

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

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FORM 8-K

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CURRENT REPORT

PURSUANT TO SECTION 13 OR 15 (d) OF  
THE SECURITIES AND EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported) August 17, 1995

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.)

2157 TELEGRAPH ROAD, SOUTHFIELD, MI 48034  
(Address of principal executive offices) (zip code)

(810) 746-1500  
(Registrant's telephone number, including area code)

NO CHANGE  
(Former name or former address, if changes since last report)

## ITEM 2: Acquisition of Assets

On August 17, 1995, Lear Seating Corporation (the "Company"), through its wholly-owned subsidiary, AIHI Acquisition Corp. ("Acquisition Sub"), acquired pursuant to a tender offer (the "Tender Offer Acquisition") 16,868,794 shares of Class A Common Stock, par value \$.01 per share (the "Shares"), of Automotive Industries Holding, Inc. ("AIHI"), representing approximately 96% of the outstanding Shares of AIHI, at a purchase price of \$33.50 per Share net to the seller in cash. AIHI is 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 Tender Offer Acquisition occurred in accordance with an Agreement and Plan of Merger (the "Merger Agreement") dated as of July 16, 1995, among the Company, Acquisition Sub and AIHI pursuant to which the Company, through Acquisition Sub, agreed to purchase all of the outstanding Shares of AIHI. On August 22, 1995, pursuant to the terms of the Merger Agreement, Acquisition Sub merged with and into AIHI, and AIHI became a wholly-owned subsidiary of the Company (the "Merger"). In the Merger, each outstanding Share (other than (i) Shares held by AIHI as treasury stock, (ii) Shares held by any subsidiary of AIHI, (iii) Shares owned by the Company, Acquisition Sub or any subsidiary of either of them and (iv) Shares held by stockholders, if any, who perfected their appraisal rights under Delaware law) was converted into the right to receive \$33.50 in cash.

The aggregate purchase price for the acquisition of AIHI (the "AIH Acquisition") was \$926.4 million (including the assumption of \$282.3 million of AIHI's existing indebtedness and payment of estimated fees and expenses in connection with the AIH Acquisition). The aggregate purchase price was determined based upon several factors, including evaluations of AIHI, the market price of AIHI Shares, and negotiations with the management and directors of AIHI. The financing for the Acquisition was provided under a \$1.5 billion revolving Credit Agreement (the "New Credit Agreement") dated as of August 17, 1995 among the Company and a syndicate of financial institutions for which Chemical Bank serves as administrative agent.

On July 7, 1995, AIHI, through an indirect wholly owned subsidiary, acquired Plastifol GmbH & Co. KG and certain related entities ("Plastifol") for a purchase price of approximately \$60 million. The purchase price was funded through borrowings under AIHI's then existing credit facility. The aggregate purchase price was arrived at through arm's-length negotiations between the parties.

AUTOMOTIVE INDUSTRIES HOLDING, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AS OF  
DECEMBER 31, 1994 AND JANUARY 1, 1994  
TOGETHER WITH REPORT OF  
INDEPENDENT PUBLIC ACCOUNTANTS

## REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Automotive Industries Holding, Inc.:

We have audited the accompanying consolidated balance sheets of Automotive Industries Holding, Inc. (a Delaware corporation) and Subsidiaries as of December 31, 1994 and January 1, 1994, and the related consolidated statements of operations, shareholders' investment and cash flows for each of the three years in the period ended December 31, 1994. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Automotive Industries Holding, Inc. and Subsidiaries as of December 31, 1994 and January 1, 1994, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1994, in conformity with generally accepted accounting principles.

ARTHUR ANDERSEN LLP

Minneapolis, Minnesota,  
January 26, 1995

## AUTOMOTIVE INDUSTRIES HOLDING, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS  
(IN THOUSANDS EXCEPT PER SHARE AMOUNTS)

	DECEMBER 31, 1994	JANUARY 1, 1994
	-----	-----
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents.....	\$ --	\$ 1,156
Accounts receivable, net.....	107,106	53,314
Inventories.....	42,117	19,338
Prepaid expenses.....	2,357	666
Excess of cost over billings on uncompleted tooling projects.....	36,029	18,533
	-----	-----
Total current assets.....	187,609	93,007
	-----	-----
PROPERTY, PLANT AND EQUIPMENT, net.....	214,484	124,440
	-----	-----
OTHER ASSETS.....	16,932	--
INTANGIBLE ASSETS:		
Goodwill.....	155,468	124,331
Other.....	7,113	6,194
	-----	-----
	162,581	130,525
Less -- Accumulated amortization.....	(14,189)	(9,488)
	-----	-----
Intangible assets, net.....	148,392	121,037
	-----	-----
	\$567,417	\$ 338,484
	=====	=====
LIABILITIES AND SHAREHOLDERS' INVESTMENT		
CURRENT LIABILITIES:		
Current maturities of long-term debt.....	\$ 3,849	\$ 1,862
Accounts payable.....	63,654	18,039
Accrued compensation.....	11,871	7,086
Other accrued liabilities.....	8,946	6,982
Income taxes payable.....	7,897	1,996
	-----	-----
Total current liabilities.....	96,217	35,965
	-----	-----
LONG-TERM DEBT, net of current maturities.....	216,920	93,829
DEFERRED INCOME TAXES.....	4,627	4,062
OTHER NONCURRENT LIABILITIES.....	29,782	14,886
	-----	-----
SHAREHOLDERS' INVESTMENT:		
Exchangeable preferred stock, par value \$.01, redemption value \$100:		
Class A, Series A-2, 150 shares authorized, 68 and 69 issued and outstanding.....	6,870	6,892
Class B, Series B-2, 75 shares authorized, 0 and 24 issued and outstanding.....	--	2,409
Common stock, par value \$.01:		
Class A, 100,000 shares authorized, 17,515 and 17,049 issued and outstanding.....	175	170
Additional paid-in capital.....	146,031	143,644
Retained earnings.....	69,301	36,627
Cumulative translation adjustment.....	(2,506)	--
	-----	-----
Total shareholders' investment.....	219,871	189,742
	-----	-----
	\$567,417	\$ 338,484
	=====	=====

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

## AUTOMOTIVE INDUSTRIES HOLDING, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS  
(IN THOUSANDS EXCEPT PER SHARE AMOUNTS)

	YEAR ENDED		
	DECEMBER 31, 1994	JANUARY 1, 1994	DECEMBER 26, 1992
REVENUES.....	\$512,760	\$ 348,718	\$272,396
Cost of sales.....	408,877	273,805	216,875
GROSS PROFIT.....	103,883	74,913	55,521
Selling, general and administrative expenses.....	35,296	24,330	16,671
Amortization expense.....	4,701	3,442	2,304
OPERATING INCOME.....	63,886	47,141	36,546
Interest expense, net.....	(9,318)	(7,138)	(9,456)
INCOME BEFORE INCOME TAXES.....	54,568	40,003	27,090
Provision for income taxes.....	21,825	15,984	10,962
INCOME BEFORE PREFERRED DIVIDENDS AND EXTRAORDINARY ITEM.....	32,743	24,019	16,128
Non-cash dividends on Series A 9.5% Cumulative redeemable exchangeable preferred stock.....	--	--	988
INCOME BEFORE EXTRAORDINARY ITEM.....	32,743	24,019	15,140
Extraordinary item -- loss on early extinguishment of debt.....	--	--	(8,259)
NET INCOME.....	\$ 32,743	\$ 24,019	\$ 6,881
Net income per common and common equivalent share:			
Before extraordinary item.....	\$1.77	\$1.41	\$ 1.11
Extraordinary item.....	--	--	(0.61)
Total.....	\$1.77	\$1.41	\$ 0.50
Weighted average common and common equivalent shares outstanding.....	18,578	17,052	13,620

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

## AUTOMOTIVE INDUSTRIES HOLDING, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' INVESTMENT  
(IN THOUSANDS)

	PREFERRED STOCK		COMMON STOCK		ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS	CUMULATIVE TRANSLATION ADJUSTMENT
	CLASS A	CLASS B	CLASS A	CLASS B			
BALANCE, December 28, 1991.....	\$ --	\$ --	\$ 80	\$ 6	\$ 28,414	\$ 5,788	\$ --
Net income before dividends.....						7,869	
Initial public offering of Class A common stock -- 5,381 shares.....			54		68,783		
Exercise of warrants -- 369 shares.....			4		1,216		
Dividends on Series A 9.5% cumulative redeemable exchangeable preferred stock....						(988)	
Conversion premium on preferred stock.....					(1,433)		
BALANCE, December 26, 1992.....	--	--	138	6	96,980	12,669	--
Net income.....						24,019	
Issued in connection with acquisition of ASAA International, Inc.							
Class A -- 69 shares.....	6,892						
Class B -- 24 shares.....		2,409					
Offering of Class A common stock -- 1,900 shares.....			19		43,994		
Dividends on Class B preferred stock.....						(61)	
Sale of stock under Employee Stock Discount Purchase Plan -- 4 shares.....					81		
Exchange of Class B common stock for Class A common stock -- 648 shares.....			6	(6)			
Exercise of warrants -- 740 shares.....			7		2,431		
Exercise of options -- 9 shares....					158		
BALANCE, January 1, 1994.....	6,892	2,409	170	--	143,644	36,627	--
Net income.....						32,743	
Dividends on Class B preferred stock.....						(69)	
Sale of stock under Employee Stock Discount Purchase Plan -- 36 shares.....			1		826		
Cancellation and redemption of preferred stock							
Class A -- 1 share.....	(22)						
Class B -- 24 shares.....		(2,409)					
Exercise of warrants -- 420 shares.....			4		1,380		
Exercise of options -- 10 shares...					181		
Change in cumulative translation adjustment.....							(2,506)
BALANCE, December 31, 1994.....	<u>\$6,870</u>	<u>\$ --</u>	<u>\$175</u>	<u>\$ --</u>	<u>\$146,031</u>	<u>\$69,301</u>	<u>(\$ 2,506)</u>

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

## AUTOMOTIVE INDUSTRIES HOLDING, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS  
(IN THOUSANDS)

	YEAR ENDED		
	DECEMBER 31, 1994	JANUARY 1, 1994	DECEMBER 26, 1992
<b>OPERATING ACTIVITIES:</b>			
Net income.....	\$ 32,743	\$ 24,019	\$ 6,881
Adjustments to reconcile net income to net cash provided by operating activities --			
Extraordinary loss on early extinguishment of debt.....	--	--	8,259
Non-cash preferred stock dividends.....	--	--	988
Depreciation and amortization.....	21,907	15,859	12,013
Deferred income taxes.....	8,019	503	(2,392)
Changes in operating assets and liabilities:			
Accounts receivable.....	(32,481)	(313)	(7,472)
Inventories.....	(8,613)	77	964
Other current assets.....	(13,942)	(5,112)	(2,722)
Accounts payable and accrued liabilities.....	27,918	(7,559)	2,085
Income taxes payable.....	5,163	(4,860)	2,906
Other assets and liabilities.....	(18,198)	(5,530)	--
Net cash provided by operating activities.....	22,516	17,084	21,510
<b>INVESTING ACTIVITIES:</b>			
Capital expenditures, net.....	(40,461)	(22,369)	(8,927)
Acquisitions, net of cash acquired.....	(91,001)	(42,404)	(7,569)
Other, net.....	(80)	--	--
Net cash used for investing activities.....	(131,542)	(64,773)	(16,496)
<b>FINANCING ACTIVITIES:</b>			
Proceeds from stock offerings.....	--	44,013	68,837
Proceeds from exercise of warrants and options.....	181	2,596	1,220
Redemption of preferred stock.....	(2,431)	--	--
Dividends on preferred stock.....	(69)	(61)	--
Proceeds from sale of stock under Employee Stock Discount Purchase Plan.....	827	81	--
Conversion premium on preferred stock.....	--	--	(1,433)
Extraordinary loss on early extinguishment of debt, net of non-cash expenses of \$5,714.....	--	--	(2,545)
Proceeds from borrowings.....	433,683	104,840	53,812
Repayment of debt.....	(323,417)	(102,624)	(126,189)
Other, net.....	(910)	--	--
Net cash provided by (used for) financing activities.....	107,864	48,845	(6,298)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS.....	(1,162)	1,156	(1,284)
EFFECT OF EXCHANGE RATE ON CASH.....	6	--	--
CASH AND CASH EQUIVALENTS:			
Beginning of period.....	1,156	--	1,284
End of period.....	\$ --	\$ 1,156	\$ --
<b>SUPPLEMENTAL CASH FLOW INFORMATION:</b>			
Cash paid for --			
Interest.....	\$ 8,516	\$ 8,041	\$ 10,450
Income taxes.....	\$ 11,515	\$ 16,171	\$ 5,109

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



## AUTOMOTIVE INDUSTRIES HOLDING, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 1994 AND JANUARY 1, 1994

## 1. ORGANIZATION AND BASIS OF PRESENTATION

The consolidated financial statements include the accounts of Automotive Industries Holding, Inc. (AIHI) and its wholly owned subsidiaries, Automotive Industries Holding, Ltd. and Automotive Industries, Inc. (Automotive), collectively referred to as the Company. Automotive and its subsidiaries design and manufacture high-quality interior trim systems and components and blow molded plastic components principally for the automotive industry. The Company has twenty manufacturing facilities in North America located in Virginia, Indiana, Kentucky, Michigan, Ohio, Texas, Wisconsin, and Toronto, Ontario, and three manufacturing facilities in the United Kingdom.

## 2. SIGNIFICANT ACCOUNTING POLICIES

## Principles of Consolidation

The accompanying consolidated financial statements include the accounts of AIHI and its subsidiaries. All material subsidiaries are wholly owned. All material inter-company accounts and transactions have been eliminated in consolidation.

## Fiscal Year

The Company's fiscal year ends on the Saturday closest to December 31. Fiscal years 1994 and 1992 consisted of fifty-two weeks while fiscal year 1993 consisted of fifty-three weeks.

## New Accounting Pronouncement

Effective January 2, 1994, the Company adopted Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities", which requires a change in accounting for certain investments from cost to fair value. The adoption did not have a material effect on the accompanying consolidated financial statements.

## Cash and Cash Equivalents

Cash equivalents include overnight investment grade commercial paper with an original maturity of three months or less. Cash equivalents are stated at cost which approximates fair value.

## Inventories

Inventories are valued at the lower of first-in, first-out (FIFO) cost or market.

Inventories consisted of the following (in thousands):

	DECEMBER 31, 1994	JANUARY 1, 1994
	-----	-----
Raw materials.....	\$ 24,097	\$ 11,163
Work in process.....	3,223	3,086
Finished goods.....	14,797	5,089
	-----	-----
	\$ 42,117	\$ 19,338
	=====	=====

## Excess of Cost Over Billings on Uncompleted Tooling Projects

Excess of cost over billings on uncompleted tooling projects represents costs incurred by the Company in the development of new tooling used in the manufacture of the Company's products. The Company is

## AUTOMOTIVE INDUSTRIES HOLDING, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- CONTINUED  
DECEMBER 31, 1994 AND JANUARY 1, 1994

reimbursed by its customers for the cost of the tooling, at which time the tooling becomes the property of the customer.

## Property, Plant and Equipment

Additions to property, plant and equipment are stated at cost. For financial reporting purposes, depreciation and amortization are provided using the straight-line method over the following estimated useful lives:

Buildings and improvements.....	3 to 30 years
Machinery and equipment.....	3 to 10 years

Accelerated depreciation methods are used for tax purposes.

Property, plant and equipment consisted of the following (in thousands):

	DECEMBER 31, 1994	JANUARY 1, 1994
	-----	-----
Land.....	\$ 7,391	\$ 2,226
Buildings and improvements.....	63,818	44,623
Machinery and equipment.....	166,390	104,712
Construction in progress.....	26,900	7,015
	-----	-----
	264,499	158,576
Less-Accumulated depreciation.....	(50,015)	(34,136)
	-----	-----
	\$214,484	\$ 124,440
	=====	=====

Maintenance and repairs are charged to expense as incurred. Major repairs and improvements are capitalized and depreciated. Property, plant and equipment retired or disposed of are removed from the related accounts, and any residual values are charged or credited to income. During the year ended December 31, 1994 the Company capitalized interest of \$481,000 related to the construction in progress.

## Other Assets

Other assets consist principally of the Company's interest in Interiores Automotrices Summa, S.A. de C.V. (IASSA) and capitalized design and engineering costs that will be recovered from the Company's customers as manufactured products are shipped.

## Intangible Assets

Goodwill represents the excess of the purchase price over the fair value of net assets acquired and is being amortized on a straight-line basis over 40 years. Other intangible assets include debt issuance costs which are amortized over the terms of the related financing using the interest method and license agreements related to the use of certain technologies which are being amortized on a straight-line basis over the lives of the agreements.

## Income Taxes

The Company follows Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes", which requires the use of the liability method in accounting for income taxes. Deferred income taxes are recognized at currently enacted income tax rates to reflect the tax effect of temporary differences between the financial reporting and tax basis of assets and liabilities.

## AUTOMOTIVE INDUSTRIES HOLDING, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- CONTINUED  
DECEMBER 31, 1994 AND JANUARY 1, 1994

## Foreign Currency Translation

Assets and liabilities of the Company's foreign operations are translated using the year-end rates of exchange. Results of operations are translated using the average rates prevailing throughout the period. Translation gains or losses are accumulated as a separate component of shareholders' investment.

## Net Income Per Common and Common Equivalent Share

Net income per common and common equivalent share amounts are computed by dividing net income by the weighted average number of common and common equivalent shares outstanding. Common equivalent shares include the number of shares issuable upon conversion of the outstanding exchangeable promissory notes and exchangeable preferred stock and upon the exercise of the outstanding warrants and options less the number of shares that could have been purchased with the proceeds from the exercise of the warrants and options based on the average market value of the Class A Common Stock during the year. Net income, for purposes of computing net income per common and common equivalent share, includes interest expense, net of related income tax benefits, on the exchangeable promissory notes and dividends on the exchangeable preferred stock. Net income for purposes of computing net income per common and common equivalent share was \$32,935,000 for the year ended December 31, 1994, \$24,098,000 for the year ended January 1, 1994 and \$6,881,000 for the year ended December 26, 1992.

## Reclassifications

Certain amounts previously reported in the 1993 and 1992 consolidated financial statements have been reclassified to conform to the 1994 presentation. These reclassifications had no effect on previously reported net income or shareholders' investment.

## 3. ACQUISITIONS

In February 1992, the Company acquired the operating assets and assumed the liabilities of Plasta Fiber Industries, Inc. (PFI), a manufacturer of automotive sun visors and die cut insulating products, for a cash purchase price of approximately \$5.0 million. In July 1992, the Company acquired the operating assets and assumed the liabilities of Cellasto Plastics Industries, Inc. (Cellasto), a manufacturer of interior trim injection molded products, for cash consideration of approximately \$2.4 million, plus the assumption of \$4.0 million in debt.

In May 1993, the Company acquired all of the outstanding common stock of ASAA International, Inc. (ASAA), a manufacturer of interior trim components, for cash consideration and assumption of debt of approximately \$34.1 million plus \$9.3 million in exchangeable preferred stock. In addition, the former shareholders of ASAA may receive contingent consideration of up to \$20 million if certain operating income levels are achieved through 1996. No contingent consideration is payable through December 31, 1994. Based on historical and forecasted operating income levels, the Company does not anticipate any amounts will be payable under this agreement.

In July 1993, the Company acquired the operating assets and assumed the liabilities of Fibercraft//DESCon Engineering, Inc. (Fibercraft), an advanced design, engineering and program management company for interior trim systems and vehicle platforms, for cash consideration and assumed indebtedness of approximately \$10 million plus the issuance of \$4.75 million in promissory notes, bearing interest at 6.5%, exchangeable into Class A Common Stock of the Company at the lower of \$34.10 per share or the fair value at the date of exchange.

## AUTOMOTIVE INDUSTRIES HOLDING, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- CONTINUED  
DECEMBER 31, 1994 AND JANUARY 1, 1994

In May 1994, the Company acquired all of the outstanding capital stock of John Cotton, Ltd. (Cotton). Cotton, headquartered in Manchester, England, manufactures interior trim components for the European automotive industry. The acquisition consideration for the capital stock of Cotton included approximately \$34.0 million in cash and assumption of indebtedness.

In November 1994, the Company acquired certain operating assets and assumed certain liabilities of the Gulfstream Division of O'Sullivan Corporation (Gulfstream). Gulfstream manufactures interior trim components for the North American automotive industry and has five manufacturing facilities in Ohio and Virginia. Consideration for the acquisition of Gulfstream was approximately \$50.0 million in cash and was financed with the proceeds from borrowings under the 8.89% Senior Notes and the Company's Revolving Credit Facility.

The acquisitions described above have been accounted for as purchases, and, accordingly, the assets acquired and liabilities assumed have been recorded at fair market value as of the date of the acquisition. The assets and liabilities of Cotton and Gulfstream have been recorded based on preliminary estimates of fair market value as of the dates of acquisition. The Company does not believe the final allocation of the purchase price will be materially different than the preliminary allocations. The purchase price in excess of the fair value of the net assets acquired is included in goodwill in the accompanying consolidated balance sheets. Results of operations from the acquired companies have been included in the accompanying consolidated financial statements from the respective dates of acquisition. The pro forma effects of the acquisitions of PFI, Cellasto and Fibercraft for the periods prior to the acquisitions are not material to the Company's financial position or results of operations. Following are unaudited pro forma results of consolidated operations for the years ended December 31, 1994 and January 1, 1994 as if the acquisitions of ASAA, Cotton and Gulfstream were completed at the beginning of the respective periods.

The unaudited pro forma financial information does not purport to represent what the Company's results of operations would actually have been if such transactions had occurred at such date or to project the Company's future results of operations (in thousands, except per share data):

	PRO FORMA RESULTS FOR THE YEAR ENDED	
	DECEMBER 31, 1994	JANUARY 1, 1994
	(UNAUDITED)	
Revenues.....	\$ 686,831	\$ 550,778
	=====	=====
Operating income.....	\$ 70,924	\$ 58,199
	=====	=====
Net income.....	\$ 33,874	\$ 26,612
	=====	=====
Weighted average common and common equivalent shares outstanding.....	18,578	17,440
Net income per common and common equivalent share.....	\$1.83	\$1.49

In January 1994, the Company completed its acquisition of an initial forty percent interest in IASSA. IASSA, headquartered in Mexico City, is the largest interior trim supplier in Mexico with fiscal 1993 revenues of approximately \$35 million. The total cost of the investment was approximately \$9.2 million. The investment is being accounted for using the equity method whereby the Company records its proportionate share of income and losses and other increases and decreases in the net assets of IASSA.

## AUTOMOTIVE INDUSTRIES HOLDING, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- CONTINUED  
 DECEMBER 31, 1994 AND JANUARY 1, 1994

## 4. SHAREHOLDERS' INVESTMENT

## Public Offerings of Class A Common Stock

In May 1992, the Company completed an initial public offering (the IPO), including shares issued by the Company pursuant to the underwriters' over-allotment option, of 5,380,784 shares of its Class A Common Stock at \$14.00 per share resulting in net proceeds to the Company of approximately \$68.8 million after deducting underwriting discounts of \$5.2 million and expenses of \$1.3 million. In addition, the Company realized proceeds of \$1.2 million from the exercise of warrants. The net proceeds of the IPO and exercise of warrants were used to retire the Company's outstanding senior indebtedness.

In August 1993, the Company completed an offering of an additional 1,900,000 shares of its Class A Common Stock at \$24.50 per share. Net proceeds from this offering of approximately \$44 million, after deducting underwriting discounts of \$2.2 million and expenses of \$352,000, and net proceeds of approximately \$2.3 million from the exercise of certain warrants were used to retire the \$28.7 million 9.5% junior subordinated notes and borrowings outstanding under the Company's revolving credit facility.

## Preferred Stock

In May 1992, AIHI exercised its option to convert its Series A 9.5% Cumulative Redeemable Exchangeable Preferred Stock with a principal amount of \$28.7 million into junior subordinated notes. The cash payment to effect this conversion, \$1,433,000, was charged against additional paid-in capital. The Company's Restated Certificate of Incorporation authorizes 10,000,000 shares of preferred stock, none of which have been issued.

In connection with the Company's acquisition of ASAA described in Note 3, ASAA issued 68,910 shares of its Class A, Series A-2 Exchangeable Preferred Stock (Series A-2 Preferred Stock) and 24,090 shares of its Class B, Series B-2 Exchangeable Preferred Stock (Series B-2 Preferred Stock) with a total face amount of \$9.3 million. The Series B-2 Preferred Stock, which was redeemed by the Company in September 1994 for a cash payment of approximately \$2.4 million, had a stated dividend rate of 4% per annum. The Series A-2 Preferred Stock has no stated dividend rate. The Series A-2 Preferred Stock is exchangeable, at the option of the holder, into the Company's Class A Common Stock at the lower of \$28.88 per share or the fair value at the date of exchange. In addition, the Company may, at its option under certain circumstances, redeem the Series A-2 Preferred Stock at its face amount.

## Common Stock

The holder of each share of Class A Common Stock outstanding is entitled to one vote per share. Class B Common Stock is nonvoting. During the year ended January 1, 1994, the holder of the Class B Common Stock exercised its option to convert the Class B Common Stock to Class A Common Stock.

## Warrants to Purchase Common Stock of AIHI

In connection with the IPO, certain holders exercised warrants to acquire 369,216 shares of Class A Common Stock. Total proceeds to the Company from the warrant exercise were approximately \$1.2 million. In connection with the August 1993 offering, certain holders exercised warrants to acquire 707,000 shares of Class A Common Stock. Total proceeds to the Company from the warrant exercise were approximately \$2.3 million. In December 1993, a holder exercised warrants to acquire 32,845 shares of Class A Common Stock resulting in proceeds to the Company of \$108,000. In October 1994, a holder exercised warrants to acquire 420,000 shares of Class A Common Stock. The exercise price of the warrants, \$1,384,000, was paid by the holder through a reduction in the 8.75% Senior Note due to the holder.

## AUTOMOTIVE INDUSTRIES HOLDING, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- CONTINUED  
DECEMBER 31, 1994 AND JANUARY 1, 1994

As of December 31, 1994, the Company had warrants outstanding to acquire up to 633,497 shares of Class A Common Stock at an exercise price of \$3.30 per share. The warrants can be exercised anytime before their expiration in October 2001.

## Stock Option Plan

In May 1992, the Company's board of directors adopted an employee stock option plan (the Plan) that provides for the issuance of options to acquire up to 790,000 shares of the Company's Class A Common Stock. The option exercise price must be at least 100% of the fair value of Class A Common Stock at the time of the issuance of the option. Non-qualified stock options granted under the Plan generally vest ratably over 5 years and expire 10 years from the date of grant.

Information regarding the Plan is as follows:

	SHARES UNDER OPTION	EXERCISE PRICES
	-----	-----
Outstanding at December 28, 1991.....	--	--
Granted.....	184,600	\$ 16.875
	-----	-----
Outstanding at December 26, 1992.....	184,600	16.875
Granted.....	294,500	15.875-24.500
Exercised.....	(9,360)	16.875
Terminated.....	(10,700)	16.875
	-----	-----
Outstanding at January 1, 1994.....	459,040	15.875-24.500
Granted.....	154,500	27.750
Exercised.....	(10,320)	15.875-24.500
Terminated.....	(39,280)	15.875-27.750
	-----	-----
Outstanding at December 31, 1994.....	563,940	\$16.000-27.750
	=====	=====

As of December 31, 1994, 122,646 options are fully vested and exercisable.

## Employee Stock Discount Purchase Plan

In May 1993, the Company's shareholders approved the adoption of the Employee Stock Discount Purchase Plan (ESDPP) which provides for the sale of up to 500,000 shares of Class A Common Stock to eligible employees. Under the terms of the ESDPP, eligible employees can authorize payroll deductions of up to \$5,200 per year for the purchase of Class A Common Stock. The Class A Common Stock is purchased at 85% of the market price, as defined. During the years ended December 31, 1994 and January 1, 1994, 36,077 and 3,854 shares of Class A Common Stock were issued pursuant to the ESDPP, respectively.

## AUTOMOTIVE INDUSTRIES HOLDING, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- CONTINUED  
DECEMBER 31, 1994 AND JANUARY 1, 1994

## 5. DEBT

Debt consisted of the following (in thousands):

	DECEMBER 31, 1994	JANUARY 1, 1994
	-----	-----
Senior Notes, due December 2004, unsecured, principal payable in installments beginning in 1998, interest at 8.89%, payable semi-annually.....	\$ 40,000	\$ --
Senior Notes, due April 2000, unsecured, principal payable in installments beginning in 1998, interest at 8.75%, payable semi-annually.....	39,508	40,892
Borrowings under Revolving Credit Facility, \$20,005 at prime (8.5% at December 31, 1994 and 6% at January 1, 1994), and \$83,590 at LIBOR-based borrowings (6.625% at December 31, 1994 and 4.125% at January 1, 1994).....	103,595	36,500
Borrowings under United Kingdom revolving credit facility, interest at bank base rate plus 1.95% (8.2% at December 31, 1994).....	8,509	--
Promissory Notes, due July 2003, unsecured, interest at 6.5% payable semi-annually, exchangeable into Class A Common Stock.....	4,750	4,750
Other, including obligations under capital leases and Industrial Revenue Bonds.....	24,407	13,549
	-----	-----
	220,769	95,691
Less- Current maturities.....	(3,849)	(1,862)
	-----	-----
	\$216,920	\$ 93,829
	=====	=====

Future maturities of long-term debt are as follows as of December 31, 1994 (in thousands):

1995.....	\$ 3,849
1996.....	6,898
1997.....	2,320
1998.....	54,187
1999.....	99,723
Thereafter.....	53,792
	-----
	\$220,769
	=====

The Company has an unsecured Revolving Credit Facility which expires in December 1999 and provides for borrowings up to \$175 million at an interest rate of LIBOR plus .625% or prime. On December 2, 1997, the lower of \$80 million or the amount outstanding under the Revolving Credit Facility converts to a term loan, payable in eight equal quarterly installments. The remaining \$95 million of availability remains a Revolving Credit Facility.

As of December 31, 1994, approximately \$16.4 million of the amounts outstanding under the Revolving Credit Facility is in British pound sterling denominated borrowings.

The Company also has an unsecured Revolving Credit Facility in the United Kingdom. This facility expires in April 1995. As of December 31, 1994, \$8.5 million is outstanding under this Revolving Credit Facility.

The debt agreements described above contain various restrictive covenants which, among other matters, require the Company to maintain minimum consolidated net worth levels, as defined, and certain financial ratios. The agreements also limit additional indebtedness, capital expenditures and cash dividends. The Company was in compliance with all debt covenants as of December 31, 1994.

## AUTOMOTIVE INDUSTRIES HOLDING, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- CONTINUED  
DECEMBER 31, 1994 AND JANUARY 1, 1994

## 6. INCOME TAXES

The income tax provision consisted of the following (in thousands):

	YEAR ENDED		
	DECEMBER 31, 1994	JANUARY 1, 1994	DECEMBER 26, 1992
Currently payable.....	\$ 13,806	\$ 15,481	\$ 13,354
Deferred.....	8,019	503	(2,392)
	<u>\$ 21,825</u>	<u>\$ 15,984</u>	<u>\$ 10,962</u>

The deferred provision (benefit) consisted of the following (in thousands):

	YEAR ENDED		
	DECEMBER 31, 1994	JANUARY 1, 1994	DECEMBER 26, 1992
Depreciation lives and methods.....	\$4,181	\$ (663)	\$ (94)
Reserves and accruals deductible in different periods for tax reporting purposes.....	3,838	1,166	(2,298)
	<u>\$8,019</u>	<u>\$ 503</u>	<u>\$ (2,392)</u>

A reconciliation of income taxes at the statutory rates to the provision for income taxes is as follows (in thousands):

	YEAR ENDED		
	DECEMBER 31, 1994	JANUARY 1, 1994	DECEMBER 26, 1992
Taxes at statutory rates.....	\$ 19,099	\$ 14,001	\$ 9,211
State income taxes, net of federal benefit.....	2,093	1,430	948
Effect of permanent differences primarily goodwill amortization and other.....	633	553	803
Provision for income taxes.....	<u>\$ 21,825</u>	<u>\$ 15,984</u>	<u>\$ 10,962</u>

A summary of deferred tax liabilities (assets) is as follows (in thousands):

	DECEMBER 31, 1994	JANUARY 1, 1994
Depreciation lives and methods.....	\$ 13,341	\$ 11,669
Reserves and accruals deductible in different periods for tax reporting purposes.....	(8,714)	(7,607)
Net deferred tax liability.....	<u>\$ 4,627</u>	<u>\$ 4,062</u>

## 7. MAJOR CUSTOMERS

The Company sells directly to each of the three major domestic automobile manufacturers, to certain of the Japanese manufacturers operating in North America and to certain automobile manufacturers operating in



## AUTOMOTIVE INDUSTRIES HOLDING, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- CONTINUED  
DECEMBER 31, 1994 AND JANUARY 1, 1994

Europe. Following is a summary of customers that accounted for more than 10% of consolidated revenues for each of the three years in the period ended December 31, 1994:

	YEAR ENDED		
	DECEMBER 31, 1994	JANUARY 1, 1994	DECEMBER 26, 1992
Ford.....	45%	49%	50%
General Motors.....	17%	17%	18%
Chrysler.....	12%	13%	15%

Receivables from these three customers represented 62% of total accounts receivable at December 31, 1994, and 75% of total accounts receivable at January 1, 1994.

## 8. RELATED-PARTY TRANSACTIONS

The Company paid underwriting fees to a shareholder of approximately \$1.3 million in connection with the IPO, and \$2.1 million in connection with the August 1993 offering.

The Company paid Hidden Creek Industries, an affiliate of the Company, \$600,000 during the year ended December 31, 1994 and \$300,000 during the year ended January 1, 1994 for acquisition related services.

## 9. EMPLOYEE BENEFIT PLANS

The Company sponsored three defined benefit pension plans in 1994 and two defined benefit pension plans in 1993 and 1992 which cover employees at certain manufacturing facilities. The Company's policy is to make annual contributions to the plan to fund the normal cost and the unfunded frozen initial liability over 20 years.

Net pension expense consisted of the following (in thousands):

	YEAR ENDED		
	DECEMBER 31, 1994	JANUARY 1, 1994	DECEMBER 26, 1992
Service cost-benefits earned during the period.....	\$ 720	\$ 550	\$ 382
Interest cost on projected benefit obligation.....	244	201	157
Return on plan assets.....	363	(278)	(263)
Net amortization and deferral.....	(510)	141	128
Net pension expense.....	\$ 817	\$ 614	\$ 404
	=====	=====	=====

## AUTOMOTIVE INDUSTRIES HOLDING, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- CONTINUED  
DECEMBER 31, 1994 AND JANUARY 1, 1994

The funded status of the Company's plans as of October 1 is as follows (in thousands):

	1994	1993
	-----	-----
Actuarial present value of:		
Vested benefit obligation.....	\$1,596	\$2,438
	=====	=====
Accumulated benefit obligation.....	\$2,244	\$3,345
	=====	=====
Projected benefit obligation.....	\$3,108	\$4,438
Plan assets at fair value.....	3,104	2,988
	-----	-----
Projected benefit obligation in excess of plan assets.....	4	1,450
Unrecognized net gain (loss).....	547	(853)
Prior service cost.....	(376)	(405)
Adjustment to recognize minimum liability.....	--	707
	-----	-----
Accrued pension costs.....	\$ 175	\$ 899
	=====	=====

Accumulated and projected benefit obligation is determined using an assumed discount rate of 7.25% for hourly plan and 7.50% for the salaried plan in 1994 and 5.75% for both plans in 1993. The averaged assumed long-term rate of return on assets is 7.75% in 1994 and 1993. Plan assets consist principally of investments in annuity contracts.

## 10. COMMITMENTS AND CONTINGENCIES

## Leases

The Company leases office and warehouse space under operating lease agreements which require the Company to pay maintenance, insurance, taxes and other expenses in addition to annual rentals. Future annual rental commitments under these leases are as follows (in thousands):

YEAR	AMOUNT
-----	-----
1995.....	\$ 4,467
1996.....	3,174
1997.....	2,407
1998.....	1,449
1999.....	1,380
Thereafter.....	2,193
	-----
	\$15,070
	=====

Rent expense under the leases was \$4,550,000 for the year ended December 31, 1994, \$2,526,000 for the year ended January 1, 1994 and \$448,000 for the year ended December 26, 1992.

## Contingencies

In the normal course of business, the Company becomes involved with potential litigation and other matters which could lead to contingent obligations. Management believes it has provided adequate reserves for any such contingencies and that they will not have any material effect on the Company's financial position or results of operations.

## AUTOMOTIVE INDUSTRIES HOLDING, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- CONTINUED  
DECEMBER 31, 1994 AND JANUARY 1, 1994

## 11. QUARTERLY FINANCIAL DATA (UNAUDITED)

The following is a condensed summary of actual quarterly results of operations for 1994 and 1993 (in thousands except per share amounts):

	REVENUES	GROSS PROFIT	OPERATING INCOME	NET INCOME	NET INCOME PER COMMON AND COMMON EQUIVALENT SHARE
	-----	-----	-----	-----	-----
1994:					
First.....	\$107,736	\$ 21,633	\$12,921	\$ 6,755	\$ 0.37
Second.....	129,021	28,962	18,822	10,080	0.55
Third.....	122,188	23,345	12,810	6,352	0.35
Fourth.....	153,815	29,943	19,333	9,556	0.52
	-----	-----	-----	-----	-----
	\$512,760	\$103,883	\$63,886	\$ 32,743	\$ 1.77
	=====	=====	=====	=====	=====
1993:					
First.....	\$ 78,835	\$ 15,468	\$10,240	\$ 4,880	\$ 0.31
Second.....	92,060	20,498	13,823	6,994	0.43
Third.....	82,828	17,397	10,119	4,972	0.28
Fourth.....	94,995	21,550	12,959	7,173	0.39
	-----	-----	-----	-----	-----
	\$348,718	\$ 74,913	\$47,141	\$ 24,019	\$ 1.41
	=====	=====	=====	=====	=====

The sum of the quarterly net income per common and common equivalent share for the year ended December 31, 1994 does not equal the total for the year due to the effect of outstanding options, warrants, exchangeable preferred stock and exchangeable promissory notes.

## EVENTS SUBSEQUENT TO DATE OF REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS.

On July 7, 1995, the Company completed the acquisition of (i) all of the outstanding limited partnership interests of Plastifol GmbH & Co. KG, (ii) all of the outstanding partnership interests of Manfred Rothe KG and (iii) all of the outstanding shares of Plastifol Verwaltungs GmbH (the entities referred to in clauses (i), (ii) and (iii) are referred to herein collectively as "Plastifol"). Plastifol, headquartered near Munich, Germany, supplies interior trim systems and components to the European automotive industry. Plastifol had 1994 revenues of approximately \$75 million. Total consideration for the partnership interests and stock of Plastifol was approximately \$60 million and was financed with borrowings under the Company's revolving credit facility.

On August 17, 1995, Lear Seating Corporation, through its wholly owned subsidiary, AIHI Acquisition Corp. ("Acquisition Sub"), acquired (the "Tender Offer Acquisition") 16,928,204 shares of Class A Common Stock, par value \$.01 per share, (the "Shares") of AIHI representing approximately 96.4% of the outstanding shares of AIHI, at a purchase price of \$33.50 per share. The Tender Offer Acquisition occurred in accordance with an Agreement and Plan of Merger (the "Merger Agreement") dated as of July 16, 1995, among the Company, Acquisition Sub and AIHI whereby the Company, through Acquisition Sub, agreed to purchase all of the outstanding Shares of AIHI. On August 22, 1995, pursuant to the terms of the Merger Agreement, the Company acquired the remaining shares of AIHI pursuant to a second-step merger of Acquisition Sub with and into AIHI at a purchase price of \$33.50 per share, and AIHI became a direct wholly-owned subsidiary of the Company.

## AUTOMOTIVE INDUSTRIES HOLDING, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS  
FOR THE THREE MONTHS ENDED

(Amounts in Thousands Except per Share Amounts - Unaudited)

	July 1, 1995	July 2, 1994
	-----	-----
Revenues	\$188,376	\$129,021
Cost of sales	150,358	100,059
	-----	-----
Gross profit	38,018	28,962
Selling, general and administrative expenses	12,124	8,988
Amortization expense	1,294	1,152
	-----	-----
Operating income	24,600	18,822
Interest expense, net	4,414	1,911
	-----	-----
Income before income taxes	20,186	16,911
Provision for income taxes	8,034	6,831
	-----	-----
Net income	\$12,152	\$10,080
	=====	=====
Net income available to common shareholders	\$12,197	\$10,128
	=====	=====
Net income per common and common equivalent share	\$0.66	\$0.55
	=====	=====
Weighted average number of common and common equivalent shares outstanding	18,600	18,569
	=====	=====

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

## AUTOMOTIVE INDUSTRIES HOLDING, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS  
FOR THE SIX MONTHS ENDED

(Amounts in Thousands Except per Share Amounts - Unaudited)

	July 1, 1995 -----	July 2, 1994 -----
Revenues	\$377,086	\$236,757
Cost of sales	304,099	186,162
	-----	-----
Gross profit	72,987	50,595
Selling, general and administrative expenses	24,930	16,628
Amortization expense	2,614	2,224
	-----	-----
Operating income	45,443	31,743
Interest expense, net	8,953	3,577
	-----	-----
Income before income taxes	36,490	28,166
Provision for income taxes	14,556	11,331
	-----	-----
Net income	\$ 21,934	\$ 16,835
	=====	=====
Net income available to common shareholders	\$ 22,024	\$ 16,931
	=====	=====
Income per common and common equivalent share	\$1.18	\$0.91
	=====	=====
Weighted average number of common and common equivalent shares outstanding	18,640	18,569
	=====	=====

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

## AUTOMOTIVE INDUSTRIES HOLDING, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS  
(Amounts in thousands)

Assets	July 1, 1995 ----- (unaudited)	Dec. 31, 1994 -----
-----		
Current assets:		
Cash and cash equivalents	\$     --	\$     --
Accounts receivable	123,223	107,106
Inventories	41,971	42,117
Other current assets	40,597	38,386
	-----	-----
Total current assets	205,791	187,609
Property, plant and equipment, net	233,448	214,484
Other assets	25,683	16,932
Goodwill and other intangible assets, net	146,424	148,392
	-----	-----
	\$611,346	\$567,417
	=====	=====
-----		
Liabilities and Shareholders' Investment		
-----		
Current liabilities:		
Current maturities of long-term debt	\$ 3,909	\$ 3,849
Accounts payable	75,371	63,654
Accrued liabilities	23,698	20,817
Income taxes payable	14,649	7,897
	-----	-----
Total current liabilities	117,627	96,217
Long-term debt, net of current maturities	221,066	216,920
Deferred income taxes	4,437	4,627
Other noncurrent liabilities	26,889	29,782
Shareholders' investment:		
Exchangeable preferred stock	6,861	6,870
Common stock	175	175
Additional paid-in capital	146,586	146,031
Retained earnings	91,235	69,301
Cumulative translation adjustment	(3,530)	(2,506)
	-----	-----
Total shareholders' investment	241,327	219,871
	-----	-----
	\$611,346	\$567,417
	=====	=====

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

## AUTOMOTIVE INDUSTRIES HOLDING, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE SIX MONTHS ENDED

(Amounts in Thousands - Unaudited)

	July 1, 1995	July 2, 1994
	-----	-----
OPERATING ACTIVITIES:		
Net income	\$21,934	\$16,835
Adjustments to reconcile net income to net cash provided by operating activities -		
Depreciation and amortization	14,966	10,135
Changes in other operating items	(10,302)	(17,151)
	-----	-----
Net cash provided by operating activities	26,598	9,819
	-----	-----
INVESTING ACTIVITIES:		
Capital expenditures, net	(30,792)	(18,617)
Acquisitions, net of cash acquired	--	(42,658)
Changes in other assets, net	(2,927)	(46)
	-----	-----
Net cash used in investing activities	(33,719)	(61,321)
	-----	-----
FINANCING ACTIVITIES:		
Proceeds from borrowings	225,412	180,241
Repayment of debt	(218,821)	(130,273)
Other, net	547	378
	-----	-----
Net cash provided by financing activities	7,138	50,346
	-----	-----
NET CHANGE IN CASH AND CASH EQUIVALENTS	17	(1,156)
EFFECT OF EXCHANGE RATE ON CASH	(17)	--
CASH AND CASH EQUIVALENTS:		
Beginning of period	--	1,156
	-----	-----
End of period	\$0	\$0
	=====	=====
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid for --		
Interest	\$8,125	\$3,466
	=====	=====
Income taxes	\$7,804	\$5,324
	=====	=====

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

AUTOMOTIVE INDUSTRIES HOLDING, INC. AND SUBSIDIARIES  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. The condensed consolidated financial statements have been prepared by Automotive Industries Holding, Inc. (the "Company"), without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. The information furnished in the condensed consolidated financial statements includes normal recurring adjustments and reflects all adjustments which are, in the opinion of management, necessary for a fair presentation of such financial statements. 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. Although the Company believes that the disclosures are adequate to make the information presented not misleading, it is suggested that these condensed consolidated financial statements be read in conjunction with the audited financial statements and the notes thereto included in the Company's 1994 Annual Report to Shareholders.

Revenues and operating results for the three months and six months ended July 1, 1995 are not necessarily indicative of the results to be expected for the full year.

2. Inventories, which are valued at the lower of first-in, first-out (FIFO) cost or market, consisted of the following (in thousands):

	July 1, 1995	December 31, 1994
	-----	-----
Raw materials	\$23,391	\$24,097
Work-in-process	6,370	3,223
Finished goods	12,210	14,797
	-----	-----
	\$41,971	\$42,117
	=====	=====

3. In December 1994, the Company acquired certain operating assets and assumed certain liabilities of the Gulfstream Division of O'Sullivan Corporation (Gulfstream). Gulfstream manufactures interior trim components for the North American automotive industry and has five manufacturing facilities in Ohio and Virginia. Consideration for the acquisition of Gulfstream was approximately \$50.0 million in cash and was financed with the proceeds from borrowings under the 8.89% Senior Notes and the Company's Revolving Credit Facility.

In May 1994, the Company acquired all of the outstanding capital stock of John Cotton (Colne) Limited (Cotton). Cotton, headquartered in Manchester, England manufactures interior trim components for the European automotive industry. The acquisition consideration for the capital stock of Cotton included approximately \$34.0 million in cash and assumption of \$10.6 million of indebtedness. The cash acquisition consideration was financed through the Company's existing revolving line of credit.

The acquisitions of Cotton and Gulfstream have been accounted for as purchases and, accordingly, their assets acquired and liabilities assumed have been recorded at fair market value as of the dates of the acquisitions. The assets and liabilities of Cotton and Gulfstream have been recorded based on preliminary estimates of fair market value as of the dates of acquisition. The Company does not believe the final allocation of the purchase price will be materially different than the preliminary allocations. The purchase price in excess of the fair value of the net assets acquired is included in goodwill in the accompanying condensed consolidated balance sheets. Results of operations from the acquired companies have been



included in the accompanying condensed consolidated financial statements from the respective dates of acquisition. Following are unaudited pro forma results of consolidated operations for the six months ended July 2, 1994 as if the acquisitions of Cotton and Gulfstream were completed at the beginning of the period. The unaudited pro forma financial information does not purport to represent what the Company's results of operations would actually have been if such transactions had occurred at such date (in thousands, except per share data):

	Six Months Ended July 2, 1994 -----
Revenues	\$343,045 =====
Operating income	\$36,151 =====
Net income available to common shareholders	\$18,024 =====
Weighted average common and common equivalent shares outstanding	18,569 =====
Net income per common and common equivalent share	\$0.97 =====

4. In February 1995, the Company borrowed an additional \$25 million pursuant to its 8.89% Senior Notes. Proceeds from the borrowings were used to retire borrowings outstanding under the Company's revolving credit facility.
5. On July 7, 1995, the Company completed the acquisition of (i) all of the outstanding limited partnership interests of Plastifol GmbH & Co. KG, (ii) all of the outstanding partnership interests of Manfred Rothe KG and (iii) all of the outstanding shares of Plastifol Verwaltungs GmbH (the entities referred to in clauses (i), (ii) and (iii) are referred to herein collectively as "Plastifol"). Plastifol, headquartered near Munich, Germany, supplies interior trim systems and components to the European automotive industry. Plastifol had 1994 revenues of approximately \$75 million. Total consideration for the partnership interests and stock of Plastifol was approximately \$60 million and was financed with borrowings under the Company's revolving credit facility.

On July 16, 1995, the Company, Lear Seating Corporation ("Lear") and AIHI Acquisition Corp., a wholly owned subsidiary of Lear ("Purchaser"), entered into an Agreement and Plan of Merger (the "Merger Agreement"), pursuant to which (i) Purchaser was to commence a tender offer to purchase, for cash, all of the outstanding shares of the Company's Class A Common Stock at a price of \$33.50 per share (the "Offer") and (ii) following the completion of the Offer and the satisfaction of certain conditions, Purchaser was to merge with and into the Company (the "Merger"). The Company's board of directors (the "Board") unanimously approved the Offer and the Merger and determined that the terms of the Offer and the Merger are fair to, and in the best interests of, the

shareholders of the Company. Accordingly, the Board recommended that shareholders of the Company accept the Offer and tender all of their shares pursuant thereto.

On July 20, 1995, Purchaser commenced the Offer and the Company filed with the Securities and Exchange Commission a Schedule 14D-9, which contained certain information regarding the Offer and the Merger, including the approval and recommendation of the Board and information considered by the Board prior to approving and recommending the Offer and Merger. The Offer is conditioned upon, among other things, (i) there being validly tendered prior to the expiration of the Offer and not withdrawn that number of shares which, together with the shares then owned by Lear, represents at least a majority of the shares outstanding on a fully diluted basis; (ii) Lear having received the financing necessary to consummate the Offer and the Merger from Chemical Bank and Chemical Securities Inc. and (iii) other customary conditions, including antitrust approval. The Offer will expire on August 16, 1995, unless it is extended pursuant to the Merger Agreement.

## Table of Contents

1. Independent Auditors' report
2. Balance sheet of December 31, 1994
3. Profit and loss statement for the period from January 1, 1994 to December 31, 1994
4. Cash flow statement for the year ended December 31, 1994
5. Voluntary notes to the financial statements
6. Significant differences between German and United States Generally Accepted Accounting Principles

The Board of Directors and Shareholders

Plastifol GmbH & Co. KG

We have audited the accompanying balance sheet of Plastifol GmbH & Co. KG as of 31 December 1994 and the related profit and loss account and cash flow statement for the year then ended. The financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on the financial statements based on our audit.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Plastifol GmbH & Co. KG as of 31 December 1994 and the results of their operations and their cash flow for the year then ended in conformity with generally accepted accounting principles in Germany.

Accounting principles generally accepted in Germany vary in certain significant respects from accounting principles generally accepted in the United States. A narrative description of certain significant differences, as applicable to Plastifol GmbH & Co. KG, is included as an annex to the financial statements.

Munich, Germany  
August 23, 1995

KPMG Deutsche Treuhand-Gesellschaft  
Aktiengesellschaft  
Wirtschaftsprüfungsgesellschaft

## BALANCE SHEET AS AT DECEMBER 31, 1994

ASSETS	as of December 31, 1994	
	DM	DM
A. FIXED ASSETS		
I. PROPERTY, PLANT AND EQUIPMENT		
1. Technical equipment, machinery	2,681,328,00	
2. Other equipment	962,737,00	
3. Advances paid and construction in progress	207,736,16	3,851,801,16
II. FINANCIAL ASSETS		
Investments		1,055,000,00
B. CURRENT ASSETS		
I. INVENTORY		
1. Raw materials and supplies	3,371,702,74	
2. Work-in-process	178,764,00	
3. Finished goods	1,611,760,00	
4. Advances paid	1,546,190,40	
	6,708,417,14	
LESS		
Advances received	0,00	6,708,417,14
II. ACCOUNTS RECEIVABLE AND OTHER ASSETS		
1. Trade receivables	13,684,157,37	
2. Accounts receivable due from affiliates	3,522,264,29	
3. Other assets	122,487,56	17,328,909,22
III. CASH AT BANK AND IN HAND		
		19,098,599,43
		48,042,726,95
		=====

## EQUITY AND LIABILITIES

	Balance at January 1, 1994	Adjustments for tax audit(1)	Withdrawals reclassification	Allocation of net income	Balance at December 31, 1994
	DM	DM	DM	DM	DM
A. EQUITY					
I. Unlimited partners					
--no shareholding--					
II. Limited partners					
Capital accounts	12,196,688,00	0,00	0,00	103,312,00	12,300,000,00
Current accounts	7,359,458,57	737,374,88	-8,248,873,19	17,351,708,49	17,199,668,75
	19,556,146,57	737,374,88	-8,248,873,19	17,455,020,49	29,499,668,75
	=====	=====	=====	=====	=====
B. SPECIAL RESERVES WITH EQUITY PORTION					
Reserve acc. to Sect. 34, Para. 5 EStR					725,534,00
C. ACCRUALS					
1. Accrual for pensions and similar obligations				347,256,00	
2. Tax accruals				2,010,000,00	
3. Other accruals				3,471,100,00	5,828,356,00
D. LIABILITIES					
1. Trade payables				7,257,836,60	
2. Liabilities due to affiliates				410,905,33	
3. Other liabilities				4,320,426,27	11,989,168,20
					18,543,058,20
					=====
					48,042,726,95
					=====

(1) adjusted without affecting the profit and loss statement.

PROFIT AND LOSS STATEMENT  
FOR THE YEAR ENDED DECEMBER 31, 1994

	1994	
	DM	DM
1. Turnover		106.038.627.56
2. Increase/decrease in finished goods and work-in-process		200.196.10
3. Other operating income		4.879.293.84
4. Material costs		
a) Cost of raw materials, supplies and merchandise	47.238.760.06	
b) Cost of purchased services	27.516.70	47.266.276.76
5. Personnel expenses		
a) Wages and salaries	22.096.840.14	
b) Social security, pensions and other benefit costs	3.959.803.95	
--thereof for pensions - DM 74.773.00--		26.056.644.09
6. Depreciation		4.525.518.92
--thereof accelerated depreciation DM 2.114.127.00--		
7. Other operating expenses		13.294.113.22
--thereof addition to special reserve with equity portion DM 0.00		
8. Other interest and similar income		1.139.099.85
9. Interest and similar expenses		86.474.85
10. Expense due to transfer to losses		226.436.95
Results from ordinary activities		20.801.752.56
11. Income taxes		3.204.685.50
12. Other taxes		142.046.57
13. Net profit for the year (1)		17.455.020.49

(1) before interest relating to current accounts

PLASTIFOL GmbH & CO. KG  
 CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 1994

	KDM
I. CASH FLOWS FROM OPERATIONS	
1. Net profit	17,455
2. Depreciation	+ 4,526
3. Decrease in special reserves with equity portion	- 5,063
	-----
	16,918
4. Increase in inventory	- 2,058
5. Increase in trade receivables	- 4,224
6. Increase in trade payables	+ 2,646
7. Increase in short-term accruals	+ 1,765
	-----
	15,047
8. Increase in other assets	- 182
9. Decrease in other liabilities	- 6,822
	-----
Cash-flow from operations	8,043
	-----
II. CASH FLOWS FROM INVESTMENTS	
1. Investments in fixed assets	- 4,753
2. Disposals of fixed assets	+ 41
	-----
	- 4,712
	-----
III. CASH FLOWS FROM FINANCING ACTIVITIES	
Withdrawals/Paid to the limited partners	- 7,512
	-----
	KDM
Cash at beginning of period	23.280
Cash at end of period	19.099 - 4.181
	----- =====

## General

-----

The Company is a limited partnership under German law and is registered with the German Commercial Register of the District Court of Munich/Germany. The personally liable (unlimited) partner is Plastifol Verwaltungs GmbH, Ebersberg/Germany. The unlimited partner does not participate in the Company's equity. Management and representation of the Company is performed by the unlimited partner. General managers of the Company were Mr. Michael Kobe and (since July 1, 1994) Ms. Franziska Schedlbauer.

## Accounting policies

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The financial statements have been prepared in accordance with Sections 238 - 256 of the German Commercial Code (HGB); with respect to the classification, Section 266 and Section 275 have been applied as deemed appropriate. As the Company operates as a partnership, such provisions of the HGB provide that footnotes to the financial statement are optional. The Company has provided certain footnote information for the benefit of the reader.

No changes have been made to the accounting policies compared to the prior year. Valuation is based mainly on taxation principles within the scope allowed in commercial law.

Fixed assets have been stated at acquisition or manufacturing costs, less scheduled depreciation and accelerated depreciation according to the provisions of the law for the Promotion of the Economic Development of the German Border Areas ("Zonenrandförderungsgesetz", ZonenRFG) and subsidies.

Raw materials and supplies have been stated at acquisition costs; other inventory are valued using the inverse method (i.e. sales price less profit and selling expenses): the reduction made is unchanged compared to the previous year. Financial assets have been stated at acquisition costs.

Receivables are stated at nominal value. The general credit risk has been covered by a general bad debt provision. The reserve provided according to ZonenRFG was released in 1994.

All risks are adequately covered by accruals.

Liabilities are valued at the amount to be repaid.

Receivables and liabilities stated in foreign currency are translated into the respective local currency at the buying or selling rate on the day they are incurred. If translation at the rates applicable on the balance sheet date lowers the receivables or increases the liabilities in DM, these rates are used.



## A. MOVEMENT OF FIXED ASSETS AND INVESTMENT

34

1.	TURNOVER	KDM
	Germany	100.879
	Abroad	5.911
		-----
		106.790
	LESS	
	Discounts	-747
	rebates	-4
		-----
		106.039
		=====
3.	OTHER OPERATING INCOME	KDM
	Release of special reserve with equity portion (Sect 3 ZonenRFG)	4.594
	Income from the sale of fixed assets	236
	Other	49
		-----
		4.879
		=====
7.	OTHER OPERATING EXPENSES	KDM
	Rent expenses	2.659
	Operating expenses	5.981
	Administrative expenses	1.604
	Selling expenses	3.050
		-----
		13.294
		=====
	AVERAGE NUMBERS OF EMPLOYEES	
	Commercial employees	32
	Technical employees	32
	Industrial workers	410
		-----
		474
		=====

SIGNIFICANT DIFFERENCES BETWEEN GERMAN AND UNITED STATES  
GENERALLY ACCEPTED ACCOUNTING PRINCIPLES AS APPLICABLE  
TO THE COMPANY

The Company's Financial Statements have been prepared in accordance with the German Commercial Code (Handelsgesetzbuch) which represents generally accepted accounting principles in Germany ("German GAAP"). German GAAP differs in certain significant respects from United States generally accepted accounting principles ("U.S. GAAP"). The Company has not prepared a reconciliation between its financial position and results of operations calculated under German GAAP to the comparable figures under U.S. GAAP. However, the following represent the significant differences that would affect the determination of the net income (loss) and stockholders' equity of the Company for the period for which the financial statements have been presented herein:

FIXED TANGIBLE ASSETS

The Company depreciates through the income statement fixed tangible assets (plant and equipment) based upon depreciation rates prescribed by German tax law. Under U.S. GAAP tangible fixed assets are depreciated either on a straight-line or accelerated basis through the income statement over their useful life. If the Company was depreciating its fixed tangible assets on a straight-line basis over their expected useful lives the net book value of tangible assets at December 31, 1994 would be substantially higher.

PENSIONS

The Company provides for pension costs and similar obligations including post retirement benefits based upon actuarial studies using the entry age methods as defined in the German tax code. U.S. GAAP is more prescriptive particularly as to the use of actuarial assumptions and requires that a different actuarial method (the projected unit credit method) be used.

TRANSLATION OF FOREIGN CURRENCIES

Under German GAAP, receivables and liabilities stated in foreign currency are translated into the respective local currency at the buying or selling rate on the day they are incurred. If translation at the rates applicable on the balance sheet date lowers the receivables or increases the liabilities in DM, these rates are used. Under U.S. GAAP, assets and liabilities denominated in a foreign currency are recorded at period end rates with any resulting gain or loss recognized in the income statement.

## DEFERRED TAXES

Under German GAAP, deferred tax assets are generally recognized only for exceptional tax depreciation not included in the financial statements and for consolidation adjustments. Under U.S. GAAP, deferred taxes are provided for all temporary differences, including net operating loss carryforwards where it is more likely than not that the tax benefit will be realized in future periods, based upon enacted tax rates. The Company has no deferred tax assets or liabilities in their financial statements under German GAAP.

## RECORDING OF PROVISIONS, RESERVES, VALUATION ADJUSTMENTS

Since under German tax law a company's financial statements prepared for commercial purpose are also the basis of its tax accounts, tax considerations influence their preparation. Companies therefore may tend to apply more conservative valuation methods in their financial statements than they might otherwise report. German GAAP permits the recognition of accruals or provisions for uncertain liabilities and loss contingencies. The amount of such accruals or provisions represents the anticipated expense to the Company. Under U.S. GAAP, an accrual for loss contingency is recorded by a charge to income if it is both probable that an asset has been impaired or a liability has been incurred and the minimum amount of loss can be reasonably estimated. Unspecified liability reserves for future losses, costs or risks do not meet the condition for accrual under U.S. GAAP. Application of German GAAP may lead to higher accrual balances and reserves for possible risks than allowed under U.S. GAAP. However, under German GAAP, provisions, reserves and valuation adjustments previously established may also be released in subsequent periods with a resultant increase in reported profits in the period released.

## PRESENTATION OF STATEMENT OF OPERATIONS

A statement of operations under German GAAP is normally prepared in the expenditure format, rather than the cost of sales format as required by US GAAP.

## ITEM 7B: PRO FORMA FINANCIAL DATA

The following pro forma unaudited consolidated statements of operations of the Company were prepared to illustrate the estimated effects of (i) the AIH Acquisition (including the refinancing of certain debt of AIH pursuant to the New Credit Agreement), (ii) the acquisition by the Company in 1994 of the primary automotive seat systems supplier to Fiat S.p.a. (the "FSB Acquisition"), (iii) certain acquisitions completed by AIH prior to the acquisition of AIH by the Company, (iv) the initial public offering of Common Stock by the Company (the "IPO") and the application of the net proceeds therefrom in April 1994, (v) the refinancing of the Company's 14% Subordinated Debentures due 2000 (the "Subordinated Debentures") with its 8 1/4% Subordinated Notes due 2002 (the "Subordinated Notes") and (vi) the refinancing of the prior credit facility (the "Prior Credit Facility") with borrowings under the New Credit Agreement (collectively, the "Pro Forma Transactions"), as if the Pro Forma Transactions had occurred on January 1, 1994.

The following pro forma unaudited consolidated balance sheet (collectively with the pro forma unaudited consolidated statements of operations, the "Pro Forma Statements") was prepared as if the AIH Acquisition and the acquisition of Plastifol by AIH had occurred as of July 1, 1995.

The Pro Forma Statements do not purport to represent (i) the actual results of operations or financial position of the Company had the Pro Forma Transactions occurred on the dates assumed or (ii) the results to be expected in the future.

The pro forma adjustments are based upon available information and upon certain assumptions that management believes are reasonable. The Pro Forma Statements and accompanying notes should be read in conjunction with the historical financial statements of the Company, AIH, FSB and Plastifol, including the notes thereto.

## PRO FORMA UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS

SIX MONTHS ENDED JULY 1, 1995

	LEAR HISTORICAL	AIH HISTORICAL(1)	AIH ACQUISITIONS HISTORICAL(2)	AIH ADJUSTMENTS(3)	AIH PRO FORMA	OPERATING AND FINANCING ADJUSTMENTS	PRO FORMA
	(DOLLARS IN MILLIONS, EXCEPT PER SHARE DATA)						
Net sales.....	\$ 2,186.1	\$ 377.1	\$ 49.1	\$ --	\$ 426.2	\$ --	\$2,612.3
Cost of sales.....	2,014.7	304.1	36.4	--	340.5	--	2,355.2
Gross profit.....	171.4	73.0	12.7	--	85.7	--	257.1
Selling, general and administrative expenses.....	50.1	24.9	4.2	--	29.1	(0.4)(4)	78.8
Amortization.....	6.4	2.6	--	.5	3.1	4.7(5)	14.2
Operating income.....	114.9	45.5	8.5	(.5)	53.5	(4.3)	164.1
Interest expense.....	28.5	9.0	--	2.1	11.1	23.7(6)	63.3
Other expense, net.....	5.8	--	--	--	--	--	5.8
Income before income taxes.....	80.6	36.5	8.5	(2.6)	42.4	(28.0)	95.0
Income taxes.....	34.7	14.6	4.3	(.7)	18.2	(8.2)(7)	44.7
Net income.....	\$ 45.9	\$ 21.9	\$ 4.2	\$ (1.9)	\$ 24.2	\$ (19.8)	\$ 50.3
Net income per share....	\$ .92						\$ 1.01
Weighted average shares outstanding (in millions).....	49.6					.1(10)	49.7

## PRO FORMA UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS

YEAR ENDED DECEMBER 31, 1994

	LEAR HISTORICAL	FSB HISTORICAL(8)	FSB ADJUSTMENTS(9)	LEAR/FSB PRO FORMA	AIH HISTORICAL(1)	AIH ACQUISITIONS HISTORICAL(2)	AIH ADJUSTMENTS(3)	AIH PRO FORMA
(DOLLARS IN MILLIONS, EXCEPT PER SHARE DATA)								
Net sales.....	\$ 3,147.5	\$ 451.1	\$ 4.8	\$3,603.4	\$ 512.8	\$ 239.4	\$ --	\$ 752.2
Cost of sales....	2,883.9	443.9	(1.0)	3,326.8	408.9	210.7	(1.8)	617.8
Gross profit.....	263.6	7.2	5.8	276.6	103.9	28.7	1.8	134.4
Selling, general and administrative expenses.....	82.6	31.5	(5.5)	108.6	35.3	14.4	(2.9)	46.8
Amortization.....	11.4	--	2.0	13.4	4.7	--	1.5	6.2
Operating income (loss).....	169.6	(24.3)	9.3	154.6	63.9	14.3	3.2	81.4
Interest expense.....	46.7	5.3	4.4	56.4	9.3	(.3)	8.7	17.7
Other expense (income), net.....	8.1	.8	--	8.9	--	(.2)	.3	.1
Income (loss) before income taxes.....	114.8	(30.4)	4.9	89.3	54.6	14.8	(5.8)	63.6
Income taxes.....	55.0	.2	(1.5)	53.7	21.9	3.5	(1.7)	23.7
Net income (loss).....	\$ 59.8	\$ (30.6)	\$ 6.4	\$ 35.6	\$ 32.7	\$ 11.3	\$ (4.1)	\$ 39.9
Net income per share.....	\$ 1.26							
Weighted average shares outstanding (in millions).....	47.4							

	LEAR/FSB PRO FORMA	AIH PRO FORMA	OPERATING AND FINANCING ADJUSTMENTS	PRO FORMA
(DOLLARS IN MILLIONS, EXCEPT PER SHARE DATA)				
Net sales.....	\$3,603.4	\$ 752.2	\$ --	\$4,355.6
Cost of sales.....	3,326.8	617.8	--	3,944.6
Gross profit.....	276.6	134.4	--	411.0
Selling, general and administrative expenses.....	108.6	46.8	(.6)(4)	154.8
Amortization.....	13.4	6.2	9.5 (5)	29.1
Operating income.....	154.6	81.4	(8.9)	227.1
Interest expense.....	56.4	17.7	24.8 (6)	98.9
Other expense, net.....	8.9	.1	--	9.0
Income before income taxes.....	89.3	63.6	(33.7)	119.2
Income taxes.....	53.7	23.7	(8.5)(7)	68.9
Net income.....	\$ 35.6	\$ 39.9	\$ (25.2)	\$ 50.3
Net income per share.....				\$ 1.01
Weighted average shares outstanding (in millions)...			2.2(11)	49.6

(1) The AIH Historical information represents the audited results of operations for the year ended December 31, 1994 and the unaudited results of operations for the six months ended July 1, 1995.

(2) The AIH Acquisitions Historical information represents the results of operations for three companies acquired by AIH prior to their respective acquisitions by AIH. The acquisitions were (i) John Cotton Limited ("Cotton") headquartered in Manchester, England and acquired in May 1994, (ii) the Gulfstream Division of O'Sullivan Corporation ("Gulfstream") located in Ohio and Virginia and acquired in December 1994, and (iii) Plastifol headquartered in Ebersberg, Germany and acquired in July 1995.

(3) The AIH Adjustments information with respect to the Cotton, Gulfstream and Plastifol acquisitions represents (i) adjustments to depreciation expense due to the revaluation of assets; (ii) reclassifications needed to present information on a basis that is consistent with AIH Historical information; (iii) the elimination of management fees charged by a previous owner of Gulfstream; (iv) interest on borrowings by AIH to finance the acquisitions; and (v) the related income tax effects.

(4) Represents the elimination of certain management fees charged to AIH by an affiliate of AIH which ceased to be payable upon the completion of the AIH Acquisition.

(5) The adjustment to goodwill for the AIH Acquisition represents the following:

	SIX MONTHS ENDED JULY 1, 1995	YEAR ENDED DECEMBER 31, 1994
	(DOLLARS IN MILLIONS)	
Amortization of goodwill from the AIH Acquisition.....	\$ 7.3	\$14.7
Elimination of the historical goodwill amortization of AIH.....	(2.6)	(5.2)
	\$ 4.7	\$ 9.5
	=====	=====

(6) Reflects interest expense changes as follows:

	SIX MONTHS ENDED JULY 1, 1995	YEAR ENDED DECEMBER 31, 1994
	(DOLLARS IN MILLIONS)	
Estimated interest on borrowings to finance the AIH Acquisition at interest rates of 7.2% in the first six months of 1995 and 5.1% for the year ended December 31, 1994.....	32.6	46.2
Elimination of interest on AIH debt being refinanced.....	(10.1)	(18.6)
Reduction in interest due to application of proceeds from the IPO.....	--	(1.2)
Elimination of interest on the Subordinated Debentures.....	--	(3.3)
Interest on the Subordinated Notes.....	--	1.1
Interest on borrowings to finance fees and expenses related to the New Credit Agreement.....	.3	.5
Change in commitment fees due to increased availability under the New Credit Agreement.....	.4	.9
Change in interest expense due to rate differences between the Prior Credit Facility and the New Credit Agreement.....	.2	(1.6)
Change in deferred finance fees due to the refinancing of the Prior Credit Facility and the issuance of the Subordinated Notes.....	.3	.8
	-----	-----
	\$ 23.7	\$ 24.8
	=====	=====

(7) Reflects the income tax effects of the operating and financing adjustments.

(8) The FSB Historical information for the year ended December 31, 1994 represents the results of operations of FSB translated from lira to U.S. dollars at an average exchange rate of 1,611 Lira to one U.S. dollar.

(9) The FSB Adjustments information represents (i) management's estimates of the effects of product pricing adjustments negotiated in connection with the FSB Acquisition of \$4.8 million; (ii) the elimination of certain costs being assumed by the seller of \$1.5 million; (iii) an increase in depreciation expense due to the revaluation of the assets of \$.5 million; (iv) on-going savings of \$3.5 million as a result of consolidating technical centers; (v) the elimination of management fees charged by the parent of the seller of \$2.0 million; (vi) amortization of goodwill as a result of the FSB Acquisition of \$2.0 million; (vii) an increase in interest expense to finance the FSB Acquisition of \$4.4 million; and (viii) the related income tax effects of \$1.5 million. The results from operations of FSB for the six months ended July 1, 1995 are included in the historical results of the Company.

(10) Reflects the effect on weighted average shares outstanding of options originally granted under the Automotive Industries Holding, Inc. 1992 Key Employee Stock Option Plan (the "AIH Options") which were converted into options to purchase Common Stock in connection with the AIH Acquisition.

(11) Reflects the effect on weighted average shares outstanding as if the IPO occurred on January 1, 1994.

