

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended APRIL 1, 1995

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

COMMISSION FILE NUMBER: 1-11311

LEAR SEATING CORPORATION  
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE

(State or other jurisdiction of  
incorporation or organization)

13-3386776

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

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

48034  
(zip code)

(810) 746-1500

(Registrant's telephone number, including area code)

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

--- ---

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

Approximate number of shares of Common Stock, \$0.01 par value per share,  
outstanding at April 29, 1995: 46,090,123

LEAR SEATING CORPORATION  
FORM 10-Q  
FOR THE QUARTER ENDED APRIL 1, 1995  
INDEX

Part I - Financial Information:	Page No.
Item 1 - Consolidated Financial Statements	
Introduction to the Consolidated Financial Statements	3
Consolidated Balance Sheets - April 1, 1995 and December 31, 1994	4
Consolidated Statements of Income - Three Month Periods ended April 1, 1995 and April 2, 1994	5
Consolidated Statements of Cash Flows - Three Month Periods ended April 1, 1995 and April 2, 1994	6
Notes to Consolidated Financial Statements	7
Item 2 - Management's Discussion and Analysis of Financial Condition and Results of Operations	10
Part II - Other Information:	
Item 6 - Exhibits and Reports on Form 8-K	13
Signatures	14
Exhibit Index	15

## LEAR SEATING CORPORATION

## PART I - FINANCIAL INFORMATION

## ITEM 1 - CONSOLIDATED FINANCIAL STATEMENTS

## INTRODUCTION TO THE CONSOLIDATED FINANCIAL STATEMENTS

The condensed consolidated financial statements of Lear Seating Corporation and subsidiaries (Note 1) have been prepared by Lear Seating Corporation ("the Company"), without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations. The Company believes that the disclosures are adequate to make the information presented not misleading when read in conjunction with the financial statements and the notes thereto included in the Company's Form 10-K as filed with the Securities and Exchange Commission for the period ended December 31, 1994.

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

LEAR SEATING CORPORATION AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
(IN MILLIONS, EXCEPT SHARE DATA)

	April 1, 1995 ----- (Unaudited)	December 31, 1994 -----
<b>ASSETS</b> -----		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 16.2	\$ 32.0
Accounts receivable	675.2	579.8
Inventories	114.8	126.6
Unbilled customer tooling	56.4	53.5
Other	41.7	26.4
	-----	-----
	904.3	818.3
	-----	-----
<b>PROPERTY, PLANT AND EQUIPMENT:</b>		
Land	37.0	36.6
Buildings and improvements	151.6	141.1
Machinery and equipment	332.1	326.8
	-----	-----
	520.7	504.5
Less-Accumulated depreciation	(162.7)	(150.3)
	-----	-----
	358.0	354.2
	-----	-----
<b>OTHER ASSETS:</b>		
Goodwill, net	496.0	499.5
Deferred financing fees and other	39.6	43.1
	-----	-----
	535.6	542.6
	-----	-----
	\$ 1,797.9	\$ 1,715.1
	=====	=====
<b>LIABILITIES AND STOCKHOLDER'S EQUITY</b> -----		
<b>CURRENT LIABILITIES:</b>		
Short-term borrowings	\$ 23.8	\$ 84.1
Cash overdrafts	25.7	27.6
Accounts payable	686.8	656.7
Accrued liabilities	218.9	210.9
Current portion of long-term debt	1.6	1.9
	-----	-----
	956.8	981.2
	-----	-----
<b>LONG-TERM LIABILITIES:</b>		
Deferred national income taxes	25.4	25.3
Long-term debt	519.9	418.7
Other	78.7	76.3
	-----	-----
	624.0	520.3
	-----	-----
<b>COMMITMENTS AND CONTINGENCIES</b>		
<b>STOCKHOLDERS' EQUITY:</b>		
Common stock, \$.01 par value, 150,000,000 authorized at April 1, 1995 and December 31, 1994; 46,089,103 issued at April 1, 1995 and 46,088,278 issued at December 31, 1994	.5	.5
Additional paid-in capital	274.3	274.3
Notes receivable from sale of common stock	(1.0)	(1.0)
Less- Common stock held in treasury, 10,230 shares at April 1, 1995 and December 31, 1994, at cost	(.1)	(.1)
Retained deficit	(32.4)	(49.4)
Minimum pension liability adjustment	(5.8)	(5.8)
Cumulative translation adjustment	(18.4)	(4.9)
	-----	-----
	217.1	213.6
	-----	-----
	\$ 1,797.9	\$ 1,715.1
	=====	=====

The accompanying notes are an integral part of this balance sheet.

LEAR SEATING CORPORATION AND SUBSIDIARIES  
 CONSOLIDATED STATEMENTS OF INCOME  
 (IN MILLIONS, EXCEPT PER SHARE DATA)

	Three Months Ended	
	April 1, 1995	April 2, 1994
	-----	-----
	(Unaudited)	
Net sales	\$ 1,043.5	\$ 686.7
Cost of sales	966.9	636.7
Selling, general and administrative expenses	25.8	16.9
Amortization of goodwill	3.1	2.8
	-----	-----
Operating income	47.7	30.3
Interest expense	14.2	13.9
Other expense, net	2.1	2.6
	-----	-----
Income before provision for national income taxes	31.4	13.8
Provision for national income taxes	14.4	7.3
	-----	-----
Net income	\$ 17.0	\$ 6.5
	=====	=====
Net income per common share	\$ .34	\$ .16
	=====	=====

The accompanying notes are an integral part of these statements.

LEAR SEATING CORPORATION AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(IN MILLIONS)

	Three Months Ended April 1, 1995 -----	Three Months Ended April 2, 1994 -----
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income	\$ 17.0	\$ 6.5
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization of goodwill	18.4	13.1
Amortization of deferred financing fees	.6	.5
Deferred national income taxes	.1	(.9)
Other, net	5.8	2.0
Change in working capital items	(77.2)	(59.5)
	-----	-----
Net cash used by operating activities	(35.3)	(38.3)
	-----	-----
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Additions to property, plant and equipment	(23.6)	(15.4)
Other, net	.1	3.6
	-----	-----
Net cash used by investing activities	(23.5)	(11.8)
	-----	-----
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Change in long-term debt, net	101.2	6.6
Short-term borrowings, net	(57.0)	(1.4)
Increase (decrease) in cash overdrafts	(2.0)	25.0
Other, net	--	.1
	-----	-----
Net cash provided by financing activities	42.2	30.3
	-----	-----
Effect of foreign currency translation	.8	(.8)
	-----	-----
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>(15.8)</b>	<b>(20.6)</b>
	-----	-----
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b>32.0</b>	<b>55.0</b>
	-----	-----
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>\$ 16.2</b>	<b>\$ 34.4</b>
	=====	=====
<b>CHANGES IN WORKING CAPITAL</b>		
Accounts receivable	\$ (111.7)	\$ (57.3)
Inventories	5.0	4.1
Accounts payable	40.2	.3
Accrued liabilities and other	(10.7)	(6.6)
	-----	-----
	\$ (77.2)	\$ (59.5)
	=====	=====
<b>SUPPLEMENTARY DISCLOSURE:</b>		
Cash paid for interest	\$ 19.1	\$ 11.8
	=====	=====
Cash paid for income taxes	\$ 19.0	\$ 6.5
	=====	=====

The accompanying notes are an integral part of these statements.

LEAR SEATING CORPORATION AND SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(1) BASIS OF PRESENTATION

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

A 33-for-1 split of the Company's common stock was effective as of the Company's initial public offering in April, 1994. All references to the numbers of shares of common stock, stock options, warrants and income (loss) per share in the accompanying consolidated financial statements and notes thereto have been adjusted to give effect to the split.

(2) ACQUISITION OF FIAT SEAT BUSINESS

On December 15, 1994, the Company purchased from Gilardini S.p.A., an Italian Corporation, all of the outstanding common stock of Sepi S.p.A., an Italian Corporation, all of the outstanding common stock of Sepi Poland S.p. Z.o.o. and a 35% interest in a Turkish joint venture (collectively, the "Fiat Seat Business," or "FSB"). The FSB is engaged in the design and manufacture of automotive seating, with its principal customers being Fiat S.p.A. and its affiliates ("Fiat"). In connection with this transaction, the Company and Fiat entered into a long-term supply agreement for certain products produced by the FSB.

This acquisition was accounted for as a purchase, and accordingly, the operating results of the FSB have been included in the accompanying financial statements since the date of the acquisition. Because the Company consolidates the FSB on a one month lag, the results of operations for the quarter ended April 1, 1995 includes only the results of operations of the FSB from the acquisition date to the end of February 1995.

