuel and petroleum solvents.

"Products" shall have the meaning attributed to it in the Operating Agreement.

"RCRA" means Resource Conservation and Recovery Act of 1976, as amended.

"Release" means any direct or indirect spilling, pumping, pouring, emitting, emptying, placing, discharging, injecting, escaping, leaking, dumping, or disposing on or into any building or facility or the environment whether intentional or unintentional.

"Storage" means storage as defined by RCRA as of the Effective Date or by any similar Law of any jurisdiction where Transferor presently conducts business.

"Tax" means any charge or assessment by or liability to any Governmental Authority, including, but not limited to, any deficiency, interest or penalty.

"Transferred Assets" means the Transferred Lear Assets and the Transferred Donnelly Assets, collectively.

"Treatment" means treatment as defined by RCRA as of the Effective Date or by any similar Law of any jurisdiction where the Transferred Assets are located as of the Effective Date.

ARTICLE 11
CONSTRUCTION

11.1 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Michigan without giving effect to any applicable principles of conflicts of laws.

11.2 Notices. All notices and other communications under this Agreement shall be in writing and shall be deemed to have been duly given when delivered (i) in person, (ii) to the extent receipt is confirmed, by telecopy, facsimile or other electronic transmission service, (iii) by a nationally recognized overnight courier service, or (iv) by registered or certified mail (postage prepaid return receipt requested), to the parties at the following address:

To Lear or AIM:	Lear Corporation 21557 Telegraph Road Southfield, Michigan 48034 Attention: Vice President and General Counsel Telecopy No. (248) 746-1677
To Donnelly or Eurotrim:	Donnelly Corporation 414 East Fortieth Street Holland, Michigan 49423 Attention: John Donnelly Telecopy No. (616) 786-6034
With a copy to:	Varnum, Riddering, Howlett & Schmidt LLP Suite 1600, Bridgewater Place 333 Bridge Street, N.W., P.O. Box 352 Grand Rapids, Michigan 49504 Attention: Daniel Molhoek Telecopy No. (616) 336-7000
To the Company:	Lear Donnelly Overhead Systems, L.L.C.

39650 Orchard Hill Place
Novi, Michigan 49375
Attention: Richard Perreault
Telecopy No. _____

11.3 Severability. If any provision of this Agreement shall be conclusively determined by a court of competent jurisdiction to be invalid or unenforceable to any extent, the remainder of this Agreement shall not be affected thereby.

11.4 Binding Effect. Except as otherwise provided herein, this Agreement shall inure to the benefit of and be binding upon the parties, their respective successors, legal representatives and permitted assigns.

11.5 Pronouns and Plurals. All pronouns and variations thereof are deemed to refer to the masculine, feminine, neuter, singular or plural as the identity of the appropriate Person(s) may require.

11.6 No Third Party Rights. This Agreement is intended to create enforceable rights between the parties hereto only, and creates no rights in, or obligations to, any other Persons whatsoever.

11.7 Time is of Essence. Time is of the essence in the performance of each and every obligation herein imposed.

11.8 Schedules Included in Exhibits; Incorporation by Reference. Any reference to an Exhibit to this Agreement contained herein shall be deemed to include any Schedules to such Exhibit. Each of the Exhibits referred to in this Agreement, and each Schedule to such Exhibits, is hereby incorporated by reference in this Agreement as if such Schedules and Exhibits were set out in full in the text of this Agreement.

11.9 Amendments. This Agreement may not be amended except by unanimous written agreement of all of the parties hereto.

11.10 Creditors. None of the provisions of this Agreement shall be for the benefit or enforceable by any creditors of any party hereto.

11.11 Counterparts; Facsimile Transmission. This Agreement may be executed by the parties hereto in counterparts, each of which shall be deemed to be an original instrument,

but all of which together shall constitute one and the same document. The Agreement may be executed and delivered by facsimile transmission.

11.12 Entire Agreement; Section Headings. This Agreement constitutes the entire Agreement among the parties hereto relating to the subject matter hereof and supersedes all prior agreements, understandings, and arrangements, oral or written, among the parties with respect to the subject matter hereof. The Section headings in this Agreement are for reference purposes only and shall be affect in any way the meaning or interpretation of this Agreement.

11.13 Assignment. This Agreement and each and every covenant, term and condition hereof shall be binding upon and inure to the benefit of the parties and their respective successors and permitted assigns. Except as otherwise specifically provided in this Agreement, neither this Agreement nor any rights or obligations hereunder shall be assignable or be delegated directly or indirectly by any party hereto to a third party without the prior written consent of all the parties to this Agreement.

11.14 Arbitration. Any dispute, controversy or claim (hereinafter "Dispute") between the parties of any kind or nature whatsoever, arising under or relating to this Agreement whether arising in contract, tort or otherwise, shall be resolved according to the following procedure. If a Dispute arises among two or more parties to this Agreement which is not resolved by good faith negotiation, then such Dispute, upon 30 days' prior notice from one party to the others of its intent to arbitrate (an "Arbitration Notice"), shall be submitted to and settled by arbitration; provided, however that nothing contained herein shall preclude any party hereto from seeking or obtaining (a) injunctive relief, or (b) equitable or other judicial relief to enforce the provisions hereof or to preserve the status quo pending resolution of disputes hereunder. Such arbitration shall be conducted in accordance with the commercial arbitration rules of the American Arbitration Association existing at the time of submission by one arbitrator. The parties shall attempt to agree upon an arbitrator. If one cannot be agreed upon, the Member which did not give the Arbitration Notice may request the Chief Judge of the United States District Court for the Eastern District of Michigan or the Chief Judge of the United States District Court for the Western District of Michigan to appoint an arbitrator. If he or she will not the arbitrator shall be appointed by the American Arbitration Association. If an arbitrator so selected becomes unable to serve, his or her successor shall be similarly selected or appointed. All arbitration hearings shall be conducted on an expedited schedule, and all proceedings shall be confidential. Any party may at its expense make a stenographic record thereof. The arbitrator shall apportion all costs and expenses of arbitration (including the arbitrator's fees and expenses, the fees and expenses of experts, and the fees and expenses of counsel to the parties), between the prevailing and non-prevailing party as the arbitration panel deems fair and reasonable. Any arbitration award shall be binding and enforceable against the parties hereto and judgment may be entered thereon in

any court of competent jurisdiction. The arbitration will take place at Southfield, Michigan, or Grand Rapids, Michigan, at the election of the Member not giving the Arbitration Notice.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

LEAR CORPORATION
("Lear")

By: ----------

Its: ----------

AUTOMOTIVE INDUSTRIES
MANUFACTURING, INC.
("AIM")

By: J.F. McCarthy

Its: ----------

DONNELLY CORPORATION
("Donnelly")

By: /s/ Dwane Baumgardner

Dwane Baumgardner

Its: Chief Executive Officer and President

LEAR DONNELLY OVERHEAD
SYSTEMS, L.L.C.
(the "Company")

By: Richard Perreault

Its: ----------

LIST OF EXHIBITS AND SCHEDULES

Exhibit A	Bill of Sale
Exhibit B-1	Empetek Stock Transfer Agreement
Exhibit B-2	Eurotrim Stock Transfer Agreement
Schedule 1.2(a)	Transferred Lear Assets
Schedule 1.2(b)	Excluded Lear Assets
Schedule 1.3(a)	Transferred Donnelly Assets
Schedule 1.3(b)	Excluded Donnelly Assets
Schedule 1.4	Assigned Contracts
Schedule 2.1	Assumed Lear Liabilities
Schedule 4.7	Owned Real Property
Schedule 4.8(a)	Lear Environmental Disclosures
Schedule 4.8(b)	Donnelly Environmental Disclosures
Schedule 4.10(a)	Lear and Empetek Projected Financial Information
Schedule 4.10(b)	Donnelly and Eurotrim Projected Financial Information
Schedule 4.12	Employee Benefits Disclosures
Schedule 4.13	Labor and Employment Matter Disclosures
Schedule 5.2	Empetek Undisclosed Liabilities
Schedule 5.3	Empetek Material Contracts
Schedule 5.10	Empetek Real property
Schedule 5.11	Empetek Environmental Matters
Schedule 5.14	Empetek Benefits
Schedule 5.15	Empetek Labor and Employment Matters
Schedule 6.2	Eurotrim Undisclosed Liabilities
Schedule 6.3	Eurotrim Material Contracts
Schedule 6.10	Eurotrim Real Property
Schedule 6.11	Eurotrim Environmental Matters
Schedule 6.14	Eurotrim Benefits
Schedule 6.15	Eurotrim Labor Employment Matters
Schedule 9.4	Projected EBITDA
Schedule 11.1	Permitted Encumbrances

TRANSFER AGREEMENT
SCHEDULE 9.4

1. Projected aggregate EBITDA for calendar 1998 and 1999 for the Transferred Lear Assets and related business operations contributed by Lear, AIM and LIS is $24,131,000.

2. Projected aggregate EBITDA for calendar 1998 and 1999 for the Transferred Donnelly Assets and related business operations contributed by Donnelly is $15,903,000.

EXHIBIT C-1

DONNELLY U.S. LEASED WORKER AGREEMENT

THIS LEASED WORKER AGREEMENT (this "Agreement") is entered into as of this 1st day of November, 1997 (the "Effective Date"), by and among DONNELLY CORPORATION, a Michigan corporation, ("Donnelly") and LEAR DONNELLY OVERHEAD SYSTEMS L.L.C., a Michigan limited liability company (together with its subsidiaries, the "Company").

RECITALS:

WHEREAS, Lear and Donnelly Corporation as members of the Company have executed an Operating Agreement of the Company dated September 3, 1997 (the "Operating Agreement"); capitalized terms not defined herein shall have the meaning ascribed to them in the Operating Agreement;

WHEREAS, the parties desire that the Company shall lease and eventually employ (subject to the terms of this Agreement) those Donnelly employees associated with the business being transferred by Donnelly to the Company as contemplated by the Operating Agreement;

NOW THEREFORE, for good and valuable consideration including the mutual promises contained herein, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

ARTICLE 1
ASSIGNMENT OF LEASED WORKERS

1.1 "LEASED WORKERS" shall mean those persons identified on Schedule A who are employed by Donnelly as of the effective date of their assignment to the Company, as supplemented from time to time to include additional Donnelly employees, if any, assigned to the Company as Leased Workers under this Agreement. With respect to persons or positions identified on Schedule A, Donnelly may substitute a different individual for the individual listed on Schedule A. Donnelly's employees associated with Donnelly's Grand Haven, Michigan facility are not Leased Workers and are not being assigned to the Company pursuant to this Agreement.

1.2 ASSIGNMENT OF LEASED WORKERS. Effective as of the Effective Date, Donnelly hereby assigns the Leased Workers identified on Schedule A who are currently employed by Donnelly (primarily at Donnelly's 128th South Facility in Holland, Michigan) to perform the

services performed by such Leased Workers immediately prior to the Effective Date ("Services") for the term of this Agreement. Schedule A will be supplemented from time to time to include additional Donnelly employees, if any, assigned to the Company as Leased Workers under this Agreement and to exclude Donnelly employees whose employment with Donnelly terminates prior to their assignment to the Company and employees who elect not to accept employment with the Company and are reassigned by Donnelly.

1.3 EMPLOYEE COMPENSATION. While a Leased Worker is performing Services under this Agreement, Donnelly will pay all wages and compensation and provide all benefits to the Leased Worker, subject to payment by the Company for the Services as provided by this Agreement.

1.4 STATUS. The Donnelly employees assigned to perform Services for the Company are solely the employees of Donnelly and nothing contained in this Agreement shall be construed to create any other relationship between the parties. Donnelly has recruited, interviewed, tested, selected, hired and trained the Leased Workers. Donnelly will maintain all necessary payroll and personnel records and compute wages and withhold applicable federal, state and local taxes and social security payments for the Leased Workers. Donnelly and the Company shall cooperate to discipline, review and evaluate employees. Donnelly has sole responsibility to determine compensation and terminate Leased Workers assigned pursuant to this Agreement.

ARTICLE 2
PAYMENTS BY THE COMPANY TO DONNELLY

2.1 PAYMENT. The Company agrees to pay Donnelly an amount equal to Donnelly's direct costs (wages, compensation, withholding and employment taxes, and bonuses) of employing the Leased Workers to perform the Services (as further described on Schedule B) and an amount equal to Donnelly's indirect actual costs related and appropriately allocated to the Leased Workers, including, but not limited to, employee benefits, workers' compensation insurance, and payments to the Michigan Employment Security Commission. Donnelly shall submit to the Company monthly invoices for the Services, which invoices shall be due and payable within seven (7) days of receipt.

ARTICLE 3
WORKERS' COMPENSATION AND OTHER MATTERS

3.1 WORKERS' COMPENSATION. Donnelly shall maintain, at its expense, workers' compensation insurance for Leased Workers, covering any compensable work-related injuries or illnesses they sustain on the premises owned or leased by the Company during their work assignment. Donnelly shall provide a copy of the workers' compensation insurance certificate annually on its renewal date to the Company.

3.2 OSHA. The Company will provide Donnelly with all information required under the Occupational Safety and Health Act, or other applicable laws, regarding any work- related injuries or illnesses sustained by Leased Workers while on Company premises during their work assignment.

3.3 GENERAL LIABILITY INSURANCE. Donnelly shall maintain, at its expense, general liability insurance to cover the tortious actions or negligence of Leased Workers while on the premises of the Company during their work assignment. Donnelly shall provide a copy of the liability insurance certificate annually on its renewal date to the Company.

3.4 UNEMPLOYMENT BENEFITS. Donnelly shall be responsible for unemployment benefits for Leased Workers.

3.5 DRUG/ALCOHOL POLICY. Leased Workers will be subject to Donnelly's Employee Alcohol and Drug Testing policy. Donnelly will notify the Company if a Leased Worker is selected for a drug and alcohol test, and will coordinate with the Company the scheduling of the test. Donnelly will pay for the cost of the aforementioned tests, and will recommend to the Company what disciplinary action must be taken in the event of a positive test result.

3.6 EMPLOYMENT LAWS. Donnelly and the Company shall comply with the Americans with Disabilities Act, the Civil Rights Act, the Age Discrimination in Employment Act, the Fair Labor Standards Act, and other applicable state and federal labor and employment laws.

3.7 SAFETY. The Company shall provide the Leased Worker with (i) a suitable workplace which complies with all applicable safety and health standards, statutes and ordinances, (ii) all necessary information, training and safety equipment with respect to hazardous substances, and (iii) adequate instructions, assistance, supervision, and time to perform the services requested of them. The Company is responsible for all claims, losses, damages and expenses concerning (i) hazardous substances and all other pollutants and contaminants present at or released from the workplace which the Company provides for the Leased Workers, or (ii) any violations of applicable safety or health standards, statutes and ordinances.

3.8 EMPLOYEE RECORDS. Personnel files for Leased Workers will be maintained by Donnelly. The Company shall provide performance feedback to Leased Workers and will provide Donnelly with written documentation of such feedback. All information contained in personnel files for Leased Workers will be available to appropriate staff of the Company on request. For each Leased Worker that becomes an employee of the Company, that employee's complete personnel file with be transferred to the Company.

ARTICLE 4
TRANSITION

4.1 OFFER OF EMPLOYMENT. The Company agrees to offer to employ each Leased Worker between six (6) and fifteen (15) months after the effective date of the assignment of such Leased Worker by Donnelly to the Company. The Leased Worker shall have forty-five (45) days from the date of such employment offer to accept or reject the offer. The terms of the employment offer shall include compensation and benefits broadly comparable (as agreed by Donnelly) to the compensation and benefits paid by Donnelly to such Leased Worker immediately prior to such offer of employment by the Company. Donnelly and the Company shall encourage Leased Workers to consider and accept employment offers from the Company. If a Leased Worker is hired as an employee of the Company, this Agreement shall no longer apply to that Leased Worker after the date of hire. Notwithstanding the foregoing, Leased Workers who are fifty (50) years of age or older and who have five (5) or more years of service at Donnelly will be leased by the Company for a period of at least five (5) years.

4.2 RETURN TO DONNELLY. Leased Workers assigned as of the Effective Date (but not new hires of the Company or temporary agency employees) will have the opportunity to transfer to other Donnelly facilities through the Donnelly Job Posting Program and at the time of such transfer will cease to be Leased Workers. Donnelly will, at the request of the Company, replace any Leased Workers who return to Donnelly with other Donnelly Leased Workers, temporary agency employees, or new hires. In addition, after receiving an employment offer from the Company pursuant to Section 4.1, each Leased Worker who was employed by Donnelly prior to the Effective Date shall have forty-five (45) days from the date of such offer to the Company to accept such offer or to elect to seek other employment at Donnelly. Leased Workers who make such an election may return to Donnelly through the provisions of Donnelly's Job Posting Program and/or Staff Reduction Program. All Leased Workers shall remain Leased Workers until their assignment to Donnelly or a Donnelly affiliate; provided, however, that the Company may cease leasing any Leased Worker who does not accept the Company's offer of employment within forty-five (45) days of such offer. The timing of any such return shall be mutually agreed upon the respective

human resource managers of Donnelly and the Company, based upon the number of such employees and the availability of other positions. In addition, if a significant number of the Leased Workers elect to return to Donnelly, then Donnelly and the Board of Directors of the Company agree to discuss and consult together concerning the process for such return in order to help reduce any potential adverse impact on the respective business operations of Donnelly and the Company. All returns to Donnelly shall be subject to the business needs and policies of Donnelly and the rights of Donnelly employees. Leased Workers who become employees of the Company will separate their employment from Donnelly as of the date they become an employee of the Company.

ARTICLE 5
INDEMNIFICATION

Donnelly shall indemnify and hold harmless the Company, its agents and employees from and against any and all claims, losses, actions, damages, expenses, and all other liabilities, including but not limited to attorney's fees, arising out of or resulting from a Leased Worker's willful misconduct or reckless performance of or failure to perform the work within the scope of the assignment hereunder to the extent any such claim, loss, action, damage, expense or other liability is attributable to bodily injury to or death of any person or damage to or destruction of any property, whether belonging to the Company or to another provided, however, that Donnelly shall not be liable for any injury, death, damage or destruction to the extent caused by the negligent or willful acts or omissions of the Company, its agents, employees or contractors. The Company shall give notice in writing to Donnelly of any such claim, loss, action, damage, expense or other liability within 15 days after discovery of the event upon which the claim may be based or the learning of such claim, whichever occurs first.

ARTICLE 6
CONSTRUCTION

6.1 GOVERNING LAW. This Agreement shall be governed by and construed in accordance with the laws of the State of Michigan without giving effect to any applicable principles of conflicts of laws.

6.2 NOTICES. All notices and other communications under this Agreement shall be in writing and shall be deemed to have been duly given when delivered (i) in person, (ii) to the extent receipt is confirmed, by telecopy, facsimile or other electronic transmission service, (iii) by a nationally recognized overnight courier service, or (iv) by registered or

certified mail (postage prepaid return receipt requested), to the parties at the following address:

To Donnelly:	Donnelly Corporation 414 East Fortieth Street Holland, Michigan 49423 Attention: John Donnelly Telecopy No. (616) 786-6034
With a copy to:	Varnum, Riddering, Howlett & Schmidt LLP Suite 1600, Bridgewater Place 333 Bridge Street, N.W., P.O. Box 352 Grand Rapids, Michigan 49504 Attention: Daniel Molhoek Telecopy No. (616) 336-7000
To the Company:	Lear Donnelly Overhead Systems, L.L.C. 39650 Orchard Hill Place Novi, Michigan 48375 Attention: Richard Perrault Telecopy No. _____
With a copy to:	Lear Corporation 21557 Telegraph Road Southfield, Michigan 48034 Attention: Vice President and General Counsel Telecopy No. (248) 746-1677

6.3 SEVERABILITY. If any provision of this Agreement shall be conclusively determined by a court of competent jurisdiction to be invalid or unenforceable to any extent, the remainder of this Agreement shall not be affected thereby.

6.4 BINDING EFFECT. Except as otherwise provided herein, this Agreement shall inure to the benefit of and be binding upon the parties, their respective successors, legal representatives and permitted assigns.

6.5 NO THIRD PARTY RIGHTS. This Agreement is intended to create enforceable rights between the parties hereto only, and creates no rights in, or obligations to, any other Persons whatsoever.

6.6 TIME IS OF ESSENCE. Time is of the essence in the performance of each and every obligation herein imposed.

6.7 SCHEDULES; INCORPORATION BY REFERENCE. Any reference to a Schedule or Exhibit to this Agreement contained herein shall be deemed to include any Schedules to such Exhibit. Each of the Exhibits and Schedules to this Agreement, and each Schedule to such Exhibits, is hereby incorporated by reference in this Agreement as if such Schedules and Exhibits were set out in full in the text of this Agreement.

6.8 AMENDMENTS. This Agreement may not be amended except by written agreement executed by duly authorized officers of all of the parties hereto.

6.9 ENTIRE AGREEMENT; SECTION HEADINGS. This Agreement, the Operating Agreement, the agreements contemplated thereby, and any other related written agreement between the parties hereto constitute the entire Agreement among the parties hereto relating to the subject matter hereof and supersede all prior agreements, understandings, and arrangements, oral or written, among the parties with respect to the subject matter hereof. The Section headings in this Agreement are for reference purposes only and shall be affect in any way the meaning or interpretation of this Agreement.

6.10 ASSIGNMENT. This Agreement and each and every covenant, term and condition hereof shall be binding upon and inure to the benefit of the parties and their respective successors and permitted assigns. Except as otherwise specifically provided in this Agreement or the Operating Agreement (particularly Section 9.2(a) thereof), neither this Agreement nor any rights or obligations hereunder shall be assignable or be delegated directly or indirectly by any party hereto to a third party (other than an Affiliate of the Member) without the prior written consent of all the parties to this Agreement.