## PRO FORMA UNAUDITED CONSOLIDATED BALANCE SHEET

AS OF JULY 1, 1995

	LEAR HISTORICAL	AIH HISTORICAL	AIH ACQUISITIONS(1)	AIH ADJUSTED	ACQUISITION AND VALUATION OF AIH(2)	OPERATING AND FINANCING ADJUSTMENTS	PRO FORMA
(DOLLARS IN MILLIONS)							
<b>ASSETS</b>							
<b>Current Assets:</b>							
Cash.....	\$ 53.0	\$ --	\$ --	\$ --	\$ (904.3)	\$ 904.3(3)	\$ 53.0
Accounts receivable, net...	700.2	123.2	9.8	133.0	--	--	833.2
Inventories.....	111.0	42.0	4.8	46.8	--	--	157.8
Other current assets.....	94.9	40.6	0.4	41.0	--	--	135.9
	959.1	205.8	15.0	220.8	(904.3)	904.3	1,179.9
<b>Property, Plant and Equipment, net.....</b>							
	363.9	233.4	21.3	254.7	--	--	618.6
<b>Other Assets:</b>							
Goodwill and other intangibles, net.....	494.4	146.4	39.1	185.5	404.0	--	1,083.9
Deferred finance fees and other.....	37.7	25.7	3.1	28.8	--	5.3 (4)	71.8
	532.1	172.1	42.2	214.3	404.0	5.3	1,155.7
	\$1,855.1	\$611.3	\$ 78.5	\$689.8	\$ (500.3)	\$ 909.6	\$2,954.2
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>							
<b>Current Liabilities:</b>							
Short-term borrowings.....	\$ 19.2	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 19.2
Cash overdrafts.....	55.2	--	--	--	--	--	55.2
Accounts payable.....	766.0	75.4	5.2	80.6	--	--	846.6
Accrued liabilities.....	199.5	38.3	5.4	43.7	--	(1.5)(4)	241.7
Current portion of long-term debt.....	1.7	3.9	--	3.9	--	--	5.6
	1,041.6	117.6	10.6	128.2	--	(1.5)	1,168.3
<b>Long-Term Liabilities:</b>							
Long-term debt.....	460.1	221.1	60.0	281.1	(264.8)	913.8 (5)	1,390.2
Deferred national income taxes.....	24.3	4.4	7.9	12.3	--	--	36.6
Other.....	82.6	26.9	--	26.9	3.9	--	113.4
	567.0	252.4	67.9	320.3	(260.9)	913.8	1,540.2
<b>Stockholders' Equity.....</b>							
	246.5	241.3	--	241.3	(239.4)	(2.7)(6)	245.7
	\$1,855.1	\$611.3	\$ 78.5	\$689.8	\$ (500.3)	\$ 909.6	\$2,954.2

(1) Represents the allocation of the purchase price to net assets of Plastifol which was acquired by AIH in July 1995.

(2) The purchase price of \$926.4 million consists of: (i) \$625.7 million to purchase all of the common stock of AIH (\$623.8 million in cash and \$1.9 million in new Lear options), (ii) \$282.3 million of debt assumed in connection with the AIH Acquisition, and (iii) \$18.4 million to pay fees and expenses related to the AIH Acquisition. The AIH Acquisition was accounted for using the purchase method of accounting and the total purchase cost was allocated first to assets and liabilities based on their respective fair values, with the remainder allocated to goodwill. The allocation of the purchase price above is based on historical costs and management's estimates which may differ from the final allocation.

(3) Reflects proceeds of borrowings under the New Credit Agreement of \$904.3 million.

(4) Reflects the capitalization of fees incurred in establishing the New Credit Agreement of \$9.5 million, net of the unamortized portion of fees from the Prior Credit Facility of \$4.2 million being written-off. Also reflects the related income tax benefit of \$1.5 million from the write-off.

(5) Reflects borrowings under the New Credit Agreement of \$913.8 million to finance the AIH purchase price and fees and expenses incurred to establish the New Credit Agreement.

(6) Reflects the write-off of deferred finance fees, net of income taxes, of \$2.7 million related to the refinancing of the Prior Credit Facility.



## ITEM 7C: Listing of Exhibits

2.1 Agreement and Plan of Merger, dated as of July 16, 1995, among the Company, AIHI Acquisition Corp. and Automotive Industries Holding, Inc.

23.1 Consent of Arthur Andersen LLP with respect to AIH Financial Statements.

23.2 Consent of KPMG Deutsche Treuhand-Gesellschaft with respect to Plastifol GmbH & Co. KG Financial Statements.

99.1 Credit Agreement, dated as of August 17, 1995, among Lear Seating Corporation, the several financial institutions parties thereto (collectively, the "Banks"), Chemical Bank, a New York banking corporation, as administrative agent for the Banks and the Managing Agents, Co-Agents and Lead Managers identified therein.

LEAR SEATING CORPORATION  
SIGNATURES

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

LEAR SEATING CORPORATION

Dated: August 25, 1995 By: /s/ James H. Vandenberghe  
-----  
James H. Vandenberghe  
Executive Vice President  
Chief Financial Officer

## EXHIBIT INDEX

EXHIBIT NO. -----	DESCRIPTION -----	PAGE NO. -----
	2.1 Agreement and Plan of Merger, dated as of July 16, 1995, among the Company, AIHI Acquisition Corp. and Automotive Industries Holding, Inc.	
	23.1 Consent of Arthur Andersen LLP with respect to AIH Financial Statements.	
	23.2 Consent of KPMG Deutsche Treuhand-Gesellschaft with respect to Plastifol GmbH & Co. KG Financial Statements.	
	99.1 \$1.5 Billion Credit Agreement, dated as of August 17, 1995, among Lear Seating Corporation, a Delaware corporation (the "Borrower"), The several financial institutions parties to this Agreement from time to time (collectively, the "Banks"; individually, a "Bank"), Chemical Bank, a New York banking corporation, as administrative agent for the Banks hereunder (in such capacity, the "Agent"), and the Managing Agents, Co-Agents and Lead Managers identified on the signature pages hereof.	

## AGREEMENT AND PLAN OF MERGER

DATED AS OF

JULY 16, 1995

AMONG

AUTOMOTIVE INDUSTRIES HOLDING, INC.,

AIHI ACQUISITION CORP.

AND

LEAR SEATING CORPORATION

## AGREEMENT AND PLAN OF MERGER

AGREEMENT dated as of July 16, 1995 (this "Agreement") among Automotive Industries Holding, Inc., a Delaware corporation (the "Company"), Lear Seating Corporation, a Delaware corporation ("Buyer"), and AIHI Acquisition Corp., a Delaware corporation and a wholly owned subsidiary of Buyer ("Merger Subsidiary").

## RECITALS

WHEREAS, the Board of Directors of the Buyer, the Merger Subsidiary and the Company have each approved the acquisition of the Company by the Buyer upon the terms and subject to the conditions set forth herein;

WHEREAS, the Buyer and the Merger Subsidiary are unwilling to enter into this Agreement (and effect the transactions contemplated hereby) unless, contemporaneously with the execution and delivery hereof, (i) certain beneficial and record holders of the Shares (as defined in Section 1.01) identified on Exhibit A hereto enter into agreements (collectively, the "Stockholders Agreement") providing for certain matters with respect to their Shares, including the tender of their Shares and certain other actions relating to the Offer (as defined in Section 1.01) and the other transactions contemplated by this Agreement, and in order to induce the Buyer and the Merger Subsidiary to enter into this Agreement, the Board of Directors of the Company has approved the execution and delivery of the Stockholders Agreement so that the restrictions on "business combinations" set forth in Section 203 of Delaware Law (as defined below) do not and will not apply to Buyer, Merger Subsidiary or affiliates or associates of Merger Subsidiary as a result of the execution and delivery of the Stockholders Agreement or the consummation of the transactions contemplated thereby or by this Agreement, and such stockholders have agreed to execute and deliver the Stockholders Agreement.

WHEREAS, in furtherance of the acquisition of the Company by the Buyer on the terms and subject to the conditions set forth herein, the Board of Directors of the Buyer, the Merger Subsidiary and the Company have each approved the merger of the Merger

Subsidiary with and into the Company in accordance with the terms of this Agreement and the General Corporation Law of the State of Delaware (the "Delaware Law") and with any other applicable law;

WHEREAS, the Board of Directors of the Company has, in light of and subject to the terms and conditions set forth herein, (i) unanimously determined that (x) the consideration to be paid for each Share in the Offer and the Merger (as defined in Section 2.01) is fair to the stockholders of the Company and (y) the Offer and the Merger are otherwise in the best interests of the Company and its stockholders, and (ii) resolved to approve and adopt this Agreement and the transactions contemplated hereby and to recommend acceptance of the Offer and approval and adoption by the stockholders of the Company of this Agreement; and

WHEREAS, the Buyer and Merger Subsidiary are unwilling to enter this Agreement (and effect the consummation of the transactions contemplated hereby) unless, contemporaneously with the execution and delivery hereof, certain beneficial and record holders of Shares and their affiliates identified on Exhibit B hereto enter into an agreement, effective upon consummation of the Offer, not to compete with the Company and the Buyer (the "Noncompete Agreement"), and in order to induce the Buyer and Merger Subsidiary to enter into this Agreement, such stockholders and affiliates have agreed to execute and deliver the Noncompete Agreement.

NOW, THEREFORE, in consideration of the forgoing and the mutual premises, representations, warranties, covenants and agreements herein contained, the parties hereto agree as follows:

ARTICLE I

THE OFFER

SECTION 1.01 The Offer.

(a) Provided that this Agreement shall not have been terminated in accordance with Article X hereof and that none of the conditions set forth in Annex I hereto shall have occurred and be

continuing, Buyer and Merger Subsidiary shall, as promptly as practicable following the date hereof and in no event later than five business days after the public announcement of the execution and delivery of this Agreement, commence a tender offer (within the meaning of Rule 14D-2 under the Securities Exchange Act of 1934, as amended, (including the rules and regulations promulgated thereunder, the "Exchange Act")) (the "Offer") to purchase all of the outstanding shares of Class A Common Stock, \$.01 par value, of the Company (the "Shares") at a price of \$33.50 per Share, net to the seller in cash. The obligation of Merger Subsidiary to accept for payment and to pay for any Shares tendered in the Offer shall be subject only (i) to the condition that there shall be validly tendered prior to the expiration date of the Offer and not withdrawn a number of Shares which, together with the Shares then owned by Buyer or Merger Subsidiary, represents at least a majority of the outstanding Shares on a fully-diluted basis on the date of purchase ("on a fully-diluted basis" meaning, as of any date: the number of Shares outstanding, together with Shares the Company is then required to issue pursuant to obligations outstanding at that date under employee stock option or other benefit plans or otherwise (assuming all options and other rights to acquire Shares are fully vested and exercisable and all Shares issuable at any time have been issued), including without limitation, pursuant to the Company Stock Options, the Warrants, the Exchangeable Notes and the ASAA Preferred Stock (each as defined in Section 2.05) and pursuant to the Stock Purchase Plan (as defined in Section 4.03)) (the "Minimum Condition"), (ii) the condition (the "Financing Condition") that Buyer shall have received the Financing (as defined below) necessary to consummate the Offer and the Merger contemplated by the commitment letter dated July 7, 1995 from Chemical Bank and Chemical Securities Inc. (the "Financing Commitment Letter") pursuant to which, subject to the terms and conditions thereof, Chemical Bank has committed to provide all of the financing ("Financing") necessary to purchase all outstanding Shares pursuant to the Offer and the Merger, and (iii) to the other conditions set forth in Annex I hereto.

(b) Without the prior written consent of the Company, neither Buyer nor Merger Subsidiary shall (i) decrease the price per Share or change the form of consideration payable in the Offer, (ii) decrease the number of Shares sought in the Offer, (iii) amend

or waive satisfaction of the Minimum Condition, (iv) change or impose additional conditions to the Offer or amend any other term of the Offer in any manner adverse to the holders of Shares, or (v) extend the expiration date of the Offer (except as required by applicable law and except that Merger Subsidiary may extend the expiration date of the Offer for up to sixty days after the initial expiration date in the event that any condition to the Offer is not satisfied); provided, however, that, except as set forth above, the Merger Subsidiary may waive any other condition to the Offer in its sole discretion; and provided further, that the Offer may be extended in connection with an increase in the consideration to be paid pursuant to the Offer so as to comply with applicable rules and regulations of the United States Securities and Exchange Commission (the "SEC"). Assuming the prior satisfaction or waiver of the conditions to the Offer, upon the terms of the Offer, the Merger Subsidiary will accept for payment and purchase, as soon as permitted under the terms of the Offer, all Shares validly tendered and not withdrawn prior to the expiration of the Offer.

(c) As soon as practicable on the date of commencement of the Offer, Buyer and Merger Subsidiary shall file or cause to be filed with the SEC a Tender Offer Statement on Schedule 14D-1(the "Schedule 14D-1") with respect to the Offer which shall contain the offer to purchase and related letter of transmittal and other ancillary Offer documents and instruments pursuant to which the Offer will be made (collectively with any supplements or amendments thereto, the "Offer Documents") and shall contain (or shall be amended in a timely manner to contain) all information which is required to be included therein in accordance with the Exchange Act and the rules and regulations thereunder and any other applicable law. Each of Buyer and Merger Subsidiary, on the one hand, and the Company, on the other hand, agree promptly to correct any information provided by either of them for use in the Offer Documents if and to the extent that it shall have become false or misleading in any material respect and Merger Subsidiary further agrees to take all steps necessary to cause the Offer Documents as so corrected to be filed promptly with the SEC and to be disseminated to the stockholders of the Company, in each case as and to the extent required by applicable law. The Company and its counsel shall be given the opportunity to review the Offer



Documents and any amendments thereto prior to the filing thereof with the SEC.

SECTION 1.02 Company Action.

(a) The Company hereby consents to the Offer and represents that (i) the Company's Board of Directors (the "Board") has (x) at a meeting duly called and held unanimously approved this Agreement and the transactions contemplated hereby, including the Offer and the Merger (as defined in Section 2.01), (y) resolved to recommend acceptance of the Offer and adoption and approval of this Agreement and the Merger by the Company's stockholders and (z) unanimously determined that each of this Agreement, the Offer and the Merger are fair to and in the best interests of the stockholders of the Company, and (ii) Donaldson, Lufkin & Jenrette Securities Corporation ("DLJ") and Robert W. Baird & Co. Incorporated ("Baird") have each delivered to the Board their respective opinion that the per Share consideration to be received by the Company's stockholders pursuant to the Offer and the Merger is fair to such stockholders from a financial point of view. The Company hereby consents to the inclusion in Buyer's and Merger Subsidiary's offering documents relating to the Offer of the recommendations referred to in this Section 1.02.

(b) The Company will promptly furnish Buyer with a list of its stockholders, mailing labels containing the names and addresses of all record holders of Shares and lists of securities positions of Shares held in stock depositories, as of the most recent practicable date, and will provide to Buyer such additional information (including, without limitation, updated lists of stockholders, mailing labels and lists of securities positions) and such other assistance as Buyer may reasonably request in connection with the Offer. Subject to the requirements of applicable law, and except for such steps as are necessary to disseminate any documents necessary to consummate the Merger or the Offer, Buyer shall hold in confidence the information contained in such labels, listings and files, shall use such information only in connection with the Merger and the Offer, and if this Agreement is terminated in accordance with Section 10.01, shall deliver to the Company all copies of such information then in its possession.

(c) Contemporaneously with the commencement of the Offer as provided for in Section 1.01, the Company will file with the SEC a Solicitation/Recommendation Statement on Schedule 14D-9 (the "14D-9") which shall reflect the recommendations and actions of the Board referred to above, subject to the fiduciary duties of the Board under applicable law as advised by independent legal counsel (who may be the Company's regularly engaged legal counsel). Each of the Company, on the one hand, and Buyer and Merger Subsidiary, on the other hand, agree promptly to correct any information provided by either of them for use in the 14D-9 if and to the extent that it shall have become false or misleading in any material respect, and the Company further agrees to take all steps necessary to cause the 14D-9 as so corrected to be filed with the SEC and to be disseminated to the stockholders of the Company, in each case as and to the extent required by applicable laws. Buyer, Merger Subsidiary and their counsel shall be given an opportunity to review the 14D-9 and any amendments thereto prior to filing thereof with the SEC.

SECTION 1.03 Directors.

(a) Promptly upon the purchase by Buyer or any of its subsidiaries of Shares pursuant to the Offer, and from time to time thereafter, Buyer shall be entitled to designate such number of directors, rounded up to the next whole number (but in no event more than one less than the total number of directors on the Board) as will give Buyer, subject to compliance with Section 14(f) of the Exchange Act, representation on the Board equal to the product of (x) the number of directors on the Board (giving effect to any increase in the number of directors pursuant to this Section 1.03) and (y) the percentage that such number of Shares so purchased bears to the aggregate number of Shares outstanding (such number being, the "Board Percentage"), and the Company shall, upon request by Buyer, promptly satisfy the Board Percentage by (i) increasing the size of the Board or (ii) using its best efforts to secure the resignations of such number of directors as is necessary to enable Buyer's designees to be elected to the Board and shall cause Buyer's designees promptly to be so elected. At the request of Buyer, the Company shall take, at the Company's expense, all lawful action necessary to effect any such election, including, without limitation, mailing to its stockholders the information required by

Section 14(f) of the Exchange Act and Rule 14f-1 promulgated thereunder, unless such information has previously been provided to the Company's stockholders in the 14D-9.

(b) Following the election or appointment of Buyer's designees pursuant to this Section 1.03 and prior to the Effective Time of the Merger, any amendment or termination of this Agreement, extension for the performance or waiver of the obligations or other acts of Buyer or Merger Subsidiary or waiver of the Company's rights thereunder, shall require the concurrence of a majority of directors of the Company then in office who are directors on the date hereof.

## ARTICLE II

### THE MERGER

#### SECTION 2.01 The Merger.

(a) At the Effective Time (as defined in Section 2.01(b)), Merger Subsidiary shall be merged (the "Merger") with and into the Company in accordance with Delaware Law and the terms and conditions of this Agreement, whereupon the separate existence of Merger Subsidiary shall cease, and the Company shall be the surviving corporation (the "Surviving Corporation") and shall be a direct wholly-owned subsidiary of Buyer. The Offer and the Merger are sometimes hereinafter referred to as the "Transaction."

(b) As soon as practicable, but in no event later than five business days, after satisfaction or, to the extent permitted hereunder, waiver of all conditions to the Merger, the Company and Merger Subsidiary will file a Certificate of Merger (or, if applicable, a Certificate of Ownership and Merger) with the Secretary of State of the State of Delaware and make all other filings required by the Delaware Law in connection with the Merger. The Merger shall become effective at such time as such Certificate of Merger (or, if applicable, Certificate of Ownership and Merger) is duly filed with the Secretary of State of the State of Delaware or at such later time as is specified in such Certificate of Merger (the "Effective Time").

(c) From and after the Effective Time, the Surviving Corporation shall succeed to all the assets, rights, privileges, powers and franchises and be subject to all of the liabilities, restrictions, disabilities and duties of the Company and Merger Subsidiary, all as provided under the Delaware Law.

SECTION 2.02 Conversion of Shares. At the Effective Time:

(a) Each Share of capital stock of the Company held by the Company as treasury stock or held by any subsidiary of the Company or owned by Buyer, Merger Subsidiary or any subsidiary of either of them immediately prior to the Effective Time shall be cancelled and retired and shall cease to exist, and no payment shall be made with respect thereto;

(b) Each share of capital stock of Merger Subsidiary outstanding immediately prior to the Effective Time shall be converted into and become one fully paid and non-assessable share of capital stock of the Surviving Corporation, par value \$0.01 per share, with the same rights and privileges as the shares so converted and shall constitute the only outstanding shares of capital stock of the Surviving Corporation; and

(c) Each Share outstanding immediately prior to the Effective Time shall, except as otherwise provided in clause (a) above or as provided in Section 2.04 with respect to Shares as to which appraisal rights have been exercised, be converted into the right to receive \$33.50, or any higher price per Share paid in the Offer, in cash without any interest thereon (the "Merger Consideration").

SECTION 2.03 Exchange of Shares.

(a) Prior to the Effective Time, Buyer shall appoint an agent (the "Exchange Agent") for the purpose of exchanging certificates representing Shares for the Merger Consideration. Buyer will make available to the Exchange Agent, as needed, the Merger Consideration to be paid in respect of the Shares. For purposes of determining the Merger Consideration to be made available, Buyer shall assume that no stockholder of the Company will perfect

his right to appraisal of his, her or its Shares. Promptly after the Effective Time, Buyer will send, or will cause the Exchange Agent to send, to each holder of Shares (other than as provided in Section 2.02(a)) at the Effective Time a letter of transmittal for use in such exchange.

(b) After the Effective Time, each holder of Shares that have been converted into a right to receive the Merger Consideration, upon surrender to the Exchange Agent of a certificate or certificates representing such Shares, together with a properly completed letter of transmittal covering such Shares, will be entitled to receive the Merger Consideration payable in respect of such Shares. Until so surrendered, each such certificate shall (other than as provided in Section 2.02(a) or Section 2.04), after the Effective Time, represent for all purposes only the right to receive such Merger Consideration, and shall automatically be cancelled and shall cease to exist. No interest shall be paid or accrued on such Merger Consideration.

(c) If any portion of the Merger Consideration payable in respect of any Share is to be paid to a person other than the registered holder of the Shares represented by the certificate or certificates surrendered, it shall be a condition to such payment that the certificate or certificates so surrendered shall be properly endorsed or otherwise be in proper form for transfer and that the person requesting such payment shall pay to the Exchange Agent any transfer or other taxes required as a result of such payment to a person other than the registered holder of such shares or establish to the satisfaction of the Exchange Agent that such tax has been paid or is not payable.

(d) After the Effective Time, the stock transfer books of the Company shall be closed and there shall be no further registration of transfers of Shares.

(e) Any portion of the Merger Consideration made available to the Exchange Agent pursuant to paragraph (a) of this Section 2.03 that remains unclaimed by the holders of Shares entitled thereto twelve months after the Effective Time shall be returned to Buyer, upon demand, and any stockholder of the Company who has not exchanged his Shares for the Merger Consideration in

accordance with this Section 2.03 prior to that time shall thereafter look only to Buyer for payment of the Merger Consideration in respect of his Shares.

(f) Any portion of the Merger Consideration made available to the Exchange Agent pursuant to paragraph (a) of this Section 2.03 to pay for Shares for which appraisal rights shall have been perfected shall be returned to Buyer, upon demand.

(g) None of Buyer, Merger Subsidiary nor the Company shall be liable to any holder of the Shares for any Merger Consideration delivered to a public official pursuant to any applicable abandoned property, escheat or similar law.

(h) Buyer shall be entitled to deduct and withhold from the consideration otherwise payable pursuant to this Agreement to any holder of Shares such amounts as Buyer is required to deduct and withhold with respect to the making of such payment under the Internal Revenue Code of 1986, as amended (the "Code"), or any provision of state, local or foreign tax law. To the extent that amounts are so withheld by Buyer, such withheld amounts shall be treated for all purposes of this Agreement as having been paid to the holder of the Shares in respect of which such deduction and withholding was made by Buyer.

SECTION 2.04 Dissenting Shares. Notwithstanding any other provision of this Agreement to the contrary, Shares outstanding immediately prior to the Effective Time and held by a holder who has not voted in favor of the Merger or consented thereto in writing and who has demanded appraisal for such Shares in accordance with Delaware Law shall not be converted into a right to receive the Merger Consideration, unless such holder fails to perfect or withdraws or otherwise loses his right to appraisal. If, after the Effective Time, such holder fails to perfect or withdraws or loses his right to appraisal, such Shares shall be treated as if they had been converted as of the Effective Time into a right to receive the Merger Consideration payable in respect of such Shares pursuant to Section 2.02. The Company shall give Buyer prompt notice of any demands received by the Company for appraisal of Shares, and Buyer shall have the right to participate in all negotiations and proceedings with respect to such demands. The

Company shall not, except with the prior written consent of Buyer, make any payment with respect to, or settle or offer to settle, any such demands.

SECTION 2.05      Stock Options; Warrants; Exchangeable Notes;  
ASAA Preferred Stock.

(a)      At the Effective Time, all outstanding options (regardless of whether or not such options have vested) ("Company Stock Options") granted pursuant to the Company's 1992 Key Employee Stock Option Plan (the "Option Plan") or granted to any director of the Company shall either (i) be cancelled and each holder of a cancelled option shall be entitled to receive, in consideration for the cancellation of such option, an amount in cash equal to the product of (x) the number of Shares previously subject to such option and (y) the excess, if any, of the Merger Consideration over the exercise price per Share previously subject to such option or (ii) if elected by such holder, and if this option is made available by Buyer, such option will convert into options or other rights to acquire shares of the common stock of the Buyer, on terms determined in good faith by the Buyer to have substantially the same value as the value of such option.

(b)      At or prior to the Effective Time, the Company shall use its reasonable best efforts to cause each holder of the warrants to acquire Shares (the "Warrants") granted pursuant to those certain Note and Warrant Exchange Agreements dated as of April 30, 1992, as amended, among the Company and certain warrant holders (the "Note and Warrant Agreement") that are then outstanding to be exercised for Shares. At the Effective Time, proper provision shall be made for discharging all obligations under all outstanding unexercised Warrants by providing that each holder of a Warrant shall be entitled to solely receive, in consideration for the exercise and cancellation of such Warrant, an amount in cash equal to the product of (x) the number of Shares previously subject to such Warrant and (y) the excess, if any, of the Merger Consideration over the exercise price per Share previously subject to such Warrant.

(c)      At or prior to the Effective Time, with the prior consent of Buyer, the Company shall give any required notice to

redeem, and redeem or deposit funds sufficient to redeem, all of the outstanding shares of Class A Exchangeable Preferred Stock (the "ASAA Preferred Stock") of the Company's indirect subsidiary, ASAA International, Inc. ("ASAA"), pursuant to the terms of ASAA's Certificate of Incorporation.

(d) At or prior to the Effective Time, with the prior consent of Buyer, the Company shall give any required notice to redeem, and redeem or deposit funds sufficient to redeem all of the 6.5% Exchangeable Promissory Notes having an aggregate principal amount of \$4.75 million (the "Exchangeable Notes") issued July 28, 1993 by the Company's direct subsidiary, Automotive Industries, Inc. ("AII"), pursuant to the terms thereof.

### ARTICLE III

#### THE SURVIVING CORPORATION

SECTION 3.01 Certificate of Incorporation. The Certificate of Incorporation of Merger Subsidiary in effect at the Effective Time shall be the Certificate of Incorporation of the Surviving Corporation until amended in accordance with applicable law.

SECTION 3.02 Bylaws. The Bylaws of Merger Subsidiary in effect at the Effective Time shall be the Bylaws of the Surviving Corporation until amended in accordance with applicable law.

SECTION 3.03 Directors and Officers. Immediately after the Effective Time, until successors are duly elected or appointed in accordance with the Certificate of Incorporation and Bylaws of Merger Subsidiary and with applicable law, (i) the directors of Merger Subsidiary at the Effective Time shall be elected to serve as the directors of the Surviving Corporation, and (ii) the officers of the Company at the Effective Time shall be elected to serve as the officers of the Surviving Corporation.



## ARTICLE IV

## REPRESENTATIONS AND WARRANTIES OF THE COMPANY

The Company represents and warrants to Buyer and Merger Subsidiary as follows:

## SECTION 4.01 Organization and Qualification; Subsidiaries.

(a) Each of the Company and each Company Subsidiary (as defined below) is a corporation, partnership or other legal entity duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation or organization and has the requisite power and authority and all necessary governmental approvals to own, lease and operate its properties and to carry on its business as it is now being conducted, except where the failure to be so organized, existing or in good standing or to have such power, authority and governmental approvals would not, individually or in the aggregate, have a Company Material Adverse Effect (as defined below). The Company and each Company Subsidiary are duly qualified or licensed as foreign corporations to do business, and are in good standing, in each jurisdiction where the character of the properties owned, leased or operated by them or the nature of their business makes such qualification or licensing necessary, except for such failures to be so qualified or licensed and in good standing that would not, individually or in the aggregate, have a Company Material Adverse Effect. The term "Company Material Adverse Effect" means any change or effect that is or would be materially adverse to the business, results of operations or financial condition of the Company and the Company Subsidiaries (as defined below), taken as a whole.

(b) Each subsidiary of the Company (a "Company Subsidiary") that constitutes a "significant subsidiary" of the Company within the meaning of Rule 1-02(w) of Regulation S-X of the SEC is referred to herein as a "Material Subsidiary."

SECTION 4.02 Certificate of Incorporation and By-Laws.  
The Company has heretofore made available to Buyer a complete and correct copy of the Certificate of Incorporation and the By-Laws or

equivalent organizational documents, each as amended to date, of the Company and each Material Subsidiary. Such Certificates of Incorporation, By-Laws and equivalent organizational documents are in full force and effect. Neither the Company nor any Material Subsidiary is in violation of any provision of its Certificate of Incorporation, By-Laws or equivalent organizational documents, except for such violations that would not, individually or in the aggregate, have a Company Material Adverse Effect.

SECTION 4.03 Capitalization. The authorized capital stock

of the Company consists of 100,000,000 shares of Class A Common Stock, par value \$.01 per share (the "Company Common Stock"), 750,000 shares of Class B Common Stock, par value \$.01 per share (the "Class B Common"), 30,000 shares of Cumulative Redeemable Exchangeable Preferred Stock, par value \$.01 per share (the "Series A Preferred Shares") and 9,970,000 additional shares of Preferred Stock (the "Preferred Shares"). As of June 30, 1995, there were 17,547,796 shares of Company Common Stock outstanding. As of the date hereof, (a) there are no shares of Class B Common outstanding, (b) there are no Series A Preferred Shares outstanding, and (c) there are no Preferred Shares outstanding. All outstanding shares of capital stock of the Company have been duly authorized and validly issued and are fully paid and nonassessable and have no preemptive rights. As of the date hereof, there are 633,497 Shares reserved for issuance upon exercise of the Warrants and 790,000 Shares reserved for issuance upon exercise of the Company Stock Options (of which Company Stock Options to acquire not more than 549,940 Shares have been granted, of which Company Stock Options to acquire not more than 152,333 Shares are fully vested and exercisable on the date hereof and Company Stock Options to acquire not more than 397,607 Shares will become fully vested and exercisable upon consummation of the Offer). Except for (i) the Company's Employee Stock Discount Purchase Plan (the "Stock Purchase Plan"), (ii) the Company Stock Options, (iii) the Warrants, (iv) the Exchangeable Notes, and (v) the ASAA Preferred Stock, there are no options, warrants or other rights, agreements, arrangements or commitments of any character obligating the Company or any Company Subsidiary to issue or sell any shares of capital stock of, or other equity interests in, the Company or any Company Subsidiary. All shares of the Company Common Stock subject to issuance as aforesaid, upon issuance on the

terms and conditions specified in the instruments pursuant to which they are issuable, will be duly authorized, validly issued, fully paid and nonassessable. As of June 30, 1995, 68,614.8 shares of ASAA Preferred Stock were issued and outstanding. Except for the ASAA Preferred Stock there are no material outstanding contractual obligations of the Company or any Company Subsidiary to repurchase, redeem or otherwise acquire any shares of the Company Common Stock or any capital stock of any Company Subsidiary, or make any material investment (in the form of a loan, capital contribution or otherwise) in any Company Subsidiary. Each outstanding share of capital stock of each Company Subsidiary is duly authorized, validly issued, fully paid and nonassessable and each such share owned by the Company or another Company Subsidiary is free and clear of all security interests, liens, claims, pledges, options, rights of first refusal, agreements, limitations on the Company's or such other Company Subsidiary's voting rights, charges and other encumbrances of any nature whatsoever.

SECTION 4.04 Authority Relative to this Agreement. The Company has all necessary power and authority to execute and deliver this Agreement, to perform its obligations hereunder and to consummate the transactions contemplated hereby. The execution and delivery of this Agreement by the Company and the consummation by the Company of the transactions contemplated hereby have been duly and validly authorized by all necessary corporate action and no other corporate proceedings on the part of the Company are necessary to authorize this Agreement or to consummate the transactions contemplated herein (other than, with respect to the Merger, the approval and adoption of this Agreement by the holders of a majority of the then outstanding Shares and the filing of appropriate merger documents as required by Delaware Law). This Agreement has been duly and validly executed and delivered by the Company and, assuming the due authorization, execution and delivery by Buyer, constitutes a legal, valid and binding obligation of the Company, enforceable against the Company in accordance with its terms.

## SECTION 4.05 No Conflict; Required Filings and Consents.

(a) The execution and delivery of this Agreement by the Company do not, and the performance of the transactions contemplated herein by the Company will not, (i) conflict with or violate the Certificate of Incorporation or By-Laws or equivalent organizational documents of the Company or any Company Subsidiary, (ii) conflict with or violate any law, rule, regulation, order, judgment or decree applicable to any Company or any Company Subsidiary or by which any property or asset of the Company or any Company Subsidiary is bound or affected, or (iii) except as set forth in Section 4.05 of the Company's Disclosure Schedule attached hereto (the "Company Disclosure Schedule"), result in any breach of or constitute a default (or an event which with notice or lapse of time or both would become a default) under, result in the loss of a material benefit under, or give to others any right of termination, amendment, acceleration or cancellation of, or result in the creation of a lien or other encumbrance on any property or asset of the Company or any Material Subsidiary pursuant to, any note, bond, mortgage, indenture, contract, agreement, lease, license, permit, franchise or other instrument or obligation to which the Company or any Material Subsidiary is a party or by which the Company or any Material Subsidiary or any property or asset of the Company or any Material Subsidiary is bound or affected, except, in the case of clauses (ii) and (iii) above, for any such conflicts, violations, breaches, defaults or other occurrences which would not prevent or delay consummation of the Merger in any material respect, or otherwise prevent the Company from performing its obligations under this Agreement in any material respect, or would not, individually or in the aggregate, have a Company Material Adverse Effect. The Board, at a meeting duly called and held, has taken all actions necessary under the Delaware Law, including approving the transactions contemplated by this Agreement, to ensure that the restrictions on "business combinations" set forth in Section 203 of the Delaware Law do not, and will not, apply to Buyer, Merger Subsidiary, affiliates or associates of Buyer or Merger Subsidiary, the transactions contemplated by this Agreement. The Board has also taken all actions necessary so that the stockholder vote required by Article

IX of the Company's Certificate of Incorporation does not, and will not, apply to the transactions contemplated by this Agreement.

(b) The execution and delivery of this Agreement by the Company do not, and neither the performance of this Agreement by the Company nor the consummation of the transactions contemplated hereby by the Company will, require any consent, approval, authorization, order or permit of, or filing with or notification to, any governmental, administrative or regulatory authority or agency, domestic or foreign (each a "Governmental Entity"), except for (A) applicable requirements, if any, of the Exchange Act and Delaware Law, (B) the pre-merger notification requirements of the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and the rules and regulations thereunder (the "HSR Act"), (C) filing of appropriate merger documents as required by Delaware Law, (D) applicable requirements, if any, of any non-United States competition, antitrust and investment laws including, without limitation, Council Regulation (EEC) 4064/89, the Investment Canada Act, the Competition Act (Canada), and any rules or regulations promulgated by the Secretary of State for Trade and Industry (U.K.), The Act Against Restraints of Competition (Germany) and (E) such other consents, approvals, authorizations, permits, filings or notifications not obtained or made prior to consummation of the Offer the failure of which to be obtained or made would not prevent or delay consummation of the Merger or otherwise prevent the Company from performing its obligations under this Agreement in any material respect, and which would not, individually or in the aggregate, have a Company Material Adverse Effect.

SECTION 4.06 Compliance. Except as set forth in Section 4.06 of the Company Disclosure Schedule, neither the Company nor any Company Subsidiary is in conflict with, or in default or violation of, (a) any law, rule, regulation, order, judgment or decree (including, without limitation, laws, rules and regulations relating to franchises) applicable to the Company or any Company Subsidiary or by which any property or asset of

the Company or any Company Subsidiary is bound or affected, or (b) any note, bond, mortgage, indenture, contract, agreement, lease, license, permit, franchise or other instrument or obligation to which the Company or any Company Subsidiary is a party or by which the Company or any Company Subsidiary or any property or asset of the Company or any Company Subsidiary is bound or affected, except for any such conflicts, defaults or violations that would not, individually or in the aggregate, have a Company Material Adverse Effect.

SECTION 4.07 SEC Filings; Financial Statements.

(a) The Company has filed all forms, reports, registration statements, proxy statements, schedules and documents required to be filed by it with the SEC since December 26, 1992 and has heretofore made available to Buyer, in the form filed with the SEC (excluding any exhibits thereto), (i) its Annual Reports on Form 10-K for the fiscal years ended December 26, 1992, January 1, 1994 and December 31, 1994, (ii) its Quarterly Reports on Form 10-Q for the period ended March 31, 1995, (iii) all proxy statements relating to the Company's meetings of stockholders (whether annual or special) held since January 1, 1993 and (iv) all other forms, reports, other registration statements and schedules (other than Quarterly Reports on Form 10-Q not referred to in clause (ii) above and preliminary materials) filed by the Company with the SEC since December 31, 1994 (the forms, reports and other documents referred to in clauses (i), (ii), (iii) and (iv) above being referred to herein, collectively, as the "Company SEC Reports"). The Company SEC Reports and any forms, reports and other documents filed by the Company with the SEC after the date of this Agreement (x) were prepared in accordance with the requirements of the Securities Act of 1933, as amended (the "Securities Act") and the Exchange Act, as the case may be, and the rules and regulations thereunder and (y) did not at the time they were filed contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements made therein, in the light of circumstances under which they were made, not misleading. No Company Subsidiary, is required to file any form, report or other document with the SEC.

(b) Each of the consolidated financial statements (including, in each case, any notes thereto) contained in the Company SEC Reports was prepared in accordance with generally accepted accounting principles applied on a consistent basis throughout the periods indicated (except as may be indicated in the notes thereto) and each fairly presented the financial position,

results of operations and cash flows of the Company and the consolidated Company Subsidiaries, as the case may be, as at the respective dates thereof and for the respective periods indicated therein (subject, in the case of unaudited statements, to normal and recurring year-end adjustments which were not and are not expected, individually or in the aggregate, to be material in amount).

SECTION 4.08 Disclosure Documents.

(a) Each document filed or required to be filed by the Company with the SEC in connection with the Transaction (the "Company Disclosure Documents"), including, without limitation, the 14D-9, the proxy or information statement of the Company (the "Company Proxy Statement"), if any, to be filed with the SEC in connection with the Merger, and any amendments or supplements to any thereof will comply as to form in all material respects with the applicable requirements of the Exchange Act.

(b) At the time the Company Proxy Statement or any amendment or supplement thereto is first mailed to stockholders of the Company, at the time such stockholders vote on adoption of this Agreement and at the Effective Time, the Company Proxy Statement as supplemented or amended, if applicable, will not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading. At the time of the filing with the SEC or any other governmental authority of any Company Disclosure Documents (other than the Company Proxy Statement), at the time of any distribution thereof and throughout the remaining pendency of the Offer each such Company Disclosure Document will not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading. The representations and warranties contained in this subsection (b) will not apply to statements or omissions in the Company Disclosure Documents based upon information furnished in writing to the Company by Buyer or Merger Subsidiary specifically for use therein.

(c) The information with respect to the Company or any Company Subsidiary furnished by the Company or its affiliates to Buyer in writing specifically for use in the Offer and the Offer Documents shall not contain, as of the date the Offer Documents are filed, any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading. If any such information provided by the Company or its affiliates shall, after the filing of the Offer Documents, become false or misleading in any material respect, the Company shall promptly notify Buyer and update such information in writing.

SECTION 4.09 Brokers. Except for Hidden Creek Industries, DLJ and Baird, whose fees will be paid by the Company, there is no investment banker, broker, finder or other intermediary which has been retained by or is authorized to act on behalf of the Company or any Company Subsidiary (or any director or officer thereof) who might be entitled to any fee or commission from the Company, any Company Subsidiary, Merger Subsidiary or Buyer or any of their affiliates upon consummation of the transactions contemplated by this Agreement. The fees described in this Section 4.09 shall not exceed \$9.5 million in the aggregate.

SECTION 4.10. Absence of Certain Changes or Events. Since April 1, 1995 except as contemplated by this Agreement or disclosed in the Company Disclosure Schedule or any Company SEC Report filed since April 1, 1995 and prior to the date of this Agreement, the Company and the Company Subsidiaries have conducted their businesses only in the ordinary course and in a manner consistent with past



practice and, since April 1, 1995 there has not been (i) any material adverse change in the business, results of operations or financial condition of the Company and the Company Subsidiaries, taken as a whole, (ii) any damage, destruction or loss (whether or not covered by insurance) with respect to any property or asset of the Company or any Company Subsidiary having, individually or in the aggregate, a Company Material Adverse Effect, (iii) any change by the Company in its accounting methods, principles or practices, (iv) any revaluation by the Company of any asset (including, without limitation, any writing down of the value of inventory or writing off of notes or accounts receivable), other than in the ordinary course of business consistent with past practice, (v) any failure by the Company to revalue any asset in accordance with generally accepted accounting principles consistent with past practice, (vi) any entry by the Company or any Company Subsidiary into any commitment or transaction material to the Company and the Company Subsidiaries, taken as a whole, (vii) any declaration, setting aside or payment of any dividend or distribution in respect of any capital stock of the Company or any redemption, purchase or other acquisition of any of its securities, (viii) any increase in or establishment of any bonus, insurance, severance, deferred compensation, pension, retirement, profit sharing, stock option (including, without limitation, the granting of stock options, stock appreciation rights, performance awards or restricted stock awards), stock purchase or other employee benefit plan, or any other increase in the compensation payable or to become payable to any officers or key employees of the Company or any Company Subsidiary, except in the ordinary course of business consistent with past practice and except as described on Section 4.10 of the Company Disclosure Schedule, or (ix) any entering into, renewal, modification or extension of, any material contract, arrangement or agreement with any other party except for contracts, arrangements or agreements in the ordinary course of business.

SECTION 4.11. Absence of Litigation. Except as set forth on Schedule 4.11 of the Company Disclosure Schedule there is no claim, action, proceeding or investigation pending or, to the knowledge of the Company, threatened in writing against the Company or any Company Subsidiary, or any property or asset of the Company or any Company Subsidiary, before any court, arbitrator or administrative, governmental or regulatory authority or body, domestic or foreign, which (i) individually or in the aggregate, is reasonably likely to have a Company Material Adverse Effect or (ii) seeks to, or is reasonably likely to, delay or prevent the consummation of the Offer or the Merger. As of the date hereof, neither the Company nor any Company Subsidiary nor any property or asset of the Company or any Company Subsidiary is subject to any order, writ, judgment, injunction, decree, determination or award having, individually or in the aggregate, a Company Material Adverse Effect.

## SECTION 4.12. Employee Benefit Plans/ERISA.

(a) The term "Employee Benefit Plan" means each employee benefit plan within the meaning of Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA") which is maintained for, or to which contributions have been made on behalf of, employees ("Employees") of the Company or any current or former corporation, person or trade or business which is a member of a group which is under common control with the Company, who together with the Company, is treated as a single employer within the meaning of Sections 414(b)-(o) of the Internal Revenue Code of 1986, as amended (the "Code") and, if applicable, Sections 4001(a) and (b) of ERISA (an "ERISA Affiliate"). The term "Pension Plan" means any Employee Benefit Plan which is subject to title IV of ERISA.

(b) Neither the Company nor any ERISA Affiliate participates in or contributes to any multiemployer plan (as defined in Section 4001(a) of ERISA).

(c) Neither the Company nor any ERISA Affiliate has any contingent liability with respect to any post-retirement benefit under any employee benefit plan which is a welfare benefit plan as defined in Section 3(1) of ERISA (a "Welfare Plan") which would have a Company Material Adverse Effect.

(d) None of the Employee Benefit Plans is a severance plan, arrangement or program. Except as set forth in Schedule 4.12 of the Company Disclosure Schedule, the consummation of the transactions contemplated by this Agreement will not directly: (i) entitle any Employee to severance pay, unemployment compensation or any other payment or (ii) accelerate the timing of any payment or the vesting of any rights or increase the amount of any compensation due any Employee, which would have a Company Material Adverse Effect.

(e) The Company has made available or given to the Buyer true and complete copies of all the following: each Employee Benefit Plan and related trust agreement (including all amendments and commitments with respect to such Employee Benefit Plan or trust) which the Company or ERISA Affiliate maintains or is

committed to contribute to as of the date hereof and the most recent summary plan description, actuarial report, determination letter issued by the Internal Revenue Service and Form 5500 filed in respect of each such Employee Benefit Plan for calendar years 1991, 1992 and 1993.

(f) Each Employee Benefit Plan complies, in both form and operation in all material respects, with its terms, ERISA and the Code, including, without limitation, Code Section 4980B, and no condition exists or event has occurred with respect to any such plan which would result in the incurrence by the Company or any ERISA Affiliate of any liability, fine or penalty which would have a Company Material Adverse Effect. Neither the Company nor any ERISA Affiliate has incurred any material liability to the Pension Benefit Guaranty Corporation ("PBGC") which remains outstanding other than the payment of premiums, and there are no premiums which have become due which are unpaid. Neither the Company nor any ERISA Affiliate has engaged in any transaction which could subject it to liability under Section 4069 or Section 4212(c) of ERISA which would have a Company Material Adverse Effect. Each Employee Benefit Plan, related trust agreement, arrangement and commitment of each the Company and ERISA Affiliate is legally valid and binding in full force and effect. Each Employee Benefit Plan that is intended to be qualified under Section 401(a) of the Code has received a favorable determination letter for "TRA" (as defined in Rev. Proc. 93-39) from the IRS or has filed for such a determination letter within the remedial amendment period, and each trust related to such plan either has been determined to be exempt under, or has pending a determination of an exemption under, Section 501(a) of the Code. To the knowledge of the Company, nothing has occurred or is expected to occur that would adversely affect the qualified status of the Employee Benefit Plan or any related trust subsequent to the issuance of such determination letter. No Employee Benefit Plan is being audited or investigated by any government agency or subject to any pending or threatened claim or suit which would have a Company Material Adverse Effect.

(g) Neither the Company nor any ERISA Affiliate nor any fiduciary of any Employee Benefit Plan has engaged in a prohibited transaction under Section 406 of ERISA or Section 4975 of the Code that will have a Company Material Adverse Effect.

(h) No Termination Event has occurred or is reasonably expected to occur that will have a Company Material Adverse Effect. A "Termination Event" means any of the following:

(1) a "Reportable Event" by the Company or any ERISA Affiliate described in Section 4043 of ERISA and the regulations issued thereunder; or

(2) the withdrawal of the Company or any ERISA Affiliate from a Pension Plan during a plan year in which it was a "substantial employer" as defined in Section 4001(a)(2) of ERISA or was deemed such under Section 4068(f) of ERISA; or

(3) the distress termination of a Pension Plan, the filing of a notice of intent to terminate a Pension Plan as a distress termination or the treatment of a Pension Plan amendment as a termination under Section 4041 of ERISA; or

(4) the institution of proceedings to terminate a Pension Plan by the PBGC; or

(5) any other event or condition which would constitute grounds under Section 4042(a) of ERISA for the termination of, or the appointment of a trustee to administer, any Pension Plan; or

(6) the imposition of a lien pursuant to Section 412 of the Code or Section 302 of ERISA.

#### SECTION 4.13. Taxes.

(a) The Company and the Company Subsidiaries (i) have filed or caused to be filed with the appropriate taxing authorities on a timely basis all federal Tax Returns (as hereinafter defined), all required state income Tax Returns and all other Tax Returns which are required to have been filed, and such Tax Returns are true, correct and complete in all material respects, (ii) have paid on a timely basis or have made adequate provision for on their balance sheet all Taxes (as hereinafter defined) reflected as due on such Tax Returns and the periods covered thereby, and (iii) have

established reserves on their books and records adequate for the payment of all Taxes not yet due. There are no material liens for Taxes upon the assets of the Company and the Company Subsidiaries, except liens for Taxes not yet due. Except as disclosed on Schedule 4.16 of the Company Disclosure Schedule, neither the Company nor any Company Subsidiary has received a notice of any pending audits, actions, proceedings, investigations or claims with respect to any Taxes payable by or asserted against the Company and the Company Subsidiaries. Except as disclosed on Schedule 4.16 of the Company Disclosure Schedule, no claim has ever been made by a jurisdiction where the Company or any of the Company Subsidiaries does not pay Taxes or file Tax Returns that such entity may be subject to Taxes in such jurisdiction for any period beginning after December 31, 1989. The taxable years or periods for the assessment of federal income tax of the Company and the Company Subsidiaries (including assessments relating to consolidated federal income tax returns, if any, that include the Company or any of the Company Subsidiaries) are closed either by agreement with the Internal Revenue Service or by operation of the applicable statute of limitations for all taxable periods through 1990. Except as set forth in Schedule 4.16 of the Company Disclosure Schedule, the taxable years or periods for the assessment of state and local income tax of the Company and the Company Subsidiaries (including assessments relating to consolidated, combined or unitary Tax Returns, if any, that include the Company or any Company Subsidiary) are closed either by agreement with the appropriate taxing authority or by application of the applicable statute of limitations for all periods through 1989. Except as disclosed on Schedule 4.16 of the Company Disclosure Schedule, the Company and the Company Subsidiaries are not and have not been subject to any income tax in any jurisdiction outside the United States. No agreements relating to allocation or sharing of Taxes exists among the Company and the Company Subsidiaries or among the Company and any of its stockholders. Except as disclosed on Schedule 4.16 of the Company Disclosure Schedule, there are no outstanding waivers or comparable consents or extensions given by the Company or the Company Subsidiaries regarding the application of the statute of limitations with respect to any Taxes or Tax Returns. Neither the Company nor any Company Subsidiary has made any election which would result or has resulted in an adjustment under Section 481 of the Code. Neither the Company nor any Company

Subsidiary has filed a consent pursuant to Section 341(f) of the Code or agreed to have Section 341(f)(2) of the Code apply to any disposition of a Section 341(f) asset (as such term is defined in Section 341(f)(4) of the Code). No power of attorney granted by the Company or the Company Subsidiaries with respect to Taxes is currently in force. Except as disclosed on the Company Disclosure Schedule and other than this Agreement, there is no contract, agreement, plan or arrangement that individually or collectively could give rise to the payment by the Company or the Company Subsidiaries of any amount that would not be deductible by reason of Section 280G of the Code. Neither the Company nor any Company Subsidiary has any outstanding Corporate Acquisition Indebtedness as such term is used in Code Section 279(b). For purposes of this Section 4.13, where a determination of an occurrence of a failure by the Company or any Company Subsidiary to comply with any representation herein is to be made, a failure shall only occur if such failure shall have a Company Material Adverse Effect.

(b) For purposes of this Agreement, (i) the term "Taxes" shall mean all taxes, charges, fees, levies or other like assessments, including without limitation, all net income, gross income, gross receipts, sales, use, ad valorem, transfer, franchise, profits, license, withholding, payroll, employment, excise, estimated, severance, stamp, occupation, capital stock, property or other taxes, customs duties, fees, assessments or charges of any kind whatsoever, together with any interest, penalties or additional amounts attributable to Taxes imposed by any governmental authority, and (ii) the term "Tax Returns" shall mean all returns (including information returns), declarations, reports, estimates and statements regarding Taxes required to be filed under the United States federal, state or local laws or any foreign laws.

#### SECTION 4.14. Environmental Matters.

(a) For purposes of this Agreement, the following terms shall have the following meanings: (i) "Hazardous Substances" means (A) all substances, wastes, pollutants, contaminants and materials regulated, or defined or designated as hazardous, extremely or imminently hazardous, dangerous, or toxic under the following federal statutes and their state counterparts, as well as

these statutes' implementing regulations: the Comprehensive Environmental Response, Compensation and Liability Act, the Federal Insecticide, Fungicide and Rodenticide Act, the Atomic Energy Act, the Resource Conservation and Recovery Act, the Clean Air Act and the Hazardous Materials Transportation Act; (B) any asbestos or asbestos-containing material, petroleum and petroleum products, including crude oil and any fractions thereof, natural gas, natural gas liquids, synthetic gas, polychlorinated biphenyls or radon; or (C) any substance with respect to which a federal, state or local agency requires environmental investigation, monitoring, reporting or remediation; and (ii) "Environmental Law" means any applicable statute, code, enactment, ordinance, rule, regulation, permit, consent, authorization, judgment, order, or other requirement having the force and effect of law whether local, state, territorial or national, to the extent enacted and in effect on or prior to the Closing Date, relating to: (A) emissions, discharges, spills, releases or threatened releases of Hazardous Substances or materials containing Hazardous Substances into ambient air, surface water, ground water, water courses, publicly or privately owned treatment works, drains, sewer systems, wetlands, septic systems or onto land; (B) the manufacture, handling, transport, use, treatment, storage or disposal of Hazardous Substances or materials containing Hazardous Substances; (C) the regulation of storage tanks; or (D) otherwise relating to pollution or protection of the environment or the protection of human health from environmental hazards.

(b) (i) Neither the Company nor any Company Subsidiary has violated and is in violation of any Environmental Law; (ii) the Company and each Company Subsidiary has all permits, licenses and other authorizations required under any Environmental Law and the Company and each Company Subsidiary has always been and is in compliance with their requirements; (iii) no Hazardous Substances have been used, stored, manufactured or processed on the property owned or leased by the Company or any Company Subsidiary except as reasonably necessary to conduct the business of the Company and the Company Subsidiaries, and in compliance with all laws, ordinances and regulations applicable to the use, storage or manufacture thereof; (iv) to the Company's knowledge, there has been no disposal, release or threatened release of Hazardous Substances from or to the property owned or leased by the Company or any

Company Subsidiary; (v) to the Company's knowledge, none of the properties owned or leased by the Company or any Company Subsidiary (including, without limitation, soils and surface and ground waters) are contaminated with any Hazardous Substance; (vi) to the best knowledge of the Company, neither the Company nor any Company Subsidiary is liable for any off-site contamination; and (vii) neither the Company nor any Company Subsidiary has received any written notice of violation of or liability under any Environmental Law and the Company is not aware of any circumstances that could reasonably be expected to give rise to such notice, in each case when the failure to comply with this Section 4.14 would reasonably be expected to result in a Company Material Adverse Effect.

SECTION 4.15. Opinion of Financial Advisor. The Company has received the written opinion of DLJ to the effect that the consideration to be received by the stockholders of the Company pursuant to the Offer and the Merger is fair to such shareholders from a financial point of view, a copy of which opinion will be delivered to the Buyer and included in the 14D-9, any Company Proxy Statement and the Offer Documents.

SECTION 4.16 Affiliate Transactions. All transactions between the Company or a Company Subsidiary and any of their Affiliates (other than the Company or a Company Subsidiary), shall be terminated and be of no further legal force or effect, and neither the Company nor any Company Subsidiary shall have any obligation or liability thereunder, from and after the Effective Time. The termination of such transactions is not reasonably expected to have a Company Material Adverse Effect. "Affiliate" of any person means any other person directly or indirectly controlling, controlled by or under common control with such person. A person shall be deemed to control another person if the controlling person owns 10% or more of any class of voting securities (or other ownership interests) of the controlled person or possesses, directly or indirectly, the power to direct or cause the direction of the management or policies of the controlled person, whether through ownership of stock, by contract or otherwise. Without limiting the foregoing, Hidden Creek Industries, ONEX US Investments Inc. and each of their Affiliates shall be considered Affiliates of the Company and the Company Subsidiaries.



SECTION 4.17. Labor Matters. Except as disclosed on Section 4.17 of the Company Disclosure Schedule, (i) there are no controversies pending or, to the best knowledge of the Company, threatened between the Company or any Company Subsidiary and any of their respective employees; (ii) to the best knowledge of the Company, there are no activities or proceedings of any labor union to organize any non-unionized employees; (iii) neither the Company nor any Company Subsidiary has breached or otherwise failed to comply with any provision of any such agreement or contract and there are no grievances outstanding against the Company or any Company Subsidiary under any such agreement or contract; (iv) there are no unfair labor practice complaints pending against the Company or any Company Subsidiary before the National Labor Relations Board or any current union representation questions involving employees of the Company or any Company Subsidiary; and (v) there is no strike, slowdown, work stoppage or lockout, or, to the best knowledge of the Company, threat thereof, by or with respect to any employees of the Company or any Company Subsidiary, other than any events described in clauses (i) through (v) above which in the aggregate would not have a Company Material Adverse Effect.

SECTION 4.18. Real Property.

(a) The Company and the Company Subsidiaries have sufficient title to or the legal right to use all their real properties currently used in the conduct of their respective businesses, with such exceptions as, individually or in the aggregate, would not have a Company Material Adverse Effect.

(b) Except as set forth in Section 4.18 of the Company Disclosure Schedule, each parcel of real property owned or leased by the Company or any Company Subsidiary is owned or leased free and clear of all mortgages, liens, security interests, or other claims of third parties of any kind (collectively, "Liens"), other than (A) Liens for current taxes and assessments not yet past due, (B) inchoate mechanics' and materialmen's Liens for construction in progress, (C) workmen's, repairmen's, warehousemen's and carriers' Liens arising in the ordinary course of business of the Company or such Company Subsidiary consistent with past practice, and (D) all matters of record, Liens and other imperfections of title and

encumbrances which, individually or in the aggregate, would not have a Company Material Adverse Effect (collectively, "Permitted Liens").

#### ARTICLE V

##### REPRESENTATIONS AND WARRANTIES OF BUYER

Buyer represents and warrants to the Company that:

###### SECTION 5.01 Organization and Qualification; Subsidiaries.

Each of Buyer and Merger Subsidiary is a corporation, partnership or other legal entity duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation or organization and has the requisite power and authority and all necessary governmental approvals to own, lease and operate its properties and to carry on its business as it is now being conducted, except where the failure to be so organized, existing or in good standing or to have such power, authority and governmental approvals would not, individually or in the aggregate, have a Buyer Material Adverse Effect (as defined below). Each of Buyer and Merger Subsidiary is duly qualified or licensed as a foreign corporation to do business, and is in good standing, in each jurisdiction where the character of the properties owned, leased or operated by it or the nature of its business makes such qualification or licensing necessary, except for such failures to be so qualified or licensed and in good standing that would not, individually or in the aggregate, have a Buyer Material Adverse Effect. The term "Buyer Material Adverse Effect" means any change or effect that is or would be materially adverse to the business, results of operations or financial condition of Buyer, Merger Subsidiary and each of Buyer's other subsidiaries, taken as a whole.

###### SECTION 5.02 Certificate of Incorporation and By-Laws.

Buyer has heretofore made available to the Company a complete and correct copy of the Certificate of Incorporation and the By-Laws or equivalent organizational documents, each as amended to date, of Buyer and Merger Subsidiary. Such Certificates of Incorporation, By-Laws and equivalent organizational documents are in full force

and effect. Neither Buyer nor Merger Subsidiary is in violation of any provision of its Certificate of Incorporation, By-Laws or equivalent organizational documents, except for such violations that would not, individually or in the aggregate, have a Buyer Material Adverse Effect.

SECTION 5.03 Authority Relative to this Agreement. Each of Buyer and Merger Subsidiary has all necessary power and authority to execute and deliver this Agreement, to perform its obligations hereunder and to consummate the transactions contemplated herein. The execution and delivery of this Agreement by Buyer and Merger Subsidiary and the consummation by Buyer and Merger Subsidiary of the transactions contemplated herein have been duly and validly authorized by all necessary corporate action and no other corporate proceedings on the part of Buyer are necessary to authorize this Agreement or to consummate the transactions contemplated herein (other than, with respect to the Merger, the filing of the appropriate merger documents as required by Delaware Law). This Agreement has been duly and validly executed and delivered by Buyer and Merger Subsidiary and, assuming the due authorization, execution and delivery by the Company, constitutes a legal, valid and binding obligation of Buyer and Merger Subsidiary, enforceable against Buyer and Merger Subsidiary in accordance with its terms.

SECTION 5.04 No Conflict; Required Filings and Consents.

(a) The execution and delivery of this Agreement by Buyer and Merger Subsidiary do not, and the performance of the transactions contemplated herein by Buyer and Merger Subsidiary will not, (i) conflict with or violate the Certificate of Incorporation or By-Laws or equivalent organizational documents of Buyer or Merger Subsidiary, (ii) conflict with or violate any law, rule, regulation, order, judgment or decree applicable to Buyer or any Merger Subsidiary or by which any property or asset of Buyer or any Merger Subsidiary is bound or affected, or (iii) result in any breach of or constitute a default (or an event which with notice or lapse of time or both would become a default) under, result in the loss of a material benefit under or give to others any right of termination, amendment, acceleration or cancellation of, or result

in the creation of a lien or other encumbrance on any property or asset of Buyer or any Merger Subsidiary pursuant to, any note, bond, mortgage, indenture, contract, agreement, lease, license, permit, franchise or other instrument or obligation to which Buyer or any Merger Subsidiary is a party or by which Buyer or any Merger Subsidiary or any property or asset of Buyer or any Merger Subsidiary is bound or affected, except in the case of clauses (ii) and (iii) above, for any such conflicts, violations, breaches, defaults or other occurrences which would not prevent or delay consummation of the Merger in any material respect, or otherwise prevent Buyer from performing its obligations under this Agreement in any material respect, or would not, individually or in the aggregate, have a Buyer Material Adverse Effect.

(b) The execution and delivery of this Agreement by Buyer and Merger Subsidiary do not, and neither the performance of this Agreement by Buyer and Merger Subsidiary nor the consummation of the transactions contemplated hereby by the Company will, require any consent, approval, authorization, order or permit of, or filing with or notification to, any Governmental Entity, except for (A) applicable requirements, if any, of the Exchange Act and Delaware Law, (B) the pre-merger notification requirements of the HSR Act, (C) filing of appropriate merger documents as required by Delaware Law, (D) applicable requirements, if any, of any non-United States competition, antitrust and investment laws including, without limitation, Council Regulation (EEC) 4064/89, the Investment Canada Act, the Competition Act (Canada), and any rules or regulations promulgated by the Secretary of State for Trade and Industry (U.K.), and (E) such other consents, approvals, authorizations or permits, filings or notifications, not obtained or made prior to consummation of the Offer the failure of which to be obtained or made would not prevent or delay consummation of the Merger, or otherwise prevent Buyer or Merger Subsidiary from performing its obligations under this Agreement in any material respect, and which would not, individually or in the aggregate, have a Buyer Material Adverse Effect.

SECTION 5.05 Documents Relating to Offer; Company Proxy Statement. The Offer Documents and the Offer will comply in all material respects with the applicable requirements of the Exchange Act, except that no representation is made by Buyer or Merger

Subsidiary with respect to information supplied in writing by the Company specifically for use in the Offer Documents. None of the information that may be supplied in writing by Buyer or its affiliates specifically for use in the Company Proxy Statement, the 14D-9 or any other document filed or to be filed with the SEC will contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading. If any such information provided by Buyer or its affiliates shall, after the filing of the 14D-9 or any other document filed by the Company with the SEC, become false or misleading in any material respect, the Buyer shall promptly notify the Company and update such information in writing.

SECTION 5.6 Financing. The Buyer has entered into, and furnished to the Company a copy of, the Financing Commitment Letter with Chemical Bank and Chemical Securities Inc. Subject to the terms and conditions specified therein, the Financing Commitment Letter will provide Buyer funds sufficient in amount to consummate the Offer and Merger pursuant to this Agreement. The Financing Commitment Letter is in full force and effect as of the date of this Agreement.

## ARTICLE VI

### COVENANTS OF THE COMPANY

SECTION 6.01 Conduct of the Company. The Company covenants and agrees that, between the date of this Agreement and the Effective Time, unless the Buyer shall have consented in writing (such consent not to be unreasonably withheld), the businesses of the Company and the Company Subsidiaries shall, in all material respects, be conducted in, and the Company and the Company Subsidiaries shall not take any material action, except in the ordinary course of business, consistent with past practice, and the Company shall, and shall cause the Company Subsidiaries to use their respective reasonable best efforts to preserve substantially intact their respective business organizations, to keep available the services of their respective current officers, employees and consultants and to preserve their respective relationships with

customers, suppliers and other persons with which it or any of the Company Subsidiaries has significant business relations as well as with officials and employees of government agencies and other entities which regulate the Company, the Company Subsidiaries and their business. By way of amplification and not limitation, except (i) as contemplated by this Agreement, (ii) as set forth on Section 6.01 of the Company Disclosure Schedule, neither the Company nor any of the Company Subsidiaries shall, between the date of this Agreement and the Effective Time, directly or indirectly do, or propose or agree to do, any of the following without the prior written consent of the Buyer (which will not be unreasonably withheld) (provided that the following restrictions shall not apply to any subsidiaries which the Company does not control):

(a) amend or otherwise change the Certificate of Incorporation or By-Laws of the Company or any Company Subsidiary;

(b) (i) issue or sell, or authorize the issuance or sale of, (I) any shares of capital stock of any class of, or any other ownership interest in, the Company or any of the Company Subsidiaries, or any options, warrants or other securities or rights convertible into, exchangeable for, evidencing the right to subscribe for or purchase, or otherwise providing for the right to acquire capital stock, or any other ownership interest (including, without limitation, any phantom interest) of the Company or any of the Company Subsidiaries (other than the issuance of shares of capital stock in connection with (A) the exercise of the Company Stock Options and the Warrants, and the redemption or exchange of the Exchangeable Notes and the ASAA Preferred Stock in accordance with the terms of such securities in effect on the date of this Agreement, or (B) the Stock Purchase Plan as in effect on the date of this Agreement) or (II) any assets of it or any of the Company Subsidiaries, except for sales in the ordinary course of business or which, individually, do not exceed \$10.0 million or which, in the aggregate, do not exceed \$20.0 million, or (ii) amend, waive or otherwise modify any of the terms of any option, warrant or stock option plan of the Company or any Company Subsidiary, including without limitation the Company Stock Options the Warrants, the Exchangeable Notes, the ASAA Preferred Stock and the Stock Purchase Plan;

(c) declare, set aside or pay any dividend or other actual, constructive or deemed distribution, payable in cash, stock, property or otherwise, with respect to any of its capital stock (other than a dividend or distribution payable solely to the Company or a Company Subsidiary) or otherwise make any payments to stockholders in their capacity as stockholders;

(d) reclassify, combine, split, subdivide or redeem, purchase or otherwise acquire, directly or indirectly, any of its capital stock other than redemptions of the ASAA Preferred Stock, consistent with applicable securities laws;

(e) (i) acquire (for cash, shares of stock or other consideration) (including, without limitation, by merger, consolidation, or acquisition of stock or assets) any corporation, partnership, other business organization or any division thereof (or a substantial portion of the assets thereof) or any other assets, except for such acquisitions which, individually, do not exceed \$10.0 million or which, in the aggregate, do not exceed \$25.0 million; (ii) incur any indebtedness for borrowed money or issue any debt securities or assume, guarantee or endorse, or otherwise as an accommodation become responsible for, the obligations of any person, or make any loans or advances, except (A) in connection with this Agreement and the transactions contemplated hereby, or (B) borrowings under existing bank lines of credit in the ordinary course of business; or (iii) enter into or amend any contract, agreement, commitment or arrangement to effectuate any prohibited matter set forth in this Section 6.01(e);

(f) adopt or amend any bonus, profit sharing, compensation, severance, termination, stock option, pension, retirement, deferred compensation, employment or other employee benefit agreements, trusts, plans, funds or other arrangements for the benefit or welfare of any director, officer or employee that increase in any manner the compensation, retirement, welfare or fringe benefits of any director, officer or Employee, or pay any benefit not required by any existing plan or arrangement (including without limitation the granting of stock options or stock appreciation rights) or take any action or grant any benefit not expressly required under the terms of any existing agreements, trusts, plans, funds or other such arrangements or enter into any

contract, agreement, commitment or arrangement to do any of the foregoing, except for normal increases in the ordinary course of business consistent with past practice that do not result in a material increase in benefits or compensation expense to the Company or pursuant to collective bargaining agreements as presently in effect.

(g) take any action, other than reasonable and usual actions in the ordinary course of business and consistent with past practice, with respect to accounting policies or procedures.

(h) authorize, recommend, propose or announce an intention to adopt a plan of complete or partial liquidation or dissolution of the Company or any of its Material Subsidiaries;

(i) make any tax elections or settle or compromise any material income tax liability;

(j) pay, discharge or satisfy any material claims, liabilities or obligations (absolute, accrued, asserted, unasserted, contingent or otherwise), other than the payment, discharge or satisfaction in the ordinary course of business and consistent with past practice of liabilities reflected or reserved against in the consolidated financial statements of the Company;

(k) other than in the ordinary course of business and consistent with past practice, waive any rights of substantial value or make any payment, direct or indirect, of any material liability of the Company or any of the Company Subsidiaries before the same comes due in accordance with its terms;

(l) fail to maintain its existing insurance coverage of all types in effect or, in the event any such coverage shall be terminated or lapse, to the extent available at reasonable cost, procure substantially similar substitute insurance policies which in all material respects are in at least such amounts and against such risks as are currently covered by such policies;

(m) enter into any new collective bargaining agreement or any successor collective bargaining agreement (other than the



Weston Division collective bargaining agreement currently being negotiated);

(n) amend or otherwise modify the Option Plan or the Stock Purchase Plan; or

(o) enter into any contract, agreement, commitment or arrangement to do any of the foregoing.

SECTION 6.02 Stockholders' Meeting; Proxy Material.

Unless Buyer or Merger Subsidiary acquires at least 90% of the outstanding Shares, in which case Buyer shall cause the Merger to take place without a vote of the Company's stockholders as permitted under Delaware Law, if required by applicable law, the Company shall cause a special meeting of its stockholders (the "Company Stockholders Meeting") to be duly called and held as soon as reasonably practicable after the purchase of Shares pursuant to the Offer for the purpose of acting upon proposals to approve this Agreement and all actions contemplated hereby that require the approval of the Company's stockholders. The Board shall recommend approval and adoption of this Agreement by the Company's stockholders, unless otherwise required by the fiduciary duties of the Board under applicable law as advised by independent legal counsel (who may be the Company's regularly engaged legal counsel). In connection with the Company Stockholders Meeting the Company shall in accordance with applicable law and after consultation with the Buyer, prepare and file with the SEC a preliminary Company Proxy Statement relating to the matters to be considered at the Company Stockholders Meeting, respond promptly to any comments made by the SEC with respect to the preliminary Company Proxy Statement and cause a definitive Company Proxy Statement to be mailed to its stockholders.

SECTION 6.03 Access to Information. The Company will give

Buyer, its counsel, financial advisors, auditors and other authorized representatives full access to the offices, properties, books and records of the Company and the Company Subsidiaries, will furnish to Buyer, its counsel, financial advisors, auditors and authorized representatives such financial and operating data and other information as such persons may reasonably request and will cause the Company's employees, counsel and financial advisors to

cooperate with Buyer in its investigation of the business of the Company and the Company Subsidiaries.

SECTION 6.04 No Solicitations. From and after the date hereof until the termination of this Agreement, the Company shall not, and shall use its best efforts to cause its officers, directors, employees, representatives, agents or affiliates (including, without limitation, any investment banker, attorney or accountant retained by the Company or any of the Company Subsidiaries) not to, directly or indirectly, invite, initiate, solicit or knowingly encourage (including by way of furnishing non-public information or assistance), any inquiries or the making of any proposal that constitutes, or may reasonably be expected to lead to any Acquisition Proposal (as defined below), provided, however, that nothing contained in this Section 6.04 shall prohibit the Board from furnishing information to, or entering into discussions or negotiations with, any person or entity that makes an unsolicited Acquisition Proposal if, and only to the extent that, (A) the Board, after consultation with and based upon the advice of independent legal counsel (who may be the Company's regularly engaged independent legal counsel), determines in good faith that such action is necessary for the Board to comply with its fiduciary duties to stockholders under applicable law and (B) prior to taking such action, to the extent any confidential information will be disclosed, the Company receives from such person or entity an executed customary confidentiality agreement. For purposes of this Agreement, "Acquisition Proposal" shall mean any of the following (other than the transactions between the Company, the Buyer and the Merger Subsidiary contemplated hereunder) involving the Company or any of its Subsidiaries: (i) any merger, consolidation, share exchange, recapitalization, business combination, or other similar transaction; (ii) any sale, lease, exchange, mortgage, pledge, transfer or other disposition of 50% or more of the assets of the Company and the Company Subsidiaries, taken as a whole, in a single transaction or series of transactions; (iii) any tender offer or exchange offer for 50% or more of the outstanding shares of capital stock of the Company or the filing of a registration statement under the Securities Act in connection therewith; or (iv) any public announcement of a proposal, plan or intention to do any of the foregoing or any agreement to engage in any of the foregoing. The Company

represents that neither it nor, to its knowledge without independent inquiry having been made, any of its stockholders is a party to or bound by any agreement with respect to an Acquisition Proposal. In the event that the Company receives or becomes aware of any Acquisition Proposal, the Company will promptly notify the Buyer in writing of such communication (it being understood that nothing set forth herein shall obligate the Buyer to disclose the details of any such Acquisition Proposal if the Board determines such non-disclosure is in the best interest of the Company's stockholders).