Assuming the acquisition had taken place as of the beginning of the fiscal quarter ending April 2, 1994, the consolidated pro forma results of operations of the Company for the first quarter of 1994 would have been as follows, after giving effect to certain adjustments, including certain operations adjustments consisting principally of management's estimates of the effects of product pricing adjustments negotiated in connection with the acquisition, increased interest expense, depreciation adjustments of certain costs assumed by the seller and the related income tax effects (Unaudited: in millions, except per share data):

Net sales	\$793.2
Net income	1.1
Net income per share	\$ 0.03

LEAR SEATING CORPORATION AND SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## (3) INVENTORIES

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

Inventories are comprised of the following (in millions):

	April 1, 1995 ----	December 31, 1994 ----
Raw materials	\$ 84.6	\$ 93.4
Work-in-process	11.8	13.9
Finished goods	18.4	19.3
	-----	-----
	\$ 114.8	\$ 126.6
	=====	=====

## (4) LONG-TERM DEBT

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

	April 1, 1995 ----	December 31, 1994 ----
Domestic revolving credit loan	\$ 219.9	\$ 121.9
German term loan	7.2	7.1
Industrial Revenue Bonds	19.0	19.0
Loans from Governmental Agencies	5.4	2.6
	-----	-----
	251.5	150.6
Less- Current portion	(1.6)	(1.9)
	-----	-----
	249.9	148.7
	-----	-----
Subordinated Debt:		
8 1/4 % Subordinated Notes	145.0	145.0
11 1/4 % Senior Subordinated Notes	125.0	125.0
	-----	-----
	270.0	270.0
	-----	-----
	\$ 519.9	\$ 418.7
	=====	=====



LEAR SEATING CORPORATION AND SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(5) POST-RETIREMENT BENEFITS FOR FOREIGN PLANS

On January 1, 1995, the Company adopted Statement of Financial Accounting Standards No. 106, "Employers' Accounting for Post-Retirement Benefits" for its foreign plans. The Company adopted this statement for its domestic plans in July, 1993. 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. The adoption of this statement for the Company's foreign plans did not have a material effect on the Company's financial position or results of operations.

(6) COMMON SHARES OUTSTANDING

The weighted average number of shares of common stock after giving effect to the split of the Company's common stock (Note 1) is as follows for the periods presented:

	Three Months Ended	
	April 1, 1995	April 2, 1994
Primary	49,422,847	41,963,565
Fully Diluted	49,422,847	42,014,029

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

## RESULTS OF OPERATIONS

THREE MONTHS ENDED APRIL 1, 1995 VS. THREE MONTHS ENDED APRIL 2, 1994.

Net sales of \$1,043.5 million in the quarter ended April 1, 1995 surpassed the first quarter of calendar 1994 by \$356.8 million or 52.0%. Sales in the first quarter of the current fiscal year benefited from incremental volume on mature seating programs in North America and Europe, increased seat content per vehicle, new business in the United States and Europe and the acquisition of the Fiat Seat Business in December 1994.

Net sales in the United States of \$499.4 million increased in the first quarter of calendar 1995 as compared to the first quarter of the prior year by \$31.0 million or 6.6%. Sales in the current quarter reflect the benefit of new General Motors passenger car and Ford truck programs as well as modest vehicle production increases by domestic automotive manufacturers on carryover seat programs. Partially offsetting the increases in sales was the relocation of a passenger car program to Canada.

Net sales in Canada increased by \$148.5 million to \$215.0 million in the quarter ended April 1, 1995 compared to \$66.5 million in the quarter ended April 2, 1994. Sales in 1995 benefited from the attainment of targeted levels for a General Motors replacement passenger car program as compared to downtime in the prior year. Further contributing to the increase in sales was the relocation of a passenger car program, incremental volume on a new Ford truck program and improved production activity on mature seating programs.

Net sales in Europe of \$276.5 million in the current fiscal quarter surpassed the first quarter of calendar 1994 by \$173.2 million or 167.7%. Sales in the quarter ended April 1, 1995 benefited from the contribution of \$82.9 million in sales from the FSB acquisition, as well as new business in England, additional volumes on existing programs in Germany and Sweden. In addition, favorable exchange rate fluctuations accounted for \$19.3 million of the increase.

Net sales in Mexico of \$52.6 million in the quarter ended April 1, 1995 exceeded sales during the comparable period in the prior year by \$4.1 million or 8.4% largely as a result of increased production requirements on carryover Ford passenger car and Chrysler truck programs which offset reduced sales to Volkswagen.

Gross profit (net sales less cost of sales) and gross margin (gross profit as a percentage of sales) were \$76.6 million and 7.3%, respectively, for the quarter ended April 1, 1995 as compared to \$50.0 million and 7.3%, respectively, in the first quarter of 1994. Gross profit in the first quarter of 1995 benefited from increased volumes on mature North American seating programs, along with improved performance at the Company's Scandinavian operations, and cost reduction programs. These benefits were partially offset by delayed new program start-up expenses, increased engineering expenses, and pre-production and facility costs associated with new ventures in the Pacific Rim.

Selling, general and administrative expenses as a percentage of net sales for the current quarter remained the same as the prior year at 2.5%. Actual selling, general and administrative expenses increased by \$8.9 million largely as a result of the acquisition of FSB, engineering and support expenses associated with the expansion of business and expenses related to the pursuit of new business opportunities.

Operating income and operating margin (operating income as a percentage of net sales) were \$47.7 million or 4.6%, respectively, for the first quarter of 1995 as compared to \$30.3 million or 4.4%, respectively, for the first quarter of 1994. For the quarter ended April 1, 1995 as compared to the prior year, the increase in operating income was largely attributable to the increase in sales volumes on North American and Scandinavian mature seating programs, partially offset by higher engineering and administrative support expenses and operating losses associated with the integration of FSB into the Company's operations. Non-cash depreciation and amortization charges were \$18.4 million during the quarter ended April 1, 1995 compared to \$13.1 million in the comparable period in the prior year.

During the first quarter of 1995, interest expense increased slightly in comparison to the prior year. This was the result of additional interest incurred on debt used to finance the FSB acquisition.

Other expense, including state and local taxes, foreign exchange gains and losses, minority interests and equity in income of affiliates, decreased slightly in comparison to the prior year. This was primarily due to increased income derived from joint ventures accounted for under the equity method.

Net income for the first quarter of 1995 was \$17.0 million, or \$.34 per share, as compared to net income of \$6.5 million, or \$.16 per share, in the prior year first quarter. The provision for income taxes in the current quarter was \$14.4 million translating into an effective tax rate of 45.9%, below the 52.9% rate for the first quarter of last year. Earnings per share increased by 113% as compared to the prior year quarter, despite the fact that the number of shares outstanding increased from 42 million shares to 49.4 million shares. The increase in shares outstanding is primarily the result of the initial public offering in April, 1994.

#### LIQUIDITY AND CAPITAL RESOURCES

As of April 1, 1995, the Company had a \$500.0 million revolving credit facility (the "Credit Agreement") under which \$219.9 million was borrowed and outstanding and \$61.7 million was committed and outstanding under letters of credit, leaving \$218.4 million unused and available. The Company also had \$19.0 million of Industrial Revenue Bonds (IRBs) outstanding, payable in 2024, as well as a term loan in Germany of \$7.2 million, and governmental agency loans in Canada and Italy of approximately \$3.2 and \$2.2 million, respectively. As of April 1, 1995, the Company had net cash and cash equivalents of \$16.2 million.

Amounts available under the Credit Agreement will be reduced by \$58.8 million every six months beginning November 30, 1997, and the Credit Agreement will expire on November 30, 1999. Excluding amounts outstanding under the Credit Agreement which will be due upon the expiration of the Credit Agreement, the Company's scheduled principal payments for the

remainder of calendar year 1995 are \$1.3 million and are \$1.9 million for each of the next three calendar years and \$1.3 million in 1999.

On April 19, 1995, Lear Seating Canada, Ltd. entered into a revolving term credit facility with The Bank of Nova Scotia, making available for the Company's Canadian operations funds of up to \$25 million Canadian. This agreement replaced the Canadian Credit Agreement dated March 8, 1989.

Net cash flows used by operating activities were \$35.3 million during the quarter ended April 1, 1995 compared to \$38.3 million during the comparable period in 1994, principally due to higher earnings in 1995 which was partially offset by the change in working capital.

The net change in working capital increased from a \$59.5 million net use of funds for the quarter ended April 2, 1994 to a \$77.2 million use of funds for the quarter ended April 1, 1995 primarily as a result of the increase in receivable levels caused by the 52% increase in net sales and the lower level of European receivable factoring. The cash provided from the increase in accounts payable and cash overdrafts combined was \$38.2 million compared to \$25.3 million for the same period in 1994 and is consistent with the increased sales levels. Also contributing to the decrease in operating cash flows were higher reimbursable preproduction development and production tooling costs attributable to new programs.

In the quarter ended April 1, 1995, net cash used by investing activities increased by \$11.7 million to \$23.5 million due to a significant number of new programs scheduled to begin production during calendar 1995. During the first quarter of 1995, the Company's capital expenditures totaled \$23.6 million and the Company currently anticipates an additional \$80 million during the remainder of fiscal 1995. Potential new business in South America and South Africa would further increase capital expenditures.

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

LEAR SEATING CORPORATION

PART II - OTHER INFORMATION

ITEM 6 - EXHIBITS AND REPORTS ON FORM 8-K

No exhibits or reports on Form 8-K were filed during the quarter ended April 1, 1995.