6.11 ARBITRATION. Any dispute, controversy or claim (hereinafter "Dispute") between the parties of any kind or nature whatsoever, arising under or relating to this Agreement whether arising in contract, tort or otherwise, shall be resolved according to the following procedure. If a Dispute (excluding business decisions to be voted on by Members or Directors) arises among the Members under this Agreement which is not resolved by good faith negotiation, then such Dispute, upon 30 days' prior notice from one Member to the other of its intent to arbitrate (an "Arbitration Notice"), shall be submitted to and settled by arbitration; provided, however, that nothing contained herein shall preclude any party hereto from seeking or obtaining (a) injunctive relief, or (b) equitable or other judicial relief to enforce the provisions hereof or to preserve the status quo pending resolution of disputes hereunder. Such arbitration shall be conducted in accordance with the commercial arbitration rules of the American Arbitration Association existing at the time of submission

by one arbitrator. The Members shall attempt to agree upon an arbitrator. If one cannot be agreed upon, the Member which did not give the Arbitration Notice may request the Chief Judge of the United States District Court for the Eastern District of Michigan or the Chief Judge of the United States District Court for the Western District of Michigan to appoint an arbitrator. If he or she will not, the arbitrator shall be appointed by the American Arbitration Association. If an arbitrator so selected becomes unable to serve, his or her successor shall be similarly selected or appointed. All arbitration hearings shall be conducted on an expedited schedule, and all proceedings shall be confidential. Either Member may at its expense make a stenographic record thereof. The arbitrator shall apportion all costs and expenses of arbitration (including the arbitrator's fees and expenses, the fees and expenses of experts, and the fees and expenses of counsel to the parties), between the prevailing and non-prevailing Member as the arbitrator deems fair and reasonable. Any arbitration award shall be binding and enforceable against the parties hereto and judgment may be entered thereon in any court of competent jurisdiction. The arbitration will take place at Southfield, Michigan or Grand Rapids, Michigan at the election of the Member not giving the Arbitration Notice.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

DONNELLY CORPORATION
("Donnelly")

By /s/ Dwane Baumgardner

Its Chief Executive Officer and President

LEAR DONNELLY OVERHEAD SYSTEMS, LLC

By/s/ Richard Perreault

LIST OF EXHIBITS AND SCHEDULES

Schedule A	Leased Workers
Schedule B	Payment by Company to Donnelly

EXHIBIT D-1

DONNELLY TECHNOLOGY LICENSE AGREEMENT

THIS TECHNOLOGY LICENSE AGREEMENT (this "Agreement") is entered into effective as of November 1, 1997 (the "Effective Date"), by and among DONNELLY CORPORATION, a Michigan corporation ("Donnelly"), (Lear and Donnelly are sometimes referred to herein as the "Members"), and LEAR DONNELLY OVERHEAD SYSTEMS L.L.C., a Michigan limited liability company (together with its subsidiaries, the "Company"); and LEAR CORPORATION, a Delaware Corporation ("Lear").

RECITALS:

WHEREAS, Lear Corporation ("Lear") and Donnelly as members of the Company have executed a revised Operating Agreement of the Company on the date hereof (the "Operating Agreement") creating a joint venture between Lear and Donnelly; capitalized terms not defined herein shall have the meaning ascribed to them in the Operating Agreement;

WHEREAS, Lear is a party to this Agreement in order to protect its rights and perform its obligations hereunder;

WHEREAS, Donnelly is the owner of certain intellectual property rights principally covering or principally used in the manufacture of Products (as such term is defined in the Operating Agreement);

WHEREAS, the parties desire to enter into this Agreement to provide certain rights for the Company to license certain specified intellectual property rights from Donnelly; and

WHEREAS, the Company may develop improvements to the intellectual property rights licensed from Donnelly and may develop other intellectual property rights and the parties desire to enter into this Agreement to provide certain rights for Donnelly to license such improvements and intellectual property rights from the Company;

NOW THEREFORE, for good and valuable consideration including the mutual promises contained herein, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

ARTICLE 1
DEFINITIONS

1.1 "INTELLECTUAL PROPERTY RIGHTS" shall mean United States, international and foreign patents and patent applications (including United States provisional applications and all PCT patent applications), any and all patents issuing therefrom or otherwise corresponding thereto, and all divisionals, continuations, continuations-in-part, reissues, reexamination certificates and extensions thereof, describing and/or claiming Technology, and all mask works, industrial design registrations and applications for such registrations, technology, and all other proprietary rights covering or otherwise related to Technology and/or processes for manufacture and/or use of Products embodying Technology arising prior to or during the term of this Agreement.

1.2 "TECHNOLOGY" shall mean technological developments principally covering or principally used in the manufacture of Products including, but not be limited to, the technology described on Schedule A hereto, ideas, concepts, inventions, processes, principles of operation, formulae, patterns, drawings, prints, proposals, devices, software, compilations of related information, records, specifications and the knowhow, arising before or during the term of this Agreement. Technology shall not include existing or future technological developments or intellectual property rights of Donnelly or its Affiliates relating to or concerning either (a) "Electronic Components" as such term is defined in the Purchase and Supply Agreement by and among the parties hereto, (b) optics or lenses, or (c) bent or coated glass.

1.3 "IMPROVEMENT" shall mean (i) any alteration, modification or enhancement to Technology or Intellectual Property Rights which improves the effectiveness, efficiency, performance or other attribute of, or otherwise relates to, Technology or Intellectual Property Rights, or any element thereof, or (ii) any new product or material which performs substantially the same function as Technology or Intellectual Property Rights but does so through a different method or process.

ARTICLE 2
LICENSE GRANT BY DONNELLY

2.1 LICENSE GRANT. Donnelly hereby grants unto the Company a royalty-free, paid-up, worldwide, exclusive license of Donnelly's Technology and Intellectual Property Rights (a) identified as Group A and Group B on Schedule A attached hereto to make, have made, use, and sell the Products (but not to make, have made, use, or sell anything other than the Products) and (b) identified as Group C on Schedule A attached hereto, to make, have made, use and sell those Products included within the existing order for Volvo (but not to make, have made, use or sell any other Product or anything other than Products). Notwithstanding the exclusive license, Donnelly reserves the right to use its Technology and Intellectual Property Rights to the extent not prohibited by the Noncompetition and Non-Solicitation Agreement between Donnelly and Lear of even date. The term of this license is described in Article 9 of this Agreement.

2.2 SUBLICENSES. The Company may not sublicense Donnelly's Technology or Intellectual Property Rights without Donnelly's prior written consent; provided, however, that the Company shall have the right to sublicense Donnelly's Technology and Intellectual Property Rights to the Company's subsidiaries (any non-U.S. subsidiaries shall be required to pay a commercially reasonable royalty rate to the Company for such sublicense, which royalty rate shall be no less than the royalty paid by such subsidiaries to Lear pursuant to the Company's Technology License with Lear of even date).

ARTICLE 3
IMPROVEMENTS AND LICENSE GRANT BY THE COMPANY

3.1 OWNERSHIP OF IMPROVEMENTS. The Company shall own and shall have all rights, including Intellectual Property Rights, in all Improvements which are conceived and reduced to practice by the Company's personnel or by third party personnel working on the Company's behalf.

3.2 LICENSE GRANT. The Company hereby grants and agrees to grant to Donnelly or Lear, as the case may be, a royalty-free, paid-up, worldwide, non-exclusive, non-transferrable license of the Improvements, Technology and Intellectual Property Rights of the Company on the terms set forth in this Agreement.

ARTICLE 4
JOINTLY DEVELOPED TECHNOLOGY

4.1 JOINTLY DEVELOPED TECHNOLOGY

(a) Technology and Intellectual Property Rights developed jointly by Donnelly and the Company after the date of this Agreement shall be owned by the Company, and the Company shall have all rights in and to such jointly developed Technology and Intellectual Property Rights. Technology and Intellectual Property Rights developed jointly by Donnelly and Lear or by Donnelly, Lear and the Company shall be owned by the Company and the Company shall have all rights in and to such jointly developed Technology and Intellectual Property Rights.

(b) The Company hereby grants unto Donnelly a royalty-free, paid-up, worldwide, non-assignable, non-transferrable, non-exclusive license of any jointly developed Technology and Intellectual Property Rights on the terms set forth in this Agreement.

ARTICLE 5
PROSECUTION OR MAINTENANCE OF INTELLECTUAL PROPERTY RIGHTS

5.1 MAINTENANCE BY DONNELLY. Donnelly shall retain the right to (but shall not be obligated to) prosecute and/or maintain [at the Company's] expense, all of the Technology and Intellectual Property Rights licensed by Donnelly to the Company pursuant to Article 2 of this Agreement. The Company shall have the right to prosecute and/or maintain at the Company's expense any of the Intellectual Property Rights licensed hereunder in any country when the Company has been notified by Donnelly that Donnelly no longer wishes to prosecute or maintain such Intellectual Property Rights in such country, and Donnelly hereby agrees to notify the Company of its intent to cease prosecution or payment of maintenance fees of any of such Intellectual Property Rights in any such country, at least sixty (60) days prior to the date of any abandonment of any right or the date of any required payment or filing which Donnelly does not intend to make or file. With respect to any Intellectual Property Rights abandoned by Donnelly and prosecuted and maintained by the Company pursuant to this Section 5.2, the Company agrees to grant unto Donnelly a royalty-free, paid-up, worldwide, non-exclusive license to such Intellectual Property Rights.

5.2 MAINTENANCE BY THE COMPANY. The Company shall retain the right to (but shall not be obligated to) prosecute and/or maintain at its expense, all of the Improvements, Technology and Intellectual Property Rights licensed by the Company to Donnelly pursuant to Article 3 or Article 4 of this Agreement. Donnelly shall have the right to prosecute and/or maintain at Donnelly's expense any of the Intellectual Property Rights of the Company licensed hereunder in any country when Donnelly has been notified by the Company that the Company no longer wishes to prosecute or maintain such Intellectual Property Rights in such country, and the Company hereby agrees to notify Donnelly of its intent to cease prosecution or payment of maintenance fees of any of such Intellectual Property Rights in any such country, at least sixty (60) days prior to the date of any abandonment of any right or the date of any required payment or filing which the Company does not intend to make or file.

ARTICLE 6
COOPERATION AND CONFIDENTIALITY

6.1 EXCHANGE OF INFORMATION. During the term of this License, Donnelly, the Company and their respective Affiliates will exchange information concerning all Technology and Intellectual Property Rights conceived or developed by any of them relating to Products and processes or techniques used in the manufacture of Products.

6.2 COOPERATION. The Company and Donnelly agree to cooperate with each other in the prosecution of pending applications concerning the Intellectual Property Rights or any new applications based upon any Improvements thereto by providing, upon request, technical information and data in an appropriate form relating to the subject matter or any pending or issued applications and/or improvements.

6.3 CONFIDENTIALITY. The Company acknowledges that some of the Intellectual Property Rights and Technology licensed pursuant to this Agreement or developed by Donnelly or the Company after the date of this Agreement relate to information which is not publicly available ("Confidential Information"), including, without limitation, information exchanged pursuant to Section 6.1 hereof, the Technology listed or described in Schedule B and any jointly developed Technology. The Company hereby agrees not to disclose the Confidential Information to any third parties for a period of ten (10) years after the receipt of such Confidential Information, except to only (a) those employees of the Company having a legitimate business need-to-know and (b) consultants engaged by the Company. The Company agrees that prior to making disclosures to any consultant, it will obtain a confidentiality and non-use agreement. For purposes of this section, any Affiliate of the Company other than Donnelly, Lear or a subsidiary of the Company is deemed to be a third party.

6.4 CONFIDENTIALITY EXCEPTIONS. Notwithstanding the provisions of Section 6.3, Confidential Information shall not include (a) information which is known to the public or is generally known within the industry or business, (b) information which the Company is required to disclose pursuant to law or order of a court having jurisdiction (provided that the Company offers the Donnelly an opportunity to obtain an appropriate protective order or administrative relief against disclosure of such Confidential Information), and (c) information which was legally acquired by the Company from a third party in good faith, provided that such disclosure by the third party was not in breach of any agreement between such third party and the other party hereto.

6.5 PROTECTION OF RIGHTS. The parties hereto agree that it shall be the policy of the Company to protect the Intellectual Property Rights and not to infringe upon the intellectual property rights of third parties.

ARTICLE 7
INDEMNIFICATION

7.1 NO REPRESENTATION OR INDEMNIFICATION. Nothing in this Agreement is intended to state or otherwise imply that the exercise of any right or license granted by Donnelly pursuant to this Agreement by the Company will not infringe rights of third parties. Donnelly does not undertake any obligation to indemnify the Company against, or assume any responsibility for, any claim of infringement by any third party relating to or arising out of any exercise of any right or license referenced in this Agreement.

7.2 LIMITED WARRANTY. Donnelly warrants that to its knowledge, except as set forth in Schedule C, no claim has been asserted that the exercise of rights or licenses transferred or granted by Donnelly to the Company pursuant to this Agreement infringe upon any third party rights.

7.3 NO INDEMNIFICATION BY THE COMPANY CONCERNING NON-PRODUCT USES. The Company does not undertake any obligation to indemnify Donnelly against, or assume any responsibility for, any claim of infringement by any third party relating to or arising out of any exercise by Donnelly of any right or license granted by the Company to Donnelly pursuant to this Agreement.

7.4 INDEMNIFICATION BY THE COMPANY CONCERNING PRODUCTS. The Company agrees to indemnify and hold harmless Donnelly and its Affiliates from and against any loss, cost, expense (including, but not limited to, costs of investigation and defense, attorney's fees, expert witnesses, consultants and litigation support services), liability, settlement and damages as a result of any claim(s) that the manufacture or sale of any Products after the Closingt Date infringes upon any patent or other intellectual property rights of any third party.

ARTICLE 8
INFRINGEMENT OF LICENSED INTELLECTUAL PROPERTY RIGHTS

8.1 ACTION BY THE COMPANY. The Company shall have the right but shall not be obligated to institute proceedings in its own name or in the name of Donnelly against any third party infringer (in the field of use of Products) of any Intellectual Property Rights licensed by Donnelly to the Company pursuant to this Agreement. If Donnelly or the Company becomes aware of any actual, threatened, or apparent infringement of any of the licensed Intellectual Property Rights by any Person in the field of use of Products, such party agrees to provide the other party with written notice prior to suit of such actual, threatened, or apparent infringement and agrees to furnish to the other party any available evidence of such actual, threatened, or apparent infringement. Donnelly agrees to cooperate in any proceedings instituted by the Company against third party infringers and to provide information relating to such proceedings which the Company may reasonably request. In the event that the Company determines that it lacks standing to commence such a proceeding, Donnelly agrees to execute such documents and take such actions as the Company may reasonably request for the purpose of commencing such infringement proceedings. The Company shall have the right to control prosecution of such proceedings regardless of whether the proceedings are commenced in Donnelly's name or in the name of the Company; provided, however, that in the event of a counterclaim against Donnelly, the litigation shall be jointly managed by Donnelly and the Company and Donnelly's costs and expenses (including, but not limited to, reasonable attorney's fees) will be paid by the Company pursuant to Section 7.4.

8.2 ACTION BY DONNELLY. In the event Donnelly notifies the Company or receives notice from the Company of actual, threatened, or apparent infringement of any licensed rights or Intellectual Property Rights by a third party, and the Company does not institute proceedings against such a third party within sixty (60) days of notification, then Donnelly may institute proceedings against such a third party, at Donnelly's expense, and in the Company's name (if necessary). The Company agrees to cooperate fully with the Company in such proceedings. Any recovery awarded in such proceedings shall be retained by Donnelly.

ARTICLE 9
TERM AND TERMINATION

9.1 TERM. The licenses granted hereunder shall continue so long as either Lear or Donnelly are:

(a) Members of the Company or

(b) operating the business of the Company after a withdrawal by the other unless otherwise terminated as provided herein.

9.2 DEFAULT. If any party fails to comply with any of its obligations hereunder, and after notice from another party such failure continues for sixty (60) days, such action shall constitute a default hereunder and under the Operating Agreement; provided, however, if a default under this Agreement cannot reasonably and with due diligence and good faith be cured within said 60-day period, and if the defaulting party promptly commences and proceeds to complete the cure of such default with due diligence and in good faith, the 60-day period with respect to such default shall be extended to include such additional period of time as may be reasonably necessary to cure such default.

9.3 REMEDIES ON DEFAULT. Upon the occurrence of a default hereunder, which is not cured during the applicable cure period, the non-breaching parties shall have the rights and remedies available at law and in equity and may institute arbitration and/or legal proceedings in accordance with Section 10.11 hereof with respect to any damages or losses incurred by the non-defaulting party. If the default is by a Member, and the default is a Material Default (as defined in the Operating Agreement), the other Member shall also have all rights provided in the Operating Agreement, including that included in Section 4.5(c) thereof.

ARTICLE 10
CONSTRUCTION

10.1 GOVERNING LAW. This Agreement shall be governed by and construed in accordance with the laws of the State of Michigan without giving effect to any applicable principles of conflicts of laws.

10.2 NOTICES. All notices and other communications under this Agreement shall be in writing and shall be deemed to have been duly given when delivered (i) in person, (ii) to the extent receipt is confirmed, by telecopy, facsimile or other electronic transmission service, (iii) by a nationally recognized overnight courier service, or (iv) by registered or certified mail (postage prepaid return receipt requested), to the parties at the following address:

To Donnelly: Donnelly Corporation

414 East Fortieth Street
Holland, Michigan 49423
Attention: John Donnelly
Telecopy No. (616) 786-6034

With a copy to: Varnum, Riddering, Howlett & Schmidt LLP
Suite 1600, Bridgewater Place
333 Bridge Street, N.W., P.O. Box 352
Grand Rapids, Michigan 49504
Attention: Daniel Molhoek
Telecopy No. (616) 336-7000

To the Company: Lear Donnelly Overhead Systems, L.L.C.
39650 Orchard Hill Place
Novi, Michigan 48375
Attention: Richard Perreault
Telecopy No. _____

With a copy to: Lear Corporation
21557 Telegraph Road
Southfield, Michigan 48034
Attention: Vice President and
General Counsel
Telecopy No. (248) 746-1677

10.3 SEVERABILITY. If any provision of this Agreement shall be conclusively determined by a court of competent jurisdiction to be invalid or unenforceable to any extent, the remainder of this Agreement shall not be affected thereby.

10.4 BINDING EFFECT. Except as otherwise provided herein, this Agreement shall inure to the benefit of and be binding upon the parties, their respective successors, legal representatives and permitted assigns.

10.5 NO THIRD PARTY RIGHTS. This Agreement is intended to create enforceable rights between the parties hereto only, and creates no rights in, or obligations to, any other Persons whatsoever.

10.6 TIME IS OF ESSENCE. Time is of the essence in the performance of each and every obligation herein imposed.

10.7 SCHEDULES INCLUDED IN EXHIBITS; INCORPORATION BY REFERENCE. Any reference to an Exhibit to this Agreement contained herein shall be deemed to include any Schedules to such Exhibit. Each of the Exhibits referred to in this Agreement, and each Schedule to such Exhibits, is

hereby incorporated by reference in this Agreement as if such Schedules and Exhibits were set out in full in the text of this Agreement.

10.8 AMENDMENTS. This Agreement may not be amended except by written agreement executed by duly authorized officers of all of the parties hereto.

10.9 ENTIRE AGREEMENT; SECTION HEADINGS. This Agreement, the Operating Agreement and the agreements contemplated by the Operating Agreement constitute the entire agreement among the parties hereto relating to the subject matter hereof and supersede all prior agreements, understandings, and arrangements, oral or written, among the parties with respect to the subject matter hereof. The Section headings in this Agreement are for reference purposes only and shall be affect in any way the meaning or interpretation of this Agreement.

10.10 ASSIGNMENT. Except as otherwise specifically provided in this Agreement or the Operating Agreement (particularly Section 9.2(a) thereof), neither this Agreement nor any rights or obligations hereunder shall be assignable or be delegated directly or indirectly by any party hereto to a third party (other than an Affiliate of the Member) without the prior written consent of all the parties to this Agreement.

10.11 ARBITRATION. Any dispute, controversy or claim (hereinafter "Dispute") between the parties of any kind or nature whatsoever, arising under or related to this Agreement whether arising in contract, tort or otherwise, shall be resolved according to the following procedure. If a Dispute (excluding business decisions to be voted on by Members or Directors) arises among the Members under or relating to this Agreement which is not resolved by good faith negotiation, then such Dispute, upon 30 days' prior notice from one Member to the other of its intent to arbitrate (an "Arbitration Notice"), shall be submitted to and settled by arbitration; provided, however, that nothing contained herein shall preclude any party hereto from seeking or obtaining (a) injunctive relief, or (b) equitable or other judicial relief to enforce the provisions hereof or to preserve the status quo pending resolution of disputes hereunder. Such arbitration shall be conducted in accordance with the commercial arbitration rules of the American Arbitration Association existing at the time of submission by one arbitrator. The Members shall attempt to agree upon an arbitrator. If one cannot be agreed upon, the Member which did not give the Arbitration Notice may request the Chief Judge of the United States District Court for the Eastern District of Michigan or the Chief Judge of the United States District Court for the Western District of Michigan to appoint an arbitrator. If he or she will not, the arbitrator shall be appointed by the American Arbitration Association. If an arbitrator so selected becomes unable to serve, his or her successor shall be similarly selected or appointed. All arbitration hearings shall be conducted on an expedited schedule, and all proceedings shall be confidential. Either Member may at its expense make a stenographic record thereof. The arbitrator shall apportion all costs and expenses of arbitration (including the arbitrator's fees and expenses, the fees and expenses of experts, and the fees and expenses of counsel to the parties), between the prevailing and non-prevailing Member as the arbitrator deems fair and reasonable. Any arbitration award shall be binding and enforceable against the parties hereto and judgment may be entered thereon in any court of competent jurisdiction. The arbitration will take place at Southfield,

Michigan or Grand Rapids, Michigan at the election of the Member not giving the Arbitration Notice.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

DONNELLY CORPORATION
("Donnelly")

By/s/ Dwane Baumgardner

Dwane Baumgardner
Its Chief Executive Officer and President

LEAR DONNELLY OVERHEAD SYSTEMS, LLC

By /s/Richard Perreault

Its

LEAR CORPORATION

By /s/ J. F. McCarthy

Its

LIST OF EXHIBITS AND SCHEDULES

Schedule A	Description of Licensed Donnelly Technology
Schedule B	Confidential Information
Schedule C	Claims Asserted