SECTION 6.05 Notices of Certain Events. The Company shall promptly notify Buyer of:

(a) any notice or other communication from any person alleging that the consent of such person is or may be required in connection with the transactions contemplated by this Agreement;

(b) any notice or other communication from any governmental or regulatory agency or authority in connection with the transactions contemplated by this Agreement; and

(c) any actions, suits, claims, investigations or proceedings commenced or, to the best of its knowledge threatened against, relating to or involving or otherwise affecting the Company or any Company Subsidiary on the date of this Agreement which could interfere with the consummation of the transactions contemplated by this Agreement or could result in a Company Material Adverse Effect; and

(d) the occurrence, or non-occurrence, of any event which would cause either (i) any representation or warranty of the Company contained in this Agreement to be untrue or inaccurate in any material respect at any time from the date hereof to the Effective Time, (ii) any condition set forth in Annex I to be unsatisfied at any time from the date hereof to the date Buyer or Merger Subsidiary purchases Shares pursuant to the Offer, (iii) any condition set forth in Article IX hereof to be unsatisfied at any time from the date hereof to the Effective Time or (iv) any material failure by the Company

to comply with or satisfy any covenant, condition or agreement to be complied with hereunder; provided that the delivery of any notice pursuant to this Section 6.05 shall not limit or otherwise affect the remedies available hereunder to Buyer or Merger Subsidiary.

SECTION 6.06 Debt Instruments. Prior to or at the Effective Time, the Company and each Company Subsidiary shall, at the request of Buyer, use its reasonable efforts to seek waivers from the parties thereto with respect to the occurrence, as a result of the Merger, the Offer and the other transactions contemplated by this Agreement, of a change in control or any other event which constitutes a default (or an event which with notice or lapse of time or both would become a default) under any debt instrument of the Company or any Company Subsidiary.

## ARTICLE VII

### COVENANTS OF BUYER

#### SECTION 7.01 Confidentiality.

(a) All information obtained by Buyer in connection with the Transaction shall be kept confidential in accordance with the confidentiality agreement, dated April 18, 1995, between Buyer and DLJ (the "Confidentiality Agreement"); provided that any provisions of the Confidentiality Agreement that would prohibit Buyer or Merger Subsidiary from engaging in the transactions contemplated by this Agreement or by the Stockholders Agreement shall be deemed to be modified to the extent required to permit Buyer and Merger Subsidiary to engage in all such transactions; and, provided further, that the Confidentiality Agreement shall terminate and be of no further force or effect upon consummation of the Offer.

(b) From and after the time at which an Acquisition Proposal is made to the Company, Buyer and Merger Subsidiary shall not be prohibited by the Confidentiality Agreement from taking any or all of the actions described in the last paragraph of page 3 of the Confidentiality Agreement (which

paragraph contains "standstill provisions"), in which case the Confidentiality Agreement shall be deemed to be modified to the extent required to permit Buyer and Merger Subsidiary to engage in all such transactions.

(c) In the event that at any time after the date hereof and prior to the termination or expiration of the Confidentiality Agreement the Company shall enter into a confidentiality agreement or similar arrangement with a third party containing provisions more favorable to such party than the corresponding provisions of the Confidentiality Agreement are favorable to Buyer, the Confidentiality Agreement shall thereupon be deemed amended to incorporate such provisions therein for the benefit of Buyer. Without limiting the foregoing, the Company agrees that it shall not release any third party from or waive or modify any confidentiality or standstill agreement or similar arrangement to which the Company is a party.

SECTION 7.02 Obligations of Merger Subsidiary. Buyer will take all action necessary to cause Merger Subsidiary to perform its obligations under this Agreement and to consummate the Merger on the terms and conditions set forth in this Agreement.

SECTION 7.03 Voting of Shares. Buyer agrees to vote all Shares owned by Buyer, Merger Subsidiary or any of their affiliates in favor of approval and adoption of this Agreement at the Company Stockholders Meeting.

SECTION 7.04 Director and Officer Liability.

(a) The Certificate of Incorporation and By-Laws of the Surviving Corporation shall contain the provisions with respect to indemnification set forth in the Certificate of Incorporation and By-Laws of the Company on the date of this Agreement, which provisions shall not be amended, repealed or otherwise modified for a period of six years after the Effective Time in any manner that would adversely affect the rights thereunder of individuals who at any time prior to the Effective Time were directors or officers of the Company in respect of actions or omissions occurring at or prior to the Effective Time (including, without limitation, the

transactions contemplated by this Agreement), unless such modification is required by law.

(b) From and after the Effective Time, the Surviving Corporation shall indemnify, defend and hold harmless the present and former officers and directors of the Company (collectively, the "Indemnified Parties") against all losses, expenses, claims, damages, liabilities or amounts that are paid in settlement of, with the approval of the Surviving Corporation (which approval shall not unreasonably be withheld), or otherwise incurred in connection with any claim, action, suit, proceeding or investigation (a "Claim"), based in whole or in part by reason of the fact that such person is or was a director or officer of the Company and arising out of actions, events or omissions occurring at or prior to the Effective Time (including, without limitation, the transactions contemplated by this Agreement), in each case to the full extent permitted under Delaware Law (and shall pay expenses in advance of the final disposition of any such action or proceeding to each Indemnified Party to the fullest extent permitted under Delaware Law, upon receipt from the Indemnified Party to whom expenses are advanced of the undertaking to repay such advances contemplated by Section 145(e) of Delaware Law); provided, that the Surviving Corporation shall indemnify, defend and hold harmless the Indemnified Parties only to the same extent and on the same terms (including with respect to advancement of expenses) provided for in the Company's Certificate of Incorporation and By Laws in effect on the date hereof (to the extent consistent with applicable law), which rights pursuant to such provisions shall survive the Merger and continue in full force and effect after the Effective Time.

(c) without limiting the foregoing, in the event any Claim is brought against any Indemnified Party (whether arising before or after the Effective Time) after the Effective Time (i) the Indemnified Parties may retain the Company's regularly engaged independent legal counsel or other independent legal counsel satisfactory to them, provided that such other counsel shall be reasonably acceptable to the Surviving Corporation, (ii) the Surviving Corporation shall pay all reasonable fees and expenses of such counsel for the Indemnified Parties promptly as statements therefor are received and (iii) the Surviving

Corporation will use its reasonable best efforts to assist in the vigorous defense of any such matter, provided that the Surviving Corporation shall not be liable for any settlement of any Claim effected without its written consent, which consent shall not be unreasonably withheld. Any Indemnified Party wishing to claim indemnification under this Section 7.04 upon learning of any such Claim shall notify the Surviving Corporation (although the failure so to notify the Surviving Corporation shall not relieve the Surviving Corporation from any liability which the Surviving Corporation may have under this Section 7.04, except to the extent such failure materially prejudices the Surviving Corporation's position with respect to such claim), and shall deliver to the Surviving Corporation the undertaking contemplated by Section 145(e) of Delaware Law. The Indemnified Parties as a group may retain no more than one law firm (in addition to local counsel) to represent them with respect to each such matter unless there is, under applicable standards of professional conduct (as determined by counsel to the Indemnified Parties), an actual conflict between the interests of any two or more Indemnified Parties, in which event such additional counsel as may be required may be retained by the Indemnified Parties.

(d) For a period of three years after the Effective Time, the Surviving Corporation shall cause to be maintained in effect the liability insurance policies for directors and officers which are currently maintained by the Company with respect to claims arising from facts or events which occurred before the Effective Time (provided that the Buyer may substitute therefor policies of at least the same coverage and amounts containing terms and conditions which are no less advantageous in any material respect to the Indemnified Parties). Notwithstanding the foregoing, Buyer shall not be required to pay an annual premium for such insurance in excess of 225% of the last annual premium paid by the Company prior to the date hereof, but in such case shall purchase as much coverage as possible for such amount.

(e) The Company and Buyer shall have no obligation under this Section 7.04 to any Indemnified Party when and if a court of competent jurisdiction shall ultimately determine, and such determination shall have become final and non-appealable, that indemnification of such Indemnified Party in the manner

contemplated hereby is prohibited by applicable law. In the event that it shall be determined in a final and non-appealable judicial proceeding that a person who has received advance payments of expenses or putative indemnification sums pursuant to this Section 7.04 shall not be entitled to indemnification hereunder such person shall repay to Buyer or the Company, as the case may be, all such expenses and sums promptly following such determination.

(f) Each Indemnified Party shall have rights as a third party beneficiary under this Section 7.04 as separate contractual rights for his or her benefit and such right shall be enforceable by such Indemnified Party, its heirs and personal representatives and shall be binding on the Surviving Corporation and its successors and assigns.

SECTION 7.05 Employee Benefits.

(a) Except as otherwise may be provided pursuant to a collective bargaining agreement for a period ending no earlier than (i) with respect to Employee Benefit Plans which are Pension Plans or Welfare Plans (other than severance plans), the last day of the first plan year beginning after the Effective Time, (ii) with respect to Employee Benefit Plans which are cafeteria plans as defined in Section 125 of the Code, the last day of the plan year during which the Effective Time occurs and (iii) one year from the date of this Agreement with respect to any other employee benefits, Buyer shall cause the Surviving Corporation to maintain or provide the employees of the Surviving Corporation and its subsidiaries with employee benefits, or compensation which in the aggregate is, substantially comparable to the employee benefits provided by the Company and the Company Subsidiaries on the date hereof. Buyer shall cause the Surviving Corporation to honor the terms of all employment agreements of the Company and the Company Subsidiaries. Buyer shall cause the Surviving Corporation to honor all collective bargaining agreements by which the Company or any of the Company Subsidiaries is bound.

(b) The foregoing shall not constitute any commitment, contract, understanding or guarantee (express or implied) on the part of the Surviving Corporation of a post-Effective Time employment relationship of any term or duration or on any terms



other than those the Surviving Corporation may establish. Employment of any of the Employees by the Surviving Corporation shall be "at will" and may be terminated by the Surviving Corporation at any time for any reason (subject to any legally binding agreement, or any applicable laws or collective bargaining agreement, or any arrangement or commitment). No provision of this Agreement shall create any third-party beneficiary rights in any employee or former employee (including any beneficiary or dependent thereof) of the Company or any of the Company Subsidiaries in respect of continued employment or resumed employment.

#### ARTICLE VIII

##### COVENANTS OF BUYER AND THE COMPANY

###### SECTION 8.01 Reasonable Best Efforts.

(a) Subject to the terms and conditions of this Agreement, each party will use its commercially reasonable best efforts to take, or cause to be taken, all action and to do, or cause to be done, all things necessary, proper or advisable under applicable laws and regulations to consummate the transactions contemplated by this Agreement. Subject to the terms and conditions of this Agreement, if at any time prior to the Effective Time, any further action is necessary or desirable to consummate more effectively the actions contemplated by this Agreement, at the request of the other party hereto and at the expense of the party so requesting, Buyer and Merger Subsidiary, on the one hand, and the Company, on the other hand, shall execute and deliver to such requesting party such documents and take such other action as such requesting party may reasonably request. The Company shall, and shall cause the Company Subsidiaries to, cooperate with Buyer and Merger Subsidiary in obtaining the Financing and consummating the other transactions contemplated by the Financing Commitment Letter.

(b) In the event any action, suit, claim, investigation or other proceeding relating to this Agreement, the Merger or

the other transactions hereby shall be commenced, each of the parties hereto agrees (subject, in the case of the Company, to the fiduciary obligations of the Board under applicable law as advised by independent legal counsel) to cooperate with each other party hereto and to use its commercially reasonable best efforts to respond to and to defend vigorously against such proceeding.

SECTION 8.02 Certain Filings. The Company and Buyer shall cooperate with one another (a) in connection with the preparation of the Company Disclosure Documents and the Offer Documents, and (b) in determining whether any other action by or in respect of, or filing with, any governmental body, agency or official, or authority or any actions, consents, approvals or waivers are required to be obtained from parties to any material contracts in connection with the consummation of the transactions contemplated by this Agreement and (c) in seeking any such actions, consents, approvals or waivers or making any such filings, furnishing information required in connection therewith or with the Company Disclosure Documents or the Offer Documents and seeking timely to obtain any such actions, consents, approvals or waivers (including, without limitation, as may be required under the HSR Act).

SECTION 8.03 Public Announcements. Buyer and the Company will consult with each other before issuing any press release or making any public statement with respect to this Agreement and the transactions contemplated hereby and will not issue any such press release or make any such public statement prior to such consultation, except as may be required by applicable law (as advised by independent counsel) or any listing agreement with any national securities exchange.

## ARTICLE IX

## CONDITIONS TO THE MERGER

## SECTION 9.01 Conditions to the Obligations of Each Party.

The obligations of the Company, Buyer and Merger Subsidiary to consummate the Merger are subject to the satisfaction of the following conditions:

- (a) if required by Delaware Law, this Agreement shall have been approved and adopted by the stockholders of the Company in accordance with Delaware Law (except that this condition shall be deemed satisfied if Buyer and/or Merger Subsidiary shall have acquired 90% or more of the outstanding Shares);
- (b) any applicable waiting period under the HSR Act relating to the Merger shall have expired or been terminated; and
- (c) no Governmental Entity or federal or state court of competent jurisdiction shall have enacted, issued or enforced any statute, regulation, decree, injunction or other order which has become final and nonappealable and which materially restricts or prohibits the consummation of the Merger.

## ARTICLE X

## TERMINATION; EXPENSES

## SECTION 10.1 Termination. This Agreement may be

terminated and the Transaction may be abandoned at any time prior to the Effective Time (notwithstanding any approval of this Agreement by the stockholders of the Company):

- (a) by mutual written consent of the Company and Buyer;
- (b) by either Buyer or the Company, if any permanent injunction, order or action by any Governmental Entity or by any federal or state court of competent jurisdiction (other

than a temporary restraining order) preventing the consummation of the Merger shall have become final and nonappealable;

(c) by either Buyer or the Company, (i) if the Merger shall not have been consummated before November 30, 1995; provided, however, that this Agreement may be extended by written notice of either Buyer or the Company to a date not later than January 31, 1996, if the Merger shall not have been consummated as a direct result of Buyer or the Company having failed by November 30, 1995, to receive all required approvals or consents with respect to the Merger, or (ii) if the Offer is not consummated before October 31, 1995;

(d) by Buyer if, any corporation, partnership, person, other entity or group (as defined in Section 13(d)(3) of the Exchange Act) other than Buyer or the Merger Subsidiary or any of their respective subsidiaries or affiliates shall have become the beneficial owner of more than 20% of the outstanding Shares (either on a primary or a fully diluted basis) (other than the ownership by any bona fide arbitrageur for the purpose of arbitrage);

(e) by either Buyer or the Company, if the Merger shall fail to receive the requisite vote for approval and adoption by the stockholders of the Company at the Company Stockholders Meeting;

(f) by the Company, if the Board withdraws or modifies its approval or recommendation of the Offer or its recommendation referred to in Section 6.02, in each case in a manner adverse to Buyer, so long as the Board, after consultation with and based upon the advice of independent legal counsel (who may be the Company's regularly engaged independent legal counsel), determines in good faith that such action is necessary for the Board to comply with its fiduciary duties to stockholders under applicable law;

(g) by the Buyer or the Company, if the Offer terminates, expires or is withdrawn or abandoned by Buyer or

Merger Subsidiary by reason of the failure to satisfy any condition set forth in Annex I hereto;

(h) by the Buyer, if (i) the Board shall withdraw, modify or change its recommendation or approval in respect of this Agreement or the Offer; (ii) the Board shall have recommended or accepted any Acquisition Proposal other than by Buyer or the Merger Subsidiary; or (iii) the Board shall have resolved to do any of the acts referred to in (i) or (ii);

(i) by the Buyer, if the Company shall have breached its obligation to mail the 14D-9 to its stockholders or failed to include in such 14D-9 the recommendation by the Board referred to in clause (i) of paragraph (h) above (including the recommendation that the stockholders of the Company vote in favor of the Merger); or

(j) by the Company, if the Offer terminates, expires or is withdrawn or abandoned by the Buyer or Merger Subsidiary.

The right of any party hereto to terminate this Agreement pursuant to this Section 10.01 shall remain operative and in full force and effect regardless of any investigation made by or on behalf of any party hereto, any person controlling or controlled by any such party or any of their respective officers or directors, whether prior to or after the execution of this Agreement.

SECTION 10.02 Effect of Termination. If this Agreement is terminated pursuant to Section 10.01, this Agreement shall become void and of no effect with no liability on the part of any party hereto, except that the agreements contained in Sections 7.01 and 10.03 shall survive the termination hereof, and except that no such termination shall relieve any party from liability for willful breach of this Agreement or willful failure by such party to perform its obligations hereunder.

SECTION 10.03 Fees, Expenses and Other Payments.

(a) All out-of-pocket costs and expenses, including, without limitation, fees and disbursements of counsel, financial advisors and accountants, incurred directly or indirectly by the

parties hereto in respect of the transactions contemplated hereby shall be borne by the party which has incurred such costs and expenses (with respect to such party, its "Expenses"); provided, however, that if the Merger is consummated all unpaid Expenses of the Company shall be paid by the Surviving Corporation; provided, further, that all filing fees under the HSR Act shall be borne by Buyer.

(b) The Company agrees that if this Agreement shall be terminated pursuant to (i) Section 10.01(c) hereof at any time when (I) an Acquisition Proposal shall have been made by a third party but shall not have been rejected by the Company and (II) the Company or any of the Company Subsidiaries or the Company's stockholders shall thereafter consummate or agree to consummate a transaction which would constitute an Acquisition Proposal with such third party offeror or a subsidiary or an affiliate of any such offeror, (ii) Section 10.01(e) and at the time of the Company Stockholder Meeting Buyer shall not have voting control over a sufficient number of Shares to approve the Merger and there shall exist an Acquisition Proposal, (iii) Section 10.01(f), (iv) 10.01(g) or 10.01(j) if the Minimum Condition has not been satisfied at the time of the expiration, termination or withdrawal (on or after the initial scheduled expiration date of the Offer) of the Offer and there shall exist an Acquisition Proposal, (v) 10.01(h), or (vi) 10.01(i) and there shall exist an Acquisition Proposal, then in any such event the Company shall pay to Buyer an amount equal to \$19.0 million (the "Termination Fee"), payable (x) in the case of termination under clause (i) above upon the signing of a definitive agreement relating to such Acquisition Proposal referred to in clause (i) of this Section 10.03(b), or, if no such agreement is executed then at the closing (and as condition to the closing) of such Acquisition Proposal, and (y) within one business day of termination of this Agreement upon any termination of this Agreement under clauses (ii), (iii), (iv), (v) or (vi) above. The Company acknowledges that the agreements contained in this Section 10.03(b) hereof are an integral part of the transactions contemplated by this Agreement. Accordingly, if the Company shall fail to pay when due any amounts which shall become due under Section 10.03(b) hereof, the Company shall in addition thereto pay to Buyer all costs and expenses (including fees and disbursements of counsel) incurred in connecting such overdue amounts, together

with interest on such overdue amounts from the date such payment was required to be made until the date such payment is received at a rate per annum equal to the "prime rate" as announced from time to time by Chemical Bank.

(c) Any payment required to be made pursuant to Section 10.03(b) shall be made when due by wire transfer of immediately available funds to an account designated by Buyer.

ARTICLE XI

MISCELLANEOUS

SECTION 11.01 Notices. All notices, requests and other communications to any party hereunder shall be in writing including facsimile, telex or similar writing) and shall be given,

If to Buyer or Merger Subsidiary, to:

Lear Seating Corporation  
21557 Telegraph Road  
Southfield, Michigan 48034  
Attention: Joseph F. McCarthy

with a copy to:

Winston & Strawn  
35 West Wacker Drive  
Chicago, Illinois 60601  
Attention: John L. MacCarthy

if to the Company, to:

Automotive Industries Holding, Inc.  
4508 IDS Center  
Minneapolis, MN 55402  
Attention: Scott D. Rued

with a copy to:

Kirkland & Ellis  
200 East Randolph Drive  
Chicago, Illinois 60601  
Attention: Jeffrey C. Hammes

or such other address, as such party may hereafter specify for the purpose by notice to the other parties hereto. Each such notice, request or other communication shall be effective (i) if given by facsimile, upon confirmation of receipt, or (ii) if given by any other means, when delivered at the address specified in this Section 11.01.

SECTION 11.02 Survival of Representations, Warranties and Covenants. The representations and warranties contained herein shall not survive the Effective Time; provided, however, that the representations and warranties contained herein and made by the Company shall not survive the date of acceptance for payment of, and payment for, the Shares pursuant to the Offer. The covenants and agreements contained herein shall not survive the Effective Time or the termination of this Agreement except for the covenants and agreements set forth in Sections 7.01, 7.04, 7.05 and 10.03.

SECTION 11.03 Amendments; No Waivers.

(a) Any provision of this Agreement may be amended or waived prior to the Effective Time if, and only if, such amendment or waiver is in writing and signed, in the case of an amendment, by the Company, Buyer and Merger Subsidiary or in the case of a waiver, by the party against whom the waiver is to be effective; provided that after the adoption of this Agreement by the stockholders of the Company, no such amendment or waiver shall, without the further approval of such stockholders, alter or change (i) the amount or kind of consideration to be received in exchange for any shares of capital stock of the Company, (ii) any term of the Certificate of Incorporation of the Surviving Corporation or (iii) any of the terms or conditions of this Agreement if such alteration or change would adversely affect the holders of any shares of capital stock of the Company.



(b) No failure or delay by any party in exercising any right, power or privilege hereunder shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein provided shall be cumulative and not exclusive of any rights or remedies provided by law.

SECTION 11.04 Successors and Assigns. The provisions of this Agreement shall be binding upon and inure to the benefit of the Parties hereto and their respective successor and assigns, provided that no party may assign, delegate or otherwise transfer any of its rights or obligations under this Agreement without the consent of the other parties hereto.

SECTION 11.05 Governing Law; Consent to Jurisdiction. This Agreement shall be construed in accordance with and governed in all respects, including validity, interpretation and effect, by the law of the State of Delaware without giving effect to the principles of conflicts of laws thereof. Each of the parties hereto (a) consents to submit itself to the personal jurisdiction of any state or federal court located in the State of Delaware in the event any dispute arises out of this Agreement or any of the transactions contemplated by this Agreement, (b) agrees that it will not attempt to deny or defeat such personal jurisdiction or venue by motion or other request for leave from any such court and (c) agrees that it will not bring any action relating to this Agreement or any of the transactions contemplated by this Agreement in any court other than a state or federal court sitting in the State of Delaware.

SECTION 11.06 Counterparts; Effectiveness. This Agreement may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument. This Agreement shall become effective when each party hereto shall have received counterparts hereof signed by all of the other parties hereto.

SECTION 11.07 Headings. Section headings used in this Agreement are for convenience only and shall be ignored in the construction and interpretation hereof.

SECTION 11.8 No Third Party Beneficiaries. Except for Section 7.04 (which is intended to and shall confer upon such persons all rights and remedies by reason of this Agreement as if such person was a party hereto), no provision of this Agreement is intended to, or shall, confer any third party beneficiary or other rights or remedies upon any person other than the parties hereto.

SECTION 11.9 Entire Agreement. This Agreement (together with the Stockholders Agreement, the Non-Compete Agreement, the Company Disclosure Schedule, the Buyer Disclosure Schedule and the other documents delivered pursuant hereto) and the Confidentiality Agreement constitute the entire agreements of the parties and supersede all prior agreements and undertakings, both written and oral, between the parties, or any of them, with respect to the subject matter hereof.

SECTION 11.10 Severability. If any term or other provisions of this Agreement is invalid, illegal or incapable of being enforced by any rule of law or public policy, all other conditions and provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to any party. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible to the fullest extent permitted by applicable law in an acceptable manner to the end that the transactions contemplated hereby are fulfilled to the extent possible.

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

AUTOMOTIVE INDUSTRIES HOLDING, INC.

By: /s/ Scott D. Rued  
-----  
Its: Vice President  
-----

LEAR SEATING CORPORATION

By: /s/ James H. Vandenberghe  
-----  
Its: Executive Vice President  
-----

AIHI ACQUISITION CORP.

By: /s/ James H. Vandenberghe  
-----  
Its: President  
-----

## ANNEX I

The capitalized terms used in this Annex I have the meanings set forth in the attached Agreement, except that the term "Merger Agreement" shall be deemed to refer to the attached Agreement.

Notwithstanding any other provision of the Offer, Merger Subsidiary shall not be required to accept for payment or, subject to any applicable rules and regulations of the SEC, including Rule 14e-1(c) under the Exchange Act (relating to Merger Subsidiary's obligation to pay for or return tendered Shares promptly after expiration or termination of the Offer), to pay for any Shares tendered, and, except as otherwise provided in the Merger Agreement, may postpone the acceptance for payment or, subject to the restriction referred to above, payment for any Shares tendered, and may amend or terminate the Offer (whether or not any Shares have theretofore been purchased or paid for) if (i) prior to the expiration date of the Offer, (A) the Minimum Condition or the Financing Condition shall not have been satisfied, (B) the applicable waiting period under the HSR Act shall not have expired or been terminated or (C) all regulatory and related approvals shall have not been obtained on terms reasonably satisfactory to the Buyer, except where the failure to obtain such approval would not have a Company Material Adverse Effect and would not materially restrict or prohibit consummation of the Offer, or the Merger or (ii) prior to the acceptance for payment of or payment for Shares and at any time on or after the date of the Merger Agreement, any of the following conditions shall have occurred and be continuing:

(a) Any Governmental Entity or federal or state court of competent jurisdiction shall have enacted, issued, promulgated, entered or enforced any statute, rule, executive order, regulation, decree, injunction or other order (whether temporary, preliminary or permanent) which is in effect and which (1) materially restricts or prohibits consummation of the Offer or the Merger, (2) prohibits or limits materially the ownership or operation by the Company, the Buyer or any of their subsidiaries of all or any material portion of the business or assets of the Company and its subsidiaries taken as a whole, or compels the Company, the Buyer, or any of their subsidiaries to dispose of or hold separate all or any material portion of the business or assets of the Company and its subsidiaries taken as a whole, (3) imposes limitations on

the ability of the Buyer, the Merger Subsidiary or any other subsidiary of the Buyer to exercise rights of ownership of any Shares, including, without limitation, the right to vote any Shares acquired by the Merger Subsidiary pursuant to the Offer or otherwise on all matters properly presented to the Company's stockholders, including, without limitation, the approval and adoption of the Merger Agreement and the transactions contemplated thereby, (4) requires divestitures of any Shares by the Buyer, the Merger Subsidiary or any other affiliate of the Buyer or (5) which would result in a Company Material Adverse Effect; provided that Buyer shall have used commercially reasonable efforts to cause any such decree, judgment, injunction or other order to be vacated or lifted

(b) there shall have been instituted or there shall be pending any action or proceeding before any Governmental Entity or federal or state court of competent jurisdiction which is reasonably likely to result, directly or indirectly, in any of the consequences set forth in clauses (1) through (5) of paragraph (a) above; provided that Buyer shall have used commercially reasonable efforts to cause any such decree, judgment, injunction or other order to be vacated or lifted;

(c) Any of the representations and warranties of the Company contained in the Agreement shall not be true and correct as of the date of consummation of the Offer as though made on and as of such date, except (i) for changes specifically permitted by the Agreement, (ii) that those representations and warranties which address matters only as of a particular date shall remain true and correct as of such date, and (iii) where, with respect to those representations and warranties which are not qualified by materiality or a similar qualification, such failures to be true and correct would not, individually or in the aggregate, have a Company Material Adverse Effect;

(d) The Company shall not have performed or complied in all material respects with all agreements and covenants required by the Agreement to be performed or complied with by the Company on or prior to the date of consummation of the Offer;

(e) There shall have occurred and be continuing for a period of two days or upon the date of any scheduled expiration of the Offer (i) any general suspension of, or

limitation or pricing for, trading in securities on any national securities exchange or in the over-the-counter market, (ii) the declaration of a banking moratorium or any suspension of payments in respect of banks in United States (whether or not mandatory) (iii) from the date of this Agreement through the date of termination or expiration of the Offer, a decline of at least 25% in the Standard & Poor's 500 Index, or (iv) in the case of any of the foregoing existing at the time of the commencement of the Offer, a material acceleration or worsening thereof;

(f) The Merger Agreement shall have been terminated in accordance with its terms;

(g) Buyer and the Company shall have agreed that Buyer shall amend the Offer to terminate the Offer or postpone the payment for Shares pursuant thereto;

(h) The Board shall have withdrawn or materially modified (in a manner adverse to the Buyer) its approval or recommendation of the Offer or the Merger;

(i) either immediately before or after giving effect to payment by the Buyer or the Merger Subsidiary for the Shares tendered pursuant to the Offer, (i) a Potential Event of Default or Event of Default (as defined in that certain Note and Warrant Exchange Agreement dated as of April 30, 1992 by and among the Company, Automotive Industries, Inc., Kemper Investors Life Insurance Company, The Northwestern Mutual Life Insurance Company and Teachers Insurance and Annuity Association of America (as amended, the "8.75% Note Agreement")) shall have occurred and be continuing, (ii) a Default or Event of Default (as defined in that certain Note Agreement dated as of December 29, 1994 by and among Automotive Industries, Inc., The North Atlantic Life Insurance Company of America, Northern Life Insurance Company, The Northwestern Mutual Life Insurance Company and Teachers Insurance and Annuity Association of America (as amended, the "8.89% Note Agreement" and together with the 8.75% Note Agreement the "Note Agreements")) shall have occurred and be continuing, or (iii) the Note Agreements shall prohibit the Company from incurring an additional dollar of Funded Debt (as defined in each of the Note Agreements); or

(j) Since April 1, 1995 there shall have been any material adverse change in the business, results of operations, financial condition or business prospects of the Company and the Company Subsidiaries, taken as a whole (other than any change resulting from a change in general economic conditions or a change in the automotive industry generally).

The foregoing conditions are for the sole benefit of the Buyer and the Merger Subsidiary and each of their affiliates and may be asserted by the Buyer or the Merger Subsidiary or may be waived by the Buyer or the Merger Subsidiary, in whole or in part, from time to time in either of their sole discretion, except as otherwise provided in the Merger Agreement. The failure by the Buyer or the Merger Subsidiary at any time to exercise any of the foregoing rights shall not be deemed a waiver of any such right and each such right shall be deemed an ongoing right and may be asserted at any time and from time to time.

EXHIBIT A

J2R Corporation

S. A. Johnson

Scott D. Rued

ONEX DHC LLC



EXHIBIT B

Hidden Creek Industries

J2R Corporation

S. A. Johnson

Scott D. Rued

## CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation of our report included in this Form 8-K into Lear Seating Corporation's previously filed Registration Statements File Nos. 33-55783 (Form S-8 filed on October 5, 1994), 33-57237 (Form S-8 filed on January 11, 1995), 33-59943 (Form S-8 filed on June 5, 1995), 33-61583 (Form S-3 filed on August 4, 1995) and 33-61739 (Form S-8 filed on August 10, 1995).

ARTHUR ANDERSEN LLP

Minneapolis, Minnesota  
August 24, 1995

## CONSENT OF INDEPENDENT ACCOUNTANTS

As independent public accountants, we hereby consent to the use of our report dated August 23, 1995 with respect to the balance sheet of Plastifol GmbH & Co. KG as of 31 December 1994 and the related profit and loss account and cash flow statement for the year then ended which appears in this Form 8-K and is incorporated by reference in LEAR SEATING Corporation's registration statements (File Nos. 33-55783, 33-57237, 33-59943, 33-61583, 33-61739).

KPMG Deutsche Treuhand-Gesellschaft  
Aktiengesellschaft  
Wirtschaftsprüfungsgesellschaft

Munich, Germany  
August 23, 1995

=====

LEAR SEATING CORPORATION

-----

\$1,500,000,000

CREDIT AGREEMENT

DATED AS OF AUGUST 17, 1995

-----

CHEMICAL BANK,  
AS ADMINISTRATIVE AGENT

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## TABLE OF CONTENTS

	Page
	----
SECTION 1.	1
DEFINITIONS . . . . .	1
1.1 Defined Terms . . . . .	1
1.2 Other Definitional Provisions . . . . .	24
SECTION 2.	24
AMOUNT AND TERMS OF LOAN COMMITMENTS . . . . .	24
2.1 Commitments . . . . .	24
2.2 Revolving Credit Notes . . . . .	24
2.3 Procedure for Revolving Credit Borrowings . . . . .	25
2.4 Swing Line Commitments . . . . .	25
2.5 Swing Line Loan Participations . . . . .	27
2.6 Conversion and Continuation Options . . . . .	27
2.7 Minimum Amounts of Tranches . . . . .	28
2.8 Termination or Reduction of Commitments . . . . .	28
2.9 Mandatory Prepayments . . . . .	29
2.10 Inability to Determine Interest Rate . . . . .	29
2.11 Illegality . . . . .	30
2.12 Requirements of Law . . . . .	30
2.13 Indemnity . . . . .	31
2.14 Taxes . . . . .	32
2.15 Use of Proceeds . . . . .	34
2.16 Assignment of Commitments Under Certain Circumstances . . . . .	34
2.17 Regulation U and Regulation G . . . . .	34
SECTION 3.	36
LETTERS OF CREDIT . . . . .	36
3.1 Letters of Credit . . . . .	36
3.2 Procedure for Issuance of Letters of Credit . . . . .	37
3.3 Participating Interests . . . . .	38
3.4 Payments . . . . .	38
3.5 Increased Costs . . . . .	39
3.6 Further Assurances . . . . .	40
3.7 Obligations Absolute . . . . .	40
3.8 Letter of Credit Application . . . . .	41
3.9 Purpose of Letters of Credit . . . . .	41
SECTION 4.	42
INTEREST RATE PROVISIONS, FEES AND PAYMENTS . . . . .	42
4.1 Interest Rates and Payment Dates . . . . .	42
4.2 Commitment Fees . . . . .	42
4.3 Agent's Fees . . . . .	43
4.4 Letter of Credit Fees . . . . .	43
4.5 Computation of Interest and Fees . . . . .	44
4.6 Pro Rata Treatment and Payments . . . . .	45
4.7 Failure by Banks to Make Funds Available . . . . .	45

SECTION 5.	CONDITIONS PRECEDENT . . . . .	46
5.1	Conditions to Closing Date . . . . .	46
5.2	Conditions to Loans to Be Made on the Merger Date . . . . .	50
5.3	Conditions to Each Loan and Each Letter of Credit . . . . .	51
SECTION 6.	REPRESENTATIONS AND WARRANTIES . . . . .	52
6.1	Financial Statements . . . . .	52
6.2	No Change . . . . .	52
6.3	Corporate Existence; Compliance with Law . . . . .	52
6.4	Corporate Power; Authorization; Enforceable Obligations . . . . .	53
6.5	No Legal Bar; Senior Debt . . . . .	53
6.6	No Material Litigation . . . . .	54
6.7	No Default . . . . .	54
6.8	Ownership of Property; Liens . . . . .	54
6.9	No Burdensome Restrictions . . . . .	54
6.10	Taxes . . . . .	54
6.11	Securities Law, etc. Compliance . . . . .	55
6.12	ERISA . . . . .	55
6.13	Investment Company Act; Other Regulations . . . . .	56
6.14	Subsidiaries, etc. . . . .	56
6.15	Accuracy and Completeness of Information . . . . .	56
6.16	Security Documents . . . . .	57
6.17	Patents, Copyrights, Permits and Trademarks . . . . .	57
6.18	Environmental Matters . . . . .	58
6.19	Acquisition Documents . . . . .	60
6.20	Regulation H. . . . .	60
SECTION 7.	AFFIRMATIVE COVENANTS . . . . .	61
7.1	Financial Statements . . . . .	61
7.2	Certificates; Other Information . . . . .	61
7.3	Performance of Obligations . . . . .	63
7.4	Conduct of Business, Maintenance of Existence and Compliance with Obligations and Laws . . . . .	63
7.5	Maintenance of Property; Insurance . . . . .	64
7.6	Inspection of Property; Books and Records; Discussions . . . . .	64
7.7	Notices . . . . .	64
7.8	Maintenance of Liens of the Security Documents . . . . .	65
7.9	Environmental Matters . . . . .	66
7.10	Security Documents . . . . .	66
7.11	Pledge Agreement Supplement . . . . .	67
7.12	Consummation of Merger . . . . .	68

SECTION 8.	NEGATIVE COVENANTS . . . . .	68
8.1	Financial Covenants . . . . .	68
8.2	Limitation on Indebtedness . . . . .	69
8.3	Limitation on Liens . . . . .	71
8.4	Limitation on Guarantee Obligations . . . . .	74
8.5	Limitations on Fundamental Changes . . . . .	74
8.6	Limitation on Sale of Assets . . . . .	75
8.7	Limitation on Dividends . . . . .	76
8.8	Limitation on Capital Expenditures . . . . .	77
8.9	Limitation on Investments, Loans and Advances . . . . .	77
8.10	Limitation on Optional Payments and Modification of Debt Instruments . . . . .	79
8.11	Transactions with Affiliates . . . . .	80
8.12	Sale and Leaseback . . . . .	80
8.13	Corporate Documents . . . . .	80
8.14	Fiscal Year . . . . .	80
8.15	Limitation on Restrictions Affecting Subsidiaries . . . . .	80
8.16	Hazardous Materials . . . . .	81
8.17	Special Purpose Subsidiary . . . . .	81
8.18	Subsidiaries . . . . .	81
SECTION 9.	EVENTS OF DEFAULT . . . . .	81
SECTION 10.	THE AGENT . . . . .	85
10.1	Appointment . . . . .	85
10.2	Delegation of Duties . . . . .	85
10.3	Exculpatory Provisions . . . . .	85
10.4	Reliance by Agent . . . . .	86
10.5	Notice of Default . . . . .	86
10.6	Non-Reliance on Agent and Other Banks . . . . .	87
10.7	Indemnification . . . . .	87
10.8	Agent in Its Individual Capacity . . . . .	88
10.9	Successor Agent . . . . .	88
SECTION 11.	MISCELLANEOUS . . . . .	88
11.1	Amendments and Waivers . . . . .	88
11.2	Notices . . . . .	89
11.3	No Waiver; Cumulative Remedies . . . . .	90
11.4	Survival of Representations and Warranties . . . . .	90
11.5	Payment of Expenses and Taxes . . . . .	90
11.6	Successors and Assigns; Participations; Purchasing Banks . . . . .	91
11.7	Adjustments; Set-off . . . . .	94
11.8	Counterparts . . . . .	95
11.9	GOVERNING LAW . . . . .	95
11.10	Confidentiality . . . . .	95
11.11	Submission to Jurisdiction; Waivers . . . . .	96
11.12	Existing Credit Agreement . . . . .	96
11.13	Release of Collateral . . . . .	96

## SCHEDULES:

Schedule 1.1(a)	Addresses of Banks
Schedule 1.1(b)	Security Documents
Schedule 1.1(c)	Mortgaged Properties
Schedule 2.1	Commitments
Schedule 3.1	Existing Letters of Credit
Schedule 6.14	Subsidiaries, Divisions, Partnerships and Joint Ventures
Schedule 6.18	Hazardous Material
Schedule 8.2(s)	Existing Indebtedness
Schedule 8.2(t)	AIHI Indebtedness
Schedule 8.9	Existing Investments, Loans and Advances
Schedule 8.15	Contractual Obligation Restrictions

## EXHIBITS:

Exhibit A	Form of Revolving Credit Note
Exhibit B	Form of Swing Line Note
Exhibit C	Form of Subsidiary Guarantee
Exhibit D	Form of Domestic Pledge Agreement
Exhibit E	Form of Fair Haven Pledge Agreement
Exhibit F	Form of Acquisition Pledge Agreement
Exhibit G	Form of Security Agreement
Exhibit H	Form of Depositary Agency Agreement
Exhibit I	Form of Borrowing Certificate
Exhibit J	Form of Swing Line Participation Certificate
Exhibit K	Form of Assignment and Acceptance
Exhibit L-1	Matters to be Covered by Opinion of Counsel to Borrower
Exhibit L-2	Matters to be Covered by Opinion of Counsel to Borrower and Acquisition Corp.



CREDIT AGREEMENT, dated as of August 17, 1995, among (i) LEAR SEATING CORPORATION, a Delaware corporation (the "Borrower"), (ii) the several financial institutions parties to this Agreement from time to time (collectively, the "Banks"; individually, a "Bank"), (iii) CHEMICAL BANK, a New York banking corporation, as administrative agent for the Banks hereunder (in such capacity, the "Agent"), and (iv) the Managing Agents, Co-Agents and Lead Managers identified on the signature pages hereof.

W I T N E S S E T H :

WHEREAS, the Borrower is party to the Existing Credit Agreement (such term and other capitalized terms used in these Recitals being used as defined in Section 1);

WHEREAS, Acquisition Corp., a wholly owned Subsidiary of the Borrower, has commenced the Tender Offer for the AIHI Shares of Automotive Industries Holding, Inc., a Delaware corporation ("AIHI");

WHEREAS, the Borrower contemplates that, as promptly as practicable following the purchase of the AIHI Shares pursuant to the Tender Offer, the Borrower will cause the Merger to occur, as a result of which AIHI will be the surviving corporation of the Merger and a wholly owned Subsidiary of the Borrower;

WHEREAS, the Borrower has requested that the Banks establish credit facilities in order to provide funds to the Borrower for the purposes described herein, including, without limitation, (a) financing the Tender Offer and the Merger and payment of fees and expenses of the Acquisition, (b) refinancing certain existing indebtedness of AIHI, (c) replacing and refinancing the Existing Credit Agreement and (d) providing financing for general corporate purposes of the Borrower and its Subsidiaries, including acquisitions permitted hereunder; and

WHEREAS, the Banks are willing, upon and subject to the terms and conditions hereof, to establish such credit facilities for the purposes described herein;

NOW, THEREFORE, in consideration of the premises and mutual covenants herein contained, the parties hereto hereby agree as follows:

SECTION 1. DEFINITIONS

1.1 Defined Terms. As used in this Agreement, the following terms have the following meanings:

"ABR": for any date, the higher of (a) the rate of interest publicly announced by Chemical in New York, New

York from time to time as its prime rate (the "Prime Rate") 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 Board. The ABR is not intended to be the lowest rate of interest charged by Chemical in connection with extensions of credit to borrowers.

"ABR Loans": Loans hereunder at such time as they are made and/or being maintained at a rate of interest based upon the ABR.

"Acquisition": the acquisition by a Wholly Owned Subsidiary of the Borrower of AIHI by means of the Tender Offer and the Merger.

"Acquisition Corp.": AIHI Acquisition Corp., a Delaware corporation.

"Acquisition Documents": the collective reference to the Tender Offer Documents and the Merger Agreement and all other documents and information sent by the Borrower or any of its Subsidiaries or AIHI to the shareholders of AIHI or filed with the Securities and Exchange Commission in connection with the Tender Offer or the Merger.

"Acquisition Pledge Agreement": the Acquisition Pledge Agreement, substantially in the form of Exhibit F, made by Acquisition Corp. in favor of the Agent, pursuant to which Acquisition Corp. pledges the AIHI Shares from time to time owned by it, as the same may be amended, supplemented or otherwise modified from time to time.

"Adjustment Date": with respect to any fiscal quarter, (a) the second Business Day following receipt by the Agent of both (i) the financial statements required to be delivered pursuant to subsection 7.1(a) or (b), as the case may be, for the most recently completed fiscal period and (ii) the compliance certificate required pursuant to subsection 7.2(b) with respect to such financial statements or (b) if such compliance certificate and financial statements have not been delivered in a timely manner, the date upon which such compliance certificate and financial statements were due; provided, however, that (x) in the event that the Adjustment Date is determined in accordance with the provisions of clause (b) of this definition, then the date which is two Business Days following the date of receipt of the financial statements and compliance certificate referenced in clause (a) of this definition also shall be deemed to constitute an Adjustment Date and (y) any Equity Closing Date shall also be an Adjustment Date.

"Affiliate": of any Person shall mean (a) any other Person (other than a Wholly Owned Subsidiary of such Person) which, directly or indirectly, is in control of, is controlled by, or is under common control with, such Person or (b) any other Person who is a director or officer of (i) such Person, (ii) any Subsidiary of such Person or (iii) any Person described in clause (a) above. For purposes of this definition, a Person shall be deemed to be "controlled by" such other Person if such other Person possesses, directly or indirectly, power either to (i) vote 5% or more of the securities having ordinary voting power for the election of directors of such first Person or (ii) direct or cause the direction of the management and policies of such first Person whether by contract or otherwise.

"Agent": as defined in the Preamble to this Agreement.

"Agreement": this Credit Agreement, as the same may be amended, supplemented or otherwise modified from time to time.

"AIHI": as defined in the Recitals to this Agreement.

"AIHI Shares": the shares of Class A Common Stock, par value \$0.01 per share, of AIHI.

"Applicable Margin": at any time, the rate per annum set forth below opposite the Level of Coverage Ratio most recently determined:

Level of Coverage Ratio -----	Applicable Margin -----
Level I: Coverage Ratio is less than 3.25 to 1	1.00%
Level II: Coverage Ratio is equal to or greater than 3.25 to 1 but less than 4.0 to 1	0.875%
Level III: Coverage Ratio is equal to or greater than 4.0 to 1 but less than 5.0 to 1	0.75%
Level IV Coverage Ratio is greater than or equal to 5.0 to 1	0.50%;

provided that (a) the Applicable Margin shall be that set forth above opposite Level II from the Closing Date until the earlier of (i) the Adjustment Date occurring after the first full fiscal quarter following the fiscal quarter in which the Closing Date occurs, and (ii) any Equity Closing Date, (b) the Applicable Margin determined for any Adjustment Date shall remain in effect until a subsequent Adjustment Date for which the Coverage Ratio falls within a different Level, and (c) if the financial statements and related compliance certificate for any fiscal period are not delivered by the date due pursuant to subsections 7.1 and 7.2(b), the Applicable Margin shall be (i) for the first 5 days subsequent to such due date, that in effect on the day prior to such due date, and (ii) thereafter, that set forth above opposite Level I, in either case, until the subsequent Adjustment Date.

"Assignment and Acceptance": an Assignment and Acceptance, substantially in the form of Exhibit K.

"Available Commitment": as to any Bank, at a particular time, any amount equal to the excess, if any, of (a) the amount of such Bank's Commitment at such time over (b) the sum of (i) the aggregate unpaid principal amount at such time of all Revolving Credit Loans made by such Bank pursuant to subsection 2.1 and (ii) such Bank's Commitment Percentage of the aggregate Letter of Credit Obligations at such time; collectively, as to all the Banks, the "Available Commitments".

"Bank" and "Banks": as defined in the Preamble to this Agreement.

"benefitted Bank": as defined in subsection 11.7.

"Borrower": as defined in the Preamble to this Agreement.

"Borrowing Date": any Business Day specified in a notice pursuant to subsection 2.3 or 2.4 as a date on which the Borrower requests the Banks to make Loans hereunder.

"Business Day": a day other than a Saturday, Sunday or other day on which commercial banks in New York City are authorized or required by law to close.

"Capital Expenditures": direct or indirect (by way of the acquisition of securities of a Person or the expenditure of cash or the incurrence of Indebtedness) expenditures in respect of the purchase or other acquisition of fixed or capital assets (excluding any such asset (a) acquired in connection with normal replacement and maintenance programs and properly charged to current operations, (b) acquired pursuant to a Financing Lease or other lease, (c) acquired

in the Acquisition or (d) otherwise permitted pursuant to subsection 8.5(f)).

"Cash Equivalents": (a) securities issued or directly and fully guaranteed or insured by the United States Government or any agency or instrumentality thereof having maturities of not more than twelve months from the date of acquisition, (b) time deposits and certificates of deposit having maturities of not more than twelve months from the date of acquisition, in each case with any Bank or with any other domestic commercial bank having capital and surplus in excess of \$200,000,000, which has, or the holding company of which has, a commercial paper rating meeting the requirements specified in clause (d) below, (c) repurchase obligations with a term of not more than seven days for underlying securities of the types described in clauses (a) and (b) entered into with any bank meeting the qualifications specified in clause (b) above, (d) commercial paper issued by the parent corporation of any Bank and commercial paper rated at least A-1 or the equivalent thereof by Standard & Poor's Ratings Group or P-1 or the equivalent thereof by Moody's Investors Service, Inc. and in either case maturing within nine months after the date of acquisition, (e) deposits maintained with money market funds having total assets in excess of \$300,000,000, (f) demand deposit accounts maintained in the ordinary course of business with banks or trust companies located near plant locations, in an aggregate amount not to exceed \$750,000 at any one time at any one such bank or trust company and (g) deposits in mutual funds invested in preferred equities issued by U.S. corporations rated at least AA (or the equivalent thereof) by Standard & Poor's Ratings Group.

"Chemical": Chemical Bank, a New York banking corporation, in its individual capacity.

"CISA": Central de Industrias S.A. de C.V., a corporation organized under the laws of Mexico.

"Closing Date": the date on which all of the conditions precedent set forth in subsection 5.1 shall have been met or waived and the initial Loans are made.

"Code": the Internal Revenue Code of 1986, as amended from time to time.

"Collateral": the collective reference to all collateral in which the Agent has a security interest pursuant to the Security Documents and all assets by which the Loans are deemed indirectly secured within the meaning of Regulation U and Regulation G.

"Commercial Letters of Credit": as defined in subsection 3.1(a).

"Commitment": as defined in subsection 2.1.

"Commitment Percentage": as to any Bank, the percentage of the aggregate Commitments constituted by such Bank's Commitment.

"Commitment Period": the period from and including the date hereof to but not including the Termination Date.

"Commonly Controlled Entity": an entity, whether or not incorporated, which is under common control with the Borrower within the meaning of Section 4001 of ERISA or is part of a group which includes the Borrower and which is treated as a single employer under Section 414 of the Code.

"Consolidated Indebtedness": at a particular date, all Indebtedness of the Borrower and its Subsidiaries.

"Consolidated Interest Expense": for any fiscal period, the amount which would, in conformity with GAAP, be set forth opposite the caption "interest expense" (or any like caption) on a consolidated income statement of the Borrower and its Subsidiaries for such period, (a) excluding therefrom, however, fees payable under subsections 4.2, 4.3 or 4.4 and any amortization or write-off of deferred financing fees during such period and (b) including any interest income during such period.

"Consolidated Net Income": for any fiscal period, the consolidated net income (or deficit) of the Borrower and its Subsidiaries for such period (taken as a cumulative whole), determined in accordance with GAAP; provided that (a) any provision for post-retirement medical benefits, to the extent such provision calculated under FAS 106 exceeds actual cash outlays calculated on the "pay as you go" basis, shall not to be taken into account, and (b) there shall be excluded (i) the income (or deficit) of any Person accrued prior to the date it becomes a Subsidiary or is merged into or consolidated with the Borrower or any Subsidiary, (ii) the income (or deficit) of any Person (other than a Subsidiary) in which the Borrower or any Subsidiary has an ownership interest, except to the extent that any such income has been actually received by the Borrower or such Subsidiary in the form of dividends or similar distributions, (iii) the undistributed earnings of any Subsidiary to the extent that the declaration or payment of dividends or similar distributions by such Subsidiary is not at the time permitted by the terms of any Contractual Obligation or Requirement of Law (other than any Requirement of Law of Germany) applicable to such Subsidiary, and (iv) in the case of a successor to the Borrower or any Subsidiary by consolidation or merger or as a transferee of its assets, any earnings of the successor corporation prior to such consolidation, merger or transfer of assets; provided,

further that the exclusions in clauses (i) and (iv) of this definition shall not apply to the mergers or consolidations of the Borrower or its Subsidiaries with their respective Subsidiaries.

"Consolidated Net Worth": at a particular date, 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 in accordance with GAAP as at such date plus the amount of any redeemable common stock; provided, however, that any cumulative adjustments made pursuant to FAS 106 shall not be taken into account; and provided, further, that any stock option expense and any amortization of goodwill, deferred financing fees and license fees (including any write-offs of deferred financing fees, license fees and up to an aggregate of \$10,000,000 of goodwill from October 25, 1993) shall not be taken into account in determining Consolidated Net Worth.

"Consolidated Operating Profit": for any fiscal period, Consolidated Net Income for such period excluding (a) extraordinary gains and losses arising from the sale of material assets and other extraordinary and/or non-recurring gains and losses, (b) charges, premiums and expenses associated with the discharge of Indebtedness, (c) charges relating to FAS 106, (d) license fees (and any write-offs thereof), (e) stock compensation expense, (f) deferred financing fees (and any write-offs thereof), (g) write-offs up to \$5,000,000 of goodwill, (h) foreign exchange gains and losses, (i) miscellaneous income and expenses and (j) 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).

"Continuing Directors": the directors of the Borrower on the Closing Date and each other director, if such other director's nomination for election to the Board of Directors of the Borrower is recommended by a majority of the then Continuing Directors.

"Contractual Obligation": as to any Person, any provision of any security issued by such Person or of any agreement, instrument or undertaking to which such Person is a party or by which it or any of its property is bound.

"Coverage Ratio": for any Adjustment Date the ratio of (a) Consolidated Operating Profit for the four fiscal quarters most recently ended to (b) Consolidated Interest Expense for the four fiscal quarters most recently ended; provided, however, that (x) with respect to any Adjustment

Date occurring during the second, third and fourth full fiscal quarters following the fiscal quarter in which the Closing Date occurs, the Coverage Ratio will be calculated for the period of one, two or three fiscal quarters, as the case may be, beginning with the first full fiscal quarter following the fiscal quarter in which the Closing Date occurs and ending with the fiscal quarter immediately prior to the fiscal quarter during which such Adjustment Date occurs and (y) if any Equity Closing Date occurs, the Coverage Ratio calculated on such date and on each subsequent Adjustment Date will be the Coverage Ratio that would have been applicable if such Equity Closing Date had occurred on the Closing Date. For purposes of any calculation of the Coverage Ratio pursuant to clause (y) of the proviso to the preceding sentence as a result of the occurrence of an Equity Closing Date prior to the scheduled Adjustment Date occurring after the first full fiscal quarter following the fiscal quarter in which the Closing Date occurs, such Coverage Ratio shall be a fraction, the numerator of which is the combined Consolidated Operating Profit of the Borrower and AIHI for the four fiscal quarters ended June 30, 1995 and the denominator of which is projected Consolidated Interest Expense for the fiscal year 1996 (such Consolidated Interest Expense being projected to be \$103,600,000) less the amount by which such Consolidated Interest Expense would have been reduced if such Equity Closing Date had occurred on the Closing Date and net proceeds thereof used to repay the Loans. For purposes of any calculation of the Coverage Ratio pursuant to clause (y) of the proviso to the preceding sentence as a result of the occurrence of an Equity Closing Date after the scheduled Adjustment Date occurring after the first full fiscal quarter following the fiscal quarter in which the Closing Date occurs, such Coverage Ratio shall be calculated using actual Consolidated Operating Profit and Consolidated Interest Expense for the period commencing with the first full fiscal quarter following the fiscal quarter in which the Closing Date occurs, adjusted to reduce such Consolidated Interest Expense to the amount that would have been incurred if such Equity Closing Date had occurred on the Closing Date and net proceeds thereof used to repay the Loans.

"Default": any of the events specified in Section 9, whether or not any requirement for the giving of notice, the lapse of time, or both, or any other condition, has been satisfied.

"Dollars" and "\$": lawful currency of the United States of America.

"Domestic Loan Party": each Loan Party that is organized under the laws of any jurisdiction of the United States.



"Environmental Complaint": any complaint, order, citation, notice or other written communication from any Person with respect to the existence or alleged existence of a violation of any Environmental Laws or legal liability resulting from air emissions, water discharges, noise emissions, Hazardous Material or any other environmental, health or safety matter.

"Equity Closing Date": the date, on or before the last day of the fourth full fiscal quarter following the fiscal quarter in which the Closing Date occurs, on which the Borrower (i) receives cash proceeds from an issuance and sale by the Borrower of its equity securities and (ii) applies the net cash proceeds to repay Revolving Credit Loans.

"Environmental Laws": any and all applicable Federal, foreign, state, local or municipal laws, rules, orders, regulations, statutes, ordinances, codes, decrees, requirements of any Governmental Authority and any and all common law requirements, rules and bases of liability regulating, relating to or imposing liability or standards of conduct concerning pollution or protection of the environment or the Release or threatened Release of Hazardous Materials, as now or hereafter in effect.

"ERISA": the Employee Retirement Income Security Act of 1974, as amended from time to time.

"Eurodollar Base Rate": with respect to each day during each Interest Period pertaining to a Eurodollar Loan, the rate per annum equal to the average (rounded upwards to the nearest whole multiple of one sixteenth of one percent) of the respective rates notified to the Agent by the Reference Banks as the rate at which such Reference Bank is offered Dollar deposits two Working Days prior to the beginning of such Interest Period in the interbank eurodollar market where the eurodollar and foreign currency and exchange operations of such Reference Bank are then being conducted, at or about 10:00 A.M., New York City time, for delivery on the first day of such Interest Period for the number of days comprised therein and in an amount comparable to the amount of the Eurodollar Loan of such Reference Bank to be outstanding during such Interest Period.

"Eurodollar Loans": Revolving Credit Loans at such time as they are made and/or are being maintained at a rate of interest based upon the Eurodollar Rate.

"Eurocurrency Reserve Requirements": with respect to any day as applied to a Eurodollar Loan, the aggregate (without duplication) of the rates (expressed as a decimal fraction) of reserve requirements in effect on such day

(including, without limitation, basic, supplemental, marginal and emergency reserves under any regulations of the Board of Governors of the Federal Reserve System or other Governmental Authority having jurisdiction with respect thereto), dealing with reserve requirements prescribed for eurocurrency funding (currently referred to as "Eurocurrency liabilities" in Regulation D of such Board) maintained by a member bank of such System.

"Eurodollar Rate": with respect to each day during each Interest Period pertaining to a Eurodollar Loan, a rate per annum determined for such day in accordance with the following formula (rounded upwards to the nearest whole multiple of 1/100th of one percent):

Eurodollar Base Rate  
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1.00 - Eurocurrency Reserve Requirement

"Eurodollar Tranche": the collective reference to Eurodollar Loans whose Interest Periods each begin on the same day and end on the same other day.

"Event of Default": any of the events specified in Section 9, provided that any requirement for the giving of notice, the lapse of time, or both, or any other condition, event or act has been satisfied.

"Exchange Act": the Securities Exchange Act of 1934, as amended.

"Existing Credit Agreement": the Second Amended and Restated Credit Agreement, dated as of November 29, 1994, as amended, among the Borrower, the lenders parties thereto, Chemical Bank, as administrative agent, and Bankers Trust Company, The Bank of Nova Scotia, Citicorp USA, Inc. and Lehman Commercial Paper Inc., as managing agents.

"Existing Letters of Credit": as defined in subsection 3.1(b).

"Extensions of Credit": at any particular time, the sum of (a) the aggregate principal amount of Revolving Credit Loans and Swing Line Loans then outstanding and (b) the aggregate Letter of Credit Obligations then outstanding.

"Federal Reserve Board": the Board of Governors of the Federal Reserve System or any successor thereto.

"Fiat Seat Business": Sepi S.p.A. and certain related businesses.

"FIMA": FIMA Finance Management Inc., a British Virgin Islands corporation and any other wholly owned subsidiary of Exor Group S.A. or any of them.

"Financing Lease": (a) any lease of property, real or personal, the obligations under which are capitalized on a consolidated balance sheet of the Borrower and its Subsidiaries and (b) any other such lease to the extent that the then present value of the minimum rental commitment thereunder should, in accordance with GAAP, be capitalized on a balance sheet of the lessee.

"Foreign Letter of Credit": a Standby Letter of Credit whose beneficiary is a Person which is directly or indirectly extending credit to a Foreign Subsidiary.

"Foreign Subsidiaries": each of the Subsidiaries so designated on Schedule 6.14 and any Subsidiaries organized outside the United States which are created after the effectiveness hereof.

"GAAP": generally accepted accounting principles in the United States of America in effect from time to time.

"Governmental Authority": any nation or government, any state or other political subdivision thereof and any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government.

"Guarantee Obligation": as to any Person, any obligation of such Person guaranteeing or in effect guaranteeing any Indebtedness, leases, dividends or other obligations (the "primary obligations") of any other Person (the "primary obligor") in any manner, whether directly or indirectly, including, without limitation, any obligation of such Person, whether or not contingent (a) to purchase any such primary obligation or any property constituting direct or indirect security therefor, (b) to advance or supply funds (i) for the purchase or payment of any such primary obligation or (ii) to maintain working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor, (c) to purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation or (d) otherwise to assure or hold harmless the owner of any such primary obligation against loss in respect thereof; provided, however, that the term Guarantee Obligation shall not include endorsements of instruments for deposit or collection in the ordinary course of business. The amount of any Guarantee Obligation shall be deemed to be an amount equal to the value as of any date of determination of the stated or determinable amount of the

primary obligation in respect of which such Guarantee Obligation is made (unless such Guarantee Obligation shall be expressly limited to a lesser amount, in which case such lesser amount shall apply) or, if not stated or determinable, the value as of any date of determination of the maximum reasonably anticipated liability in respect thereof as determined by such Person in good faith.

"Guarantor Supplement": a supplement to the Subsidiary Guarantee, substantially in the form of Annex A to the Subsidiary Guarantee, whereby a Subsidiary of the Borrower becomes a "Guarantor" under the Subsidiary Guarantee.

"Hazardous Materials": any solid wastes, toxic or hazardous substances, materials or wastes, defined, listed, classified or regulated as such in or under any Environmental Laws, including, without limitation, asbestos, petroleum or petroleum products (including gasoline, crude oil or any fraction thereof), polychlorinated biphenyls, and urea-formaldehyde insulation, and any other substance the presence of which may give rise to liability under any Environmental Law.

"Indebtedness": of a Person, at a particular date, the sum (without duplication) at such date of (a) indebtedness for borrowed money or for the deferred purchase price of property or services in respect of which such Person is liable as obligor, (b) indebtedness secured by any Lien on any property or asset owned or held by such Person regardless of whether the indebtedness secured thereby shall have been assumed by or is a primary liability of such Person, (c) obligations of such Person under Financing Leases, (d) the face amount of all letters of credit issued for the account of such person and, without duplication, the unreimbursed amount of all drafts drawn thereunder and (e) obligations (in the nature of principal or interest) of such Person in respect of acceptances or similar obligations issued or created for the account of such Person; but excluding (i) trade and other accounts payable in the ordinary course of business in accordance with customary trade terms and which are not overdue for more than 120 days or, if overdue for more than 120 days, as to which a dispute exists and adequate reserves in conformity with GAAP have been established on the books of such Person, (ii) deferred compensation obligations to employees and (iii) any obligations otherwise constituting Indebtedness the payment of which such Person has provided for pursuant to the terms of such Indebtedness or any agreement or instrument pursuant to which such Indebtedness was incurred, by the irrevocable deposit in trust of an amount of funds or a principal amount of securities, which deposit is sufficient, either by itself or taking into account the accrual of interest thereon, to pay the principal of and interest on such obligations when due.

"Industrial Revenue Bonds": industrial revenue bonds issued for the benefit of the Borrower or its Subsidiaries and in respect of which the Borrower or its Subsidiaries will be the source of repayment, provided that such financings, (including, without limitation, the indenture related thereto) shall be in form and substance reasonably satisfactory to the Issuing Bank that issues a Letter of Credit backing such Industrial Revenue Bonds.

"Insolvency" or "Insolvent": at any particular time, a Multiemployer Plan is insolvent within the meaning of Section 4245 of ERISA.

"Interest Payment Date": (a) as to any ABR Loan (including Swing Line Loans), the last day of each March, June, September and December, commencing on the first of such days to occur after the effectiveness of this Agreement and (b) as to any Eurodollar Loan in respect of which the Borrower has selected an Interest Period of one, two or three months, the last day of such Interest Period, (c) as to any Eurodollar Loan in respect of which the Borrower has selected an Interest Period of longer than three months, each day which is three months, or a whole multiple thereof, after the making of such Eurodollar Loan and the last day of such Interest Period and (d) as to any Loan, the Termination Date.

"Interest Period": with respect to any Eurodollar Loans:

(a) initially, the period commencing on the borrowing or conversion date, as the case may be, with respect to such Eurodollar Loans and ending one, two, three or six months thereafter (or, to the extent available from all Banks, nine or twelve months thereafter), as selected by the Borrower in its notice of borrowing as provided in subsection 2.3 or its notice of conversion as provided in subsection 2.6, as the case may be; and

(b) thereafter, each period commencing on the last day of the then current Interest Period applicable to such Eurodollar Loans and ending one, two, three or six months thereafter (or, to the extent available from all Banks, nine or twelve months thereafter), as selected by the Borrower by irrevocable notice to the Agent not less than three Working Days prior to the last day of the then current Interest Period with respect to such Eurodollar Loans;

provided that all of the foregoing provisions relating to Interest Periods are subject to the following:

(i) if any Interest Period would otherwise end on a day which is not a Working Day, that Interest Period shall be extended to the next succeeding Working Day unless the result of such extension would be to carry such Interest Period into another calendar month in which event such Interest Period shall end on the immediately preceding Working Day;

(ii) no Interest Period shall extend beyond the Termination Date;

(iii) if the Borrower shall fail to give notice as provided above, the Borrower shall be deemed to have selected an ABR Loan to replace the affected Eurodollar Loan;

(iv) any Interest Period that begins on the last Working Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall end on the last Working Day of a calendar month; and

(v) the Borrower shall select Interest Periods so that there shall be no more than twenty Eurodollar Tranches in existence on any one date; provided if the Borrower shall select an Interest Period of one month, there shall be no more than ten Eurodollar Tranches of one month in existence on any one date.

"Interest Rate Agreement": any interest rate protection agreement, interest rate swap or other interest rate hedge arrangement (other than any interest rate cap or other similar agreement or arrangement pursuant to which the Borrower has no credit exposure), to or under which the Borrower or any of its Subsidiaries is a party or a beneficiary.

"Interest Rate Agreement Obligations": all obligations of the Borrower to any financial institution under any one or more Interest Rate Agreements.

"Issuing Bank": Chemical, in its capacity as issuer of the Letters of Credit or, if Chemical is not the Agent hereunder, such other Bank, which the Borrower and the Required Banks shall have approved, in its capacity as issuer of the Letters of Credit; provided that any Bank other than Chemical which agrees to become an Issuing Bank, and which the Borrower and the Required Banks shall have approved, may become an Issuing Bank for Standby Letters of

Credit to be used for the purposes described in subsection 3.9(b).

"Lear Italia": the collective reference to each direct Foreign Subsidiary, organized under the laws of Italy, of the Borrower or any Subsidiary party to the Subsidiary Guarantee.

"Letter of Credit Applications": (a) in the case of Standby Letters of Credit, a letter of credit application for a Standby Letter of Credit on the standard form of Chemical for standby letters of credit, and (b) in the case of Commercial Letters of Credit, a letter of credit application for a Commercial Letter of Credit on the standard form of Chemical for commercial letters of credit.

"Letter of Credit Obligations": at any particular time, all liabilities of the Borrower and any Subsidiary with respect to Letters of Credit, whether or not any such liability is contingent, including (without duplication) the sum of (a) the aggregate undrawn face amount of all Letters of Credit then outstanding plus (b) the aggregate amount of all unpaid Reimbursement Obligations and Subsidiary Reimbursement Obligations.

"Letter of Credit Participation Certificate": a participation certificate in the form customarily used by the Issuing Bank for such purpose at the time such certificate is issued.

"Letters of Credit": as defined in subsection 3.1(a).

"Lien": any mortgage, pledge, hypothecation, assignment, deposit arrangement, encumbrance, lien (statutory or other), or preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever (including, without limitation, any conditional sale or other title retention agreement, any Financing Lease having substantially the same economic effect as any of the foregoing, and the filing of any financing statement under the Uniform Commercial Code or comparable law of any jurisdiction in respect of any of the foregoing).

"Loan" and "Loans": the collective reference to the Revolving Credit Loans and the Swing Line Loans.

"Loan Documents": the collective reference to this Agreement, the Notes, the Letters of Credit, the Letter of Credit Applications and the Security Documents.

"Loan Parties": the collective reference to the Borrower, each guarantor or grantor party to any Security

Document and each issuer of pledged stock under each Pledge Agreement.

"Management Investors": each of the managers, officers and other employees of the Borrower and its Subsidiaries from time to time party to the Stockholders Agreement.

"Margin Stock Collateral": as defined in subsection 2.17.

"Material Subsidiary": each Loan Party and any other Subsidiary which (a) for the most recent fiscal year of the Borrower accounted for more than 5% of the consolidated revenues of the Borrower or (b) as of the end of such fiscal year, was the owner of more than 5% of the consolidated assets of the Borrower all as shown on the consolidated financial statements of the Borrower for such fiscal year.

"Merchant Banking Partnerships": Lehman Brothers Merchant Banking Portfolio Partnership L.P., a Delaware limited partnership, Lehman Brothers Offshore Investment Partnership - Japan L.P., a Bermuda limited partnership, Lehman Brothers Offshore Investment Partnership L.P., a Bermuda limited partnership and Lehman Brothers Capital Partners II, L.P., a Delaware limited partnership (collectively, the "Partnerships") or any majority owned direct or indirect Subsidiary of Lehman Brothers Holdings Inc. or any partnership the general partner of which is a majority owned direct or indirect Subsidiary of Lehman Brothers Holdings Inc. (with the Partnerships, collectively referred to as the "Permitted Lehman Entities") or a trust the beneficiaries of which include only investors in the Permitted Lehman Entities, or any of them.

"Merger": the merger of Acquisition Corp. with and into AIHI pursuant to the Merger Agreement.

"Merger Agreement": the Agreement and Plan of Merger, dated as of July 16, 1995, by and among the Borrower, Acquisition Corp. and AIHI, as the same has been or will be amended, supplemented or otherwise modified from time to time; provided, however, that any material amendments, supplements or other modifications shall be approved by the Required Banks.

"Merger Date": the date on which the Merger is consummated in accordance with the Merger Agreement.

"Mortgaged Properties": the collective reference to the real properties described on Schedule 1.1(c) and any other properties mortgaged in favor of the Agent for the ratable benefit of the Banks pursuant to this Agreement from time to time.



"Mortgages": the collective reference to the mortgages listed in Schedule 1.1(b), and each other mortgage or deed of trust that may be delivered to the Agent as collateral security for any or all of the Obligations and the Subsidiary Reimbursement Obligations, in each case as such mortgages or deeds of trust may be amended, supplemented or otherwise modified from time to time.

"Multiemployer Plan": a Plan which is a multiemployer plan as defined in Section 4001(a)(3) of ERISA.

"Net Proceeds": shall mean the gross proceeds received by the Borrower or any Subsidiary from a sale or other disposition of any asset of the Borrower or such Subsidiary less (a) all reasonable fees, commissions and other out-of-pocket expenses incurred by the Borrower or such Subsidiary in connection therewith, (b) Federal, state, local and foreign taxes assessed in connection therewith and (c) the principal amount, accrued interest and any related prepayment fees of any Indebtedness (other than the Loans) which is secured by any such asset and which is required to be repaid in connection with the sale thereof.

"Notes": the collective reference to the Revolving Credit Notes and the Swing Line Note.

"Obligations": the unpaid principal amount of, and interest on, the Notes, the Reimbursement Obligations, the Interest Rate Agreement Obligations owing to any Bank and all other obligations and liabilities of the Borrower to the Agent, the Banks and the Issuing Bank, whether direct or indirect, absolute or contingent, due or to become due, or now existing or hereafter incurred, which may arise under, out of, or in connection with this Agreement, the Notes, the Letters of Credit, the Letter of Credit Applications, any other Loan Document or any other document executed and delivered in connection herewith or therewith, whether on account of principal, interest (including, without limitation, interest accruing at the rate set forth in this Agreement and the other Loan Documents after the commencement of any proceeding of the type described in Section 9(i) whether or not such interest constitutes an allowed claim in such proceeding), reimbursement obligations, fees, indemnities, costs, expenses (including, without limitation, all fees and disbursements of counsel to the Agent) or otherwise.

"Offer to Purchase": the Offer to Purchase, dated July 20, 1995, of Acquisition Corp. relating to the Tender Offer, as amended, supplemented or modified to the date hereof.

"Original Mortgages": as defined in subsection 5.1(h).

"Participants": as defined in subsection 11.6(b).

"Participating Bank": any Bank (other than the Issuing Bank) with respect to its Participating Interest in a Letter of Credit.

"Participating Interest": with respect to any Letter of Credit (a) in the case of the Issuing Bank with respect thereto its interest in such Letter of Credit and any Letter of Credit Application relating thereto after giving effect to the granting of any participating interests therein pursuant hereto and (b) in the case of each Participating Bank, its undivided participating interest in such Letter of Credit and any Letter of Credit Application relating thereto.

"PBGC": the Pension Benefit Guaranty Corporation established pursuant to Subtitle A of Title IV of ERISA.