SIGNATURES

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

LEAR SEATING CORPORATION

Dated: May 15, 1995      By: /s/ James H. Vandenberghe  
-----  
James H. Vandenberghe  
Executive Vice President  
Chief Financial Officer

LEAR SEATING CORPORATION  
FORM 10-Q  
EXHIBIT INDEX  
FOR THE QUARTER ENDED APRIL 1, 1995

EXHIBIT  
NUMBER

- 10.1 Credit Agreement dated April 19, 1995 between Lear Seating Canada, Ltd. and The Bank of Nova Scotia with respect to the establishment of credit facilities, filed herewith.
  
- 27. Financial Data Schedule for the Quarter Ended April 1, 1995.

[SCOTIABANK LETTERHEAD]

April 19, 1995

Lear Seating Canada Ltd.  
536 Manitou Drive  
Kitchener, Ontario  
N2G 4C2

Attention: Mr. Donald J. Stebbins

Dear Sirs:

RE: ESTABLISHMENT OF REVOLVING TERM CREDIT FACILITY  
IN FAVOUR OF LEAR SEATING CANADA LTD.

The Bank of Nova Scotia (the "Bank") is pleased to advise that, subject to your acceptance, the Bank will make available to Lear Seating Canada Ltd. (the "Borrower") the revolving term credit facility described in this Agreement upon the following terms and conditions, and that this Agreement shall replace the existing loan agreement dated March 8, 1989, as amended to date, between the parties, together with the grid promissory note therefor, which loan agreement and grid promissory note shall terminate and cease to be of effect (whereupon the Borrower shall be released from its obligation to provide a letter of credit in favour of the Bank as collateral security therefor), with outstanding availments thereunder constituting outstanding applicable Availments (as defined below) under this Agreement:

CREDIT  
FACILITY

Revolving Term Credit.

\$25,000,000 Cdn., under which are available Canadian and U.S.dollar advances and bankers' acceptances of Canadian dollar bills of exchange (each a "BA"), together with standby and commercial letters of credit and letters of guarantee (each a "Documentary Instrument"), the terms and conditions of which are contained in Schedules "A" and "B" hereto;

(the "Credit", with each availment thereunder being an "Availment").

BOOKING POINT

Kitchener Main Branch  
64 King Street West  
Kitchener, Ontario  
N2G 3X1  
(the "Branch")



PURPOSES General corporate purposes.

INTEREST RATE/  
FEE ADJUSTMENTS The interest rate for each type of advance, the issuance fees for BA's and the stand-by fee shall all fluctuate in accordance with the Parent Company's Coverage Ratio and Debt Ratio, and together such ratios shall be determinative as to the applicable "Pricing Level" in effect for certain interest rates and fees hereunder at any time and from time to time as follows:

Coverage Ratio -----	Debt Ratio -----	Pricing Level -----
Less than 4.0:1	Greater than 3.25:1	Level 1
4.0:1 or greater but less than 5.0:1	3.25:1 or less but greater than 1.75:1	Level 2
5.0:1 or greater	1.75 or less	Level 3

If a discrepancy arises between the Coverage Ratio and the Debt Ratio such that one ratio falls within one of the above Pricing Levels and the other ratio falls within a different Pricing Level, then the Pricing Level with the higher interest rates and fees will prevail for the purposes of determining the affected interest rates and fees.

Subject to the limitations expressed in this section, any change in the interest rates and fees hereunder (a "Pricing Change") shall be effective on the second Business Day (as defined below in the section captioned NOTICE) following the earlier of:

- (i) the Bank's receipt of a quarterly compliance certificate (as required by the REPORTING section hereof) indicating that a change has occurred in the above ratios such that the Pricing Level should be adjusted; and
- (ii) the due date for a quarterly compliance certificate, if that certificate, whenever actually received by the Bank, discloses that a change has occurred in the above ratios such that the Pricing Level should be adjusted.

The interest rates and fees payable by virtue of any Pricing Change shall continue to be payable until the second Business Day following the earlier of the Bank's receipt and the due date for the next quarterly compliance certificate indicating that a further Pricing Change should occur as a result of changes in the above ratios as at the end of the applicable fiscal period.

No Pricing Change which results in a reduction of interest rates and fees hereunder shall be permitted at any time that an Event of Default has occurred and is continuing hereunder. Further, notwithstanding the foregoing, in the event that any compliance certificate is not provided to the Bank within 95 days of the end of any fiscal quarter of the Borrower in any of its fiscal years, other than any last fiscal quarter, or within 105 days of any last fiscal quarter of the Borrower in any of its fiscal years, a Pricing Change shall be deemed to have occurred on the second Business Day following such date, with all affected interest rates and fees increasing automatically to the next Pricing Level having higher interest rates and fees (unless Pricing Level 1 is already then in effect) and such increased interest rates and fees shall remain in effect subject to the terms of this section or until receipt by the Bank of the relevant overdue compliance certificate, whereupon, in the latter event only, a further Pricing Change shall occur on the second Business Day following the date of the Bank's receipt thereof if warranted by the particulars disclosed in such certificate.

For the purposes of this Agreement:

- (a) "Parent Company" shall mean Lear Seating Corporation, the U.S. parent company of the Borrower;
- (b) "Coverage Ratio" and "Debt Ratio", and all defined terms used in each such definition shall have the respective meanings ascribed to them in the Syndicated Credit Agreement, provided that each such term shall be read for the purposes of this Agreement as if to exclude the term "Adjustment Date"; and
- (c) "Syndicated Credit Agreement" shall mean the second amended and restated credit agreement dated as of November 29, 1994 by and among the Parent Company, as borrower, Chemical Bank, as administrative agent for the lenders, certain managing agents including the Bank (the Bank being a lender thereunder also) and the other lenders signatory thereto pursuant to which loan commitments currently in the maximum principal amount of \$500,000,000 U.S. are available to the Parent Company.

LIMITATION ON  
AVAILABILITY

The aggregate amount, expressed in Canadian dollars, of Availments outstanding under the Credit at any time and of all Obligations of the Borrower known by the Borrower to exist at such time shall not exceed the committed limit of the Credit at such time. If this restriction is exceeded, the Bank may require the

applicable excess to be repaid within a period of not more than 30 days of the date that such excess first arises. For the purposes of this Agreement:

- (a) "Obligations" shall have the meaning ascribed to such term in the General Security Agreement; and
- (b) "General Security Agreement" shall mean the amended and restated general security agreement by and among the Borrower, as obligor, Chemical Bank, as administrative agent for the lenders and the lenders party to the Syndicated Credit Agreement, including the Bank.

CREDIT  
AVAILMENTS

Advances. Canadian and U.S. dollar advances may be obtained under the Credit by the Borrower selecting in respect of each such advance one of the interest options as follows:

- (1) Canadian dollars as Prime Rate Advances in whole multiples of \$100,000 Cdn.: Prime Lending Rate (as defined below) plus a per annum margin fluctuating in accordance with the applicable Pricing Level (determined above) as follows:

Pricing Level -----	Interest Rate Margin (%) -----
Level 1	1/2
Level 2	1/4
Level 3	-

- (2) U.S. dollars as Base Rate Advances in whole multiples of \$100,000 U.S.: Alternate Base Rate (as defined below) plus a per annum margin fluctuating in accordance with the applicable Pricing Level (determined above) as follows:

Pricing Level -----	Interest Rate Margin (%) -----
Level 1	1/2
Level 2	1/4
Level 3	-

- (3) U.S. dollars as LIBOR Advances in whole multiples of \$100,000 U.S.: LIBO Rates (as defined below) for 1, 2, 3 or 6 month LIBOR Periods plus a per annum margin fluctuating in accordance with the applicable Pricing Level (determined above) as follows:

Pricing Level -----	Interest Rate Margin (%) -----
Level 1	1 1/4
Level 2	1
Level 3	3/4

A conversion from a LIBOR Advance to another Availment may only be made on the expiry of the applicable LIBOR Period, unless the Borrower indemnifies the Bank for the costs of the Bank resulting from the early termination of such LIBOR Period. No LIBOR Period may extend beyond the maturity date of the Credit as provided for below in the section captioned MATURITY, except as provided in paragraph (5) under the section captioned COVENANTS.

BA's. BA's may be obtained by the Borrower under the Credit, provided that each such BA shall be denominated in a whole multiple of \$100,000 Cdn. and shall have a term to maturity of 30 to 180 days. The Borrower shall pay, upon issuance of each BA, a per annum fee determined as set out below, calculated on the basis of a 365 day year on the face amount of such BA for the number of days to elapse to maturity (exclusive of days of grace), subject to a minimum fee of \$100 Cdn. per BA transaction. Each BA may be converted to another Availment, but only on the maturity date of such BA. Any BA not paid by the Borrower on its maturity date will be paid by the Bank and such payment shall constitute a Prime Rate Advance under the Credit. No term of a BA may extend beyond the maturity date of the Credit as provided for below in the section captioned MATURITY, except as provided in paragraph (5) under the section captioned COVENANTS. The issuance fee for BA's shall fluctuate in accordance with the applicable Pricing Level (determined above) as follows:

Pricing Level -----	Issuance Fee Per Annum (%) -----
Level 1	1 1/4
Level 2	1
Level 3	3/4

Documentary Instruments. Refer to the attached Schedules "A" and "B" to this Agreement.