SCHEDULE A

DONNELLY LICENSE AGREEMENT
DESCRIPTION OF LICENSED TECHNOLOGY

COUNTRY	SERIAL NO.	PATENT NO.	PATENT DATE	TITLE/ DESCRIPTION
GROUP A				
USA	132,004	4,807,096	21NO1989	Interior Light/Carrier Module for Vehicles
USA	07/535111	5153572	060C992	Touch-Sensitive Control Circuit
USA	07/598,129	5,189,417	23FE1993	Detection Circuit for Matrix Touch Pad
USA	07/605497	5239152	24AU1993	Touch Sensor Panel with Hidden Graphic Mode
USA	07/909782	5475577	12DE1995	Accessory Attachment Plate for Vehicle Panels
USA	08/040,188	5,572,205	05NO1996	Touch Control System
USA	08/367,844	5,671,996	30SE1997	Vehicle/Instrumentation/Console Lighting
EPC	95650048.2			Vehicle Instrumentation/Console
USA	08/482029	5,667,896	16SE1997	Vehicle Window Assembly for Mounting Interior Vehicle
USA	29/032,836			Rail Module
USA	60/027,996			Digital Compass
USA	08/740,701			Touch Control System
USA	29,057,275			Vehicle Rail Module Exterior Surface Incorporating a Handle, Coathook and Lamp
USA	584			Continuation of Vehicle Window Assembly for Mounting Interior Vehicle
USA	08/901,929			Vehicle Instrumentation/Console Lighting Pyroelectric Intrusion Detection in Motor Vehicles
USA	117,220	4,862,594	9/5/89	Magnetic Compass System for a Vehicle
USA	267,972	4,937,945	7/3/90	Magnetic Compass with Hall Effect Encoder
USA	596,854	5,131,154	7/21/92	Magnetic Compass with Optical Encoder
USA	811,578	5,255,442	10/26/93	Vehicle Compass with Electronic Sensor
USA	142,509	5,644,851	7/8/97	Compensation System for Electronic Compass
USA	457,621	5,632,092	5/27/97	Compensation System for Electronic Compass
USA	823,469			Compensation System for Electronic Compass
EPC	93/90086.1			Vehicle Electronic Sensor
Japan	511672/93	5,255,442		Vehicle Compass with Electronic Sensor
EPC	95/904055.1	5,644,851		Compensation System for Electronic Compass
Japan	7-512748	5,644,851		Compensation System for Electronic Compass
USA	08/901,929			Pyroelectric Intrusion Detection in Motor Vehicles

COUNTRY	SERIAL NO.	PATENT NO.	PATENT DATE	TITLE/ DESCRIPTION
GROUP B				
USA	29/071,095			Vehicular Coat Hook Assembly (Design)
Brazil	PCT/US95/15705			Mounting Clip
Canada				Mounting Clip
European	PCT/US95/15705			Mounting Clip
Japan	PCT/US95/15705			Mounting Clip
South Korea				Mounting Clip
Mexico				Mounting Clip
United States	08/349,031			Mounting Clip
United States	08/701,589	5,662,375	9/2/97	Mounting Clip
WIPO	PCT/US95/15705			
United States	08/312,820			Modular Panel Assembly
United States	08/681,316			Modular Panel Assembly
WIPO	PCT/US95/12387			Modular Panel Assembly
United States	60,031,558			Single Lens, Push-Push, Dual Lamp Assembly
United States				Overhead Console with Magnetic Sensor Roof Mounting
United States				Visor with Structural Foam Core
United States				CHMSL/Task Lamp
United States				Visor Detent Control
United States				Blow Molded Visor

SERIAL NO.	PATENT NO.	PATENT DATE	TITLE/ DESCRIPTION	COUNTRY GROUP B
				United States
				United States
			Clamshell Visor W/Heat Fabric Edges	
			Visor Construction	United States
			Visor with Powered Mirror Door	United States
60/009/852			Vehicle Interior Light w/Light Pipe for Uniform Illumination	United States
08/784,028			Vehicle Interior Light w/Light Pipe For Uniform Illumination	United States
			Visor Mounting	United States
			Clam Visor with Lighted Mirror	United States
60/012,088			Overhead Console with Drop-Down Door	United States
60/034,375			Overhead Console with Drop-Down Door	United States
08/804,354			Overhead Console with Drop-Down Door	United States
				Flex Web Button Gland

United States				Visor with Courtesy Lighting
United States				Anti-Rotation Mounting Clip
United States				Vanity Mirror W/Dimmer Switch
United States				Vanity Mirror W/Dimmer Switch

COUNTRY	SERIAL NO.	PATENT NO.	PATENT DATE	TITLE/ DESCRIPTION
GROUP B				
United States				Sunglass Holder for Vehicle
United States				PCB Pin Clip
United States				Sun Visor with Support Pin
United States				Electrochromic Sunvisor
United States				Lighted Vanity W/Mirror
United States	60/040,833			Forward Sun Protection With Accessory Integration
United States				Windshield Mounted Visor
United States	60/023,104			Expandable Coat Hook
United States	60/025,166			Grab Handle Assembly and Method of Assembling Same
United States				Grab Handle Assembly and Method of Assembling Same
United States	60/021,096			

Visor with Integrally Molded Unitary Frame	WIPO	PCT/US97/11751		
Visor with Integrally Molded Unitary Frame	United States			
Visor Mirror and Endcap Mirror Assembly	United States			
Vanity Lamp				

PATENT DATE	TITLE/ DESCRIPTION	COUNTRY	SERIAL NO.	PATENT NO.
		GROUP B		
		United States		
		United States	60/022,238	
	Overhead Console Comp. Compass			
	Garage Door Opener Bin	United States	08/896,043	
	Garage Door Opener Bin	United States		
	Sliding Auxiliary Sun Visor Blade Assembly	United States		
	Happich Visor Bracket Patent	United States		
	Visor with Pressed Substrate/Molded Frame Clamshell	United States		
		Pivoting Coat Hook	with Finger Access Notch	United States

			Vanity Mirror/Door Spring, Lamp Switch	United States
			Overhead Console with Garage Door Opener	United States
60/052,454			Vehicle Soft Console with Interchangeable Accessor Bins and In-Molded Skin and Fastener	United States
			Garnish Trim Mounted Components	United States
			Illumination/Visor Vanity Mirror	United States
			Snap Together Clamshell Visor With Snap-in Mirror Assembly	

PATENT DATE	TITLE/ DESCRIPTION	COUNTRY	SERIAL NO.	PATENT NO.
		GROUP B		
		United States		
		United States		
	Visor with Fabric Plain and Tear Seal at Eye Ends			
	Aubiliary Visor with Molded Torque Connector	United States		
	Terminal Strip Bulb Retainer	United States		
	EPP Clamshell Visor	United States		
	Vehicle Sun Visor with Rigid Interior Skin			

COUNTRY	SERIAL NO.	PATENT NO.	PATENT DATE	TITLE/ DESCRIPTION
GROUP C				
Ireland				A vehicle rearview mirror and a vehicle control system incorporating such mirror
Ireland				Push Button Support Member
Ireland				A Printed Circuit Board Pin Connector
Ireland				Electro-Optic Rearview Mirror System (EC Mirror)

SCHEDULE B

CONFIDENTIAL TECHNOLOGY

All manufacturing processes, methods or techniques used in the manufacture of Products, including, but not limited to, those Product utilizing any of the Technology or Intellectual Property Rights listed on Schedule A.

SCHEDULE C

ASSERTED CLAIMS

Prince Corporation ("Prince") has asserted that products manufactured in accordance with Intellectual Property Rights listed on Schedule A violate patents of Prince Corporation.

In January 1995, Prince asserted Donnelly was in violation of its Patent No. 953305. After some discussions between counsel for both parties, the matter was dropped.

Approximately eight years ago, Prince contacted Donnelly about alleged infringement of a compass. After preliminary meetings, no further assertions were made.

Prince is currently asserting that Donnelly's consoles with garage door openers violate Prince Patent No. 4,595,228. Donnelly does not believe it infringes. Extensive correspondence and counterproposals have been exchanged, including an offer to license the patent at $.17 per unit. Donnelly has provided Lear with copies of the relevant correspondence.

EXHIBIT D-2

LEAR TECHNOLOGY LICENSE AGREEMENT

THIS TECHNOLOGY LICENSE AGREEMENT (this "Agreement") is entered into as of this 1st day of November, 1997 (the "Effective Date"), by and among LEAR CORPORATION, a Delaware corporation ("Lear"), (Lear and Donnelly are sometimes referred to herein as the "Members"), and LEAR DONNELLY OVERHEAD SYSTEMS L.L.C., a Michigan limited liability company (together with its subsidiaries, the "Company"); and DONNELLY CORPORATION, a Michigan corporation ("Donnelly").

RECITALS:

WHEREAS, Lear and Donnelly as members of the Company have executed an Operating Agreement of the Company dated September 3, 1997 (the "Operating Agreement") creating a joint venture between Lear and Donnelly; capitalized terms not defined herein shall have the meaning ascribed to them in the Operating Agreement;

WHEREAS, Donnelly is a party to this Agreement in order to protect its rights and perform its obligations hereunder;

WHEREAS, Lear is the owner of certain intellectual property rights principally covering or principally used in the manufacture of Products (as such term is defined in the Operating Agreement);

WHEREAS, the parties desire to enter into this Agreement to provide certain rights for the Company to license certain specified intellectual property rights from Lear; and

WHEREAS, the Company may develop improvements to the intellectual property rights licensed from Lear and may develop other intellectual property rights and the parties desire to enter into this Agreement to provide certain rights for Lear to license such improvements and intellectual property rights from the Company;

NOW THEREFORE, for good and valuable consideration including the mutual promises contained herein, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

ARTICLE 1
DEFINITIONS

1.1 "INTELLECTUAL PROPERTY RIGHTS" shall mean United States, international and foreign patents and patent applications (including United States provisional applications and all PCT patent applications), any and all patents issuing therefrom or otherwise corresponding thereto, and all divisionals, continuations, continuations-in-part, reissues, reexamination certificates and extensions thereof, describing and/or claiming Technology, and all mask works, industrial design registrations

and applications for such registrations, technology, and all other proprietary rights covering or otherwise related to Technology and/or processes for manufacture and/or use of Products embodying Technology arising prior to or during the term of this Agreement.

1.2 "TECHNOLOGY" shall mean technological developments principally covering or principally used in the manufacture of Products including, but not be limited to, the technology described on Schedule A hereto, ideas, concepts, inventions, processes, principles of operation, formulae, patterns, drawings, prints, proposals, devices, software, compilations of related information, records, specifications and the knowhow, arising before or during the term of this Agreement. Technology shall not include existing or future technological developments or intellectual property rights of Lear or its Affiliates relating to or concerning the items and matters disclosed on attached Exhibit 1.

1.3 "IMPROVEMENT" shall mean (i) any alteration, modification or enhancement to Technology or Intellectual Property Rights which improves the effectiveness, efficiency, performance or other attribute of, or otherwise relates to, Technology or Intellectual Property Rights, or any element thereof, or (ii) any new product or material which performs substantially the same function as Technology or Intellectual Property Rights but does so through a different method or process.

ARTICLE 2
LICENSE GRANT BY LEAR

2.1 LICENSE GRANT. Lear hereby grants unto the Company a royalty-free, paid-up, worldwide, exclusive license of Lear's Technology and Intellectual Property Rights to make, have made, use, and sell the Products (but not to make, have made, use, or sell anything other than the Products). Notwithstanding the exclusive license, Lear reserves the right to use its Technology and Intellectual Property Rights to the extent not prohibited by the Noncompetition and Non-Solicitation Agreement between Lear and Lear of even date. The term of this license is described in Article 9 of this Agreement.

2.2 SUBLICENSES. The Company may not sublicense Lear's Technology or Intellectual Property Rights without Lear's prior written consent; provided, however, that the Company shall have the right to sublicense Lear's Technology and Intellectual Property Rights to the Company's subsidiaries (any non-U.S. subsidiaries shall be required to pay a commercially reasonable royalty rate to the Company for such sublicense, which royalty rate shall be no less than the royalty paid by such subsidiaries to Lear pursuant to the Company's Technology License with Lear of even date).

ARTICLE 3
IMPROVEMENTS AND LICENSE GRANT BY THE COMPANY

3.1 OWNERSHIP OF IMPROVEMENTS. The Company shall own and shall have all rights, including Intellectual Property Rights, in all Improvements which are conceived and reduced to practice by the Company's personnel or by third party personnel working on the Company's behalf.

3.2 LICENSE GRANT. The Company hereby grants and agrees to grant to Lear or Donnelly, as the case may be, a royalty-free, paid-up, worldwide, non-exclusive, non-transferrable license of the Improvements, Technology and Intellectual Property Rights of the Company on the terms set forth in this Agreement.

ARTICLE 4
JOINTLY DEVELOPED TECHNOLOGY

4.1 JOINTLY DEVELOPED TECHNOLOGY.

(a) Technology and Intellectual Property Rights developed jointly by Lear and the Company after the date of this Agreement shall be owned by the Company, and the Company shall have all rights in and to such jointly developed Technology and Intellectual Property Rights. Technology and Intellectual Property Rights developed jointly by Lear and Donnelly or by Lear, Donnelly and the Company shall be owned by the Company and the Company shall have all rights in and to such jointly developed Technology and Intellectual Property Rights.

(b) The Company hereby grants unto Lear a royalty-free, paid-up, worldwide, non-assignable, non-transferrable, non-exclusive license of any jointly developed Technology and Intellectual Property Rights on the terms set forth in this Agreement.

ARTICLE 5
PROSECUTION OR MAINTENANCE OF
INTELLECTUAL PROPERTY RIGHTS

5.1 MAINTENANCE BY LEAR. Lear shall retain the right to (but shall not be obligated to) prosecute and/or maintain [at the Company's expense], all of the Technology and Intellectual Property Rights licensed by Lear to the Company pursuant to Article 2 of this Agreement. The Company shall have the right to prosecute and/or maintain at the Company's expense any of the Intellectual Property Rights licensed hereunder in any country when the Company has been notified by Lear that Lear no longer wishes to prosecute or maintain such Intellectual Property Rights in such country, and Lear hereby agrees to notify the Company of its intent to cease prosecution or payment of maintenance fees of any of such Intellectual Property Rights in any such country, at least sixty (60) days prior to the date of any abandonment of any right or the date of any required payment or filing which Lear does not intend to make or file. With respect to any Intellectual Property Rights abandoned by Lear and prosecuted and maintained by the Company pursuant to this Section 5.2, the

Company agrees to grant unto Lear a royalty-free, paid-up, worldwide, non-exclusive license to such Intellectual Property Rights.

5.2 MAINTENANCE BY THE COMPANY. The Company shall retain the right to (but shall not be obligated to) prosecute and/or maintain at its expense, all of the Improvements, Technology and Intellectual Property Rights licensed by the Company to Lear pursuant to Article 3 or Article 4 of this Agreement. Lear shall have the right to prosecute and/or maintain at Lear's expense any of the Intellectual Property Rights of the Company licensed hereunder in any country when Lear has been notified by the Company that the Company no longer wishes to prosecute or maintain such Intellectual Property Rights in such country, and the Company hereby agrees to notify Lear of its intent to cease prosecution or payment of maintenance fees of any of such Intellectual Property Rights in any such country, at least sixty (60) days prior to the date of any abandonment of any right or the date of any required payment or filing which the Company does not intend to make or file.

ARTICLE 6
COOPERATION AND CONFIDENTIALITY

6.1 EXCHANGE OF INFORMATION. During the term of this License, Lear, the Company and their respective Affiliates will exchange information concerning all Technology and Intellectual Property Rights conceived or developed by any of them relating to Products and processes or techniques used in the manufacture of Products.

6.2 COOPERATION. The Company and Lear agree to cooperate with each other in the prosecution of pending applications concerning the Intellectual Property Rights or any new applications based upon any Improvements thereto by providing, upon request, technical information and data in an appropriate form relating to the subject matter or any pending or issued applications and/or improvements.

6.3 CONFIDENTIALITY. The Company acknowledges that some of the Intellectual Property Rights and Technology licensed pursuant to this Agreement or developed by Lear or the Company after the date of this Agreement relate to information which is not publicly available ("Confidential Information"), including, without limitation, information exchanged pursuant to Section 6.1 hereof, the Technology listed or described in Schedule B and any jointly developed Technology. The Company hereby agrees not to disclose the Confidential Information to any third parties for a period of ten (10) years after the receipt of such Confidential Information, except to only (a) those employees of the Company having a legitimate business need-to-know and (b) consultants engaged by the Company. The Company agrees that prior to making disclosures to any consultant, it will obtain a confidentiality and non-use agreement. For purposes of this section, any Affiliate of the Company other than Lear, Donnelly or a subsidiary of the Company is deemed to be a third party.

6.4 CONFIDENTIALITY EXCEPTIONS. Notwithstanding the provisions of Section 6.3, Confidential Information shall not include (a) information which is known to the public or is

generally known within the industry or business, (b) information which the Company is required to disclose pursuant to law or order of a court having jurisdiction (provided that the Company offers the Lear an opportunity to obtain an appropriate protective order or administrative relief against disclosure of such Confidential Information), and (c) information which was legally acquired by the Company from a third party in good faith, provided that such disclosure by the third party was not in breach of any agreement between such third party and the other party hereto.

6.5 PROTECTION OF RIGHTS. The parties hereto agree that it shall be the policy of the Company to protect the Intellectual Property Rights and not to infringe upon the intellectual property rights of third parties.

ARTICLE 7
INDEMNIFICATION

7.1 NO REPRESENTATION OR INDEMNIFICATION. Nothing in this Agreement is intended to state or otherwise imply that the exercise of any right or license granted by Lear pursuant to this Agreement by the Company will not infringe rights of third parties. Lear does not undertake any obligation to indemnify the Company against, or assume any responsibility for, any claim of infringement by any third party relating to or arising out of any exercise of any right or license referenced in this Agreement.

7.2 LIMITED WARRANTY. Lear warrants that to its knowledge, except as set forth in Schedule C, no claim has been asserted that the exercise of rights or licenses transferred or granted by Lear to the Company pursuant to this Agreement infringe upon any third party rights.

7.3 NO INDEMNIFICATION BY THE COMPANY CONCERNING NON-PRODUCT USES. The Company does not undertake any obligation to indemnify Lear against, or assume any responsibility for, any claim of infringement by any third party relating to or arising out of any exercise of any right or license granted by the Company to Lear pursuant to this Agreement.

7.4 INDEMNIFICATION BY THE COMPANY CONCERNING PRODUCTS. The Company agrees to indemnify and hold harmless Lear and its Affiliates from and against any loss, cost, expense (including, but not limited to, costs of investigation and defense, attorney's fees, expert witnesses, consultants and litigation support services), liability, settlement and damages as a result of any claim(s) that the manufacture or sale of any Products after the Closing Date infringes upon any patent or other intellectual property rights of any third party.

ARTICLE 8
INFRINGEMENT OF LICENSED INTELLECTUAL PROPERTY RIGHTS

8.1 ACTION BY THE COMPANY. The Company shall have the right but shall not be obligated to institute proceedings in its own name or in the name of Lear against any third party

infringer (in the field of use of Products) of any Intellectual Property Rights licensed by Lear to the Company pursuant to this Agreement. If Lear or the Company becomes aware of any actual, threatened, or apparent infringement of any of the licensed Intellectual Property Rights by any Person in the field of use of Products, such party agrees to provide the other party with written notice prior to suit of such actual, threatened, or apparent infringement and agrees to furnish to the other party any available evidence of such actual, threatened, or apparent infringement. Lear agrees to cooperate in any proceedings instituted by the Company against third party infringers and to provide information relating to such proceedings which the Company may reasonably request. In the event that the Company determines that it lacks standing to commence such a proceeding, Lear agrees to execute such documents and take such actions as the Company may reasonably request for the purpose of commencing such infringement proceedings. The Company shall have the right to control prosecution of such proceedings regardless of whether the proceedings are commenced in Lear's name or in the name of the Company; provided, however, that in the event of a counterclaim against Lear, the litigation shall be jointly managed by Lear and the Company and Lear's costs and expenses (including, but not limited to, reasonable attorney's fees) will be paid by the Company pursuant to Section 7.4.

8.2 ACTION BY LEAR. In the event Lear notifies the Company or receives notice from the Company of actual, threatened, or apparent infringement of any licensed rights or Intellectual Property Rights by a third party, and the Company does not institute proceedings against such a third party within sixty (60) days of notification, then Lear may institute proceedings against such a third party, at Lear's expense, and in the Company's name (if necessary). The Company agrees to cooperate fully with the Company in such proceedings. Any recovery awarded in such proceedings shall be retained by Lear.

ARTICLE 9
TERM AND TERMINATION

9.1 TERM. The licenses granted hereunder shall continue so long as either Lear or Lear are:

(a) Members of the Company or

(b) operating the business of the Company after a withdrawal by the other unless otherwise terminated as provided herein.

9.2 DEFAULT. If any party fails to comply with any of its obligations hereunder, and after notice from another party such failure continues for sixty (60) days, such action shall constitute a default hereunder and under the Operating Agreement; provided, however, if a default under this Agreement cannot reasonably and with due diligence and good faith be cured within said 60-day period, and if the defaulting party promptly commences and proceeds to complete the cure of such default with due diligence and in good faith, the 60-day period with respect to such default shall be

extended to include such additional period of time as may be reasonably necessary to cure such default.

9.3 REMEDIES ON DEFAULT. Upon the occurrence of a default hereunder, which is not cured during the applicable cure period, the non-breaching parties shall have the rights and remedies available at law and in equity and may institute arbitration and/or legal proceedings in accordance with Section 10.11 hereof with respect to any damages or losses incurred by the non-defaulting party. If the default is by a Member, and the default is a Material Default (as defined in the Operating Agreement), the other Member shall also have all rights provided in the Operating Agreement, including that included in Section 4.5(c) thereof.

ARTICLE 10
CONSTRUCTION

10.1 GOVERNING LAW. This Agreement shall be governed by and construed in accordance with the laws of the State of Michigan without giving effect to any applicable principles of conflicts of laws.

10.2 NOTICES. All notices and other communications under this Agreement shall be in writing and shall be deemed to have been duly given when delivered (i) in person, (ii) to the extent receipt is confirmed, by telecopy, facsimile or other electronic transmission service, (iii) by a nationally recognized overnight courier service, or (iv) by registered or certified mail (postage prepaid return receipt requested), to the parties at the following address:

To Donnelly:	Donnelly Corporation 414 East Fortieth Street Holland, Michigan 49423 Attention: John Donnelly Telecopy No. (616) 786-6034
With a copy to:	Varnum, Riddering, Howlett & Schmidt LLP Suite 1600, Bridgewater Place 333 Bridge Street, N.W., P.O. Box 352 Grand Rapids, Michigan 49504 Attention: Daniel Molhoek Telecopy No. (616) 336-7000
To the Company:	Lear Donnelly Overhead Systems, L.L.C. 39650 Orchard Hill Place Novi, Michigan 48375 Attention: Richard Perreault Telecopy No. _____

With a copy to: Lear Corporation
21557 Telegraph Road
Southfield, Michigan 48034
Attention: Vice President and
General Counsel
Telecopy No. (248) 746-1677

10.3 SEVERABILITY. If any provision of this Agreement shall be conclusively determined by a court of competent jurisdiction to be invalid or unenforceable to any extent, the remainder of this Agreement shall not be affected thereby.

10.4 BINDING EFFECT. Except as otherwise provided herein, this Agreement shall inure to the benefit of and be binding upon the parties, their respective successors, legal representatives and permitted assigns.

10.5 NO THIRD PARTY RIGHTS. This Agreement is intended to create enforceable rights between the parties hereto only, and creates no rights in, or obligations to, any other Persons whatsoever.