"Person": an individual, partnership, corporation, business trust, joint stock company, trust, unincorporated association, joint venture, Governmental Authority or other entity of whatever nature.

"Plan": at a particular time, any employee benefit plan which is covered by ERISA and in respect of which the Borrower or a Commonly Controlled Entity is (or, if such plan were terminated at such time, would under Section 4069 of ERISA be deemed to be) an "employer" as defined in Section 3(5) of ERISA.

"Pledge Agreement Supplement": as defined in subsection 7.11.

"Pledge Agreements": the collective reference to the Pledge Agreements listed in Schedule 1.1(b) and each other pledge agreement or similar agreement that may be delivered to the Agent as collateral security for any or all of the Obligations and the Subsidiary Reimbursement Obligations, in each case as such Pledge Agreements or similar agreements may be amended, supplemented or otherwise modified from time to time.

"Pledged Stock": as defined in each of the Pledge Agreements.

"Proprietary Rights": as defined in subsection 6.17.

"Purchase Agreement": the Agreement, dated as of August 19, 1988, among Lear Siegler Aerospace Products Holdings Corp., Lear Siegler Commercial Products Holdings Corp., Lear Siegler Automotive Products Holdings Corp. and LSS Acquisition Corporation, as amended, supplemented or otherwise modified from time to time.

"Purchasing Banks": as defined in subsection 11.6(c).

"Receivable Financing Transaction": any transaction or series of transactions involving a non-recourse sale for cash of accounts receivable by the Borrower or any of its Subsidiaries to a Special Purpose Subsidiary and a subsequent incurrence by such Special Purpose Subsidiary of unguaranteed Indebtedness secured solely by the accounts receivable so acquired by such Special Purpose Subsidiary.

"Reference Banks": Chemical and The Bank of Nova Scotia.

"Refunded Swing Line Loans": as defined in subsection 2.4(c).

"Register": as defined in subsection 11.6(d).

"Regulation G": Regulation G of the Federal Reserve Board.

"Regulation T": Regulation T of the Federal Reserve Board.

"Regulation U": Regulation U of the Federal Reserve Board.

"Regulation X": Regulation X of the Federal Reserve Board.

"Reimbursement Obligation": the obligation of the Borrower to reimburse the Issuing Bank in accordance with the terms of this Agreement and the related Letter of Credit Application for any payment made by the Issuing Bank under any Letter of Credit.

"Release" means any spilling, leaking, pumping, pouring, emitting, emptying, discharging, escaping, leaking, dumping, disposing, spreading, depositing or dispersing of any Hazardous Materials in, unto or onto the environment.

"Reorganization": with respect to any Multiemployer Plan, the condition that such plan is in reorganization within the meaning of such term as used in Section 4241 of ERISA.

"Reportable Event": any of the events set forth in Section 4043(b) of ERISA, other than those events as to which the thirty day notice period is waived under subsections .13, .14, .16, .18, .19 or .20 of PBGC Reg. Section 2615.

"Required Banks": at a particular time, the holders of more than 50% of the aggregate unpaid principal amount of the Notes and the Letter of Credit Obligations (after giving effect to participating interests to the Banks), or, if no

amounts are outstanding under the Notes and no Letter of Credit Obligations are outstanding, Banks having more than 50% of the aggregate amount of the Commitments.

"Requirement of Law": as to (a) any Person, the certificate of incorporation and by-laws or the partnership or limited partnership agreement or other organizational or governing documents of such Person, and any law, treaty, rule or regulation or determination of an arbitrator or a court or other Governmental Authority, in each case applicable to or binding upon such Person or any of its property or to which such Person or any of its property is subject, (b) any property, any law, treaty, rule, regulation, requirement, judgment, decree or determination of any Governmental Authority applicable to or binding upon such property or to which such property is subject, including, without limitation, any Environmental Laws and (c) any of the Mortgaged Properties, all Restrictive Agreements.

"Responsible Officer": with respect to any Loan Party, the chief executive officer, the president, the chief financial officer, any vice president, the treasurer or the assistant treasurer of such Loan Party.

"Restrictive Agreement": any covenants, conditions or restrictions which burden any of the Mortgaged Properties or any part thereof for the benefit of other real property, including, without limitation, the terms of any reciprocal easement agreement, any agreement limiting the use of the Mortgaged Properties and any agreements which must be performed as a condition to the continuance of any easement included in the Mortgaged Properties.

"Revolving Credit Loan" and "Revolving Credit Loans": as defined in subsection 2.1.

"Revolving Credit Note" and "Revolving Credit Notes": as defined in subsection 2.2.

"Security Agreements": the collective reference to the Security Agreement listed in Schedule 1.1(b), and each other security agreement or similar agreement that may be delivered to the Agent as collateral security for any or all of the Obligations and the Subsidiary Reimbursement Obligations, in each case as such Security Agreement or similar agreements may be amended, supplemented or otherwise modified from time to time.

"Security Documents": the collective reference to the Security Agreements, the Pledge Agreements, the Mortgages and the Subsidiary Guarantee.

"Senior Subordinated Note Indenture": the Indenture, dated as of July 15, 1992, as the same may be amended, supplemented or otherwise modified from time to time in accordance with subsection 8.10.

"Senior Subordinated Notes": the 11 1/4% Senior Subordinated Notes of the Borrower due 2000, issued pursuant to the Senior Subordinated Note Indenture.

"Single Employer Plan": any Plan which is covered by Title IV of ERISA, but which is not a Multiemployer Plan.

"Special Affiliate": any Affiliate of the Borrower which (a) the Borrower possesses, directly or indirectly, (i) power to vote 20% or more of the securities having ordinary voting power for the election of directors of such Affiliate or (ii) a 20% ownership interest in such Affiliate and (b) is engaged in business of the same or related general type as now being conducted by the Borrower and its Subsidiaries.

"Special Entity": any Person which is engaged in business of the same or related general type as now being conducted by the Borrower and its Subsidiaries.

"Special Purpose Subsidiary": any Wholly Owned Subsidiary of the Borrower created by the Borrower for the sole purpose of facilitating a Receivable Financing Transaction.

"Standby Letters of Credit": as defined in subsection 3.1(a).

"Stockholders Agreement": the Amended and Restated Stockholders and Registration Rights Agreement, dated as of September 27, 1991 among the Borrower, FIMA, the Merchant Banking Partnerships and the several other parties thereto, as the same has been and may be amended, supplemented or otherwise modified from time to time.

"Subordinated Debt": any obligations (for principal, interest or otherwise) evidenced by or arising under or in respect of the Subordinated Notes, the Subordinated Note Indenture, the Senior Subordinated Notes and the Senior Subordinated Note Indenture and any other covenant, instrument or agreement of subordinated Indebtedness issued or entered into pursuant to subsection 8.10.

"Subordinated Note Indenture": the Indenture dated as of February 1, 1994, as the same may be amended, supplemented or otherwise modified from time to time in accordance with subsection 8.10.

"Subordinated Notes": the 8-1/4% Subordinated Notes of the Borrower due 2002, issued pursuant to the Subordinated Note Indenture.

"Subscription Agreements": the collective reference to the Subscription Agreements, dated as of September 29, 1988, between Lear Holdings Corporation and each of the Management Investors, as each of the same may be amended, supplemented or otherwise modified from time to time.

"Subsidiary": as to any Person, a corporation, partnership or other entity of which shares of stock or other ownership interests having ordinary voting power (other than stock or such other ownership interests having such power only by reason of the happening of a contingency) to elect a majority of the board of directors or other managers of such corporation, partnership or other entity are at the time owned, or the management of which is otherwise controlled, directly or indirectly, through one or more intermediaries, or both, by such Person (exclusive of any Affiliate in which such Person has a minority ownership interest). Unless otherwise qualified, all references to a "Subsidiary" or to "Subsidiaries" in this Agreement shall refer to a Subsidiary or Subsidiaries of the Borrower.

"Subsidiary Guarantee": the Subsidiary Guarantee, dated as of the date hereof, made by LS Acquisition Corp. No. 14, Lear Seating Holdings Corp. No. 50, Progress Pattern Corp., Lear Plastics Corp., LS Acquisition Corporation No. 24, Fair Haven Industries, Inc. and Acquisition Corp. in favor of the Agent, substantially in the form of Exhibit C, as the same may be amended, supplemented or otherwise modified from time to time.

"Subsidiary Reimbursement Obligation": the obligation of any Subsidiary to reimburse the Issuing Bank in accordance with the terms of this Agreement and the related Letter of Credit Application for any payment made by the Issuing Bank under any Letter of Credit.

"Surviving Corporation": AIHI, as the surviving corporation of the Merger.

"Swing Line Loan" and "Swing Line Loans": as defined in subsection 2.4(a).

"Swing Line Note": as defined in subsection 2.4(b).

"Swing Line Participation Certificate": a certificate substantially in the form of Exhibit J to this Agreement.

"Taxes": as defined in subsection 2.14.

"Tender Offer": the tender offer made by Acquisition Corp. for all of the AIHI Shares pursuant to the Offer to Purchase.

"Tender Offer Documents": collectively, (a) the tender offer statement on Schedule 14D-1, dated July 20, 1995, filed by Acquisition Corp. with the Securities and Exchange Commission pursuant to Section 14(d)(1) of the Exchange Act, together with all exhibits thereto, including the Offer to Purchase and (b) the solicitation/recommendation statement on Schedule 14D-9, dated July 20, 1995, filed by AIHI pursuant to Section 14(d)(4) of the Exchange Act, in each case, as amended, supplemented or otherwise modified from time to time.

"Termination Date": September 30, 2001 or such earlier date on which the Commitments are terminated pursuant to this Agreement.

"Transfer Effective Date": as defined in each Assignment and Acceptance.

"Transferee": as defined in subsection 11.6(f).

"Type": as to any Loan, its nature as an ABR Loan or Eurodollar Loan.

"Wholly Owned Subsidiary": as to any Person, a corporation, partnership or other entity of which (a) 100% of the common capital stock or other ownership interests of such corporation, partnership or other entity or (b) more than 95% of the common capital stock or other ownership interests of such corporation, partnership or other entity where the portion of the common capital stock or other ownership interests not held by such Person is held by other Persons to satisfy applicable legal requirements, is owned, directly or indirectly, by such Person; provided, however, that so long as the Borrower owns, directly or indirectly, more than 95% of the capital stock of Lear Italia, Lear Italia shall be deemed a Wholly Owned Subsidiary of the Borrower, and provided, further, that until the Merger Date, so long as AIHI is a Subsidiary of the Borrower, AIHI and its Wholly Owned Subsidiaries shall be deemed Wholly Owned Subsidiaries of the Borrower.

"Working Day": any Business Day on which dealings in foreign currencies and exchange between banks may be carried on in London, England.

"Y Credit" and "Y Credits": as defined in subsection 2.17(a).

"Z Credit" and "Z Credits": as defined in subsection 2.17(a).

1.2 Other Definitional Provisions. (a) Unless otherwise specified therein, all terms defined in this Agreement shall have the defined meanings when used in the other Loan Documents or any certificate or other document made or delivered pursuant hereto.

(b) As used herein and in the other Loan Documents, and any certificate or other document made or delivered pursuant hereto, accounting terms relating to the Borrower and its Subsidiaries not defined in subsection 1.1 and accounting terms partly defined in subsection 1.1, to the extent not defined, shall have the respective meanings given to them under GAAP.

(c) The words "hereof", "herein" and "hereunder" and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement, and Section, subsection, Schedule and Exhibit references are to this Agreement unless otherwise specified.

(d) The meanings given to terms defined herein shall be equally applicable to both the singular and plural forms of such terms.

## SECTION 2. AMOUNT AND TERMS OF LOAN COMMITMENTS

2.1 Commitments. Subject to the terms and conditions hereof, each Bank, severally and not jointly, agrees to make revolving credit loans (individually, a "Revolving Credit Loan"; collectively, the "Revolving Credit Loans") to the Borrower from time to time during the Commitment Period in an aggregate principal amount, together with the other Extensions of Credit (after giving effect to participating interests to the Banks) of such Bank, not to exceed at any one time outstanding the amount set forth under the heading "Commitment" opposite the name of such Bank on Schedule 2.1, as such amount may be reduced from time to time pursuant to subsection 2.8 (collectively, the "Commitments"). During the Commitment Period, the Borrower may use the Commitments by borrowing, repaying the Revolving Credit Loans in whole or in part and reborrowing, all in accordance with the terms and conditions hereof; provided that on the date of the making of any Revolving Credit Loans, and after giving effect to the making of such Revolving Credit Loans, the Extensions of Credit at such time shall not exceed the aggregate Commitments at such time. The Revolving Credit Loans may from time to time be ABR Loans, Eurodollar Loans or a combination thereof.

2.2 Revolving Credit Notes. The Revolving Credit Loans made by each Bank shall be evidenced by a promissory note of the Borrower, substantially in the form of Exhibit A (individually, a "Revolving Credit Note"; collectively, the "Revolving Credit Notes"), with appropriate insertions as to principal amount, payable to the order of such Bank and evidencing the obligation of the Borrower to pay a principal



amount equal to the lesser of (a) the amount of the Commitment of such Bank and (b) the aggregate unpaid principal amount of all Revolving Credit Loans made by such Bank. Each Bank is hereby authorized to record the date and amount of each Revolving Credit Loan made by such Bank, and the date and amount of each payment or prepayment of principal thereof, on the schedule annexed to and constituting a part of its Revolving Credit Note, and any such recordation shall constitute prima facie evidence of the accuracy of the information so recorded; provided that the failure by any Bank to make any such recordation on its Revolving Credit Note shall not affect any of the obligations of the Borrower under such Revolving Credit Note or this Agreement. Each Revolving Credit Note shall (i) be dated the Closing Date, (ii) be stated to mature on the Termination Date and (iii) bear interest, payable on the dates specified in subsection 4.1, for the period from the date thereof on the unpaid principal amount thereof from time to time outstanding at the interest rate per annum specified in subsection 4.1.

2.3 Procedure for Revolving Credit Borrowings. The Borrower may borrow under the Commitments during the Commitment Period on any Business Day by giving the Agent irrevocable written notice (which notice must be received by the Agent prior to 12:00 P.M., New York City time) one Business Day prior to the requested Borrowing Date of ABR Loans and three Working Days prior to the requested Borrowing Date of Eurodollar Loans, specifying (a) the amount to be borrowed, (b) the requested Borrowing Date and (c) whether the borrowing is to be of ABR Loans, Eurodollar Loans or a combination thereof and (d) if the borrowing is to be entirely or partly Eurodollar Loans, the amount of such Loans and the length of initial Interest Period therefor. Upon receipt of such notice from the Borrower, the Agent shall promptly notify each Bank thereof. Not later than 12:00 P.M., New York City time, on the Borrowing Date specified in such notice, each Bank shall make available to the Agent in immediately available funds the amount equal to the Revolving Credit Loan to be made by such Bank. The Agent shall make the amount of such borrowing available to the Borrower by depositing the proceeds thereof in like funds as received by the Agent in the account of the Borrower with the Agent on the date the Revolving Credit Loans are made for transmittal by the Agent upon the Borrower's request. Each borrowing pursuant to the Commitments, except any Revolving Credit Loan to be used solely to pay a like amount of Reimbursement Obligations or Swing Line Loans, shall be in an aggregate principal amount of \$5,000,000 or a whole multiple of \$1,000,000 in excess thereof.

2.4 Swing Line Commitments. (a) Subject to the terms and conditions hereof, Chemical agrees to make swing line loans (individually, a "Swing Line Loan"; collectively, the "Swing Line Loans") to the Borrower from time to time during the Commitment Period in an aggregate principal amount at any one time outstanding not to exceed \$65,000,000; provided that on the date of the making of any Swing Line Loan, and after giving effect to

the making of such Swing Line Loan, the Extensions of Credit at such time shall not exceed the Commitments. Amounts borrowed by the Borrower under this subsection 2.4 may be repaid and, through but excluding the Termination Date, reborrowed. All Swing Line Loans shall be made as ABR Loans and shall not be entitled to be converted into Eurodollar Loans. The Borrower shall give Chemical irrevocable notice (which notice must be received by Chemical prior to 12:00 P.M., New York City time) on the requested Borrowing Date specifying the amount of the requested Swing Line Loan which shall be in an aggregate minimum amount of \$100,000 or whole multiples thereof. The proceeds of the Swing Line Loan will be made available by Chemical to the Borrower at the office of Chemical by crediting the account of the Borrower at such office with such proceeds.

(b) The Swing Line Loans shall be evidenced by a promissory note of the Borrower, substantially in the form of Exhibit B (the "Swing Line Note"), with appropriate insertions, payable to the order of Chemical and representing the obligation of the Borrower to pay the unpaid principal amount of the Swing Line Loans, with interest thereon as prescribed in subsection 4.1. Chemical is hereby authorized to record the Borrowing Date, the amount of each Swing Line Loan and the date and amount of each payment or prepayment of principal thereof on the schedule annexed to and constituting a part of the Swing Line Note, and any such recordation shall constitute prima facie evidence of the accuracy of the information so recorded; provided that the failure by Chemical to make any such recordation on the Swing Line Note shall not affect any of the obligations of the Borrower under such Swing Line Note or this Agreement. The Swing Line Note shall (i) be dated the Closing Date, (ii) be stated to mature on the Termination Date and (iii) bear interest, payable on the dates specified in 4.1, for the period from the date thereof to the Termination Date on the unpaid principal amount thereof from time to time outstanding at the applicable interest rate per annum specified in subsection 4.1.

(c) Chemical, at any time in its sole and absolute discretion, may on behalf of the Borrower (which hereby irrevocably directs Chemical to act on its behalf) request each Bank, including Chemical, to make a Revolving Credit Loan in an amount equal to such Bank's Commitment Percentage of the amount of the Swing Line Loans (the "Refunded Swing Line Loans") outstanding on the date such notice is given. Unless any of the events described in Section 9(i) shall have occurred (in which event the procedures of subsection 2.4(d) shall apply) each Bank shall, not later than 12:00 P.M., New York City time, on the Business Day next succeeding the date on which such notice is given, make available to Chemical in immediately available funds the amount equal to the Revolving Credit Loan to be made by such Bank. The proceeds of such Revolving Credit Loans shall be immediately applied to repay the Refunded Swing Line Loans. Upon any request by Chemical to the Banks pursuant to this subsection

2.4(c), the Agent shall promptly give notice to the Borrower of such request.

(d) If prior to the making of a Revolving Credit Loan pursuant to subsection 2.4(c) one of the events described in Section 9(i) shall have occurred, each Bank will, on the date such Loan was to have been made, purchase an undivided participating interest in the Swing Line Loans in an amount equal to its Commitment Percentage of such Swing Line Loans. Each Bank will immediately transfer to Chemical, in immediately available funds, the amount of its participation, and upon receipt thereof Chemical will deliver to such Bank a Swing Line Participation Certificate dated the date of receipt of such funds and in the amount of such Bank's participation.

(e) Whenever, at any time after Chemical has received from any Bank such Bank's participating interest in a Swing Line Loan, Chemical receives any payment on account thereof, Chemical will distribute to such Bank its participating interest in such amount (appropriately adjusted, in the case of interest payments, to reflect the period of time during which such Bank's participating interest was outstanding and funded); provided, however, that in the event that such payment received by Chemical is required to be returned, such Bank will return to Chemical any portion thereof previously distributed by Chemical to it.

2.5 Swing Line Loan Participations. Each Bank's obligation to purchase participating interests pursuant to subsection 2.4(d) shall be absolute and unconditional and shall not be affected by any circumstance, including, without limitation, (a) any set-off, counterclaim, recoupment, defense or other right which such Bank or any Loan Party may have against Chemical, any Loan Party or anyone else for any reason whatsoever; (b) the occurrence or continuance of any Default or Event of Default; (c) any adverse change in the condition (financial or otherwise) of any Loan Party; (d) any breach of this Agreement by any Loan Party or any other Bank; or (e) any other circumstance, happening or event whatsoever, whether or not similar to any of the foregoing.

2.6 Conversion and Continuation Options. (a) The Borrower may elect from time to time to convert Revolving Credit Loans outstanding as Eurodollar Loans to ABR Loans by giving the Agent at least one Business Day's prior irrevocable notice of such election; provided that any such conversion of Eurodollar Loans shall only be made on the last day of an Interest Period with respect thereto. The Borrower may elect from time to time to convert Revolving Credit Loans outstanding as ABR Loans to Eurodollar Loans by giving the Agent at least three Working Days' prior irrevocable notice of such election. Upon receipt of such notice, the Agent shall promptly notify each Bank thereof. All or any part of the Revolving Credit Loans outstanding as Eurodollar Loans or ABR Loans may be converted as provided herein; provided that (i) no ABR Loan may be converted into a

Eurodollar Loan when any Default or Event of Default has occurred and is continuing, (ii) partial conversions shall be in an aggregate principal amount of \$5,000,000 or a whole multiple of \$1,000,000 in excess thereof and (iii) any such conversion may only be made if, after giving effect thereto, subsection 2.7 shall not have been contravened.

(b) Any Eurodollar Loans may be continued as such upon the expiration of an Interest Period with respect thereto by compliance by the Borrower with the notice provisions contained in the definition of "Interest Period"; provided that no Eurodollar Loan may be continued as such when any Default or Event of Default has occurred and is continuing but in such circumstances shall be automatically converted to an ABR Loan on the last day of the then current Interest Period with respect thereto.

2.7 Minimum Amounts of Tranches. Notwithstanding anything to the contrary in this Agreement, all borrowings, conversions, payments, prepayments and selection of Interest Periods hereunder in respect of the Revolving Credit Loans shall be in such amounts and be made pursuant to such elections so that, after giving effect thereto, the aggregate principal amount of any one Eurodollar Tranche shall not be less than \$5,000,000.

2.8 Termination or Reduction of Commitments. (a) The Commitments shall automatically reduce on each March 31 and September 30 in each calendar year during the Commitment Period, commencing March 31, 1996, by an amount set forth opposite such year below:

Year ----	Semi-annual amount -----
1996	\$ 25,000,000
1997	50,000,000
1998	62,500,000
1999	62,500,000
2000	75,000,000
2001	100,000,000

(b) The Borrower shall have the right, upon not less than five Business Days' notice to the Agent, to terminate the Commitments or to reduce the amount of the Commitments; provided that any such reduction shall be in an amount of \$2,500,000 or a whole multiple of \$500,000 in excess thereof and shall reduce permanently the amount of the Commitments then in effect. No reduction pursuant to this subsection 2.8(b) shall in any way affect the amount of the reductions required to be made pursuant to subsection 2.8(a).

(c) The Commitments shall automatically terminate on the Termination Date.

2.9 Mandatory Prepayments. Any termination or reduction of Commitments pursuant to subsections 2.8(a), 2.8(b), 2.8(c), 8.6(e) or otherwise shall be accompanied by prepayment of the Loans (together in each case with accrued interest on the amount so prepaid to the date of such prepayment and any additional amounts owing under subsection 2.13), to the extent, if any, that the amount of the Extensions of Credit then outstanding exceeds the amount of the Commitments as so reduced (provided that if the aggregate principal amount of Loans then outstanding is less than the amount of such excess because Letter of Credit Obligations constitute a portion thereof, the Borrower shall, to the extent of the balance of such excess, replace outstanding Letters of Credit with new letters of credit or deposit an amount equal to such excess in a cash collateral account with the Agent on terms and conditions reasonably satisfactory to the Agent).

2.10 Inability to Determine Interest Rate. In the event that:

(a) the Agent shall have determined (which determination shall be conclusive and binding upon the Borrower) that, by reason of circumstances affecting the interbank eurodollar market, adequate and reasonable means do not exist for ascertaining the Eurodollar Rate for any requested Interest Period; or

(b) the Agent shall have received notice prior to the first day of such Interest Period from Banks constituting the Required Banks that the interest rate determined pursuant to subsection 4.1 for such Interest Period does not accurately reflect the cost to such Banks (as conclusively certified by such Banks) of making or maintaining their affected Loans during such Interest Period,

with respect to (i) proposed Loans that the Borrower has requested be made as Eurodollar Loans, (ii) Eurodollar Loans that will result from the requested conversion of ABR Loans into Eurodollar Loans or (iii) the continuation of Eurodollar Loans beyond the expiration of the then current Interest Period with respect thereto, the Agent shall give telex or telephonic notice of such determination to the Borrower and the Banks as soon as reasonably practicable after it becomes aware of such determination. If such notice is given (x) any requested Eurodollar Loans shall be made as ABR Loans, (y) any ABR Loans that were to have been converted to Eurodollar Loans shall be continued as ABR Loans and (z) any outstanding Eurodollar Loans shall be converted, on the last day of the then current Interest Period with respect thereto, to ABR Loans. Until such notice has been withdrawn by the Agent, no further Eurodollar Loans shall be made, nor shall the Borrower have the right to convert ABR Loans to Eurodollar Loans.

2.11 Illegality. Notwithstanding any other provisions herein, if any Requirement of Law or any change therein or in the interpretation or application thereof shall make it unlawful for any Bank to make or maintain Eurodollar Loans as contemplated by this Agreement, (a) the commitment of such Bank hereunder to make Eurodollar Loans or convert ABR Loans to Eurodollar Loans shall forthwith be cancelled and (b) such Bank's Loans then outstanding as Eurodollar Loans, if any, shall be converted automatically to ABR Loans on the respective last days of the then current Interest Periods for such Loans or within such earlier period as required by law. If any such prepayment or conversion of a Eurodollar Loan occurs on a day which is not the last day of the current Interest Period with respect thereto, the Borrower shall pay to such Bank such amounts, if any, as may be required pursuant to subsection 2.13.

2.12 Requirements of Law. (a) In the event that any Requirement of Law (or any change therein or in the interpretation or application thereof) or compliance by any Bank with any request or directive (whether or not having the force of law) from any central bank or other Governmental Authority:

(i) does or shall subject any Bank to any tax of any kind whatsoever with respect to this Agreement, any Note or any Eurodollar Loans made by it, or change the basis of taxation of payments to such Bank of principal, commitment fee, interest or any other amount payable hereunder (except for changes in the rate of tax on the overall net income of such Bank);

(ii) does or shall impose, modify or hold applicable any reserve, special deposit, compulsory loan or similar requirement against assets held by, or deposits or other liabilities in or for the account of, advances or loans by, or other credit extended by, or any other acquisition of funds by, any office of such Bank which are not otherwise included in the determination of the Eurodollar Rate; or

(iii) does or shall impose on such Bank any other condition;

and the result of any of the foregoing is to increase the cost to such Bank, by any amount which such Bank deems to be material, of making, renewing or maintaining advances or extensions of credit or to reduce any amount receivable hereunder, in each case in respect of its Eurodollar Loans, then, in any such case, the Borrower shall promptly pay such Bank, upon receipt of its demand setting forth in reasonable detail any additional amounts necessary to compensate such Bank for such additional cost or reduced amount receivable, such additional amounts together with interest on each such amount from the date two Business Days after the date demanded until payment in full thereof at the ABR. A certificate as to any additional amounts payable pursuant to the foregoing sentence submitted by such Bank, through the Agent,

to the Borrower shall be conclusive in the absence of manifest error. This covenant shall survive the termination of this Agreement and payment of the outstanding Notes.

(b) In the event that any Bank shall have determined that the adoption of any law, rule, regulation or guideline regarding capital adequacy (or any change therein or in the interpretation or application thereof) or compliance by any Bank or any corporation controlling such Bank with any request or directive regarding capital adequacy (whether or not having the force of law) from any central bank or Governmental Authority, including, without limitation, the issuance of any final rule, regulation or guideline, does or shall have the effect of reducing the rate of return on such Bank's or such corporation's capital as a consequence of its obligations hereunder to a level below that which such Bank or such corporation could have achieved but for such adoption, change or compliance (taking into consideration such Bank's or such corporation's policies with respect to capital adequacy) by an amount deemed by such Bank to be material, then from time to time, after submission by such Bank to the Borrower (with a copy to the Agent) of a written request therefor, the Borrower shall promptly pay to such Bank such additional amount or amounts as will compensate such Bank for such reduction.

(c) If the obligation of any Bank to make Eurodollar Rate Loans has been suspended pursuant to subsection 2.10 or 2.11 for more than three consecutive months or any Bank has demanded compensation under subsection 2.12(a) or 2.12(b), the Borrower shall have the right to substitute a financial institution or financial institutions (which may be one or more of the Banks) reasonably satisfactory to the Agent by causing such financial institution or financial institutions to purchase the rights (by paying to such Bank the principal amount of its outstanding Loans together with accrued interest thereon and all other amounts accrued for its account or owed to it hereunder and executing an Assignment and Acceptance) and to assume the obligations of such Bank under the Loan Documents. Upon such purchase and assumption by such substituted financial institution or financial institutions, the obligations of such Bank hereunder shall be discharged; provided such Bank shall retain its rights hereunder with respect to periods prior to such substitution including, without limitation, its rights to compensation under this subsection 2.12.

2.13 Indemnity. The Borrower agrees to indemnify each Bank and to hold each Bank harmless from any loss or expense which such Bank may sustain or incur as a consequence of (a) default by the Borrower in payment when due of the principal amount of or interest on any Eurodollar Loans of such Bank, (b) default by the Borrower in making a borrowing or conversion after the Borrower has given a notice of borrowing in accordance with subsection 2.3 or a notice of conversion pursuant to subsection 2.6, (c) default by the Borrower in making any prepayment after

the Borrower has given a notice in accordance with subsection 2.8 or (d) the making of a prepayment of a Eurodollar Loan on a day which is not the last day of an 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 to maintain its Eurodollar Loans hereunder or from fees payable to terminate the deposits from which such funds were obtained. This covenant shall survive termination of this Agreement and payment of the outstanding Notes.

2.14 Taxes. (a) All payments made by the Borrower under this Agreement shall be made free and clear of, and without reduction or withholding for or on account of, any present or future income, stamp or other taxes, levies, imposts, duties, charges, fees, deductions or withholdings, now or hereafter imposed, levied, collected, withheld or assessed by any Governmental Authority excluding, in the case of the Agent and each Bank, income or franchise taxes imposed on the Agent or such Bank by the jurisdiction under the laws of which the Agent or such Bank is organized or any political subdivision or taxing authority thereof or therein or by any jurisdiction in which such Bank's lending office is located or any political subdivision or taxing authority thereof or therein or as a result of a connection between such Bank and any jurisdiction other than a connection resulting solely from entering into this Agreement (all such non-excluded taxes, levies, imposts, deductions, charges or withholdings being hereinafter called "Taxes"). Subject to the provisions of subsection 2.14(c), if any Taxes are required to be withheld from any amounts payable to the Agent or any Bank hereunder or under the Notes or the Letters of Credit, the amounts so payable to the Agent or such Bank shall be increased to the extent necessary to yield to the Agent or such Bank (after payment of all Taxes) interest or any such other amounts payable hereunder at the rates or in the amounts specified in this Agreement and the Notes. Whenever any Taxes are paid by the Borrower with respect to payments made in connection with this Agreement, as promptly as possible thereafter, the Borrower shall send to the Agent for its own account or for the account of such Bank, as the case may be, a certified copy of an original official receipt received by the Borrower showing payment thereof. Subject to the provisions of subsection 2.14(c), if the Borrower fails to pay any Taxes when due to the appropriate taxing authority or fails to remit to the Agent the required receipts or other required documentary evidence, the Borrower shall indemnify the Agent and the Banks for any incremental taxes, interest or penalties that may become payable by the Agent or any Banks as a result of any such failure.

(b) Each Bank that is not incorporated or organized under the laws of the United States of America or a state thereof agrees that, prior to the first date any payment is due to be made to it hereunder or under any Note or Letter of Credit, it will deliver to the Borrower and the Agent (i) two valid, duly



completed copies of United States Internal Revenue Service Form 1001 or 4224 or successor applicable form, as the case may be, certifying in each case that such Bank is entitled to receive payments under this Agreement, the Notes payable to it and the Letters of Credit, without deduction or withholding of any United States federal income taxes, and (ii) a valid, duly completed Internal Revenue Service Form W-8 or W-9 or successor applicable form, as the case may be, to establish an exemption from United States backup withholding tax. Each Bank which delivers to the Borrower and the Agent a Form 1001 or 4224 and Form W-8 or W-9 pursuant to the next preceding sentence further undertakes to deliver to the Borrower and the Agent two further copies of the said Form 1001 or 4224 and Form W-8 or W-9, or successor applicable forms, or other manner or certification, as the case may be, on or before the date that any such form expires or becomes obsolete or otherwise is required to be resubmitted as a condition to obtaining an exemption from withholding tax, or after the occurrence of any event requiring a change in the most recent form previously delivered by it to the Borrower, and such extensions or renewals thereof as may reasonably be requested by the Borrower, certifying in the case of a Form 1001 or 4224 that such Bank is entitled to receive payments under this Agreement without deduction or withholding of any United States federal income taxes, unless any change in treaty, law or regulation or official interpretation thereof has occurred prior to the date on which any such delivery would otherwise be required which renders all such forms inapplicable or which would prevent such Bank from duly completing and delivering any such letter or form with respect to it and such Bank advises the Borrower that it is not capable of receiving payments without any deduction or withholding of United States federal income tax, and in the case of a Form W-8 or W-9, establishing an exemption from United States backup withholding tax.

(c) The Borrower shall not be required to pay any additional amounts to the Agent or any Bank (or Purchasing Bank) in respect of United States withholding tax pursuant to subsection 2.14(a) if (i) the obligation to pay such additional amounts would not have arisen but for a failure by the Agent or such Bank (or Purchasing Bank) to comply with the requirements of subsection 2.14(b) (or in the case of a Purchasing Bank, the requirements of subsection 11.6(g)) or (ii) the Agent or such Bank (or Purchasing Bank) shall not have furnished the Borrower with such forms and shall not have taken such other steps as reasonably may be available to it (provided, however, that such steps shall not impose on the Agent or such Bank any additional costs or legal or regulatory burdens deemed by the Agent or such Bank in its sole judgment to be material) under applicable tax laws and any applicable tax treaty or convention to obtain an exemption from, or reduction (to the lowest applicable rate) of, such United States withholding tax.

(d) Each Bank agrees to use reasonable efforts (including reasonable efforts to change its lending office) to

avoid or to minimize any amounts which might otherwise be payable pursuant to this subsection 2.14; provided, however, that such efforts shall not impose on such Bank any additional costs or legal or regulatory burdens deemed by such Bank in its sole judgment to be material.

(e) The agreements in subsection 2.14(a) shall survive the termination of this Agreement and the payment of the Notes and all other amounts payable hereunder until the expiration of the applicable statute of limitations for such taxes.

2.15 Use of Proceeds. The proceeds of the Revolving Credit Loans shall be used (a) to finance the Acquisition, including payment for the AIHI Shares in the Tender Offer and the Merger, (b) to pay fees and expenses of the Acquisition, (c) to refinance certain existing indebtedness of AIHI, (d) to refinance indebtedness under the Existing Credit Agreement and (e) for other general corporate purposes, including acquisitions permitted hereunder, provided that such acquisitions are not hostile. The proceeds of the Swing Line Loans shall be used solely to finance the short-term working capital needs of the Borrower and its Subsidiaries in the ordinary course of business.

2.16 Assignment of Commitments Under Certain Circumstances. In the event that any Bank shall have delivered a notice or certificate pursuant to subsection 2.12, the Borrower shall have the right, at its own expense, upon notice to such Bank and the Agent, to require such Bank to transfer and assign without recourse (in accordance with and subject to the restrictions contained in subsection 11.6) all its interests, rights and obligations under this Agreement to another bank or financial institution identified by the Borrower reasonably acceptable to the Agent (subject to the restrictions contained in subsection 11.6) which shall assume such obligations; provided that (a) no such assignment shall conflict with any law, rule or regulation or order of any Governmental Authority and (b) the Borrower or the assignee, as the case may be, shall pay to the transferor Bank in immediately available funds on the date of such assignment the principal of and interest accrued to the date of payment on the Loans made by it hereunder and all other amounts accrued for its account or owed to it hereunder, including, without limitation, amounts payable pursuant to subsection 2.12.

2.17 Regulation U and Regulation G. (a) The Loans made by each Bank shall at all times prior to the Merger be treated for purposes of Regulation U and Regulation G, as applicable, as two separate extensions of credit (the "Y Credit" and the "Z Credit" of such Bank and, collectively, the "Y Credits" and the "Z Credits"), as follows:

(i) the aggregate amount of the Y Credit of such Bank shall be an amount equal to such Bank's pro rata share (based on the amount of its Commitment Percentage) of the

maximum loan value (as determined in accordance with Regulation U and Regulation G, as applicable), of the AIHI Shares pledged pursuant to the Acquisition Pledge Agreement (such AIHI Shares, the "Margin Stock Collateral"); and

(ii) the aggregate amount of the Z Credit of such Bank shall be an amount equal to such Bank's pro rata share (based on the amount of its Commitment Percentage) of all Loans outstanding hereunder minus such Bank's Y Credit.

In the event that any Margin Stock Collateral is acquired or sold, the amount of the Y Credit of such Bank shall be adjusted (if necessary), to the extent necessary by prepayment, to an amount equal to such Bank's pro rata share (based on the amount of its Commitment Percentage) of the maximum loan value (determined in accordance with Regulation U and Regulation G, as applicable, as of the date of such acquisition or sale) of the Margin Stock Collateral immediately after giving effect to such acquisition or sale. Nothing contained in this subsection 2.17 shall be deemed to permit any sale of Margin Stock Collateral in violation of subsection 8.5 or 8.6.

(b) Each Bank will maintain its records to identify the Y Credit of such Bank and the Z Credit of such Bank, and, solely for the purposes of complying with Regulation U and Regulation G, as applicable, the Y and Z Credits shall be treated as separate extensions of credit. Each Bank hereby represents and warrants that the loan value of the Collateral (other than the Margin Stock Collateral) is sufficient for such Bank to lend its pro rata share of the Z Credit.

(c) The benefits of the security in the Margin Stock Collateral created by the Acquisition Pledge Agreement, shall be allocated first to the benefit and security of the payment of the principal of and interest on the Y Credits of the Banks and of all other amounts payable by the Borrower under this Agreement in connection with the Y Credits (collectively, the "Y Credit Amounts") and second, only after the payment in full of the Y Credit Amounts, to the benefit and security of the payment of the principal of and interest on the Z Credits of the Banks and of all other amounts payable by the Borrower under this Agreement in connection with the Z Credits (collectively, the "Z Credit Amounts"). The benefits of the security in the Collateral other than Margin Stock Collateral created by the Security Documents and the benefits of the indirect security in Collateral other than Margin Stock Collateral created by this Agreement, shall be allocated first to the benefit and security of the Z Credit Amounts and second, only after the payment in full of the Z Credit Amounts, to the benefit and security of the Y Credit Amounts.

(d) The Borrower shall furnish to each Bank at the time of each acquisition and sale of Margin Stock Collateral such information and documents as the Agent or such Bank may require

to determine the Y and Z Credits, and at any time and from time to time, such other information and documents as the Agent or such Bank may reasonably require to determine compliance with Regulation U or Regulation G, as applicable.

(e) Each Bank shall be responsible for its own compliance with and administration of the provisions of this subsection 2.17 and Regulation U or Regulation G, as applicable, and the Agent shall have no responsibility for any determinations or allocations made or to be made by any Bank as required by such provisions. The Agent shall transmit to the Borrower on behalf of a Bank any requests made by such Bank pursuant to subsection 2.17(d) and shall transmit from the Borrower to such Bank or the Banks any information provided by the Borrower in response to inquiries made under subsection 2.17(d) or otherwise required to be delivered by the Borrower to the Banks pursuant to this subsection 2.17.

### SECTION 3. LETTERS OF CREDIT

3.1 Letters of Credit. (a) Subject to the terms and conditions of this Agreement, Chemical (or such other Bank which succeeds Chemical as Agent), as Issuing Bank, agrees, and any other Issuing Bank may, as agreed between the Borrower and such Issuing Bank, agree, on behalf of the Banks, and in reliance on the agreement of the Banks set forth in subsection 3.3, to issue for the account of the Borrower (or in connection with any Foreign Letter of Credit, for the joint and several accounts of the Borrower and such applicable Foreign Subsidiary) letters of credit in an aggregate face amount not to exceed \$175,000,000 at any time outstanding, as follows:

(i) standby letters of credit (collectively, the "Standby Letters of Credit") in the form of either (A) in the case of standby letters of credit to be used for the purposes described in subsection 3.9(a) or (c), the Issuing Bank's standard standby letter of credit or (B) in the case of standby letters of credit to be used for the purposes described in subsection 3.9(b), a letter of credit reasonably satisfactory to the Issuing Bank, and in either case, in favor of such beneficiaries as the Borrower shall specify from time to time (which shall be reasonably satisfactory to the Issuing Bank); and

(ii) commercial letters of credit in the form of the Issuing Bank's standard commercial letters of credit ("Commercial Letters of Credit") in favor of sellers of goods or services to the Borrower or its Subsidiaries (the Standby Letters of Credit and Commercial Letters of Credit being referred to collectively as the "Letters of Credit");

provided that on the date of the issuance of any Letter of Credit, and after giving effect to such issuance, the Extensions

of Credit shall not exceed the Commitments at such time. Each Standby Letter of Credit shall (i) have an expiry date no later than (A) with respect to any Standby Letter of Credit to be used for the purposes described in subsection 3.9(a) or (c), one year from the date of issuance thereof or, if earlier, the Termination Date or (B) with respect to any Standby Letter of Credit to be used for the purposes described in subsection 3.9(b), the Termination Date, (ii) be denominated in Dollars and (iii) be in a minimum face amount of \$500,000. Each Commercial Letter of Credit shall (i) provide for the payment of sight drafts when presented for honor thereunder, or of time drafts, in each case in accordance with the terms thereof and when accompanied by the documents described or when such documents are presented, as the case may be, (ii) be denominated in Dollars and (iii) have an expiry date no later than six months from the date of issuance thereof or, if earlier, five Business Days prior to the Termination Date.

(b) Pursuant to the Existing Credit Agreement, Chemical, as Issuing Bank, has issued the Letters of Credit described in Schedule 3.1 (the "Existing Letters of Credit"). From and after the Closing Date, the Existing Letters of Credit shall for all purposes be deemed to be Letters of Credit outstanding under this Agreement.

3.2 Procedure for Issuance of Letters of Credit. The Borrower may from time to time request, upon at least three Business Days' notice, Chemical, as Issuing Bank, to issue a Letter of Credit by delivering to such Issuing Bank at its address specified in subsection 11.2 a Letter of Credit Application, completed to the satisfaction of such Issuing Bank, together with such other certificates, documents and other papers and information as such Issuing Bank may reasonably request. Upon receipt of any Letter of Credit Application from the Borrower, or, in the case of a Foreign Letter of Credit, from the Borrower and the Foreign Subsidiary that is an account party on such Letter of Credit, such Issuing Bank will promptly, but in no event later than five Business Days following receipt of such Letter of Credit Application, notify each Bank thereof. Upon receipt of any Letter of Credit Application, Chemical, as Issuing Bank, will process such Letter of Credit Application, and the other certificates, documents and other papers delivered in connection therewith, in accordance with its customary procedures and shall promptly issue such Letter of Credit (but in no event earlier than three Business Days after receipt by such Issuing Bank of the Letter of Credit Application relating thereto) by issuing the original of such Letter of Credit to the beneficiary thereof and by furnishing a copy thereof to the Borrower and the Participating Banks. In addition, the Borrower may from time to time agree with Issuing Banks other than Chemical upon procedures for issuance by such Issuing Banks of Letters of Credit and cause Letters of Credit to be issued by following such procedures. Such procedures shall be reasonably satisfactory to the Agent. Prior to the issuance of any Letter of Credit, the Issuing Bank

will confirm with the Agent that the issuance of such Letter of Credit is permitted pursuant to Section 3 and subsection 5.3. Additionally, each Issuing Bank and the Borrower shall inform the Agent of any modifications made to outstanding Letters of Credit, of any payments made with respect to such Letters of Credit, and of any other information regarding such Letters of Credit as may be reasonably requested by the Agent, in each case pursuant to procedures established by the Agent.

3.3 Participating Interests. In the case of each Existing Letter of Credit, effective on the Closing Date, and in the case of each Letter of Credit issued in accordance with the terms hereof on or after the Closing Date, effective as of the date of the issuance thereof, the Issuing Bank in respect of such Letter of Credit agrees to allot, and does allot, to each other Bank, and each such Bank severally and irrevocably agrees to take and does take, a Participating Interest in such Letter of Credit and the related Letter of Credit Application in a percentage equal to such Bank's Commitment Percentage. On the date that any Purchasing Bank becomes a party to this Agreement in accordance with subsection 11.6, Participating Interests in any outstanding Letter of Credit held by the Bank from which such Purchasing Bank acquired its interest hereunder shall be proportionately reallocated between such Purchasing Bank and such transferor Bank. Each Participating Bank hereby agrees that its obligation to participate in each Letter of Credit issued in accordance with the terms hereof and to pay or to reimburse the Issuing Bank in respect of such Letter of Credit for its participating share of the drafts drawn thereunder shall be irrevocable and unconditional; provided that no Participating Bank shall be liable for the payment of any amount under subsection 3.4(b) resulting solely from such Issuing Bank's gross negligence or willful misconduct.

3.4 Payments. (a) The Borrower agrees (and in the case of a Foreign Letter of Credit, such Foreign Subsidiary for whose account such Letter of Credit was issued shall also agree, jointly and severally) (i) to reimburse the Agent for the account of the relevant Issuing Bank, forthwith upon its demand and otherwise in accordance with the terms of the Letter of Credit Application, if any, relating thereto, for any payment made by such Issuing Bank under any Letter of Credit issued by such Issuing Bank for its account and (ii) to pay to the Agent for the account of such Issuing Bank, interest on any unreimbursed portion of any such payment from the date of such payment until reimbursement in full thereof at a fluctuating rate per annum equal to the rate then borne by ABR Loans pursuant to subsection 4.1(a) plus 2%.

(b) In the event that an Issuing Bank makes a payment under any Letter of Credit and is not reimbursed in full therefor, forthwith upon demand of such Issuing Bank, and otherwise in accordance with the terms hereof or of the Letter of Credit Application, if any, relating to such Letter of Credit,

such Issuing Bank will promptly through the Agent notify each Participating Bank that acquired its Participating Interest in such Letter of Credit from such Issuing Bank. No later than the close of business on the date such notice is given, each such Participating Bank will transfer to the Agent, for the account of such Issuing Bank, in immediately available funds, an amount equal to such Participating Bank's pro rata share of the unreimbursed portion of such payment. Upon its receipt from such Participating Bank of such amount, such Issuing Bank will, if so requested by such Participating Bank, complete, execute and deliver to such Participating Bank a Letter of Credit Participation Certificate dated the date of such receipt and in such amount.

(c) Whenever, at any time, after an Issuing Bank has made payment under a Letter of Credit and has received from any Participating Bank such Participating Bank's pro rata share of the unreimbursed portion of such payment, such Issuing Bank receives any reimbursement on account of such unreimbursed portion or any payment of interest on account thereof, such Issuing Bank will distribute to the Agent, for the account of such Participating Bank, its pro rata share thereof; provided, however, that in the event that the receipt by such Issuing Bank of such reimbursement or such payment of interest (as the case may be) is required to be returned, such Participating Bank will promptly return to the Agent, for the account of such Issuing Bank, any portion thereof previously distributed by such Issuing Bank to it.

3.5 Increased Costs. (a) In the event that any Requirement of Law (or any change therein or in the interpretation or application thereof) or compliance by any Bank or any corporation controlling a Bank with any request or directive (whether or not having the force of law) from any central bank or other Governmental Authority shall either (i) impose, modify or hold applicable any reserve, special deposit or similar requirement against letters of credit issued by an Issuing Bank or participated in by other Banks or (ii) impose upon an Issuing Bank or on any other Bank (or any corporation controlling any such Bank) any other condition regarding any Letter of Credit and the result of any event referred to in clause (i) or (ii) above shall be to increase the cost to such Issuing Bank or any other Bank (or any corporation controlling any such Bank) of issuing or maintaining such Letter of Credit (or its participation therein, as the case may be), or to reduce any amount receivable in connection therewith then, in any such case the Borrower shall, without duplication of any amounts paid pursuant to subsection 2.12(a), promptly pay to such Issuing Bank or such other Bank, as the case may be, upon receipt of its demand setting forth in reasonable detail any additional amounts which shall be sufficient to compensate such Issuing Bank or such other Bank for such increased cost or reduced amount receivable, together with interest on each such amount from the date two Business Days after the date demanded until payment in full

thereof at the ABR. A certificate as to the fact and amount of such increased cost incurred by such Issuing Bank or such other Bank or such reduced amount receivable as a result of any event mentioned in clause (i) or (ii) above, submitted by such Issuing Bank or any such other Bank (through the Agent) to the Borrower, shall be conclusive in the absence of manifest error.

(b) In the event that an Issuing Bank shall have determined that the adoption of any law, rule, regulation or guideline regarding capital adequacy, or any change therein or in the interpretation or application thereof or compliance by such Issuing Bank or any corporation controlling such Issuing Bank with any request or directive regarding capital adequacy (whether or not having the force of law) from any central bank or Governmental Authority, including, without limitation, the issuance of any final rule, regulation or guideline, does or shall have the effect of reducing the rate of return on such Issuing Bank's or such corporation's capital as a consequence of its obligations hereunder to a level below that which such Issuing Bank or such corporation could have achieved but for such adoption, change or compliance (taking into consideration such Issuing Bank's or such corporation's policies with respect to capital adequacy) by an amount deemed by such Issuing Bank to be material, then from time to time, after submission by such Issuing Bank to the Borrower (with a copy to the Agent) of a written request therefor, the Borrower shall promptly pay to such Issuing Bank, without duplication of any amounts paid pursuant to subsection 2.12(b), such additional amount or amounts as will compensate such Issuing Bank for such reduction.

3.6 Further Assurances. (a) The Borrower hereby agrees, from time to time, to do and perform any and all acts and to execute any and all further instruments reasonably requested by an Issuing Bank more fully to effect the purposes of this Agreement and the issuance of the Letters of Credit opened hereunder.

(b) It is understood that in connection with Letters of Credit issued for the purposes described in subsection 3.9(b) it may be customary for the Issuing Bank in respect of such Letter of Credit to obtain an opinion of its counsel relating to such Letter of Credit, and each Issuing Bank that issues such a Letter of Credit agrees to cooperate with the Borrower in obtaining such customary opinion, which opinion shall be at the Borrower's expense unless otherwise agreed to by such Issuing Bank.

3.7 Obligations Absolute. The payment obligations of the Borrower under subsection 3.4 shall be unconditional and irrevocable and shall be paid strictly in accordance with the terms of this Agreement under all circumstances, including, without limitation, the following circumstances:



(a) the existence of any claim, set-off, defense or other right which the Borrower may have at any time against any beneficiary, or any transferee, of any Letter of Credit (or any Persons for whom any such beneficiary or any such transferee may be acting), any Issuing Bank or any Participating Bank, or any other Person, whether in connection with this Agreement, the transactions contemplated herein, or any unrelated transaction;

(b) any statement or any other document presented under any Letter of Credit opened for its account proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect;

(c) payment by an Issuing Bank under any Letter of Credit against presentation of a draft or certificate which does not comply with the terms of such Letter of Credit, except payment resulting solely from the gross negligence or willful misconduct of such Issuing Bank; or

(d) any other circumstances or happening whatsoever, whether or not similar to any of the foregoing, except circumstances or happenings resulting from the gross negligence or willful misconduct of such Issuing Bank.

3.8 Letter of Credit Application. To the extent not inconsistent with the terms of this Agreement (in which case the provisions of this Agreement shall prevail), provisions of any Letter of Credit Application related to any Letter of Credit are supplemental to, and not in derogation of, any rights and remedies of the Issuing Banks and the Participating Banks under this Section 3 and applicable law. The Borrower acknowledges and agrees that all rights of the Issuing Bank under any Letter of Credit Application shall inure to the benefit of each Participating Bank to the extent of its Commitment Percentage as fully as if such Participating Bank was a party to such Letter of Credit Application.

3.9 Purpose of Letters of Credit. Each Standby Letter of Credit shall be used by the Borrower solely (a) to provide credit support for borrowings by the Borrower or its Subsidiaries, (b) to pay or secure the payment of the principal amount of, and accrued interest on, and other obligations with respect to, Industrial Revenue Bonds in accordance with the provisions of the indenture related thereto, or (c) for other working capital purposes of the Borrower and Subsidiaries in the ordinary course of business. Each Commercial Letter of Credit will be used by the Borrower and Subsidiaries solely to provide the primary means of payment in connection with the purchase of goods or services by the Borrower and Subsidiaries in the ordinary course of business.

SECTION 4. INTEREST RATE PROVISIONS, FEES AND PAYMENTS

4.1 Interest Rates and Payment Dates. (a) Each ABR Loan shall bear interest for the period from and including the date thereof until maturity, repayment or conversion on the unpaid principal amount thereof at a rate per annum equal to the ABR.

(b) Each Eurodollar Loan shall bear interest for each Interest Period with respect thereto on the unpaid principal amount thereof at a rate per annum equal to the Eurodollar Rate determined for such Interest Period plus the Applicable Margin.

(c) If all or a portion of the principal amount of any of the Loans shall not be paid when due (whether at the stated maturity, by acceleration or otherwise), each Eurodollar Loan shall be converted to an ABR Loan at the end of the last Interest Period therefor for which the Agent shall have determined a Eurodollar Rate on or prior to the date such unpaid principal amount became due. If all or a portion of the principal amount of any of the Loans shall not be paid when due (whether at the stated maturity, by acceleration or otherwise), all Loans shall bear interest while such principal amount is in default at a rate per annum equal to the interest rate then borne by each such Loan under subsection 4.1(a) or 4.1(b), as applicable, plus 2%. Any overdue fees payable hereunder shall bear interest from the due date thereof until payment in full thereof (as well after judgment as before judgment) at a rate per annum equal to the interest rate then borne by ABR Loans plus 2%.

(d) Interest payable under subsection 4.1(a) or 4.1(b) shall be payable in arrears on each Interest Payment Date, commencing on the first such date to occur after the Closing Date. Interest payable under subsection 4.1(c) shall be payable on demand.

4.2 Commitment Fees. The Borrower agrees to pay to the Agent, for the account of each Bank, a commitment fee for the period from and including the Closing Date to the Termination Date calculated on the average daily Available Commitment of such Bank for each day during the period for which such commitment fee is being paid, at the rate per annum set forth below opposite the Coverage Ratio most recently determined:

Level of Coverage Ratio -----	Commitment Fee Rate -----
Level I:	
Coverage Ratio is less than 3.25 to 1	0 .375%

## Level II:

Coverage Ratio is  
 equal to or greater  
 than 3.25 to 1 but less  
 than 4.0 to 1 0 .250%

## Level III:

Coverage Ratio is equal to  
 or greater than 4.0 to 1  
 but less than 5.0 to 1 0 .250%

## Level IV

Coverage Ratio is  
 greater than or equal to 5.0 to 1 0.200%;

provided that (a) the commitment fee rate shall be that set forth above opposite Level II from the Closing Date until the earlier of (i) the Adjustment Date occurring after the first full fiscal quarter following the fiscal quarter in which the Closing Date occurs and (ii) any Equity Closing Date, (b) the commitment fee rate determined for any Adjustment Date shall remain in effect until a subsequent Adjustment Date for which the Coverage Ratio falls within a different Level and (c) if the financial statements and related compliance certificate for any fiscal period are not delivered by the date due pursuant to subsections 7.1 and 7.2(b), the commitment fee rate shall be (i) for the first 5 days subsequent to such due date, that in effect on the day prior to such due date, and (ii) thereafter, that set forth above opposite Level I, in either case, until the subsequent Adjustment Date. Such fee shall be payable quarterly in arrears on the last day of each March, June, September and December, commencing on September 30, 1995 and on the Termination Date.

4.3 Agent's Fees. The Borrower agrees to pay to the Agent, for its own account and for the account of Chemical Securities Inc., any fees as agreed between Chemical and the Borrower in writing from time to time.

4.4 Letter of Credit Fees. (a) In lieu of any letter of credit commissions and fees provided for in any Letter of Credit Application (other than any standard issuance, amendment and negotiation fees), the Borrower will pay the Agent, (i) for the account of the Issuing Bank, a non-refundable fronting fee equal to 0.25% per annum and (ii) for the account of the Banks, a non-refundable Letter of Credit fee equal to the Applicable Margin with respect to Eurodollar Loans less 0.25%, in each case on the amount available to be drawn under such Letter of Credit. Such fee shall be payable quarterly in arrears on the last Business Day of each calendar quarter, and shall be calculated on the average daily amount available to be drawn under the Letters of Credit.

(b) The Borrower agrees to pay the Issuing Bank for its own account its customary administration, amendment, transfer and negotiation fees charged by the Issuing Bank in connection with its issuance and administration of Letters of Credit.

4.5 Computation of Interest and Fees. (a) Interest on the Loans (other than interest calculated on the basis of the Prime Rate (as defined in the definition of ABR)) and all fees payable pursuant hereto shall be calculated on the basis of a 360 day year for the actual days elapsed. Interest calculated on the basis of the Prime Rate shall be calculated on the basis of a 365- or 366- (as the case may be) day year for the actual days elapsed. The Agent shall as soon as practicable notify the Borrower and the Banks of each determination of a Eurodollar Rate. Any change in the interest rate on a Loan resulting from a change in the ABR, the Eurocurrency Reserve Requirements or the Applicable Margin shall become effective as of the opening of business on the day on which such change in the ABR is announced, such change in the Eurocurrency Reserve Requirements shall become effective or such change in the Applicable Margin occurs, as the case may be. The Agent shall as soon as practicable notify the Borrower and the Banks of the effective date and the amount of each such change. For purposes of the Interest Act (Canada), where, in respect of any Loan, (i) a rate of interest is to be calculated on the basis of a year of 360 days, the yearly rate of interest to which the 360 day rate is equivalent is such rate multiplied by the number of days in the year for which such calculation is made and divided by 360, or (ii) an annual rate of interest is to be calculated during a leap year, the yearly rate of interest to which such rate is equivalent is such rate multiplied by 366 and divided by 365.

(b) Each determination of an interest rate by the Agent pursuant to any provision of this Agreement shall be conclusive and binding on the Borrower and the Banks in the absence of manifest error. The Agent shall, at the request of the Borrower, deliver to the Borrower a statement showing the quotations used by the Agent in determining any interest rate pursuant to subsection 4.1(b).

(c) If any Reference Bank's Commitments shall terminate (otherwise than on termination of all the Commitments), or all of its Loans shall be assigned for any reason whatsoever, such Reference Bank shall thereupon cease to be a Reference Bank, and if, as a result of the foregoing, there shall only be one Reference Bank remaining, then the Agent (after consultation with the Borrower and the Banks) shall, by notice to the Borrower and the Banks, designate another Bank as a Reference Bank so that there shall at all times be at least two Reference Banks.

(d) Each Reference Bank shall use its best efforts to furnish quotations of rates to the Agent as contemplated hereby. If any of the Reference Banks shall be unable or otherwise fails to supply such rates to the Agent upon its request, the rate of

interest shall be determined on the basis of the quotations of the remaining Reference Banks or Reference Bank.

4.6 Pro Rata Treatment and Payments. Each borrowing by the Borrower hereunder (other than pursuant to subsection 2.4(a)), each conversion or continuation of a Loan under subsection 2.6, each payment (including each prepayment) by the Borrower on account of principal, interest and fees hereunder (except fees referred to in subsections 4.3, 4.4(a)(i) and 4.4(b) and except for payments in respect of Swing Line Loans) and any reduction of the Commitments shall be made pro rata according to the respective Commitment Percentages of the Banks. All payments (including prepayments) to be made by the Borrower on account of principal, interest and fees shall be made without set off or counterclaim and shall be made to the Agent, for the account of the Banks (except with respect to the fees referred to in subsections 4.3, 4.4(a)(i) and 4.4(b) and except for payments in respect of Swing Line Loans), at the Agent's office set forth in subsection 11.2, in each case on or prior to 12:00 P.M., New York City time, in lawful money of the United States of America and in immediately available funds. The Agent shall promptly distribute each such payment to each Bank. If any payment hereunder (other than payments on the Eurodollar Loans) becomes due and payable on a day other than a Business Day, such payment shall be extended to the next succeeding Business Day, and, with respect to payments of principal, interest thereon shall be payable at the then applicable rate during such extension. If any payment on a Eurodollar Loan becomes due and payable on a day other than a Working Day, the maturity thereof shall be extended to the next succeeding Working Day unless the result of such extension would be to extend such payment into another calendar month in which event such payment shall be made on the immediately preceding Working Day.

4.7 Failure by Banks to Make Funds Available. Unless the Agent shall have been notified in writing by any Bank prior to a Borrowing Date that such Bank will not make the amount which would constitute its Commitment Percentage of the borrowing on such Borrowing Date available to the Agent, the Agent may assume that such Bank has made such amount available to the Agent on such Borrowing Date in accordance with subsection 2.3 or 2.4, as the case may be, and the Agent may, in reliance upon such assumption, make available to the Borrower a corresponding amount. If such amount is made available to the Agent on a date after such Borrowing Date, such Bank shall pay to the Agent on demand an amount equal to the product of (a) the daily average Federal funds rate during such period as quoted by the Agent, times (b) the amount of such Bank's Commitment Percentage of such borrowing, times (c) a fraction the numerator of which is the number of days that elapse from and including such Borrowing Date to the date on which such Bank's Commitment Percentage of such borrowing shall have become immediately available to the Agent and the denominator of which is 360. A certificate of the Agent submitted to any Bank with respect to any amounts owing under

this subsection 4.7 shall be conclusive, absent manifest error. If such Bank's Commitment Percentage of such borrowing is not in fact made available to the Agent by such Bank within three Business Days of such Borrowing Date, the Agent shall be entitled to recover from the Borrower such amount, on demand, with interest thereon at the rate applicable to the Loans made on such Borrowing Date. Nothing herein shall be deemed to relieve any Bank from its obligation to fulfill its Commitment hereunder or to prejudice any rights which the Borrower may have against such Bank as a result of any default by such Bank hereunder.

#### SECTION 5. CONDITIONS PRECEDENT

5.1 Conditions to Closing Date. The Closing Date shall occur on the date of satisfaction of the following conditions precedent:

(a) Agreement; Notes. The Agent shall have received (i) a counterpart of this Agreement for each Bank, duly executed by a Responsible Officer of the Borrower and (ii) for each Bank, a Revolving Credit Note (and, in the case of Chemical, a Swing Line Note) conforming to the requirements hereof, duly executed by a Responsible Officer of the Borrower.

(b) Subsidiary Guarantee. The Agent shall have received, with a counterpart for each Bank, the Subsidiary Guarantee duly executed by each guarantor party thereto.

(c) Security Agreements. The Agent shall have received, with a counterpart for each Bank, each of the Security Agreements duly executed by each grantor party thereto.

(d) Pledge Agreements. The Agent shall have received, with a counterpart for each Bank, each of the Pledge Agreements duly executed by each pledgor party thereto.

(e) Pledged Stock; Stock Powers. The Agent shall have received the certificates representing the shares pledged pursuant to each of the Pledge Agreements, together with an undated stock power for each such certificate executed in blank by a duly authorized officer of the pledgor thereof.

(f) Mortgages. The Agent shall have received, with a counterpart for each Bank, each of the Mortgages duly executed by each mortgagor party thereto.

(g) Perfection Actions. The Agent shall have received evidence in form and substance satisfactory to it that all filings, recordings, registrations and other actions, including, without limitation, the filing of duly executed financing statements on form UCC-1, necessary or, in the

opinion of the Agent, desirable to perfect the Liens created by the Security Documents shall have been completed.

(h) Title Reports. The Agent shall have received in respect of each parcel covered by each Mortgage a title report from a Person satisfactory to the Agent demonstrating that after release of the mortgages (the "Original Mortgages") securing the Existing Credit Agreement and the recordation of the Mortgages immediately after such release, the Mortgages will constitute first mortgage liens on the parcels covered thereby subject only to the exceptions described in the title insurance policies issued in respect of the Original Mortgages and others acceptable to the Agent.

(i) Flood Insurance. The Agent shall have received in respect of each parcel covered by each Mortgage a certificate from Transamerica Flood Certificate Service certifying that no parcel covered by a Mortgage is located in an area that has been identified by the Secretary of Housing and Urban Development as an area having special flood hazards and in which flood insurance has been made available under the National Flood Insurance Act of 1968.

(j) Lien Searches. The Agent shall have received the results of a recent search by a Person satisfactory to the Agent, of the Uniform Commercial Code, judgement and tax lien filings which may have been filed with respect to personal property of the Borrower, and the results of such search shall be reasonably satisfactory to the Agent.

(k) Consents. The Agent shall have received, with copies and executed certificates for each Bank, true and correct copies (in each case certified as to authenticity on such date by a duly authorized officer of the Borrower) of all documents and instruments, including all consents, authorizations and filings, required under any Requirement of Law or by Contractual Obligation of Borrower or any of its Subsidiaries, in connection with the execution, delivery, performance, validity and enforceability of this Agreement and the other Loan Documents, and such consents, authorizations and filings shall be satisfactory in form and substance to the Banks and be in full force and effect.

(l) Incumbency Certificates. The Agent shall have received, with a counterpart for each Bank, a certificate of the Secretary or Assistant Secretary of each Domestic Loan Party, dated the Closing Date, as to the incumbency and signature of their respective officers executing each Loan Document to be entered into on the Closing Date to which it is a party, together with satisfactory evidence of the incumbency of such Secretary or Assistant Secretary.

(m) Corporate Proceedings. The Agent shall have received, with a counterpart for each Bank, a copy of the resolutions in form and substance satisfactory to the Agent, of the Board of Directors (or the executive committee thereof) of each Domestic Loan Party authorizing (i) the execution, delivery and performance of each Loan Document to be entered into on the Closing Date to which it is a party, and (ii) the granting by it of the pledge and security interests, if any, granted by it pursuant to such Loan Document, certified by their respective Secretary or an Assistant Secretary as of the Closing Date, which certificate shall state that the resolutions thereby certified have not been amended, modified, revoked or rescinded as of the date of such certificate.

(n) Fees. The Agent shall have received all fees required to be paid to the Agent and/or the Banks pursuant to Section 4 and/or any other written agreement on or prior to the Closing Date.

(o) Legal Opinion of Counsel to Borrower. The Agent shall have received, with a copy for each Bank, an opinion, dated the Closing Date, of (i) Winston & Strawn, counsel to the Borrower and its Subsidiaries, (ii) Michigan counsel to the Borrower and its Subsidiaries, acceptable to the Agent, (iii) Wisconsin counsel to the Borrower and its Subsidiaries acceptable to the Agent and (iv) Tennessee counsel to the Borrower and its Subsidiaries acceptable to the Agent, in each case in form and substance satisfactory to the Banks and covering such matters incident to the transactions contemplated hereby as the Banks may reasonably require.

(p) Legal Opinions of Foreign Counsel. The Agent shall have received or waived as a condition precedent, with a counterpart for each Bank, an opinion of Stikeman, Elliott, Canadian counsel to the Borrower, Blake, Cassels & Graydon, Canadian counsel to the Agent, Baker & McKenzie, Swedish counsel to the Borrower, Freshfields, French counsel to the Agent, Peltzer & Riesenkampff, German counsel to the Borrower, Enriquez, Gonzales, Aguirre y Ochoa, Mexican counsel to the Borrower, and Clifford Chance, English counsel to the Agent in form and substance satisfactory to the Agent and covering such matters incident to the transactions contemplated hereby as the Agent may reasonably require.

(q) Subordinated Debt Documents; Other Agreements. The Agent shall have received, with a counterpart for each Bank, a certified true copy of the Subordinated Note Indenture, the Senior Subordinated Note Indenture, the Stockholders Agreement, the Subscription Agreements and the Purchase Agreement.



(r) Existing Credit Agreement. The Agent shall have received evidence that the Existing Credit Agreement shall have been terminated (other than those obligations which, by their terms, survive termination) and all amounts payable thereunder shall have been paid (other than obligations in respect of Existing Letters of Credit, which become outstanding under this Agreement).

(s) Environmental Report. The Agent shall have received, with a counterpart for each Bank, complete copies of each of the written reports obtained by or on behalf of the Borrower from AIHI and/or its Subsidiaries reasonably satisfactory to the Agent.

(t) Minimum Share Amount. The Agent shall have received evidence that Acquisition Corp. shall have acquired concurrently with the initial Loans on the Closing Date not less than a majority, on a fully diluted basis, of the AIHI Shares and there shall not have been any material change in the number of AIHI Shares outstanding (on a fully diluted basis) since July 7, 1995.

(u) Offer to Purchase. The Tender Offer transactions shall have been consummated (prior to or concurrently with the initial Loans on the Closing Date) pursuant to the terms and conditions of the Offer to Purchase, and none of the material terms or conditions of the Tender Offer shall have been waived or modified (except with the consent of the Agent and the Required Banks).

(v) Merger Agreement. The Merger Agreement shall be in full force and effect and the Agent shall have received, in sufficient copies for each Bank, a certified complete copy of the Merger Agreement.

(w) Margin Regulations. All Loans made under this Agreement shall be in full compliance with all applicable requirements of law, including, without limitation, Regulations G, T, U and X, and the Agent shall have received, for each Bank, a properly completed and duly executed Form FR U-1 and Form FR G-3, as applicable.

(x) Acquisition Pledge Agreement; Depositary Agency Agreement. The Agent shall have received the Acquisition Pledge Agreement, duly executed by each of the parties thereto and the Depositary Agency Agreement, duly executed by the Depositary, the Borrower and Acquisition Corp., and there shall have been delivered to the Agent or the Depositary:

(i) certificates representing the Initially Pledged Stock (as such term is defined in the Acquisition Pledge Agreement) (other than any such Initially Pledged Stock constituting Book-Entry Shares

(as defined in the Acquisition Pledge Agreement) that has been transferred into an account of Chemical, for the benefit of the Agent, with the Clearing Corporation (as defined in the Acquisition Pledge Agreement) in accordance with Section 4(b) of the Acquisition Pledge Agreement);

(ii) an undated stock power for each such certificate executed in blank; and

(iii) with respect to Initially Pledged Stock consisting of Book-Entry Shares, evidence that all actions described in Section 3(b) of the Acquisition Pledge Agreement which are necessary to create and perfect the security interests pursuant to the Acquisition Pledge Agreement in accordance with Article 8 of the Uniform Commercial Code have been taken.

The Initially Pledged Stock under the Acquisition Pledge Agreement shall constitute all of the AIHI Shares acquired in the Tender Offer or through the Tender Offer Documents or otherwise owned by the Borrower and its Subsidiaries.

(y) Representations and Warranties. The representations and warranties made by each of the Loan Parties in or pursuant to the Loan Documents shall be true and correct in all material respects on and as of the Closing Date as if made on and as of the Closing Date.

(aa) Additional Matters. All corporate and other proceedings, and all documents, instruments and other legal matters in connection with the transactions contemplated by the Loan Documents shall be reasonably satisfactory in form and substance to the Agent.

5.2 Conditions to Loans to Be Made on the Merger Date.

The obligation of each Bank to make any Loan requested to be made by it on the Merger Date to fund the payment of the Merger Consideration (as defined in the Merger Agreement) is subject to the satisfaction of the following conditions precedent:

(a) Subsection 5.1 Conditions Satisfied. Each of the conditions precedent listed in subsection 5.1 shall have been satisfied or waived in accordance with this Agreement.

(b) Merger. The Agent shall be reasonably satisfied that all transactions in connection with the Merger have been consummated under the terms and conditions of the Merger Agreement and in compliance with all relevant laws and regulations and that the Merger has become effective.

(c) Approvals. Prior to or concurrently with the making of the Loans to be made on the Merger Date, all

conditions set forth in Section 9.01 of the Merger Agreement shall have been satisfied.

(d) Legal Opinion. The Agent shall have received, in sufficient copies for each Bank, opinions of counsel to the Borrower and Acquisition Corp. reasonably satisfactory to the Agent, addressed to the Agent and the Banks, containing opinions substantially in the form of Exhibit L-2, with customary assumptions, qualifications and exceptions.

5.3 Conditions to Each Loan and Each Letter of Credit. The agreement of each Bank to make any Loan requested to be made by it on any date (including, without limitation, the Closing Date) and the agreement of the Issuing Bank to open any Letter of Credit requested to be opened on any date (including, without limitation, the Closing Date), is subject to the satisfaction of the following conditions precedent as of the date such Loan or Letter of Credit is requested to be made or opened:

(a) Representations and Warranties. Each of the representations and warranties made by each of the Loan Parties in or pursuant to the Loan Documents shall be true and correct in all material respects on and as of such date as if made on and as of such date.