STAND-BY FEE

The Borrower shall pay, on the last Business Day of each calendar quarter, a per annum stand-by fee determined as set out below, computed on the unused

portion of the committed limit of the Credit as it may be reduced from time to time, calculated daily in arrears on the basis of a 365 day year for the actual number of days elapsed from the date of the Borrower's execution of this Agreement. For purposes of calculating the amount of stand-by fee payable in respect of U.S. dollar Availments outstanding hereunder, the Canadian dollar exchange equivalent thereof shall be determined by the Bank on and for each Business Day in accordance with the spot rate of exchange for U.S. dollars as announced by the Bank of Canada not later than 12:00 noon (Toronto time) on such day, or, if such rate is not announced by the Bank of Canada by such time on any Business Day, the applicable rate of exchange for the relevant currency conversion shall be that which was last announced by the Bank of Canada. The Borrower shall be entitled to cancel all or any of the unused portion of the committed limit of the Credit at any time and from time to time without penalty on not less than 30 days' written notice to the Bank and upon payment of all accrued stand-by fee to such date of cancellation, whereupon the committed limit of the Credit shall be permanently reduced accordingly. The stand-by fee shall fluctuate in accordance with the applicable Pricing Level (determined above) as follows:

Pricing Level -----	Stand-by Fee Per Annum (%) -----
Level 1	3/8
Level 2	1/4
Level 3	1/5

#### MATURITY

Termination. The Credit shall revolve and may be drawn down until the earlier of (a) March 31, 1997 inclusive and (b) the date of expiry of the loan commitments under the Syndicated Credit Agreement or any successor thereto, when all amounts then outstanding or accrued hereunder shall be payable. The term of the Credit may be extended for successive periods of up to one year in the absolute discretion of the Bank, upon the Borrower's written request therefor received not later than January 31 of each year, provided that, in no event shall the term of the Credit be extended beyond November 30, 1999. If the Bank does not give written notice to the Borrower of its consent to any such requested extension on or before March 1 in any year, neither the requested extension nor any further extension shall be permitted thereafter and the term of the Credit shall expire as otherwise provided. No extension shall be effective if maturity of the Credit shall first occur for the reason specified above in clause (b) of this section

or if the Bank terminates the Credit at any time prior to the commencement of any extended term upon the occurrence of any Event of Default hereunder. If any scheduled date of termination should not fall on a Business Day, then all amounts otherwise payable under this Agreement upon termination of the Credit shall instead be payable on the Business Day immediately preceding such date.

Outstanding BA's. If, at any time prior to the maturity date of any BA issued hereunder, the Credit is terminated, the Borrower shall pay to the Bank, on demand, an amount with respect to each such BA equal to the total of amounts which would be required to purchase in the Canadian money market, as of 10:00 a.m. (Eastern time) on the date of payment of such demand, Government of Canada treasury bills in an aggregate amount equal to the face amount of such BA and having in each case a term to maturity similar to the period from such demand to maturity of such BA; provided that, subject to the provisions of paragraph (5) of the section below captioned COVENANTS, no such payment shall be required to be made by the Borrower with respect to any BA prior to its date of maturity if such BA is outstanding at the time of the Borrower's receipt of any notice of repayment given by the Bank to the Borrower in accordance with the aforesaid paragraph (5) of the section captioned COVENANTS. Upon payment by the Borrower as required under this paragraph, the Borrower shall have no further liability in respect of each such BA and the Bank shall be entitled to all of the benefits of, and be responsible for all payments to third parties under, such BA and the Bank shall indemnify and hold harmless the Borrower in respect of all amounts which the Borrower may be required to pay under each such BA to any party other than the Bank.

Outstanding Documentary Instruments. Refer to the attached Schedule "A" to this Agreement.

#### CALCULATION & PAYMENT

Determination of Rates. "Prime Lending Rate" is a variable per annum reference rate of interest (as announced and adjusted by the Bank from time to time) for loans made by the Bank in Canada in Canadian dollars. "Alternate Base Rate" is a fluctuating interest rate per annum (as shall be in effect from time to time) (rounded to the nearest 1/100 of 1%) for loans made by the Bank in Canada in U.S. dollars equal to the greater of: (a) the annual rate of interest announced from time to time by the Bank in Canada as its "Base Rate Canada"; and (b) 0.5% per annum above the rate set forth for such date opposite the caption "Federal Funds (Effective)" in the weekly statistical release designated as "H.15(519)", or any successor publication, published by the Federal

Reserve System. If for any reason the Bank shall have determined (which determination shall be conclusive, absent manifest error) that it is unable to ascertain the Federal Funds (Effective) for any reason, including without limitation, the inability or failure of the Bank to obtain sufficient bids or publications in accordance with the terms hereof, the rate announced by the Bank in Canada as its "Base Rate Canada" shall be the Alternate Base Rate until the circumstances giving rise to such inability no longer exist. The "LIBO Rate" for each LIBOR Period (being the applicable interest period chosen by the Borrower for a LIBOR Advance) means the rate of interest per annum at which the Bank is offered deposits by prime banks in the London interbank market, as at 11:00 a.m. (London, England time), on the second Business Day prior to the commencement of such LIBOR Period, in an amount of U.S. dollars similar to the amount of the applicable LIBOR Advance for a deposit period comparable to such LIBOR Period. LIBOR Advances are offered subject to the availability to the Bank of appropriate LIBO Rate quotations.

Interest Calculation and Payment. Interest computed with reference to Prime Lending Rate or Alternate Base Rate shall accrue from day to day for the actual number of days elapsed and shall be calculated and payable quarterly, not in advance, on the last Business Day of each calendar quarter. Interest computed with reference to a LIBO Rate shall accrue from day to day for the actual number of days elapsed and shall be calculated and payable at the end of the applicable LIBOR Period and, if such LIBOR Period is in excess of 3 months, at the end of each 3 month period during such LIBOR Period. If the last day of any LIBOR Period should not fall on a Business Day, then all interest payable in respect of the applicable advance upon maturity thereof shall instead be payable on the Business Day immediately preceding the last day of such LIBOR Period. Interest computed with reference to Prime Lending Rate shall be calculated on the basis of a 365 day year, but interest computed with reference to the Alternate Base Rate or a LIBO Rate shall be calculated on the basis of a year of 360 days.

Change In Margin. Whenever this Agreement calls for an increase or decrease on a certain date in a margin over a reference rate in respect of interest on an advance or the fees for issuance of a BA, the Borrower shall pay interest or fees or shall be entitled to receive a refund from the Bank on interest or fees already paid, as applicable, calculated proportionately with reference to the new margin effective from such date, notwithstanding that, in the case of an advance, such advance was made prior to

such date and, in the case of a BA, the fee is to be calculated and paid prior to such date.

LIBOR Periods. The Borrower shall designate the LIBOR Period to apply to each LIBOR Advance in its notice of any drawdown of such advance, any conversion to such advance and any renewal of an existing LIBOR Period, provided that, upon failure of the Borrower to give notice of any such designation, when applicable, as required under this Agreement, the Bank shall convert the affected LIBOR Advance to a Base Rate Advance for the purpose of determining the interest rate with respect to same.

Default of Payment. Amounts not paid when due in respect of a Prime Rate Advance or a Base Rate Advance shall bear interest at the rates applicable thereto, plus 2% per annum. Amounts not paid when due in respect of a LIBOR Advance may be constituted a Base Rate Advance by the Bank and the Bank may so convert such advance. Any other monetary obligation of the Borrower arising under this Agreement which is not paid when due shall be deemed to be an amount not paid when due in respect of a Prime Rate Advance or a Base Rate Advance, as applicable. Interest payable under this paragraph shall accrue from day to day for the actual number of days elapsed, shall be calculated and payable upon demand, and shall be compounded monthly until paid. The rights of the Bank under this paragraph shall continue to apply from the date of such default for so long as such default shall continue, both before and after demand and judgment.

Interest Act (Canada). Whenever a rate of interest hereunder is calculated on the basis of a year (the "deemed year") which contains fewer days than the actual number of days in the calendar year of calculation, such rate of interest shall be expressed as a yearly rate for purposes of the Interest Act (Canada) by multiplying such rate of interest by the actual number of days in the calendar year of calculation and dividing it by the number of days in the deemed year.

#### REPAYMENTS

The Borrower may make any repayment of an advance in a whole multiple of \$100,000 Cdn. in the case of Prime Rate Advances and of \$100,000 U.S. in the case of a Base Rate Advance, but any repayment in respect of a LIBOR Advance may be made only in a whole multiple of \$100,000 U.S. and shall be subject to the terms and conditions set out in the section below captioned INDEMNITY PROVISIONS. No repayment of any advance made by way of overdraft (if such advance is permitted by the Bank hereunder) shall be subject to any limitation that it be in a whole multiple or minimum of any amount.



## SECURITY

Unsecured.

CONDITIONS TO  
UTILIZATION

Initial Drawdown. The right of the Borrower to obtain the initial drawdown hereunder is subject to the condition precedent that the Bank has received, in form and substance satisfactory to it, evidence of authority to borrow hereunder and to execute and deliver this Agreement, together with executed copies of such documentation and, if requested by the Bank, opinions of counsel as to the validity and enforceability of the same.