10.6 TIME IS OF ESSENCE. Time is of the essence in the performance of each and every obligation herein imposed.

10.7 SCHEDULES INCLUDED IN EXHIBITS; INCORPORATION BY REFERENCE. Any reference to an Exhibit to this Agreement contained herein shall be deemed to include any Schedules to such Exhibit. Each of the Exhibits referred to in this Agreement, and each Schedule to such Exhibits, is hereby incorporated by reference in this Agreement as if such Schedules and Exhibits were set out in full in the text of this Agreement.

10.8 AMENDMENTS. This Agreement may not be amended except by written agreement executed by duly authorized officers of all of the parties hereto.

10.9 ENTIRE AGREEMENT; SECTION HEADINGS. This Agreement, the Operating Agreement and the agreements contemplated by the Operating Agreement constitute the entire agreement among the parties hereto relating to the subject matter hereof and supersede all prior agreements, understandings, and arrangements, oral or written, among the parties with respect to the subject matter hereof. The Section headings in this Agreement are for reference purposes only and shall be affect in any way the meaning or interpretation of this Agreement.

10.10 ASSIGNMENT. Except as otherwise specifically provided in this Agreement or the Operating Agreement (particularly Section 9.2(a) thereof), neither this Agreement nor any rights or obligations hereunder shall be assignable or be delegated directly or indirectly by any party hereto

to a third party (other than an Affiliate of the Member) without the prior written consent of all the parties to this Agreement.

10.11 ARBITRATION. Any dispute, controversy or claim (hereinafter "Dispute") between the parties of any kind or nature whatsoever, arising under or related to this Agreement whether arising in contract, tort or otherwise, shall be resolved according to the following procedure. If a Dispute (excluding business decisions to be voted on by Members or Directors) arises among the Members under or relating to this Agreement which is not resolved by good faith negotiation, then such Dispute, upon 30 days' prior notice from one Member to the other of its intent to arbitrate (an "Arbitration Notice"), shall be submitted to and settled by arbitration; provided, however, that nothing contained herein shall preclude any party hereto from seeking or obtaining (a) injunctive relief, or (b) equitable or other judicial relief to enforce the provisions hereof or to preserve the status quo pending resolution of disputes hereunder. Such arbitration shall be conducted in accordance with the commercial arbitration rules of the American Arbitration Association existing at the time of submission by one arbitrator. The Members shall attempt to agree upon an arbitrator. If one cannot be agreed upon, the Member which did not give the Arbitration Notice may request the Chief Judge of the United States District Court for the Eastern District of Michigan or the Chief Judge of the United States District Court for the Western District of Michigan to appoint an arbitrator. If he or she will not, the arbitrator shall be appointed by the American Arbitration Association. If an arbitrator so selected becomes unable to serve, his or her successor shall be similarly selected or appointed. All arbitration hearings shall be conducted on an expedited schedule, and all proceedings shall be confidential. Either Member may at its expense make a stenographic record thereof. The arbitrator shall apportion all costs and expenses of arbitration (including the arbitrator's fees and expenses, the fees and expenses of experts, and the fees and expenses of counsel to the parties), between the prevailing and non-prevailing Member as the arbitrator deems fair and reasonable. Any arbitration award shall be binding and enforceable against the parties hereto and judgment may be entered thereon in any court of competent jurisdiction. The arbitration will take place at Southfield, Michigan or Grand Rapids, Michigan at the election of the Member not giving the Arbitration Notice.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

DONNELLY CORPORATION
("Donnelly")

By/s/ Dwane Baumgardner
_____
Dwane Baumgardner
Its Chief Executive Officer and President

_____

LEAR DONNELLY OVERHEAD SYSTEMS, LLC

By /s/ Richard Perreault
_____

Its_____

LEAR CORPORATION
("Lear")

By /s/ J.F. McCarthy
_____

Its_____

LIST OF EXHIBITS AND SCHEDULES

Schedule A	Description of Licensed Lear Technology
Schedule B	Confidential Information
Schedule C	Claims Asserted
Exhibit 1	Excluded Technology

EXHIBIT 1
EXCLUDED TECHNOLOGY

Technology shall not include existing or future technological developments or intellectual property rights of Lear or its Affiliates relating to or concerning_____ . [To be mutually agreed upon by Lear and Donnelly within 30 days after the date hereof].

EXHIBIT E

PURCHASE AND SUPPLY AGREEMENT

THIS PURCHASE AND SUPPLY AGREEMENT (this "Agreement") is entered into as of this 1st day of November, 1997 (the "Effective Date"), by and among LEAR CORPORATION, a Delaware corporation ("Lear"), DONNELLY CORPORATION, a Michigan corporation ("Donnelly"), (Lear and Donnelly are sometimes referred to herein as the "Members"), EMPETEK AUTODILY S.R.O., a corporation organized and existing under the laws of the Czech Republic ("Empetek"), DONNELLY EUROTRIM LIMITED, a corporation organized and existing under the laws of the Republic of Ireland ("Eurotrim") and LEAR DONNELLY OVERHEAD SYSTEMS L.L.C., a Michigan limited liability company (together with its subsidiaries, the "Company").

RECITALS:

WHEREAS, Lear and Donnelly as members of the Company have executed an Operating Agreement of the Company dated September 3, 1997 (the "Operating Agreement"); capitalized terms not defined herein shall have the meaning ascribed to them in the Operating Agreement; and

WHEREAS, the Company may request assistance from Lear or Donnelly with respect to sales to original equipment manufacturers of vehicles ("OEMs"); and

WHEREAS, if requested by the Company, Lear and Donnelly will from time to time enter into contracts with OEMs to produce Products (as such term is defined in the Operating Agreement); and

WHEREAS, the parties desire to enter into this Agreement to provide the terms of production and sale of the Products by the Company to Lear or Donnelly for resale to the OEMs if the Company has requested such assistance with an OEM; and

WHEREAS, the parties desire to enter into this Agreement to provide for Donnelly and Lear to have certain rights as preferred suppliers to the Company.

NOW THEREFORE, for good and valuable consideration including the mutual promises contained herein, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

ARTICLE 1
SALES AND MARKETING

1.1 SALES REPRESENTATION TO OEMS. At the request of the Company, Lear and Donnelly will, from time to time, represent the Company by providing sales and customer support as sales representative with respect to the Company's Products. The Board of Directors of the Company will make such appointments. Its determination of whether the Company, Lear, Donnelly or another party will be appointed as sales representative of the Company's Products at any OEM shall be based upon capacity, experience, the nature of the relationship with the OEM and the cost to the Company. OEMs may be assigned to Lear or Donnelly from time to time by the Company, and if accepted shall be "Lear OEMs" or "Donnelly OEMs" as the case may be. The Board of Directors may also request Lear or Donnelly to jointly provide sales and customer service or to cooperate with the Company to provide sales and customer service to any OEM. The Board of Directors may, from time to time, change or cancel the appointment of any party as a sales representative for any OEM.

Should the Company appoint Lear or Donnelly as a sales representative, the prices, terms and conditions of sale of Products from the Company to Lear and Donnelly will be established by the Company. Lear and Donnelly will sell the Company's Products to OEMs for the same price and on the same terms as it purchases the Products from the Company, except to the extent the Board of Directors permits Lear and Donnelly to recoup sales costs.

1.2 RESPONSIBILITY FOR NON-OEM CUSTOMERS. Sales and customer support of Products sold to customers who are not OEMs (including the Members) shall be the responsibility of the Company; provided, however, that if the primary sales contact is with the OEM, then the responsibility for sales and customer support shall be determined according to Section 1.1 hereof (even if the Product is sold to a customer that is not an OEM).

1.3 RESPONSIBILITY OF SALES REPRESENTATIVES. In case Lear or Donnelly is appointed as a sales representative to provide sales and customer support to any OEM:

(a) SCOPE OF RESPONSIBILITIES. As used in this Agreement, sales and customer support to be provided by Lear or Donnelly shall include the following responsibilities and functions: primary customer contacts in the acquisition phase of any project prior to assurances by the OEM that a purchase will be made or issuance of a purchase order by an OEM (whichever occurs first), including customer contacts with respect to design, engineering and specifications, and may also include customer contacts relating to prototyping, testing and program management.

If Lear or Donnelly is providing sales and customer support to an OEM, the Company and Lear or Donnelly will work together to coordinate all activities. The following responsibilities and functions shall be the responsibility of the Company: product design and development, program management, engineering, quality assurance, prototyping, testing and validation, and tooling. In addition, the Company will provide such technical and design support as is required, including training Lear and Donnelly personnel and working with the OEM.

Product research and development, design, engineering and customer coordination for program management for the type of Products now sold by Lear ("Lear R & D") will be performed by Lear and for the type of Products now sold by Donnelly ("Donnelly R & D") will be performed by Donnelly until sufficient personnel have been transferred to the Company. It is anticipated that the Company will promptly retain sufficient resources to provide Donnelly R & D and that Donnelly's support would be minimal.

(b) COSTS AND EXPENSES. Lear and Donnelly shall each be responsible for their own direct and indirect costs and expenses of their respective sales activities provided pursuant to this Agreement. Neither Lear nor Donnelly will be reimbursed for any such expenses with respect to Prior Contracts (as hereinafter defined) or New Contracts (as hereinafter defined), except as specifically approved by the Board of Directors.

Lear will not be reimbursed for any costs incurred by it for Lear R & D with respect to Prior Contracts. Donnelly will be reimbursed for any costs incurred by it for performing Program Management and Advanced Quality to the extent such services were included as expenses of the Company in the business plans submitted by Donnelly. The reimbursement shall be in the amounts set forth on Exhibit A, payable in the years set forth therein.

ARTICLE 2
CONTRACTS TO SUPPLY PRODUCTS TO OEMS

2.1 PARTIES TO PRODUCT CONTRACTS. Contracts to supply Products shall be between the OEM and the Company unless the OEM is a "Lear OEM" or a "Donnelly OEM". Contracts entered into after the Effective Date to supply Products to Lear OEMs shall be

between Lear and the Lear OEM, and purchase orders under such contracts shall be issued by the Lear OEM to Lear. Contracts entered into after the Effective Date to supply Products to Donnelly OEMs shall be between Donnelly and the Donnelly OEM, and purchase orders under such contracts shall be issued by the Donnelly OEM to Donnelly. Notwithstanding the foregoing, an OEM may contract directly with the Company or obtain appropriate assurances from the Company if the OEM so requests.

2.2 PRODUCT CONTRACTS PRIOR TO THE EFFECTIVE DATE. Contracts entered into by Lear or Donnelly or projects sourced to them prior to the Effective Date and included within their Business Plan to supply Products ("Prior Contracts") shall remain between the parties to such Prior Contract.

2.3 NEGOTIATION OF CONTRACTS. The Company and any other party providing sales and customer support to an OEM agree to cooperate with each other in preparing bids and negotiating contracts to supply Products to OEMs. The prices and terms will be established based upon customer requirements and needs as negotiated with the OEMs, provided that the final price and terms for any new contract to supply Products to an OEM (a "New Contract") will be established by the Company.

2.4 COMPANY CONTRACTUAL COMMITMENT. With respect to each New Contract or Prior Contract between Lear or Donnelly and an OEM, the Company agrees and consents to be contractually bound to fulfill the contractual obligations of Lear or Donnelly, as the case may be, with respect to such New Contract or Prior Contract on the terms and conditions specified therein; provided, however, that the price to be received by the Company and other terms shall be modified as provided by this Agreement. The Company agrees to execute such documentation as Lear, Donnelly or an OEM may deem reasonably necessary to evidence the obligations of the Company pursuant to this Section 2.4.

2.5 WARRANTY AND INDEMNIFICATION. With respect to contracts between an OEM and Lear or Donnelly with respect to Products, the Company will warrant to Lear or Donnelly, as the case may be, the same warranties made by Lear or Donnelly to the OEMs pursuant to the Prior Contracts and New Contracts. The Company agrees to indemnify, defend and hold Lear and Donnelly and their respective officers, directors, employees and affiliates harmless from and against any and all loss, damage, claim, expense (including reasonable attorney's fees) or other liability resulting from or relating to any warranty or product liability claim concerning Products supplied by the Company, including Products supplied pursuant to Prior Contracts or New Contracts; provided, however, that the Company makes no warranty and shall have no obligation to indemnify a Member concerning components supplied to the Company by such Member. The Company shall have the right to participate in the negotiation, litigation and shall have the right to approve any settlement

(which approval will not be unreasonably withheld) of any such claim for which the Company is obligated to indemnify pursuant to this paragraph. With respect to components supplied by a Member or its Affiliate to the Company, the manufacturer of such component shall provide the Company with a warranty comparable to the warranty customarily provided by such manufacturer to third party purchasers of such components.

ARTICLE 3
PURCHASE ORDERS, INVOICING AND PAYMENT PROCEDURES

3.1 PURCHASE ORDERS. With respect to both New Contracts and Prior Contracts between an OEM and Lear or Donnelly, it is contemplated that the OEM which is a party to such contract will issue purchase orders to Lear or Donnelly, whichever is a party to that contract. On the Effective Date, with respect to Prior Contracts and promptly upon receipt of a new purchase order for Products, Lear or Donnelly, as the case may be, shall promptly issue a corresponding purchase order to the Company on the same terms and, except as permitted by this Agreement, at the same price.

The purchase order terms and conditions from the Member to the Company will include all terms and conditions contained in the OEM purchase order to the Member, including delivery and product warranty terms. The Company shall indemnify and hold harmless the Member from and against all loss, cost, expense (including but not limited to costs of litigation and defense, attorneys fees, expert witnesses, consultants and litigation support services or devices), liability settlement or damages ("Damages") arising from any claim based on the manufacture, assembly, delivery, sale or use of the Product, except for Damages caused by the design or engineering performed by such Member.

3.2 SHIPMENT OF PRODUCT. Unless otherwise specified, Products shall be shipped directly from the Company to the OEM purchasing such Product. Shipment notices shall be transmitted simultaneously to the OEM and the Member responsible for sales to that OEM.

3.3 COMPANY INVOICES TO LEAR OR DONNELLY.

(a) With respect to New Contracts between an OEM and Lear or Donnelly, the Company will invoice Lear for Products shipped to Lear OEMs and will invoice Donnelly for Products shipped to Donnelly OEMs. In the case of New Contracts, the amount of such invoices shall be equal to 100% of the amount to be invoiced to the OEM except as otherwise agreed to by the Member and the Company pursuant to the last sentence of Section 1.4 hereof.

(b) With respect to Prior Contracts, the Company will invoice Lear or Donnelly whichever is a party to such Prior Contract for Products shipped to OEMs.

(c) With respect to Products shipped directly to a Member for further processing by that Member, the price from the Company to a Member shall be determined by the Board of Directors of the Company.

3.4 INVOICES TO OEMS.

The parties shall agree on a method for promptly invoicing OEM customers.

3.5 ACCOUNTS RECEIVABLE.

(a) Lear and Donnelly shall each be responsible for accounting for, managing and collecting accounts receivable owed to them by OEM customers.

(b) Company invoices to Donnelly or Lear shall result in an account receivable owed by Donnelly or Lear, as the case may be, to the Company. Any such accounts receivable shall be payable on the 30th prox day of the month following invoicing. Such payment terms shall apply regardless of whether Donnelly or Lear, as the case may be, has collected the corresponding account receivable from the OEM; provided, however, that if the actions or omissions of the Company are responsible for a delay in payment by the OEM to Lear or Donnelly with respect to a particular invoice, then the Company shall not receive payment of its corresponding account receivable until the OEM has paid Lear or Donnelly, as the case may be.

ARTICLE 4
COMPANY PURCHASES FROM MEMBERS

4.1 DONNELLY AS PREFERRED SUPPLIER OF ELECTRONICS.

(a) The Company agrees that Donnelly shall be the preferred supplier of Electronic Components. For purposes of this Agreement, "Electronic Components" shall mean those electronics described on Exhibit B which are included within Products, except proprietary electronics of other Persons consented to by Donnelly or specified by an OEM customer after Donnelly has been given the opportunity to persuade the OEM customer to

utilize Donnelly Electronic Components or proprietary Electronic Components available through Donnelly. Donnelly may add to the electronics specified on Exhibit B from time to time any type of electronic device on which it has expended or committed to expend $50,000 for Product Development.

(b) When the Company intends to purchase Electronic Components, the Company shall provide Donnelly with specifications for such Electronic Components so that Donnelly may prepare a quotation for the Company's consideration. The Company shall not provide specifications to or solicit bids from any third party until such quotation has been submitted by Donnelly, provided such submission by Donnelly is timely made. The Company will not design, engineer, manufacture Electronic Components or purchase any Electronic Components from any person other than Donnelly unless:

(i) Donnelly consents, or;

(ii) An OEM customer has specified another Person's Electronic Component; and Donnelly has been given the opportunity to persuade the OEM customer to purchase or specify a Donnelly Electronic Component; or

(iii) Donnelly is not competitive in terms of technology, price, quality and delivery of Electronic Component; provided, however, that if the Company does not believe Donnelly is competitive, it shall inform Donnelly the reasons it is not competitive and provide Donnelly the opportunity to revise its quotations, specifications, or delivery system; provided further, that with respect to any Products which will be sold to countries of the European Economic Area, the Company shall not inform Donnelly of the price or specific terms of any bid for Electronic Components by any other Person.

Donnelly's status as preferred supplier of Electronic Components shall not obligate Donnelly to supply any particular Electronic Component and shall not obligate Donnelly to match any particular third party quotation.

4.2 DONNELLY AS PREFERRED SUPPLIER OF REAR VISION SYSTEMS. The Company agrees that Donnelly shall be the preferred supplier of Rear Vision Systems. For purposes of this Agreement, "Rear Vision Systems" shall include all systems to provide vision or

object detection behind or along side of a vehicle other than by direct vision, including, but not limited to inside and outside mirrors, camera systems, and blind spot detection systems and all features which are added to or are a part thereof.

The Company will not purchase any Rear Vision Systems from any person other than Donnelly unless:

(a) Donnelly consents, or;

(b) An OEM customer has specified another Person's Rear Vision System; and Donnelly has been given the opportunity to persuade the OEM customer to purchase or specify a Donnelly Rear Vision System, or

(c) Donnelly is not competitive in terms of technology, price, quality and delivery of Rear Vision Systems; provided, however, that if the Company does not believe Donnelly is competitive, it shall inform Donnelly the reasons it is not competitive and provide Donnelly the opportunity to revise its quotations, specifications, or delivery system; provided further, that with respect to any Products which will be sold to countries of the European Economic Area, the Company shall not inform Donnelly of the price or specific terms of any bid for Rear Vision Systems by any other Person.

The Company will not engage in the business of designing, manufacturing, assembling, or selling Rear Vision Systems, except to the extent of assembling mirrors in connection with the integrated electronics and overhead system for Volvo pursuant to the existing purchase order form Volvo to Eurotrim.

Donnelly's status as a preferred supplier of Rear Vision Systems shall not obligate Donnelly to provide any particular Rear Vision System and shall not obligate Donnelly to match any particular third party quotation.

4.3 LEAR AS PREFERRED SUPPLIER. The Company agrees that Lear shall be the preferred supplier of those components of Products to which the parties may agree from time to time ("Lear Components"). The Company will not purchase any Lear Components from any person other than Lear unless:

(a) Lear consents, or;

(b) An OEM customer has specified another Person's Lear Component; and Lear has been given the opportunity to persuade the OEM customer to purchase or specify a Lear Component manufactured by Lear, or

(c) Lear is not competitive in terms of technology, price, quality and delivery of Lear Components; provided, however, that if the Company does not believe Lear is competitive, it shall inform Lear the reasons it is not competitive and provide Lear the opportunity to revise its quotations, specifications, or delivery system; provided further, that with respect to any Products which will be sold to countries of the European Economic Area, the Company shall not inform Lear of the price or specific terms of any bid for Lear Components by any other Person. Lear's status as a preferred supplier of Lear Components shall not obligate Lear to supply any particular Lear Components and shall not obligate Lear to match any particular third party quotation.

4.4 CERTAIN SUPPLY ARRANGEMENTS. Pursuant to the Transfer Agreement, certain of Donnelly's assets and operations in its Grand Haven, Michigan facility and certain of Lear's assets and operations in its Sheboygan, Wisconsin and Colne and Tipton, England facilities (collectively, the "Designated Facilities") will be transferred to the Company at a future date pursuant to the Transfer Agreement. Prior to such transfer, Products produced by each of the Designated Facilities by Lear or Donnelly, as the case may be, pursuant to New Contracts and Prior Contracts shall be supplied to the Company on the prices and terms described in Exhibit C until the date such Designated Facility is transferred to the Company pursuant to the Transfer Agreement.

4.5 DHT ARRANGEMENTS. With respect to Prior Contracts for which Donnelly's affiliate DHT is a supplier and which are not assignable and with respect to Prior Contracts or New Contracts manufactured under any license of DHT which cannot be transferred or sublicensed, DHT will subcontract the Products from the Company and the Company will supply the Products to DHT on the terms of such Prior Contracts and New Contracts and DHT will resell the Products to the OEM that is a party to such contracts.

ARTICLE 5
TERM AND TERMINATION

5.1 TERM. This Agreement shall continue so long as Lear and Donnelly are both Members of the Company unless otherwise terminated as provided herein.

5.2 DEFAULT. If any party fails to comply with any of its obligations hereunder, and after notice such failure continues for thirty (30) days with respect to a monetary default or sixty (60) days with respect to a non-monetary default, such action shall constitute a default hereunder and under the Operating Agreement, provided, however, if a non-monetary default under this Agreement cannot reasonably and with due diligence and good faith be cured within said 60-day period, and if the defaulting party promptly commences and proceeds to complete the cure of such default with due diligence and in good faith, the 60-day period with respect to such default shall be extended to include such additional period of time as may be reasonably necessary to cure such default.

5.3 REMEDIES ON DEFAULT. Upon the occurrence of a default hereunder which is not cured during the applicable cure period, the non-breaching parties shall have the rights and remedies available at law and in equity and may institute arbitration and/or legal proceedings in accordance with Section 6.11 hereof with respect to any damages or losses incurred by the non-defaulting party. If the default is by a Member and the default is a Material Default as defined in the Operating Agreement, the other Member shall also have all rights provided in the Operating Agreement, including that included in Section 4.5(c) thereof.

ARTICLE 6
CONSTRUCTION

6.1 GOVERNING LAW. This Agreement shall be governed by and construed in accordance with the laws of the State of Michigan without giving effect to any applicable principles of conflicts of laws.