(b) No Default. No Default or Event of Default shall have occurred and be continuing on such date or after giving effect to the Loans or the Letters of Credit requested to be made or opened, as the case may be, on such date.

(c) No Litigation. No material litigation, investigation or proceeding before or by any arbitrator or Governmental Authority shall be continuing or threatened against Borrower, any Subsidiary or any of the officers or directors of any thereof in connection with any Loan Document or any of the transactions contemplated hereby or thereby.

(d) No Violations of Law. The Loans and the use of proceeds thereof shall not contravene, violate or conflict with, nor involve any Bank in a violation of, any law, rule, injunction, or regulation or determination of any court of law or other Governmental Authority.

(e) No Change. Since the Closing Date, there shall have been no material adverse change in the business, operations, assets or financial or other condition of the Borrower and its Subsidiaries taken as a whole.

(f) Borrowing Certificate. The Agent shall have received, with a copy for each Bank, a certificate of the Borrower, substantially in the form of Exhibit I, dated such Borrowing Date and executed and delivered by a Responsible Officer of the Borrower.

Each borrowing by the Borrower hereunder and each request for issuance of a Letter of Credit shall constitute a representation and warranty by the Borrower as of the date of such borrowing that the conditions contained in this subsection 5.3 have been satisfied.

#### SECTION 6. REPRESENTATIONS AND WARRANTIES

To induce the Banks to enter into this Agreement and to make the Loans, and to induce the Issuing Bank to issue Letters of Credit, the Borrower hereby represents and warrants to the Agent and to each Bank that:

6.1 Financial Statements. The audited consolidated balance sheets of the Borrower as of December 31, 1994 and the related statements of income and cash flow for the period ending on such date, heretofore furnished to the Agent and the Banks and certified by a Responsible Officer of the Borrower are complete and correct in all material respects and fairly present the financial condition of the Borrower on such date in conformity with GAAP applied on a consistent basis (subject to normal year-end adjustments). All liabilities, direct and contingent, of the Borrower on such dates required to be disclosed pursuant to GAAP are disclosed in such financial statements.

6.2 No Change. There has been no material adverse change in the business, operations, assets or financial or other condition of the Borrower and its Subsidiaries taken as a whole from that reflected on the financial statements dated December 31, 1994 referred to in subsection 6.1.

6.3 Corporate Existence; Compliance with Law. The Borrower and each of its Material Subsidiaries (a) is duly organized, validly existing and in good standing (or the functional equivalent thereof in the case of Foreign Subsidiaries) under the laws of the jurisdiction of its organization, (b) has the corporate power and authority, and the legal right, to own and operate its property, to lease the property it operates as lessee and to conduct the business in which it is currently engaged, (c) is duly qualified as a foreign corporation and in good standing (or the functional equivalent thereof in the case of Foreign Subsidiaries) under the laws of each jurisdiction where its ownership, lease or operation of property or the conduct of its business requires such qualification except where the failure to be so qualified and in good standing would not, individually or in the aggregate, have a material adverse effect on the business, operations, property or financial or other condition of the Borrower and its Subsidiaries taken as a whole and would not adversely affect the ability of any Loan Party to perform its respective obligations under the Loan Documents to which it is a party and (d) is in compliance with all Requirements of Law, except to the extent that the failure to comply therewith could not, individually or in the

aggregate, have a material adverse effect on the business, operations, assets or financial or other condition of the Borrower and its Subsidiaries taken as a whole and could not adversely affect the ability of any Loan Party to perform its obligations under the Loan Documents to which it is a party.

6.4 Corporate Power; Authorization; Enforceable Obligations. (a) Each Loan Party has the corporate power and authority, and the legal right, to execute, deliver and perform each of the Loan Documents to which it is a party or to which this Agreement requires it to become a party. The Borrower has the corporate power and authority to borrow hereunder and has taken all necessary corporate action to authorize the borrowings on the terms and conditions of this Agreement and the Notes. Each Loan Party has taken all necessary corporate action to authorize the execution, delivery and performance of each of the Loan Documents to which it is a party or to which this Agreement requires it to become a party.

(b) No consent or authorization of, filing with or other act by or in respect of any Person (including, without limitation, any Governmental Authority) is required in connection with the borrowings hereunder or with the execution, delivery, performance, validity or enforceability of the Loan Documents or the consummation of any of the transactions contemplated hereby or thereby, except for consents, authorizations, or filings which have been obtained and are in full force and effect.

(c) This Agreement and each other Loan Document to which any Loan Party is a party has been, and each other Loan Document to be executed by a Loan Party hereunder will be, duly executed and delivered on behalf of such Loan Party. This Agreement and each other Loan Document to which any Loan Party is a party constitutes, and each other Loan Document to be executed by a Loan Party hereunder will constitute, a legal, valid and binding obligation of such Loan Party enforceable against such Loan Party in accordance with its terms, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally and by general equitable principles (whether enforcement is sought by proceedings in equity or at law).

6.5 No Legal Bar; Senior Debt. The execution, delivery and performance by each Loan Party of the Loan Documents to which it is a party, the borrowings hereunder and the use of the proceeds thereof, (a) will not violate any Requirement of Law or any Contractual Obligation of the Borrower or any other Loan Party (including, without limitation, the Senior Subordinated Note Indenture and the Subordinated Note Indenture) except for violations of Requirements of Law and Contractual Obligations (other than such Indentures) which, individually or in the aggregate will not have a material adverse effect on the business, operations, property or financial or other condition of

the Borrower and its Subsidiaries taken as a whole and will not adversely affect the ability of any Loan Party to perform its obligations under any of the Loan Documents to which it is a party and (b) will not result in, or require, the creation or imposition of any Lien (other than the Liens created by the Security Documents) on any of its or their respective properties or revenues pursuant to any Requirement of Law or Contractual Obligation. The Obligations constitute "Senior Indebtedness" benefitting from the subordination provisions contained in the Subordinated Debt, except to the extent that such Obligations are owed to an Affiliate of the Borrower.

6.6 No Material Litigation. No litigation, investigation or proceeding of or before any arbitrator or Governmental Authority is pending or, to the knowledge of the Borrower, threatened by or against the Borrower or any of its Subsidiaries or against any of its or their respective properties or revenues (a) with respect to any Loan Document or any of the transactions contemplated hereby or thereby, (b) which, if adversely determined, would have a material adverse effect on the business, operations, property or financial or other condition of the Borrower and its Subsidiaries taken as a whole or (c) which could adversely affect the ability of any Loan Party to perform its obligations under any of the Loan Documents to which it is a party.

6.7 No Default. Neither the Borrower nor any of its Subsidiaries is in default under or with respect to any Contractual Obligation or any order, award or decree of any Governmental Authority or arbitrator binding upon it or any of its properties in any respect which would have a material adverse effect on the business, operations, property or financial or other condition of the Borrower and its Subsidiaries taken as a whole or which would adversely affect the ability of any Loan Party to perform its obligations under any of the Loan Documents to which it is a party. No Default or Event of Default has occurred and is continuing.

6.8 Ownership of Property; Liens. The Borrower and each of its Material Subsidiaries has good record and marketable title in fee simple to, or a valid and subsisting leasehold interest in all its real property, and good title to all its other property, and none of such property is subject to any Lien, except as permitted in subsection 8.3.

6.9 No Burdensome Restrictions. No Contractual Obligation of the Borrower or any of its Subsidiaries and no Requirement of Law materially adversely affects, or insofar as the Borrower could reasonably foresee may so affect, the business, operations, property or financial or other condition of the Borrower and its Subsidiaries taken as a whole.

6.10 Taxes. The Borrower and each of its Material Subsidiaries has filed or caused to be filed all tax returns

which to the knowledge of the Borrower are required to be filed and has paid all taxes shown to be due and payable on said returns or on any assessments made against it or any of its property and all other taxes, fees or other charges imposed on it or any of its property (including, without limitation, the Mortgaged Properties) by any Governmental Authority (other than those which, in the aggregate, are not substantial in amount or those the amount or validity of which are currently being contested in good faith by appropriate proceedings and with respect to which reserves in conformity with GAAP have been provided on the books of the Borrower or its Subsidiaries, as the case may be); and no tax lien has been filed and, to the knowledge of the Borrower, no claim is being asserted with respect to any such tax, fee or other charge.

6.11 Securities Law, etc. Compliance. All transactions contemplated by this Agreement and the other Loan Documents comply in all material respects with all applicable laws and any rules and regulations thereunder, including takeover, disclosure and other federal, state and foreign securities law and Regulations G, T, U and X of the Federal Reserve Board.

6.12 ERISA. Neither a Reportable Event nor an "accumulated funding deficiency" (within the meaning of Section 412 of the Code or Section 302 of ERISA) has occurred during the five-year period prior to the date on which this representation is made or deemed made with respect to any Plan, and each Plan has complied in all material respects with the applicable provisions of ERISA and the Code. No termination of a Single Employer Plan has occurred and no Lien under the Code or ERISA in favor of PBGC or a Single Employer Plan has arisen during the five-year period prior to the date as of which this representation is deemed made. The present value of all accrued benefits under each Single Employer Plan maintained by the Borrower or any Commonly Controlled Entity (based on those assumptions used to fund the Plans) did not, as of the last annual valuation date prior to the date on which this representation is made or deemed made, exceed the value of the assets of such Plan allocable to such accrued benefits, either individually or in the aggregate with all other Single Employer Plans under which such accrued benefits exceed such assets, by more than \$20,000,000. Neither the Borrower nor any Commonly Controlled Entity has had a complete or partial withdrawal from any Multiemployer Plan, and neither the Borrower nor any Commonly Controlled Entity would become subject to liability under ERISA in the aggregate which exceeds \$20,000,000 if the Borrower or any such Commonly Controlled Entity were to withdraw completely from all Multiemployer Plans as of the valuation date most closely preceding the date hereof, and no such withdrawal is likely to occur. No such Multiemployer Plan is in Reorganization or Insolvent. The present value (determined using actuarial and other assumptions which are reasonable in respect of the benefits provided and the employees participating) of the liability of the

Borrower and each Commonly Controlled Entity for post retirement benefits to be provided to their current and former employees under Plans which are welfare benefit plans (as defined in Section 3(1) of ERISA) does not, in the aggregate, exceed the assets under all such Plans allocable to such benefits by an amount in excess of \$75,000,000.

6.13 Investment Company Act; Other Regulations. The Borrower is not an "investment company" within the meaning of the Investment Company Act of 1940, as amended. The Borrower is not subject to regulation under any federal or state statute or regulation which limits its ability to incur Indebtedness.

6.14 Subsidiaries, etc. The only Subsidiaries of the Borrower, and the only partnerships, joint ventures or business trusts in which the Borrower or any Subsidiary has an interest as of the Closing Date, are those listed on Schedule 6.14. The Borrower owns, as of the Closing Date, the percentage of the issued and outstanding capital stock or other evidences of the ownership of each Subsidiary, partnership or joint venture listed on Schedule 6.14 as set forth on such Schedule. No such Subsidiary, partnership or joint venture has issued any securities convertible into shares of its capital stock (or other evidence of ownership) or any options, warrants or other rights (other than options, warrants or rights to purchase capital stock of AIHI which are outstanding on the date hereof and will be redeemed or otherwise terminated no later than the Merger Date and certain preferred stock of AIHI which may remain outstanding after the Merger Date and will be redeemed for an amount not exceeding \$8,000,000 in the aggregate), to acquire such shares or securities convertible into such shares (or other evidence of ownership), and the outstanding stock and securities (or other evidence of ownership) of such Subsidiaries, partnerships or joint ventures are owned by the Borrower and its Subsidiaries free and clear of all Liens, warrants, options or rights of others of any kind whatsoever except for Liens permitted by subsection 8.3. All of the divisions of the Borrower and its Subsidiaries as of the Closing Date are listed on Schedule 6.14.

6.15 Accuracy and Completeness of Information. All information, reports and other papers and data with respect to the Borrower or this Agreement or any transaction contemplated hereby furnished to the Banks by the Borrower or on behalf of the Borrower, were, at the time the same were so furnished, complete and correct in all material respects, or have been subsequently supplemented by other information, reports or other papers or data, to the extent necessary to give the Banks a true and accurate knowledge of the subject matter in all material respects. All projections with respect to the Borrower and its Subsidiaries or with respect to the Merger, so furnished by the Borrower, as supplemented, were prepared and presented in good faith by the Borrower, it being recognized by the Banks that such projections as to future events are not to be viewed as facts and that actual results during the period or periods covered by any



such projections may differ from the projected results. No fact is known to the Borrower which materially and adversely affects or in the future may (so far as the Borrower can reasonably foresee) materially and adversely affect the business, assets, liabilities, financial or other condition or prospects of the Borrower or its Subsidiaries taken as a whole, which has not been set forth in the financial statements referred to in subsection 6.1 or in such information, reports, papers and data or otherwise disclosed in writing to the Banks prior to the Closing Date. No document furnished or statement made in writing to the Banks by the Borrower in connection with the negotiation, preparation or execution of this Agreement contains any untrue statement of a material fact, or, to the knowledge of the Borrower after due inquiry, omits to state any such material fact necessary in order to make the statements contained therein not misleading, in either case which has not been corrected, supplemented or remedied by subsequent documents furnished or statements made in writing to the Banks.

6.16 Security Documents. (a) Each Security Agreement is effective to create in favor of the Agent, for the ratable benefit of the Banks, a legal, valid and enforceable security interest in all right, title and interest of the Loan Party thereto in the collateral described therein. Such Security Agreement constitutes a fully perfected first Lien on, and security interest in, all right, title and interest of such Loan Party in the collateral described therein.

(b) Each Pledge Agreement is effective to create in favor of the Agent, for the ratable benefit of the Banks, a legal, valid and enforceable security interest in the pledged assets described therein. Such Pledge Agreement constitutes a fully perfected first Lien on, and security interest in, all right, title and interest of the Loan Party thereto in the pledged assets described therein.

(c) Each Mortgage is effective to grant to the Agent, for the ratable benefit of the Banks, a legal, valid and enforceable mortgage lien on all of the right, title and interest of the Loan Party thereto in the mortgaged property described therein. Upon recordation of each Mortgage in the recording office specified therein and the release of the related Original Mortgage, such Mortgage will constitute a fully perfected lien on and security interest in, such mortgaged property, subject to the encumbrances and exceptions to title set forth in the title policies or title reports previously delivered to the Agent.

6.17 Patents, Copyrights, Permits and Trademarks. Each of the Borrower and its Subsidiaries owns, or has a valid license or sub-license in, all domestic and foreign letters patent, patents, patent applications, patent and know-how licenses, inventions, technology, permits, trademark registrations and applications, trademarks, trade names, trade secrets, service marks, copyrights, product designs,

applications, formulae, processes and the industrial property rights ("Proprietary Rights") used in the operation of its businesses in the manner in which they are currently being conducted and which are material to the business, operations, assets or financial or other condition of the Borrower and its Subsidiaries taken as a whole. Neither the Borrower nor any of its Subsidiaries is aware of any existing or threatened infringement or misappropriation of any Proprietary Rights of others by the Borrower or any of its Subsidiaries or of any Proprietary Rights of the Borrower or any of its Subsidiaries by others which is material to the business operations, assets or financial or other condition of the Borrower and its Subsidiaries taken as a whole.

6.18 Environmental Matters. Except as disclosed in Schedule 6.18, and other than such exceptions to any of the following that would not reasonably be expected to give rise to a material adverse effect on the business, operations, property or financial condition of the Borrower and its Subsidiaries taken as a whole, (a) with respect to the Mortgaged Properties:

(i) Except for the property referred to in subsection 7.10(c), the Mortgaged Properties constitute all of the real properties owned in fee by the Borrower and its Subsidiaries in the United States and required to be mortgaged to the Agent, for the ratable benefit of the Banks.

(ii) To the best knowledge of the Borrower and its Subsidiaries, after reasonable investigation consisting of reasonable environmental compliance, review, monitoring, and remedial activities conducted at the individual manufacturing, warehouse, or production facility level, with all information relating to environmental matters arising at such facilities being sent to the corporate officers of the Borrower from such manufacturing, warehouse or production facilities of any Subsidiary, the Mortgaged Properties do not contain, and have not previously contained, any Hazardous Materials in amounts or concentrations or under such conditions which (A) constitute a violation of, or (B) could reasonably give rise to any liability under any applicable Environmental Laws.

(iii) To the best knowledge of the Borrower and its Subsidiaries, after reasonable investigation consisting of reasonable environmental compliance, review, monitoring, and remedial activities conducted at the individual manufacturing, warehouse, or production facility level, with all information relating to environmental matters arising at such facilities being sent to the corporate officers of the Borrower from such manufacturing, warehouse or production facilities of any Subsidiary, the Mortgaged Properties and all operations at the Mortgaged Properties are in compliance, and have been in compliance for the time period that each of the Mortgaged Properties has been owned by the

Borrower or its Subsidiaries, with all Environmental Laws, and there is no contamination at, on or under the Mortgaged Properties, or violation of any Environmental Laws with respect to the Mortgaged Properties which could interfere with the continued operation of the Mortgaged Properties or impair the fair saleable value thereof. Neither the Borrower nor any Subsidiary has knowingly assumed any liability, by contract or otherwise, of any person under any Environmental Laws, other than in connection with the Tender Offer and the Merger.

(iv) Neither the Borrower nor any of its Subsidiaries has received any Environmental Complaint with regard to any of the Mortgaged Properties or the operations of the Borrower or any of its Subsidiaries, nor does the Borrower or any of its Subsidiaries have knowledge or reason to believe that any such notice will be received or is being threatened.

(v) To the best knowledge of the Borrower and its Subsidiaries, based on the Borrower's and the Subsidiaries' customary practice of contracting only with licensed haulers for removal of Hazardous Materials from the Mortgaged Properties only to facilities authorized to receive such Hazardous Materials, Hazardous Materials have not been transported or disposed of from the Mortgaged Properties in violation of, or in a manner or to a location which could reasonably give rise to liability under, Environmental Laws, nor have any Hazardous Materials been generated, treated, stored or disposed of at, on or under any of the Mortgaged Properties in violation of, or in a manner that could reasonably give rise to liability under any Environmental Laws.

(vi) No judicial proceedings or governmental or administrative action is pending, or, to the knowledge of the Borrower and its Subsidiaries, threatened, under any Environmental Law to which the Borrower and its Subsidiaries are or will be named as a party with respect to the Mortgaged Properties, nor are there any consent decrees or other decrees, consent orders, administrative orders or other orders, or other administrative or judicial requirements outstanding under any Environmental Law with respect to the Mortgaged Properties.

(vii) To the best knowledge of the Borrower and its Subsidiaries after reasonable investigation, consisting of reasonable environmental compliance, review, monitoring, and remedial activities conducted at the individual manufacturing, warehouse, or production facility level, with all information relating to environmental matters arising at such facilities being sent to the corporate officers of the Borrower from such manufacturing, warehouse or production facilities of any Subsidiary, there has been no release or

threat of release of Hazardous Materials at or from the Mortgaged Properties, or arising from or related to the operations of the Borrower or its Subsidiaries in connection with the Mortgaged Properties in violation of or in amounts or in a manner that could reasonably give rise to liability under any Environmental Laws.

(b) To the best knowledge of the Borrower and its Subsidiaries, after reasonable investigation: (i) with respect to each parcel of real property owned or operated by the Borrower and its Subsidiaries (other than the Mortgaged Properties), each of the representations and warranties set forth in subsection 6.18(a)(ii) through (a)(vii) is true and correct; and (ii) none of the present or former operations or properties of AIHI or any of its Subsidiaries or Hazardous Materials attributed thereto regardless of where located, is reasonably likely to give rise to any violation of or liability under any Environmental Law.

6.19 Acquisition Documents. Each Acquisition Document to which the Borrower or any of its Subsidiaries is a party has been duly executed and delivered by the Borrower or such Subsidiary, as the case may be, and to the best knowledge of the Borrower, each Acquisition Document has been duly executed and delivered by the parties thereto other than the Borrower and its Subsidiaries and is in full force and effect. The representations and warranties of the Borrower and each of its Subsidiaries contained in each Acquisition Document to which the Borrower or such Subsidiary, as the case may be, is a party are true and correct in all material respects on the date hereof and will be true and correct in all material respects on the date hereof, the Closing Date and the Merger Date, and the Agent and each Bank shall be entitled to rely upon such representations and warranties with the same force and effect as if they were incorporated in this Agreement and made to each Bank directly as of the date hereof, the Closing Date and the Merger Date. To the best knowledge of the Borrower and each of its Subsidiaries, the representations and warranties of each other party to each Acquisition Document contained therein are true and correct in all material respects on the date hereof and on the Closing Date as if made on and as of the date hereof and the Closing Date, such knowledge qualification being given only with respect to parties to the Acquisition Documents other than the Borrower and its Subsidiaries. To the best knowledge of the Borrower and each of its Subsidiaries, none of the Tender Offer Documents contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading.

6.20 Regulation H. No Mortgage encumbers improved real property which is located in an area that has been identified by the Secretary of Housing and Urban Development as an area having special flood hazards and in which flood insurance

has been made available under the National Flood Insurance Act of 1968.

#### SECTION 7. AFFIRMATIVE COVENANTS

The Borrower hereby agrees that, so long as the Commitments remain in effect, any Note or Letter of Credit remains outstanding or any other amount is owing to any Bank or the Agent hereunder, the Borrower shall, and (except in the case of delivery of financial information, reports and notices) shall cause each of its Subsidiaries to:

##### 7.1 Financial Statements. Furnish to each Bank:

(a) as soon as available, but in any event within 95 days after the end of each fiscal year of the Borrower a copy of the audited consolidated balance sheets of the Borrower and its consolidated Subsidiaries as at the end of such year and the related consolidated statements of income and cash flows for such year, setting forth in each case in comparative form the figures for the previous year, reported on without a "going concern" or like qualification or exception, or qualification arising out of the scope of the audit, by independent certified public accountants of nationally recognized standing;

(b) as soon as available, but in any event not later than 50 days after the end of each of the first three quarterly periods of each fiscal year of the Borrower the unaudited consolidated and consolidating balance sheet of the Borrower and its consolidated Subsidiaries as at the end of each such quarter and the related unaudited consolidated and consolidating statements of income and cash flows of the Borrower and their consolidated Subsidiaries for such quarter and the portion of the fiscal year through such date, setting forth in each case in comparative form the figures for the corresponding quarterly period of the previous year, certified by a Responsible Officer (subject to normal year-end audit adjustments).

The Borrower covenants and agrees that all such financial statements shall be complete and correct in all material respects and shall be prepared in reasonable detail and in accordance with GAAP applied consistently throughout the periods reflected therein (except as approved by such accountants or officer, as the case may be, and disclosed therein).

##### 7.2 Certificates; Other Information. Furnish to each Bank:

(a) concurrently with the delivery of the financial statements referred to in subsection 7.1(a), (i) a certificate of the independent certified public accountants

reporting on such financial statements stating that in making the examination necessary therefor no knowledge was obtained of any Default or Event of Default, except as specified in such certificate and (ii) a certificate of such certified public accountants showing in detail the calculations supporting such statements in respect of subsection 8.1;

(b) concurrently with the delivery of the financial statements referred to in subsection 7.1(a) and (b), a certificate of a Responsible Officer of the Borrower (i) stating that such Responsible Officer has obtained no knowledge of any Default or Event of Default except as specified in such certificate, (ii) stating, to the best of such Responsible Officer's knowledge, that all such financial statements are complete and correct in all material respects (subject, in the case of interim statements, to normal year-end audit adjustments) and have been prepared in reasonable detail and in accordance with GAAP applied consistently throughout the periods reflected therein (except as disclosed therein) and (iii) showing in detail the calculations supporting such statements in respect of subsection 8.1;

(c) concurrently with the delivery of the financial statements referred to in subsection 7.1(a) and (b), a copy of management's report on the business, operations, property and financial and other condition of the Borrower and its Subsidiaries, including financial results with respect to each of their individual manufacturing facilities, together with management's discussion thereof;

(d) concurrently with the delivery of the financial statements referred to in subsection 7.1(b), until the Merger is consummated (if such financial statements are required to be filed with the Securities and Exchange Commission pursuant to the Exchange Act), the unaudited consolidated financial statements of AIHI and its Subsidiaries prepared in conformity with GAAP, consisting of a consolidated balance sheet as at the end of each fiscal quarter and the related unaudited consolidated statements of income and cash flows for such quarter and the portion of the fiscal year through such date, setting forth in each case in comparative form the figures for the corresponding quarterly period of the previous year.

(e) not later than thirty days after the end of each fiscal year of the Borrower a copy in detail reasonably acceptable to the Agent of the projections by the Borrower of the operating budget and cash flow of the Borrower and its Subsidiaries, in each case for the next succeeding fiscal year, such projections to be accompanied by a certificate of a Responsible Officer of the Borrower to the effect that such projections have been prepared on the basis

of sound financial planning practice and that such officer on behalf of the Borrower has no reason to believe they are incorrect or misleading in any material respect;

(f) promptly upon receipt thereof, copies of all reports submitted to the Borrower by independent certified public accountants in connection with each annual, interim or special audit of the books of the Borrower made by such accountants, including, without limitation, any management letter commenting on the Borrower's internal controls submitted by such accountants to management in connection with their annual audit;

(g) promptly after the same are sent, copies of all financial statements and reports which the Borrower sends to its public equity holders, and within five days after the same are filed, copies of all financial statements and reports which the Borrower may make to, or file with, the Securities and Exchange Commission or any successor or analogous Governmental Authority; and

(h) promptly, such additional financial and other information as any Bank may from time to time reasonably request.

7.3 Performance of Obligations. Perform in all material respects all of its obligations under the terms of each mortgage, indenture, security agreement and other debt instrument by which it is bound or to which it is a party and pay, discharge or otherwise satisfy at or before maturity or before they become delinquent, as the case may be, all its material obligations of whatever nature, except when the amount or validity thereof is currently being contested in good faith by appropriate proceedings and reserves in conformity with GAAP with respect thereto have been provided on the books of the Borrower or its Subsidiaries, as the case may be.

7.4 Conduct of Business, Maintenance of Existence and Compliance with Obligations and Laws. Continue to engage in business of the same general type as now conducted by it and preserve, renew and keep in full force and effect its corporate existence and take all reasonable action to maintain all rights, privileges and franchises necessary or desirable in the normal conduct of its business except as otherwise permitted pursuant to subsection 8.5; comply with all Contractual Obligations and Requirements of Law except to the extent that failure to comply therewith could not reasonably be expected to have, individually or in the aggregate, a material adverse effect on the business, operations, property or financial or other condition of the Borrower and its Subsidiaries taken as a whole and could not reasonably be expected to adversely affect the ability of the Borrower or any of its Subsidiaries to perform their respective obligations under any of the Loan Documents to which they are a party.

7.5 Maintenance of Property; Insurance. Keep each Mortgaged Property and all other property useful and necessary in its business in good working order and condition; maintain with financially sound and reputable insurance companies insurance on all its property in at least such amounts and against at least such risks (but including in any event public liability, product liability and business interruption) as are usually insured against in the same general area by companies engaged in the same or a similar business (including, without limitation, the insurance required pursuant to the Security Documents); and furnish to the Agent, upon written request, full information as to the insurance carried.

7.6 Inspection of Property; Books and Records; Discussions. Keep proper books of records and account in which full, true and correct entries in conformity with GAAP and all Requirements of Law shall be made of all dealings and transactions in relation to its business and activities; and permit representatives of any Bank to visit and inspect any of its properties and examine and make abstracts from any of its books and records upon reasonable notice and at any reasonable time and as often as may reasonably be desired, and to discuss the business, operations, properties and financial and other condition of the Borrower and its Subsidiaries with officers and employees of the Borrower and its Subsidiaries and with its independent certified public accountants.

7.7 Notices. Promptly give notice to the Agent and each Bank:

(a) of the occurrence of any Default or Event of Default;

(b) of any (i) default or event of default under any Contractual Obligation of the Borrower or any of its Subsidiaries or (ii) litigation, investigation or proceeding which may exist at any time between the Borrower or any of its Subsidiaries and any Governmental Authority, which in the case of either clause (i) or (ii) above, if not cured or if adversely determined, as the case may be, could have a material adverse effect on the business, operations, property or financial condition of the Borrower and its Subsidiaries taken as a whole or could adversely affect the ability of the Borrower or any of its Subsidiaries to perform their respective obligations under any of the Loan Documents to which they are a party;

(c) of any litigation or proceeding affecting the Borrower or any of its Subsidiaries in which the amount involved is \$3,000,000 or more and not covered by insurance or in which material injunctive or similar relief is sought;



(d) of the following events, as soon as possible and in any event within 30 days after the Borrower knows or has reason to know thereof: (i) the occurrence or expected occurrence of any Reportable Event with respect to any Single Employer Plan, a failure to make any required contribution to any Single Employer Plan, unless such failure is cured within such 30 days or does not involve an amount in excess of \$500,000, any Lien under the Code or ERISA in favor of the PBGC or a Single Employer Plan, or any withdrawal from, or the termination, Reorganization or Insolvency of any Multiemployer Plan or (ii) the institution of proceedings or the taking of any other action by the PBGC or the Borrower or any Commonly Controlled Entity or any Multiemployer Plan with respect to the withdrawal from, or the termination, Reorganization or Insolvency of, any Single Employer or Multiemployer Plan, if such proceedings or other action would reasonably be expected to cause a material adverse change in the business, assets, operations or financial condition of the Borrower and its Subsidiaries taken as a whole;

(e) of any Environmental Complaint materially affecting the Borrower or any Subsidiary, any Mortgaged Property or the operations of the Borrower or any Subsidiary, and any notice from any Person of (i) the occurrence of any release, spill or discharge of any Hazardous Material that is reportable under any Environmental Law, (ii) the commencement of any clean up pursuant to or in accordance with any Environmental Law of any Hazardous Material at, on, under or within the Mortgaged Property or any part thereof or (iii) any other condition, circumstance, occurrence or event, any of which could reasonably be expected to result in a material liability of the Borrower or any Subsidiary under any Environmental Law;

(f) of (i) the incurrence of any Lien (other than Liens permitted pursuant to subsection 8.3) on, or claim asserted against any of the collateral security in the Security Documents or (ii) the occurrence of any other event which could reasonably be expected to have a material adverse effect on the aggregate value of the collateral under any Security Document; and

(g) of a material adverse change in the business, operations, property or financial or other condition of the Borrower and its Subsidiaries taken as a whole.

Each notice pursuant to this subsection 7.7 shall be accompanied by a statement of a Responsible Officer of the Borrower setting forth details of the occurrence referred to therein and stating what action the Borrower proposes to take with respect thereto.

7.8 Maintenance of Liens of the Security Documents.  
Promptly, upon the reasonable request of any Bank, at the

Borrower's expense, execute, acknowledge and deliver, or cause the execution, acknowledgement and delivery of, and thereafter register, file or record, or cause to be registered, filed or recorded, in an appropriate governmental office, any document or instrument supplemental to or confirmatory of the Security Documents or otherwise deemed by the Agent necessary or desirable for the continued validity, perfection and priority of the Liens on the collateral covered thereby.

7.9 Environmental Matters. (a) Comply in all material respects with, and use all reasonable efforts to ensure compliance in all material respects by all tenants and subtenants, if any, with, all Environmental Laws and all requirements existing thereunder and obtain and comply in all material respects with and maintain, and use all reasonable efforts to ensure that all tenants and subtenants obtain, comply in all material respects with and maintain, any and all licenses, approvals, notifications, registrations or permits required by Environmental Laws.

(b) Promptly comply in all material respects with all lawful orders and directives of all Governmental Authorities regarding Environmental Laws, other than such orders and directives as to which an appeal has been taken in good faith and the pendency of any and all such appeals does not materially and adversely affect the Borrower or any Subsidiary, any Mortgaged Property, or the operations of the Borrower or any Subsidiary.

(c) Defend, indemnify and hold harmless the Agent and the Banks and their Affiliates, and their respective employees, agents, officers and directors, from and against any claims, demands, penalties, fines, liabilities, settlements, damages, costs and expenses of whatever kind or nature known or unknown, contingent or otherwise, arising out of, or in any way relating to the violation of, noncompliance with or liability under any Environmental Laws applicable to the Borrower or its Subsidiaries or the Mortgaged Properties, or any orders, requirements or demands of Governmental Authorities related thereto, including, without limitation, attorney's and consultant's fees, investigation and laboratory fees, response costs, court costs and litigation expenses, except to the extent that any of the foregoing arise solely out of the gross negligence or willful misconduct of the party seeking indemnification therefor. This indemnity shall continue in full force and effect regardless of the termination of this Agreement.

(d) Promptly obtain such letters as the Borrower may reasonably obtain from the Persons preparing the written reports referred to in Section 5.1(s) hereof, entitling the Agent and each Bank to rely on such reports.

7.10 Security Documents. (a) Promptly at the request of the Required Banks (and in any event no later than 45 days after the date of such request), the Borrower, at its own

expense, shall (i) pledge 65% of the capital stock of Lear Italia to the Agent, for the ratable benefit of the Banks, and (ii) cause the Agent to receive, with a counterpart for each Bank, a legal opinion of Italian counsel acceptable to the Agent covering such matters in respect of such pledge agreement as the Agent shall reasonably request.

(b) As soon as possible and in no event later than 45 days after the Closing Date, cause (i) the Liens granted pursuant to (A) the 1995 German Pledge Agreement, (B) the Mexican Pledge Agreement and (C) the Pledge Agreement ("Nantissement") to be perfected and (ii) the Agent to receive, with a counterpart for each Bank, legal opinions of Peltzer & Riesenkampff, German counsel to the Borrower, Enriquez, Gonzales, Aguirre y Ochoa, Mexican counsel to the Borrower, and Freshfields, French counsel to the Agent, covering such matters in respect of such pledge agreements as the Agent shall reasonably request.

(c) No later than 45 days after completion of construction of the Borrower's facility located in Hammond, Indiana, grant to the Agent, for the ratable benefit of the Banks, a perfected and duly filed first Lien of record on all real property and fixtures, upon terms substantially the same as those set forth in the Mortgages, owned by the Borrower, located in Hammond, Indiana.

(d) As soon as possible and in no event later than 30 days after the Merger Date, cause (i) each material domestic Subsidiary of the Surviving Corporation (as determined by the Agent) to execute and deliver a Guarantor Supplement, (ii) the pledge to the Agent, for the ratable benefit of the Banks, of all of the common stock of each material domestic Subsidiary of the Surviving Corporation (as determined by the Agent) owned directly or indirectly by the Borrower pursuant to pledge agreements in the form and substance satisfactory to the Agent and (iii) the Agent to receive, in sufficient copies for each Bank, opinions of counsel to the Borrower reasonably satisfactory to the Agent, addressed to the Agent and the Banks, containing opinions substantially in the form of Exhibit L-1, with customary assumptions qualifications and exceptions.

7.11 Pledge Agreement Supplement. The Borrower shall cause Acquisition Corp. to deliver to the Agent on the date of purchase an executed Pledge Agreement Supplement, substantially in the form of Exhibit A to the Acquisition Pledge Agreement (a "Pledge Agreement Supplement"), covering any Additional Pledged Stock (as defined in the Acquisition Pledge Agreement) purchased by Acquisition Corp., and (a) in the case of a transfer to Acquisition Corp. of any such Pledged Stock effected by delivery of share certificates representing the capital stock of AIHI, the stock certificates representing such Pledged Stock, and appropriate undated stock powers duly executed in blank for each such stock certificate, shall be delivered to the Agent or the Depositary, as appropriate, or (b) in the case of a transfer to

Acquisition Corp. of any such Pledged Shares effected by book entry delivery thereof, Acquisition Corp. shall authorize and cause all such shares to be transferred to an account maintained in the name of Chemical, for the benefit of the Agent, at the Clearing Corporation (as defined in the Acquisition Pledge Agreement).

7.12 Consummation of Merger. The Borrower shall cause Acquisition Corp. to consummate the Merger as soon as practicable after the Closing Date and prior to 180 days after the Closing Date in accordance with the terms of the Acquisition Documents and applicable Requirements of Law, and shall comply and cause Acquisition Corp. to comply in all material respects with the obligations of the Borrower and Acquisition Corp. under the Acquisition Documents.

SECTION 8. NEGATIVE COVENANTS

The Borrower hereby agrees that, from and after the Closing Date and so long as the Commitments remain in effect, any Note or Letter of Credit remains outstanding or any other amount is owing to any Bank or the Agent hereunder, the Borrower shall not, and shall not permit any of its Subsidiaries to, directly or indirectly:

8.1 Financial Covenants.

(a) Consolidated Net Worth. Permit Consolidated Net Worth at the end of any quarter during any period set forth below to be less than the amount set forth opposite such period below:

Period -----	Amount -----
The Closing Date to but excluding the last day of the second fiscal quarter of 1996	\$255,000,000
The last day of the second fiscal quarter of 1996 to but excluding the last day of the second fiscal quarter of 1997	270,000,000
The last day of the second fiscal quarter of 1997 to but excluding the last day of the second fiscal quarter of 1998	285,000,000
The last day of the second fiscal quarter of 1998 and thereafter.	300,000,000

(b) Interest Coverage. Permit, (i) at the end of the fourth fiscal quarter of 1995, the ratio of (I) Consolidated Operating Profit for such fiscal quarter to (II) Consolidated Interest Expense for such fiscal quarter, to be less than 2.75 to 1, (ii) at the end of the first fiscal quarter of 1996, the ratio of (I) Consolidated Operating Profit for two consecutive fiscal quarters then ended to (II) Consolidated Interest Expense for such two consecutive fiscal quarters, to be less than 2.75 to 1, (iii) at the end of the second fiscal quarter of 1996, the ratio

of (I) Consolidated Operating Profit for three consecutive fiscal quarters then ended to (II) Consolidated Interest Expense for such three consecutive fiscal quarters, to be less than 3.00 to 1 and (iv) at the end of any four consecutive fiscal quarters ending during any period set forth below, the ratio of (I) Consolidated Operating Profit for such four consecutive fiscal quarters to (II) Consolidated Interest Expense for such four consecutive fiscal quarters, to be less than the ratio set forth opposite such period below:

Period -----	Ratio -----
The first day of the third fiscal quarter of 1996 through the last day of the fourth fiscal quarter of 1996	3.00 to 1
The first day of the first fiscal quarter of 1997 and thereafter	3.50 to 1

(c) Consolidated Operating Profit. Permit Consolidated Operating Profit for any fiscal year set forth below to be less than the amount set forth opposite such fiscal year below:

Fiscal Year -----	Amount -----
1995	\$200,000,000
1996	315,000,000
1997	330,000,000
1998	340,000,000
1999 - thereafter	360,000,000

8.2 Limitation on Indebtedness. Create, incur, assume or suffer to exist any Indebtedness, except:

(a) Indebtedness in respect of the Loans, the Notes, the Letters of Credit and other obligations arising under this Agreement and, without duplication, Indebtedness of the Borrower and Subsidiaries to the extent backed by Letters of Credit;

(b) Indebtedness in respect of (i) the Subordinated Notes (or any refinancing thereof in accordance with subsection 8.10) in an aggregate principal amount not exceeding \$145,000,000 (plus the amount of any premiums, costs and expenses incurred in connection with any refinancing thereof) and (ii) the Senior Subordinated Notes (or any refinancing thereof in accordance with subsection 8.10) in an aggregate principal amount not exceeding \$125,000,000 (plus the amount of any premiums, costs and expenses incurred in connection with any refinancing thereof);

(c) Indebtedness incurred to purchase, or to finance the purchase of, fixed or capital assets in an aggregate

principal amount not exceeding \$2,000,000 at any one time outstanding;

(d) Indebtedness in respect of Interest Rate Agreement Obligations in respect of a notional principal amount of up to \$500,000,000 in the aggregate;

(e) Indebtedness in respect of documentary letters of credit (other than Letters of Credit) in an aggregate face amount not exceeding \$5,000,000 at any one time;

(f) Indebtedness in respect of letters of credit (other than Letters of Credit) in an aggregate face amount not exceeding \$10,000,000 at any one time, provided that such letters of credit are used solely (i) to provide credit support in respect of leased property or (ii) to provide credit support for the benefit of Foreign Subsidiaries;

(g) short-term Indebtedness incurred by all Foreign Subsidiaries organized under the laws of France for working capital purposes in an aggregate principal amount not to exceed 6,000,000 French Francs at any one time outstanding;

(h) Indebtedness permitted pursuant to subsection 8.9;

(i) Indebtedness incurred by all Foreign Subsidiaries organized under the laws of Germany or Austria in an aggregate principal amount not to exceed \$25,000,000 at any one time outstanding.

(j) Indebtedness incurred by all Foreign Subsidiaries organized under the laws of Mexico in an aggregate principal amount not to exceed \$30,000,000 at any one time outstanding;

(k) Indebtedness incurred by all Foreign Subsidiaries organized under the laws of Sweden or Finland in an aggregate principal amount not to exceed \$25,000,000 at any one time outstanding;

(l) Indebtedness incurred by all Foreign Subsidiaries organized under the laws of Canada in an aggregate principal amount not to exceed \$25,000,000 at any one time outstanding;

(m) Indebtedness incurred by all Foreign Subsidiaries organized under the laws of Italy (i) in connection with the financing of the Borrower's acquisition of the Fiat Seat Business, in an aggregate principal amount not to exceed Lira 195,452,040,951 (and any refinancings thereof) and (ii) in addition to Indebtedness permitted in clause (i) above, in an aggregate principal amount not to exceed \$30,000,000 at any one time outstanding.

(n) Indebtedness incurred by all Foreign Subsidiaries organized under the laws of Poland in an aggregate principal amount not to exceed \$5,000,000 at any one time outstanding.

(o) Indebtedness incurred by all Foreign Subsidiaries organized under the laws of Brazil or Argentina in an aggregate principal amount not to exceed \$30,000,000 at any one time outstanding;

(p) Indebtedness incurred by all Foreign Subsidiaries organized under the laws of South Africa in an aggregate principal amount not to exceed \$5,000,000 at any one time outstanding;

(q) Indebtedness incurred by all Foreign Subsidiaries organized under the laws of Indonesia, Thailand or Australia in an aggregate principal amount not to exceed \$15,000,000 at any one time outstanding;

(r) Indebtedness incurred by all Foreign Subsidiaries organized under the laws of the United Kingdom in an aggregate principal amount not to exceed \$20,000,000 at any one time outstanding;

(s) existing Indebtedness listed on Schedule 8.2(s) and refinancings thereof;

(t) until the Merger Date, the Indebtedness of AIHI and its Subsidiaries existing on the Closing Date and listed on Schedule 8.2(t) or any refinancing of such indebtedness, or any indebtedness of the Borrower or any Subsidiary incurred in connection with the refinancing of the Indebtedness of AIHI and its Subsidiaries;

(u) Indebtedness incurred by a Special Purpose Subsidiary in connection with a Receivables Financing Transaction; and

(v) additional Indebtedness not otherwise permitted by paragraphs (a) through (u) above, provided that the aggregate amount of such Indebtedness does not exceed \$75,000,000 at any one time outstanding.

8.3 Limitation on Liens. Create, incur, assume or suffer to exist any Lien upon any of its property, assets or revenues, whether now owned or hereafter acquired, except for:

(a) Liens for taxes not yet due or which are being contested in good faith by appropriate proceedings; provided that adequate reserves with respect thereto are maintained on the books of the Borrower or its Subsidiaries, as the case may be, in conformity with GAAP (or, in the case of Foreign Subsidiaries, generally accepted accounting

principles in effect from time to time in their respective jurisdictions of organization);

(b) carriers', warehousemen's, mechanics', materialmen's, repairmen's, or other like Liens arising in the ordinary course of business and not overdue for a period of more than 30 days or which are bonded or being contested in good faith by appropriate proceedings in a manner which will not jeopardize or diminish the interest of the Agent in any of the collateral subject to the Security Documents;

(c) pledges or deposits in connection with workers' compensation, unemployment insurance and other social security legislation;

(d) Liens (other than any Lien imposed by ERISA) incurred on deposits to secure the performance of bids, trade contracts (other than for borrowed money), leases, statutory obligations, surety and appeal bonds, performance bonds and other obligations of a like nature incurred in the ordinary course of business;

(e) easements, rights-of-way, restrictions and other similar encumbrances incurred which, in the aggregate, are not substantial in amount and which do not in any case materially detract from the value of the property subject thereto or materially interfere with the ordinary conduct of the business of the Borrower or such Subsidiary;

(f) Liens in favor of the Agent and the Banks created pursuant to the Security Documents and Liens securing Reimbursement Obligations and Subsidiary Reimbursement Obligations;

(g) Liens securing Indebtedness of the Borrower and its Subsidiaries permitted by subsection 8.2(c) in respect of the deferred purchase price of fixed or capital assets; provided that (i) such Liens shall be created substantially simultaneously with the purchase of such fixed or capital assets, (ii) such Liens do not at any time encumber any property other than the property financed by such Indebtedness, (iii) the amount of Indebtedness secured thereby is not increased and (iv) the principal amount of Indebtedness secured by any such Lien shall at no time exceed 100% of the purchase price of such property;

(h) Liens securing the Indebtedness permitted by subsection 8.2(f), (g), (i), (j), (k), (l), (m), (n), (o), (p), (q), (r), (s), (t), (u) and (v) and Liens securing obligations with respect to government grants, provided that such Liens permitted by this subsection 8.3(h) do not at any time encumber any property located in the United States except for, in the case of Indebtedness permitted by subsection 8.2(f), Liens that encumber leasehold interests



supported by such Indebtedness, and, provided, further, that Liens securing the Indebtedness permitted by subsection 8.2(s) shall only be permitted to the extent such Liens are in existence as of the date of this Agreement;

(i) Liens securing Indebtedness permitted by subsection 8.2(d), provided that such Liens run in favor of a Bank;

(j) attachment, judgment or other similar Liens arising in connection with court or arbitration proceedings fully covered by insurance or involving individually or in the aggregate, no more than \$3,000,000 at any one time, provided that the same are discharged, or that execution or enforcement thereof is stayed pending appeal, within 30 days or, in the case of any stay of execution or enforcement pending appeal, within such lesser time during which such appeal may be taken;

(k) Liens securing reimbursement obligations with respect to documentary letters of credit permitted by subsection 8.2(e) which encumber documents and other property relating to such letters of credit;

(l) Liens on the property or assets of a corporation which becomes a Subsidiary on or after the date hereof (including AIHI and its Subsidiaries) securing Indebtedness permitted by subsection 8.2, provided that (i) such Liens existed at the time such corporation became a Subsidiary and were not created in anticipation thereof, (ii) any such Lien does not by its terms cover any property or assets after the time such corporation becomes a Subsidiary which were not covered immediately prior thereto and (iii) any such Lien does not by its terms secure any Indebtedness other than Indebtedness existing immediately prior to the time such corporation becomes a Subsidiary;

(m) Liens (not otherwise permitted hereunder) on assets acquired after the date of this Agreement which secure the purchase price thereof or other obligations related to the acquisition thereof or on assets not subject to Liens pursuant to any Security Document, provided that the estimated aggregate book value of the foregoing assets shall not exceed \$50,000,000;

(n) Liens on (i) investments permitted by subsection 8.9(o) or (ii) cash deposits securing the Guarantee Obligations permitted by subsection 8.4(f); and

(o) extensions, renewals and replacements of any Lien described in subsections 8.3(a) through (n) 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.

8.4 Limitation on Guarantee Obligations. Create, incur, assume or suffer to exist any Guarantee Obligation except:

(a) Guarantee Obligations in respect of the Subsidiary Guarantee;

(b) Guarantee Obligations in respect of obligations of the Borrower, Subsidiaries and Special Affiliates in an aggregate principal amount not to exceed \$50,000,000 at any one time;

(c) Guarantee Obligations in respect of obligations entered into by Foreign Subsidiaries created in the ordinary course of business, in an aggregate amount not to exceed \$70,000,000 at any one time;

(d) Guarantee Obligations in respect of Section 5.03 of the Purchase Agreement;

(e) Guarantee Obligations of the Borrower in connection with a receivables factoring or working capital credit facility for any Foreign Subsidiary organized under the laws of Italy, in an aggregate amount not to exceed \$20,000,000 at any one time; and

(f) Guarantee Obligations of the Borrower in respect of Indebtedness permitted to be incurred pursuant to subsection 8.2(m).

8.5 Limitations on Fundamental Changes. Unless expressly permitted under this Agreement, enter into any transaction of acquisition or merger or consolidation or amalgamation, or liquidate, wind up or dissolve itself (or suffer any liquidation or dissolution), or convey, sell, lease, assign, transfer or otherwise dispose of, all or substantially all of its property, business or assets, or acquire by purchase or otherwise all or substantially all of the business, property or fixed assets of, or stock or other evidence of beneficial ownership of, any Person, or make any material change in the present method of conducting business and except that, so long as no Collateral is transferred for less than fair market value to a Person who has not executed a security agreement in favor of the Agent, and none of the Liens or guarantees created by any of the Security Documents are impaired thereby:

(a) any Subsidiary of the Borrower may be merged or consolidated with or into the Borrower (provided that the Borrower shall be the continuing or surviving corporation) or with or into any one or more Wholly Owned Subsidiaries of the Borrower that are organized under any jurisdiction in the United States (provided that a Wholly Owned Subsidiary shall be the continuing or surviving corporation);

(b) any Foreign Subsidiary may be merged or consolidated with or into any one or more Wholly Owned Subsidiaries that are Foreign Subsidiaries (provided that a Wholly Owned Subsidiary that is a Foreign Subsidiary shall be the continuing or surviving corporation);

(c) any Wholly Owned Subsidiary may sell, lease, transfer or otherwise dispose of any or all of its assets (upon voluntary liquidation or otherwise) to the Borrower or another Wholly Owned Subsidiary of the Borrower that is organized under any jurisdiction in the United States;

(d) any Wholly Owned Subsidiary that is a Foreign Subsidiary may sell, lease, transfer or otherwise dispose of any or all of its assets (upon voluntary liquidation or otherwise) to another Wholly Owned Subsidiary that is a Foreign Subsidiary;

(e) notwithstanding any other provision of this Agreement or any Loan Document, the Borrower and its Subsidiaries may consummate the Acquisition and all transactions contemplated in connection therewith and, to the extent not already permitted under this subsection 8.5, the Borrower may consummate the Merger; and

(f) the Borrower and its Subsidiaries may acquire any Special Entities, provided that the aggregate purchase price of such acquisitions does not exceed \$50,000,000 per year and provided, further, that up to \$25,000,000 of any such permitted amount which is not expended in any fiscal year may be carried over for such acquisitions in any subsequent fiscal year.

Notwithstanding the foregoing, the Borrower or any Subsidiary may transfer assets, including Collateral, to any Wholly Owned Subsidiary, whether or not the assets so transferred will continue to be subject to the Agent's security interest, provided, that the aggregate book value of assets so transferred shall not exceed \$50,000,000.

8.6 Limitation on Sale of Assets. Except as permitted by subsection 8.5, convey, sell, lease, assign, transfer or otherwise dispose of, any of its property, business or assets (including, without limitation, receivables and leasehold interests) whether now owned or hereafter acquired except:

(a) obsolete or worn out property or other property not necessary for operations disposed of in the ordinary course of business; provided that (i) the Net Proceeds of each such transaction are applied to obtain a replacement item or items of property within 90 days of the disposition thereof or (ii) the fair market value of any property not replaced pursuant to clause (i) above shall not exceed

\$5,000,000 in the aggregate in any one fiscal year of the Borrower;

(b) the sale of inventory in the ordinary course of business;

(c) in a transaction permitted by subsection 8.12;

(d) the sale by any Foreign Subsidiary of its accounts receivable; provided that the terms of each such sale are satisfactory in form and substance to the Agent;

(e) the sale by any Domestic Loan Party of its accounts receivable; provided that (i) the terms of each such sale are satisfactory in form and substance to the Agent and (ii) the Commitments are simultaneously reduced by the amount equal to a percentage to be determined by the Agent of the fair market value (as determined by the Board of Directors (or executive committee thereof) of the Borrower) of such accounts receivable sold; and

(f) dispositions of assets not otherwise permitted by clauses (a) through (e) above; provided that the fair market value thereof shall not exceed \$15,000,000 in the aggregate in any one fiscal year of the Borrower.

8.7 Limitation on Dividends. Declare any dividend on, or make any payment on account of, or set apart assets for a sinking or other analogous fund for, the purchase, redemption, defeasance, retirement or other acquisition of, any shares of any class of stock or warrants of the Borrower, whether now or hereafter outstanding, or make any other distribution in respect thereof, either directly or indirectly, whether in cash or property or in obligations of the Borrower or any Subsidiary or permit any Subsidiary to make any payment on account of, or purchase or otherwise acquire, any shares of any class of stock or warrants of the Borrower from any Person except for (a) (i) payment by the Borrower of amounts then owing to management personnel of the Borrower pursuant to the terms of their respective employment contracts, (ii) mandatory purchases by the Borrower of its common stock from Management Investors pursuant to the terms of the Subscription Agreements and Stockholders Agreement and all other expenses required to be incurred by the Borrower pursuant to the terms of the Stockholders Agreement as in effect on the date hereof (iii) additional repurchases by the Borrower of its common stock from Management Investors, and other officers or employees of the Borrower in an amount not to exceed \$35,000,000 in the aggregate and (iv) the purchase, redemption or retirement of any shares of any capital stock of the Borrower or options to purchase capital stock of the Borrower in connection with the exercise of outstanding stock options, (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

Borrower, quarterly cash dividends on the Borrower's capital stock not to exceed \$2,500,000 in the aggregate per quarter but only to the extent permitted by the terms of the Subordinated Debt and (c) dividends in the form of additional shares of capital stock.

8.8 Limitation on Capital Expenditures. Make or commit to make any Capital Expenditures during any fiscal year set forth below not exceeding, in the aggregate for the Borrower and its Subsidiaries, the amount set forth opposite such fiscal year below:

Fiscal Year -----	Amount -----
1995	\$150,000,000
1996	125,000,000
1997	130,000,000
1998	100,000,000
1999	75,000,000
2000	75,000,000
2001	75,000,000;

provided that up to \$20,000,000 of any such permitted amount which is not expended in any fiscal year may be carried over for expenditure in any subsequent fiscal year, and provided, further, that up to \$5,000,000 of any such permitted amount available to be expended for any subsequent fiscal year may be carried back for expenditure in any fiscal year.

8.9 Limitation on Investments, Loans and Advances. Make or suffer to exist any advance, loan, extension of credit or capital contribution to, or purchase any stock, bonds, notes, debentures or other securities of, or make any other investment in, any Person, or acquire any interest in any Person, except:

- (a) extensions of trade credit in the ordinary course of business;
- (b) investments in Cash Equivalents;
- (c) investments by Foreign Subsidiaries in high quality investments of a type similar to Cash Equivalents made outside of the United States of America;
- (d) investments, loans and advances listed on Schedule 8.9;
- (e) (i) loans, advances and capital contributions to the Borrower, Subsidiaries (including Foreign Subsidiaries) and Special Affiliates and (ii) loans, advances and capital contributions up to an aggregate amount not to exceed \$50,000,000 at any time from and after the Closing Date to any Special Entity, in each case described in the foregoing clauses (i) and (ii), in the ordinary course of business,

and in an aggregate amount for all such investments described in the foregoing clauses (i) and (ii) not to exceed \$100,000,000 at any one time from and after the Closing Date, provided that (x) any loans, advances and capital contributions that are made to the Borrower or any such Subsidiary or Foreign Subsidiary for the sole purpose of the Borrower or such Subsidiary or Foreign Subsidiary making a loan, advance or capital contribution to the Borrower or another Subsidiary or Foreign Subsidiary, shall be deemed to have been made only to the ultimate recipient of such funds and (y) the aggregate amount of loans, advances and capital contributions to Probel S.A. may not exceed \$100,000 from and after the Closing Date;

(f) capital contributions, investments or transfers in connection with transactions permitted by subsection 8.5;

(g) loans and advances to employees of the Borrower or its Subsidiaries for travel, entertainment and relocation expenses in the ordinary course of business;

(h) (i) loans and advances by any Subsidiary to the Borrower and (ii) loans and advances by any Subsidiary to any other Subsidiary which is a guarantor under any Guarantee;

(i) any Foreign Subsidiary may make loans, advances and capital contributions to any other Foreign Subsidiary;

(j) any Wholly Owned Subsidiary organized under the laws of any jurisdiction in the United States may make loans, advances and capital contributions to any other Wholly Owned Subsidiary organized under the laws or any jurisdiction in the United States;

(k) the acquisition, directly or indirectly, of the stock of CISA not currently owned by the Borrower or its Subsidiaries;

(l) loans to Management Investors in connection with stock purchases in an aggregate principal amount not exceeding \$4,000,000 at any one time outstanding;

(m) capital contributions to any Foreign Subsidiary organized under the laws of Italy in an amount not to exceed \$40,000,000;

(n) capital contributions to any Foreign Subsidiary organized under the laws of Poland in an amount not to exceed \$5,000,000;

(o) (i) loans or participating interests in loans made to Lear Italia, provided Lear Italia is permitted to incur such Indebtedness pursuant to subsection 8.2(m) and (ii)

investments in high quality debt instruments acceptable to the Agent, having a cost not exceeding the purchase price of the Fiat Seat Business, and which are pledged to secure Indebtedness permitted pursuant to subsection 8.2(m) or Guarantee Obligations permitted pursuant to subsection 8.4(f);

(p) the transactions contemplated by the Tender Offer, the Merger and the Acquisition;

(q) the purchase by the Borrower of participating interests in loans to Foreign Subsidiaries; provided that the amount of each such participating interest does not exceed the amount which the Borrower would otherwise be permitted to lend or contribute to such Foreign Subsidiaries pursuant to this subsection 8.9;

(r) investments or loans by the Borrower or its Subsidiaries to AIHI or its Subsidiaries to refinance Indebtedness of AIHI and its Subsidiaries outstanding as of the Closing Date;

(s) investments, loans and advances, which are in existence on the Closing Date, among AIHI and its Subsidiaries; and

(t) other loans, advances or other investments up to an aggregate amount not to exceed \$5,000,000.

8.10 Limitation on Optional Payments and Modification of Debt Instruments. (a) Prepay, purchase, redeem, retire, defease or otherwise acquire, or make any payment on account of any principal of, interest on, or premium payable in connection with the prepayment, redemption or retirement of any outstanding Subordinated Debt, except that the Borrower may prepay, purchase or redeem Subordinated Debt with the proceeds of the issuance of other subordinated Indebtedness of the Borrower; provided that either (i) the principal terms of such other subordinated Indebtedness are no more restrictive to the Borrower and its Subsidiaries than the principal terms of the Subordinated Notes or (ii) the terms and conditions of the other subordinated Indebtedness are reasonably satisfactory to the Agent or (b) without the consent of the Agent, amend, modify or change, or consent or agree to any amendment, modification or change to any of the terms of any Subordinated Debt (except that without the consent of the Agent or any Bank, the terms of the Subordinated Debt may be amended, modified or changed if such amendment, modification or change would extend the maturity or reduce the amount of any payment of principal thereof, would reduce the rate or extend the date for payment of interest thereon, would eliminate covenants (other than covenants with respect to subordination to Indebtedness under this Agreement) or defaults in such Subordinated Debt or would make such covenants or defaults less restrictive); provided that, notwithstanding any

provision contained in this subsection 8.10, if no Default or Event of Default has occurred and is continuing or would occur and be continuing as a result of the following, the Subordinated Debt may be prepaid (A) in an amount equal to the net proceeds of any public offering of common stock of the Borrower occurring after the Closing Date and (B) in addition to any prepayment permitted pursuant to clause (A) above, in an amount not to exceed \$135,000,000 in the aggregate; provided, that prior to December 31, 1995, prepayments permitted pursuant to clause (B) above shall not exceed \$100,000,000 in the aggregate.

8.11 Transactions with Affiliates. (a) Enter into any transaction, including, without limitation, any purchase, sale, lease or exchange of property or the rendering of any service, with any Affiliate unless such transactions are otherwise permitted under this Agreement, the Stockholders Agreement or the Subscription Agreements as in effect on the date hereof, or such transactions are in the ordinary course of the Borrower's or such Subsidiary's business and are upon fair and reasonable terms no less favorable to the Borrower or such Subsidiary, as the case may be, than it would obtain in a comparable arm's length transaction with a Person not an Affiliate; provided, however, that the Borrower may engage Lehman Brothers Inc., The Cypress Group, LLC, FIMA or any Affiliate of Lehman Brothers Inc., The Cypress Group, LLC or FIMA as financial advisor, underwriter, broker, dealer-manager or finder in connection with any transaction at the then customary market rates for similar services.

8.12 Sale and Leaseback. Enter into any arrangement with any Person providing for the leasing by the Borrower or any Subsidiary of real or personal property which has been or is to be sold or transferred by the Borrower or such Subsidiary to such Person or to any other Person to whom funds have been or are to be advanced by such Person on the security of such property or rental obligations of the Borrower or such Subsidiary except that the Borrower or any Subsidiary may enter into such transactions provided that the fair market value of the real or personal property sold or transferred by the Borrower or such Subsidiary does not exceed \$50,000,000 in the aggregate.

8.13 Corporate Documents. Amend its Certificate of Incorporation or By-Laws, each as in effect on the Closing Date, in any way adverse to the interests of the Agent and the Banks.

8.14 Fiscal Year. Permit the fiscal year of the Borrower to end on a day other than December 31.

8.15 Limitation on Restrictions Affecting Subsidiaries. Enter into any agreement with any Person other than the Banks pursuant hereto which prohibits or limits the ability of any Subsidiary to (a) pay dividends or make other distributions or pay any Indebtedness owed to the Borrower or any Subsidiary, (b) make loans or advances to the Borrower or any



Subsidiary, (c) transfer any of its properties or assets to the Borrower or any Subsidiary or (d) create, incur, assume or suffer to exist any Lien upon any of its property, assets or revenues, whether now owned or hereafter acquired, except (i) for any such restrictions existing by reasons of Contractual Obligations listed on Schedule 8.15 and (ii) with respect to clauses (c) and (d) above, agreements granting a Lien on such Subsidiary's assets which is permitted by subsection 8.3.

8.16 Hazardous Materials. Release, discharge or otherwise dispose of any Hazardous Material on any of the Mortgaged Properties or permit the manufacture, storage, transmission or presence of any Hazardous Material over or upon any of the Mortgaged Properties except in accordance in all material respects with all Environmental Laws.

8.17 Special Purpose Subsidiary. Permit (a) any Special Purpose Subsidiary to engage in any business other than Receivables Financing Transactions and activities directly related thereto or (b) at any time the Borrower or any of its Subsidiaries (other than a Special Purpose Subsidiary) or any of their respective assets to incur any liability, direct or indirect, contingent or otherwise, in respect of any obligation of a Special Purpose Subsidiary whether arising under or in connection with any Receivables Financing Transaction or otherwise.

8.18 Subsidiaries. Create, acquire or otherwise suffer to exist any Subsidiary which was not a direct or indirect Subsidiary on the Closing Date unless either (a) such new Subsidiary is organized under the laws of a jurisdiction within the United States and (i) is party to a Guarantee Supplement and (ii) all of the common stock of such new Subsidiary owned directly or indirectly by the Borrower is pledged to the Agent, for the ratable benefit of the Banks, pursuant to a pledge agreement in form and substance satisfactory to the Agent or (b) such new Subsidiary is a Foreign Subsidiary; provided that a Special Purpose Subsidiary shall not be required to enter into a Guarantee Supplement pursuant to this subsection 8.18.

#### SECTION 9. EVENTS OF DEFAULT

Upon the occurrence of any of the following events:

(a) The Borrower shall fail to pay (i) any principal of any Notes when due (whether at the stated maturity, by acceleration or otherwise) in accordance with the terms thereof or hereof or (ii) any interest on any Notes, or any fee or other amount payable hereunder, within five days after any such interest, fee or other amount becomes due in accordance with the terms thereof or hereof; or

(b) Any representation or warranty made or deemed made by the Borrower or any other Loan Party herein or in any other Loan Document or which is contained in any certificate, document or financial or other statement furnished at any time under or in connection with this Agreement or any other Loan Document shall prove to have been incorrect in any material respect on or as of the date made or deemed made; or

(c) The Borrower or any other Loan Party shall default in the observance or performance of (i) any negative covenant contained in Section 8 or in any Security Document to which it is a party or (ii) any covenant contained in subsection 7.12; or

(d) The Borrower or any other Loan Party shall default in the observance or performance of any other agreement contained in this Agreement or any other Loan Document other than as provided in (a) through (c) above, and such default shall continue unremedied for a period of 30 days; or

(e) Any Loan Document shall cease, for any reason, to be in full force and effect, or the Borrower or any other Loan Party shall so assert; or any security interest created by any of the Security Documents shall cease to be enforceable and of the same effect and priority purported to be created thereby, except, in each case, as provided in subsection 11.13; or

(f) The Subsidiary Guarantee shall cease, for any reason, to be in full force and effect, or any guarantor thereunder shall so assert; or

(g) The subordination provisions contained in any instrument pursuant to which the Subordinated Debt was created or in any instrument evidencing such Subordinated Debt shall cease, for any reason, to be in full force and effect or enforceable in accordance with their terms; or

(h) The Borrower or any of its Subsidiaries shall (i) default in any payment of principal of or interest on any Indebtedness (other than the Notes), in the payment of any Guarantee Obligation or in the payment of any Interest Rate Agreement Obligation, in any case where the principal amount thereof then outstanding exceeds \$20,000,000 beyond the period of grace (not to exceed 30 days), if any, provided in the instrument or agreement under which such Indebtedness, Guarantee Obligation or Interest Rate Agreement Obligation was created; or (ii) default in the observance or performance of any other agreement or condition relating to any such Indebtedness, Guarantee Obligation or Interest Rate Agreement Obligation or contained in any instrument or agreement evidencing, securing or relating thereto, or any other event shall occur or condition exist, the effect of

which default or other event or condition is to cause, or to permit the holder or holders of such Indebtedness or, beneficiary or beneficiaries of such Guarantee Obligation (or a trustee or agent on behalf of such holder or holders or beneficiary or beneficiaries) to cause, with the giving of notice if required, such Indebtedness to become due prior to its stated maturity or such Guarantee Obligation to become payable; or

(i) (i) The Borrower or any Material Subsidiary shall commence any case, proceeding or other action (A) under any existing or future law of any jurisdiction, domestic or foreign, relating to bankruptcy, insolvency, reorganization or relief of debtors, seeking to have an order for relief entered with respect to it, or seeking to adjudicate it a bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, winding-up, liquidation, dissolution, composition or other relief with respect to it or its debts, or (B) seeking appointment of a receiver, trustee, custodian or other similar official for it or for all or any substantial part of its assets, or the Borrower or any Material Subsidiary shall make a general assignment for the benefit of its creditors; or (ii) there shall be commenced against the Borrower or any Material Subsidiary any case, proceeding or other action of a nature referred to in clause (i) above which (A) results in the entry of an order for relief or any such adjudication or appointment or (B) remains undismitted, undischarged or unbonded for a period of 60 days; or (iii) there shall be commenced against the Borrower or any Material Subsidiary any case, proceeding or other action seeking issuance of a warrant of attachment, execution, distraint or similar process against all or any substantial part of its assets which results in the entry of an order for any such relief which shall not have been vacated, discharged, or stayed or bonded pending appeal within 60 days from the entry thereof; or (iv) the Borrower or any Material Subsidiary shall take any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the acts set forth in clause (i), (ii), or (iii) above; or (v) the Borrower or any Material Subsidiary shall generally not, or shall be unable to, or shall admit in writing its inability to, pay its debts as they become due; or

(j) (i) Any Person shall engage in any "prohibited transaction" (as defined in Section 406 of ERISA or Section 4975 of the Code) involving any Plan, (ii) any "accumulated funding deficiency" (as defined in Section 302 of ERISA), whether or not waived, shall exist with respect to any Single Employer Plan, (iii) a Reportable Event shall occur with respect to, or proceedings shall commence to have a trustee appointed, or a trustee shall be appointed, to administer or to terminate, any Single Employer Plan, which Reportable Event or commencement of proceedings or

appointment of a trustee is, in the reasonable opinion of the Required Banks, likely to result in the termination of such Plan for purposes of Title IV of ERISA, (iv) any Single Employer Plan shall terminate for purposes of Title IV of ERISA, (v) the Borrower or any Commonly Controlled Entity shall, or in the reasonable opinion of the Required Banks is likely to, incur any liability in connection with a withdrawal from, or the Insolvency or Reorganization of, a Multiemployer Plan or (vi) any other event or condition shall occur or exist, with respect to a Plan; and in each case in clauses (i) through (vi) above, such event or condition, together with all other such events or conditions, if any, could subject the Borrower or any of its Subsidiaries to any tax, penalty or other liabilities in the aggregate material in relation to the business, operations, property or financial or other condition of the Borrower and its Subsidiaries taken as a whole; or

(k) One or more judgments or decrees shall be entered against the Borrower or any of its Subsidiaries involving in the aggregate a liability (not paid or fully covered by insurance) of \$5,000,000 or more and all such judgments or decrees shall not have been vacated, discharged, stayed or bonded pending appeal within 30 days from the entry thereof; or

(l) (i) Any Person or "group" (within the meaning of Section 13(d) or 14(d) of the Exchange Act) (other than FIMA, the Merchant Banking Partnerships, The Cypress Group, LLC and the officers and directors of the Borrower) (A) shall have acquired beneficial ownership of 35% or more of any outstanding class of capital stock of the Borrower having ordinary voting power in the election of directors or (B) shall obtain the power (whether or not exercised) to elect a majority of the Borrower's directors or (ii) the Board of Directors of the Borrower shall not consist of a majority of Continuing Directors;

then, and in any such event, (A) if such event is an Event of Default specified in clause (i) or (ii) of paragraph (i) above with respect of the Borrower, automatically the Commitments shall immediately terminate and the Loans hereunder (with accrued interest thereon) and all other amounts owing under this Agreement, the Letters of Credit and the Notes shall immediately become due and payable, and (B) if such event is any other Event of Default, any of the following actions may be taken: (i) with the consent of the Required Banks, the Agent may, or upon the request of the Required Banks, the Agent shall, by notice to the Borrower declare the Commitments to be terminated forthwith, whereupon the Commitments shall immediately terminate; (ii) with the consent of the Required Banks, the Agent may, or upon the direction of the Required Banks, the Agent shall, by notice of default to the Borrower, declare the Loans hereunder (with accrued interest thereon) and all other amounts owing under this

Agreement (including amounts payable in respect of Letters of Credit whether or not the beneficiaries thereof shall have presented the drafts and other documents required thereunder) and the Notes to be due and payable forthwith, whereupon the same shall immediately become due and payable and (iii) the Agent may, and upon the direction of the Required Banks shall, exercise any and all remedies and other rights provided pursuant to this Agreement and/or the other Loan Documents. Except as expressly provided above in this Section, presentment, demand, protest and all other notices of any kind are hereby expressly waived.

#### SECTION 10. THE AGENT

10.1 Appointment. Each Bank hereby irrevocably designates and appoints Chemical Bank as the Agent of such Bank under this Agreement, and each Bank irrevocably authorizes Chemical Bank, as the Agent for such Bank, to take such action on its behalf under the provisions of this Agreement and the other Loan Documents and to exercise such powers and perform such duties as are expressly delegated to the Agent by the terms of this Agreement and such other Loan Documents, together with such other powers as are reasonably incidental thereto. Notwithstanding any provision to the contrary elsewhere in this Agreement or such other Loan Documents, the Agent shall not have any duties or responsibilities, except those expressly set forth herein and therein, or any fiduciary relationship with any Bank, and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into this Agreement or the other Loan Documents or otherwise exist against the Agent. Notwithstanding anything to the contrary contained in this Agreement, the parties hereto hereby agree that no Managing Agent, Co-Agent or Lead Manager identified on the signature pages hereof shall have any rights, duties or responsibilities in its capacity as Managing Agent, Co-Agent or Lead Manager, as the case may be, and that no Managing Agent, Co-Agent or Lead Manager shall have the authority to take any action hereunder in its capacity as such.

10.2 Delegation of Duties. The Agent may execute any of its duties under this Agreement and the other Loan Documents by or through agents or attorneys-in-fact and shall be entitled to advice of counsel concerning all matters pertaining to such duties. The Agent shall not be responsible for the negligence or misconduct of any agents or attorneys in-fact selected by it with reasonable care.