Each Utilization. The right of the Borrower to obtain at any time any drawdown of an Availment (including the initial drawdown) or any conversion from one Availment to another or any renewal of a LIBOR Period hereunder (each a "Utilization") is subject to the further conditions precedent that at the time of such Utilization:

- (1) in the case where such Utilization is a drawdown, a conversion to a LIBOR Advance or a renewal of any LIBOR Advance, no event or circumstance has occurred and is continuing, or would result from the making of such Utilization, which constitutes an Event of Default or would constitute an Event of Default but for the requirement that notice be given or time elapse, or both, or, which when considered by itself or together with other past or then existing events or circumstances, constitutes or would constitute a material adverse change in the business prospects or financial condition of the Borrower and its subsidiaries on a consolidated basis;
- (2) the Limitation on Availability hereunder has not been exceeded and shall not be exceeded as a result of such Utilization; and
- (3) the Bank has received such other information as the Bank may have reasonably requested upon giving prior reasonable notice thereof to the Borrower.

## NOTICE

The Borrower shall give to the Bank 2 Business Days' notice of each Utilization or repayment in respect of a LIBOR Advance and same Business Day's notice of each Utilization or repayment in respect of any other type of Availment. As used herein, a "Business Day" means any day other than a Saturday, or a Sunday, or a day that banks are lawfully closed for business in Toronto, Ontario, or, if in respect of a Base Rate Advance, New York City, or, if in respect of a LIBOR Advance, any other day on which transactions cannot be carried out by and between banks in the London interbank market.

Any notice or communication shall be deemed to have been given to a party hereunder (i) upon delivery in writing to such party at its address as noted on page 1 hereof or at the address of which such party last notified the other, or (ii) upon oral (including telephone) transmission to an appropriate officer of such party, provided that such officer believed at such time in good faith that such notice or communication was given by an appropriate officer of the notifying or communicating party, or (iii) upon receipt by the Bank of a Canadian or U.S. dollar cheque or wire transfer drawn on an account of the Borrower maintained at the Branch, which receipt, in the absolute discretion of the Bank, may constitute notice to the Bank of drawdown by way of a Prime Rate Advance or a Base Rate Advance, as applicable, under the Credit. Notice or communication to the Bank hereunder (other than notice given in the manner as set out in (iii) of this section) to be effective on a certain Business Day must be given prior to 11:00 a.m. (Eastern time) on that Business Day. Each notice or communication given by a party hereunder shall be binding on it and shall not be revocable without the other party's consent.

REPRESENTATIONS  
AND WARRANTIES

The Borrower represents and warrants that:

- (a) this Agreement is a legal, valid and binding obligation of the Borrower enforceable against it in accordance with its terms; is not contrary to any contractual restriction binding on it; and its execution and delivery of the same neither requires a third party consent nor would entitle any third party to accelerate any debt owing to it; and
- (b) it does not have outstanding, as of the date hereof, any indebtedness for borrowed money, nor any liability for borrowed money (including, without limitation, contingent liability under any guarantee), other than indebtedness incurred to the Province of Ontario having a maximum aggregate principal amount of \$4,500,000 Cdn., indebtedness and liability incurred to the Bank and contingent liability under a guarantee in a maximum principal amount of \$6,000,000 Cdn. dated April 26, 1989, as amended on August 11, 1992, in respect of the indebtedness and liability of General Seating of Canada Ltd. incurred to Dai-Ichi Kangyo Bank (Canada) Ltd.

All of the representations and warranties of the Borrower contained herein shall survive the execution and delivery of this Agreement notwithstanding any investigation made at any time by or on behalf of the Bank.

## COVENANTS

The Borrower hereby covenants:

- (1) to maintain, and cause its material subsidiaries to maintain, their respective corporate existences and conduct their respective businesses in the normal course;
- (2) to promptly notify the Bank of the occurrence of any event or circumstance which constitutes an Event of Default or would constitute an Event of Default but for the requirement that notice be given or time elapse or both and to provide to the Bank a detailed statement of a senior officer of the Borrower of the steps, if any, being taken to cure or remedy such default;
- (3) to maintain, or cause to be maintained, a minimum Consolidated Net Worth of \$55,000,000 Cdn. at all times during the first three fiscal quarters of the Borrower's 1995 fiscal year and of \$65,000,000 Cdn. at all times thereafter. For the purposes of this Agreement, "Consolidated Net Worth" shall mean, at any particular time, Shareholders' Equity, where "Shareholders' Equity" means all amounts which would be included under shareholders' equity on a consolidated balance sheet of the Borrower and its subsidiaries determined on a consolidated basis plus inter-company indebtedness of the Borrower and its subsidiaries which is postponed and subordinated to the Bank in a form and manner satisfactory to the Bank in its sole discretion, all calculated as at the date of determination in accordance with generally accepted accounting principles established by the Canadian Institute of Chartered Accountants or any successor thereto ("Canadian GAAP"); provided that any amortization of goodwill, deferred financing fees or license fees (including any write-offs of deferred financing fees and license fees) shall not be taken into account in determining Consolidated Net Worth;
- (4) to maintain a ratio of Consolidated Operating Profit to net interest expense of at least 3.0:1 at all times. For the purposes of this paragraph, "Consolidated Operating Profit" shall mean, without duplication, at any particular time and with respect to the previous four consecutive fiscal quarters of the Borrower ended on the last day of the most recently-ended fiscal quarter, consolidated net income of the Borrower and its subsidiaries for such period excluding (i) extraordinary gains and losses arising from the sale of material assets and other extraordinary and/or non-recurring gains and losses, (ii)

charges, premiums and expenses associated with the discharge of indebtedness, (iii) other non-cash items reducing net income, (iv) license fees (and any write-offs thereof), (v) stock compensation expense, (vi) deferred financing fees (and any write-offs thereof), (vii) foreign exchange gains and losses, (viii) miscellaneous income and expenses and (ix) miscellaneous gains and losses arising from the sale of assets plus, to the extent deducted in determining consolidated net income, the excess of (i) the sum of (A) consolidated interest expense, (B) any expenses for taxes, (C) depreciation and amortization expense and (D) minority interests in income of subsidiaries over (ii) net equity earnings in affiliates (excluding subsidiaries). For the purposes of this Agreement, "affiliate" and "affiliates" means an affiliated body corporate within the meaning ascribed to such term in the Business Corporations Act (Ontario), as amended;

- (5) to repay all of its indebtedness and liability incurred or accrued under this Agreement if the Bank should at any time withdraw as a party to the Syndicated Credit Agreement, subject to the Bank giving the Borrower not less than 60 days' prior written notice of the due date for any such repayment, the date thereof not to be earlier in any event than the date that the Bank's withdrawal from the Syndicated Credit Agreement becomes effective; provided that, if any Availment (excluding any Prime Rate Advance and any Base Rate Advance) is outstanding on the date of receipt by the Borrower of any such notice and if the maturity or expiry date of such Availment should not occur until after the aforesaid 60-day period has expired, then, all payments in respect of such Availment, which, if not for the giving of the notice provided for in this Covenant (5), would otherwise be due after expiry of the 60-day period, shall instead be made as and when otherwise required by this Agreement, except that, in the case of any applicable Documentary Instrument, payments of principal, interest and other amounts arising from any drawing thereunder shall be made on the second Business Day following such drawing. Notwithstanding any other term or condition of this Agreement, the Borrower agrees that no further credit shall be available to the Borrower under this Agreement after the date of its receipt of the notice referred to above and that, if all amounts payable under this Covenant (5) are received by the Bank within the aforesaid 60-day period, the Credit shall terminate on the date of final

payment thereof; provided further that, the Borrower's entitlement to obtain credit hereunder shall be re-instated and the Credit shall expire on the maturity date as otherwise provided subject to the terms and conditions of this Agreement, if (i) at any time prior to the due date for repayment specified in any such notice by the Bank, the Borrower provides an irrevocable standby letter of credit, in form and substance satisfactory to the Bank in its sole discretion, for a principal amount not less than the committed limit of the Credit at such time, plus interest, fees and other amounts outstanding and payable under this Agreement and (ii) no Event of Default or material adverse change in the financial condition of the Borrower has occurred at any time prior to or upon the Bank's receipt of such letter of credit. The giving of any notice by the Bank under this Covenant (5) shall not affect the respective rights, privileges or obligations of the parties to this Agreement except as expressly set out in this Covenant (5);

- (6) not to incur, nor to permit its subsidiaries to incur, directly or indirectly, any indebtedness or liability for borrowed money after the date hereof, whether actual or contingent (including, without limitation, liability under any guarantee) other than the re-financing of any existing obligation of the Borrower as disclosed above in clause (b) of the section hereof captioned REPRESENTATIONS AND WARRANTIES, amounts that the Bank is satisfied are incurred in the normal course of business and indebtedness and liability for borrowed money incurred to affiliates; and
- (7) to notify the Bank in writing of the amount and currency of each additional Obligation incurred or to be incurred by or on behalf of the Borrower under the General Security Agreement, with such written notice to include the date that the applicable Obligation was or will be incurred and to be given not later than 2 Business Days after the date that such Obligation was incurred; provided that, if advance notice of any additional Obligation is given to the Bank, and the date, amount or currency thereof as specified in such notice does not correspond with the actual date, amount or currency of that Obligation as and when incurred, the Borrower further covenants to correct the affected notice in a supplementary written notice to the Bank within 2 Business Days of the date that the applicable Obligation was incurred, or if

appropriate, to advise the Bank that no such additional Obligation will be incurred.