6.2 NOTICES. All notices and other communications under this Agreement shall be in writing and shall be deemed to have been duly given when delivered (i) in person, (ii) to the extent receipt is confirmed, by telecopy, facsimile or other electronic transmission service, (iii) by a nationally recognized overnight courier service, or (iv) by registered or certified mail (postage prepaid return receipt requested), to the parties at the following address:

To Lear:	Lear Corporation 21557 Telegraph Road Southfield, Michigan 48034 Attention: Vice President and General Counsel Telecopy No. (248) 746-1677
To Donnelly or Eurotrim:	Donnelly Corporation

414 East Fortieth Street
Holland, Michigan 49423
Attention: John Donnelly
Telecopy No. (616) 786-6034

With a copy to: Varnum, Riddering, Howlett & Schmidt LLP
Suite 1600, Bridgewater Place
333 Bridge Street, N.W., P.O. Box 352
Grand Rapids, Michigan 49504
Attention: Daniel Molhoek
Telecopy No. (616) 336-7000

To the Company: Lear Donnelly Overhead Systems, L.L.C.
39650 Orchard Hill Place
Novi, Michigan 48375
Attention: Richard Perreault
Telecopy No. _____

6.3 SEVERABILITY. If any provision of this Agreement shall be conclusively determined by a court of competent jurisdiction to be invalid or unenforceable to any extent, the remainder of this Agreement shall not be affected thereby.

6.4 BINDING EFFECT. Except as otherwise provided herein, this Agreement shall inure to the benefit of and be binding upon the parties, their respective successors, legal representatives and permitted assigns.

6.5 NO THIRD PARTY RIGHTS. This Agreement is intended to create enforceable rights between the parties hereto only, and creates no rights in, or obligations to, any other Persons whatsoever.

6.6 TIME IS OF ESSENCE. Time is of the essence in the performance of each and every obligation herein imposed.

6.7 SCHEDULES INCLUDED IN EXHIBITS; INCORPORATION BY REFERENCE. Any reference to an Exhibit to this Agreement contained herein shall be deemed to include any Schedules to such Exhibit. Each of the Exhibits referred to in this Agreement, and each Schedule to such Exhibits, is hereby incorporated by reference in this Agreement as if such Schedules and Exhibits were set out in full in the text of this Agreement.

6.8 AMENDMENTS. This Agreement may not be amended except by written agreement executed by duly authorized officers of all of the parties hereto.

6.9 ENTIRE AGREEMENT; SECTION HEADINGS. This Agreement, the Operating Agreement and the agreements contemplated by the Operating Agreement constitute the entire Agreement among the parties hereto relating to the subject matter hereof and supersede all prior agreements, understandings, and arrangements, oral or written, among the parties with respect to the subject matter hereof. The Section headings in this Agreement are for reference purposes only and shall be affect in any way the meaning or interpretation of this Agreement.

6.10 ASSIGNMENT. This Agreement and each and every covenant, term and condition hereof shall be binding upon and inure to the benefit of the parties and their respective successors and permitted assigns. Except as otherwise specifically provided in this Agreement or the Operating Agreement (particularly Section 9.2(a) thereof), neither this Agreement nor any rights or obligations hereunder shall be assignable or be delegated directly or indirectly by any party hereto to a third party (other than an Affiliate of the Member) without the prior written consent of all the parties to this Agreement.

In the event either Member withdraws from the Company pursuant to Section 4.4 of the Operating Agreement, all of its rights hereunder and all contracts between that Member and OEMs for the sale of Products shall be assigned to the other Member. Provided, however, if an OEM will not permit such transfer, the withdrawing Member will continue to fulfill its obligations to the OEM under its contracts and to the Company under this Agreement.

6.11 ARBITRATION. Any dispute, controversy or claim (hereinafter "Dispute") between the parties of any kind or nature whatsoever, arising under or related to this Agreement whether arising in contract, tort or otherwise, shall be resolved according to the following procedure. If a Dispute (excluding business decisions to be voted on by Members or Directors) arises among the Members under this Agreement or any Ancillary Agreement which is not resolved by good faith negotiation, then such Dispute, upon 30 days' prior notice from one Member to the other of its intent to arbitrate (an "Arbitration Notice"), shall be submitted to and settled by arbitration; provided, however, that nothing contained herein shall preclude any party hereto from seeking or obtaining (a) injunctive relief, or (b) equitable or other judicial relief to enforce the provisions hereof or to preserve the status quo pending resolution of disputes hereunder. Such arbitration shall be conducted in accordance with the commercial arbitration rules of the American Arbitration Association existing at the time of submission by one arbitrator. The Members shall attempt to agree upon an arbitrator. If one cannot be agreed upon, the Member which did not give the Arbitration Notice may

request the Chief Judge of the United States District Court for the Eastern District of Michigan or the Chief Judge of the United States District Court for the Western District of Michigan to appoint an arbitrator. If he or she will not, the arbitrator shall be appointed by the American Arbitration Association. If an arbitrator so selected becomes unable to serve, his or her successor shall be similarly selected or appointed. All arbitration hearings shall be conducted on an expedited schedule, and all proceedings shall be confidential. Either Member may at its expense make a stenographic record thereof. The arbitrator shall apportion all costs and expenses of arbitration (including the arbitrator's fees and expenses, the fees and expenses of experts, and the fees and expenses of counsel to the parties), between the prevailing and non-prevailing Member as the arbitrator deems fair and reasonable. Any arbitration award shall be binding and enforceable against the parties hereto and judgment may be entered thereon in any court of competent jurisdiction. The arbitration

will take place at Southfield, Michigan or Grand Rapids, Michigan at the election of the Member not giving the Arbitration Notice.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

LEAR CORPORATION
("Lear")

By /s/ J. F. McCarthy
_____

DONNELLY CORPORATION
("Donnelly")

By /s/ John Donnelly
_____

DONNELLY EUROTRIM LIMITED
("Eurotrim")

By /s/ Richard Perreault
_____

EMPETEK

By /s/ Richard Perreault
_____

LEAR DONNELLY OVERHEAD SYSTEMS, LLC

By /s/Richard Perreault
_____

LIST OF EXHIBITS AND SCHEDULES

EXHIBIT A	REIMBURSEMENT FOR PRIOR CONTRACTS
EXHIBIT B	ELECTRONIC COMPONENTS
EXHIBIT C	PURCHASE PRICE FROM MEMBER FACILITIES

EXHIBIT C

PURCHASE PRICE FROM MEMBER FACILITIES

	COMPANY PRICE AS A PERCENT OF PRICE TO CUSTOMER		
	1998	1999	2000
Grand Haven	64	77.1	77.1
Sheboygan	90.5	91.9	91.9
Colne & Tipton	89.3	88.3	88

EXHIBIT F

DONNELLY NONCOMPETITION AND NON-SOLICITATION AGREEMENT

THIS NONCOMPETITION AND NON-SOLICITATION AGREEMENT ("Agreement") is dated as of November, 1997 by and among LEAR CORPORATION, a Delaware corporation ("Lear"), and DONNELLY CORPORATION, a Michigan corporation ("Donnelly"). Capitalized terms not otherwise defined herein shall have the meaning set forth in the Operating Agreement (as defined below).

RECITALS

WHEREAS, as of the date hereof, Donnelly and Lear have been admitted as members of Lear Donnelly Overhead Systems, L.L.C., a Michigan limited liability company (the "Company"), and Lear and Donnelly have entered into an Operating Agreement of the Company dated of even date herewith (the "Operating Agreement");

WHEREAS, pursuant to, and in consideration of Lear's entering into the Operating Agreement, Donnelly has agreed to enter into this Agreement;

NOW, THEREFORE, in consideration of the promises and of the mutual covenants, agreements and understandings contained herein and in the Operating Agreement, the receipt and adequacy of which are hereby acknowledged, the parties hereto agree as follows:

1. COVENANTS.

(A) UNAUTHORIZED DISCLOSURE. Donnelly acknowledges that given Donnelly's relationship with the Company, Donnelly has and will transfer certain information to the Company and/or Lear, and has been and will be exposed to and has received and will receive information relating to the confidential affairs of the Company, including, without limitation, business and marketing plans, strategies, customer information, other information concerning the Company's products, promotions, development, financing, expansion plans, and other forms of information considered by the Company to be confidential and in the nature of trade secrets (collectively, the "Confidential Information"). The term Confidential Information shall include, without limitation, information relating to the Company's manuals, procedures, Products, designs, technology, practices, pricing, and methods of designing, engineering, testing and manufacturing Products except technology know-how, and other intellectual property rights licensed by Donnelly to the Company. Donnelly agrees that, during the Term and thereafter, it will keep all Confidential Information strictly confidential;

during the Term it will not use any Confidential Information except on behalf of the Company; and during the Term and thereafter it will not disclose any Confidential Information, either directly or indirectly, to any Person without the prior written consent of Lear. This confidentiality covenant has no temporal, geographical or territorial restriction. Upon termination of this Agreement, Donnelly will promptly deliver to Lear all notes, memoranda, writings, lists, files, reports, customer lists, correspondence, tapes, disks, cards, maps, logs, data, drawings or any other tangible product or document that has been produced by, received by or otherwise submitted to Donnelly during or prior to the Term which constitutes or embodies Confidential Information of the Company.

(B) NONCOMPETITION. Except as provided on Exhibit A, Donnelly agrees that it will not during the Term, directly or indirectly (including, without limitation, through an Affiliate), be or become, own, manage, operate, join, finance, advise or counsel, consult with, control, or participate in the ownership, management, operation or control of, or be connected in any other manner including, without limitation, being a stockholder (excepting less than 1% stockholdings for investment purposes only in securities of publicly held and traded companies), member, partner or investor in, any Competing Enterprise. Competing Enterprise means any Person engaged in a business or operation anywhere in the world (collectively, the "Territory") which is directly or indirectly in the business of designing, engineering, manufacturing, selling, marketing and/or servicing of Products. Donnelly acknowledges and agrees that the agreements contained in this Section 1(b) are reasonable and necessary to protect the legitimate business interests of Lear and the Company and are legal, valid and binding obligations of Donnelly enforceable to the fullest extent permitted by applicable law.

(C) NON-SOLICITATION. Donnelly agrees that, during the Term, it will not in any way, directly or indirectly (including, without limitation, through an Affiliate), solicit for employment or endeavor to entice away from the Company or Lear, any Person who is an employee or full time consultant of the Company or Lear, other than Persons whose employment with the Company or Lear shall have been terminated by the Company or Lear, as the case may be, prior to the date of solicitation; provided, however, this Section 1(c) shall not prevent Donnelly from employing any such Person who contacts Donnelly on his or her own initiative without any direct or indirect solicitation by, or encouragement from, Donnelly; provided further, that this Section 1(c) shall not be deemed to prohibit any general solicitations of employment not specifically directed at particular employees of the Company or Lear.

(D) REMEDIES. Donnelly and Lear agree that any breach of the terms of this Agreement would result in irreparable injury and damage to the Company and/or Lear for which the Company and/or Lear would have no adequate remedy at law; therefore, Donnelly also agrees that in the event of any such breach, the Company and/or Lear shall be entitled

to an immediate injunction and restraining order to prevent such breach by Donnelly (including any and all Persons acting for or with it) without having to prove actual damages or post a bond or other security, and to recover all costs and expenses incurred by the Company, including reasonable attorneys' fees and costs, in addition to any other remedies to which the Company and/or Lear may be entitled at law or in equity. The terms of this Section 1(d) shall not be construed as an election of remedies nor prevent the Company and/or Lear from pursuing any other available remedies for any breach hereof, including, without limitation, the recovery of damages. Donnelly and Lear further agree that the provisions of the covenants set forth in this Section 1 are reasonable and valid. Should a court of competent jurisdiction or arbitration tribunal determine, however, that any provision of any of such covenants is unreasonable, either in period of time, scope, geographical area or otherwise, the parties hereto agree that the covenant shall be interpreted and/or reformed and be enforced to the maximum extent that such court or arbitration tribunal deems reasonable.

2. EXCLUSIONS TO NONCOMPETITION. Notwithstanding the provisions of Section 1(b) above, and any provision of the Operating Agreement:

(a) If Donnelly becomes aware of an opportunity for the manufacture or sale of a Product which Donnelly believes the Company should pursue (the "Opportunity"), Donnelly shall present that Opportunity together with all relevant information regarding the Opportunity to the Company. The Board of Directors of the Company shall meet within thirty (30) days after Donnelly presents the Opportunity and all relevant information to the Company to decide whether the Company should pursue the Opportunity. If the Company does not undertake the Opportunity because one or more of the directors appointed by Lear votes against it, then Donnelly may pursue that Opportunity independently, even though it involves the manufacture or sale of Products; provided, however:

(i) Donnelly shall not expand the scope of the Products being manufactured or sold, the customer base for the Products, or the geographic area in which the Products are manufactured or sold, without again first offering each such Opportunity to the Company in accordance with the provisions of Section 2(a) hereof (for direct sale in the event of a purchaser other than an original equipment manufacturer of automobiles or light duty trucks ("OEM") or for manufacture under the terms of the Purchase and Supply Agreement in the event the purchaser is an OEM).

(ii) The Company shall have an option for one (1) year after the date Donnelly has begun the business of the Opportunity to purchase Donnelly's interest in the Opportunity at a price equal to the sum of the amount Donnelly paid for that Opportunity, capital expenditures incurred by Donnelly in connection with such Opportunity, the net

operating loss incurred by Donnelly in connection with such Opportunity, and interest on such expenditures and losses at the rate of Member loans to the Company.

(iii) For five (5) years following the expiration of the one (1) year option period referenced in Section 2(a)(ii), the Company will have continuing option to purchase Donnelly's interest in the Opportunity for its Fair Market Value (as defined in the Operating Agreement) as of the time of exercise of this option, payable in cash.

(b) If Donnelly has an opportunity to acquire a business (whether by purchase of capital stock or assets or otherwise) which includes among other lines of business the manufacture or sale of one or more Products (the "Target Business"), Donnelly shall present the opportunity to the Company. Donnelly may present the opportunity to purchase the entire Target Business, or if Donnelly wishes to acquire the remaining portion of the Target Business, shall offer the Company the option to acquire that portion of the business of the Target Business relating to the manufacture or sale of Products, in either case together with all relevant information regarding the Target Business. The purchase price for the portion of the Target Business relating to the manufacture or sale of Products shall be allocated based upon the respective Fair Market Values of each portion of the Target Business. The Board of Directors of the Company shall meet within thirty (30) days after Donnelly presents the opportunity to acquire the Target Business (or portion thereof relating to the manufacture or sale of Products) and all relevant information regarding the Target Business to the Company to decide whether the Company should acquire the Target Business or portion thereof relating to the manufacture or sale of Products, as the case may be. If the Company does not undertake to purchase the Target Business or the portion of the Target Business relating to the manufacture or sale of Products because one or more of the directors appointed by Lear votes against it, then Donnelly may acquire the Target Business or portion thereof relating to the manufacture or sale of Products independently, even though it involves the manufacture or sale of Products. In the event Donnelly acquires all or any portion of the Target Business consisting of the manufacture or sale of Products:

(i) Donnelly shall not expand the scope of the Products being manufactured or sold, the customer base for the Products, or the geographic area in which the Products are manufactured or sold by the Target Business, without again first offering each such opportunity to the Company in accordance with the provisions of Section 2(b) (for direct sale in the event of a purchaser other than an OEM or for manufacture under the terms of a Purchase and Supply Agreement in the event of a purchaser which is an OEM).

(ii) The Company shall have an option for one (1) year after the date Donnelly has consummated the purchase of the Target Business or portion thereof consisting of the manufacture or sale of Products to purchase that portion of the Target Business relating to the manufacture or sale of Products, as the case may be, for a price equal to the

part of the following that is related to the manufacture or sale of Products: the sum of the purchase price for the Target Business, capital expenditures incurred by Donnelly in connection with the Target Business, any net operating loss incurred by Donnelly in connection with the Target Business, and interest on any of the expenditures or losses at the rate of Member loans to the Company.

(iii) For five years following the expiration of the one (1) year option period referenced in Section 2(b)(ii), the Company will have a continuing option to purchase Donnelly's interest in that portion of the Target Business related to the manufacture or sale of Products for its Fair Market Value (as defined in the Operating Agreement) as of the time of exercise of this option, payable in cash.

(c) The determination of whether the Company will accept an Opportunity presented pursuant to Section 2(a), acquire a Target Business or the portion thereof relating to the manufacture or sale of Products pursuant to Section 2(b), or exercise an option pursuant to Sections 2(a)(ii), 2(a)(iii), 2(b)(ii) or 2(b)(iii) will be made solely by the directors of the Company appointed by Lear.

(d) As a condition to Donnelly's pursuing the Opportunity or Target Business independently if the Company elects not to undertake the Opportunity or acquire the Target Business, Donnelly shall (i) ensure that the Opportunity and Donnelly's interest in the Opportunity or that part of Target Business manufacturing or selling Products are transferable to the Company, (ii) not sell or assign its interest in the Opportunity or the part of the Target Business to an Affiliate unless the Affiliate agrees to be bound by this Agreement, (iii) notify the Company at least sixty (60) days prior to entering into an agreement to sell or assign all or any part of its interest in the Opportunity or the Target Business during the period of the options granted pursuant to Sections 2(a) (ii), 2(a)(iii), 2(b)(ii) or 2(b)(iii) hereof, and (iv) not take any other actions which would frustrate the intent and purpose of the options granted in this Section 2.

3. ACKNOWLEDGMENTS.

(a) INTERESTS OF LEAR. Donnelly acknowledges that (i) the business of the Company is or may be carried on throughout the Territory, the Company is interested in and solicits or canvasses opportunities throughout the Territory and its competitors are located throughout the Territory, (ii) the Company's reputation in the industry and its relationship with customers are the result of the transfer of value from Lear and Donnelly, (iii) the nature of the Company's business is such that the ongoing relationship between the Company and its customers and suppliers are material and have a significant effect on the ability of the Company to continue its business successfully, and (iv) any injury or damage to the

Company caused by a breach of the terms of this Agreement by Donnelly would cause injury or damage to Lear.

(b) ADVICE OF COUNSEL. Donnelly acknowledges that it has been represented in connection with this Agreement and the Operating Agreement by competent legal counsel of its choice and that it is fully informed of all legal and practical implications of the covenants entered into by it. Donnelly has entered into this Agreement and the Operating Agreement freely and without any undue influence or coercion by Lear or any other Person.

4. TERM. The term of this Agreement (the "Term") shall begin on the date hereof and end on the date two (2) years after the date of the withdrawal of Donnelly as a Member of the Company (whether by voluntary or involuntary withdrawal, upon the sale or Transfer of its Interest to a Person other than an Affiliate, or upon the complete liquidation and dissolution of the Company); provided, however, in the event of any breach by Donnelly of the provisions of Section 1(b) hereof, the Term shall be extended with respect to the covenants contained in Section 1(b) for such period as such breach continues. Nothing in this Agreement shall create any right in Donnelly to be or remain a Member of the Company.

5. TERMINATION OF AGREEMENT. This Agreement shall terminate at the end of the Term except with respect to any breach of this Agreement that shall have occurred prior to such termination and with respect to any provisions of this Agreement which by their terms expressly continue in effect beyond the expiration of the Term. The existence of any claim or cause of action by Donnelly against Lear or the Company, whether predicated on this Agreement, the Operating Agreement or otherwise, shall not constitute a defense to the enforcement by Lear and/or the Company of the covenants and agreements contained in Section 1 hereof.

6. EFFECTIVENESS. This Agreement shall become effective as of the date of this Agreement.

7. NOTICES. Every notice relating to this Agreement shall be in writing and shall be deemed given (i) upon delivery if sent by facsimile transmission(provided receipt is confirmed by a report from the facsimile machine from which the facsimile was transmitted); upon delivery if sent by personal delivery; three (3) business days after mailing if mailed by registered or certified mail, postage prepaid, return receipt requested; or one (1) business day after sending if sent by reputable overnight courier, in each case to the parties at the following addresses and/or facsimile numbers:

If to Donnelly:

Donnelly Corporation,
414 East Fortieth Street
Holland, Michigan 49423
Attention: John Donnelly
Telecopy No. (616) 786-6034

If to Lear:

Lear Corporation
21557 Telegraph Road
Southfield, Michigan 48034
Attention: Vice President and General Counsel
Telecopy No. (248) 746-1677.

8. BINDING EFFECT; ASSIGNMENT. This Agreement shall be binding upon and shall inure to the benefit of Lear, the Company and its successors and assigns. This Agreement shall be binding upon and shall inure to the benefit of Donnelly and its successors. Neither this Agreement nor any right or interest hereunder shall be assignable or transferable by Donnelly without the prior written consent of Lear.

9. MISCELLANEOUS. No provision of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing and signed by duly authorized officers of Donnelly and Lear. No waiver by either party hereto at any time of any breach by the other party hereto of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. No agreement or representation, oral or written, express or implied, with respect to the subject matter hereof has been made by either party which is not expressly set forth in this Agreement.

10. ENTIRE AGREEMENT. This Agreement sets forth the entire understanding of the parties hereto with respect to the subject matter hereof and supersedes all prior or contemporaneous agreements, promises, representations or understandings, written or oral, between them as to such subject matter.

11. HEADING. The headings contained herein are solely for the purpose of reference, are not part of this Agreement and shall not in any way affect the meaning or interpretation of this Agreement.

12. SEVERABILITY. If any provision of this Agreement, or any application thereof to any circumstances, is invalid, in whole or in part, such provision or application shall to

that extent be severable and shall not affect other provisions or applications of this Agreement.

13. DEFINITIONS. For purposes of this Agreement:

(a) "AFFILIATE" means a Person who, with respect to any other Person, directly or indirectly through one or more intermediaries controls, is controlled by or is under common control with such other Person.

(b) "CONTROL" means the right, directly or indirectly, to elect a majority of the Board of Directors, Operating Committee or similar governing body of an entity.

(c) "PERSON" means and includes, without limitation, an individual, a partnership, a joint venture, a corporation, a limited liability company, a trust, a business association or other entity, an unincorporated organization, or a government or a governmental entity.

14. GOVERNING LAW. This Agreement shall be governed by and construed in accordance with the laws of the State of Michigan without reference to the principles of conflict of laws.