10.3 Exculpatory Provisions. Neither the Agent nor any of its officers, directors, employees, agents, attorneys-in-fact or Affiliates shall be (i) liable for any action lawfully taken or omitted to be taken by it or such Person under or in connection with this Agreement or the other Loan Documents (except for its or such Person's own gross negligence or willful misconduct), or (ii) responsible in any manner to any

of the Banks for any recitals, statements, representations or warranties made by the Borrower, any other Loan Party or any officer thereof contained in this Agreement or the other Loan Documents or in any certificate, report, statement or other document referred to or provided for in, or received by the Agent under or in connection with, this Agreement or the other Loan Documents or for the value, validity, effectiveness, genuineness, enforceability or sufficiency of this Agreement or the other Loan Documents or for any failure of the Borrower or any other Loan Party to perform its obligations hereunder or thereunder. The Agent shall not be under any obligation to any Bank to ascertain or to inquire as to the observance or performance of any of the agreements contained in, or conditions of, this Agreement, or to inspect the properties, books or records of the Borrower.

10.4 Reliance by Agent. The Agent shall be entitled to rely, and shall be fully protected in relying, upon any Note, writing, resolution, notice, consent, certificate, affidavit, letter, cablegram, telegram, teletype message, statement, order or other document or conversation believed by it to be genuine and correct and to have been signed, sent or made by the proper Person or Persons and upon advice and statements of legal counsel (including, without limitation, counsel to the Borrower), independent accountants and other experts selected by the Agent. The Agent may deem and treat the payee of any Note as the owner thereof for all purposes unless a written notice of assignment, negotiation or transfer thereof shall have been filed with the Agent. The Agent shall be fully justified in failing or refusing to take any action under this Agreement and the other Loan Documents unless it shall first receive such advice or concurrence of the Required Banks as it deems appropriate or it shall first be indemnified to its satisfaction by the Banks against any and all liability and expense which may be incurred by it by reason of taking or continuing to take any such action. The Agent shall in all cases be fully protected in acting, or in refraining from acting, under this Agreement and the Notes in accordance with a request of the Required Banks (or, when required hereunder, all of the Banks), and such request and any action taken or failure to act pursuant thereto shall be binding upon all the Banks and all future holders of the Notes.

10.5 Notice of Default. The Agent shall not be deemed to have knowledge or notice of the occurrence of any Default or Event of Default hereunder unless the Agent has received notice from a Bank or the Borrower referring to this Agreement, describing such Default or Event of Default and stating that such notice is a "notice of default". In the event that the Agent receives such a notice, the Agent shall promptly give notice thereof to the Banks. The Agent shall take such action with respect to such Default or Event of Default as shall be reasonably directed by the Required Banks; provided that unless and until the Agent shall have received such directions, the Agent may (but shall not be obligated to) take such action, or refrain from taking such action, with respect to such Default or

Event of Default as it shall deem advisable in the best interests of the Banks.

10.6 Non-Reliance on Agent and Other Banks. Each Bank expressly acknowledges that neither the Agent nor any of its officers, directors, employees, agents, attorneys-in-fact or Affiliates has made any representations or warranties to it and that no act by the Agent hereinafter taken, including any review of the affairs of the Borrower or the other Loan Parties, shall be deemed to constitute any representation or warranty by the Agent to any Bank. Each Bank represents to the Agent that it has, independently and without reliance upon the Agent, the Managing Agents or any other Bank, and based on such documents and information as it has deemed appropriate, made its own appraisal of and investigation into the business, operations, property, financial and other condition and creditworthiness of the Borrower and the other Loan Parties and made its own decision to make its Loans hereunder and enter into this Agreement. Each Bank also represents that it will, independently and without reliance upon the Agent, the Managing Agents or any other Bank, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit analysis, appraisals and decisions in taking or not taking action under this Agreement and the other Loan Documents, and to make such investigation as it deems necessary to inform itself as to the business, operations, property, financial and other condition and creditworthiness of the Borrower and the other Loan Parties. Except for notices, reports and other documents expressly required to be furnished to the Banks by the Agent hereunder or by the other Loan Documents, the Agent shall not have any duty or responsibility to provide any Bank with any credit or other information concerning the business, operations, property, financial and other condition or creditworthiness of the Borrower and the other Loan Parties which may come into the possession of the Agent or any of its officers, directors, employees, agents, attorneys-in-fact or Affiliates.

10.7 Indemnification. The Banks agree to indemnify the Agent in its capacity as such (to the extent not reimbursed by the Borrower and without limiting the obligation of the Borrower to do so), ratably according to the respective amounts of their original Commitments, from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind whatsoever which may at any time (including without limitation at any time following the payment of the Notes) be imposed on, incurred by or asserted against the Agent in any way relating to or arising out of this Agreement or the other Loan Documents, or any documents contemplated by or referred to herein or therein or the transactions contemplated hereby or thereby or any action taken or omitted by the Agent under or in connection with any of the foregoing; provided that no Bank shall be liable for the payment of any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or

disbursements resulting solely from the Agent's gross negligence or willful misconduct. The agreements in this subsection shall survive the payment of the Notes and all other amounts payable hereunder.

10.8 Agent in Its Individual Capacity. The Agent and its Affiliates may make loans to, accept deposits from and generally engage in any kind of business with the Borrower and the other Loan Parties as though the Agent were not the Agent hereunder. With respect to its Loans made or renewed by it and any Note issued to it, the Agent shall have the same rights and powers under this Agreement and the other Loan Documents as any Bank and may exercise the same as though it were not the Agent, and the terms "Bank" and "Banks" shall include the Agent in its individual capacity.

10.9 Successor Agent. The Agent may resign as Agent upon ten days' notice to the Banks. If the Agent shall resign as Agent under this Agreement, then the Required Banks shall appoint from among the Banks a successor agent for the Banks which successor agent shall be approved by the Borrower (which consent shall not be unreasonably withheld), whereupon such successor agent shall succeed to the rights, powers and duties of the Agent, and the term "Agent" shall mean such successor agent effective upon its appointment, and the former Agent's rights, powers and duties as Agent shall be terminated, without any other or further act or deed on the part of such former Agent or any of the parties to this Agreement or any holders of the Notes. After any retiring Agent's resignation hereunder as Agent, the provisions of this subsection 10.9 shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Agent under this Agreement.

#### SECTION 11. MISCELLANEOUS

11.1 Amendments and Waivers. Neither this Agreement, any Note or any other Loan Document, nor any terms hereof or thereof may be amended, supplemented or modified except in accordance with the provisions of this subsection. With the written consent of the Required Banks, the Agent and the Borrower may, from time to time, enter into written amendments, supplements or modifications hereto for the purpose of adding any provisions to this Agreement, the Notes, or the other Loan Documents to which the Borrower is a party or changing in any manner the rights of the Banks or of the Borrower hereunder or thereunder or waiving, on such terms and conditions as the Agent may specify in such instrument, any of the requirements of this Agreement or the Notes or the other Loan Documents to which the Borrower is a party or any Default or Event of Default and its consequences; provided, however, that no such waiver and no such amendment, supplement or modification shall directly (a) extend the expiry date of any Letter of Credit beyond the Termination Date or extend the maturity of any Note, or reduce the rate or





; provided that any notice, request or demand to or upon the Agent or the Banks pursuant to subsections 2.3, 2.4, 2.6, 2.8 and 2.9 shall not be effective until received.

11.3 No Waiver; Cumulative Remedies. No failure to exercise and no delay in exercising, on the part of the Agent or any Bank, any right, remedy, power or privilege hereunder or under the Loan Documents, shall operate as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder or thereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege. The rights, remedies, powers and privileges herein provided or provided in the Loan Documents are cumulative and not exclusive of any rights, remedies, powers and privileges provided by law.

11.4 Survival of Representations and Warranties. All representations and warranties made hereunder, in the other Loan Documents and in any document, certificate or statement delivered pursuant hereto or in connection herewith shall survive the execution and delivery of this Agreement, the Letters of Credit and the Notes.

11.5 Payment of Expenses and Taxes. The Borrower agrees (a) to pay or reimburse the Agent for all its reasonable out-of-pocket costs and reasonable expenses incurred in connection with the development, preparation and execution of, and any amendment, supplement or modification to, this Agreement, the Notes, the Letters of Credit and the other Loan Documents and any other documents prepared in connection herewith or therewith, and the consummation of the transactions contemplated hereby and thereby, including, without limitation, the reasonable fees and disbursements of counsel to the Agent, (b) to pay or reimburse each Bank and the Agent for all their costs and expenses incurred in connection with the enforcement or preservation of any rights under this Agreement, the Notes, the Letters of Credit and any such other documents, including, without limitation, fees and disbursements of counsel to the Agent and the reasonable fees and disbursements of counsel to the several Banks, and (c) to pay, indemnify, and hold each Bank and the Agent and their respective directors, officers, employees and agents harmless from, any and all recording and filing fees and any and all liabilities with respect to, or resulting from any delay in paying, stamp, excise and other taxes, if any, which may be payable or determined to be payable in connection with the execution and delivery of, or consummation of any of the transactions contemplated by, or any amendment, supplement or modification of, or any waiver or consent under or in respect of, this Agreement, the Notes, the Letters of Credit and any such other documents, and (d) to pay, indemnify, and hold each Bank and the Agent harmless from and against any and all other liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever with respect to the execution, delivery, enforcement, performance and

administration of this Agreement, the Notes, the Letters of Credit and the other Loan Documents, the use or proposed use by the Borrower of the proceeds of the Loans (all the foregoing, collectively, the "indemnified liabilities"); provided that the Borrower shall have no obligation hereunder to the Agent or any Bank with respect to indemnified liabilities arising from the gross negligence or willful misconduct of the Agent or any such Bank as finally determined by a court of competent jurisdiction. The agreements in this subsection shall survive repayment of the Notes and all other amounts payable hereunder.

11.6 Successors and Assigns; Participations; Purchasing Banks. (a) This Agreement shall be binding upon and inure to the benefit of the Borrower, the Banks, the Agent, all future holders of the Notes and their respective successors and assigns, except that the Borrower may not assign or transfer any of its rights or obligations under this Agreement without the prior written consent of each Bank.

(b) Any Bank may, in the ordinary course of its commercial banking business and in accordance with applicable law, at any time sell to one or more banks or other entities ("Participants") participating interests in any Loan owing to such Bank, any Note held by such Bank, any Letter of Credit Participating Interest of such Bank, any Commitment of such Bank or any other interest of such Bank hereunder. In the event of any such sale by a Bank of participating interests to a Participant, such Bank's obligations under this Agreement to the other parties to this Agreement shall remain unchanged, such Bank shall remain solely responsible for the performance thereof, such Bank shall remain the holder of any such Note for all purposes under this Agreement and the Borrower and the Agent shall continue to deal solely and directly with such Bank in connection with such Bank's rights and obligations under this Agreement. The Borrower agrees that if amounts outstanding under this Agreement, the Letter of Credit and the Notes are due and unpaid, or shall have been declared or shall have become due and payable upon the occurrence of an Event of Default, each Participant shall be deemed to have the right of setoff in respect of its participating interest in amounts owing under this Agreement, any Letter of Credit and any Note to the same extent as if the amount of its participating interest were owing directly to it as a Bank under this Agreement or any Note; provided that such right of setoff shall be subject to the obligation of such Participant to share with the Banks, and the Banks agree to share with such Participant, as provided in subsection 11.7. The Borrower also agrees that each Participant shall be entitled to the benefits of subsections 2.11, 2.12, 2.13, 2.14, 3.5 and 11.5 with respect to its participation in the Commitments and the Loans and Letters of Credit outstanding from time to time; provided that no Participant shall be entitled to receive any greater amount pursuant to such subsections than the transferor Bank would have been entitled to receive in respect of the amount of the

participation transferred by such transferor Bank to such Participant had no such transfer occurred.

(c) Any Bank may, in the ordinary course of its commercial banking business and in accordance with applicable law, at any time sell to any Bank or any affiliate thereof, and, subject to the limitations set forth in the proviso to this sentence and with the consent of the Borrower and the Agent (which in each case shall not be unreasonably withheld) to one or more additional banks or financial institutions ("Purchasing Banks") all or any part of its rights and obligations under this Agreement and the Notes, pursuant to an Assignment and Acceptance, executed by such Purchasing Bank, such transferor Bank (and, in the case of a Purchasing Bank that is not then a Bank or an affiliate thereof, by the Borrower and the Agent), and delivered to the Agent for its acceptance and recording in the Register; provided, however, that (i) the Commitment purchased by any such Purchasing Bank that is not then a Bank shall be equal to or greater than \$15,000,000 and (ii) the transferor Bank which has transferred part of its Commitment to any such Purchasing Bank shall retain a Commitment, after giving effect to such sale, equal to or greater than \$15,000,000. Upon such execution, delivery, acceptance and recording, from and after the Transfer Effective Date determined pursuant to such Assignment and Acceptance, (x) the Purchasing Bank thereunder shall be a party hereto and, to the extent provided in such Assignment and Acceptance, have the rights and obligations of a Bank hereunder with a Commitment as set forth therein, and (y) the transferor Bank thereunder shall, to the extent provided in such Assignment and Acceptance, be released from its obligations under this Agreement (and, in the case of an Assignment and Acceptance covering all or the remaining portion of a transferor Bank's rights and obligations under this Agreement, such transferor Bank shall cease to be a party hereto). Such Assignment and Acceptance shall be deemed to amend this Agreement to the extent, and only to the extent, necessary to reflect the addition of such Purchasing Bank and the resulting adjustment of Commitment Percentages arising from the purchase by such Purchasing Bank of all or a portion of the rights and obligations of such transferor Bank under this Agreement and the Notes. On or prior to the Transfer Effective Date determined pursuant to such Assignment and Acceptance, the Borrower, at its own expense, shall execute and deliver to the Agent in exchange for the surrendered Revolving Credit Note a new Revolving Credit Note to the order of such Purchasing Bank in an amount equal to the Commitment assumed by it pursuant to such Assignment and Acceptance and, if the transferor Bank has retained a Commitment hereunder, a new Revolving Credit Note to the order of the transferor Bank in an amount equal to the Commitment retained by it hereunder. Such new Note shall be dated the Closing Date and shall otherwise be in the form of the Note replaced thereby. The Note surrendered by the transferor Bank shall be returned by the Agent to the Borrower marked "cancelled". If any Letter of Credit Participation Certificates have been issued to the transferor

Bank and are then outstanding, new certificates shall be issued in the appropriate amounts by the Issuing Bank to the Purchasing Bank and, if appropriate, the transferor Bank, as promptly as practicable after the Transfer Effective Date.

(d) The Agent shall maintain at its address referred to in subsection 11.2 a copy of each Assignment and Acceptance delivered to it and a register (the "Register") for the recordation of the names and addresses of the Banks and the Commitment of, and principal amount of the Loans owing to, each Bank from time to time. The entries in the Register shall be conclusive, in the absence of manifest error, and the Borrower, the Agent and the Banks may treat each Person whose name is recorded in the Register as the owner of the Loan recorded therein for all purposes of this Agreement. The Register shall be available for inspection by the Borrower or any Bank at any reasonable time and from time to time upon reasonable prior notice.

(e) Upon its receipt of an Assignment and Acceptance executed by a transferor Bank and a Purchasing Bank (and, in the case of a Purchasing Bank that is not then a Bank or an affiliate thereof, by the Borrower and the Agent) together with payment by the Purchasing Bank to the Agent of a registration and processing fee of \$2,500, the Agent shall (i) promptly accept such Assignment and Acceptance (ii) on the Transfer Effective Date determined pursuant thereto record the information contained therein in the Register and give notice of such acceptance and recordation to the Banks and the Borrower.

(f) The Borrower authorizes each Bank to disclose to any Participant or Purchasing Bank (each, a "Transferee") and any prospective Transferee any and all financial information in such Bank's possession concerning the Borrower and its affiliates which has been delivered to such Bank by or on behalf of the Borrower pursuant to this Agreement or which has been delivered to such Bank by or on behalf of the Borrower in connection with such Bank's credit evaluation of the Borrower and its affiliates prior to becoming a party to this Agreement; provided that the prospective Transferee shall agree to maintain the confidentiality of such information pursuant to subsection 11.10.

(g) If, pursuant to this subsection, any interest in this Agreement, any Note or any Letter of Credit is transferred to any Transferee which is organized under the laws of any jurisdiction other than the United States or any State thereof, the transferor Bank shall cause such Transferee, concurrently with the effectiveness of such transfer, (i) to represent to the transferor Bank (for the benefit of the transferor Bank, the Agent and the Borrower) that under applicable law and treaties no taxes will be required to be withheld by the Agent, the Borrower or the transferor Bank with respect to any payments to be made to such Transferee in respect of the Loans or the Letters of Credit, (ii) to furnish to the transferor Bank, the Agent and the

Borrower either U.S. Internal Revenue Service Form 4224 or U.S. Internal Revenue Service Form 1001 or successor applicable form, as the case may be, certifying in each case that the Transferee is entitled to receive payments under this Agreement without deduction or withholding of any United States federal income taxes, (iii) an Internal Revenue Service Form W-8 or W-9 or successor applicable form, as the case may be, establish an exemption from United States backup withholding taxes, and (iv) to agree (for the benefit of the transferor Bank, the Agent and the Borrower) to provide the transferor Bank, the Agent and the Borrower a new Form 4224 or Form 1001 and from W-8 or W-9, or successor applicable forms, or other manner of certification, as the case may be, on or before the date that any such letter or from expires or becomes obsolete or after the occurrence of any event requiring change in the most recent letter and from previously delivered by it to the Borrower, and such extensions or renewals thereof as may reasonably be requested by the Borrower, certifying in the case of a Form 1001 or 4224 that such Transferee is entitled to receive payments under this Agreement without deduction or withholding of any United States federal income taxes, unless in any such cases an event (including without limitation any change in treaty, law or regulation) has occurred prior to the date on which any such delivery would otherwise be required which renders all such forms inapplicable or which would prevent the Transferee from duly completing and delivering any such letter or from with respect to it and such Transferee advises the transferor Bank, the Agent and the Borrower that it is not capable of receiving payments without any deduction or withholdings of United States federal income tax, and in the case of a Form W-8 or W-9, establishing an exemption from United States backup withholding tax.

(h) Nothing herein shall prohibit any Bank from pledging or assigning any Note to any Federal Reserve Bank in accordance with applicable law.

11.7 Adjustments; Set-off. (a) If any Bank (a "benefitted Bank") shall at any time receive any payment of all or part of its Loans, interest thereon or participations in Letters of Credit, or receive any collateral in respect thereof (whether voluntarily or involuntarily, by set-off, pursuant to events or proceedings of the nature referred to in clause (i) of Section 9, or otherwise) in a greater proportion than any such payment to and collateral received by any other Bank, if any, in respect of such other Bank's Loans, or interest thereon, such benefitted Bank shall purchase for cash from the other Banks such portion of each such other Bank's Loan, or shall provide such other Banks with the benefits of any such collateral, or the proceeds thereof, as shall be necessary to cause such benefitted Bank to share the excess payment or benefits of such collateral or proceeds ratably with each of the Banks; provided, however, that if all or any portion of such excess payment or benefits is thereafter recovered from such benefitted Bank, such purchase shall be rescinded, and the purchase price and benefits returned,

to the extent of such recovery, but without interest. The Borrower agrees that each Bank so purchasing a portion of another Bank's Loan may exercise all rights of payment (including, without limitation, rights of set-off) with respect to such portion as fully as if such Bank were the direct holder of such portion.

(b) In addition to any rights and remedies of the Banks provided by law, each Bank shall have the right, without prior notice to the Borrower, any such notice being expressly waived by the Borrower to the extent permitted by applicable law, upon the occurrence and continuance of a Default and any amount becoming due and payable by the Borrower hereunder or under the Notes (whether at the stated maturity, by acceleration or otherwise) to set-off and appropriate and apply against such amount any and all deposits (general or special, time or demand, provisional or final), in any currency, and any other credits, indebtedness or claims, in any currency, in each case whether direct or indirect, absolute or contingent, matured or unmatured, at any time held or owing by such Bank or any branch or agency thereof to or for the credit or the account of the Borrower. Each Bank agrees promptly to notify the Borrower and the Agent after any such set-off and application made by such Bank, provided that the failure to give such notice shall not affect the validity of such set-off and application.

11.8 Counterparts. This Agreement may be executed by one or more of the parties to this Agreement 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 Agreement signed by all the parties shall be lodged with the Borrower and the Agent.

11.9 GOVERNING LAW. THIS AGREEMENT AND THE NOTES AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES UNDER THIS AGREEMENT AND THE NOTES SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.

11.10 Confidentiality. Each Bank and the Issuing Bank agrees to take normal and reasonable precautions to maintain the confidentiality of information designated in writing as confidential and provided to it by the Borrower or any Subsidiary in connection with this Agreement; provided, however, that any Bank may disclose such information (a) at the request of any bank regulatory authority or in connection with an examination of such Bank by any such authority, (b) pursuant to subpoena or other court process, (c) when required to do so in accordance with the provisions of any applicable law, (d) at the discretion of any other Governmental Authority, (e) to such Bank's Affiliates, independent auditors and other professional advisors or (f) to any Transferee or potential Transferee; provided that such Transferee agrees to comply with the provisions of this subsection 11.10.

11.11 Submission to Jurisdiction; Waivers. The Borrower hereby irrevocably and unconditionally:

(a) submits for itself and its property in any legal action or proceeding relating to this Agreement or any other Loan Document to which it is a party, or for recognition and enforcement of any judgment in respect thereof, to the non-exclusive general jurisdiction of the courts of the State of New York, the courts of the United States of America for the Southern District of New York, and appellate courts from any thereof;

(b) consents that any such action or proceeding may be brought in such courts and waives trial by jury and any objection that it may now or hereafter have to the venue of any such action or proceeding in any such court or that such action or proceeding was brought in an inconvenient court and agrees not to plead or claim the same;

(c) agrees that service of process in any such action or proceeding may be effected by mailing a copy thereof by registered or certified mail (or any substantially similar form of mail), postage prepaid, to the Borrower, as the case may be, at its address set forth in subsection 11.2 or at such other address of which the Agent shall have been notified pursuant thereto; and

(d) agrees that nothing herein shall affect the right to effect service of process in any other manner permitted by law or shall limit the right to sue in any other jurisdiction.

11.12 Existing Credit Agreement. (a) On the Closing Date, all outstanding letters of credit under the Existing Credit Agreement set forth on Schedule 3.1 shall be converted into Letters of Credit hereunder on the terms and conditions set forth in this Agreement.

(b) The Required Banks (as defined in the Existing Credit Agreement) hereby waive compliance by the Borrower of its obligations under subsections 2.8 and 2.9 of the Existing Credit Agreement to notify the Agent of its intention to terminate the "Commitments" and prepay "Loans" under (and as defined in) the Existing Credit Agreement within the time periods specified in such subsections.

11.13 Release of Collateral. (a) The Banks hereby agree with the Borrower, and hereby instruct the Agent, that if (i) the implied senior long-term unsecured debt securities of the Borrower are rated at least BBB- by Standard and Poor's Ratings Group and at least BAA3 by Moody's Investors Service, Inc., (ii) the Agent has no actual knowledge of the existence of a Default and (iii) the Borrower shall have delivered a certificate of a Responsible Officer stating that such Responsible Officer has



obtained no knowledge of any Default or Event of Default, the Agent shall, at the request and expense of the Borrower, take such actions as shall be reasonably requested by the Borrower to release its security interest in all collateral held by it pursuant to the Security Documents.

(b) The Banks hereby agree with the Borrower, and hereby instruct the Agent, that upon any sale (i) of accounts receivable permitted by this Agreement or (ii) of any assets permitted by subsection 8.6(f) or upon any transfer of assets pursuant to the last sentence of subsection 8.5, the Agent shall release, to the extent necessary, its security interest in such accounts receivable or such assets, as the case may be.

(c) The Banks hereby agree with the Borrower and hereby instruct the Agent to release its security interest in assets on which Liens are being created by the Borrower or any Subsidiary as permitted by subsection 8.3(m).

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

LEAR SEATING CORPORATION

By: \_\_\_\_\_  
Title:

CHEMICAL BANK, as Agent and as  
a Bank

By: \_\_\_\_\_  
Title:

ABN AMRO BANK N.V., as a Co-Agent  
and as a Lender

By: \_\_\_\_\_  
Title:

By: \_\_\_\_\_  
Title:

THE ASAHI BANK, LTD.

By: \_\_\_\_\_  
Title:

BANKERS TRUST COMPANY, as a  
Managing Agent and as a Lender

By: \_\_\_\_\_  
Title:

BANK OF AMERICA ILLINOIS, as a Co-  
Agent and as a Lender

By: \_\_\_\_\_  
Title:

BANK OF MONTREAL, as a Co-Agent and  
as a Lender

By: \_\_\_\_\_  
Title:

THE BANK OF NEW YORK, as a Co-Agent  
and as a Lender

By: \_\_\_\_\_  
Title:

THE BANK OF NOVA SCOTIA, as a  
Managing Agent and as a Lender

By: \_\_\_\_\_  
Title:

THE BANK OF TOKYO TRUST COMPANY, as  
a Co-Agent and as a Lender

By: \_\_\_\_\_  
Title:

BANQUE PARIBAS

By: \_\_\_\_\_  
Title:

By: \_\_\_\_\_  
Title:

CAISSE NATIONALE de CREDIT AGRICOLE

By: \_\_\_\_\_  
Title:

CIBC INC., as a Co-Agent and as a  
Lender

By: \_\_\_\_\_  
Title:

CITICORP USA, INC., as a Managing  
Agent and as a Lender

By: \_\_\_\_\_  
Title:

COMERICA BANK, as a Co-Agent and  
as a Lender

By: \_\_\_\_\_  
Title:

COMPAGNIE FINANCIERE DE CIC ET DE  
L'UNION EUROPEENNE, as a Lead  
Manager and as a Lender

By: \_\_\_\_\_  
Title:

By: \_\_\_\_\_  
Title:

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

By: \_\_\_\_\_  
Title:

By: \_\_\_\_\_  
Title:

CREDITANSTALT CORPORATE FINANCE,  
INC.

By: \_\_\_\_\_  
Title:

By: \_\_\_\_\_  
Title:

CREDIT LYONNAIS CHICAGO BRANCH, as  
a Co-Agent and as a Lender

By: \_\_\_\_\_  
Title:

CREDIT LYONNAIS CAYMAN BRANCH, as a  
Co-Agent and as a Lender

By: \_\_\_\_\_  
Title:

THE DAI-ICHI KANGYO BANK, LTD.

By: \_\_\_\_\_  
Title:

DEUTSCHE BANK AG, CHICAGO BRANCH,  
as a Co-Agent and as a Lender

By: \_\_\_\_\_  
Title:

By: \_\_\_\_\_  
Title:

DRESDNER BANK AG, CHICAGO AND GRAND  
CAYMAN BRANCHES, as a Co-Agent  
and as a Lender

By: \_\_\_\_\_  
Title:

By: \_\_\_\_\_  
Title:

FIRST AMERICAN NATIONAL BANK

By: \_\_\_\_\_  
Title:

FIRST BANK NATIONAL ASSOCIATION

By: \_\_\_\_\_  
Title:

THE FIRST NATIONAL BANK OF BOSTON,  
as a Lead Manager and as a Lender

By: \_\_\_\_\_  
Title:

FIRST UNION NATIONAL BANK OF NORTH  
CAROLINA, as a Co-Agent and as a  
Lender

By: \_\_\_\_\_  
Title:

THE FUJI BANK, LIMITED, as a  
Co-Agent and as a Lender

By: \_\_\_\_\_  
Title:

THE INDUSTRIAL BANK OF JAPAN, LTD.,  
CHICAGO BRANCH, as a Co-Agent and  
as a Lender

By: \_\_\_\_\_  
Title:

ISTITUTO BANCARIO SAN PAOLO  
DI TORNIO SPA

By: \_\_\_\_\_  
Title:

By: \_\_\_\_\_  
Title:

KREDIETBANK N.V.

By: \_\_\_\_\_  
Title:

By: \_\_\_\_\_  
Title:

LEHMAN COMMERCIAL PAPER INC., as  
a Managing Agent and as a Lender

By: \_\_\_\_\_  
Title:

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

By: \_\_\_\_\_  
Title:

THE MITSUBISHI BANK, LIMITED  
(CHICAGO BRANCH), as a Lead  
Manager and as a Lender

By: \_\_\_\_\_  
Title:

THE MITSUBISHI TRUST & BANKING  
CORPORATION, CHICAGO BRANCH

By: \_\_\_\_\_  
Title:

NATIONAL BANK OF CANADA

By: \_\_\_\_\_  
Title:

By: \_\_\_\_\_  
Title:

NATIONSBANK, N.A. (CAROLINAS), as a  
Co-Agent and as a Lender

By: \_\_\_\_\_  
Title:

NBD BANK, as a Lead Manager and as  
a Lender

By: \_\_\_\_\_  
Title:

THE NIPPON CREDIT BANK, LTD., as a  
Co-Agent and as a Lender

By: \_\_\_\_\_  
Title:

ROYAL BANK OF CANADA, as a Lead  
Manager and as a Lender

By: \_\_\_\_\_  
Title:

THE ROYAL BANK OF SCOTLAND, plc.

By: \_\_\_\_\_  
Title:

THE SAKURA BANK, LIMITED

By: \_\_\_\_\_  
Title:

THE SANWA BANK, LIMITED,  
CHICAGO BRANCH, as a Lead Manager  
and as a Lender

By: \_\_\_\_\_  
Title:

SOCIETE GENERALE, CHICAGO BRANCH

By: \_\_\_\_\_  
Title:



SOCIETY NATIONAL BANK

By: \_\_\_\_\_  
Title:

THE SUMITOMO BANK, LIMITED,  
CHICAGO BRANCH

By: \_\_\_\_\_  
Title:

By: \_\_\_\_\_  
Title:

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

By: \_\_\_\_\_  
Title:

THE TOKAI BANK, LTD. (CHICAGO  
BRANCH)

By: \_\_\_\_\_  
Title:

VIA BANQUE

By: \_\_\_\_\_  
Title:

By: \_\_\_\_\_  
Title:

WESTPAC BANKING CORPORATION

By: \_\_\_\_\_  
Title:

THE YASUDA TRUST & BANKING COMPANY,  
LTD.

By: \_\_\_\_\_  
Title:

## NAMES AND ADDRESSES OF BANKS

Chemical Bank  
270 Park Avenue  
New York, New York 10017  
Attention: Rosemary Bradley  
Telecopier: (212) 972-0009  
Telephone: (212) 270-7053

ABN AMRO Bank N.V.  
135 S. LaSalle Street  
Suite 425  
Chicago, IL 60674-9135  
Attention: Sheri Kempe1  
Telecopier: (312) 606-8425  
Telephone: (312) 904-2953

The Asahi Bank, Ltd.  
1 World Trade Center  
Suite 6011  
New York, NY 10048-0476  
Attention: Douglas Price  
Telecopier: (212) 432-1135  
Telephone: (212) 912-7037

Bankers Trust Company  
130 Liberty Street  
30th Floor  
New York, NY 10006  
Attention: Steve Snicek  
Telecopier: (212) 250-7351  
Telephone: (212) 250-7561

Copy to:  
Bankers Trust  
233 South Wacker Drive  
Chicago, IL 60606  
Attention: Lianne Mech  
Telecopier: (312) 993-8218  
Telephone: (312) 993-8119

Bank of America Illinois  
231 S. LaSalle Street  
Chicago, IL 60697  
Attention: Steve Ahrenholz  
Telecopier: (312) 987-5833  
Telephone: (312) 828-1291

Bank of Montreal  
115 South LaSalle Street  
12th Floor West  
Chicago, IL 60603  
Attention: David J. Thompson  
Telecopier: (312) 750-4314  
Telephone: (312) 750-4372

Bank of New York  
One Wall Street, 22nd Floor  
New York, NY 10286  
Attention: Lorna Alleyne  
Telecopier: (212) 635-6397  
Telephone: (212) 635-6725

The Bank of Nova Scotia  
600 Peachtree Street NE  
Suite 2700  
Atlanta, GA 30308  
Attention: F.C.H. Ashby  
Telecopier: (404) 888-8998  
Telephone: (404) 877-1500

The Bank of Tokyo Trust Company  
National Banking Department  
1251 Avenue of the Americas  
New York, NY 10116-3138  
Attention: Friedrich Wilms  
Telecopier: (212) 782-6440  
Telephone: (212) 782-4341

Banque Paribas  
227 West Monroe  
Suite 3300  
Chicago, IL 60635  
Attention: Laurie Flom/Celine Dessureault  
Telecopier: (312) 853-3087/6020  
Telephone: (312) 853-6022

Caisse Nationale de Credit Agricole  
55 E. Monroe Street  
Suite 4700  
Chicago, IL 60603  
Attention: Richard Drennan  
Telecopier: (312) 372-3724  
Telephone: (312) 917-7441

CIBC Inc.  
Two Paces West  
2727 Paces Ferry Road  
Suite 1200  
Atlanta, GA 30339  
Attention: Junior Williams  
Telecopier: (404) 319-4950  
Telephone: (404) 319-4820

Citicorp USA, Inc.  
One Court Square  
7th Floor  
Long Island City, NY 11120  
Attention: Angela Valentin  
Telecopier: (718) 248-4844  
Telephone: (718) 248-8618

Comerica Bank  
One Detroit Center  
500 Woodward Avenue  
8th Floor  
Detroit, MI 48226  
Attention: Cheryl W. Ewers  
Telecopier: (313) 222-3776  
Telephone: (313) 222-9168

Compagnie Financiere de CIC et de  
l'Union Europeenne  
520 Madison Avenue  
37th Floor  
New York, NY 10022  
Attention: Brian O'Leary  
Telecopier: (212) 715-4535  
Telephone: (212) 715-4422

Cooperatieve Centrale Raiffeisen -  
Boerenleenbank B.A.,  
"Rabobank Nederland", New York Branch  
245 Park Avenue  
New York, NY 10167  
Attention: Debra Rivers  
Telecopier: (212) 916-7930  
Telephone: (212) 916-7845

Creditanstalt Corporate Finance, Inc.  
2 Greenwich Plaza, 2nd Floor  
Greenwich, CT 06830  
Attention: Stacy Harmon  
Telecopier: (203) 861-6594  
Telephone: (203) 861-6581

Credit Lyonnais  
227 W. Monroe Street  
Suite 3800  
Chicago, IL 60606  
Attention: Joce Cote  
Telecopier: (312) 641-0527  
Telephone: (312) 220-7303/7304

The Dai-Ichi Kangyo Bank, Ltd.  
10 South Wacker Drive  
26th Floor  
Chicago, IL 60606  
Attention: Brian J. Cushing  
Telecopier: (312) 876-2011  
Telephone: (312) 715-6361

Deutsche Bank AG, Chicago Branch  
227 West Monroe  
Suite 4350  
Chicago, Illinois 60606  
Attention: David Berger  
Telecopier: (312) 578-4111  
Telephone: (312) 578-4120

Dresdner Bank AG,  
Chicago and Grand Cayman Branches  
190 S. LaSalle Street  
Suite 2700  
Chicago, IL 60603  
Attention: Brian J. Brodeur  
Telecopier: (312) 444-1305  
Telephone: (312) 444-1319

First American National Bank  
315 Union Street  
3rd Floor  
Nashville, TN 37237-0310  
Attention: Andrew Zimberg  
Telecopier: (615) 748-6072  
Telephone: (615) 748-1401

First Bank National Association  
First Bank Place  
601 2nd Avenue South - MPFP0702  
Minneapolis, MN 55402-4302  
Attention: Michael J. McGroarty  
Telecopier: (612) 973-0825  
Telephone: (612) 973-0552

The First National Bank of Boston  
100 Federal Street  
Boston, MA 02106-2106  
Attention: Lisa Marshall/Christopher Holtz  
Telecopier: (617) 434-0630  
Telephone: (617) 434-7690/4117

First Union National Bank of North Carolina  
One First Union Center  
301 S. Collete St., TW-19  
Charlotte, NC 28288-0745  
Attention: Glenn Edwards  
Telecopier: (704) 374-2802  
Telephone: (704) 383-3810

The Fuji Bank, Limited  
225 West Wacker Drive  
Suite 2000  
Chicago, IL 60606  
Attention: James Faven  
Telecopier: (312) 621-0539/419-3677  
Telephone: (312) 621-0518

The Industrial Bank of Japan, Ltd.,  
Chicago Branch  
227 West Monroe Street  
26th Floor  
Chicago, IL 60606  
Attention: John Bowin  
Telecopier: (312) 855-8200  
Telephone: (312) 855-8264

Istituto Bancario San Paolo  
di Tornia SPA  
245 Park Avenue  
New York, NY 10167  
Attention: Davide Scarselli  
Telecopier: (212) 599-5303  
Telephone: (212) 692-3172

Kredietbank N.V.  
125 West 55th Street  
10th Floor  
New York, NY 10019  
Attention: John Thierfelder  
Telecopier: (212) 956-5580  
Telephone: (212) 541-0727

Lehman Commercial Paper Inc.  
c/o Banker's Trust Company  
Corporate Trust & Agency Group  
4 Albany Street - 10th Floor  
New York, NY 10006  
Attention: Brian Schmidt  
Telecopier: (212) 250-6151  
Telephone: (212) 250-6523

The Long-Term Credit Bank of  
Japan, Ltd., Chicago Branch  
190 S. LaSalle Street  
Suite 800  
Chicago, IL 60603  
Attention: Koji Sasayama  
Telecopier: (312) 704-8505  
Telephone: (312) 704-5483



The Mitsubishi Bank, Limited  
115 South LaSalle St.  
Suite 2100  
Chicago, IL 60603  
Attention: Michael Kempel  
Telecopier: (312) 263-2555  
Telephone: (312) 269-0415

The Mitsubishi Trust and Banking  
Corporation, Chicago Branch  
311 S. Wacker Dr.  
Suite 6300  
Chicago, IL 60606  
Attention: Vicki L. Kamm  
Telecopier: (312) 663-0863  
Telephone: (312) 408-6014

National Bank of Canada  
27777 Franklin Rd.  
Suite 1570  
Southfield, MI 48034  
Attention: Jeffrey C. Angell  
Telecopier: (810) 354-1768  
Telephone: (810) 354-4800

NationsBank, N.A. (Carolinas)  
Sears Tower  
233 South Wacker Drive  
Suite 2800  
Chicago, IL 60606  
Attention: Michael Zenfuss  
Telecopier: (312) 234-5601  
Telephone: (312) 234-5625

NBD Bank  
611 Woodward Avenue  
Detroit, MI 48226  
Attention: Thomas A. Lakocy  
Telecopier: (313) 225-2290  
Telephone: (313) 225-2884

The Nippon Credit Bank, Ltd.  
245 Park Avenue  
30th Floor  
New York, NY 10167  
Attention: Clifford Abramsky  
Telecopier: (212) 490-3895  
Telephone: (212) 984-1238

Royal Bank of Canada  
One North Franklin Street  
Suite 700  
Chicago, IL 60606  
Attention: Forrest Vollrath  
Telecopier: (312) 551-0805  
Telephone: (312) 551-1624

The Royal Bank of Scotland, plc.  
Wall Street Plaza  
88 Pine Street  
26th Floor  
New York, NY 10005-1801  
Attention: Helaine Griffin  
Telecopier: (212) 480-0791  
Telephone: (212) 269-1700 X213

The Sakura Bank, Limited  
227 W. Monroe Street  
Suite 4700  
Chicago, IL 60606  
Attention: Kristin Hays  
Telecopier: (312) 332-5345  
Telephone: (312) 201-5141

The Sanwa Bank, Limited,  
Chicago Branch  
10 South Wacker Drive  
31st Floor  
Chicago, IL 60606  
Attention: Richard H. Ault  
Telecopier: (312) 346-6677  
Telephone: (312) 368-3011

Societe Generale, Chicago Branch  
181 West Madison Street  
Suite 3400  
Chicago, IL 60602  
Attention: Gilles Demeulenaere  
Telecopier: (312) 578-5099  
Telephone: (312) 578-5056

Society National Bank  
127 Public Square  
OH-01-127-0606  
Cleveland, OH 44114-1806  
Attention: Michael J. Jackson  
Telecopier: (216) 689-4931  
Telephone: (216) 689-4441

The Sumitomo Bank, Limited,  
Chicago Branch  
233 South Wacker Drive  
Suite 4800  
Chicago, IL 60606  
Attention: Gertraud Wolters  
Telecopier: (312) 876-6436  
Telephone: (312) 876-7794

The Sumitomo Trust & Banking Co., Ltd.  
New York Branch  
527 Madison Avenue  
New York, NY 10022  
Attention: Masa Egami  
Telecopier: (212) 418-4848  
Telephone: (212) 326-0718

The Tokai Bank, Ltd.  
(Chicago Branch)  
181 West Madison Street  
Suite 3600  
Chicago, IL 60602  
Attention: Cary Shinsako  
Telecopier: (312) 977-0003  
Telephone: (312) 456-3433

Via Banque  
10 Rue Volney  
75002, Paris, France  
Attention: Jean-Louis Simon  
Telecopier: 33-14-926-2626  
Telephone: 33-14-926-2998

Westpac Banking Corporation  
335 Madison Avenue  
New York, NY 10017  
Attention: Craig L. Jones  
Telecopier: (212) 850-7619  
Telephone: (212) 850-7862

The Yasuda Trust & Banking Company, Ltd.  
Chicago Branch  
181 West Madison Street  
Suite 4500  
Chicago, IL 60602  
Attention: Robert B. Orenstein  
Telecopier: (312) 683-3899  
Telephone: (312) 683-3836

## SECURITY DOCUMENTS

## I. Guarantee

1. Subsidiary Guarantee, dated as of the date hereof, made by LS Acquisition Corp. No. 14, Lear Seating Holdings Corp. No. 50, Progress Pattern Corp., Lear Plastics Corp., LS Acquisition Corporation No. 24, Fair Haven Industries, Inc. and AIHI Acquisition Corp. in favor of the Banks, substantially in the form of Exhibit C to the Agreement.

## II. Pledge Agreements

1. Domestic Pledge Agreement, dated as of the date hereof, made by the Borrower, pledging 100% of the stock of Progress Pattern Corp., Lear Plastics Corp., LS Acquisition Corporation No. 24, LS Acquisition Corporation No. 14, Lear Seating Holdings Corp. No. 50, AIHI Acquisition Corp. and 65% of the stock of Lear Seating Sweden AB, in favor of the Agent, substantially in the form of Exhibit D to the Agreement.

2. Fair Haven Pledge Agreement, dated as of the date hereof, made by LS Acquisition Corporation No. 24, pledging 100% of the stock of Fair Haven Industries, Inc., in favor of the Agent, substantially in the form of Exhibit E to the Agreement.

3. Acquisition Pledge Agreement, dated as of the date hereof, made by Acquisition Corp. in favor of the Agent, pledging the AIHI Shares from time to time owned by Acquisition Corp., substantially in the form of Exhibit F.

4. 1995 German Pledge Agreement made by LS Acquisition Corp. No. 14, pledging 65% of the stock of NS Beteiligungs GmbH, in favor of the Agent, substantially in form and substance satisfactory to the Agent.

5. Mexican Pledge Agreement made by Lear Seating Holdings Corp. No. 50, pledging 65% of the stock of Equipos Automotrices Tatales S.A. de C.V., in favor of the Agent, in form and substance satisfactory to the Agent.

6. Pledge Agreement ("Nantissement") made by the Borrower, pledging 65% of the stock of Lear France, in favor of the Agent, together with the related Confirmation, in form and substance satisfactory to the Agent.

7. Lear Seating Canada Ltd. Share Pledge Agreement made by the Borrower, pledging 65% of the stock of Lear Seating Canada Ltd., in favor of the Agent, together with the related

Acknowledgment and Confirmation, in form and substance satisfactory to the Agent.

8. Charge Over Shares made by the Borrower, charging 65% of the stock of Lear Seating (U.K.) Limited, in favor of the Agent, in form and substance satisfactory to the Agent.

### III. Security Agreement

Security Agreement, dated as of the date hereof, made by the Borrower, LS Acquisition Corp. No. 14, Lear Seating Holding Corp. No. 50, Progress Pattern Corp., Lear Plastics Corp., LS Acquisition Corporation No. 24 and Fair Haven Industries, Inc., in favor of the Agent, substantially in the form of Exhibit G to the Agreement.

### IV. Mortgages

1. Mortgage on property located in Mendon, Michigan, dated as of August 17, from Lear Plastics Corp. to the Agent.

2. Mortgage on property located in Fenton, Michigan, dated as of August 17, from Lear Seating Corporation to the Agent.

3. Mortgage on property located in Southfield, Michigan, dated as of August 17, from Progress Pattern Corp. to the Agent.

4. Mortgage on property located in Romulus, Michigan, dated as of August 17, from Lear Seating Corporation to the Agent.

5. Mortgage on property located in Detroit, Michigan, dated as of August 17, from Lear Seating Corporation to the Agent.

6. Deed of Trust on fee property located in Morristown, Tennessee, each dated as of August 17, from Lear Seating Corporation to James C. Warner, as Trustee, for the benefit of the Agent.

7. Mortgage on property located in Janesville, Wisconsin, dated as of August 17, from Lear Seating Corporation to the Agent.

## SCHEDULE 1.1(c)

## MORTGAGED PROPERTIES

Location ----- Building Size ----- (Sq. Ft.)	Land Size ----- (Acres)
1. 21557 Telegraph Road Southfield, Michigan a. 70,000 sq. ft. b. 65,500 sq. ft. c. 19,000 sq. ft.	11.71
2. 4600 Nancy Avenue Detroit, Michigan 156,800 sq. ft.	9.0
3. 36300 Eureka Road Romulus, Michigan 89,600 sq. ft.	N/A
4. 36310 Eureka Road Romulus, Michigan 88,200 sq. ft.	N/A
5. 340 Fenway Drive Fenton, Michigan 75,800 sq. ft.	10.2
6. 236 West Clark Street Mendon, Michigan 168,500 sq. ft.	18.0
7. 325 Industrial Avenue Morristown, Tennessee (owned property) 235,900 sq. ft.	20.0
8. 3708 Enterprise Drive Janesville, Wisconsin 120,000 sq. ft.	N/A

## SCHEDULE 2.1

## COMMITMENTS

Bank ----	Commitment -----
Chemical Bank	\$50,000,000.00
Bankers Trust Company	\$43,250,000.00
Citicorp USA, Inc.	\$43,250,000.00
Lehman Commercial Paper Inc.	\$43,250,000.00
The Bank of Nova Scotia	\$43,250,000.00
ABN AMRO Bank N.V.	\$37,000,000.00
Bank of America Illinois	\$37,000,000.00
Bank of Montreal	\$37,000,000.00
The Bank of New York	\$37,000,000.00
The Bank of Tokyo Trust Company	\$37,000,000.00
CIBC Inc.	\$37,000,000.00
Comerica Bank	\$37,000,000.00
Credit Lyonnais	\$37,000,000.00
Deutsche Bank AG	\$37,000,000.00
Dresdner Bank AG	\$37,000,000.00
First Union National Bank of North Carolina	\$37,000,000.00
The Fuji Bank, Limited	\$37,000,000.00
The Industrial Bank of Japan, Ltd.	\$37,000,000.00
NationsBank, N.A. (Carolinas)	\$37,000,000.00
The Nippon Credit Bank, Ltd.	\$37,000,000.00
Societe Generale	\$37,000,000.00
Compagnie Financiere de CIC et de l'Union Europeenne	\$30,000,000.00
The First National Bank of Boston	\$30,000,000.00



Bank -----	Commitment -----
The Mitsubishi Bank, Limited	\$30,000,000.00
NBD Bank	\$30,000,000.00
Royal Bank of Canada	\$30,000,000.00
The Sanwa Bank, Limited	\$30,000,000.00
The Sumitomo Bank, Limited	\$30,000,000.00
The Asahi Bank, Ltd.	\$25,000,000.00
Banque Paribas	\$25,000,000.00
Caisse Nationale de Credit Agricole	\$25,000,000.00
Creditanstalt Corporate Finance, Inc.	\$25,000,000.00
The Dai-Ichi Kangyo Bank, Ltd.	\$25,000,000.00
First Bank National Association	\$25,000,000.00
Istituto Bancario San Paolo di Tornia SPA	\$25,000,000.00
The Long-Term Credit Bank of Japan, Ltd.	\$25,000,000.00
The Mitsubishi Trust and Banking Corporation	\$25,000,000.00
National Bank of Canada	\$25,000,000.00
The Royal Bank of Scotland, plc.	\$25,000,000.00
The Sakura Bank, Limited	\$25,000,000.00
Society National Bank	\$25,000,000.00
The Sumitomo Trust & Banking Co., Ltd.	\$25,000,000.00
The Tokai Bank, Ltd.	\$25,000,000.00
The Yasuda Trust & Banking Company, Ltd.	\$25,000,000.00
Cooperatieve Centrale Raiffeisen - Boerenleenbank, B.A. "Rabobank Nederland", New York Branch	\$15,000,000.00
First American National Bank	\$15,000,000.00
Kredietbank N.V.	\$15,000,000.00

Bank  
-----Commitment  
-----Via Banque  
Westpac Banking Corporation\$15,000,000.00  
\$15,000,000.00-----  
\$1,500,000,000.00

## EXISTING LETTERS OF CREDIT

L/C NUMBER -----	FACE AMOUNT -----	BENEFICIARY -----	EXPIRATION DATE -----
T-294933	\$ 4,612,000	National Union Fire Insurance	8/13/95
G-137608	\$ 2,287,750	National Union Fire Insurance	9/28/95
T-216189	\$ 750,000	Zurich Insurance	9/30/95
T-219868	\$ 4,800,000	Zurich Insurance	9/30/95
T-220133	\$15,000,000	Citibank	10/31/95
T-232745	\$ 9,626,667	NBD Bank, N.A.	10/31/98
T-235091	\$ 9,630,137	NBD Bank, N.A.	10/31/98
T-237709	\$ 7,000,000	Zurich Insurance	9/30/96
	\$53,706,554		
	=====		

SUBSIDIARIES, DIVISIONS, PARTNERSHIPS AND JOINT VENTURES  
OF LEAR SEATING CORPORATION

## DOMESTIC SUBSIDIARIES:

Name of Entity -----	Jurisdiction of Incorporation -----	Number of Shares -----	Stock Ownership -----	Record Holder -----
LS Acquisition Corp. No. 14	Delaware	100 Common	100%	Lear Seating Corporation
Lear Seating Holdings Corp. No. 50	Delaware	100 Common	100%	Lear Seating Corporation
Progress Pattern Corp.	Delaware	100 Common	100%	Lear Seating Corporation
LS Acquisition Corporation No. 24	Delaware	100 Common	100%	Lear Seating Corporation
Fair Haven Industries, Inc.	Michigan	19,600 Common	100%	LS Acquisition Corporation No. 24
Lear Plastics Corp.	Delaware	100 Common	100%	Lear Seating Corporation
AIHI Acquisition Corp.	Delaware	100 Common	100%	Lear Seating Corporation

## FOREIGN SUBSIDIARIES:

Name of Entity -----	Jurisdiction of Organization -----	Stock Ownership -----	Record Holder -----
Lear Seating Sweden A.B.	Sweden	100%	Lear Seating Corporation
Equipos Automotrices Totales S.A. de C.V.	Mexico	84%	Lear Seating Holdings Corp. No. 50
		16%	Lear Seating Corporation
Central de Industrias S.A. de C.V.	Mexico	59.6%	Equipos Automotrices Totales S.A. de C.V.
		40%	Lear Seating Corporation
Lear Seating Canada Ltd.	Canada	100%	Lear Seating Corporation
Lear Seating International Ltd.	Barbados	100%	Lear Seating Canada Ltd.
Intertrim S.A. de C.V.	Mexico	99.5%	Lear Seating Corporation
NS Beteiligungs GmbH	Germany	100%	LS Acquisition Corp. No. 14
Lear Seating Autositze GmbH	Austria	100%	NS Beteiligungs GmbH
NS Drahtfedern GmbH	Germany	100%	NS Beteiligungs GmbH
Lear Seating GmbH	Germany	100%	NS Drahtfedern GmbH

Name of Entity -----	Jurisdiction of Organization -----	Stock Ownership -----	Record Holder -----
Lear France E.U.R.L.	France	100%	Lear Seating Corporation
Societe No Sag Francaise	France	55.8%	Lear France E.U.R.L.
Souby S.A.	France	100%	Societe No Sag Francaise
Spitzer GmbH	Austria	62%	Lear Seating GmbH & Co. KG
Lear Seating (U.K.) Ltd.	U.K.	100%	Lear Seating Corporation
Lear Seating Australia PTY. Ltd.	Australia	100%	Lear Seating Corporation
Favesa S.A. de C.V.	Mexico	92%	Equipos Automotrices Totales S.A. de C.V.
		8%	Lear Seating Corporation
Lear Seating Italia, S.r.L.	Italy	99%	Lear Seating Corporation
		1%	LS Acquisition Corp. No. 14
Lear Seating (SA) (Pty) Ltd.	South Africa	100%	Lear Seating Corporation
Lear Seating Italia Sud S.p.A.	Italy	100%	Lear Seating Italia S.p.A
Lear Seating Italia S.p.A	Italy	100%	Lear Seating Italia, S.r.L.
Lear Seating Italia Holdings S.r.L.	Italy	100%	Lear Seating Corporation
L.S. Servicos Ltda.	Brazil	100%	Lear Seating Corporation
Lear Seating Poland Z o.o.	Poland	100%	Lear Seating Corporation
Lear Seating (Indonesia) Pty Ltd.	Indonesia	100%	Lear Seating Corporation

## PARTNERSHIPS/JOINT VENTURES:

Name of Entity -----	Jurisdiction of Organization -----	Stock Ownership -----	Record Holder -----
<b>PARTNERSHIPS</b>			
Lear Seating Autositze GmbH & Co. KG	Austria	99%	NS Beteiligungs GmbH
Lear Seating GmbH & Co. KG	Germany	1% Gen'l Pt	Lear Seating Autositze GmbH NS Drahtfedern GmbH
No-Sag Drahtfedern Spitzer & Co. KG	Austria	Lim. Pt 62.5% 37.5%	Lear Seating GmbH Lear Seating GmbH & Co. KG Spitzer GmbH
<b>JOINT VENTURES AND MINORITY INTERESTS</b>			
General Seating of America	Michigan	35% (a)	Lear Seating Corporation
General Seating of Canada Limited	Canada	35% (a)	Lear Seating Canada Ltd.
Pacific Trim Corporation Ltd.	Thailand	20%	Lear Seating Corporation
Probel S.A.	Brazil	31%	Lear Seating Canada Ltd.
Lear Seating (Thailand) Corp. Ltd.	Thailand	49%	Lear Seating Corporation
Lear Seating Inespo Comercial e Industrial de Brasil	Brazil	50.01%	Lear Seating Corporation
Markol Otomotiv Yan Sanayi Ve Ticaret Anonim Sirketi	Turkey	35%	Lear Seating Corporation
Industrias Cousin Freres S.L.	Spain	49.9%	SEPI S.p.A.

- 
- (a) An option exists whereby General Motors Corporation may purchase five percent (5%) of the issued shares from Lear Seating Corporation and Lear Seating Canada Ltd.

## IN CONNECTION WITH THE ACQUISITION, THE FOLLOWING ENTITIES WILL BE ACQUIRED:

Automotive Industries Holding, Inc.	Delaware	100%*	Lear Seating Corporation
Automotive Industries, Inc.	Virginia	100%	Automotive Industries Holding, Inc.
Plastifol Holdings GmbH	Germany	100%	Automotive Industries, Inc.
Quadresta GmbH	Germany	100%	Plastifol Holdings GmbH
Plastifol Verwaltungs GmbH	Germany	100%	Quadresta GmbH
Plastifol GmbH & Co. KG	Germany	Gen'l Pt.	Plastifol Verwaltungs GmbH
		Lim. Pt.	Quadresta GmbH
Manfred Rothe Verwaltungs GmbH	Germany	100%	Quadresta GmbH
Plastifol Manfred Rothe Iberia S.A.	Spain	71.4%	Plastifol Holdings GmbH
Anlagen und Vorrichtungsbau GmbH	Germany	55%	Plastifol Holdings GmbH
Plastifol Beteiligungs GmbH	Germany	100%	Plastifol Holdings GmbH
Guildford Kast Plastifol Ltd.	U.K.	33.3%	Plastifol Beteiligungs GmbH
Automotive Industries (Holdings) Ltd.	U.K.	100%	Automotive Industries, Inc.
Automotive Industries (U.K.) Ltd.	U.K.	100%	Automotive Industries (Holdings) Ltd.
Simplay Ltd.	U.K.	100%	Automotive Industries (U.K.) Ltd.
Davart Group Ltd.	U.K.	100%	Automotive Industries (U.K.) Ltd.
John Cotton (Plastics) Ltd.	U.K.	100%	Davart Group Ltd.
Automotive Industries Export Ltd.		100%	Automotive Industries Holdings, Inc.
Cellasto Plastics Industries, Inc.	Delaware	100%	Automotive Industries, Inc.
PF Acquisition Co.	Delaware	100%	Automotive Industries, Inc.
Gulfstream Automotive, Inc.	Delaware	100%	Automotive Industries, Inc.
AII, Inc.	Delaware	100%	Automotive Industries, Inc.
Capital Plastics of Ohio, Inc.	Ohio	100%	Gulfstream Automotive, Inc.
ASAA International, Inc.	Delaware	100%	Automotive Industries, Inc.
Interiores Automotrices Summa, S.A. de C.V.	Mexico	40%	ASAA International, Inc.
General Panel, B.V.	Wisconsin	100%	ASAA International, Inc.
ASAA, Inc.	Wisconsin	100%	General Panel, B.V.

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\* Upon consummation of the Tender Offer, the Merger and related transactions contemplated in connection therewith, Lear Seating Corporation will own 100% of the issued and outstanding common stock of Automotive Industries Holdings, Inc.

American Wood Stock Company, Inc.	Wisconsin	100%	General Panel, B.V.
ASAA Technologies, Inc.	Wisconsin	100%	General Panel, B.V.
Snider Mold Company, Inc.	Wisconsin	60%	General Panel, B.V.
AII Automotive Industries Canada, Inc.	Ontario	100%	Lear Seating Corporation



## HAZARDOUS MATERIAL

The facility at Mendon, Michigan was contaminated with Hazardous Materials in several areas.

1. Soil beneath one of the plant buildings was contaminated with heavy metals as the result of spills from the former electroplating operation and leaks in the floor. The Borrower excavated the most heavily contaminated soil and signed a "Declaration of Restrictions/Consent Agreement" with MDNR, which requires maintenance of an impermeable cap (i.e., the current concrete floor) over the contaminated area.

2. The Borrower believes that it has completed all of the capital expenditures necessary to remedy the soil and groundwater contamination identified at the Mendon plant. Monitoring wells indicate that there has been no migration of contamination toward a drinking water well located approximately one quarter of a mile from the plant, but it is remotely possible that MDNR will require the Borrower to undertake additional remediation actions as a precaution.

## EXISTING INDEBTEDNESS

1. Indebtedness evidenced by the Indenture dated as of July 15, 1992, relating to the Borrower's 11-1/4% Senior Subordinated Notes, in an aggregate principal amount of \$125,000,000, plus accrued and unpaid interest.
2. Indebtedness evidenced by the Indenture dated February 1, 1994, relating to the Borrower's 8 1/4% Subordinated Notes, in an aggregate principal amount of \$145,000,000, plus accrued and unpaid interest.
3. Indebtedness of Lear Seating Canada Ltd. under its revolving loan facility with The Bank of Nova Scotia in the principal amount up to \$25,000,000 (Canadian), plus accrued and unpaid interest.
4. Indebtedness of NS Beteiligungs GmbH to Industriekreditbank AG-Deutsch Industriebank in the principal amount of DM 9,500,000, plus accrued and unpaid interest.
5. Indebtedness in Germany to the city of Eisenach, Germany, relating to a land purchase in Eisenach, Germany, in the principal amount of DM 429,000, plus accrued and unpaid interest.
6. Indebtedness in Austria to Sparkasse under a working capital credit line in the principal of up to ATS 20,000,000, plus accrued and unpaid interest.
7. Indebtedness in Mexico to Internacional under a note payable facility for working capital in the principal amount up to \$15,000,000, plus accrued and unpaid interest.
8. Indebtedness in Mexico to Bancomer, FINAC, Banamex and Citibank under a note payable facility for working capital in the principal amount up to 45,000,000 Mexican pesos and \$15,325,000, plus accrued and unpaid interest.
9. Indebtedness of Lear Seating Sweden AB to SE Banken under a working capital credit facility in the principal amount up to SEK 6,500,000, plus accrued and unpaid interest.
10. Indebtedness of the Borrower to NBD Bank, N.A. under a capitalized lease in the amount of \$47,399.
11. Indebtedness of the Borrower to the City of Hammond, Indiana under the loan agreement dated July 1, 1994, in the principal amount of \$9,500,000, plus accrued and unpaid interest.

12. Indebtedness of the Borrower to Development Authority of Clayton County, Georgia under a loan agreement dated September 16, 1994, in the principal amount of \$9,500,000, plus accrued and unpaid interest.
13. Indebtedness of Lear Seating Canada, Ltd. to the government of the Province of Ontario, Canada under a loan agreement, dated January 27, 1993, in the principal amount up to \$2,500,000 (Canadian), plus accrued and unpaid interest.
14. Indebtedness of Lear Seating Canada, Ltd. to the government of the Province of Ontario, Canada under a loan agreement, in the principal amount up to \$2,000,000 (Canadian), plus accrued and unpaid interest.
15. Indebtedness of Favesa to Citibank evidenced by a promissory note dated October 31, 1994 in the principal amount of \$15,000,000, plus accrued and unpaid interest.
16. Indebtedness of the Borrower to AFCO under a loan agreement dated October 31, 1994 in a principal amount of approximately \$1,400,000, plus accrued and unpaid interest.
17. Indebtedness of Lear Italia to Ministro dell'Industria Commercio E Artignato of approximately Lit 610,000,000, plus accrued and unpaid interest.
18. Indebtedness of Lear Italia to Inpool B.N.L. and Efibanca of approximately Lit 3,200,000,000, plus accrued and unpaid interest.
19. Indebtedness of the Borrower to Gilardini S.p.A. of approximately Lit 20,000,000,000 under a Stock Purchase Agreement, plus accrued and unpaid interest.
20. Indebtedness of Lear Seating Italia Holdings S.r.L. to San Paolo di Torino, Banca Commerciale Italiana, Credito Italiano, Banca Nazionale del Lavoro, Banca di Roma and Cassa di Resp. di Parma e Piacenza for working capital in the principal amount of up to Lit 12,500,000,000, plus accrued and unpaid interest.
21. Indebtedness of Lear Seating Australia Pty. Ltd. to Citibank for working capital in the principal up to AUD \$2,000,000, plus accrued and unpaid interest.
22. Indebtedness of NS Beteiligungs GmbH to Dresdner Bank under trade acceptance facilities for working capital of up to DM 1,350,000, plus accrued and unpaid interest.
23. Indebtedness of Lear Seating Italia SUD, S.p.A. to the Italian government and various financial institutions (including EFI Banca) under a term loan for approximately Lit 15,478,000, plus accrued and unpaid interest.

24. Indebtedness in Mexico to Bancomer under capital leases of approximately MPS 661,332, plus accrued and unpaid interest.
25. Working capital indebtedness of Lear Seating (Indonesia) Pty Ltd. in the aggregate principal amount of up to \$4,000,000, plus accrued and unpaid interest.
26. Strasburg, VA
- Computer Lease From: NCC Leasing, Inc.-Sub. of NCR  
 (5 Years) 60 months @ \$3,678.24 \$7,394  
 (9/90-8/95)
27. Corporate
- Blow Molding Machines from CIT Group/Equipment Financing, Inc.  
 (5 Years) 60 months @ \$92,666.48 \$1,925,677  
 (12/91-11/96)  
 Orig.-\$4,500,000
28. Snider Mold
- First National Leasing - division of M and I Bank  
 (5 Years) 60 months @ \$8,038 \$61,811  
 (4/91-3/96)
29. First National Leasing - division of M and I Bank  
 (5 Years) 60 months @ \$5,920 \$28,768  
 (10/90-9/95)

## Automotive Industries U.K. (amounts in British Pounds)

30. Press Equipment  
 Bank: Barclays Mercantile  
 (5 Years) 20 quarters @ pound sterling 32,153 391,917 pound sterling  
 From 3/94  
 Orig.-pound sterling 538,485
31. Pume Extraction Plant  
 Bank: Barclays Mercantile  
 (5 Years) 20 quarters @ pound sterling 26,904 4,353 pound sterling  
 From 12/90  
 Orig.-pound sterling 388,000

32.	CAD System Bank: Barclays Mercantile (5 Years) 20 quarters @ pound sterling 14,810 From 7/93 Orig.-pound sterling 245,695	155,106 pound sterling
33.	Press & General Production Bank: Barclays Mercantile (5 Years) 20 quarters @ pound sterling 68,801 From 10/94 Orig.-pound sterling 1,086,727	886,691 pound sterling
34.	Press & General Production Bank: Forward Asset Finance (5 Years) 20 quarters @ pound sterling 60,203 From 11/94 Orig.-pound sterling 966,347	827,138 pound sterling
35.	Press & General Production Bank: Barclays Mercantile (5 Years) 20 Quarters @ pound sterling 147,539 From 2/95 Orig.-pound sterling 2,315,727	2,083,493 pound sterling
36.	Door Panel Assembly Equipment Bank: Forward Asset Finance (5 Years) 20 quarters @ pound sterling 22,183 From 12/94 Orig.-pound sterling 355,000	304,048 pound sterling
37.	Door Panel Press Bank: Forward Asset Finance (5 Years) 1 quarter @ pound sterling 160,589 3 quarters @ pound sterling 57,738 16 quarters @ pound sterling 79,126 From 2/95 Orig.-pound sterling 1,283,071	1,092,044 pound sterling
38.	Door Panel Press Bank: Forward Asset Finance (5 Years) 20 quarters @ pound sterling 3,115 From 2/95 Orig.-pound sterling 49,422	45,442 pound sterling
39.	Laminate Cutting Equipment Bank: Forward Asset Finance (5 Years) 20 quarters @ pound sterling 7,277 From 2/95 Orig.-pound sterling 106,316	91,764 pound sterling
40.	Advance Progress payments to be Converted to a Lease by December 1995	243,196 pound sterling

41.	2 Injection Molding Machines Bank: Barclays Mercantile (5 Years) 20 quarters @ pound sterling 4,078	30,825 pound sterling
42.	Injection Molding Machine Bank: Lombard North Central (5 Years) 20 quarters @ pound sterling 46,817 From 10/93 Orig. pound sterling 795,394	497,855 pound sterling
43.	Injection Molding Machine Bank: Lombard North Central (5 Years) 20 quarters @ pound sterling 2,009 From 3/94 Orig. pound sterling 795,394	30,694 pound sterling
44.	Injection Molding Machines Bank: Lombard North Central (5 Years) 20 quarters @ pound sterling 6,231 From 7/94 Orig. pound sterling 100,992	83,164 pound sterling

## Fibercraft/DESCon

45.	5 Copiers Leased From: Ervin Leasing Monthly @ \$2,566.88	\$82,611
46.	2 Vehicles Leased From: Ford Motor Credit Monthly @ \$1,042.05	\$14,183
47.	\$1,213,333 aggregate principal amount of ASAA Technologies, Inc. mortgage loan issue to Associated Bank Lakeshore, N.A. due December 20, 1997 secured by a first mortgage on the ASAA Tech Center facility.	
48.	Indebtedness of AIHI to CSM in the amount of \$4,726,000 plus accrued and unpaid interest.	
49.	Indebtedness of AIHI to O'Sullivan in the amount of \$3,870,000 plus accrued and unpaid interest.	
50.	Credit Agreement in the aggregate principal amount of up to pound sterling 6,600,000 among John Cotton (Colne) Ltd., Simplay Ltd., Davart Group Ltd., John Cotton (Plastics) Ltd. and Midland Bank plc, plus accrued and unpaid interest.	
51.	Industrial Revenue Bonds in the aggregate principal amount of up to \$3,800,000, payable by ASAA International, Inc. ("ASAA") to the Commonwealth of Virginia, plus accrued and unpaid interest.	

52. Promissory Note in the aggregate principal amount of \$4,900,000 payable to a former sales representative of ASAA, plus accrued and unpaid interest.

Gulfstream Automotive

53. Forklift and Accompanying Batteries and Charger  
Leased From: World Omni Leasing, Inc.  
(Lease Assigned to Associated Leasing, Inc.)  
(5 Years) 60 months @ \$545.43 \$6,000  
(6/91 - 5/96)  
Orig.-\$32,725.80
54. Forklift  
Leased From: World Omni Leasing, Inc.  
(Lease Assigned to Associated Leasing, Inc.)  
(5 Years) 60 months @ \$545.43 \$7,636  
(9/91 - 8/96)  
Orig.-\$32,725.80
55. Forklift  
Leased From: World Omni Leasing, Inc.  
(Lease Assigned to Associated Leasing, Inc.)  
(5 Years) 60 months @ \$545.43 \$7,636  
(9/91 - 8/96)  
Orig.-\$32,725.80
56. Forklift Leased From: Toyota Motor Credit Corp.  
Leased From: Toyota Motor Credit Corp.  
39 months @ \$405.25 \$811  
(6/92 - 8/95)  
Orig.-\$60,204.85
57. 3 Forklifts and Accompanying Batteries and Chargers  
Leased From: Toyota Motor Credit Corp.  
(5 Years) 60 months @ \$1,636.33 \$16,363  
(5/91 - 4/96)  
Orig.-\$98,179.80
58. 2 Forklifts and Accompanying Batteries and Chargers  
Leased From: Toyota Motor Credit Corp.  
(5 Years) 60 months @ \$1,029.14 \$1,029  
(8/90 - 7/95)  
orig.-\$61,748.40
59. \$2,058,189 aggregate principal amount of ASAA Technologies, Inc. 0% Industrial Facilities Agreement issued to Cumberland Plateau Planning District Commission and Cumberland Plateau Company due November 1, 2004.

## AIHI INDEBTEDNESS

1. Amended and Restated Credit Agreement, in the aggregate principal amount of up to \$175 million, as amended among Automotive Industries, Inc. ("AI"), the financial institutions party thereto and The Bank of Nova Scotia and Bank of America Illinois, as agents, plus accrued and unpaid interest.
2. \$39,508,007 aggregate principal amount of the 8.75% Senior Notes due April 3, 2000, plus accrued and unpaid interest.
3. \$65,000,000 aggregate principal amount of the 8.89% Senior Notes, plus accrued and unpaid interest.
4. Shareholder Buyout in the amount of \$29,232.
5. Swap-Hedge Agreements between AI and Bank of America National Trust and Savings Association.
6. \$4,750,000 aggregate principal amount of Fibercraft/DESCon Engineering, Inc. ("Fibercraft") 6.5% exchangeable subordinated promissory notes issues to sellers in connection with the acquisition of Fibercraft.



## EXISTING INVESTMENTS, LOANS AND ADVANCES

1. Capital contribution by LS Acquisition Corp. No. 14 to NS Beteiligungs GmbH in the amount of DM 12,884,155.
2. Capital contribution by Lear Seating Corporation to NS Beteiligungs GmbH in the amount of \$6,000,000.
3. Capital contribution by Lear Seating Corporation to NS Beteiligungs GmbH in the amount of \$4,000,000.
4. Capital contribution by Lear Seating Corporation to NS Beteiligungs GmbH in the amount of \$10,825,000.
5. Equity Investment by Lear Seating Holdings Corp. No. 50 in Central de Industrias S.A. de C.V. in the amount of \$13,113,000.
6. Equity Investment by Lear Seating Holdings Corp. No. 50 in Central de Industrias S.A. de C.V. in the amount of \$15,589,000.
7. Equity Investment by Lear Seating Corporation in Lear Seating Sweden AB in the amount of \$1,500,000.
8. Capital contribution by Lear Seating Corporation to Lear Seating Sweden AB in the amount of \$3,905,000.
9. Equity investment by LS Acquisition Corporation No. 24 in Fair Haven Industries, Inc. in the amount of \$750,000.
10. Equity Investment by LS Acquisition Corporation No. 24 in Fair Haven Industries, Inc. in the amount of \$600,000.
11. Equity Investment by Lear Seating Corporation in General Seating of America, Inc. in the amount of \$600,000.
12. Equity Investment by Lear Seating Canada Ltd. in General Seating of Canada, Ltd. in the amount of \$1,800,000 (Canadian).
13. Capital contribution by Lear Seating Corporation in Lear Seating (U.K.) Ltd. in the amount of \$3,890,000.
14. Equity investment in Pacific Trim Corporation Ltd. (Thailand) by Lear Seating Corporation in the amount of \$223,000.