EVENTS OF  
DEFAULT

Upon the occurrence and continuation of any Event of Default, the Bank may terminate the Credit and/or demand payment of all indebtedness and liability outstanding and accrued hereunder to the date of demand and proceed to take such steps as it deems fit.

An Event of Default shall occur if:

- (1) the Borrower fails to pay any amount of principal within 3 Business Days of when due or fails to pay any amount of interest, fees or other amounts within 5 Business Days of when due under the Credit, or makes any representation or warranty hereunder which is incorrect in any material respect;
- (2) the Borrower breaches any material covenant hereof (including, without limitation, any covenant made hereunder in the above section captioned COVENANTS) or fails to comply with any other material term or condition hereof and such breach of covenant or material non-compliance (other than a covenant to pay or a covenant impossible to remedy or a material breach of any representation or warranty) continues for 10 Business Days or more after notice to remedy same, or the Borrower fails to pay any excess amount due in respect of the Limitation On Availability hereunder within the time period specified in any demand therefor; or
- (3) the Borrower or any subsidiary of the Borrower admits its inability to pay its debts generally; becomes a bankrupt (voluntarily or involuntarily); or, becomes subject to any proceeding seeking liquidation, rearrangement, relief of creditors or the appointment of a receiver or trustee over, or any judgment or order which has or might have a material and adverse effect on, any substantial part of its property or undertaking; unless, in the event of an involuntary bankruptcy or a proceeding for any of the remedies specified above in this section (other than a voluntary bankruptcy), the affected corporation has obtained a dismissal, permanent stay or other similar disposition not more than 60 days from (i) the date of the filing of a petition, in the case of an involuntary bankruptcy, or (ii) the date of service of the relevant statement of claim, application or other process, in the case of any other proceeding; or
- (4) The Borrower or any subsidiary of the Borrower:

- (a) fails to pay any of its (other) indebtedness or liability when due, such failure continues after any applicable grace period specified in an agreement or instrument relating to such (other) indebtedness or liability and, as a result thereof, the Borrower or applicable subsidiary is then in default of payment of an aggregate principal amount of indebtedness and liability of \$10,000,000 U.S. (or the Canadian dollar equivalent thereof) or more; or
- (b) permits any material default under any agreement or instrument relating to its (other) indebtedness or liability, or any other event, to occur and to continue after any applicable grace period specified in such agreement or instrument and the effect of such default or event is to accelerate, or to permit the acceleration of, the maturity of that indebtedness or liability such that the aggregate principal amount of the indebtedness and liability incurred by the Borrower or applicable subsidiary which then has been or may be accelerated by the relevant creditor(s) exceeds \$10,000,000 U.S. (or the Canadian dollar equivalent thereof);

(irrespective of whether either of the aforesaid aggregate principal amounts, or any portion thereof, is incurred jointly, severally or jointly and severally, provided that the calculation of such aggregate principal amounts shall be made without duplication); or

- (5) subject to the above paragraphs (1) and (4) of this section, an "Event of Default" within the meaning of the Syndicated Credit Agreement occurs thereunder as a result of any of the events or circumstances specified in Section 9 (h) thereof; or
- (6) subject to the above paragraphs (1), (4) and (5) of this section, any other event of default occurs under the Syndicated Credit Agreement or any successor thereto which results in the acceleration of any amount of the Parent Company's indebtedness or liability outstanding thereunder and/or the termination of the lenders' commitments thereunder; or
- (7) any of Sections 8.2 (1), 8.2 (o) or 8.3 of the Syndicated Credit Agreement as each relates to the Borrower is amended, substituted or abolished

at any time without the prior written consent of the Bank; or

- (8) any course of action is undertaken by the Borrower or any material subsidiary of the Borrower, or with respect to such corporation or its capital stock by another party, which is intended to result in, or would result (in the reasonable opinion of the Bank) in, its reorganization or reconstruction, or its consolidation, amalgamation or merger with another corporation, or the transfer of all or substantially all of the undertaking and assets of such corporation; or
- (9) there occurs or is announced or is scheduled any change in the ownership of the Borrower such that the Parent Company or any wholly-owned subsidiary of the Parent Company ceases, or would cease, to beneficially own 100% of the issued and outstanding capital stock in the Borrower at any time; or
- (10) any affiliate of the Borrower or of a subsidiary of the Borrower which is a party to a postponement and subordination agreement entered into with the Bank (a "Postponement and Subordination Agreement") fails to substantially perform, observe or otherwise comply with any material term or condition of that Postponement and Subordination Agreement and such failure continues for 15 Business Days or more after notice given by the Bank to the applicable affiliate to remedy same; or any such affiliate party to a Postponement and Subordination Agreement denies, to any extent, its obligations under such Postponement and Subordination Agreement or claims such Postponement and Subordination Agreement to be, with respect to itself or any other party thereto, invalid or withdrawn in whole or in part; or any Postponement and Subordination Agreement is invalidated in whole or in part by any Act, regulation or governmental action; or any Postponement and Subordination Agreement ceases to be the valid, binding and enforceable obligation of the applicable affiliate(s).

CHANGE OF  
INTERPRETATION

No amendment or other modification, substitution, abolition or waiver to or of:

- (i) any provision of the Syndicated Credit Agreement or the General Security Agreement, or any portion of any provision of either such agreement, which is specifically referenced in this Agreement, including, without limitation, any defined term



of the Syndicated Credit Agreement or of the General Security Agreement referenced herein (each a "Referenced Term"); or

- (ii) any defined term of the Syndicated Credit Agreement or the General Security Agreement which is used in or is otherwise relevant to any Referenced Term but which is not specifically referenced in this Agreement (each a "Referenced Term" also)

shall be binding upon the Bank for the purposes of this Agreement unless the Bank gives its prior written consent thereto for the express purpose of the relevant amendment, modification, substitution, abolition or waiver. Each Referenced Term shall survive termination of or the Bank's withdrawal from the Syndicated Credit Agreement or the General Security Agreement, as applicable, and shall survive the invalidity of the Syndicated Credit Agreement or the General Security Agreement or any portion of any provision or defined term of either such agreement which constitutes a Referenced Term for the purposes of this Agreement.

#### DETERMINATION

The Bank shall have the right to determine at any time, and in its discretion reasonably exercised, as to whether any event, circumstance or thing envisaged in this Agreement is or would be "material", "adverse" or "substantial", as such terms are used herein. Any accounting terms used and not specifically defined herein shall be construed in accordance with Canadian GAAP or, as applicable, generally accepted U.S. accounting principles, consistently applied, and except as may be otherwise provided herein all financial data and statements submitted pursuant to this Agreement shall be prepared in accordance with such principles.

#### INDEMNITY PROVISIONS

If the introduction or implementation of or any change in or in the interpretation of, or any change in its application to the Borrower of, any law or any regulation or guideline issued by any central bank or other governmental authority (whether or not having the force of law), including, without limitation, any reserve or special deposit requirement or any tax (other than tax on the Bank's general income) or any capital requirement, has due to the Bank's compliance the effect, directly or indirectly, of (i) increasing the cost to the Bank of performing its obligations hereunder or under any BA or Documentary Instrument; (ii) reducing any amount received or receivable by the Bank or its effective return hereunder or in respect of any BA or Documentary Instrument or on its capital; or (iii) causing the Bank to make any payment or to forgo any return based on any amount received or

receivable by the Bank hereunder or in respect of any BA or Documentary Instrument, then upon receipt by the Borrower of a certificate from the Bank setting forth in reasonable detail any additional costs, reduced amount receivable or foregone return, the Borrower shall pay such amount as shall compensate the Bank for any such cost, reduction, payment or forgone return. The Borrower shall further indemnify the Bank for all costs, losses and expenses which may at any time be imposed on, incurred by or asserted against the Bank in any way relating to or arising out of the execution, delivery or enforcement of this Agreement, the transactions contemplated hereby (including, without limitation, the making and maintaining of any Availment hereunder) and/or the early termination of any LIBOR Period and agrees that the Bank shall have no liability to the Borrower for any reason in respect of any Availment other than on account of the Bank's gross negligence or wilful misconduct. Any certificate of the Bank in respect of the foregoing will be conclusive and binding upon the Borrower, except for manifest error, provided that the Bank shall determine the amounts owing to it in good faith using any reasonable averaging and attribution methods.