15. ARBITRATION. Any dispute, controversy or claim (hereinafter "Dispute") between the parties of any kind or nature whatsoever, arising under or relating to this Agreement whether arising in contract, tort or otherwise, shall be resolved according to the following procedure. The parties agree that if a Dispute arises under this Agreement which is not resolved by good faith negotiation, then such Dispute, upon 30 days' prior written notice from one party to the other of its intent to arbitrate (an "Arbitration Notice"), shall be submitted to and settled exclusively by final and binding arbitration; provided, however, that nothing contained herein shall preclude any party hereto from seeking or obtaining from a court of competent jurisdiction (a) injunctive relief, or (b) equitable or other judicial relief to specifically enforce the provisions hereof or to preserve the status quo pending resolution of disputes hereunder. The parties specifically acknowledge and agree that the provisions of Section 1 of this Agreement shall be specifically enforced by a court of competent jurisdiction and that any claim for damages under this Agreement, although arising out of the same facts and circumstances, shall nonetheless be resolved through arbitration hereunder. Such arbitration shall be conducted in accordance with Michigan law and the Commercial Arbitration Rules of the American Arbitration Association existing at the time of submission by one arbitrator. The Members shall attempt to agree upon an arbitrator. If one cannot be agreed upon, the Member which did not give the Arbitration Notice may request the Chief Judge of the United States District Court for the Eastern District of Michigan or the Chief Judge of the United States District Court for the Western District of Michigan to appoint an

arbitrator. If an arbitrator so selected becomes unable to serve, his or her successor shall be similarly selected or appointed. All arbitration hearings shall be conducted on an expedited schedule, and all proceedings shall be confidential. Either party may at its expense make a stenographic record thereof. The arbitrator shall apportion all costs and expenses of arbitration (including the arbitrator's fees and expenses, the reasonable fees and expenses of experts, and the fees and expenses of counsel to the parties), between the prevailing and non-prevailing party as the arbitrator deems fair and reasonable. Any arbitration award shall be binding and enforceable against the parties hereto and judgment may be entered thereon in any court of competent jurisdiction. The arbitration will take place at Southfield, Michigan or Grand Rapids, Michigan at the election of the Member not giving the Arbitration Notice.

16. COUNTERPARTS. This Agreement may be executed with counterpart signature pages or in separate counterparts, each of which shall for all purposes be deemed to be an original and all of which taken together shall constitute one and the same Agreement.

17. RECITALS. The Recitals to this Agreement are incorporated herein as a part of this Agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Noncompetition Agreement to be executed by their duly authorized officers as of the date first written above.

LEAR CORPORATION

By /s/ J. F. McCarthy

_____ _____

Its:_____

DONNELLY CORPORATION

By: /s/ Dwane Baumgardner

_____ _____

Dwane Baumgardner

Its:Chief Executive Officer and President

_____

EXHIBIT A

Donnelly shall be permitted to design, manufacture and sell electronics, lenses and optics, and flat and curved coated glass for displays, to Persons other than the Company, even if such electronics constitute or are part of Products.

EXHIBIT G

LEAR NONCOMPETITION AND NON-SOLICITATION AGREEMENT

THIS NONCOMPETITION AND NON-SOLICITATION AGREEMENT ("Agreement") is dated as of [ ], 1997 by and among LEAR CORPORATION, a Delaware corporation ("Lear"), and DONNELLY CORPORATION, a Michigan corporation ("Donnelly"). Capitalized terms not otherwise defined herein shall have the meaning set forth in the Operating Agreement (as defined below).

RECITALS

WHEREAS, as of the date hereof, Donnelly and Lear have been admitted as members of Lear Donnelly Overhead Systems, L.L.C., a Michigan limited liability company (the "Company"), and Lear and Donnelly have entered into an Operating Agreement of the Company dated of even date herewith (the "Operating Agreement");

WHEREAS, pursuant to, and in consideration of Donnelly's entering into the Operating Agreement, Lear has agreed to enter into this Agreement;

NOW, THEREFORE, in consideration of the promises and of the mutual covenants, agreements and understandings contained herein and in the Operating Agreement, the receipt and adequacy of which are hereby acknowledged, the parties hereto agree as follows:

1. COVENANTS.

(a) UNAUTHORIZED DISCLOSURE. Lear acknowledges that given Lear's relationship with the Company, Lear has and will transfer certain information to the Company and/or Donnelly, and has been and will be exposed to and has received and will receive information relating to the confidential affairs of the Company, including, without limitation, business and marketing plans, strategies, customer information, other information concerning the Company's products, promotions, development, financing, expansion plans, and other forms of information considered by the Company to be confidential and in the nature of trade secrets (collectively, the "Confidential Information"). The term Confidential Information shall include, without limitation, information relating to the Company's manuals, procedures, Products, designs, technology, practices, pricing, and methods of designing, engineering, testing and manufacturing Products except technology know-how and other intellectual property rights licensed by Lear to the Company. Lear agrees that, during the

Term and thereafter, it will keep all Confidential Information strictly confidential; during the Term it will not use any Confidential Information except on behalf of the Company; and during the Term and thereafter it will not disclose any Confidential Information, either directly or indirectly, to any Person without the prior written consent of Donnelly. This confidentiality covenant has no temporal, geographical or territorial restriction. Upon termination of this Agreement, Lear will promptly deliver to Donnelly all notes, memoranda, writings, lists, files, reports, customer lists, correspondence, tapes, disks, cards, maps, logs, data, drawings or any other tangible product or document that has been produced by, received by or otherwise submitted to Lear during or prior to the Term which constitutes or embodies Confidential Information of the Company.

(b) NONCOMPETITION. Except as provided on Exhibit A, Lear agrees that except through ownership in the Company it will not during the Term, directly or indirectly (including, without limitation, through an Affiliate), be or become, own, manage, operate, join, finance, advise or counsel, consult with, control, or participate in the ownership, management, operation or control of, or be connected in any other manner including, without limitation, being a stockholder (excepting less than 1% stockholdings for investment purposes only in securities of publicly held and traded companies), member, partner or investor in, any Competing Enterprise. Competing Enterprise means any Person engaged in a business or operation anywhere in the world (collectively, the "Territory") which is directly or indirectly in the business of designing, engineering, manufacturing, selling, marketing and/or servicing of Products. Lear acknowledges and agrees that the agreements contained in this Section 1(b) are reasonable and necessary to protect the legitimate business interests of Donnelly and the Company and are legal, valid and binding obligations of Lear enforceable to the fullest extent permitted by applicable law.

(c) NON-SOLICITATION. Lear agrees that, during the Term, it will not in any way, directly or indirectly (including, without limitation, through an Affiliate), solicit for employment or endeavor to entice away from the Company or Donnelly, any Person who is an employee or full time consultant of the Company or Donnelly, other than Persons whose employment with the Company or Lear shall have been terminated by the Company or Donnelly, as the case may be, prior to the date of solicitation; provided, however, this Section 1(c) shall not prevent Lear from employing any such Person who contacts Lear on his or her own initiative without any direct or indirect solicitation by, or encouragement from, Lear; provided further, that this Section 1(c) shall not be deemed to prohibit any general solicitations of employment not specifically directed at particular employees of the Company or Donnelly.

(d) REMEDIES. Lear and Donnelly agree that any breach of the terms of this Agreement would result in irreparable injury and damage to the Company and/or Donnelly

for which the Company and/or Donnelly would have no adequate remedy at law; therefore, Lear also agrees that in the event of any such breach, the Company and/or Donnelly shall be entitled to an immediate injunction and restraining order to prevent such breach by Lear (including any and all Persons acting for or with it) without having to prove actual damages or post a bond or other security, and to recover all costs and expenses incurred by the Company, including reasonable attorneys' fees and costs, in addition to any other remedies to which the Company and/or Donnelly may be entitled at law or in equity. The terms of this Section 1(d) shall not be construed as an election of remedies nor prevent the Company and/or Lear from pursuing any other available remedies for any breach hereof, including, without limitation, the recovery of damages. Lear and Donnelly further agree that the provisions of the covenants set forth in this Section 1 are reasonable and valid. Should a court of competent jurisdiction or arbitration tribunal determine, however, that any provision of any of such covenants is unreasonable, either in period of time, scope, geographical area or otherwise, the parties hereto agree that the covenant shall be interpreted and/or reformed and be enforced to the maximum extent that such court or arbitration tribunal deems reasonable.

2. EXCLUSIONS TO NONCOMPETITION. Notwithstanding the provisions of Section 1(b) above, and any provision of the Operating Agreement:

(a) If Lear becomes aware of an opportunity for the manufacture or sale of a Product which Lear believes the Company should pursue (the "Opportunity"), Lear shall present that Opportunity together with all relevant information regarding the Opportunity to the Company. The Board of Directors of the Company shall meet within thirty (30) days after Lear presents the Opportunity and all relevant information to the Company to decide whether the Company should pursue the Opportunity. If the Company does not undertake the Opportunity because one or more of the directors appointed by Donnelly votes against it, then Lear may pursue that Opportunity independently, even though it involves the manufacture or sale of Products; provided, however:

(i) Lear shall not expand the scope of the Products being manufactured or sold, the customer base for the Products, or the geographic area in which the Products are manufactured or sold, without again first offering each such Opportunity to the Company in accordance with the provisions of Section 2(a) hereof (for direct sale in the event of a purchaser other than an original equipment manufacturer of automobiles or light duty trucks ("OEM") or for manufacture under the terms of the Purchase and Supply Agreement in the event the purchaser is an OEM).

(ii) The Company shall have an option for one (1) year after the date Lear has begun the business of the Opportunity to purchase Lear's interest in the Opportunity

at a price equal to the sum of the amount Lear paid for that Opportunity, capital expenditures incurred by Lear in connection with such Opportunity, the net operating loss incurred by Lear in connection with such Opportunity, and interest on such expenditures and losses at the rate of Member loans to the Company.

(iii) For five (5) years following the expiration of the one (1) year option period referenced in Section 2(a)(ii), the Company will have continuing option to purchase Lear's interest in the Opportunity for its Fair Market Value (as defined in the Operating Agreement) as of the time of exercise of this option, payable in cash.

(b) If Lear has an opportunity to acquire a business (whether by purchase of capital stock or assets or otherwise) which includes among other lines of business the manufacture or sale of one or more Products (the "Target Business"), Lear shall present the opportunity to the Company. Lear may present the opportunity to purchase the entire Target Business, or if Lear wishes to acquire the remaining portion of the Target Business, shall offer the Company the option to acquire that portion of the business of the Target Business relating to the manufacture or sale of Products, in either case together with all relevant information regarding the Target Business. The purchase price for the portion of the Target Business relating to the manufacture or sale of Products shall be allocated based upon the respective Fair Market Values of each portion of the Target Business. The Board of Directors of the Company shall meet within thirty (30) days after Lear presents the opportunity to acquire the Target Business (or portion thereof relating to the manufacture or sale of Products) and all relevant information regarding the Target Business to the Company to decide whether the Company should acquire the Target Business or portion thereof relating to the manufacture or sale of Products, as the case may be. If the Company does not undertake to purchase the Target Business or the portion of the Target Business relating to the manufacture or sale of Products because one or more of the directors appointed by Donnelly votes against it, then Lear may acquire the Target Business or portion thereof relating to the manufacture or sale of Products independently, even though it involves the manufacture or sale of Products. In the event Lear acquires all or any portion of the Target Business consisting of the manufacture or sale of Products:

(i) Lear shall not expand the scope of the Products being manufactured or sold, the customer base for the Products, or the geographic area in which the Products are manufactured or sold by the Target Business, without again first offering each such opportunity to the Company in accordance with the provisions of Section 2(b) (for direct sale in the event of a purchaser other than an OEM or for manufacture under the terms of a Purchase and Supply Agreement in the event of a purchaser which is an OEM).

(ii) The Company shall have an option for one (1) year after the date Lear has consummated the purchase of the Target Business or portion thereof consisting of the manufacture or sale of Products to purchase that portion of the Target Business relating to the manufacture or sale of Products, as the case may be, for a price equal to the part of the following that is related to the manufacture or sale of Products: the sum of the purchase price for the Target Business, capital expenditures incurred by Lear in connection with the Target Business, any net operating loss incurred by Lear in connection with the Target Business, and interest on any of the expenditures or losses at the rate of Member loans to the Company.

(iii) For five years following the expiration of the one (1) year option period referenced in Section 2(b)(ii), the Company will have a continuing option to purchase Lear's interest in that portion of the Target Business related to the manufacture or sale of Products for its Fair Market Value (as defined in the Operating Agreement) as of the time of exercise of this option, payable in cash.

(c) The determination of whether the Company will accept an Opportunity presented pursuant to Section 2(a), acquire a Target Business or the portion thereof relating to the manufacture or sale of Products pursuant to Section 2(b), or exercise an option pursuant to Sections 2(a)(ii), 2(a)(iii), 2(b)(ii) or 2(b)(iii) will be made solely by the directors of the Company appointed by Lear.

(d) As a condition to Lear's pursuing the Opportunity or Target Business independently if the Company elects not to undertake the Opportunity or acquire the Target Business, Lear shall (i) ensure that the Opportunity and Lear's interest in the Opportunity or that part of Target Business manufacturing or selling Products are transferable to the Company, (ii) not sell or assign its interest in the Opportunity or the part of the Target Business to an Affiliate unless the Affiliate agrees to be bound by this Agreement, (iii) notify the Company at least sixty (60) days prior to entering into an agreement to sell or assign all or any part of its interest in the Opportunity or the Target Business during the period of the options granted pursuant to Sections 2(a) (ii), 2(a)(iii), 2(b)(ii) or 2(b)(iii) hereof, and (iv) not take any other actions which would frustrate the intent and purpose of the options granted in this Section 2.

3. ACKNOWLEDGMENTS.

(a) INTERESTS OF DONNELLY. Lear acknowledges that (i) the business of the Company is or may be carried on throughout the Territory, the Company is interested in and solicits or canvasses opportunities throughout the Territory and its competitors are located throughout the Territory, (ii) the Company's reputation in the industry and its relationship

with customers are the result of the transfer of value from Donnelly and Lear, (iii) the nature of the Company's business is such that the ongoing relationship between the Company and its customers and suppliers are material and have a significant effect on the ability of the Company to continue its business successfully, and (iv) any injury or damage to the Company caused by a breach of the terms of this Agreement by Lear would cause injury or damage to Donnelly.

(b) ADVICE OF COUNSEL. Lear acknowledges that it has been represented in connection with this Agreement and the Operating Agreement by competent legal counsel of its choice and that it is fully informed of all legal and practical implications of the covenants entered into by it. Lear has entered into this Agreement and the Operating Agreement freely and without any undue influence or coercion by Donnelly or any other Person.

4. TERM. The term of this Agreement (the "Term") shall begin on the date hereof and end on the date two (2) years after the date of the withdrawal of Lear as a Member of the Company (whether by voluntary or involuntary withdrawal, upon the sale or Transfer of its Interest to a Person other than an Affiliate, or upon the complete liquidation and dissolution of the Company); provided, however, in the event of any breach by Lear of the provisions of Section 1(b) hereof, the Term shall be extended with respect to the covenants contained in Section 1(b) for such period as such breach continues. Nothing in this Agreement shall create any right in Lear to be or remain a Member of the Company.

5. TERMINATION OF AGREEMENT. This Agreement shall terminate at the end of the Term except with respect to any breach of this Agreement that shall have occurred prior to such termination and with respect to any provisions of this Agreement which by their terms expressly continue in effect beyond the expiration of the Term. The existence of any claim or cause of action by Lear against Donnelly or the Company, whether predicated on this Agreement, the Operating Agreement or otherwise, shall not constitute a defense to the enforcement by Donnelly and/or the Company of the covenants and agreements contained in Section 1 hereof.

6. EFFECTIVENESS. This Agreement shall become effective as of the date of this Agreement.

7. NOTICES. Every notice relating to this Agreement shall be in writing and shall be deemed given (i) upon delivery if sent by facsimile transmission(provided receipt is confirmed by a report from the facsimile machine from which the facsimile was transmitted); upon delivery if sent by personal delivery; three (3) business days after mailing if mailed by registered or certified mail, postage prepaid, return receipt requested; or one (1) business day

after sending if sent by reputable overnight courier, in each case to the parties at the following addresses and/or facsimile numbers:

If to Lear:

Lear Corporation
21557 Telegraph Road
Southfield, Michigan 48034
Attention: Vice President and General Counsel
Telecopy No. (248) 746-1677

If to Donnelly:

Donnelly Corporation,
414 East Fortieth Street
Holland, Michigan 49423
Attention: John Donnelly
Telecopy No. (616) 786-6034

8. BINDING EFFECT; ASSIGNMENT. This Agreement shall be binding upon and shall inure to the benefit of Donnelly, the Company and its successors and assigns. This Agreement shall be binding upon and shall inure to the benefit of Lear and its successors. Neither this Agreement nor any right or interest hereunder shall be assignable or transferable by Lear without the prior written consent of Donnelly.

9. MISCELLANEOUS. No provision of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing and signed by duly authorized officers of Lear and Donnelly. No waiver by either party hereto at any time of any breach by the other party hereto of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. No agreement or representation, oral or written, express or implied, with respect to the subject matter hereof has been made by either party which is not expressly set forth in this Agreement.

10. ENTIRE AGREEMENT. This Agreement sets forth the entire understanding of the parties hereto with respect to the subject matter hereof and supersedes all prior or contemporaneous agreements, promises, representations or understandings, written or oral, between them as to such subject matter.

11. HEADING. The headings contained herein are solely for the purpose of reference, are not part of this Agreement and shall not in any way affect the meaning or interpretation of this Agreement.

12. SEVERABILITY. If any provision of this Agreement, or any application thereof to any circumstances, is invalid, in whole or in part, such provision or application shall to that extent be severable and shall not affect other provisions or applications of this Agreement.

13. DEFINITIONS. For purposes of this Agreement:

(a) "AFFILIATE" means a Person who, with respect to any other Person, directly or indirectly through one or more intermediaries controls, is controlled by or is under common control with such other Person.

(b) "CONTROL" means the right, directly or indirectly, to elect a majority of the Board of Directors, Operating Committee or similar governing body of an entity.

(c) "PERSON" means and includes, without limitation, an individual, a partnership, a joint venture, a corporation, a limited liability company, a trust, a business association or other entity, an unincorporated organization, or a government or a governmental entity.

14. GOVERNING LAW. This Agreement shall be governed by and construed in accordance with the laws of the State of Michigan without reference to the principles of conflict of laws.

15. ARBITRATION. Any dispute, controversy or claim (hereinafter "Dispute") between the parties of any kind or nature whatsoever, arising under or relating to this Agreement whether arising in contract, tort or otherwise, shall be resolved according to the following procedure. The parties agree that if a Dispute arises under this Agreement which is not resolved by good faith negotiation, then such Dispute, upon 30 days' prior written notice from one party to the other of its intent to arbitrate (an "Arbitration Notice"), shall be submitted to and settled exclusively by final and binding arbitration; provided, however, that nothing contained herein shall preclude any party hereto from seeking or obtaining from a court of competent jurisdiction (a) injunctive relief, or (b) equitable or other judicial relief to specifically enforce the provisions hereof or to preserve the status quo pending resolution of disputes hereunder. The parties specifically acknowledge and agree that the provisions of Section 1 of this Agreement shall be specifically enforced by a court of competent jurisdiction and that any claim for damages under this Agreement, although arising out of the

same facts and circumstances, shall nonetheless be resolved through arbitration hereunder. Such arbitration shall be conducted in accordance with Michigan law and the Commercial Arbitration Rules of the American Arbitration Association existing at the time of submission by one arbitrator. The Members shall attempt to agree upon an arbitrator. If one cannot be agreed upon, the Member which did not give the Arbitration Notice may request the Chief Judge of the United States District Court for the Eastern District of Michigan or the Chief Judge of the United States District Court for the Western District of Michigan to appoint an arbitrator. If an arbitrator so selected becomes unable to serve, his or her successor shall be similarly selected or appointed. All arbitration hearings shall be conducted on an expedited schedule, and all proceedings shall be confidential. Either party may at its expense make a stenographic record thereof. The arbitrator shall apportion all costs and expenses of arbitration (including the arbitrator's fees and expenses, the reasonable fees and expenses of experts, and the fees and expenses of counsel to the parties), between the prevailing and non-prevailing party as the arbitrator deems fair and reasonable. Any arbitration award shall be binding and enforceable against the parties hereto and judgment may be entered thereon in any court of competent jurisdiction. The arbitration will take place at Southfield, Michigan or Grand Rapids, Michigan at the election of the Member not giving the Arbitration Notice.

16. COUNTERPARTS. This Agreement may be executed with counterpart signature pages or in separate counterparts, each of which shall for all purposes be deemed to be an original and all of which taken together shall constitute one and the same Agreement.

17. RECITALS. The Recitals to this Agreement are incorporated herein as a part of this Agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Noncompetition Agreement to be executed by their duly authorized officers as of the date first written above.

LEAR CORPORATION

_____ By: /s/ J. F. McCarthy
_____

Its:_____

DONNELLY CORPORATION

_____

By: /s/Dwane Baumgardner

_____

Dwane Baumgardner

Its: Chief Executive Officer and President

_____

EXHIBIT A

Lear shall be permitted to:

1) Continue the design, manufacture and sale of:

   (a) headliners for current models of the Ford Taurus and Windstar, provided it subcontracts the substrate to the Company.

   (b) the sunshade and MGB convertible hardtop currently manufactured at its facility in Colne, England.

2) Design, manufacture and sell to Persons other than the Company, interior pillar covers which are not integrated with or attached to headliners.

3) Continue its 40% ownership of [Impassa], its joint venture in Mexico, provided (a) Lear will take whatever action permitted by it under its joint venture agreement to restrict Impassa from selling Products in the Territory, and (b) the Company shall have an option to purchase Lear's interest in Impassa at any time during the five years following the date of this Agreement at a price of Fair Market Value (as defined in the Operating Agreement), payable in cash.

4) Design, manufacture and sell to Persons other than the Company those electronics described on a Schedule those electronics which Lear has developed or to which Lear has rights and which are mutually agreed to by Donnelly and Lear within 30 days after the date hereof, even if such electronics constitute or are part of the Products.

EXHIBIT H

1. Projected aggregate EBITDA for calendar 1998 and 1999 for the Transferred Lear Assets and related business operations contributed by Lear is $24,131,000.

2. Projected aggregate EBITDA for calendar 1998 and 1999 for the Transferred Donnelly Assets and related business operations contributed by Donnelly is $15,903,000.

EXHIBIT 10.29

EXHIBIT B

LEAR CORPORATION
LONG-TERM STOCK INCENTIVE PLAN

DEFERRAL AND RESTRICTED STOCK UNIT AGREEMENT

DEFERRAL AND RESTRICTED STOCK UNIT AGREEMENT (the "Agreement") dated as of , 1997 (the "Effective Date"), between Lear Corporation ("Company") and the individual whose name appears on the signature page hereof (the "Participant"), who is a key employee of the Company or an Affiliate. Any term capitalized herein but not defined shall have the meaning set forth in the Lear Corporation Long-Term Stock Incentive Plan (the "Plan").