15. Capital contribution by Lear Seating Corporation to subsidiaries organized under the laws of Austria in the amount of \$50,000.
16. Capital contribution by Lear Seating Corporation to Lear France E.U.R.L. in the amount of Fr 50,000.
17. Capital contribution and a loan by Lear Seating Corporation to Lear Seating Australia PTY Ltd. in the amounts of \$1,554,404 and \$1,978,119, respectively.
18. Equity investment by Lear Seating Corporation to Lear Seating Sweden AB of approximately SEK \$3,000,000.
19. Capital contribution by Lear Seating Corporation to Equipos Automotrices Totales S.A. de C.V. to finance the acquisition of the North American Business of the Ford Motor Company of approximately \$11,613,691.
20. Capital contribution by Lear Seating Corporation to LS (Thailand) Corp. Ltd. in the amount of \$1,974,715.
21. Equity investment by LS Acquisition Corp. No. 14 in Lear Seating Italia Holdings, S.r.L. in the amount of Lit 159,259,048.
22. Equity investment by Lear Seating Corporation into Lear Seating Italia Holdings, S.r.L. in the amount of Lit 47,537,700,000.
23. Loan from Lear Seating Corporation to Lear Seating Italia Holdings, S.r.L. in the amount of Lit 902,384,223, plus accrued and unpaid interest.
24. Equity investment by Lear Seating Corporation to Markol A.S. (Turkey) in the amount of Lit 691,000,000.
25. Equity investment by Lear Seating Corporation in Sepi Poland S.p.Z.o.o. in the amount of Lit 5,530,000,000.
26. Equity contribution by Lear Seating Corporation to LS Services Ltd. (Brazil) in the amount of \$217,597.
27. Equity investment by Lear Seating Corporation in Lear Seating Inespo Comercial Do Brasil, Ltd. in the amount of \$536,588.
28. Loans and capital contributions by Lear Seating Corporation to Lear Seating (Indonesia) Pty Ltd. in the amount of \$490,000.
29. Equity investment by Lear Seating Canada Ltd. in Probel S.A. in the amount \$2,200,000.

30. Equity investment by Lear Seating Italia, S.p.A. in Industrial Cousin Freres, S.L. in the amount of 637,588,490 Spanish Pesetas.
31. Equity investment by AIHI in Automotive Industries (UK) in the amount of [GBP] 22,191.
32. Equity investment by AIHI in Plastifol in the amount of DM 26,000,000.
33. Loan from AIHI to Automotive Industries (UK) in the amount of GBP 19,000,000.
34. Loan from AIHI to Plastifol in the amount of DM 60,000,000.

## CONTRACTUAL OBLIGATION RESTRICTIONS

1. Indenture, dated July 15, 1992, among Lear Seating Corporation, as Issuer, Lear Holdings Corporation, as Guarantor and The Bank of New York, as Trustee, relating to the Borrower's 11-1/4% Senior Subordinated Notes.
2. Indenture, dated February 1, 1994, between Lear Seating Corporation, as Issuer and the First National Bank of Boston, as Trustee, relating to the Borrower's 8 1/4% Subordinated Notes.
3. Loan Agreement between NS Beteiligungs GmbH and Industriekreditbank AG-Deutsch Industriek.
4. Agreement relating to working capital credit facility provided by SE Banken to Lear Seating Sweden AB.
5. Capital leases listed on Schedule 8.2(s).
6. Agreements and security instruments with respect to indebtedness assumed in connection with the Acquisition and the acquisition of the Fiat Seat Business and agreement governing indebtedness which refinances such indebtedness.
7. Loan Agreement between Lear Seating Corporation and the Province of Ontario, Canada relating to indebtedness of up to \$2,000,000 (Canadian).
8. Loan Agreement, dated January 27, 1993, between Lear Seating Corporation and the Province of Ontario, Canada.
9. Term Loan Agreement between Lear Seating Italia and Istituto Bancario San Paolo di Torino S.p.A. entered into in connection with the acquisition of the Fiat Seat Business.
10. Industrial Facilities Agreement governing indebtedness of ASAA Technologies, Inc. to Cumberland Plateau Planning District Commission and Cumberland Plateau Company.
11. Mortgage loan agreements governing indebtedness and ASAA Technologies, Inc. to Associated Bank Lakeshore N.A.
12. Revolving Loan Agreement between Lear Seating Canada Ltd. and The Bank of Nova Scotia.
13. Loan Agreement between NS Beteiligungs GmbH and IndustrieKreditbank AG-Deutsch Industriebank.

14. Agreements governing working capital Indebtedness of Lear Seating (Indonesia) Pty Ltd. and Lear Australia Pty Ltd. listed on Schedule 8.2(s).

FORM OF  
REVOLVING CREDIT NOTE

\$ \_\_\_\_\_

New York, New York  
August \_\_, 1995

FOR VALUE RECEIVED, the undersigned, LEAR SEATING CORPORATION, a Delaware corporation (the "Borrower"), hereby unconditionally promises to pay to the order of \_\_\_\_\_ (the "Bank") at the office of Chemical Bank located at 270 Park Avenue, New York, New York 10017, in lawful money of the United States of America and in immediately available funds, on the Termination Date the principal amount of (a) \_\_\_\_\_ DOLLARS (\$ \_\_\_\_\_), or, if less, (b) the aggregate unpaid principal amount of all Revolving Credit Loans made by the Bank to the Borrower pursuant to subsection 2.1 of the Credit Agreement referred to below. The Borrower further agrees to pay interest in like money at such office on the unpaid principal amount hereof from time to time outstanding at the rates and on the dates specified in subsection 4.1 of such Credit Agreement.

The holder of this Revolving Credit Note is authorized to endorse on the schedules annexed hereto and made a part hereof or on a continuation thereof which shall be attached hereto and made a part hereof the date, Type, maturity date, interest rate with respect thereto and amount of each Revolving Credit Loan made pursuant to the Credit Agreement and the date and amount of each payment or prepayment of principal thereof, each continuation thereof, each conversion of all or a portion thereof to another Type and, in the case of Eurodollar Loans, the length of each Interest Period, with respect thereto. Each such endorsement shall constitute prima facie evidence of the accuracy of the information endorsed. The failure to make any such endorsement shall not affect the obligations of the Borrower in respect of such Revolving Credit Loan.

This Revolving Credit Note (a) is one of the Revolving Credit Notes referred to in the Credit Agreement, dated as of August 17, 1995 (as amended, supplemented or otherwise modified from time to time, the "Credit Agreement"), among the Borrower, the Bank, the other financial institutions from time to time parties thereto, Chemical Bank, as Agent, and the Managing Agents, Co-Agents and Lead Managers identified therein, (b) is subject to the provisions of the Credit Agreement and (c) is subject to optional and mandatory prepayment in whole or in part as provided in the Credit Agreement. This Revolving Credit Note is guaranteed as provided in the Credit Agreement. Reference is hereby made to the Credit Agreement for the nature and extent of the guarantees, the terms and conditions upon which such

guarantees were granted and the rights of the holder of this Revolving Credit Note in respect thereof.

Upon the occurrence of any one or more of the Events of Default, all amounts then remaining unpaid on this Revolving Credit Note shall become, or may be declared to be, immediately due and payable, all as provided in the Credit Agreement.

All parties now and hereafter liable with respect to this Revolving Credit Note, whether maker, principal, surety, guarantor, endorser or otherwise, hereby waive presentment, demand, protest and all other notices of any kind.

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

THIS NOTE SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.

LEAR SEATING CORPORATION

By \_\_\_\_\_  
Title:







FORM OF  
SWING LINE NOTE

\$65,000,000

New York, New York  
August \_\_, 1995

FOR VALUE RECEIVED, the undersigned, LEAR SEATING CORPORATION, a Delaware corporation (the "Borrower"), hereby unconditionally promises to pay to the order of CHEMICAL BANK (the "Bank") at the office of Chemical Bank located at 270 Park Avenue, New York, New York 10017, in lawful money of the United States of America and in immediately available funds, on the Termination Date the principal amount of (a) SIXTY-FIVE MILLION (\$65,000,000), or, if less, (b) the aggregate unpaid principal amount of all Swing Line Loans made by the Bank to the Borrower pursuant to subsection 2.4 of the Credit Agreement referred to below. The Borrower further agrees to pay interest in like money at such office on the unpaid principal amount hereof from time to time outstanding at the rates and on the dates specified in subsection 4.1 of such Credit Agreement.

The holder of this Swing Line Note is authorized to endorse on the schedule annexed hereto and made a part hereof or on a continuation thereof which shall be attached hereto and made a part hereof the date and amount of each Swing Line Loan made pursuant to the Credit Agreement and the date and amount of each payment or prepayment of principal thereof. Each such endorsement shall constitute prima facie evidence of the accuracy of the information endorsed. The failure to make any such endorsement shall not affect the obligations of the Borrower in respect of such Swing Line Loan.

This Swing Line Note (a) is the Swing Line Note referred to in the Credit Agreement, dated as of August 17, 1995 (as amended, supplemented or otherwise modified from time to time, the "Credit Agreement"), among the Borrower, the Bank, the other financial institutions from time to time parties thereto, Chemical Bank, as Agent, and the Managing Agents, Co-Agents and Lead Managers identified therein, (b) is subject to the provisions of the Credit Agreement and (c) is subject to optional and mandatory prepayment in whole or in part as provided in the Credit Agreement. This Swing Line Note is guaranteed as provided in the Credit Agreement. Reference is hereby made to the Credit Agreement for the nature and extent of the guarantees, the terms and conditions upon which such guarantees were granted and the rights of the holder of this Swing Line Note in respect thereof.

Upon the occurrence of any one or more of the Events of Default, all amounts then remaining unpaid on this Swing Line

Note shall become, or may be declared to be, immediately due and payable, all as provided in the Credit Agreement.

All parties now and hereafter liable with respect to this Swing Line Note, whether maker, principal, surety, guarantor, endorser or otherwise, hereby waive presentment, demand, protest and all other notices of any kind.

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

THIS NOTE SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.

LEAR SEATING CORPORATION

By \_\_\_\_\_  
Title:



FORM OF  
SUBSIDIARY GUARANTEE

SUBSIDIARY GUARANTEE, dated as of August 17, 1995 (this "Guarantee"), made by each of the corporations that are signatories hereto other than Chemical Bank (the "Guarantors"), in favor of CHEMICAL BANK, as administrative agent (in such capacity, the "Agent") for the Banks parties to the Credit Agreement referred to below.

## W I T N E S S E T H:

WHEREAS, Lear Seating Corporation (the "Borrower") is a party to the Credit Agreement, dated as of August 17, 1995 (as amended, supplemented or otherwise modified from time to time, the "Credit Agreement") with the financial institutions parties thereto (the "Banks"), the Agent and the Managing Agents, Co-Agents and Lead Managers identified therein;

WHEREAS, pursuant to the Credit Agreement and the other Loan Documents (as defined in the Credit Agreement), the Banks have agreed to make certain Loans (as defined in the Credit Agreement) to or for the benefit of the Borrower and, in the case of the Issuing Bank (as defined in the Credit Agreement), issue and, in the case of the Participating Banks (as defined in the Credit Agreement), participate in certain Letters of Credit (as defined in the Credit Agreement);

WHEREAS, it is a condition precedent to the obligation of the Banks to make the Loans and to issue or participate in the Letters of Credit under the Credit Agreement that each Guarantor shall have executed and delivered this Guarantee to the Agent for the ratable benefit of the Banks; and

WHEREAS, the Borrower and the Guarantors are engaged in related businesses and each Guarantor will derive substantial direct and indirect benefits from the making of the Loans and issuances of the Letters of Credit;

NOW, THEREFORE, in consideration of the premises contained herein and to induce the Agent, and the Banks to enter into the Credit Agreement and to induce the Banks to make the Loans and to issue and participate in the Letters of Credit under the Credit Agreement, each Guarantor hereby agrees with the Agent, for the ratable benefit of the Banks, as follows:

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

(b) The words "hereof," "herein" and "hereunder" and words of similar import when used in this Guarantee shall refer to this Guarantee as a whole and not to any particular provision of this Guarantee, and Section and paragraph references are to this Guarantee unless otherwise specified.

(c) The meanings given to terms defined herein shall be equally applicable to both the singular and plural forms of such terms.

2. Guarantee. (a) Subject to the provisions of paragraph 2.(b), each of the Guarantors hereby, jointly and severally, unconditionally and irrevocably, guarantees to the Agent, for the ratable benefit of the Banks and their respective successors, indorsees, transferees and assigns, the prompt and complete payment and performance by the Borrower when due (whether at the stated maturity, by acceleration or otherwise) of the Obligations.

(b) Anything herein or in any other Loan Document to the contrary notwithstanding, the maximum liability of each Guarantor hereunder and under the other Loan Documents, and, without duplication, the maximum amount of Obligations secured pursuant to the Security Documents by assets of such Guarantor, shall in no event exceed the amount which can be guaranteed by such Guarantor under applicable federal and state laws relating to the insolvency of debtors.

(c) Each Guarantor further agrees to pay any and all expenses (including, without limitation, all fees and disbursements of counsel) which may be paid or incurred by the Agent or any Bank in enforcing, or obtaining advice of counsel in respect of, any rights with respect to, or collecting, any or all of the Obligations and/or enforcing any rights with respect to, or collecting against, such Guarantor under this Guarantee. This Guarantee shall remain in full force and effect until the Obligations are paid in full and the Commitments are terminated, notwithstanding that from time to time prior thereto the Borrower may be free from any Obligations.

(d) Each Guarantor agrees that the Obligations may at any time and from time to time exceed the amount of the liability of such Guarantor hereunder without impairing this Guarantee or affecting the rights and remedies of the Agent or any Bank hereunder.

(e) No payment or payments made by the Borrower, any of the Guarantors, any other guarantor or any other Person or received or collected by the Agent or any Bank from the Borrower, any of the Guarantors, any other guarantor or any other Person by virtue of any action or proceeding or any set-off or appropriation or application at any time or from time to time in reduction of or in payment of the Obligations shall be deemed to modify, reduce, release or otherwise affect the liability of any Guarantor hereunder which shall, notwithstanding any such payment or payments other than payments made by such Guarantor in respect

of the Obligations or payments received or collected from such Guarantor in respect of the Obligations, remain liable for the Obligations up to the maximum liability of such Guarantor hereunder until the Obligations are paid in full and the Commitments are terminated.

(f) Each Guarantor agrees that whenever, at any time, or from time to time, it shall make any payment to the Agent or any Bank on account of its liability hereunder, it will notify the Agent in writing that such payment is made under this Guarantee for such purpose.

3. Right of Contribution. Each Guarantor hereby agrees that to the extent that a Guarantor shall have paid more than its proportionate share of any payment made hereunder, such Guarantor shall be entitled to seek and receive contribution from and against any other Guarantor hereunder who has not paid its proportionate share of such payment. Each Guarantor's right of contribution shall be subject to the terms and conditions of Section 5 hereof. The provisions of this Section shall in no respect limit the obligations and liabilities of any Guarantor to the Agent and the Banks, and each Guarantor shall remain liable to the Agent and the Banks for the full amount guaranteed by such Guarantor hereunder.

4. Right of Set-off. Upon the occurrence of any Event of Default, each Guarantor hereby irrevocably authorizes each Bank at any time and from time to time without notice to such Guarantor or any other Guarantor, any such notice being expressly waived by each Guarantor, to set-off and appropriate and apply any and all deposits (general or special, time or demand, provisional or final), in any currency, and any other credits, indebtedness or claims, in any currency, in each case whether direct or indirect, absolute or contingent, matured or unmatured, at any time held or owing by such Bank to or for the credit or the account of such Guarantor, or any part thereof in such amounts as such Bank may elect, against and on account of the obligations and liabilities of such Guarantor to such Bank hereunder and claims of every nature and description of such Bank against such Guarantor, in any currency, whether arising hereunder, under the Credit Agreement, any Note, any other Loan Documents or otherwise, as such Bank may elect, whether or not the Agent or any Bank has made any demand for payment and although such obligations, liabilities and claims may be contingent or unmatured. The Agent and each Bank shall notify such Guarantor promptly of any such set-off and the application made by the Agent or such Bank, provided that the failure to give such notice shall not affect the validity of such set-off and application. The rights of the Agent and each Bank under this Section are in addition to other rights and remedies (including, without limitation, other rights of set-off) which the Agent or such Bank may have.

5. No Subrogation. Notwithstanding any payment or payments made by any of the Guarantors hereunder or any set-off or application of funds of any of the Guarantors by any Bank, no

Guarantor shall be entitled to be subrogated to any of the rights of the Agent or any Bank against the Borrower or any other Guarantor or any collateral security or guarantee or right of offset held by the Agent or any Bank for the payment of the Obligations, nor shall any Guarantor seek or be entitled to seek any contribution or reimbursement from the Borrower or any other Guarantor in respect of payments made by such Guarantor hereunder, until all amounts owing to the Agent and the Banks by the Borrower on account of the Obligations are paid in full and the Commitments are terminated. If any amount shall be paid to any Guarantor on account of such subrogation rights at any time when all of the Obligations shall not have been paid in full, such amount shall be held by such Guarantor in trust for the Agent and the Banks, segregated from other funds of such Guarantor, and shall, forthwith upon receipt by such Guarantor, be turned over to the Agent in the exact form received by such Guarantor (duly indorsed by such Guarantor to the Agent, if required), to be applied against the Obligations, whether matured or unmatured, in such order as the Agent may determine.

6. Amendments, etc. with respect to the Obligations; Waiver of Rights. Each Guarantor shall remain obligated hereunder and under any other Loan Document to which it is a party notwithstanding that, without any reservation of rights against any Guarantor and without notice to or further assent by any Guarantor, any demand for payment of any of the Obligations made by the Agent or any Bank may be rescinded by such party and any of the Obligations continued, and the Obligations, or the liability of any other party upon or for any part thereof, or any collateral security or guarantee therefor or right of offset with respect thereto, may, from time to time, in whole or in part, be renewed, extended, amended, modified, accelerated, compromised, waived, surrendered or released by the Agent or any Bank, and the Credit Agreement, the Notes and the other Loan Documents and any other documents executed and delivered in connection therewith may be amended, modified, supplemented or terminated, in whole or in part, as the Agent, the Required Banks or all the Banks, as the case may be, may deem advisable from time to time, and any collateral security, guarantee or right of offset at any time held by the Agent or any Bank for the payment of the Obligations may be sold, exchanged, waived, surrendered or released. Neither the Agent nor any Bank shall have any obligation to protect, secure, perfect or insure any Lien at any time held by it as security for the Obligations or for this Guarantee or any property subject thereto. When making any demand hereunder against any of the Guarantors, the Agent or any Bank may, but shall be under no obligation to, make a similar demand on the Borrower or any other Guarantor or guarantor, and any failure by the Agent or any Bank to make any such demand or to collect any payments from the Borrower or any such other Guarantor or guarantor or any release of the Borrower or such other Guarantor or guarantor shall not relieve any of the Guarantors in respect of which a demand or collection is not made or any of the Guarantors not so released of their several obligations or liabilities hereunder, and shall not impair or affect the rights and remedies, express or implied, or as a matter of law, of the



Agent or any Bank against any of the Guarantors. For the purposes hereof "demand" shall include the commencement and continuance of any legal proceedings.

7. Guarantee Absolute and Unconditional. Each Guarantor waives any and all notice of the creation, renewal, extension or accrual of any of the Obligations and notice of or proof of reliance by the Agent or any Bank upon this Guarantee or acceptance of this Guarantee; the Obligations, and any of them, shall conclusively be deemed to have been created, contracted or incurred, or renewed, extended, amended or waived, in reliance upon this Guarantee; and all dealings between the Borrower and any of the Guarantors, on the one hand, and the Agent and the Banks, on the other hand, likewise shall be conclusively presumed to have been had or consummated in reliance upon this Guarantee. Each Guarantor waives diligence, presentment, protest, demand for payment and notice of default or nonpayment to or upon the Borrower or any of the Guarantors with respect to the Obligations. Each Guarantor understands and agrees that this Guarantee shall be construed as a continuing, absolute and unconditional guarantee of payment without regard to (a) the validity, regularity or enforceability of the Credit Agreement, any Note or any other Loan Document, any of the Obligations or any other collateral security therefor or guarantee or right of offset with respect thereto at any time or from time to time held by the Agent or any Bank, (b) any defense, set-off or counterclaim (other than a defense of payment or performance) which may at any time be available to or be asserted by the Borrower against the Agent or any Bank, or (c) any other circumstance whatsoever (with or without notice to or knowledge of the Borrower or such Guarantor) which constitutes, or might be construed to constitute, an equitable or legal discharge of the Borrower for the Obligations, or of such Guarantor under this Guarantee, in bankruptcy or in any other instance. When pursuing its rights and remedies hereunder against any Guarantor, the Agent and any Bank may, but shall be under no obligation to, pursue such rights and remedies as it may have against the Borrower or any other Person or against any collateral security or guarantee for the Obligations or any right of offset with respect thereto, and any failure by the Agent or any Bank to pursue such other rights or remedies or to collect any payments from the Borrower or any such other Person or to realize upon any such collateral security or guarantee or to exercise any such right of offset, or any release of the Borrower or any such other Person or any such collateral security, guarantee or right of offset, shall not relieve such Guarantor of any liability hereunder, and shall not impair or affect the rights and remedies, whether express, implied or available as a matter of law, of the Agent and the Banks against such Guarantor. This Guarantee shall remain in full force and effect and be binding in accordance with and to the extent of its terms upon each Guarantor and the successors and assigns thereof, and shall inure to the benefit of the Agent and the Banks, and their respective successors, indorsees, transferees and assigns, until all the Obligations and the obligations of each Guarantor under this Guarantee shall have been satisfied by payment in full and the

Commitments shall be terminated, notwithstanding that from time to time during the term of the Credit Agreement the Borrower may be free from any Obligations.

8. Reinstatement. This Guarantee shall continue to be effective, or be reinstated, as the case may be, if at any time payment, or any part thereof, of any of the Obligations is rescinded or must otherwise be restored or returned by the Agent or any Bank upon the insolvency, bankruptcy, dissolution, liquidation or reorganization of the Borrower or any Guarantor, or upon or as a result of the appointment of a receiver, intervenor or conservator of, or trustee or similar officer for, the Borrower or any Guarantor or any substantial part of its property, or otherwise, all as though such payments had not been made.

9. Payments. Each Guarantor hereby guarantees that payments hereunder will be paid to the Agent without set-off or counterclaim in Dollars at the office of the Agent located at 270 Park Avenue, New York, New York 10017.

10. Representations and Warranties. Each Guarantor hereby represents and warrants that:

(a) it is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation and has the corporate power and authority and the legal right to own and operate its property, to lease the property it operates and to conduct the business in which it is currently engaged;

(b) it has the corporate power and authority and the legal right to execute and deliver, and to perform its obligations under, this Guarantee and each other Loan Document to which it is a party, and has taken all necessary corporate action to authorize the execution, delivery and performance of this Guarantee and each other Loan Document to which it is a party;

(c) this Guarantee and each other Loan Document to which it is a party constitutes a legal, valid and binding obligation of such Guarantor enforceable in accordance with its terms, except as affected by bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar laws relating to or affecting the enforcement of creditors' rights generally, general equitable principles and an implied covenant of good faith and fair dealing;

(d) the execution, delivery and performance of this Guarantee and each other Loan Document to which it is a party will not violate any provision of any Requirement of Law or Contractual Obligation of such Guarantor and will not result in or require the creation or imposition of any Lien on any of the properties or revenues of such Guarantor pursuant to any Requirement of Law or Contractual Obligation of the Guarantor; and

(e) no consent or authorization of, filing with, or other act by or in respect of, any arbitrator or Governmental Authority and no consent of any other Person (including, without limitation, any stockholder or creditor of such Guarantor) is required in connection with the execution, delivery, performance, validity or enforceability of this Guarantee and each other Loan Document to which it is a party.

Each Guarantor agrees that the foregoing representations and warranties shall be deemed to have been made by such Guarantor on the date of each borrowing or issuance of a Letter of Credit under the Credit Agreement and as of such date of borrowing or issuance, as the case may be, as though made hereunder on and as of such date. Each Guarantor hereby confirms that each of the Mortgages and each other Security Document to which such Guarantor is a party stands as collateral security for the payment and performance of such Guarantor's obligations and liabilities under this Guarantee.

11. Authority of Agent. Each Guarantor acknowledges that the rights and responsibilities of the Agent under this Guarantee with respect to any action taken by the Agent or the exercise or non-exercise by the Agent of any option, right, request, judgment or other right or remedy provided for herein or resulting or arising out of this Guarantee shall, as between the Agent and the Banks, be governed by the Credit Agreement and by such other agreements with respect thereto as may exist from time to time among them, but, as between the Agent and such Guarantor, the Agent shall be conclusively presumed to be acting as agent for the Banks with full and valid authority so to act or refrain from acting, and no Guarantor shall be under any obligation, or entitlement, to make any inquiry respecting such authority.

12. Notices. All notices, requests and demands to or upon the Agent, any Bank or any Guarantor to be effective shall be in writing (or by telex or telecopy confirmed in writing) and shall be deemed to have been duly given or made (1) when delivered by hand or (2) if given by mail, five days after being deposited in the mails by certified mail, return receipt requested or (3) if by telex or telecopy, when sent and receipt has been confirmed, addressed as follows:

(a) if to the Agent or any Bank, at its address or transmission number for notices provided in subsection 11.2 of the Credit Agreement; and

(b) if to any Guarantor, at its address or transmission number for notices set forth under its signature below.

The Agent, each Bank and each Guarantor may change its address and transmission numbers for notices by notice in the manner provided in this Section.

13. Counterparts. This Guarantee may be executed by one or more of the parties to this Guarantee 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 counterparts of this Guarantee signed by all the parties hereto shall be lodged with the Agent.

14. Severability. Any provision of this Guarantee which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

15. Integration. This Guarantee represents the agreement of each Guarantor with respect to the subject matter hereof and there are no promises or representations by the Agent or any Bank relative to the subject matter hereof not reflected herein.

16. Amendments in Writing; No Waiver; Cumulative Remedies.

(a) None of the terms or provisions of this Guarantee may be waived, amended, supplemented or otherwise modified except by a written instrument executed by each Guarantor and the Agent in accordance with subsection 11.1 of the Credit Agreement, provided that any provision of this Guarantee may be waived by the Agent and the Banks in a letter or agreement executed by the Agent or by telecopy from the Agent.

(b) Neither the Agent nor any Bank shall by any act (except by a written instrument pursuant to paragraph 16.(a) hereof), delay, indulgence, omission or otherwise be deemed to have waived any right or remedy hereunder or to have acquiesced in any Default or Event of Default or in any breach of any of the terms and conditions hereof. No failure to exercise, nor any delay in exercising, on the part of the Agent or any Bank, any right, power or privilege hereunder shall operate as a waiver thereof. No single or partial exercise of any right, power or privilege hereunder shall preclude any other or further exercise thereof or the exercise of any other right, power or privilege. A waiver by the Agent or any Bank of any right or remedy hereunder on any one occasion shall not be construed as a bar to any right or remedy which the Agent or such Bank would otherwise have on any future occasion.

(c) The rights and remedies herein provided are cumulative, may be exercised singly or concurrently and are not exclusive of any other rights or remedies provided by law.

17. Section Headings. The section headings used in this Guarantee are for convenience of reference only and are not to affect the construction hereof or be taken into consideration in the interpretation hereof.

18. Successors and Assigns. This Guarantee shall be binding upon the successors and assigns of each Guarantor and

shall inure to the benefit of the Agent and the Banks and their successors and assigns.

19. GOVERNING LAW. THIS GUARANTEE SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.

20. Submission to Jurisdiction; Waivers. Each Guarantor hereby irrevocably and unconditionally:

(a) submits for itself and its property in any legal action or proceeding relating to this Guarantee or any other Loan Document to which it is a party, or for recognition and enforcement of any judgment in respect thereof, to the non-exclusive general jurisdiction of the courts of the State of New York, the courts of the United States of America for the Southern District of New York, and appellate courts from any thereof;

(b) consents that any such action or proceeding may be brought in such courts and waives trial by jury and any objection that it may now or hereafter have to the venue of any such action or proceeding in any such court or that such action or proceeding was brought in an inconvenient court and agrees not to plead or claim the same;

(c) agrees that service of process in any such action or proceeding may be effected by mailing a copy thereof by registered or certified mail (or any substantially similar form of mail), postage prepaid, to such Guarantor at its address set forth under its signature below or at such other address of which the Agent shall have been notified pursuant to Section 12; and

(d) agrees that nothing herein shall affect the right to effect service of process in any other manner permitted by law or shall limit the right to sue in any other jurisdiction.

IN WITNESS WHEREOF, each of the undersigned has caused this Guarantee to be duly executed and delivered as of the day and year first above written.

LEAR ACQUISITION CORP.  
NO. 14

By: \_\_\_\_\_  
Title:

LEAR SEATING HOLDINGS CORP.  
NO. 50

By: \_\_\_\_\_  
Title:

PROGRESS PATTERN CORP.

By: \_\_\_\_\_  
Title:

LEAR PLASTICS CORP.

By: \_\_\_\_\_  
Title:

LS ACQUISITION CORPORATION  
NO. 24

By: \_\_\_\_\_  
Title:

FAIR HAVEN INDUSTRIES, INC.

By: \_\_\_\_\_  
Title:

AIHI ACQUISITION CORP.

By: \_\_\_\_\_  
Title:

Address for Notices:

c/o Lear Seating Corporation  
21557 Telegraph Road  
Southfield, Michigan 48034  
Attention: Donald J. Stebbins  
Telecopy: (810) 746-1593

FORM OF  
GUARANTOR SUPPLEMENT

\_\_\_\_\_, 199\_

Chemical Bank, As Agent  
270 Park Avenue  
New York, New York 10017

Attention: Rosemary Bradley

Re: Subsidiary Guarantee, dated as of August 17, 1995 (as amended, supplemented or otherwise modified from time to time, the "Subsidiary Guarantee"), originally made by Lear Acquisition Corp. No. 14, Lear Seating Holdings Corp. No. 50, Progress Pattern Corp., Lear Plastics Corp., LS Acquisition Corporation No. 24, Fair Haven Industries, Inc. and AIHI Acquisition Corp. in favor of Chemical Bank, as Agent

Ladies and Gentlemen:

Reference is made to the Subsidiary Guarantee. Terms defined in the Subsidiary Guarantee shall be used herein as therein defined.

The undersigned, \_\_\_\_\_, a \_\_\_\_\_ corporation and a Subsidiary of the Borrower, in consideration of the extensions of credit by the Banks to the Borrower pursuant to the Credit Agreement, which extensions benefit the undersigned by making funds available to the undersigned and by enhancing the financial strength of the consolidated group of which the undersigned is a member, hereby agrees to become an additional Guarantor for the purposes of the Subsidiary Guarantee and to perform all the obligations of a Guarantor under, and to be bound in all respects by the terms of, the Subsidiary Guarantee as if the undersigned were a signatory party thereto, effective from the date hereof.

The undersigned hereby certifies that (a) this Guarantor Supplement has been duly authorized, executed and delivered by the undersigned and constitute its legal, valid and binding obligation enforceable against the undersigned in accordance with its terms and (b) the representations and warranties contained in Section 10 of the Subsidiary Guarantee insofar as they relate to the undersigned are true and correct on and as of the date hereof, with the same effect as if made on and as of such date (except to the extent such representations and

warranties expressly relate to an earlier date, in which case they are true and correct as of such earlier date).

The undersigned hereby certifies that attached hereto as Annex I is a copy of the resolutions of the Board of Directors of the undersigned, authorizing the undersigned to become a Guarantor under the Subsidiary Guarantee and to perform its obligations thereunder and to execute, deliver and perform this Guarantor Supplement.

The undersigned confirms that it has received a copy of the Subsidiary Guarantee including all amendments thereto, if any.

The address to which all notices to the undersigned under the Subsidiary Guarantee should be directed is:

c/o Lear Seating Corporation  
21557 Telegraph Road  
Southfield, Michigan 48034  
Attention: Donald J. Stebbins  
Telecopy: (810) 746-1593

This Guarantor Supplement shall be effective on and as of the date first written above. THIS GUARANTOR SUPPLEMENT SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE STATE OF NEW YORK.

Very truly yours,

[NAME OF SUBSIDIARY OF BORROWER]

By: \_\_\_\_\_  
Title:



ANNEX I  
RESOLUTIONS

FORM OF  
DOMESTIC PLEDGE AGREEMENT

DOMESTIC PLEDGE AGREEMENT, dated as of August 17, 1995, made by LEAR SEATING CORPORATION, a Delaware corporation (the "Pledgor"), in favor of CHEMICAL BANK, as administrative agent (in such capacity, the "Agent") for the Banks parties to the Credit Agreement referred to below.

W I T N E S S E T H :

WHEREAS, Lear Seating Corporation (the "Borrower") is a party to the Credit Agreement, dated as of August 17, 1995 (as amended, supplemented or otherwise modified from time to time, the "Credit Agreement") with the financial institutions parties thereto (the "Banks"), the Agent and the Managing Agents, Co-Agents and Lead Managers identified therein;

WHEREAS, pursuant to the Credit Agreement and the other Loan Documents (as defined in the Credit Agreement), the Banks have agreed to make certain Loans (as defined in the Credit Agreement) to or for the benefit of the Pledgor and, in the case of the Issuing Bank (as defined in the Credit Agreement), issue and, in the case of the Participating Banks (as defined in the Credit Agreement), participate in certain Letters of Credit (as defined in the Credit Agreement) for the account of the Pledgor; and

WHEREAS, it is a condition precedent to the obligation of the Banks to make the Loans and to issue or participate in the Letters of Credit under the Credit Agreement that the Pledgor shall have executed and delivered this Pledge Agreement to the Agent for the ratable benefit of the Banks;

NOW, THEREFORE, in consideration of the premises contained herein and to induce the Agent and the Banks to enter into the Credit Agreement and to induce the Banks to make the Loans and to issue and participate in the Letters of Credit under the Credit Agreement, the Pledgor hereby agrees with the Agent, for the ratable benefit of the Banks, as follows:

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

(b) The following terms shall have the following meanings:

"Code" means the Uniform Commercial Code from time to time in effect in the State of New York.

"Collateral" means the Pledged Stock and all Proceeds.

"Issuers" means, collectively, the companies identified on Schedule I as the issuers of the Pledged Stock; individually, each an "Issuer".

"Pledge Agreement" means this Domestic Pledge Agreement, as amended, supplemented or otherwise modified from time to time.

"Pledged Stock" means the shares of capital stock listed on Schedule I, together with all stock certificates, options, warrants or rights of any nature whatsoever that may be issued or granted by any Issuer to the Pledgor in respect of the Pledged Stock while this Pledge Agreement is in effect.

"Proceeds" means all "proceeds" as such term is defined in Section 9-306(1) of the Code in effect in the State of New York on the date hereof and, in any event, shall include, without limitation, all dividends or other income from the Pledged Stock, collections thereon and distributions with respect thereto.

(c) The words "hereof," "herein" and "hereunder" and words of similar import when used in this Pledge Agreement shall refer to this Pledge Agreement as a whole and not to any particular provision of this Pledge Agreement, and Section, paragraph and Schedule references are to this Pledge Agreement unless otherwise specified.

(d) The meanings given to terms defined herein shall be equally applicable to both the singular and plural forms of such terms.

2. Pledge; Grant of Security Interest. The Pledgor hereby delivers to the Agent, for the ratable benefit of the Banks, all the Pledged Stock and hereby grants to Agent, for the ratable benefit of the Banks, a first security interest in the Collateral, as collateral security for the prompt and complete payment and performance when due (whether at the stated maturity, by acceleration or otherwise) of the Obligations.

3. Stock Powers. Concurrently with the delivery to the Agent of each certificate representing one or more shares of Pledged Stock to the Agent, the Pledgor shall deliver an undated stock power covering such certificate, duly executed in blank by the Pledgor with, if the Agent so requests, signature guaranteed.

4. Representations and Warranties. The Pledgor represents and warrants that:

(a) the Pledged Stock constitutes all the issued and outstanding shares of all classes of the capital stock of each Issuer owned by the Pledgor, and the percentage of shares listed on Schedule I accurately sets forth the respective percentage which such shares pledged by the Pledgor constitute of all such issued and outstanding capital stock of the respective Issuers;

(b) the Pledged Stock has been duly and validly issued and is fully paid and nonassessable;

(c) the Pledgor is the record and beneficial owner of, and has good and marketable title to, the Pledged Stock, free of any and all Liens or options in favor of, or claims of, any other Person, except the Lien created by this Pledge Agreement; and

(d) upon delivery to the Agent of the stock certificates evidencing the Pledged Stock, the Lien granted pursuant to this Pledge Agreement will constitute a valid, perfected first priority Lien on the Collateral, enforceable as such against any Persons purporting to purchase any Collateral from the Pledgor.

5. Covenants. The Pledgor covenants and agrees with the Agent and the Banks that, from and after the date of this Pledge Agreement until the Obligations have been paid in full and the Commitments have been terminated:

(a) If the Pledgor shall, as a result of its ownership of the Pledged Stock, become entitled to receive or shall receive any stock certificate (including, without limitation, any certificate representing a stock dividend or a distribution in connection with any reclassification, increase or reduction of capital or any certificate issued in connection with any reorganization), option or rights, whether in addition to, in substitution of, as a conversion of, or in exchange for any shares of the Pledged Stock, or otherwise in respect thereof, the Pledgor shall accept the same as the agent of the Agent and the Banks, hold the same in trust for the Agent and the Banks and deliver the same forthwith to the Agent in the exact form received, duly indorsed by the Pledgor to the Agent, if required, together with an undated stock power covering such certificate duly executed in blank by the Pledgor and with, if the Agent so requests, signature guaranteed, to be held by the Agent, subject to the terms hereof, as additional collateral security for the Obligations. Any sums paid upon or in respect of the Pledged Stock upon the liquidation or dissolution of any Issuer shall be paid over to the Agent to

be held by it hereunder as additional collateral security for the Obligations, and in case any distribution of capital shall be made on or in respect of the Pledged Stock or any property shall be distributed upon or with respect to the Pledged Stock pursuant to the recapitalization or reclassification of the capital of any Issuer or pursuant to the reorganization thereof, the property so distributed shall be delivered to the Agent to be held by it hereunder as additional collateral security for the Obligations. If any sums of money or property so paid or distributed in respect of the Pledged Stock shall be received by the Pledgor, the Pledgor shall, until such money or property is paid or delivered to the Agent, hold such money or property in trust for the Agent and the Banks, segregated from other funds of the Pledgor, as additional collateral security for the Obligations.

(b) Without the prior written consent of the Agent, the Pledgor will not (i) vote to enable, or take any other action to permit, any Issuer to issue any stock or other equity securities of any nature or to issue any other securities convertible into or granting the right to purchase or exchange for any stock or other equity securities of any nature of such Issuer, (ii) sell, assign, transfer, exchange, or otherwise dispose of, or grant any option with respect to, the Collateral or (iii) create, incur or permit to exist any Lien or option in favor of, or any claim of any Person with respect to, any of the Collateral, or any interest therein, except for the Lien provided for by this Pledge Agreement. The Pledgor will defend the right, title and interest of the Agent and the Banks in and to the Collateral against the claims and demands of all Persons whomsoever.

(c) At any time and from time to time, upon the written request of the Agent, and at the sole expense of the Pledgor, the Pledgor will promptly and duly execute and deliver such further instruments and documents and take such further actions as the Agent may reasonably request for the purposes of obtaining or preserving the full benefits of this Pledge Agreement and of the rights and powers herein granted. If any amount payable under or in connection with any of the Collateral shall be or become evidenced by any promissory note, other instrument or chattel paper, such note, instrument or chattel paper shall be immediately delivered to the Agent, duly endorsed in a manner satisfactory to the Agent, to be held as Collateral pursuant to this Pledge Agreement.

(d) The Pledgor agrees to pay, and to save the Agent and the Banks harmless from, any and all liabilities with respect to, or resulting from any delay in paying, any and all stamp, excise, sales or other taxes which may be payable

or determined to be payable with respect to any of the Collateral or in connection with any of the transactions contemplated by this Pledge Agreement.

6. Cash Dividends; Voting Rights. Unless an Event of Default shall have occurred and be continuing and the Agent shall have given notice to the Pledgor of the Agent's intent to exercise its corresponding rights pursuant to Section 7 below, the Pledgor shall be permitted to receive all cash dividends paid in the normal course of business of each Issuer, to the extent permitted in the Credit Agreement, in respect of the Pledged Stock and to exercise all voting and corporate rights with respect to the Pledged Stock; provided, however, that no vote shall be cast or corporate right exercised or other action taken which would reasonably be expected to (a) impair the Collateral or (b) be inconsistent with or result in any violation of any provision of the Credit Agreement or any other Loan Document.

7. Rights of the Banks and the Agent. (a) If an Event of Default shall occur and be continuing (i) the Agent shall have the right to receive any and all cash dividends paid in respect of the Pledged Stock and make application thereof to the Obligations in such order as the Agent may determine and (ii) all shares of the Pledged Stock shall be registered in the name of the Agent or its nominee, and the Agent or its nominee may thereafter exercise (A) all voting, corporate and other rights pertaining to such shares of the Pledged Stock at any meeting of shareholders of any Issuer or otherwise and (B) any and all rights of conversion, exchange, subscription and any other rights, privileges or options pertaining to such shares of the Pledged Stock as if it were the absolute owner thereof (including, without limitation, the right to exchange at its discretion any and all of the Pledged Stock upon the merger, consolidation, reorganization, recapitalization or other fundamental change in the corporate structure of any Issuer, or upon the exercise by the Pledgor or the Agent of any right, privilege or option pertaining to such shares of the Pledged Stock, and in connection therewith, the right to deposit and deliver any and all of the Pledged Stock with any committee, depository, transfer agent, registrar or other designated agency upon such terms and conditions as it may determine), all without liability except to account for property actually received by it, but the Agent shall have no duty to the Pledgor to exercise any such right, privilege or option and shall not be responsible for any failure to do so or delay in so doing.

(b) The rights of the Agent and the Banks hereunder shall not be conditioned or contingent upon the pursuit by the Agent or any Bank of any right or remedy against any Issuer or any other Person which may be or become liable in respect of all or any part of the Obligations or against any collateral security therefor, guarantee therefor or right of offset with respect thereto. Neither the Agent nor any Bank shall be liable for any

failure to demand, collect or realize upon all or any part of the Collateral or for any delay in doing so, nor shall the Agent be under any obligation to sell or otherwise dispose of any Collateral upon the request of the Pledgor or any other Person or to take any other action whatsoever with regard to the Collateral or any part thereof.

8. Remedies. If an Event of Default shall occur and be continuing, the Agent, on behalf of the Banks, may exercise, in addition to all other rights and remedies granted in this Pledge Agreement and in any other instrument or agreement securing, evidencing or relating to the Obligations, all rights and remedies of a secured party under the Code. Without limiting the generality of the foregoing, the Agent, without demand of performance or other demand, presentment, protest, advertisement or notice of any kind (except any notice required by law referred to below) to or upon the Pledgor, any Issuer or any other Person (all and each of which demands, defenses, advertisements and notices are hereby waived), may in such circumstances forthwith collect, receive, appropriate and realize upon the Collateral, or any part thereof, and/or may forthwith sell, assign, give an option or options to purchase or otherwise dispose of and deliver the Collateral or any part thereof (or contract to do any of the foregoing), in one or more parcels at public or private sale or sales, in the over-the-counter market, at any exchange or broker's board or office of the Agent or any Bank or elsewhere upon such terms and conditions as it may deem advisable and at such prices as it may deem best, for cash or on credit or for future delivery without assumption of any credit risk. The Agent or any Bank shall have the right upon any such public sale or sales, and, to the extent permitted by law, upon any such private sale or sales, to purchase the whole or any part of the Collateral so sold, free of any right or equity of redemption in the Pledgor, which right or equity is hereby waived or released. The Agent shall apply any Proceeds from time to time held by it and the net proceeds of any such collection, recovery, receipt, appropriation, realization or sale, after deducting all reasonable costs and expenses of every kind incurred in respect thereof or incidental to the care or safekeeping of any of the Collateral or in any way relating to the Collateral or the rights of the Agent and the Banks hereunder, including, without limitation, attorneys' fees and disbursements of counsel to the Agent, to the payment in whole or in part of the Obligations, in such order as the Agent may elect, and only after such application and after the payment by the Agent of any other amount required by any provision of law, including, without limitation, Section 9-504(1)(c) of the Code, need the Agent account for the surplus, if any, to the Pledgor. To the extent permitted by applicable law, the Pledgor waives all claims, damages and demands it may acquire against the Agent or any Bank arising out of the exercise by them of any rights hereunder. If any notice of a proposed sale or other disposition of Collateral shall be required by law, such notice shall be deemed reasonable

and proper if given at least ten days before such sale or other disposition. The Pledgor shall remain liable for any deficiency if the proceeds of any sale or other disposition of Collateral are insufficient to pay the Obligations and the fees and disbursements of any attorneys employed by the Agent or any Bank to collect such deficiency.

9. Registration Rights; Private Sales. (a) If the Agent shall determine to exercise its right to sell any or all of the Pledged Stock pursuant to Section 8 hereof, and if in the reasonable opinion of the Agent it is necessary or advisable to have the Pledged Stock, or that portion thereof to be sold, registered under the provisions of the Securities Act of 1933, as amended (the "Securities Act"), the Pledgor will cause the relevant Issuer(s) to (i) execute and deliver, and cause the directors and officers of the relevant Issuer(s) to execute and deliver, all such instruments and documents, and do or cause to be done all such other acts as may be, in the opinion of the Agent, necessary or advisable to register the Pledged Stock, or that portion thereof to be sold under the provisions of the Securities Act, (ii) use its best efforts to cause the registration statement relating thereto to become effective and to remain effective for a period of one year from the date of the first public offering of the Pledged Stock, or that portion thereof to be sold and (iii) make all amendments thereto and/or to the related prospectus which, in the opinion of the Agent, are necessary or advisable, all in conformity with the requirements of the Securities Act and the rules and regulations of the Securities and Exchange Commission applicable thereto. The Pledgor agrees to cause each Issuer to comply with the provisions of the securities or "Blue Sky" laws of any and all jurisdictions which the Agent shall designate and to make available to its security holders, as soon as practicable, an earnings statement (which need not be audited) which will satisfy the provisions of Section 11(a) of the Securities Act.

(b) The Pledgor recognizes that the Agent may be unable to effect a public sale of any or all the Pledged Stock, by reason of certain prohibitions contained in the Securities Act and applicable state securities laws or otherwise, and may be compelled to resort to one or more private sales thereof to a restricted group of purchasers which will be obliged to agree, among other things, to acquire such securities for their own account for investment and not with a view to the distribution or resale thereof. The Pledgor acknowledges and agrees that any such private sale may result in prices and other terms less favorable than if such sale were a public sale and, notwithstanding such circumstances, agrees that any such private sale shall be deemed to have been made in a commercially reasonable manner. The Agent shall be under no obligation to delay a sale of any of the Pledged Stock for the period of time necessary to permit the applicable Issuer to register such securities for public sale under the Securities Act, or under



applicable state securities laws, even if such Issuer would agree to do so.

(c) The Pledgor further agrees to use its best efforts to do or cause to be done all such other acts as may be necessary to make such sale or sales of all or any portion of the Pledged Stock pursuant to this Section 9 valid and binding and in compliance with any and all other applicable Requirements of Law. The Pledgor further agrees that a breach of any of the covenants contained in this Section 9 will cause irreparable injury to the Agent and the Banks, that the Agent and the Banks have no adequate remedy at law in respect of such breach and, as a consequence, that each and every covenant contained in this Section 9 shall be specifically enforceable against the Pledgor, and the Pledgor hereby waives and agrees not to assert any defenses against an action for specific performance of such covenants except for a defense that no Event of Default has occurred under the Credit Agreement.

10. Irrevocable Authorization and Instruction to Issuers. The Pledgor hereby authorizes and instructs each Issuer to comply with any instruction received by it from the Agent in writing that (a) states that an Event of Default has occurred and (b) is otherwise in accordance with the terms of this Pledge Agreement, without any other or further instructions from the Pledgor, and the Pledgor agrees that each Issuer shall be fully protected in so complying.

11. Agent's Appointment as Attorney-in-Fact. (a) The Pledgor hereby irrevocably constitutes and appoints the Agent and any officer or agent of the Agent, with full power of substitution, as its true and lawful attorney-in-fact with full irrevocable power and authority in the place and stead of the Pledgor and in the name of the Pledgor or in the Agent's own name, from time to time (provided an Event of Default has occurred and is continuing) in the Agent's discretion, for the purpose of carrying out the terms of this Agreement, to take any and all appropriate action and to execute any and all documents and instruments which may be necessary or desirable to accomplish the purposes of this Pledge Agreement, including, without limitation, any financing statements, endorsements, assignments or other instruments of transfer.

(b) The Pledgor hereby ratifies all that said attorneys shall lawfully do or cause to be done pursuant to the power of attorney granted in paragraph 11(a) above. All powers, authorizations and agencies contained in this Agreement are coupled with an interest and are irrevocable until this Agreement is terminated and the security interests created hereby are released.

12. Limitation on Duties Regarding Collateral. The Agent's sole duty with respect to the custody, safekeeping and

physical preservation of the Collateral in its possession, under Section 9-207 of the Code or otherwise, shall be to deal with it in the same manner as the Agent deals with similar securities and property for its own account. Neither the Agent, any Bank nor any of their respective directors, officers, employees or agents shall be liable for failure to demand, collect or realize upon any of the Collateral or for any delay in doing so or shall be under any obligation to sell or otherwise dispose of any collateral upon the request of the Pledgor or otherwise.

13. Execution of Financing Statements. Pursuant to Section 9-402 of the Code, the Pledgor authorizes the Agent to file financing statements with respect to the Collateral without the signature of the Pledgor in such form and in such filing offices as the Agent reasonably determines appropriate to perfect the security interests of the Agent under this Pledge Agreement. A carbon, photographic or other reproduction of this Pledge Agreement shall be sufficient as a financing statement for filing in any jurisdiction.

14. Authority of Agent. The Pledgor acknowledges that the rights and responsibilities of the Agent under this Pledge Agreement with respect to any action taken by the Agent or the exercise or non-exercise by the Agent of any option, voting right, request, judgment or other right or remedy provided for herein or resulting or arising out of this Pledge Agreement shall, as between the Agent and the Banks, be governed by the Credit Agreement and by such other agreements with respect thereto as may exist from time to time among them, but, as between the Agent and the Pledgor, the Agent shall be conclusively presumed to be acting as agent for the Banks with full and valid authority so to act or refrain from acting, and neither the Pledgor nor any Issuer shall be under any obligation, or entitlement, to make any inquiry respecting such authority.

15. Notices. All notices, requests and demands to or upon the Agent, any Bank or the Pledgor to be effective shall be in writing (or by telegraph or telecopy confirmed in writing) and shall be deemed to have been duly given or made (a) when delivered by hand or (b) if given by mail, five days after being deposited in the mails by certified mail, return receipt requested or (c) if by telegraph or telecopy, when sent and receipt has been confirmed, addressed at its address or transmission number for notices provided in subsection 11.2 of the Credit Agreement. The Agent, each Bank and the Pledgor may change its address and transmission numbers for notices by notice in the manner provided in this Section.

16. Severability. Any provision of this Pledge Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such

prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

17. Section Headings. The Section headings used in this Pledge Agreement are for convenience of reference only and are not to affect the construction hereof or be taken into consideration in the interpretation hereof.

18. Amendments in Writing; No Waiver; Pledge Cumulative Remedies. (a) None of the terms or provisions of this Pledge Agreement may be waived, amended, supplemented or otherwise modified except by a written instrument executed by the Pledgor and the Agent in accordance with subsection 11.1 of the Credit Agreement, provided that any provision of this Pledge Agreement may be waived by the Agent and the Banks in a letter or agreement executed by the Agent or by telecopy from the Agent.

(b) Neither the Agent nor any Bank shall by any act (except by a written instrument pursuant to paragraph 16.(a) hereof), delay, indulgence, omission or otherwise be deemed to have waived any right or remedy hereunder or to have acquiesced in any Default or Event of Default or in any breach of any of the terms and conditions hereof. No failure to exercise, nor any delay in exercising, on the part of the Agent or any Bank, any right, power or privilege hereunder shall operate as a waiver thereof. No single or partial exercise of any right, power or privilege hereunder shall preclude any other or further exercise thereof or the exercise of any other right, power or privilege. A waiver by the Agent or any Bank of any right or remedy hereunder on any one occasion shall not be construed as a bar to any right or remedy which the Agent or such Bank would otherwise have on any future occasion.

(c) The rights and remedies herein provided are cumulative, may be exercised singly or concurrently and are not exclusive of any other rights or remedies provided by law.

19. Successors and Assigns. This Pledge Agreement shall be binding upon the successors and assigns of the Pledgor and shall inure to the benefit of the Agent and the Banks and their successors and assigns.

20. GOVERNING LAW. THIS PLEDGE AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.

21. Counterparts. This Pledge Agreement may be executed by one or more of the parties to this Pledge Agreement 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 counterparts of this Pledge

Agreement signed by all parties hereto shall be lodged with the Agent.

IN WITNESS WHEREOF, the undersigned has caused this Pledge Agreement to be duly executed and delivered as of the date first above written.

LEAR SEATING CORPORATION

By: \_\_\_\_\_  
Title:

## ACKNOWLEDGEMENT AND CONSENT

Each of the undersigned Issuers referred to in the foregoing Pledge Agreement hereby acknowledges receipt of a copy thereof and agrees to be bound thereby and to comply with the terms thereof insofar as such terms are applicable to it. Each of the undersigned agrees to notify the Agent promptly in writing of the occurrence of any of the events described in paragraph 5(a) of the Pledge Agreement. The undersigned further agrees that the terms of paragraph 9(c) of the Pledge Agreement shall apply to it, mutatis mutandis, with respect to all actions that may be required of it under or pursuant to or arising out of Section 9 of the Pledge Agreement.

PROGRESS PATTERN CORP.

By: \_\_\_\_\_  
Title:

LEAR PLASTICS CORP.

By: \_\_\_\_\_  
Title:

LS ACQUISITION CORPORATION NO. 24

By: \_\_\_\_\_  
Title:

LS ACQUISITION CORP. NO. 14

By: \_\_\_\_\_  
Title:

LEAR SEATING HOLDINGS CORP. NO. 50

By: \_\_\_\_\_  
Title:

AIHI ACQUISITION CORP.

By: \_\_\_\_\_  
Title:

LEAR SEATING SWEDEN AB

By: \_\_\_\_\_  
Title:

## SCHEDULE I

## DESCRIPTION OF PLEDGED STOCK

Issuer -----	Class of Stock -----	Stock Certificate No. -----	No. of Shares -----	Pct. of Shares -----
Progress Pattern Corp.	Common	2	100	100%
Lear Plastics Corp.	Common	2	100	100%
LS Acquisition Corporation No. 24	Common	1	100	100%
LS Acquisition Corp. No. 14	Common	3	100	100%
Lear Seating Holdings Corp. No. 50	Common	3	100	100%
AIHI Acquisition Corp.	Common	1	100	100%
Lear Seating Sweden AB	Common	10501- 30000	19,500	65%

FORM OF  
FAIR HAVEN PLEDGE AGREEMENT

PLEDGE AGREEMENT, dated as of August 17, 1995, made by LS ACQUISITION CORPORATION NO. 24, a Delaware corporation (the "Pledgor"), in favor of CHEMICAL BANK, as administrative agent (in such capacity, the "Agent") for Bank parties to the Credit Agreement referred to below.

W I T N E S S E T H :

WHEREAS, Lear Seating Corporation (the "Borrower") is a party to the Credit Agreement, dated as of August 17, 1995 (as amended, supplemented or otherwise modified from time to time, the "Credit Agreement") with the financial institutions parties thereto (the "Banks"), the Agent and the Managing Agents, Co-Agents and Lead Managers identified therein;

WHEREAS, pursuant to the Credit Agreement and the other Loan Documents (as defined in the Credit Agreement), the Banks have agreed to make certain Loans (as defined in the Credit Agreement) to or for the benefit of the Borrower and, in the case of the Issuing Bank (as defined in the Credit Agreement), issue and, in the case of the Participating Banks (as defined in the Credit Agreement), participate in certain Letters of Credit (as defined in the Credit Agreement) for the account of the Borrower; and

WHEREAS, it is a condition precedent to the obligation of the Banks to make the Loans and to issue or participate in the Letters of Credit under the Credit Agreement that the Pledgor shall have executed and delivered this Holdings Pledge Agreement to the Agent for the ratable benefit of the Banks;

NOW, THEREFORE, in consideration of the premises contained herein and to induce the Agent and the Banks to enter into the Credit Agreement and to induce the Banks to make the Loans and to issue and participate in the Letters of Credit under the Credit Agreement, the Pledgor hereby agrees with the Agent, for the ratable benefit of the Banks, as follows:

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

(b) The following terms shall have the following meanings:

"Code" means the Uniform Commercial Code from time to time in effect in the State of New York.



"Collateral" means the Pledged Stock and all Proceeds.

"Guarantee" means the Subsidiary Guarantee, dated as of the date hereof, made by the Pledgor in favor of the Agent, as amended, supplemented or otherwise modified from time to time.

"Issuer" means Fair Haven Industries, Inc.

"Pledge Agreement" means this Pledge Agreement, as amended, supplemented or otherwise modified from time to time.

"Pledged Stock" means the shares of capital stock listed on Schedule I, together with all stock certificates, options, warrants or rights of any nature whatsoever that may be issued or granted by the Issuer to the Pledgor in respect of the Pledged Stock while this Pledge Agreement is in effect.

"Proceeds" means all "proceeds" as such term is defined in Section 9-306(1) of the Code in effect in the State of New York on the date hereof and, in any event, shall include, without limitation, all dividends or other income from the Pledged Stock, collections thereon and distributions with respect thereto.

(c) The words "hereof," "herein" and "hereunder" and words of similar import when used in this Pledge Agreement shall refer to this Pledge Agreement as a whole and not to any particular provision of this Pledge Agreement, and Section, paragraph and Schedule references are to this Pledge Agreement unless otherwise specified.

(d) The meanings given to terms defined herein shall be equally applicable to both the singular and plural forms of such terms.

2. Pledge; Grant of Security Interest. The Pledgor hereby delivers to the Agent, for the ratable benefit of the Banks, all the Pledged Stock and hereby grants to Agent, for the ratable benefit of the Banks, a first security interest in the Collateral, as collateral security for the prompt and complete payment and performance when due (whether at the stated maturity, by acceleration or otherwise) of the Obligations.

3. Stock Powers. Concurrently with the delivery to the Agent of each certificate representing one or more shares of Pledged Stock to the Agent, the Pledgor shall deliver an undated stock power covering such certificate, duly executed in blank by the Pledgor with, if the Agent so requests, signature guaranteed.

4. Representations and Warranties. The Pledgor represents and warrants that:

(a) the Pledged Stock constitutes all the issued and outstanding shares of all classes of the capital stock of the Issuer owned by the Pledgor, and the percentage of shares listed on Schedule I accurately sets forth the respective percentage which such shares pledged by the Pledgor constitute of all such issued and outstanding capital stock of the Issuer;

(b) the Pledged Stock has been duly and validly issued and is fully paid and nonassessable;

(c) the Pledgor is the record and beneficial owner of, and has good and marketable title to, the Pledged Stock, free of any and all Liens or options in favor of, or claims of, any other Person, except the Lien created by this Pledge Agreement; and

(d) upon delivery to the Agent of the stock certificates evidencing the Pledged Stock, the Lien granted pursuant to this Pledge Agreement will constitute a valid, perfected first priority Lien on the Collateral, enforceable as such against any Persons purporting to purchase any Collateral from the Pledgor.

5. Covenants. The Pledgor covenants and agrees with the Agent and the Banks that, from and after the date of this Pledge Agreement until the Obligations have been paid in full and the Commitments have been terminated:

(a) If the Pledgor shall, as a result of its ownership of the Pledged Stock, become entitled to receive or shall receive any stock certificate (including, without limitation, any certificate representing a stock dividend or a distribution in connection with any reclassification, increase or reduction of capital or any certificate issued in connection with any reorganization), option or rights, whether in addition to, in substitution of, as a conversion of, or in exchange for any shares of the Pledged Stock, or otherwise in respect thereof, the Pledgor shall accept the same as the agent of the Agent and the Banks, hold the same in trust for the Agent and the Banks and deliver the same forthwith to the Agent in the exact form received, duly indorsed by the Pledgor to the Agent, if required, together with an undated stock power covering such certificate duly executed in blank by the Pledgor and with, if the Agent so requests, signature guaranteed, to be held by the Agent, subject to the terms hereof, as additional collateral security for the Obligations. Any sums paid upon or in respect of the Pledged Stock upon the liquidation or dissolution of the Issuer shall be paid over to the Agent to be held by it hereunder as additional collateral security for the Obligations, and in case any distribution of capital shall be made on or in respect of the Pledged Stock or any property shall be distributed upon or with respect to the

Pledged Stock pursuant to the recapitalization or reclassification of the capital of any Issuer or pursuant to the reorganization thereof, the property so distributed shall be delivered to the Agent to be held by it hereunder as additional collateral security for the Obligations. If any sums of money or property so paid or distributed in respect of the Pledged Stock shall be received by the Pledgor, the Pledgor shall, until such money or property is paid or delivered to the Agent, hold such money or property in trust for the Agent and the Banks, segregated from other funds of the Pledgor, as additional collateral security for the Obligations.

(b) Without the prior written consent of the Agent, the Pledgor will not (i) vote to enable, or take any other action to permit, the Issuer to issue any stock or other equity securities of any nature or to issue any other securities convertible into or granting the right to purchase or exchange for any stock or other equity securities of any nature of the Issuer, (ii) sell, assign, transfer, exchange, or otherwise dispose of, or grant any option with respect to, the Collateral or (iii) create, incur or permit to exist any Lien or option in favor of, or any claim of any Person with respect to, any of the Collateral, or any interest therein, except for the Lien provided for by this Pledge Agreement. The Pledgor will defend the right, title and interest of the Agent and the Banks in and to the Collateral against the claims and demands of all Persons whomsoever.

(c) At any time and from time to time, upon the written request of the Agent, and at the sole expense of the Pledgor, the Pledgor will promptly and duly execute and deliver such further instruments and documents and take such further actions as the Agent may reasonably request for the purposes of obtaining or preserving the full benefits of this Pledge Agreement and of the rights and powers herein granted. If any amount payable under or in connection with any of the Collateral shall be or become evidenced by any promissory note, other instrument or chattel paper, such note, instrument or chattel paper shall be immediately delivered to the Agent, duly endorsed in a manner satisfactory to the Agent, to be held as Collateral pursuant to this Pledge Agreement.

(d) The Pledgor agrees to pay, and to save the Agent and the Banks harmless from, any and all liabilities with respect to, or resulting from any delay in paying, any and all stamp, excise, sales or other taxes which may be payable or determined to be payable with respect to any of the Collateral or in connection with any of the transactions contemplated by this Pledge Agreement.

6. Cash Dividends; Voting Rights. Unless an Event of Default shall have occurred and be continuing and the Agent shall have given notice to the Pledgor of the Agent's intent to exercise its corresponding rights pursuant to Section 7 below, the Pledgor shall be permitted to receive all cash dividends paid in the normal course of business of the Issuer, to the extent permitted in the Credit Agreement, in respect of the Pledged Stock and to exercise all voting and corporate rights with respect to the Pledged Stock; provided, however, that no vote shall be cast or corporate right exercised or other action taken which would reasonably be expected to (a) impair the Collateral or (b) be inconsistent with or result in any violation of any provision of the Credit Agreement or any other Loan Document.

7. Rights of the Banks and the Agent. (a) If an Event of Default shall occur and be continuing (i) the Agent shall have the right to receive any and all cash dividends paid in respect of the Pledged Stock and make application thereof to the Obligations in such order as the Agent may determine and (ii) all shares of the Pledged Stock shall be registered in the name of the Agent or its nominee, and the Agent or its nominee may thereafter exercise (A) all voting, corporate and other rights pertaining to such shares of the Pledged Stock at any meeting of shareholders of the Issuer or otherwise and (B) any and all rights of conversion, exchange, subscription and any other rights, privileges or options pertaining to such shares of the Pledged Stock as if it were the absolute owner thereof (including, without limitation, the right to exchange at its discretion any and all of the Pledged Stock upon the merger, consolidation, reorganization, recapitalization or other fundamental change in the corporate structure of the Issuer, or upon the exercise by the Pledgor or the Agent of any right, privilege or option pertaining to such shares of the Pledged Stock, and in connection therewith, the right to deposit and deliver any and all of the Pledged Stock with any committee, depository, transfer agent, registrar or other designated agency upon such terms and conditions as it may determine), all without liability except to account for property actually received by it, but the Agent shall have no duty to the Pledgor to exercise any such right, privilege or option and shall not be responsible for any failure to do so or delay in so doing.

(b) The rights of the Agent and the Banks hereunder shall not be conditioned or contingent upon the pursuit by the Agent or any Bank of any right or remedy against the Issuer or any other Person which may be or become liable in respect of all or any part of the Obligations or against any collateral security therefor, guarantee therefor or right of offset with respect thereto. Neither the Agent nor any Bank shall be liable for any failure to demand, collect or realize upon all or any part of the Collateral or for any delay in doing so, nor shall the Agent be under any obligation to sell or otherwise dispose of any Collateral upon the request of the Pledgor or any other Person or

to take any other action whatsoever with regard to the Collateral or any part thereof.

8. Remedies. If an Event of Default shall occur and be continuing, the Agent, on behalf of the Banks, may exercise, in addition to all other rights and remedies granted in this Pledge Agreement and in any other instrument or agreement securing, evidencing or relating to the Obligations, all rights and remedies of a secured party under the Code. Without limiting the generality of the foregoing, the Agent, without demand of performance or other demand, presentment, protest, advertisement or notice of any kind (except any notice required by law referred to below) to or upon the Pledgor, the Issuer or any other Person (all and each of which demands, defenses, advertisements and notices are hereby waived), may in such circumstances forthwith collect, receive, appropriate and realize upon the Collateral, or any part thereof, and/or may forthwith sell, assign, give an option or options to purchase or otherwise dispose of and deliver the Collateral or any part thereof (or contract to do any of the foregoing), in one or more parcels at public or private sale or sales, in the over-the-counter market, at any exchange or broker's board or office of the Agent or any Bank or elsewhere upon such terms and conditions as it may deem advisable and at such prices as it may deem best, for cash or on credit or for future delivery without assumption of any credit risk. The Agent or any Bank shall have the right upon any such public sale or sales, and, to the extent permitted by law, upon any such private sale or sales, to purchase the whole or any part of the Collateral so sold, free of any right or equity of redemption in the Pledgor, which right or equity is hereby waived or released. The Agent shall apply any Proceeds from time to time held by it and the net proceeds of any such collection, recovery, receipt, appropriation, realization or sale, after deducting all reasonable costs and expenses of every kind incurred in respect thereof or incidental to the care or safekeeping of any of the Collateral or in any way relating to the Collateral or the rights of the Agent and the Banks hereunder, including, without limitation, attorneys' fees and disbursements of counsel to the Agent, to the payment in whole or in part of the Obligations, in such order as the Agent may elect, and only after such application and after the payment by the Agent of any other amount required by any provision of law, including, without limitation, Section 9-504(1)(c) of the Code, need the Agent account for the surplus, if any, to the Pledgor. To the extent permitted by applicable law, the Pledgor waives all claims, damages and demands it may acquire against the Agent or any Bank arising out of the exercise by them of any rights hereunder. If any notice of a proposed sale or other disposition of Collateral shall be required by law, such notice shall be deemed reasonable and proper if given at least ten days before such sale or other disposition. The Pledgor shall remain liable for any deficiency if the proceeds of any sale or other disposition of Collateral are insufficient to pay the Obligations and the fees and

disbursements of any attorneys employed by the Agent or any Bank to collect such deficiency.

9. Registration Rights; Private Sales. (a) If the Agent shall determine to exercise its right to sell any or all of the Pledged Stock pursuant to Section 8 hereof, and if in the reasonable opinion of the Agent it is necessary or advisable to have the Pledged Stock, or that portion thereof to be sold, registered under the provisions of the Securities Act of 1933, as amended (the "Securities Act"), the Pledgor will cause the Issuer to (i) execute and deliver, and cause the directors and officers of the Issuer to execute and deliver, all such instruments and documents, and do or cause to be done all such other acts as may be, in the opinion of the Agent, necessary or advisable to register the Pledged Stock, or that portion thereof to be sold under the provisions of the Securities Act, (ii) use its best efforts to cause the registration statement relating thereto to become effective and to remain effective for a period of one year from the date of the first public offering of the Pledged Stock, or that portion thereof to be sold and (iii) make all amendments thereto and/or to the related prospectus which, in the opinion of the Agent, are necessary or advisable, all in conformity with the requirements of the Securities Act and the rules and regulations of the Securities and Exchange Commission applicable thereto. The Pledgor agrees to cause the Issuer to comply with the provisions of the securities or "Blue Sky" laws of any and all jurisdictions which the Agent shall designate and to make available to its security holders, as soon as practicable, an earnings statement (which need not be audited) which will satisfy the provisions of Section 11(a) of the Securities Act.

(b) The Pledgor recognizes that the Agent may be unable to effect a public sale of any or all the Pledged Stock, by reason of certain prohibitions contained in the Securities Act and applicable state securities laws or otherwise, and may be compelled to resort to one or more private sales thereof to a restricted group of purchasers which will be obliged to agree, among other things, to acquire such securities for their own account for investment and not with a view to the distribution or resale thereof. The Pledgor acknowledges and agrees that any such private sale may result in prices and other terms less favorable than if such sale were a public sale and, notwithstanding such circumstances, agrees that any such private sale shall be deemed to have been made in a commercially reasonable manner. The Agent shall be under no obligation to delay a sale of any of the Pledged Stock for the period of time necessary to permit the applicable Issuer to register such securities for public sale under the Securities Act, or under applicable state securities laws, even if such Issuer would agree to do so.

(c) The Pledgor further agrees to use its best efforts to do or cause to be done all such other acts as may be necessary to make such sale or sales of all or any portion of the Pledged

Stock pursuant to this Section 9 valid and binding and in compliance with any and all other applicable Requirements of Law. The Pledgor further agrees that a breach of any of the covenants contained in this Section 9 will cause irreparable injury to the Agent and the Banks, that the Agent and the Banks have no adequate remedy at law in respect of such breach and, as a consequence, that each and every covenant contained in this Section 9 shall be specifically enforceable against the Pledgor, and the Pledgor hereby waives and agrees not to assert any defenses against an action for specific performance of such covenants except for a defense that no Event of Default has occurred under the Credit Agreement.

10. Irrevocable Authorization and Instruction to Issuers.

The Pledgor hereby authorizes and instructs the Issuer to comply with any instruction received by it from the Agent in writing that (a) states that an Event of Default has occurred and (b) is otherwise in accordance with the terms of this Pledge Agreement, without any other or further instructions from the Pledgor, and the Pledgor agrees that the Issuer shall be fully protected in so complying.

11. Agent's Appointment as Attorney-in-Fact. (a) The

Pledgor hereby irrevocably constitutes and appoints the Agent and any officer or agent of the Agent, with full power of substitution, as its true and lawful attorney-in-fact with full irrevocable power and authority in the place and stead of the Pledgor and in the name of the Pledgor or in the Agent's own name, from time to time (provided an Event of Default has occurred and is continuing) in the Agent's discretion, for the purpose of carrying out the terms of this Agreement, to take any and all appropriate action and to execute any and all documents and instruments which may be necessary or desirable to accomplish the purposes of this Pledge Agreement, including, without limitation, any financing statements, endorsements, assignments or other instruments of transfer.

(b) The Pledgor hereby ratifies all that said attorneys shall lawfully do or cause to be done pursuant to the power of attorney granted in paragraph 11(a) above. All powers, authorizations and agencies contained in this Agreement are coupled with an interest and are irrevocable until this Agreement is terminated and the security interests created hereby are released.

12. Limitation on Duties Regarding Collateral. The Agent's

sole duty with respect to the custody, safekeeping and physical preservation of the Collateral in its possession, under Section 9-207 of the Code or otherwise, shall be to deal with it in the same manner as the Agent deals with similar securities and property for its own account. Neither the Agent, any Bank nor any of their respective directors, officers, employees or agents shall be liable for failure to demand, collect or realize upon any of the Collateral or for any delay in doing so or shall be

under any obligation to sell or otherwise dispose of any collateral upon the request of the Pledgor or otherwise.