INDEMNITY FOR  
ENVIRONMENTAL  
HAZARDS

The Borrower hereby represents and warrants that its business and assets and those of its material subsidiaries are operated in substantial compliance with applicable environmental laws, rules, regulations and orders ("Environmental Laws") and that no enforcement action in respect thereof is threatened or pending, to the best of the knowledge, information and belief, after due enquiry, of each and every senior officer of the Borrower who could reasonably be expected to have knowledge of such matters. The Borrower covenants to and to cause its subsidiaries to continue to so operate and permit the Bank to conduct inspections and appraisals of all or any of its and its subsidiaries' records, business and assets at reasonable times upon prior written notice to the Borrower at any time and from time to time at the Borrower's expense to ensure such compliance. If the Bank is required to expend any funds in compliance with Environmental Laws, the Borrower shall indemnify the Bank in respect of such expenditures as if an advance had been made to the Borrower under this Agreement for such purpose; provided that the Bank shall have delivered to the Borrower a certificate setting forth in reasonable detail the basis for its expenditures, including the Environmental Laws implicated and the amount and nature of such expenditures.

## REPORTING

The Borrower shall provide to the Bank, to the attention of Unit Head, Corporate Banking - Ontario, 44 King Street West, Toronto, Ontario M5H 1H1:

- (1) unaudited, quarterly, consolidated financial statements of the Borrower within 60 days of the end of each of the first 3 quarters of each of its fiscal years;
- (2) audited, annual, consolidated financial statements of the Borrower within 150 days of each of its fiscal year-ends;
- (3) quarterly certificates of compliance, supported by detailed calculations:
  - (i) demonstrating that the Borrower has maintained all financial performance tests prescribed in this Agreement and confirming that no Event of Default has occurred or is continuing hereunder;
  - (ii) demonstrating that the Parent Company has maintained all financial performance tests prescribed in the Syndicated Credit Agreement and further confirming that no event of default has occurred or is continuing thereunder;
  - (iii) to confirm the Coverage and Debt Ratios affecting the Pricing Levels for certain interest rates and fees hereunder (determined in accordance with the Interest Rate/Fee Adjustments section hereof) which will be in effect, subject to the terms of the Interest Rate/Fee Adjustments section hereof, for the 90-day period commencing on the second Business Day immediately following the earlier of the Bank's receipt of a certificate and the due date therefor; and
  - (iv) to specify the aggregate amount of Obligations which are known by the Borrower to be outstanding as at the end of the applicable fiscal period, including, the aggregate amount of all Obligations which were incurred during such fiscal period;

with each certificate to be signed by a senior executive officer of the Borrower and the Parent Company and to be provided as soon as feasible after the end of each fiscal quarter of the Borrower and in any event (if not already provided) within 60 days of the end of each of the first 3 quarters of each of the Borrower's

fiscal years and within 105 days of each of the Borrower's fiscal year-ends; and

- (4) such other information as the Bank may reasonably request.

## EXPENSES

All reasonable fees and out-of-pocket expenses of the Bank in respect of preparation and enforcement of this Agreement will be for the account of the Borrower.

## EXCHANGE EQUIVALENCIES

Except as otherwise provided hereunder, the Canadian dollar exchange equivalent of U.S. dollars shall be determined by the Bank in accordance with its normal practices from time to time. The aggregate amount of Canadian dollar Availments and the Canadian dollar exchange equivalent of U.S. dollar Availments outstanding at any time under the Credit shall not exceed the Canadian dollar committed limit of the Credit at such time, and for such purposes the Bank may require any such excess resulting for any reason to be repaid within 30 days of notice thereof to the Borrower and until such repayment may refuse to allow a drawdown under the Credit.

## PAYMENTS

Unless otherwise directed by the appropriate party, all disbursements to the Borrower shall be made into an account designated by the Borrower and all payments to the Bank shall be made in the currency in respect of which the obligations requiring such payment arose by depositing such payments (whether by wire transfer or otherwise) into an account designated by the Bank at the Branch for value on the due date. Upon the occurrence and continuation of any Event of Default hereunder, the Borrower hereby acknowledges that the Bank shall be entitled, from time to time and at any time, to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other indebtedness at any time owing by the Bank to or for the credit or the account of the Borrower against any and all of the obligations of the Borrower now or hereafter existing under this Agreement, irrespective of whether or not the Bank shall have made any demand under this Agreement. The currency of account of all payments contemplated hereunder shall be of the essence of this Agreement.

## EVIDENCE OF INDEBTEDNESS

The Borrower acknowledges that the actual recording of any Availment under the Credit and interest, fees and other amounts due therefor under this Agreement in an account of the Borrower maintained by the Bank in respect thereof and payments made under the Credit in accordance with this Agreement shall constitute, except for manifest error, conclusive evidence of the Borrower's indebtedness and liability from time to time under this Agreement in respect of the Credit;

provided that the failure of the Bank to record the indebtedness and liability of the Borrower in such account shall not affect the obligation of the Borrower to pay or repay such indebtedness and liability in accordance with this Agreement.

JUDGMENT  
CURRENCY

The obligation of the Borrower hereunder to make payments in U.S. dollars shall not be discharged or satisfied by any tender or recovery pursuant to any judgment expressed in or converted into Canadian dollars except to the extent to which such tender or recovery shall result in the effective receipt by the Bank of the full amount of U.S. dollars so payable hereunder. Accordingly, the obligation of the Borrower shall be enforceable as an alternative or additional cause of action for the purpose of recovery in Canadian dollars of the amount (if any) by which such effective receipt shall fall short of the full amount of U.S. dollars so payable hereunder and shall not be affected by any judgment being obtained for any other sums due hereunder.

SEVERABILITY

The invalidity or unenforceability of any particular provision of this Agreement shall not affect any other provision herein and the Agreement shall be construed as if the invalid or unenforceable provision had been omitted.

ASSIGNABILITY  
& GOVERNING LAW

The Borrower may not assign this Agreement. The Bank may assign or grant participation in its rights and obligations hereunder to any of its subsidiaries or affiliates without the consent of the Borrower, and may assign or grant participation in its rights and obligations hereunder to any other third party with the prior written consent of the Borrower (not to unreasonably withheld), with each such assignee or participant to be entitled to rely on the section headed INDEMNITY PROVISIONS as set out above. This Agreement shall be construed in accordance with the law of the Province of Ontario.

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Please indicate your acceptance of this Agreement by signing and returning to the Bank the enclosed duplicate copy of this letter, together with Schedules "A" and "B" hereto, on or before April 19, 1995, failing which the provisions hereof shall be of no force or effect.

Yours truly,

THE BANK OF NOVA SCOTIA

Accepted this \_\_\_\_ day of  
of April, 1995.

LEAR SEATING CANADA LTD.

by: -----  
S.P. Hart

by: -----

Name: -----

Title: -----

by: -----  
M.L. Ness

by: -----

Name: -----

Title: -----

## SCHEDULE "A"

## DOCUMENTARY INSTRUMENTS

This Schedule is part of the letter loan agreement (the "Agreement") dated April 19, 1995, between The Bank of Nova Scotia (the "Bank") and Lear Seating Canada Ltd. (the "Applicant"). Canadian and U.S. dollar denominated commercial and standby letters of credit and letters of guarantee (each a "Documentary Instrument") shall be Availments which may be obtained under the Revolving Term Credit referred to in the Agreement, provided that each Documentary Instrument shall be in form satisfactory to the Bank and have a term to expiry of not more than 365 days and further provided that the issuance thereof will not contravene any law, regulation or order applicable to such Documentary Instrument in any jurisdiction. Each Commercial Documentary Instrument shall be issued subject to the additional terms set forth in Schedule "B" attached hereto. All other capitalized terms not defined herein shall have the respective meanings given to them in the Agreement.

IN CONSIDERATION of the Bank issuing each Documentary Instrument, the Applicant hereby agrees as follows:

1. The availability of the Credit shall be reduced by the face amount of each Documentary Instrument for and during the period of time that the Bank has a contingent liability thereunder. The Applicant shall pay, upon issuance of each Documentary Instrument for the guarantee of performance of the Applicant's contractual obligations, a fee of 1/2 of 1% per annum, and upon issuance of each Documentary Instrument for any other purpose, a fee of 3/4 of 1% per annum, calculated in each case on the face amount of such Documentary Instrument for the actual number of days to elapse, based upon a year of 365 days, from and including the date of issuance thereof to the applicable date of expiry. The issuance fee shall be recalculated each time a particular Documentary Instrument is reduced and the Bank will refund to the Borrower any unearned issuance fee as a result of reductions in or cancellations of the particular Documentary Instrument from the date of recalculation hereunder, provided that in no event shall the minimum issuance fee paid in respect of the particular Documentary Instrument be less than the greater of \$100 Cdn. or U.S., as applicable, or 1/4 of 1% per annum of the face amount of the Documentary Instrument issued or renewed. Each Documentary Instrument may be converted to another Availment, but only on the expiry or cancellation of such Documentary Instrument. All drafts, bills of exchange, receipts, acceptances, demands and other requests for payment drawn or issued under a Documentary Instrument (any such instrument being a "Draft") and all other amounts paid by the Bank under or in connection with any Documentary Instrument shall constitute under the Credit a Prime Rate Advance to the extent that such amounts are in Canadian dollars and a Base Rate Advance to the extent that such amounts are in U.S. dollars.