1. Deferral Election.

a. In accordance with the terms of the Plan, the Participant hereby elects to defer:

i. ____% (enter any percentage less than or equal to 100%), but not to exceed $_____, of the bonus payable to the Participant under the Company's Senior Executive Incentive Compensation Plan or Management Incentive Compensation Plan paid in the first quarter of 1998; and

ii. ____% (enter any percentage less than or equal to 90%), but not to exceed $_____, of the base salary payable to the Participant for the pay periods ending after December 31, 1997 and before January 1, 1999.

For purposes of this Agreement, "base salary" shall mean a Participant's annual base salary rate on January 1, 1998 from the Company or an Affiliate, including any elective contributions of the Participant that are not includable in his gross income under Code Sections 125 or 401(k), but before taking into account any deferral under this Agreement.

2. Restricted Stock Units. In consideration for the Participant's deferral of the bonus under Section 1(a)(i), the Participant shall be credited as of April 1, 1998 with a number of Restricted Stock Units ("Bonus Restricted Stock Units") under the Plan equal to the amount deferred under Section 1(a)(i) increased by twenty-five percent of such amount divided by the Fair Market Value of a share of the Company's common stock, par value $.01 per share ("Common Stock"), on the date in 1998 that the incentive bonus checks are issued (the "Bonus Date"). In consideration of the Participant's deferral of base salary under Section 1(a)(ii), the Participant shall be credited as of April 1, 1998 with a number of Restricted Stock Units ("Salary Restricted Stock Units") under the Plan equal to the amount deferred under Section 1(a)(ii) increased by twenty-five percent of such amount divided by the Fair Market Value of a share of Common Stock on the Bonus Date. Bonus Restricted Stock Units and Salary Restricted Stock Units shall collectively be referred to as Restricted Stock Units.

3. Restriction Period. The Restriction Period under this Agreement shall be the three year period commencing on April 1, 1998 and ending on March 31, 2001.

4. Dividend Equivalents. If the Company declares a cash dividend on its Common Stock, the Participant shall be credited with dividend equivalents under this Agreement equal to the amount of the cash dividend per share multiplied by the Restricted Stock Units credited to the Participant under Section 2 through the record date for such dividend. Such dividend equivalents shall accrue as a contingent cash obligation to the Participant as of the payment date for the dividend and be credited to a notional account established for the Participant ("Dividend Equivalent Account"). Interest shall be credited to a Participant's Dividend Equivalent Account until payment of such account to the Participant. The rate of such interest shall be the prime rate of interest as reported by the Midwest edition of the Wall Street Journal for the second business day of each quarter plus one percent.

5. Timing and Form of Payout. Except as hereinafter provided in this Section or Sections 6, 7 or 8, after the end of the Restriction Period, the Participant shall be entitled to receive a number of shares of Common Stock equal to the number of Restricted Stock Units credited to the Participant under Section 2 and a cash payment equal to the amount of credited to the Participant's Dividend Equivalents Account under Section 4. Delivery of such shares of Common Stock shall be made as soon as administratively feasible after the end of the Restriction Period or such later date as may have been elected by the Participant. Delivery of the cash payment of any amount credited to the Participant's Dividend Equivalent Account shall be made as soon as administratively feasible after the end of the Restriction Period. Notwithstanding anything herein to the contrary, the Committee may defer delivery of any shares of Common Stock or any cash payment to the Participant under this Section if the delivery of such shares of Common Stock or such cash payment would constitute compensation to the Participant that is not deductible by the Company or an Affiliate due to the application of Code Section 162(m); provided, that any such shares of Common Stock or any such cash payment deferred under this sentence shall in any event be delivered to the Participant on or before the January 15 of the first year in which the Participant is no longer a "covered employee" of the Company (within the meaning of Code Section 162(m)) following the end of the Restriction Period or, if later, the date elected by the Participant.

6. Termination of Employment Due to Death, Retirement or Disability.

(a) BEFORE APRIL 1, 1998. If the Participant ceases to be an employee prior to April 1, 1998 by reason of death, Retirement or Disability, the Participant (or in the case of the Participant's death, the Participant's beneficiary) shall be entitled to receive a number of shares of Common Stock equal to the sum of:

i. the quotient of (I) the amount of base salary deferred under Section 1(a)(ii) increased by twenty-five percent of such amount multiplied by a fraction, the numerator of which is the number of full pay periods in the period beginning on January 1, 1998 and ending on the date the Participant ceases to be an

employee and the denominator of which is twenty-four, divided by (II) the Fair Market Value of a share of Common Stock on the Bonus Date; and

ii. the quotient of (i) the amount of bonus deferred under Section 1(a)(i) increased by twenty-five percent of such amount divided by (II) the Fair Market Value of a share of Common Stock on the Bonus Date.

Such shares of Common Stock shall be distributed as soon as administratively feasible after March 31, 1998.

(b) AFTER MARCH 31, 1998 BUT BEFORE JANUARY 1, 1999. If the Participant ceases to be an employee after March 31, 1998 but prior to January 1, 1999 by reason of death, Retirement or Disability, the Participant (or in the case of the Participant's death, the Participant's beneficiary) shall be entitled to receive a cash payment equal to the Participant's Dividend Equivalents Account under Section 4 and a number of shares of Common Stock equal to the sum of:

i. the number of Salary Restricted Stock Units credited to the Participant under Section 2 multiplied by a fraction, the numerator of which is the number of full pay periods in the period beginning on January 1, 1998 and ending on the date the Participant ceases to be an employee and the denominator of which is twenty-four; and

ii. the number of Bonus Restricted Stock Units credited to the Participant under Section 2.

(c) AFTER DECEMBER 31, 1998. If the Participant ceases to be an employee after December 31, 1998 but prior to the end of the Restriction Period by reason of death, Retirement or Disability, the Participant (or in the case of the Participant's death, the Participant's beneficiary) shall be entitled to receive a number of shares of Common Stock equal to the number of Restricted Stock Units credited to the Participant under Section 2 and a cash payment equal to the Participant's Dividend Equivalent Account under Section 4.

(d) BENEFICIARY. Any distribution made with respect to a Participant who has died shall be paid to the beneficiary designated by the Participant pursuant to Article 11 of the Plan to receive the Participant's shares of Common Stock and any cash payment under this Award. If the Participant's beneficiary predeceases the Participant or no beneficiary has been designated, distribution of the Participant's shares of Common Stock and any cash payment shall be made to the Participant's surviving spouse and if none, to the Participant's estate.

7. Involuntary Termination Other Than For Cause.

(a) BEFORE APRIL 1, 1998. A Participant whose employment involuntarily terminates other than for Cause or any reason described in Section 6 prior to April 1, 1998 shall be entitled to receive a number of shares of Common Stock equal to the sum of :

i. the lesser of:

A. the quotient of (I) the total amount of base salary deferred under Section 1(a)(ii) multiplied by a fraction, the numerator of which is the number of full pay periods in the period beginning on January 1, 1998 and ending on the date the Participant ceases to be an employee and the denominator of which is twenty-four divided by (II) the Fair Market Value of a share of Common Stock on the date the Participant ceases to be an employee, or

B. the quotient of (I) the total amount of base salary deferred under Section 1(a)(ii) multiplied by a fraction, the numerator of which is the number of full pay periods in the period beginning on January 1, 1998 and ending on the date the Participant ceases to be an employee and the denominator of which is twenty-four divided by (II) the Fair Market Value of a share of Common Stock on the Bonus Date; and

ii. the lesser of:

A. the quotient of (I) the total amount of bonus deferred under Section 1(a)(i) divided by (II) the Fair Market Value of a share of Common Stock on the date the Participant ceases to be an employee, or

B. the quotient of (I) the total amount of bonus deferred under Section 1(a)(i) increased by twenty-five percent divided by (II) the Fair Market Value of a share of Common Stock on the Bonus Date.

Such shares of Common Stock shall be distributed as soon as administratively feasible after March 31, 1998.

(b) AFTER MARCH 31, 1998 BUT BEFORE JANUARY 1, 1999. A Participant whose employment involuntarily terminates other than for Cause or for any reason described in Section 6 after March 31, 1998 but prior to January 1, 1999 shall be entitled to receive a number of shares of Common Stock equal to the sum of i, ii, iii and iv as defined below.

i. the number of Salary Restricted Stock Units credited to the Participant under Section 2 multiplied by a fraction, the numerator of which is the number of full pay periods in the period beginning on January 1, 1998 and ending on the date the Participant ceases to be an employee and the denominator of which

is twenty-four, multiplied by a fraction, the numerator of which is the number of full calendar months in the period beginning on April 1, 1998 and ending on the date the Participant ceases to be an employee and the denominator of which is thirty-six; and

ii. the number of Bonus Restricted Stock Units credited to the Participant under Section 2 multiplied by a fraction, the numerator of which is the number of full calendar months in the period beginning on April 1, 1998 and ending on the date the Participant ceases to be an employee and the denominator of which is thirty-six; and

iii. the lesser of:

A. the quotient of (I) the total amount of base salary deferred under Section 1(a)(ii) multiplied by a fraction, the numerator of which is the number of full pay periods in the period beginning on January 1, 1998 and ending on the date the Participant ceases to be an employee and the denominator of which is twenty-four, multiplied by a fraction, the numerator of which is the number of full calendar months remaining in the Restriction Period and the denominator of which is thirty-six, divided by (II) the Fair Market Value of a share of Common Stock on the date the Participant ceases to be an employee, or

B. the number of Salary Restricted Units determined under Section 2 multiplied by a fraction, the numerator of which is the number of full pay periods in the period beginning on January 1, 1998 and ending on the date the Participant ceases to be an employee and the denominator of which is twenty-four, multiplied by a fraction, the numerator of which is the number of full calendar months remaining in the Restriction Period and the denominator of which is thirty-six; and

iv. the lesser of:

A. the quotient of (I) the total amount of bonus deferred under Section 1(a)(i) multiplied by a fraction, the numerator of which is the number of full calendar months remaining in the Restriction Period and the denominator of which is thirty-six, divided by (II) the Fair Market Value of a share of Common Stock on the date the Participant ceases to be an employee, or

B. the number of Bonus Restricted Stock Units determined under Section 2 multiplied by a fraction, the numerator of which is the

number of full calendar months remaining in the Restriction Period and the denominator of which is thirty-six.

(c) AFTER DECEMBER 31, 1998. A Participant whose employment involuntarily terminates, other than for Cause or for any reason described in Section 6, after December 31, 1998 but prior to the end of the Restriction Period shall be entitled to receive a number of shares of Common Stock equal to the sum of:

i. the number of the Restricted Stock Units credited to the Participant under Section 2 multiplied by a fraction, the numerator of which is the number of full calendar months in the period beginning on April 1, 1998 and ending on the date the Participant ceases to be an employee and the denominator of which is thirty-six, and

ii. the lesser of:

A. the quotient of (I) the total amount deferred under Section 1 multiplied by a fraction, the numerator of which is the number of full calendar months remaining in the Restriction Period and the denominator of which is thirty-six, divided by (II) the Fair Market Value of a share of Common Stock on the date the Participant ceases to be an employee, or

B. the number of his Restricted Stock Units determined under Section 2 multiplied by a fraction, the numerator of which is the number of full calendar months remaining in the Restriction Period and the denominator of which is thirty-six.

8. Termination of Employment for Any Other Reason.

(a) BEFORE APRIL 1, 1998. A Participant who terminates employment for any reason other than those described in Sections 6 and 7 prior to April 1, 1998 shall be entitled to receive a number of shares of Common Stock equal to the sum of:

i. the quotient of (I) the total amount of base salary deferred under Section 1(a)(ii) multiplied by a fraction, the numerator of which is the number of full pay periods in the period beginning on January 1, 1998 and ending on the date the Participant ceases to be an employee and the denominator of which is twenty-four, divided by (II) the Fair Market Value of a share of Common Stock on Bonus Date; and

ii. the quotient of (I) the total amount of bonus deferred under Section 1(a)(i) divided by (II) the Fair Market Value of a share of Common Stock on the Bonus Date.

Such shares of Common Stock shall be distributed as soon as administratively feasible after March 31, 1998.

(b) AFTER MARCH 31, 1998 BUT BEFORE JANUARY 1, 1999. A Participant who terminates employment for any reason other than those described in Sections 6 and 7 after March 31, 1998 but prior to January 1, 1999 shall be entitled to receive a number of shares of Common Stock equal to the sum of:

i. the lesser of:

A. the quotient of (I) the total amount of base salary deferred under Section 1(a)(ii) multiplied by a fraction, the numerator of which is the number of full pay periods in the period from January 1, 1998 to the date the Participant ceases to be an employee and the denominator of which is twenty-four, divided by (II) the Fair Market Value of a share of Common Stock on the date the Participant ceases to be an employee, or

B. the number of Salary Restricted Stock Units credited to the Participant multiplied by a fraction, the numerator of which is the number of full pay periods in the period from January 1, 1998 to the date the Participant ceases to be an employee and the denominator of which is twenty-four; and

ii. the lesser of:

A. the total amount of bonus deferred under Section 1(a)(i) divided by the Fair Market Value of a share of Common Stock on the date the Participant ceases to be an employee, or

B. the number of Bonus Restricted Stock Units credited to the Participant under Section 2.

(c) AFTER DECEMBER 31, 1998. A Participant who terminates employment for any reason other than those described in Sections 6 and 7 after December 31, 1998 but prior to the end of the Restriction Period shall be entitled to receive a number of shares of Common Stock equal to the lesser of: (a) the total amount deferred under Section 1 divided by the Fair Market Value of a share of Common Stock on the date the Participant ceases to be an employee, or (b) the number of Restricted Stock Units credited to the Participant under Section 2.

9. Election to Defer Beyond Restriction Period. Pursuant to rules established by the Committee, the Participant may defer delivery of shares of Common Stock under this Agreement to a date after the Restriction Period expires by making a timely election. In no event, however, may the Participant defer delivery of shares of Common Stock under this Agreement beyond the date the Participant terminates employment.

10. Assignment and Transfers. The rights and interests of the Participant under this Award may not be assigned, encumbered or transferred except, in the event of the death of the Participant, by will or the laws of descent and distribution.

11. Withholding Tax. The Company and any Affiliate shall have the right to retain shares of Common Stock that are distributable to the Participant hereunder to the extent necessary to satisfy any withholding taxes, whether federal or state, triggered by the distribution of shares of Common Stock under this Award.

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

13. Plan and Agreement Not a Contract of Employment. Neither the Plan nor this Agreement is a contract of employment, and no terms of employment of the Participant shall be affected in any way by the Plan, this Agreement or related instruments except as specifically provided therein. Neither the establishment of the Plan nor this Agreement shall be construed as conferring any legal rights upon the Participant for a continuation of employment, nor shall it interfere with the right of the Company or any Affiliate to discharge the Participant and to treat him or her without regard to the effect that such treatment might have upon him or her as a Participant.

14. Participant to Not Have Rights as a Stockholder. The Participant shall not have rights as a stockholder with respect to any shares of Common Stock subject to this Award prior to the date on which he or she is recorded as the holder of such shares of Common Stock on the records of the Company.

15. Notice. Any notice or other communication required or permitted hereunder shall be in writing and shall be delivered personally, or sent by certified, registered or express mail, postage prepaid. Any such notice shall be deemed given when so delivered personally or, if mailed, three days after the date of deposit in the United States mail, in the case of the Company to 21557 Telegraph Road, P. O. Box 5008, Southfield, Michigan, 48086-5008, Attention: Joseph F. McCarthy and, in the case of the Participant, to its address set forth on the signature page hereto or, in each case, to such other address as may be designated in a notice given in accordance with this Section.

16. Governing Law. This Agreement shall be construed and enforced in accordance with, and governed by, the laws of the State of Delaware, determined without regard to its conflict of law rules.

17. Plan Document Controls. The rights herein granted are in all respects subject to the provisions set forth in the Plan to the same extent and with the same effect as if set forth fully herein. In the event that the terms of this Agreement conflict with the terms of the Plan document, the Plan document shall control.

[signature page follows]

IN WITNESS WHEREOF, the Company and the Participant have duly executed this Agreement as of the date first written above.

LEAR CORPORATION

By: _____
Its: _____

_____
[Participant's Signature]

Participant's Name and Address for notices hereunder:

_____

_____

_____

DOCUMENT NUMBER: DOC1.W

EXHIBIT 10.30

LEAR CORPORATION
1996 STOCK OPTION PLAN
[NONQUALIFIED] [INCENTIVE] STOCK OPTION AGREEMENT

STOCK OPTION AGREEMENT (the "Agreement"), dated as of _____, 1996, between Lear Corporation, a Delaware corporation (the "Company"), and the individual whose name appears on the signature page hereof (the "Grantee"), who is a key employee, officer or an Eligible Director (as defined in Section 6(a) of the Plan) of the Company or an Affiliate (as defined in Section 1 of the Plan), or a consultant or advisor who the Committee (as defined in Section 3 of the Plan) has determined provides substantial and important services (as limited in Section 6(a) of the Plan) to the Company.

In accordance with the terms of the Lear Corporation 1996 Stock Option Plan (the "Plan"), the Company hereby grants to the Grantee [a nonqualified] [an incentive] stock option (the "Option") to purchase all or any part of an aggregate of _____(1) shares of common stock, $.01 par value per share ("Common Stock"), of the Company.

To evidence the Option and to set forth its terms and conditions, the Company and the Grantee hereby agree as follows:

1. Confirmation of Grant. The Company hereby evidences and confirms its grant of the Option to the Grantee on the date of this Agreement.

2. Number of Shares. The Option shall be for an aggregate of _____ shares of Common Stock.

- --------

(1) For a grant to an Independent Director under Section 6(k) of the Plan, insert 1,250 shares of Common Stock.

3. Exercise Price. The exercise price shall be $_____ per share of Common Stock for a total of $_____.

4. Medium and Time of Payment.

(a) The exercise price shall be paid in United States dollars and in cash or by certified or cashier's check payable to the order of the Company at the time of purchase.

[(b) The exercise price or any portion thereof, may be paid with: (i) Common Stock acquired through the exercise of an option granted by the Company which Common Stock has been held by the Grantee for at least one year, or any other Common Stock already owned by, and in the possession of, the Grantee; or (ii) any combination of cash, certified or cashier's check, and Common Stock meeting the requirements of clause (i) above.(2)]

(c) Any withholding tax, up to the minimum withholding requirement for supplemental wages, shall be paid with shares of Common Stock issuable to the Grantee upon exercise of the Option.

(d) Shares of Common Stock used to satisfy [the exercise price of the Option and/or (3)] any minimum required withholding tax shall be valued at their fair market value as determined by the Committee as of the date of exercise.

(e) Payment in full of the exercise price is required prior to the issuance of any shares of Common Stock pursuant to the Option.

5. Term, Vesting and Exercise of the Option.

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(2) Use this language if the Grantee may pay all or any portion of the exercise price with shares of Common Stock already owned by the Grantee.

(3) Use this language if the Grantee may pay all or any portion of the exercise price with shares of Common Stock already owned by the Grantee.

(a) The Option shall expire ten years from the date of this Agreement.

(b) The Option shall vest on the earlier of: (i) _____(4), or (ii) the Grantee's [retirement,(5)] death or disability, as defined herein.

(c) The Option shall become exercisable on the earlier of: (i) _____(6), or (ii) the Grantee's [retirement,(7)] death or disability, as defined herein.

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

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(4) For a grant to an Independent Director under Section 6(k) of the Plan, insert the date which is the third anniversary of the date of the Agreement.

(5) Use this language if the Option will vest upon retirement.

(6) For a grant to an Independent Director under Section 6(k) of the Plan, insert the date which is the third anniversary of the date of the Agreement.

(7) Use this language if the Option will become exercisable upon retirement.

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

(e) The Option may be exercised by written notice to the Company indicating the number of shares of Common Stock being purchased. Such notice shall be signed by the Grantee and shall be accompanied by full payment of the exercise price. When the Option becomes vested and exercisable, it may be exercisable in whole at any time or in part from time to time as to any or all full shares of Common Stock under the Option. Notwithstanding the foregoing, the Option may not be exercised for fewer than 100 shares at any one time or fewer than all remaining shares if fewer than 100 shares of Common Stock may be purchased under the Option.

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

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

Grantee has a termination of employment by reason of retirement, and if such termination of employment does not constitute a vesting event under Section 5, the Grantee shall forfeit the Option to the extent that it was not vested and exercisable on the date of his or her termination of employment.

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

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

(iv) Other Reasons. Except as provided under Section 5(d) hereof, if a Grantee has a termination of employment due to any reason other than those provided above under "Retirement", "Death", or "Disability", the Grantee or his or her estate (in the event of his or her death after such termination) (a) may exercise the Option to the extent that it was vested and exercisable on the date of his or her termination of employment within the 30-day period following such termination (but not later than the date on which the Option would otherwise expire) and (b) shall forfeit the Option to the extent that it was not vested and exercisable on the date of his or her termination of employment.

(v) Independent Directors. An Option received by an Independent Director of the Company pursuant to Section 6(k) of the Plan shall vest and become exercisable in accordance with Section 5 hereof regardless of such Grantee's continued service as a member of the Board of Directors.

For purposes of this Section:

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

(ii) "Retirement" shall mean termination of employment on or after attaining the age established by the Company as the normal retirement age in any unexpired employment agreement between the Grantee and the Company and/or an Affiliate, or, in the absence of such an agreement, the normal retirement age under the defined benefit tax-qualified retirement plan or, if none, the defined contribution tax-qualified retirement plan, sponsored by the Company or an Affiliate in which the Grantee participates.

(iii) A Grantee's "estate" shall mean his or her legal representatives upon his or her death or any person who acquires the right to exercise the Option by reason of the Grantee's death. The Committee may in its discretion require the transferee of a Grantee to

supply it with written notice of the Grantee's death, a copy of the will or such other evidence as the Committee deems necessary to establish the validity of the transfer of the Option.

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

8. Securities Law Requirements.

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

(b) This Option not shall be exercisable in whole or in part, nor shall the Company be obligated to sell any shares of Common Stock subject to such Option, if such exercise and sale may, in the opinion of counsel for the Company, violate the 1933 Act (or other federal or state statutes having similar requirements), as it may be in effect at that time.

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

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

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

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

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

11. Plan and Agreement Not a Contract of Employment. Neither the Plan nor this Agreement is a contract of employment, and no terms of employment of the Grantee shall be affected in any way by the Plan, this Agreement or related instruments except as specifically provided therein. Neither the establishment of the Plan nor this Agreement shall be construed as conferring any legal rights upon the Grantee for a continuation of employment, nor shall it interfere with the right of the Company or any Affiliate to discharge the Grantee and to treat him or her without regard to the effect that such treatment might have upon him or her as the holder of the Option.

12. Grantee to Have No Rights as a Stockholder. The Grantee shall not have any rights as a stockholder with respect to any shares of Common Stock subject to the Option prior to the date on which he or she is recorded as the holder of such shares on the records of the Company. The Grantee shall not have the rights of a stockholder until he or she has paid in full the exercise price.

13. Notice. Any notice or other communication required or permitted hereunder shall be in writing and shall be delivered personally, or sent by certified, registered or express mail, postage prepaid. Any such notice shall be deemed given when so delivered personally or, if mailed, three days after the date of deposit in the United States mail, in the case of the Company to 21557 Telegraph Road, P. O. Box 5008, Southfield, Michigan, 48086-5008, Attention: James H. Vandenberghe and, in the case of the Grantee, to its address set forth on the signature page hereto

or, in each case, to such other address as may be designated in a notice given in accordance with this Section.

14. Governing Law. This Agreement shall be construed and enforced in accordance with, and governed by, the laws of the State of Delaware, determined without regard to its conflict of law rules.

15. Plan Document Controls. The rights herein granted are in all respects subject to the provisions set forth in the Plan to the same extent and with the same effect as if set forth fully herein. In the event that the terms of this Agreement conflict with the terms of the Plan document, the Plan document shall control.

[signature page follows]

IN WITNESS WHEREOF, the Company and the Grantee have duly executed this Agreement as of the date first written above.

LEAR CORPORATION

By: _____
Its: _____

_____
[Grantee's Signature]

Grantee's Name and Address for notices hereunder:

_____

_____

_____

EXHIBIT 10.31

RESTRICTED PROPERTY AGREEMENT

(Not Transferable)

This Agreement, by and between LEAR CORPORATION, a Delaware corporation (the "Company"), pursuant to action of the Lear Corporation Compensation Committee (the "Committee"), and Robert E. Rossiter (the "Employee"), is made and entered into as a separate inducement in connection with the Employee's employment and not in lieu of any salary or other compensation for the Employee's services, awarding to the Employee the property listed in Schedule A hereto, which is hereby incorporated by reference, (the "Restricted Property") pursuant to and subject to the Terms and Conditions attached hereto, which constitute the entire understanding between the Company and the Employee with respect to this Restricted Property Agreement.

This Agreement executed as of December 17th, 1997 (the "Grant Date").

LEAR CORPORATION

/s/ Joseph F. McCarthy
By ----------
Joseph F. McCarthy
Its: Secretary

and

/s/ Robert E. Rossiter
By ----------
Robert E. Rossiter

TERMS AND CONDITIONS OF RESTRICTED PROPERTY AGREEMENT

The term "Affiliate" shall mean any corporation (or partnership, joint venture, or other enterprise), of which the Company owns or controls, directly or indirectly, at least 50% of the outstanding shares of stock normally entitled to vote for the election of directors (or comparable equity participation and voting power).

1. The Employee hereby appoints the Secretary or any Assistant Secretary of the Company, or their delegate (the "Agent"), as agent for the purpose of receiving the property transferred pursuant to paragraph 2 and directs the Agent to hold the property under the terms of and subject to the conditions of this Agreement. The Employee agrees that the Agent shall be empowered to take any action necessary to fulfill the Employee's obligations under the escrow requirements of this Agreement, including, if necessary, the redelivery of forfeited Restricted Property pursuant to paragraph 6 of this Agreement.

2. The Company shall transfer, or cause to be transferred the property listed in Schedule A in the name of the Employee representing the Restricted Property to the Agent in escrow as soon as practicable after execution by both parties of this Agreement. The Company and the Employee agree that the transfer of such property shall constitute the legal equivalent of delivery to the Employee.

3. The Employee agrees that the Restricted Property may not be sold, assigned, transferred, pledged, hypothecated, or otherwise disposed of until the conditions set forth in paragraph 4 satisfied.

4. The restrictions on the Restricted Property set forth in paragraph 3 hereof shall lapse as to any portion of the Restricted Property on the first business day after the Committee (or any successor to the Committee) from time to time, in its sole discretion, approves the release of the restrictions set forth in paragraph 3 with respect to such portion of the Restricted Property. Subject to the discretion of the Committee, the restrictions with respect to a portion of the Restricted Property with a value of $300,000 shall lapse during each of May, 1998, May, 1999 and May, 2000. Notwithstanding the foregoing, if prior to January 1, 2001 the restrictions set forth in paragraph 3 have not been released as to a portion of the Restricted Property, such restrictions shall not lapse with respect to such property and it shall be forfeited pursuant to paragraph 6 hereof.

5. Upon the lapse of restrictions set forth in paragraph 3, the Agent shall transfer, or cause to be transferred, the portion of the Restricted Property representing the property released from restrictions to the Employee or his legal representative as soon as practicable after the lapse of such restrictions.

6. The Employee agrees that upon his termination from the Company and its Affiliates for any reason (including retirement, death or disability) he shall forfeit any rights he may have to the Restricted Property remaining subject to the restrictions set forth in paragraph 3 when he terminates from the Company and its Affiliates. Upon such a forfeiture of rights, the forfeited property shall revert to the Company on the day following the event of

forfeiture and the Employee directs the Agent to retransfer such Restricted Property to the Company.

7. Until such time as the Employee may forfeit any rights he may have under this Agreement in accordance with paragraph 6, the Employee shall be the owner of record for all purposes with respect to the Restricted Property and shall have all rights of an owner of such property, including the right to vote the Restricted Property at any meeting of the owner of such property and the right to receive all dividends declared and paid with respect to the Restricted Property, subject only to the restrictions imposed by this Agreement. If the Employee forfeits any rights he may have with respect to the Restricted Property in accordance with paragraph 6, the Employee shall, on the day following the event of forfeiture, no longer have any rights as an owner with respect to the Restricted Property or any interest therein and the Employee shall no longer be entitled to receive dividends on Restricted Property. In the event that for any reason the Employee shall have received dividends upon Restricted Property after such forfeiture, the Employee shall repay to the Company an amount equal to such dividends.

8. If as a result of a stock dividend, stock split, recapitalization, merger, consolidation, reorganization or other event, the Employee shall, as the owner of the Restricted Property, be entitled to new or additional stock or different stock or securities, such new or additional stock or different stock or securities shall be deemed to be "Restricted Property" for all purposes of this Agreement. The Agent shall hold such new or additional property or different property pursuant to the terms and conditions of this Agreement.

9. Each of the parties hereto agrees to execute and deliver all consents and other instruments and take all other actions deemed necessary or desirable by counsel for the Company to carry out each provision of this Agreement.

10. This Agreement shall be administered by the Committee, which Committee (unless otherwise determined by the Board) shall satisfy the "nonemployee director" requirements of Rule 16b-3 under the Exchange Act and the regulations of Rule 16b-3 under the Exchange Act and the "outside director" provisions of Section 162(m) of the Internal Revenue Code of 1986, as amended, or any successor regulations or provisions. All determinations and decisions made by the Committee pursuant to the provisions of this Agreement shall be final, conclusive and binding on all persons, including the Company, its Board of Directors, its stockholders, all Affiliates, the Employee, and his estate and beneficiaries.

11. The Committee may at any time and from time to time, alter, amend, modify or terminate the Agreement in whole or in part. Notwithstanding the foregoing, no modification of the Agreement shall, without the written consent of the Employee, alter or impair his rights under this Agreement.

12. The Company shall have the power and the right to deduct or withhold, or require the Employee to remit to the Company, an amount sufficient to satisfy federal, state, and local taxes, domestic or foreign, required by law or regulation to be withheld with

respect to any taxable event arising as a result of this Agreement. The Company and any Affiliate shall have the right to retain a portion of the Restricted Property that is distributable to the Employee hereunder to the extent necessary to satisfy any withholding taxes, whether federal or state, triggered by the distribution of such property under this Agreement.

13. Each person who is or has been a member of the Committee, or of the Board, shall be indemnified and held harmless by the Company against and from any loss, cost, liability, or expense that may be imposed upon or reasonably incurred by such person in connection with or resulting from any claim, action, suit, or proceeding to which such person may be a party or in which such person may be involved by reason of any action taken or failure to act under the Agreement and against and from any and all amounts paid by such person in a settlement approved by the Company, or paid by such person in satisfaction of any judgment in any such action, suit, or proceeding against such person, provided such person shall give the Company an opportunity, at its own expense, to handle and defend the same before such person undertakes to handle and defend it. The foregoing right of indemnification shall not be exclusive of any other rights of indemnification to which such persons may be entitled under the Company's Articles of Incorporation or By-Laws, as a matter of law, or otherwise, or any power that the Company may have to indemnify them or hold them harmless.

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

15. This Agreement is not a contract of employment, and no terms of employment of the Employee shall be affected in any way by this Agreement or related instruments except as specifically provided therein. This Agreement shall not be construed as conferring any legal rights upon the Employee for a continuation of employment, nor shall it interfere with the right of the Company or any Affiliate to discharge the Employee and to treat him without regard to the effect that such treatment might have upon him under this Agreement.

16. Any notice or other communication required or permitted hereunder shall be in writing and shall be delivered personally, or sent by certified, registered or express mail, postage prepaid. Any such notice shall be deemed given when so delivered personally or, if mailed, three days after the date of deposit in the United States mail, in the case of the Company to 21557 Telegraph Road, P. O. Box 5008, Southfield, Michigan, 48086-5008, Attention: Joseph F. McCarthy and, in the case of the Employee, to its address set forth on the signature page hereto or, in each case, to such other address as may be designated in a notice given in accordance with this Section.

17. This Agreement shall be construed and enforced in accordance with, and governed by, the laws of the State of Delaware, determined without regard to its conflict of law rules.

SCHEDULE A
LIST OF RESTRICTED PROPERTY

1,500,000 Share of Smith Barney Money Funds
Cash Portfolio Class - A

EXHIBIT 10.32

EXHIBIT C

THIRD AMENDMENT TO THE
LEAR CORPORATION
1992 STOCK OPTION PLAN

The Lear Corporation 1992 Stock Option Plan shall be amended effective as of March 14, 1997 as follows:

1. Section 6 is amended by inserting the following new paragraph at the end thereof:

> "Notwithstanding the foregoing, the option holder may elect in his or her exercise notice to pay any withholding tax, up to the minimum withholding requirements for supplemental wages, with either (y) shares of the Company's common stock issuable to the option holder upon exercise of the option or (z) shares of common stock already owned by, and in the possession of, the option holder, with a fair market value equal to the minimum required withholding tax. Shares of common stock used to satisfy the minimum required withholding tax pursuant to this paragraph shall be valued at their fair market value as determined by the Committee on the date of exercise. The fair market value of the common stock shall be:
>
> (i) the closing price of publicly traded common stock on the national securities exchange on which the common stock is listed (if the common stock is so listed) or the NASDAQ National Market System (if the common stock is regularly quoted on the NASDAQ National Market System);
>
> (ii) if not listed or regularly quoted as described in paragraph (i), the mean between the closing bid and asked prices of publicly traded common stock in the over-the-counter market; or
>
> (iii) if not listed or regularly quoted as described in paragraph (i) and if the bid and asked prices described in paragraph (ii) are not available, as reported by any nationally recognized quotation service selected by the Committee or as determined by the Committee in a manner consistent with the provisions of the Code."

2. Section 4 of each Stock Option Agreement granted under the Plan and dated as of December 31, 1993 shall be amended by inserting the following at the end thereof:

> "Notwithstanding the foregoing, the Grantee may elect in his or her exercise notice to pay any withholding tax, up to the minimum withholding requirement for supplemental wages, with shares of common stock in accordance with Section 6 of the Plan."

EXHIBIT 10.33

FOURTH AMENDMENT TO THE LEAR CORPORATION 1992 STOCK OPTION PLAN

The Lear Corporation 1992 Stock Option Plan shall be amended effective as of August 4, 1997 by adding the following sentence to the end of Section 17(b) of the Plan and Section 9(b) of each Stock Option Agreement of an employee who has an obligations under that certain Third Amended and Restated Secured Promissory Note dated as of August 4, 1997:

> "Notwithstanding the foregoing, the option holder may grant to the Company a security interest in the option or in any portion thereof to secure the option holder's obligations under that certain Third Amended and Restated Secured Promissory Note dated as of August 4, 1997 (as the same may be amended or otherwise modified from time to time, the "Amended and Restated Note"). Notwithstanding anything to the contrary contained herein, upon the occurrence and during the continuation of an event of default under the Amended and Restated Note, the Company may, to the extent expressly authorized under the Amended and Restated Note, exercise all rights of the option holder with respect to the Option or any portion thereof, including the right to exercise the Option in accordance with its terms. In such event, the Company shall be subject to the same limitations and restrictions as apply to the option holder hereunder."

EXHIBIT 11.1

COMPUTATION OF NET INCOME (LOSS) PER SHARE
(In millions, except share information)

	For the Year Ended December 31, 1997		For the Year Ended December 31, 1996	
	Basic	Diluted	Basic	Diluted
Income (loss) before extraordinary items	208.2	$208.2	$151.9	$151.9
Extraordinary items	(1.0)	(1.0)	-	-
Net income (loss)	207.2	$207.2	$151.9	$151.9
Weighted Average Shares:				
Common shares outstanding	4,770	66,304,770	60,485,696	60,485,696
Exercise of stock options (1)	-	1,943,313	-	3,275,938
Exercise of warrants (2)	-	-	-	-
Common and equivalent shares outstanding	4,770	68,248,083	60,485,696	63,761,634
Per Common and Equivalent Share:				
Income (loss) before extraordinary items	$3.14	$3.05	$2.51	$2.38
Extraordinary items	(0.01)	(0.01)	-	-
Net income (loss) per share	$3.13	$3.04	$2.51	$2.38

	For the Year Ended December 31, 1995		For the Year Ended December 31, 1994		For the Year Ended December 31, 1993	
	Basic	Diluted	Basic	Diluted	Basic	Diluted (3)
Income (loss) before extraordinary items	$ 94.2	$ 94.2	$59.8	$59.8	$ (2.1)	$ (2.1)
Extraordinary items	(2.6)	(2.6)	-	-	(11.7)	(11.7)
Net income (loss)	$ 91.6	$ 91.6	$59.8	$59.8	$(13.8)	$(13.8)
Weighted Average Shares:						
Common shares outstanding	944,181	48,944,181	42,602,167	42,602,167	35,500,014	35,500,014
Exercise of stock options (1)	-	3,544,757	-	3,321,954	-	-
Exercise of warrants (2)	-	-	-	1,514,356	-	
Common and equivalent shares outstanding	944,181	52,488,938	42,602,167	47,438,477	35,500,014	35,500,014
Per Common and Equivalent Share:						
Income (loss) before extraordinary items	$ 1.92	$ 1.79	$1.40	$1.26	$(0.06)	$(0.06)
Extraordinary items	(0.05)	(0.05)	-	-	(0.33)	(0.33)
Net income (loss) per share	$ 1.87	$ 1.74	$1.40	$1.26	$(0.39)	$(0.39)

(1) Amount represents the number of shares issued assuming exercise of stock options, reduced by the number of shares which could have been purchased with the proceeds from the exercise of such optons.

(2) Amount represents the number of common shares issued assuming exercise of warrants outstanding.

(3) This calculation is submitted in accordance with Regulation S-K item 601(b) (11) although not required by footnote 2 to paragrapg 14 of the APB Opinion No. 15 because of the antidilutive effect on net loss per share.

Exhibit 21.1

SUBSIDIARIES OF THE COMPANY

AB Extruding (Sweden)
AB Trelleborgplast (Sweden)
AII Automotive Industries Canada Inc. (Canada)
Amtex, Inc. (50%) (Pennsylvania)
Automotive Industries Export Ltd. (Barbados)
Automotive Industries Manufacturing, Inc. (Delaware)
Autotrim, S.A. de C.V. (40%) (Mexico)
AVB Anlagen und Vorrichtungsbau GmbH (55%) (Germany)
Aviken Plast AB (Sweden)
Celluloid Gislaved AB (Sweden)
Consorcio Industrial Mexicanos de Autopartes S.A. de C.V. (Mexico)
Davart Group Ltd. (U.K.)
Detroit Automotive Interiors L.L.C. (49%) (Michigan)
Donnelly Eurotrim Ltd. (Ireland)
EL Cutting (Pty.) Ltd. (South Africa)
EL Trim (Pty.)Ltd. (South Africa)
Empetek autodily s.r.o. (Czech Republic)
Empresas Industriales Mexicanos de Autopartes, S.A. de C.V. (74.98%) (Mexico)
Euro American Seating, L.L.C. (Delaware)
Fair Haven Industries, Inc. (Michigan)
Favesa S.p.l. (Mexico)
General Panel B.V. (Delaware)
General Seating of America, Inc. (35%) (Delaware)
General Seating of Canada Ltd. (35%) (Canada)
General Seating (Thailand) Corp. Ltd (50%) (Thailand)
Guildford Kast Plastifol Dynamics Ltd. (33.3%) (U.K.)
Industrias Cousin Freres, S.L. (49.99%) (Spain)
Industrias Lear de Argentina, S.A. (55%) (Argentina)
Interiores Automotrices Summa S.A. de C.V. (40%) (Mexico)
Interiores Para Autos, S.A. de C. V.(40%) (Mexico)
Intertrim S.A. de C.V. (Mexico)
Jiangxi Jiangling Lear Interior Systems Co. Ltd. (50%)(China)
John Cotton Plastics Ltd. (U.K.)
Keiper Car Seating Italia S.p.A. (65%)(Italy)
Keiper Recarro Hungary KFT (Hungary)
KRC Sewing Company (Pty) Ltd. (51%) (South Africa)
KRC Trim Products (Pty)Ltd. (51%) (South Africa)
LCT, Inc (Michigan)
Lear Automotive Corporation Singapore Pte. Ltd. (Singapore)
Lear Car Seating do Brasil Ltda. (Brazil)
Lear Corporation Australia Pty. Ltd. (Australia)
Lear Corporation Austria GmbH (Austria)
Lear Corporation Austria GmbH & Co. KG (Austria)
Lear Corporation Beteiligungs GmbH (Germany)
Lear Corporation Canada Ltd. (Canada)
Lear Corporation China Ltd. (65%) (Mauritius)
Lear Corporation do Brasil Ltda (84.56%) (Brazil)
Lear Corporation Drahtfedern GmbH (Germany)
Lear Corporation France S.A.R.L (France)
Lear Corporation (Germany) Ltd. (Delaware)
Lear Corporation GmbH & Co. KG (Germany)
Lear Corporation Global Development, Inc. (Delaware)
Lear Corporation Italia Holding S.r.L. (Italy)
Lear Corporation Italia S.p.A. (Italy)
Lear Corporation Italia Sud S.p.A. (Italy)
Lear Corporation (Nottingham) Limited (U.K.)
Lear Corporation (S.A.)(Pty.) Ltd. (South Africa)
Lear Corporation (U.K.) Ltd. (U. K.)
Lear Corporation Mendon (Delaware)
Lear Corporation Mexico S. A. de C. V. (99.6%) (Mexico)
Lear Corporation Poland S.p. z o.o. (Poland)
Lear Corporation Poland II S.p. z o.o. (Poland)
Lear Corporation Portugal-Componentes Para Automoveis, Lda. (Portugal)
Lear Corporation Servicos Ltda (Brazil)
Lear Corporation Sweden AB (Sweden)
Lear Corporation Sweden Gnosjoplast AB (Sweden)
Lear Corporation Sweden Interior Systems AB (Sweden)
Lear Corporation Sweden Tanum Components AB (Sweden)
Lear Corporation UK Holdings Ltd. (U.K.)
Lear Corporation UK Interior Systems Ltd. (U.K.)
Lear Corporation Verwaltungs GmbH (Germany)
Lear de Venezuela, C.A. (Venezuela)
Lear do Brazil Ltda. (Brazil)
Lear Donnelly Overhead Systems, L.L.C. (50%) (Michigan)
Lear Holdings S.p.l. (Mexico)
Lear Inespo Comercial de Industrial Ltda. (50.01%) (Brazil)
Lear Investments Company, L.L.C. (Delaware)
Lear Kentucky L.P. (Delaware)
Lear Mexican Holdings, L.L.C. (Delaware)
Lear Operations Corporation (Delaware) (1)
Lear Seating Holdings Corp. # 50 (Delaware)
Lear Seating Holdings Corp. #100 (Delaware)
Lear Seating Private Limited (India)
Lear Seating (Thailand) Corp., Ltd. (49%) (Thailand)
Lear Trim L.P. (Delaware)
Lear UK Acquisition Limited (U.K.)
LECA S.p. z o.o. (Poland)
LS Acquisition Corporation No. 24 (Delaware)
Makedo Limited (U.K.)
Markol Otomotiv Yan Sanayi VE Ticaret A.S. (35%) (Turkey)
Masland Industries Foreign Sales Corp. (US Virgin Islands)

Masland Industries of Canada Limited (Canada)
Masland International, Inc. (Delaware)
Masland (U.K.) Limited (U.K.)
Masland Transportation, Inc. (Delaware)
NAB Corporation (Delaware)(2)
No-Sag Drahtfedern Spitzer & Co. KG (62.5%) (Austria)
Pacific Trim Corporation Ltd. (20%) (Thailand)
Precision Fabrics Group (29%) (North Carolina)
Probel S.A. (30.86%) (Brazil)
RR Leder GmbH & Co. KG (Germany)
RR Leder Verwaltungs GmbH (Germany)
RAEL HandelsgmbH (Austria)
Ramco Investments Limited (Mauritius)
Rolloplast Formsprutning AB (Sweden)
S.A.L.B.I. AB (50%) (Sweden)
Societe No-Sag Francaise S.A. (56%) (France)
Sommer Masland (U.K.) Limited (50%) (U.K.)
Spitzer GmbH (62.5%) (Austria)
SWECA Sp. z o.o. (Poland)

(1) Lear Operations Corporation also conducts business under the names Lear Corporation, Lear Corporation of Georgia, Lear Corporation of Kentucky, and Lear Corporation of Ohio.
(2) NAB Corporation also conduct business under the name Lear Corporation. All Subsidiaries are wholly-owned unless otherwise indicated.

EXHIBIT 23.1

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation of our reports included in this Form 10-K, into Lear Corporation's (formerly known as Lear Seating Corporation) previously filed Registration Statements on Form S-8 File Nos. 33-55783, 33-57237, 33-59943, 33-61739, 33-62209, 333-01353, 333-03383, 333-06209, 333-10753, 333-16413, 333-16415, 333-16341, and Form S-3 File Nos. 33-51317, 33-47867, 33-61583, 333-05807, 333-05809 and 333-43085.

/s/ ARTHUR ANDERSEN LLP

Detroit, Michigan
March 23, 1998.

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1,066
15
231
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6,534
6,534
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0
101
351
143
208
0
1
0
207
3.13
3.04