2. The Applicant shall pay to the Bank all of the Bank's contingent liability in respect of (i) any Documentary Instrument outstanding upon any termination of the Credit, and (ii) any Documentary Instrument which becomes the subject matter of any order,

judgment, injunction or other such determination (an "Order"), or any petition or other application for any Order by the Applicant or any other party, restricting payment by the Bank under and in accordance with such Documentary Instrument or extending the Bank's liability under such Documentary Instrument beyond the expiration date stated therein, provided that payment in respect of each such Documentary Instrument shall be due forthwith upon demand and in the currency in which such Documentary Instrument is denominated (the "Instrument Currency"); provided that, subject to the provisions of paragraph (5) of the section below captioned COVENANTS, no such payment shall be required to be made by the Applicant with respect to any Documentary Instrument prior to its date of expiry if such Documentary Instrument is outstanding at the time of the Applicant's receipt of any notice of repayment given by the Bank to the Applicant in accordance with the aforesaid paragraph (5) of the section of the Agreement captioned COVENANTS.

3. The Bank hereby agrees that it will, with respect to each Documentary Instrument subjected to any such demand for payment under the preceding section, upon the later of:

- (a) the date on which any final and non-appealable order, judgment or other such determination has been rendered or issued either terminating any applicable Order, or permanently enjoining the Bank from paying under such Documentary Instrument; and
- (b) the earlier of:
  - (i) the date on which either the original counterpart of such Documentary Instrument is returned to the Bank for cancellation or the Bank is released by the beneficiary thereof from any further obligations in respect of such Documentary Instrument; and,
  - (ii) the expiry of such Documentary Instrument;

pay to the Applicant an amount in the applicable Instrument Currency equal to any excess of the amount received by the Bank hereunder in respect of the Bank's contingent liability under such Documentary Instrument (the "Received Amount") over the equivalent in such Instrument Currency of the total of amounts applied to reimburse the Bank for amounts paid by it under or in connection with such Documentary Instrument (the Bank having the right to so appropriate an aggregate sum equal to the amounts paid by it under the applicable Documentary Instrument), together with an additional amount in such Instrument Currency computed by applying a per annum rate as set out below to the amount of such excess from time to time. The applicable per annum rate shall equal 3% per annum less than the Prime Lending Rate, if the applicable Documentary Instrument is denominated in Canadian dollars or 3% less than the Bank's Base Rate Canada, if the applicable Documentary Instrument is denominated in U.S. dollars. Such additional amount shall be calculated daily on the basis of a 365 day year for the actual number of days elapsed from and including the date



of payment to the Bank of the Received Amount to (but not including) the date of return to the Applicant of the excess.

4. Amounts not paid when due hereunder shall, for the purposes of the Agreement, be deemed to be amounts not paid when due for Prime Rate Advances if in respect of Canadian dollars and Base Rate Advances if in respect of U.S. dollars.

5. The obligations of the Applicant hereunder shall be absolute, unconditional and irrevocable and shall not be reduced by any event or occurrence including, without limitation, any lack of validity or enforceability of a Documentary Instrument, or any Draft paid or acted upon by the Bank or any of its correspondents being fraudulent, forged, invalid or insufficient in any respect, or any claims which the Applicant may have against any beneficiary or transferee of any Documentary Instrument; provided that the Bank shall indemnify the Borrower for any cost, expense or other liability resulting from the Bank's negligence or wilful misconduct. The obligations of the Applicant hereunder shall remain in full force and effect and shall apply to any alteration to or extension of the expiration date of any Documentary Instrument or any standby letter of credit issued to replace, extend or alter any Documentary Instrument.

6. Any action, inaction or omission taken or suffered by the Bank or any of the Bank's correspondents under or in connection with a Documentary Instrument or any Draft made thereunder, if in good faith and in conformity with foreign or domestic laws, regulations or customs applicable thereto shall be binding upon the Applicant and shall not place the Bank or any of its correspondents under any resulting liability to the Applicant. Without limiting the generality of the foregoing, the Bank and its correspondents may receive, accept or pay as complying with the terms of a Documentary Instrument, any Draft thereunder, otherwise in order which may be signed by, or issued to, the administrator or any executor of, or the trustee in bankruptcy of, or the receiver for any property of, or other person or entity acting as the representative or in the place of, such beneficiary or its successors and assigns. The Applicant covenants that it will not take any steps against the Bank or any of its correspondents, issue any instructions to the Bank or any of its correspondents or institute any proceedings against the Bank or any of its correspondents intended to derogate from the right or ability of the Bank or its correspondents to honour and pay any Draft or Drafts.

7. The Applicant agrees to pay, upon 10 days' prior written notice thereof, all reasonable costs and expenses of the Bank incurred in the enforcement of the Bank's rights under this Agreement and, further, will indemnify the Bank on demand against all loss or damage to the Bank arising out of the issuance of or other action taken by the Bank in connection with any Documentary Instrument including, without limitation, the costs relating to any legal process instituted by any party restraining or seeking to restrain the Bank from accepting or paying any Draft; provided that the Bank shall have delivered to the Borrower a certificate setting forth in reasonable detail all such costs, expenses or damages. The Applicant also agrees that the Bank shall have no liability to it for any reason in respect of the issuance of any Documentary Instrument other than on account of the Bank's

negligence or wilful misconduct. All payments to be made to the Bank hereunder shall be made for value on the date due and free of any withholding tax or levy, other than taxes imposed on the net income of the Bank, and such taxes or levies, other than as excepted, shall be paid by the Applicant. The provisions of this paragraph will survive payment in full hereunder.

8. This Schedule and Schedule "B" shall be binding upon the Applicant, its successors and assigns and shall enure to the benefit of the Bank, its successors, transferees and assigns. Any provision of this Schedule and any provision of Schedule "B" which is void or unenforceable shall be ineffective to the extent void or unenforceable and shall be severable from the other provisions of the applicable Schedule and this Schedule and Schedule "B" shall be interpreted as if such provision were not included in Schedule "A" or Schedule "B", as applicable. Time and the currency of payment hereunder shall be deemed to be of the essence hereof. None of the terms of this Schedule or of Schedule "B" shall be amended except in writing signed by the Bank and the Applicant and any waiver by the Bank shall not constitute any further waiver. The Uniform Customs and Practice for Documentary Credits as most recently published by the International Chamber of Commerce (the "UCP") shall in all respects apply to each standby or commercial letter of credit and shall be deemed for such purpose to be a part hereof as if fully incorporated herein. In the event of any conflict between the UCP and the governing law of the Agreement, the UCP shall prevail to the extent necessary to remove the conflict.

## SCHEDULE "B"

## COMMERCIAL DOCUMENTARY INSTRUMENTS

This Schedule is part of the letter loan agreement (the "Agreement") dated April 19, 1995, between The Bank of Nova Scotia (the "Bank") and Lear Seating Canada Ltd. (the "Applicant"). Canadian and U.S. dollar denominated commercial letters of credit (each a "Commercial Documentary Instrument") shall be Availments which may be obtained under the Revolving Term Credit referred to in the Agreement, provided that each Commercial Documentary Instrument shall be in form satisfactory to the Bank and have a term to expiry of not more than 365 days and further provided that the issuance thereof will not contravene any laws, regulations or orders applicable to such Documentary Instrument in any jurisdiction. All other capitalized terms not defined herein shall have the respective meanings given to them in the Agreement.

IN CONSIDERATION of the issue by the Bank from time to time of one or more Commercial Documentary Instruments prepared in accordance with an application or applications which have been or will be entered into by the Applicant from time to time during the term of the Agreement and in addition to the terms contained in Schedule "A" hereto, the Applicant hereby agrees with the Bank as follows:

1. If a Commercial Documentary Instrument does not specify the unit price of the goods, wares and merchandise and other commodities which may be purchased or shipped under or by virtue of such Commercial Documentary Instrument (the "Goods") and does not state that partial shipments are not permitted, the Bank shall be entitled to be paid the full amount of any Draft honoured in respect of a partial shipment notwithstanding that it is for an amount that is disproportionate to the relative partial shipment.

2. All users of a Commercial Documentary Instrument shall be deemed to be agents of the Applicant and neither the Bank nor its agents or correspondents shall be responsible for the negligence or fraudulence of any user of a Commercial Documentary Instrument, for the existence, nature, condition, description, value, quality or quantity of the Goods, for the packing, shipment, export, import, handling, storage or delivery thereof, or for the safety or preservation thereof at any time, and neither the Bank nor its agents or correspondents shall be liable for any loss resulting from the total or partial destruction of or damage to or deterioration or fall in value of the Goods, or from the delay in arrival or failure to arrive of either the Goods or of any of the documents relating thereto, or from the inadequacy or invalidity of any document or insurance, or from the default or insolvency of any insurer, carrier or other person issuing any document with respect to the Goods, or from failure to give or delay in giving notice of arrival of the Goods or any other notice, or from any error in or misinterpretation of or default or delay in the sending, transmission, arrival or delivery of any message, whether in cipher or not, by post, telegraph, cable, wireless or otherwise, and the obligations hereunder of the Applicant to the Bank shall not be in any way lessened or affected if any Draft or document accepted, paid or acted upon by the Bank or its agents or correspondents does not bear a

reference or sufficient reference to a Commercial Documentary Instrument or if no note thereof is made on a Commercial Documentary Instrument.

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