13. Execution of Financing Statements. Pursuant to Section 9-402 of the Code, the Pledgor authorizes the Agent to file financing statements with respect to the Collateral without the signature of the Pledgor in such form and in such filing offices as the Agent reasonably determines appropriate to perfect the security interests of the Agent under this Pledge Agreement. A carbon, photographic or other reproduction of this Pledge Agreement shall be sufficient as a financing statement for filing in any jurisdiction.

14. Authority of Agent. The Pledgor acknowledges that the rights and responsibilities of the Agent under this Pledge Agreement with respect to any action taken by the Agent or the exercise or non-exercise by the Agent of any option, voting right, request, judgment or other right or remedy provided for herein or resulting or arising out of this Pledge Agreement shall, as between the Agent and the Banks, be governed by the Credit Agreement and by such other agreements with respect thereto as may exist from time to time among them, but, as between the Agent and the Pledgor, the Agent shall be conclusively presumed to be acting as agent for the Banks with full and valid authority so to act or refrain from acting, and neither the Pledgor nor any Issuer shall be under any obligation, or entitlement, to make any inquiry respecting such authority.

15. Notices. All notices, requests and demands to or upon the Agent, any Bank or the Pledgor to be effective shall be in writing (or by telegraph or telecopy confirmed in writing) and shall be deemed to have been duly given or made (a) when delivered by hand or (b) if given by mail, five days after being deposited in the mails by certified mail, return receipt requested or (c) if by telegraph or telecopy, when sent and receipt has been confirmed, addressed at its address or transmission number for notices provided in subsection 11.2 of the Credit Agreement. The Agent, each Bank and the Pledgor may change its address and transmission numbers for notices by notice in the manner provided in this Section.

16. Severability. Any provision of this Pledge Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

17. Section Headings. The Section headings used in this Pledge Agreement are for convenience of reference only and are not to affect the construction hereof or be taken into consideration in the interpretation hereof.



18. Amendments in Writing; No Waiver; Pledge Cumulative Remedies. (a) None of the terms or provisions of this Pledge Agreement may be waived, amended, supplemented or otherwise modified except by a written instrument executed by the Pledgor and the Agent in accordance with subsection 11.1 of the Credit Agreement, provided that any provision of this Pledge Agreement may be waived by the Agent and the Banks in a letter or agreement executed by the Agent or by telecopy from the Agent.

(b) Neither the Agent nor any Bank shall by any act (except by a written instrument pursuant to paragraph 16.(a) hereof), delay, indulgence, omission or otherwise be deemed to have waived any right or remedy hereunder or to have acquiesced in any Default or Event of Default or in any breach of any of the terms and conditions hereof. No failure to exercise, nor any delay in exercising, on the part of the Agent or any Bank, any right, power or privilege hereunder shall operate as a waiver thereof. No single or partial exercise of any right, power or privilege hereunder shall preclude any other or further exercise thereof or the exercise of any other right, power or privilege. A waiver by the Agent or any Bank of any right or remedy hereunder on any one occasion shall not be construed as a bar to any right or remedy which the Agent or such Bank would otherwise have on any future occasion.

(c) The rights and remedies herein provided are cumulative, may be exercised singly or concurrently and are not exclusive of any other rights or remedies provided by law.

19. Successors and Assigns. This Pledge Agreement shall be binding upon the successors and assigns of the Pledgor and shall inure to the benefit of the Agent and the Banks and their successors and assigns.

20. GOVERNING LAW. THIS PLEDGE AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.

IN WITNESS WHEREOF, the undersigned has caused this Pledge Agreement to be duly executed and delivered as of the date first above written.

LS ACQUISITION CORPORATION NO. 24

By: \_\_\_\_\_  
Title:

## ACKNOWLEDGEMENT AND CONSENT

The undersigned Issuer referred to in the foregoing Pledge Agreement hereby acknowledges receipt of a copy thereof and agrees to be bound thereby and to comply with the terms thereof insofar as such terms are applicable to it. The undersigned agrees to notify the Agent promptly in writing of the occurrence of any of the events described in paragraph 5(a) of the Pledge Agreement. The undersigned further agrees that the terms of paragraph 9(c) of the Pledge Agreement shall apply to it, mutatis mutandis, with respect to all actions that may be required of it under or pursuant to or arising out of Section 9 of the Pledge Agreement.

FAIR HAVEN INDUSTRIES, INC.

By: \_\_\_\_\_  
Title:

## SCHEDULE I

## DESCRIPTION OF PLEDGED STOCK

Issuer -----	Class of Stock -----	Stock Certificate No. -----	No. of Shares -----	Pct. of Shares -----
Fair Haven Industries, Inc.	Common	21	19,600	100%

FORM OF  
ACQUISITION PLEDGE AGREEMENT

PLEDGE AGREEMENT, dated as of August 17, 1995, made by AIHI ACQUISITION CORP., a Delaware corporation (the "Pledgor"), in favor of CHEMICAL BANK, as administrative agent (in such capacity, the "Agent") for the Banks parties to the Credit Agreement referred to below.

W I T N E S S E T H :

WHEREAS, Lear Seating Corporation (the "Borrower") is a party to the Credit Agreement, dated as of August 17, 1995 (as amended, supplemented or otherwise modified from time to time, the "Credit Agreement") with the financial institutions parties thereto (the "Banks"), the Agent and the Managing Agents, Co-Agents and Lead Managers identified therein;

WHEREAS, pursuant to the Credit Agreement and the other Loan Documents (as defined in the Credit Agreement), the Banks have agreed to make certain Loans (as defined in the Credit Agreement) to or for the benefit of the Borrower and, in the case of the Issuing Bank (as defined in the Credit Agreement), issue and, in the case of the Participating Banks (as defined in the Credit Agreement), participate in certain Letters of Credit (as defined in the Credit Agreement) for the account of the Borrower;

WHEREAS, it is a condition precedent to the obligation of the Banks to make the Loans and to issue or participate in the Letters of Credit under the Credit Agreement that the Pledgor shall have executed and delivered this Pledge Agreement to the Agent for the ratable benefit of the Banks;

WHEREAS, on the Closing Date, the Pledgor is acquiring certain shares of Class A Common Stock, par value \$0.01 per share, of Automotive Industries Holding, Inc., a Delaware corporation (the "Issuer") (all such shares of stock, together with all stock certificates, options or rights of any nature whatsoever that may be granted by the Issuer to the Pledgor in respect of such shares of stock being hereinafter called the "Initially Pledged Stock");

WHEREAS, pursuant to the Credit Agreement, on the date of this Pledge Agreement, the Pledgor is pledging to the Agent, for the ratable benefit of the Banks, the Initially Pledged Stock to provide security for the Obligations; and

WHEREAS, pursuant to the Credit Agreement, on each date after the Closing Date on which the Pledgor purchases additional shares of capital stock of the Issuer, the Pledgor shall execute and deliver a Pledge Agreement Supplement in the form of Exhibit A hereto, pledging the capital stock of the Issuer being

purchased on such date by the Pledgor (such additional shares of stock together with all stock certificates, options or rights of any nature whatsoever that may be granted by the Issuer to the Pledgor in respect of such shares of stock being hereinafter called the "Additional Pledged Stock," and together with the Initially Pledged Stock, the "Pledged Stock");

NOW, THEREFORE, in consideration of the premises contained herein and to induce the Agent and the Banks to enter into the Credit Agreement and to induce the Banks to make the Loans and to issue and participate in the Letters of Credit under the Credit Agreement, the Pledgor hereby agrees with the Agent, for the ratable benefit of the Banks, as follows:

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

(b) The following terms shall have the following meanings:

"Clearing Corporation" means a clearing corporation within the meaning of Section 8-102(3) of the Code at which the Agent maintains a securities account.

"Code" means the Uniform Commercial Code from time to time in effect in the State of New York.

"Collateral" has the meaning given such term in section 2 hereof.

"Depositary" means Bankers Trust Company, as Depositary.

"Depositary Agency Agreement" means the Depositary Agency Agreement, dated as of the date hereof, among the Depositary, the Agent, the Borrower and the Pledgor.

"Guarantee" means the Subsidiary Guarantee, dated as of the date hereof, made by the Pledgor and others in favor of the Agent, as amended, supplemented or otherwise modified from time to time.

"Pledge Agreement" means this Pledge Agreement, as amended, supplemented or otherwise modified from time to time.

"Proceeds" means all "proceeds" as such term is defined in Section 9-306(1) of the Code in effect in the State of New York on the date hereof and, in any event, shall include, without limitation, all dividends or other income from the Pledged Stock, collections thereon and distributions with respect thereto.

(c) The words "hereof," "herein" and "hereunder" and words of similar import when used in this Pledge Agreement shall refer to this Pledge Agreement as a whole and not to any particular provision of this Pledge Agreement, and Section, paragraph and Schedule references are to this Pledge Agreement unless otherwise specified.

(d) The meanings given to terms defined herein shall be equally applicable to both the singular and plural forms of such terms.

2. Pledge; Grant of Security Interest. The Pledgor hereby delivers to the Agent, for the ratable benefit of the Banks, all the Initially Pledged Stock and hereby grants to Agent, for the ratable benefit of the Banks, a first security interest in the following (collectively, the "Collateral") as collateral security for the prompt and complete payment and performance when due (whether at the stated maturity, by acceleration or otherwise) of the Obligations:

(a) all of the Initially Pledged Stock, including without limitation, the shares of capital stock of the Issuer delivered to the Agent or its bailee by the Depository pursuant to instructions of the Pledgor contained in the Depository Agency Agreement and all Book-Entry Shares (as hereinafter defined);

(b) all Additional Pledged Stock from time to time acquired by the Pledgor in any manner, including, without limitation, by the book-entry delivery thereof;

(c) the certificates representing the share referred to in clauses (a) and (b) above; and

(d) all rights and privileges of the Pledgor with respect to the Pledged Stock, all Proceeds of the Pledged Stock, all income and profits therefrom and all property received in addition thereto or in exchange or substitution therefor.

3. Stock Powers. (a) The Pledgor shall promptly deliver or cause to be delivered to the Agent or the Depository all instruments and stock certificates representing the Pledged Stock, together with duly executed blank undated stock powers. The Pledgor shall promptly deliver to the Agent, or cause the Issuer to deliver directly to the Agent, share certificates or other documents representing any Collateral acquired or received after the date of this Pledge Agreement duly endorsed and subscribed or with appropriate transfer documents duly executed in blank by the Pledgor. If at any time the Agent notifies the Pledgor that additional stock powers or other transfer documents endorsed in blank with respect to the Collateral held by the Agent are required, Pledgor shall promptly execute the same in

blank and deliver such stock powers or other transfer documents as the Agent may request.

(b) In the event that a financial institution that is a participant in the system of any Book-Entry Transfer Facility (as defined in Section 2 of the Offer to Purchase), in accordance with the procedures set forth in the Offer to Purchase, makes a book-entry delivery of any shares of capital stock of the Issuer tendered and purchased in the Tender Offer by causing such Book-Entry Transfer Facility to transfer such shares into the account of the Depository at such Book-Entry Transfer Facility (each such share being a "Book-Entry Share"), the Pledgor hereby authorizes, and shall cause, all such shares to be transferred to an account maintained in the name of Chemical Bank for the benefit of the Agent at the Clearing Corporation.

4. Additional Pledged Stock. Pursuant to subsection 7.11 of the Credit Agreement, the Pledgor hereby agrees that on each date it purchases additional shares of capital stock of the Issuer, the Pledgor will execute a Pledge Agreement Supplement and either:

(a) in the case of a transfer to the Pledgor of Pledged Stock effected by delivery of share certificates representing the capital stock of the Issuer, deliver or cause to be delivered to the Agent such share certificates representing the capital stock of the Issuer, being purchased by the Pledgor on such date, together with the appropriate undated stock powers duly executed in blank by the Pledgor; or

(b) in the case of a transfer to the Pledgor of shares of Pledged Stock effected by book-entry delivery thereof, the Pledgor shall authorize and cause all such shares to be transferred to an account maintained in the name of Chemical Bank for the benefit of the Agent at the Clearing Corporation.

5. Representations and Warranties. The Pledgor represents and warrants that:

(a) the shares of Pledged Stock constitute all the issued and outstanding shares of all classes of the capital stock of the Issuer owned by the Pledgor;

(b) all the shares of the Pledged Stock have been duly and validly issued and are fully paid and nonassessable;

(c) the Pledgor is the record and beneficial owner of, and has good and marketable title to, the Pledged Stock, free of any and all Liens or options in favor of, or claims of, any other Person, except the Lien created by this Pledge Agreement; and

(d) upon compliance with the provisions of Sections 3(a) and (b) and 4(a) and (b) hereof, all actions required to create and perfect the security interest of the Agent in the Collateral will have been taken and the delivery to the Agent or the Depositary, as the case may be, of the Collateral is effective to create a valid, perfected and exclusive first priority security interest in the Collateral in favor of the Agent.

6. Covenants. The Pledgor covenants and agrees with the Agent and the Banks that, from and after the date of this Pledge Agreement until the Obligations have been paid in full and the Commitments have been terminated:

(a) If the Pledgor shall, as a result of its ownership of the Pledged Stock, become entitled to receive or shall receive any stock certificate (including, without limitation, any certificate representing a stock dividend or a distribution in connection with any reclassification, increase or reduction of capital or any certificate issued in connection with any reorganization), option or rights, whether in addition to, in substitution of, as a conversion of, or in exchange for any shares of the Pledged Stock, or otherwise in respect thereof, the Pledgor shall accept the same as the agent of the Agent and the Banks, hold the same in trust for the Agent and the Banks and deliver the same forthwith to the Agent in the exact form received, duly indorsed by the Pledgor to the Agent, if required, together with an undated stock power covering such certificate duly executed in blank by the Pledgor and with, if the Agent so requests, signature guaranteed, to be held by the Agent, subject to the terms hereof, as additional collateral security for the Obligations. Any sums paid upon or in respect of the Pledged Stock upon the liquidation or dissolution of the Issuer shall be paid over to the Agent to be held by it hereunder as additional collateral security for the Obligations, and in case any distribution of capital shall be made on or in respect of the Pledged Stock or any property shall be distributed upon or with respect to the Pledged Stock pursuant to the recapitalization or reclassification of the capital of the Issuer or pursuant to the reorganization thereof, the property so distributed shall be delivered to the Agent to be held by it hereunder as additional collateral security for the Obligations. If any sums of money or property so paid or distributed in respect of the Pledged Stock shall be received by the Pledgor, the Pledgor shall, until such money or property is paid or delivered to the Agent, hold such money or property in trust for the Agent and the Banks, segregated from other funds of the Pledgor, as additional collateral security for the Obligations.

(b) Without the prior written consent of the Agent, the Pledgor will not (i) vote to enable, or take any other



action to permit, the Issuer to issue any stock or other equity securities of any nature or to issue any other securities convertible into or granting the right to purchase or exchange for any stock or other equity securities of any nature of the Issuer, (ii) sell, assign, transfer, exchange, or otherwise dispose of, or grant any option with respect to, the Collateral or (iii) create, incur or permit to exist any Lien or option in favor of, or any claim of any Person with respect to, any of the Collateral, or any interest therein, except for the Lien provided for by this Pledge Agreement. The Pledgor will defend the right, title and interest of the Agent and the Banks in and to the Collateral against the claims and demands of all Persons whomsoever.

(c) At any time and from time to time, upon the written request of the Agent, and at the sole expense of the Pledgor, the Pledgor will promptly and duly execute and deliver such further instruments and documents and take such further actions as the Agent may reasonably request for the purposes of obtaining or preserving the full benefits of this Pledge Agreement and of the rights and powers herein granted. If any amount payable under or in connection with any of the Collateral shall be or become evidenced by any promissory note, other instrument or chattel paper, such note, instrument or chattel paper shall be immediately delivered to the Agent, duly endorsed in a manner satisfactory to the Agent, to be held as Collateral pursuant to this Pledge Agreement.

(d) The Pledgor agrees to pay, and to save the Agent and the Banks harmless from, any and all liabilities with respect to, or resulting from any delay in paying, any and all stamp, excise, sales or other taxes which may be payable or determined to be payable with respect to any of the Collateral or in connection with any of the transactions contemplated by this Pledge Agreement.

7. Cash Dividends; Voting Rights. Unless an Event of Default shall have occurred and be continuing and the Agent shall have given notice to the Pledgor of the Agent's intent to exercise its corresponding rights pursuant to Section 8 below, the Pledgor shall be permitted to receive all cash dividends paid in the normal course of business of the Issuer, to the extent permitted in the Credit Agreement, in respect of the Pledged Stock and to exercise all voting and corporate rights with respect to the Pledged Stock; provided, however, that no vote shall be cast or corporate right exercised or other action taken which would reasonably be expected to (a) impair the Collateral or (b) be inconsistent with or result in any violation of any provision of the Credit Agreement or any other Loan Document. Notwithstanding the foregoing, the Merger may be consummated.

8. Rights of the Banks and the Agent. (a) If an Event of Default shall occur and be continuing (i) the Agent shall have the right to receive any and all cash dividends paid in respect of the Pledged Stock and make application thereof to the Obligations in such order as the Agent may determine and (ii) all shares of the Pledged Stock shall be registered in the name of the Agent or its nominee, and the Agent or its nominee may thereafter exercise (A) all voting, corporate and other rights pertaining to such shares of the Pledged Stock at any meeting of shareholders of the Issuer or otherwise and (B) any and all rights of conversion, exchange, subscription and any other rights, privileges or options pertaining to such shares of the Pledged Stock as if it were the absolute owner thereof (including, without limitation, the right to exchange at its discretion any and all of the Pledged Stock upon the merger, consolidation, reorganization, recapitalization or other fundamental change in the corporate structure of the Issuer, or upon the exercise by the Pledgor or the Agent of any right, privilege or option pertaining to such shares of the Pledged Stock, and in connection therewith, the right to deposit and deliver any and all of the Pledged Stock with any committee, depository, transfer agent, registrar or other designated agency upon such terms and conditions as it may determine), all without liability except to account for property actually received by it, but the Agent shall have no duty to the Pledgor to exercise any such right, privilege or option and shall not be responsible for any failure to do so or delay in so doing.

(b) The rights of the Agent and the Banks hereunder shall not be conditioned or contingent upon the pursuit by the Agent or any Bank of any right or remedy against any other Person which may be or become liable in respect of all or any part of the Obligations or against any collateral security therefor, guarantee therefor or right of offset with respect thereto. Neither the Agent nor any Bank shall be liable for any failure to demand, collect or realize upon all or any part of the Collateral or for any delay in doing so, nor shall the Agent be under any obligation to sell or otherwise dispose of any Collateral upon the request of the Pledgor or any other Person or to take any other action whatsoever with regard to the Collateral or any part thereof.

9. Remedies. If an Event of Default shall occur and be continuing, the Agent, on behalf of the Banks, may exercise, in addition to all other rights and remedies granted in this Pledge Agreement and in any other instrument or agreement securing, evidencing or relating to the Obligations, all rights and remedies of a secured party under the Code. Without limiting the generality of the foregoing, the Agent, without demand of performance or other demand, presentment, protest, advertisement or notice of any kind (except any notice required by law referred to below) to or upon the Pledgor, the Issuer or any other Person (all and each of which demands, defenses, advertisements and notices are hereby waived), may in such circumstances forthwith

collect, receive, appropriate and realize upon the Collateral, or any part thereof, and/or may forthwith sell, assign, give an option or options to purchase or otherwise dispose of and deliver the Collateral or any part thereof (or contract to do any of the foregoing), in one or more parcels at public or private sale or sales, in the over-the-counter market, at any exchange or broker's board or office of the Agent or any Bank or elsewhere upon such terms and conditions as it may deem advisable and at such prices as it may deem best, for cash or on credit or for future delivery without assumption of any credit risk. The Agent or any Bank shall have the right upon any such public sale or sales, and, to the extent permitted by law, upon any such private sale or sales, to purchase the whole or any part of the Collateral so sold, free of any right or equity of redemption in the Pledgor, which right or equity is hereby waived or released. The Agent shall apply any Proceeds from time to time held by it and the net proceeds of any such collection, recovery, receipt, appropriation, realization or sale, after deducting all reasonable costs and expenses of every kind incurred in respect thereof or incidental to the care or safekeeping of any of the Collateral or in any way relating to the Collateral or the rights of the Agent and the Banks hereunder, including, without limitation, attorneys' fees and disbursements of counsel to the Agent, to the payment in whole or in part of the Obligations, in such order as the Agent may elect, and only after such application and after the payment by the Agent of any other amount required by any provision of law, including, without limitation, Section 9-504(1)(c) of the Code, need the Agent account for the surplus, if any, to the Pledgor. To the extent permitted by applicable law, the Pledgor waives all claims, damages and demands it may acquire against the Agent or any Bank arising out of the exercise by them of any rights hereunder. If any notice of a proposed sale or other disposition of Collateral shall be required by law, such notice shall be deemed reasonable and proper if given at least ten days before such sale or other disposition. The Pledgor shall remain liable for any deficiency if the proceeds of any sale or other disposition of Collateral are insufficient to pay the Obligations and the fees and disbursements of any attorneys employed by the Agent or any Bank to collect such deficiency.

10. Registration Rights; Private Sales. (a) If the Agent shall determine to exercise its right to sell any or all of the Pledged Stock pursuant to Section 9 hereof, and if in the reasonable opinion of the Agent it is necessary or advisable to have the Pledged Stock, or that portion thereof to be sold, registered under the provisions of the Securities Act of 1933, as amended (the "Securities Act"), the Pledgor will cause the Issuer to (i) execute and deliver, and cause the directors and officers of the Issuer to execute and deliver, all such instruments and documents, and do or cause to be done all such other acts as may be, in the opinion of the Agent, necessary or advisable to register the Pledged Stock, or that portion thereof to be sold under the provisions of the Securities Act, (ii) use its best

efforts to cause the registration statement relating thereto to become effective and to remain effective for a period of one year from the date of the first public offering of the Pledged Stock, or that portion thereof to be sold and (iii) make all amendments thereto and/or to the related prospectus which, in the opinion of the Agent, are necessary or advisable, all in conformity with the requirements of the Securities Act and the rules and regulations of the Securities and Exchange Commission applicable thereto. The Pledgor agrees to cause the Issuer to comply with the provisions of the securities or "Blue Sky" laws of any and all jurisdictions which the Agent shall designate and to make available to its security holders, as soon as practicable, an earnings statement (which need not be audited) which will satisfy the provisions of Section 11(a) of the Securities Act.

(b) The Pledgor recognizes that the Agent may be unable to effect a public sale of any or all the Pledged Stock, by reason of certain prohibitions contained in the Securities Act and applicable state securities laws or otherwise, and may be compelled to resort to one or more private sales thereof to a restricted group of purchasers which will be obliged to agree, among other things, to acquire such securities for their own account for investment and not with a view to the distribution or resale thereof. The Pledgor acknowledges and agrees that any such private sale may result in prices and other terms less favorable than if such sale were a public sale and, notwithstanding such circumstances, agrees that any such private sale shall be deemed to have been made in a commercially reasonable manner. The Agent shall be under no obligation to delay a sale of any of the Pledged Stock for the period of time necessary to permit the Issuer to register such securities for public sale under the Securities Act, or under applicable state securities laws, even if the Issuer would agree to do so.

(c) The Pledgor further agrees to use its best efforts to do or cause to be done all such other acts as may be necessary to make such sale or sales of all or any portion of the Pledged Stock pursuant to this Section 10 valid and binding and in compliance with any and all other applicable Requirements of Law. The Pledgor further agrees that a breach of any of the covenants contained in this Section 10 will cause irreparable injury to the Agent and the Banks, that the Agent and the Banks have no adequate remedy at law in respect of such breach and, as a consequence, that each and every covenant contained in this Section 9 shall be specifically enforceable against the Pledgor, and the Pledgor hereby waives and agrees not to assert any defenses against an action for specific performance of such covenants except for a defense that no Event of Default has occurred under the Credit Agreement.

11. Irrevocable Authorization and Instruction to Issuers.

The Pledgor hereby authorizes and instructs the Issuer to comply with any instruction received by it from the Agent in writing that (a) states that an Event of Default has occurred and

(b) is otherwise in accordance with the terms of this Pledge Agreement, without any other or further instructions from the Pledgor, and the Pledgor agrees that the Issuer shall be fully protected in so complying.

12. Agent's Appointment as Attorney-in-Fact. (a) The Pledgor hereby irrevocably constitutes and appoints the Agent and any officer or agent of the Agent, with full power of substitution, as its true and lawful attorney-in-fact with full irrevocable power and authority in the place and stead of the Pledgor and in the name of the Pledgor or in the Agent's own name, from time to time (provided an Event of Default has occurred and is continuing) in the Agent's discretion, for the purpose of carrying out the terms of this Agreement, to take any and all appropriate action and to execute any and all documents and instruments which may be necessary or desirable to accomplish the purposes of this Pledge Agreement, including, without limitation, any financing statements, endorsements, assignments or other instruments of transfer.

(b) The Pledgor hereby ratifies all that said attorneys shall lawfully do or cause to be done pursuant to the power of attorney granted in section 12(a). All powers, authorizations and agencies contained in this Agreement are coupled with an interest and are irrevocable until this Agreement is terminated and the security interests created hereby are released.

13. Limitation on Duties Regarding Collateral. The Agent's sole duty with respect to the custody, safekeeping and physical preservation of the Collateral in its possession, under Section 9-207 of the Code or otherwise, shall be to deal with it in the same manner as the Agent deals with similar securities and property for its own account. Neither the Agent, any Bank nor any of their respective directors, officers, employees or agents shall be liable for failure to demand, collect or realize upon any of the Collateral or for any delay in doing so or shall be under any obligation to sell or otherwise dispose of any collateral upon the request of the Pledgor or otherwise.

14. Execution of Financing Statements. Pursuant to Section 9-402 of the Code, the Pledgor authorizes the Agent to file financing statements with respect to the Collateral without the signature of the Pledgor in such form and in such filing offices as the Agent reasonably determines appropriate to perfect the security interests of the Agent under this Pledge Agreement. A carbon, photographic or other reproduction of this Pledge Agreement shall be sufficient as a financing statement for filing in any jurisdiction.

15. Authority of Agent. The Pledgor acknowledges that the rights and responsibilities of the Agent under this Pledge Agreement with respect to any action taken by the Agent or the exercise or non-exercise by the Agent of any option, voting

right, request, judgment or other right or remedy provided for herein or resulting or arising out of this Pledge Agreement shall, as between the Agent and the Banks, be governed by the Credit Agreement and by such other agreements with respect thereto as may exist from time to time among them, but, as between the Agent and the Pledgor, the Agent shall be conclusively presumed to be acting as agent for the Banks with full and valid authority so to act or refrain from acting, and neither the Pledgor nor the Issuer shall be under any obligation, or entitlement, to make any inquiry respecting such authority.

16. Notices. All notices, requests and demands to or upon the Agent, any Bank or the Pledgor to be effective shall be in writing (or by telegraph or teletype confirmed in writing) and shall be deemed to have been duly given or made (a) when delivered by hand or (b) if given by mail, five days after being deposited in the mails by certified mail, return receipt requested or (c) if by telegraph or teletype, when sent and receipt has been confirmed, addressed at its address or transmission number for notices provided in subsection 11.2 of the Credit Agreement. The Agent, each Bank and the Pledgor may change its address and transmission numbers for notices by notice in the manner provided in this Section.

17. Severability. Any provision of this Pledge Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

18. Section Headings. The Section headings used in this Pledge Agreement are for convenience of reference only and are not to affect the construction hereof or be taken into consideration in the interpretation hereof.

19. Amendments in Writing; No Waiver; Pledge Cumulative Remedies. (a) None of the terms or provisions of this Pledge Agreement may be waived, amended, supplemented or otherwise modified except by a written instrument executed by the Pledgor and the Agent in accordance with subsection 11.1 of the Credit Agreement, provided that any provision of this Pledge Agreement may be waived by the Agent and the Banks in a letter or agreement executed by the Agent or by teletype from the Agent.

(b) Neither the Agent nor any Bank shall by any act (except by a written instrument pursuant to section 19(a) hereof), delay, indulgence, omission or otherwise be deemed to have waived any right or remedy hereunder or to have acquiesced in any Default or Event of Default or in any breach of any of the terms and conditions hereof. No failure to exercise, nor any delay in exercising, on the part of the Agent or any Bank, any

right, power or privilege hereunder shall operate as a waiver thereof. No single or partial exercise of any right, power or privilege hereunder shall preclude any other or further exercise thereof or the exercise of any other right, power or privilege. A waiver by the Agent or any Bank of any right or remedy hereunder on any one occasion shall not be construed as a bar to any right or remedy which the Agent or such Bank would otherwise have on any future occasion.

(c) The rights and remedies herein provided are cumulative, may be exercised singly or concurrently and are not exclusive of any other rights or remedies provided by law.

20. Successors and Assigns. This Pledge Agreement shall be binding upon the successors and assigns of the Pledgor and shall inure to the benefit of the Agent and the Banks and their successors and assigns.

21. GOVERNING LAW. THIS PLEDGE AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.

IN WITNESS WHEREOF, the undersigned has caused this Pledge Agreement to be duly executed and delivered as of the date first above written.

AIHI ACQUISITION CORP.

By: \_\_\_\_\_  
Title:

## ACKNOWLEDGEMENT AND CONSENT

The undersigned Issuer referred to in the foregoing Pledge Agreement hereby acknowledges receipt of a copy thereof and agrees to be bound thereby and to comply with the terms thereof insofar as such terms are applicable to it. The undersigned agrees to notify the Agent promptly in writing of the occurrence of any of the events described in paragraph 6(a) of the Pledge Agreement. The undersigned further agrees that the terms of paragraph 10(c) of the Pledge Agreement shall apply to it, mutatis mutandis, with respect to all actions that may be required of it under or pursuant to or arising out of Section 10 of the Pledge Agreement.

AUTOMOTIVE INDUSTRIES  
HOLDING, INC.

By: \_\_\_\_\_  
Title:



EXHIBIT A  
FORM OF  
PLEDGE AGREEMENT SUPPLEMENT

PLEDGE AGREEMENT SUPPLEMENT, dated as of \_\_\_\_\_, 199\_ (this "Supplement"), made by AIHI ACQUISITION CORP. (the "Pledgor"), in favor of CHEMICAL BANK in its capacity as administrative agent (the "Agent") for the financial institutions (the "Banks") parties to the Credit Agreement, dated as of August 17, 1995 (as amended, supplemented or otherwise modified from time to time, the "Credit Agreement"), among Lear Seating Corporation, as Borrower (the "Borrower"), the Banks, the Agent and the Managing Agents, Co-Agents and Lead Managers identified therein.

1. This Supplement is executed and delivered pursuant to the terms of that certain Acquisition Pledge Agreement, dated as of August 17, 1995 (as supplemented by this Supplement and as the same has been and may hereafter be supplemented by any other Pledge Agreement Supplement, amended by any amendment or otherwise modified, the "Pledge Agreement"), made by the Pledgor in favor of the Agent. Terms defined in the Pledge Agreement and used herein are so used as so defined.

2. The Pledgor confirms and reaffirms the security interest in the Pledged Stock granted to the Agent under the Pledge Agreement and, as additional collateral security for the prompt and complete payment and performance when due of all the Pledgor's Obligations and in order to induce the Banks to make additional Loans to the Borrower in accordance with the terms of the Credit Agreement, the Pledgor hereby pledges to the Agent, for the ratable benefit of the Banks, and hereby grants to the Agent, for the ratable benefit of the Banks, a first priority lien on, and security interest in, all of the Pledgor's right, title and interest in the Additional Pledged Stock listed on Schedule I annexed hereto and all proceeds thereof.

3. The Pledgor hereby represents and warrants that the representations and warranties contained in Section 5 of the Pledge Agreement are true and correct on the date of this Supplement with references therein to "Pledged Stock" to include the Additional Pledged Stock listed on Schedule I hereto.

4. This Supplement is supplemental to the Pledge Agreement, forms a part thereof and is subject to all the terms thereof. Pledged Stock does, and shall be deemed to, include each item listed on Schedule I hereto and each such item shall be and is included within the meaning of the term "Additional Pledged Stock" as such term is used in the Pledge Agreement.

IN WITNESS WHEREOF, the Pledgor has caused this Supplement to be duly executed and delivered by its duly authorized officer on the date first set forth above.

AIHI ACQUISITION CORP.

By: \_\_\_\_\_  
Title:

## DESCRIPTION OF ADDITIONAL PLEDGED STOCK

Class A Common Stock of Automotive Industries Holding, Inc.,  
\$.01 par value per share, either (i) represented by stock certificates as  
follows:

Certificate No.	Certificate Date	No. of Shares
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or (ii) \_\_\_\_\_ shares of which have been transferred by book-entry delivery  
thereof to an account of Chemical Bank for the benefit of the Agent with a  
Clearing Corporation pursuant to Section 4(b) of the Pledge Agreement.

FORM OF  
SECURITY AGREEMENT

SECURITY AGREEMENT, dated as of August 17, 1995, made by each of the corporations that are signatories hereto other than Chemical Bank (the "Grantors"), in favor of CHEMICAL BANK, as administrative agent (in such capacity, the "Agent") for the Banks parties to the Credit Agreement referred to below.

W I T N E S S E T H :

WHEREAS, Lear Seating Corporation (the "Borrower") is a party to the Credit Agreement, dated as of August 17, 1995 (as amended, supplemented or otherwise modified from time to time, the "Credit Agreement") with the financial institutions parties thereto (the "Banks"), the Agent and the Managing Agents, Co-Agents and Lead Managers identified therein;

WHEREAS, pursuant to the Credit Agreement and the other Loan Documents (as defined in the Credit Agreement), the Banks have agreed to make certain Loans (as defined in the Credit Agreement) to or for the benefit of the Borrower and, in the case of the Issuing Bank (as defined in the Credit Agreement), issue and, in the case of the Participating Banks (as defined in the Credit Agreement), participate in certain Letters of Credit (as defined in the Credit Agreement); and

WHEREAS, it is a condition precedent to the obligation of the Banks to make the Loans and to issue or participate in the Letters of Credit under the Credit Agreement that the Grantors shall have executed and delivered this Security Agreement to the Agent for the ratable benefit of the Banks;

NOW, THEREFORE, in consideration of the premises contained herein and to induce the Agent, and the Banks to enter into the Credit Agreement and to induce the Banks to make the Loans and to issue and participate in the Letters of Credit under the Credit Agreement, the Grantors hereby agree with the Agent, for the ratable benefit of the Banks, as follows:

1. Defined Terms. (a) Unless otherwise defined herein, terms which are defined in the Credit Agreement and used herein shall have the meanings given to them in the Credit Agreement; the following terms which are defined in the Uniform Commercial Code in effect in the State of New York on the date hereof are used herein as so defined: Accounts, Chattel Paper, Documents, Farm Products, General Intangibles, Instruments, Inventory and Proceeds; and the following terms shall have the following meanings:

"Code" shall mean the Uniform Commercial Code as from time to time in effect in the State of New York.

"Collateral" shall have the meaning assigned to it in Section 2 of this Security Agreement.

"Contracts" shall mean each of the agreements listed on Schedules I-A through G, as the same may from time to time be amended, supplemented or otherwise modified, including, without limitation, (a) all rights for each Grantor to receive monies due and to become due to it thereunder or in connection therewith, (b) all rights of each Grantor to damages arising out of, or for, breach or default in respect thereof and (c) all rights of each Grantor to perform and to exercise all remedies thereunder.

"Equipment" shall mean all equipment, as such term is defined in Section 9-109(2) of the Code, now or hereafter acquired by each Grantor, and, in any event, shall mean and include, but shall not be limited to, all machinery, equipment, furnishings and fixtures now or hereafter used in connection with the businesses of each Grantor or located at the locations set forth on Schedules IV-A through G, and any and all additions, substitutions and replacements of any of the foregoing, together with all attachments, components, parts (including spare parts), equipment and accessories installed thereon or affixed thereto.

"Security Agreement" shall mean this Security Agreement, as amended, supplemented or otherwise modified from time to time.

"Subsidiary Guarantee" shall mean the Subsidiary Guarantee, dated as of the date hereof, made by LS Acquisition Corp. No. 14, Lear Seating Holdings Corp. No. 50, Progress Pattern Corp., Lear Plastics Corporation, LS Acquisition Corp. No. 24, Fair Haven Industries, Inc. and AIHI Acquisition Corp. in favor of the Agent, for the ratable benefit of the Banks, as the same may be amended, supplemented or otherwise modified from time to time.

(b) The words "hereof," "herein" and "hereunder" and words of similar import when used in this Security Agreement shall refer to this Security Agreement as a whole and not to any particular provision of this Security Agreement, and Section, paragraph and Schedule references are to this Security Agreement unless otherwise specified.

(c) The meanings given to terms defined herein shall be equally applicable to both the singular and plural forms of such terms.

2. Grant of Security Interest. As collateral security for the prompt and complete payment and performance when due (whether at the stated maturity, by acceleration or otherwise) of the Obligations and in order to induce the Agent and the Banks to enter into the Credit Agreement, each Grantor hereby sells, assigns, conveys, mortgages, pledges, hypothecates and transfers to the Agent, and hereby grants to the Agent, for the ratable benefit of the Banks, a security interest in all of the following property now owned or at any time hereafter acquired by such Grantor or in which such Grantor now has or at any time in the future may acquire any right, title or interest (collectively, the "Collateral"):

- (i) all Accounts;
- (ii) all Chattel Papers;
- (iii) all Contracts;
- (iv) all Documents;
- (v) all Equipment;
- (vi) all General Intangibles;
- (vii) all Instruments;
- (viii) all Inventory; and

(ix) to the extent not otherwise included, all Proceeds, products, substitutions and replacements of any and all of the foregoing.

3. Rights of Agent and Banks; Limitations on Agent's and Banks' Obligations. (a) Anything herein to the contrary notwithstanding, each Grantor shall remain liable under each of its respective Accounts and the Contracts to observe and perform all the conditions and obligations to be observed and performed by it thereunder, all in accordance with the terms of any agreement giving rise to each such Account and in accordance with and pursuant to the terms and provisions of the Contracts. Neither the Agent nor any Bank shall have any obligation or liability under any Account (or any agreement giving rise thereto) or under the Contracts by reason of or arising out of this Security Agreement or the receipt by the Agent or any such Bank of any payment relating to such Account or the Contracts pursuant hereto, nor shall the Agent or any Bank be obligated in any manner to perform any of the obligations of any Grantor under or pursuant to any Account (or any agreement giving rise thereto), or under or pursuant to the Contracts, to make any payment, to make any inquiry as to the nature or the sufficiency of any payment received by it or as to the sufficiency of any performance by any party under any Account (or any agreement

giving rise thereto) or under the Contracts, to present or file any claim, to take any action to enforce any performance or to collect the payment of any amounts which may have been assigned to it or to which it may be entitled at any time or times.

(b) At the Agent's request, each Grantor shall deliver to the Agent all original and other documents evidencing, and relating to, the sale and delivery of Inventory or the performance of labor or service which created the Accounts, including, but not limited to, all Chattel Paper, original purchase orders, invoices, shipping documents and delivery receipts and duplicate copies of credit memoranda.

(c) The Agent may at any time after the occurrence and during the continuance of an Event of Default notify account debtors and parties to Accounts that the Accounts have been assigned to the Agent, for the ratable benefit of the Banks, and that payments shall be made directly to the Agent. Upon the request of the Agent at any time after the occurrence and during the continuance of an Event of Default, each Grantor will so notify such account debtors and such parties to the Accounts. Upon prior notice to the Grantors, the Agent may in its own name or in the name of others communicate with account debtors and parties to Accounts in order to verify with them to the Agent's satisfaction the existence, amount and terms of any Accounts.

(d) Upon prior notice to the Grantors, the Agent shall have the right to make test verifications of the Collateral in any matter and through any medium that it considers advisable, and the Grantor agrees to furnish all such assistance and information as the Agent may require in connection therewith. Each Grantor at its expense will furnish, or will cause independent public accountants satisfactory to the Agent to furnish, to the Agent at any time and from time to time promptly upon the Agent's request, the following reports: (i) reconciliation of all Collateral, (ii) an aging of all Collateral, (iii) trial balances, (iv) a test verification of such Collateral and (v) a physical inventory of the Collateral by certified accountants reasonably satisfactory to the Agent.

4. Representations and Warranties. Each Grantor hereby represents and warrants that:

(a) Title; No Other Liens. Except for the Lien granted to the Agent for the ratable benefit of the Banks pursuant to this Security Agreement, such Grantor owns each item of the Collateral free and clear of any and all Liens or claims of others other than Liens permitted under subsection 8.3 of the Credit Agreement. No security agreement, financing statement or other public notice with respect to all or any part of such Collateral is on file or of record in any public office, except (i) such as may have been filed in favor of the Agent, for the ratable benefit of

the Banks, pursuant to this Security Agreement, (ii) financing statements filed with respect to equipment leases or (iii) as may otherwise be permitted pursuant to the Credit Agreement.

(b) Perfected First Priority Liens. Appropriate financing statements having been filed in the jurisdictions listed on Schedules II-A through G and all other appropriate action having been duly taken, the Liens granted pursuant to this Security Agreement constitute perfected Liens on the Collateral in favor of the Agent, for the ratable benefit of the Banks, which are prior to all other Liens on such Collateral created by such Grantor other than Liens permitted under subsection 8.3 of the Credit Agreement and which are enforceable as such against all creditors of and purchasers from such Grantor and against any owner or purchaser of the real property where any of the Equipment or Inventory is located and any present or future creditor obtaining a Lien on such real property.

(c) Accounts. The amount represented by such Grantor to the Banks from time to time as owing by each account debtor or by all account debtors in respect of the Accounts will at such time be the correct amount actually owing by such account debtor or debtors thereunder. No amount in excess of \$100,000 payable to such Grantor under or in connection with any of the Accounts is evidenced by any Instrument or Chattel Paper which has not been delivered to the Agent. The place where such Grantor keeps its records concerning the Accounts is set forth on Schedule III-A through G.

(d) Consents. Except as previously disclosed to the Banks in writing: (i) no consent of any party (other than such Grantor) to each Contract is required, or purports to be required, in connection with the execution, delivery and performance of this Security Agreement by such Grantor; (ii) each Contract is in full force and effect and constitutes a valid and legally enforceable obligation of the parties thereto, except as enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally; (iii) no consent or authorization of, filing with or other act by or in respect of any Governmental Authority is required in connection with the execution, delivery, performance, validity or enforceability of any Contract by any party thereto other than those which have been duly obtained, made or performed, are in full force and effect and do not subject the scope of any Contract to any material adverse limitation, either specific or general in nature; (iv) neither such Grantor nor (to the best of such Grantor's knowledge) any other party to any Contract is in default or is likely to become in default in the performance or



observance of any of the terms thereof; (v) such Grantor has fully performed all its obligations under each Contract; (vi) the right, title and interest of such Grantor in, to and under each Contract is not subject to any defense, offset, counterclaim or claim which could materially adversely affect the value of such Contract as Collateral, nor have any of the foregoing been asserted or alleged against such Grantor as to each Contract; (vii) such Grantor has delivered to the Agent a complete and correct copy of each Contract, including all amendments, supplements and other modifications thereto; and (viii) no amount payable to such Grantor under or in connection with any Contract is evidenced by any Instrument or Chattel Paper which has not been delivered to the Agent.

(e) Inventory and Equipment. The Inventory and the Equipment are kept only at the locations listed on Schedules IV-A through G.

(f) Chief Executive Office. Such Grantor's chief executive office and chief place of business is located at the address listed on Schedules V-A through G.

(g) Farm Products. None of the Collateral constitutes, or is the Proceeds of, Farm Products.

5. Covenants. Each Grantor covenants and agrees with the Agent and the Banks that, from and after the date of this Security Agreement until the Obligations have been paid in full:

(a) Further Documentation; Pledge of Instruments and Chattel Paper. At any time and from time to time, upon the reasonable request of any Bank, and at the sole expense of such Grantor, such Grantor will promptly and duly execute and deliver such further instruments and documents and take such further action as such Bank may reasonably request for the purpose of obtaining or preserving the full benefits of this Security Agreement and of the rights and powers herein granted, including, without limitation, the filing of any financing or continuation statements under the Uniform Commercial Code in effect in any jurisdiction with respect to the Liens created hereby. Such Grantor also hereby authorizes the Agent to file any such financing or continuation statement without the signature of such Grantor to the extent permitted by applicable law. A carbon, photographic or other reproduction of this Security Agreement shall be sufficient as a financing statement for filing in any jurisdiction.

(b) Pledge of Instruments and Chattel Paper. If any amount in excess of \$100,000 payable under or in connection with any of the Collateral shall be or become evidenced by any Instrument or Chattel Paper, such Instrument or Chattel

Paper shall be immediately delivered to the Agent, duly endorsed by such Grantor in a manner satisfactory to the Agent, to be held as Collateral pursuant to this Security Agreement.

(c) Indemnification. Such Grantor agrees to pay, and to save the Agent and the Banks harmless from, any and all liabilities, costs and expenses (including, without limitation, legal fees and expenses) (i) with respect to, or resulting from, any delay in paying, any and all excise, sales or other taxes which may be payable or determined to be payable with respect to any of the Collateral, (ii) with respect to, or resulting from, any delay in complying with any Requirement of Law applicable to any of the Collateral or (iii) in connection with any of the transactions contemplated by this Security Agreement. In any suit, proceeding or action brought by the Agent or any Bank under any of the Accounts for any sum owing thereunder, or to enforce any provisions of any such Account, such Grantor will save, indemnify and keep the Agent and such Bank harmless from and against all expense, loss or damage suffered by reason of any defense, setoff, counterclaim, recoupment or reduction or liability whatsoever of the account debtor or obligor thereunder, arising out of a breach by such Grantor of any obligation thereunder or arising out of any other agreement, indebtedness or liability at any time owing to or in favor of such account debtor or obligor or its successors from such Grantor.

(d) Maintenance of Records. Such Grantor will keep and maintain at its own cost and expense satisfactory and complete records of the Collateral, including, without limitation, a record of all payments received and all credits granted with respect to the Accounts. Such Grantor will mark its books and records pertaining to the Collateral to evidence this Security Agreement and the security interests granted hereby. For the Agent's and the Banks' further security, the Agent, for the ratable benefit of the Banks, shall have a security interest in all of such Grantor's books and records pertaining to the Collateral, and, subject to subsection 11.13 of the Credit Agreement, such Grantor shall turn over any such books and records to the Agent or to its representatives during normal business hours at the request of the Agent.

(e) Right of Inspection. The Agent and the Banks shall at all times, upon reasonable notice, have full and free access during normal business hours to all the books, correspondence and records of such Grantor, and the Agent and the Banks and their respective representatives may examine the same, take extracts therefrom and make photocopies thereof, and such Grantor agrees to render to the Agent and the Banks, at such Grantor's cost and expense,

such clerical and other assistance as may be reasonably requested with regard thereto. The Agent and the Banks and their respective representatives shall, upon reasonable notice and at any reasonable time, also have the right to enter into and upon any premises where any of the Inventory or Equipment is located for the purpose of inspecting the same, observing its use or otherwise protecting its interests therein.

(f) Compliance with Laws, etc. Such Grantor will comply in all material respects with all Requirements of Law applicable to the Collateral or any part thereof or to the operation of such Grantor's business; provided that such Grantor may contest any Requirement of Law in any reasonable manner which shall not, in the sole opinion of the Agent, adversely affect the Agent's or the Banks' rights or the priority of their Liens on the Collateral.

(g) Compliance with Terms of Contracts, etc. Such Grantor will perform and comply in all material respects with all its obligations under the Contracts and all its other Contractual Obligations relating to the Collateral.

(h) Payment of Obligations. Such Grantor will pay promptly when due all taxes, assessments and governmental charges or levies imposed upon the Collateral or in respect of its income or profits therefrom, as well as all claims of any kind (including, without limitation, claims for labor, materials and supplies) against or with respect to such Collateral, except that no such charge need be paid if (i) the validity thereof is being contested in good faith by appropriate proceedings, and such charge is adequately reserved against on such Grantor's books in accordance with GAAP, (ii) such proceedings do not involve any danger of the sale, forfeiture or loss of any of such Collateral or any interest therein.

(i) Limitations on Liens on Collateral. Such Grantor will not create, incur or permit to exist, will defend the Collateral against, and will take such other action as is necessary to remove, any Lien or claim on or to such Collateral, other than the Liens created hereby or Liens permitted under subsection 8.3 of the Credit Agreement, and will defend the right, title and interest of the Agent and the Banks in and to any of such Collateral against the claims and demands of all Persons whomsoever.

(j) Limitations on Dispositions of Collateral. Such Grantor will not sell, transfer, lease or otherwise dispose of any of the Collateral, or attempt, offer or contract to do so except for dispositions of assets permitted by subsection 8.6 of the Credit Agreement.

(k) Limitations on Modifications, Waivers, Extensions of the Contracts and Agreements Giving Rise to Accounts. Such Grantor will not (i) amend, modify, terminate or waive any provision of any Contract or any agreement giving rise to any of the Accounts in any manner which could reasonably be expected to materially adversely affect the value of any such Contract or Account as Collateral, (ii) fail to exercise promptly and diligently each and every material right which it may have under each agreement giving rise to the Accounts (other than any right of termination) or (iii) fail to deliver to the Agent a copy of each material demand, notice or document received by it relating in any way to any Contract or any agreement giving rise to an Account.

(l) Limitations on Discounts, Compromises, Extensions of Accounts. Other than in the ordinary course of business as generally conducted by the Grantor over a period of time, such Grantor will not grant any extension of the time of payment of any of the Accounts, compromise, compound or settle the same for less than the full amount thereof, release, wholly or partially, any Person liable for the payment thereof, or allow any credit or discount whatsoever thereon.

(m) Maintenance of Equipment. Such Grantor will maintain each material item of the Equipment useful and necessary in its business in good operating condition, ordinary wear and tear and immaterial impairments of value and damage by the elements excepted, and will provide all maintenance, service and repairs necessary for such purpose.

(n) Maintenance of Insurance. Such Grantor will maintain, with financially sound and reputable companies, insurance policies (i) insuring the Inventory and Equipment against loss by fire, explosion, theft and such other casualties customary for business of the same type and (ii) insuring such Grantor, the Agent and the Banks against liability for personal injury and property damage relating to the Inventory and Equipment, such policies to be in the form and amounts and having such coverage customary for business of the same type with losses payable to such Grantor and the Agent as their respective interests may appear. All such insurance shall (i) contain a breach of warranty clause in favor of the Agent, (ii) provide that no cancellation, material reduction in amount or material change in coverage thereof shall be effective until at least 30 days after receipt by the Agent and the Banks of written notice thereof, (iii) name the Agent and the Banks as insured parties and (iv) be reasonably satisfactory in all other respects to the Agent. Such Grantor shall deliver to the Agent and the Banks a report of a reputable insurance broker with respect to such insurance as the Agent may from time to time reasonably request.

(o) Further Identification of Collateral. Upon the reasonable request of the Agent, such Grantor will furnish to the Agent and the Banks from time to time statements and schedules further identifying and describing the Collateral and such other reports in connection with the Collateral, all in reasonable detail.

(p) Notices. Such Grantor will advise the Agent and the Banks promptly, in reasonable detail, at their respective addresses set forth in the Credit Agreement, (i) of any Lien (other than Liens created hereby or permitted under the Credit Agreement) on, or claim asserted against, any of the Collateral and (ii) of the occurrence of any other event which could reasonably be expected to have a material adverse effect on the aggregate value of the Collateral or on the Liens created hereunder.

(q) Changes in Locations, Name, etc. Such Grantor will not (i) change the location of its chief executive office/chief place of business from that specified in paragraph 4(f) or remove its books and records from the location specified in paragraph 4(c), (ii) permit any of the Inventory or Equipment to be kept at a location other than those listed in respect to such Grantor on Schedules IV-A through H or (iii) change its name, identity or corporate structure to such an extent that any financing statement filed by the Agent in connection with this Security Agreement could become seriously misleading.

6. Agent's Appointment as Attorney-in-Fact. (a) Powers.

Each Grantor hereby irrevocably constitutes and appoints the Agent and any officer or agent thereof, with full power of substitution, as its true and lawful attorney-in-fact with full irrevocable power and authority in the place and stead of such Grantor and in the name of such Grantor or in its own name, from time to time in the Agent's discretion, for the purpose of carrying out the terms of this Security Agreement, to take any and all appropriate action and to execute any and all documents and instruments which may be necessary or desirable to accomplish the purposes of this Security Agreement, and, without limiting the generality of the foregoing, each Grantor hereby gives the Agent the power and right, on behalf of such Grantor, without notice to or assent by such Grantor, to do the following:

(i) upon the occurrence and during the continuance of any Event of Default, in the name of such Grantor or its own name, or otherwise, to take possession of and indorse and collect any checks, drafts, notes, acceptances or other instruments for the payment of moneys due under any Accounts, Instruments, General Intangibles or any Contract or with respect to any other of the Collateral and to file any claim or to take any other action or proceeding in any court of law or equity or otherwise deemed appropriate by

the Agent for the purpose of collecting any and all such moneys due under any such Account, Instrument or General Intangible or Contract or with respect to any other such Collateral whenever payable;

(ii) to pay or discharge taxes and Liens levied or placed on or threatened against the Collateral, to effect any repairs or any insurance called for by the terms of this Security Agreement and to pay all or any part of the premiums therefor and the costs thereof; and

(iii) upon the occurrence and during the continuance of any Event of Default, (A) to direct any party liable for any payment under any of the Collateral to make payment of any and all moneys due or to become due thereunder directly to the Agent or as the Agent shall direct; (B) to ask or demand for, collect, receive payment of and receipt for, any and all moneys, claims and other amounts due or to become due at any time in respect of or arising out of any of the Collateral; (C) to sign and indorse any invoices, freight or express bills, bills of lading, storage or warehouse receipts, drafts against debtors, assignments, verifications, notices and other documents in connection with any of the Collateral; (D) to commence and prosecute any suits, actions or proceedings at law or in equity in any court of competent jurisdiction to collect the Collateral or any thereof and to enforce any other right in respect of any such Collateral; (E) to defend any suit, action or proceeding brought against such Grantor with respect to any Collateral; (F) to settle, compromise or adjust any suit, action or proceeding described in clause (E) above and, in connection therewith, to give such discharges or releases as the Agent may deem appropriate; and (G) generally, to sell, transfer, pledge and make any agreement with respect to or otherwise deal with any of the Collateral as fully and completely as though the Agent were the absolute owner thereof for all purposes, and to do, at the Agent's option and such Grantor's expense, at any time, or from time to time, all acts and things which the Agent deems necessary to protect, preserve or realize upon the Collateral and the Agent's and the Banks' Liens thereon and to effect the intent of this Security Agreement, all as fully and effectively as the Grantor might do.

Each Grantor hereby ratifies all that said attorneys shall lawfully do or cause to be done by virtue hereof. This power of attorney is a power coupled with an interest and shall be irrevocable.

(b) Other Powers. Each Grantor also authorizes the Agent and the Banks, at any time and from time to time, to execute, in connection with the sale provided for in Section 9

hereof, any endorsements, assignments or other instruments of conveyance or transfer with respect to the Collateral.

(c) No Duty on Agent or Banks' Part. The powers conferred on the Agent and the Banks hereunder are solely to protect the Agent's and the Banks' interests in the Collateral and shall not impose any duty upon the Agent or any Bank to exercise any such powers. The Agent and the Banks shall be accountable only for amounts that they actually receive as a result of the exercise of such powers, and neither they nor any of their officers, directors, employees or agents shall be responsible to any Grantor for any act or failure to act hereunder, except for their own gross negligence or willful misconduct.

7. Performance by Agent of Grantor's Obligations. If any Grantor fails to perform or comply with any of its agreements contained herein and the Agent, as provided for by the terms of this Security Agreement, shall itself perform or comply, or otherwise cause performance or compliance, with such agreement, the expenses of the Agent incurred in connection with such performance or compliance, together with interest thereon at a rate per annum 2% above the ABR, shall be payable by such Grantor to the Agent on demand and shall constitute Obligations secured hereby.

8. Proceeds. If an Event of Default shall occur and be continuing:

(a) all Proceeds received by any Grantor consisting of cash, checks and other near-cash items shall be held by such Grantor in trust for the Agent and the Banks, segregated from other funds of the Grantor, and shall, forthwith upon receipt by such Grantor, be turned over to the Agent in the exact form received by such Grantor (duly indorsed by such Grantor to the Agent, if required) and

(b) any and all such Proceeds received by the Agent (whether from any Grantor or otherwise) may, in the sole discretion of the Agent, be held by the Agent for the ratable benefit of the Banks as collateral security for, and/or then or at any time thereafter may be applied by the Agent against, the Obligations (whether matured or unmatured), such application to be in such order as the Agent shall elect. Any balance of such Proceeds remaining after the Obligations shall have been paid in full and the Commitments shall have been terminated shall be paid over to the Grantors or to whomsoever may be lawfully entitled to receive the same.

9. Remedies. If an Event of Default shall occur and be continuing, the Agent, on behalf of the Banks, may exercise, in addition to all other rights and remedies granted to them in

this Security Agreement and in any other instrument or agreement securing, evidencing or relating to the Obligations or any Obligations, all rights and remedies of a secured party under the Code. Without limiting the generality of the foregoing, the Agent, without demand of performance or other demand, presentment, protest, advertisement or notice of any kind (except any notice required by law referred to below) to or upon the Grantors or any other Person (all and each of which demands, defenses, advertisements and notices are hereby waived), may in such circumstances forthwith collect, receive, appropriate and realize upon any Collateral, or any part thereof, and/or may forthwith sell, lease, assign, give an option or options to purchase, or otherwise dispose of and deliver any Collateral or any part thereof (or contract to do any of the foregoing), in one or more parcels at public or private sale or sales, at any exchange or broker's board or office of the Agent or any Bank or elsewhere upon such terms and conditions as it may deem advisable and at such prices as it may deem best, for cash or on credit or for future delivery without assumption of any credit risk. The Agent and each Bank shall have the right upon any such public sale or sales, and, to the extent permitted by law, upon any such private sale or sales, to purchase the whole or any part of any Collateral so sold, free of any right or equity of redemption in the Grantors, which right or equity is hereby waived or released. Each Grantor further agrees, at the Agent's request, to assemble the Collateral and make it available to the Agent at places which the Agent shall reasonably select, whether at the Grantor's premises or elsewhere. The Agent shall apply the net proceeds of any such collection, recovery, receipt, appropriation, realization or sale, after deducting all reasonable costs and expenses of every kind incurred therein or incidental to the care or safekeeping of any of such Collateral or in any way relating to such Collateral or the rights of the Agent and the Banks hereunder, including, without limitation, attorneys' fees and disbursements, to the payment in whole or in part of the Obligations, in such order as the Agent may elect, and only after such application and after the payment by the Agent of any other amount required by any provision of law, including, without limitation, Section 9-504(1)(c) of the Code, need the Agent account for the surplus, if any, to the Grantors. To the extent permitted by applicable law, the Grantor waives all claims, damages and demands it may acquire against the Agent or any Bank arising out of the exercise by them of any rights hereunder. If any notice of a proposed sale or other disposition of Collateral shall be required by law, such notice shall be deemed reasonable and proper if given at least ten days before such sale or other disposition. Each Grantor shall remain liable for any deficiency if the proceeds of any sale or other disposition of the Collateral are insufficient to pay the Obligations and the fees and disbursements of any attorneys employed by the Agent or any Bank to collect such deficiency.



10. Limitation on Duties Regarding Preservation of

Collateral. The Agent's sole duty with respect to the custody, safekeeping and physical preservation of the Collateral in its possession, under Section 9-207 of the Code or otherwise, shall be to deal with it in the same manner as the Agent deals with similar property for its own account. Neither the Agent, any Bank, nor any of their respective directors, officers, employees or agents shall be liable for failure to demand, collect or realize upon all or any part of the Collateral or for any delay in doing so or shall be under any obligation to sell or otherwise dispose of any Collateral upon the request of any Grantor or otherwise.

11. Powers Coupled with an Interest. All authorizations and

agencies herein contained with respect to the Collateral are irrevocable and powers coupled with an interest.

12. Severability. Any provision of this Security Agreement

which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

13. Section Headings. The Section headings used in this

Security Agreement are for convenience of reference only and are not to affect the construction hereof or be taken into consideration in the interpretation hereof.

14. No Waiver; Cumulative Remedies. Neither the Agent nor

any Bank shall by any act (except by a written instrument pursuant to Section 15 hereof), delay, indulgence, omission or otherwise be deemed to have waived any right or remedy hereunder or to have acquiesced in any Default or Event of Default or in any breach of any of the terms and conditions hereof. No failure to exercise, nor any delay in exercising, on the part of the Agent or any Bank, any right, power or privilege hereunder shall operate as a waiver thereof. No single or partial exercise of any right, power or privilege hereunder shall preclude any other or further exercise thereof or the exercise of any other right, power or privilege. A waiver by the Agent or any Bank of any right or remedy hereunder on any one occasion shall not be construed as a bar to any right or remedy which the Agent or such Bank would otherwise have on any future occasion. The rights and remedies herein provided are cumulative, may be exercised singly or concurrently and are not exclusive of any rights or remedies provided by law.

15. Waivers and Amendments; Successors and Assigns; Governing

Law. None of the terms or provisions of this Security Agreement may be waived, amended, supplemented or otherwise

modified except by a written instrument executed by each Grantor and the Agent in accordance with subsection 11.1 of the Credit Agreement; provided that any provision of this Security Agreement may be waived by the Agent and the Banks in a letter or agreement executed by the Agent or by telecopy from the Agent. This Security Agreement shall be binding upon the successors and assigns of each Grantor and shall inure to the benefit of the Agent and the Banks and their respective successors and assigns. THIS SECURITY AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

16. Notices. All notices, requests and demands to or upon the Agent, any Bank or any Grantor to be effective shall be in writing (or by telegraph or telecopy confirmed in writing) and shall be deemed to have been duly given or made (a) when delivered by hand or (b) if given by mail, when deposited in the mails by certified mail, return receipt requested or (c) if by telegraph or telecopy, when sent and receipt has been confirmed, addressed at its address or transmission number for notices provided in subsection 11.2 of the Credit Agreement or Section 12 of the Subsidiary Guarantee. The Agent, each Bank and the Grantor may change its address and transmission numbers for notices by notice in the manner provided in this Section.

17. Authority of Agent. Each Grantor acknowledges that the rights and responsibilities of the Agent under this Security Agreement with respect to any action taken by the Agent or the exercise or non-exercise by the Agent of any option, right, request, judgment or other right or remedy provided for herein or resulting or arising out of this Security Agreement shall, as between the Agent and the Banks, be governed by the Credit Agreement and by such other agreements with respect thereto as may exist from time to time among them, but, as between the Agent and each Grantor, the Agent shall be conclusively presumed to be acting as agent for the Banks with full and valid authority so to act or refrain from acting, and each Grantor shall not be under any obligation, or entitlement, to make any inquiry respecting such authority.

18. Release of Liens. In the event that any Grantor conveys, sells, leases, assigns, transfers or otherwise disposes of any portion of the Collateral in accordance with subsection 8.6 of the Credit Agreement or grants a Lien with respect to any of the Collateral which Lien is permitted pursuant to subsection 8.3(m) of the Credit Agreement, and so long as no Default or Event of Default shall have occurred and be continuing, the Agent shall promptly take such action as may be reasonably requested by such Grantor to release, to the extent necessary, any Liens created by this Security Agreement in respect of such Collateral.

19. Counterparts. This Security Agreement may be executed by one or more of the parties to this Security Agreement

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 counterparts of this Security Agreement signed by all the parties hereto shall be lodged with the Agent.

IN WITNESS WHEREOF, each of the undersigned has caused this Security Agreement to be duly executed and delivered as of the date first above written.

LEAR SEATING CORPORATION

By: \_\_\_\_\_  
Title:

LS ACQUISITION CORP. NO. 14

By: \_\_\_\_\_  
Title:

LEAR SEATING HOLDINGS CORP. NO.  
50

By: \_\_\_\_\_  
Title:

PROGRESS PATTERN CORP.

By: \_\_\_\_\_  
Title:

LEAR PLASTICS CORP.

By: \_\_\_\_\_  
Title:

LS ACQUISITION CORPORATION  
NO. 24

By: \_\_\_\_\_  
Title:

FAIR HAVEN INDUSTRIES, INC.

By: \_\_\_\_\_  
Title:

SCHEDULE I-A  
-----

LEAR SEATING CORPORATION  
Contracts  
-----

None.

SCHEDULE I-B  
-----

LS ACQUISITION CORP. NO. 14  
Contracts  
-----

None.

SCHEDULE I-C  
-----

LEAR SEATING HOLDINGS CORP. NO. 50  
Contracts  
-----

None.

SCHEDULE I-D  
-----

PROGRESS PATTERN CORP.  
Contracts  
-----

None.

SCHEDULE I-E  
-----

LEAR PLASTICS CORP.  
Contracts  
-----

None.

SCHEDULE I-F  
-----

LS ACQUISITION CORPORATION. NO. 24  
Contracts  
-----

None.

SCHEDULE I-G  
-----

FAIR HAVEN INDUSTRIES, INC.  
Contracts  
-----

None.

## SCHEDULE II-A

LEAR SEATING CORPORATION  
Financing Statements Filed

State -----		Location -----
Kentucky	1.	Secretary of State
Kentucky	2.	Jefferson County
Michigan	3.	Secretary of State
Michigan	4.	St. Joseph County
Michigan	5.	Genesee County
Michigan	6.	Oakland County
Michigan	7.	Wayne County
Tennessee	8.	Secretary of State
Tennessee	9.	Hamblen County
Ohio	10.	Secretary of State
Ohio	11.	Lorain County
Texas	12.	Secretary of State
Texas	13.	El Paso County
Wisconsin	14.	Secretary of State
Wisconsin	15.	Rock County
Indiana	16.	Secretary of State
Indiana	17.	Lake County
South Carolina	18.	Secretary of State
South Carolina	19.	Spartanburg County
Georgia	20.	Clayton County
Missouri	21.	Secretary of State
Missouri	22.	St. Louis County

## SCHEDULE II-B

-----

LS ACQUISITION CORP. NO. 14  
Financing Statements Filed

-----

	State -----		Location -----
1.	Michigan	1.	Secretary of State
2.	Michigan	2.	Oakland County

## SCHEDULE II-C

-----

LEAR SEATING HOLDINGS CORP. NO. 50  
Financing Statements Filed

-----

	State -----		Location -----
1.	Michigan	1.	Secretary of State
2.	Michigan	2.	Oakland County

## SCHEDULE II-D

-----

PROGRESS PATTERN CORP.  
Financing Statements Filed

-----

	State -----		Location -----
1.	Michigan	1.	Secretary of State
2.	Michigan	2.	Oakland County



## SCHEDULE II-E

-----

LEAR PLASTICS CORP.  
Financing Statements Filed

-----

	State -----		Location -----
1.	Michigan	1.	Secretary of State
2.	Michigan	2.	St. Joseph County

## SCHEDULE II-F

-----

LS ACQUISITION CORPORATION NO. 24  
Financing Statements Filed

-----

	State -----		Location -----
1.	Michigan	1.	Secretary of State
2.	Michigan	2.	Oakland County

## SCHEDULE II-G

-----

FAIR HAVEN INDUSTRIES, INC.  
Financing Statements Filed

-----

	State -----		Location -----
1.	Michigan	1.	Secretary of State
2.	Michigan	2.	St. Clair County

## SCHEDULE III-A

LEAR SEATING CORPORATION  
Location of Records Concerning Accounts

21557 Telegraph Road  
Southfield, Michigan 48034

4600 Nancy Avenue  
Detroit, Michigan 48212

36300 Eureka Road  
Romulus, Michigan 48174

36310 Eureka Road  
Romulus, Michigan 48174

340 Fenway Drive  
Fenton, Michigan 48430

236 West Clark Street  
Mendon, Michigan 49072

325 Industrial Avenue  
Morristown, Tennessee 37814

7425 Industrial Parkway  
Building One  
Lorain, Ohio 44053

12510 Westport Road  
Building One  
Louisville, Kentucky 40245

3708 Enterprise Drive  
Janesville, Wisconsin 53545

2060 Voorheis Avenue  
Grand Rapids, Michigan 49504

45 Corporate Woods Drive  
Bridgeton, Missouri 63044

1401 165th Street  
Hammond, Indiana 46320

4361 International Boulevard  
Atlanta, Georgia 30354

1865 East Main Street  
Duncan, South Carolina 29334

21177 Hilltop Street  
Southfield, MI 48034

4400 South Saginaw Street  
Flint, MI 48507

1900 N. Saginaw Street  
Flint, MI 48505

17425 Federal Drive  
Allen Park, MI 48101

5800 Enterprise Drive  
Warren, MI 48092

1055 West Maple Road  
Clawson, MI 48017

13955 Farmington Road  
Livonia, MI 48154

Pioneer Engineering Building  
2500 E. Nine Mile Road  
Warren, MI 48091

28000 Dequindre Road  
Warren, MI 48092

3000 Research Drive  
Rochester Hills, MI 48309

2298 West Street Road 28  
Frankfort, IN 46041-8772

1789 Balley Road  
Warren, OH 44481

45 Corporate Woods Drive  
Bridgeton, MO 83044

255 Edigar Road  
Wentzville, MO 83303

14276 Frazho Road  
Warren, MI 48089  
(temporary location)

Warehouse Location:

Central Detroit Warehouse  
18765 Seaway Drive  
Melvindale, MI 48122

SCHEDULE III-B

-----

LS ACQUISITION CORP. NO. 14  
Location of Records Concerning Accounts  
-----

21557 Telegraph Road  
Southfield, Michigan 48034

SCHEDULE III-C

-----

LEAR SEATING HOLDINGS CORP. NO. 50  
Location of Records Concerning Accounts  
-----

21557 Telegraph Road  
Southfield, Michigan 48034

SCHEDULE III-D

-----

PROGRESS PATTERN CORP.  
Location of Records Concerning Accounts  
-----

21555 Telegraph Road  
Southfield, Michigan 48034

SCHEDULE III-E

-----

LEAR PLASTICS CORP.  
Location of Records Concerning Accounts  
-----

236 West Clark Street  
Mendon, Michigan 49072

SCHEDULE III-F

-----

LS ACQUISITION CORPORATION. NO. 24  
Location of Records Concerning Accounts  
-----

21557 Telegraph Road  
Southfield, Michigan 48034

SCHEDULE III-G  
-----

FAIR HAVEN INDUSTRIES, INC.  
Location of Records Concerning Accounts  
-----

7445 Mayer Road  
Fair Haven, Michigan 48023

## SCHEDULE IV-A

LEAR SEATING CORPORATION  
Location of Inventory and Equipment

21557 Telegraph Road  
Southfield, Michigan 48034

4600 Nancy Avenue  
Detroit, Michigan 48212

36300 Eureka Road  
Romulus, Michigan 48174

36310 Eureka Road  
Romulus, Michigan 48174

340 Fenway Drive  
Fenton, Michigan 48430

236 West Clark Street  
Mendon, Michigan 49072

325 Industrial Avenue  
Morristown, Tennessee 37814

7425 Industrial Parkway  
Lorain, Ohio 44053

12510 Westport Road  
Building One  
Louisville, Kentucky 40245

3708 Enterprise Drive  
Janesville, Wisconsin 53545

2060 Voorheis Avenue  
Grand Rapids, Michigan

1401 165th Street  
Hammond, Indiana 46320

4361 International Boulevard  
Atlanta, Georgia 30354

1725 East Main Street  
Duncan, South Carolina 29334

45 Corporate Woods Drive  
Bridgeton, Missouri 63044

21177 Hilltop Street  
Southfield, MI 48034

4400 South Saginaw Street  
Flint, MI 48507

1900 N. Saginaw Street  
Flint, MI 48505

17425 Federal Drive  
Allen Park, MI 48101

5800 Enterprise Drive  
Warren, MI 48092

1055 West Maple Road  
Clawson, MI 48017

13955 Farmington Road  
Livonia, MI 48154

Pioneer Engineering Building  
2500 E. Nine Mile Road  
Warren, MI 48091

28000 Dequindre Road  
Warren, MI 48092

3000 Research Drive  
Rochester Hills, MI 48309

2298 West Street Road 28  
Frankfort, IN 46041-8772

1789 Balley Road  
Warren, OH 44481

45 Corporate Woods Drive  
Bridgeton, MO 83044

255 Edigar Road  
Wentzville, MO 83303

14276 Frazho Road  
Warren, MI 48089  
(temporary location)

Warehouse Location:

Central Detroit Warehouse  
18765 Seaway Drive  
Melvindale, MI 48122

SCHEDULE IV-B

-----

LS ACQUISITION CORP. NO. 14  
Locations of Inventory and Equipment

-----

21557 Telegraph Road  
Southfield, Michigan 48034

SCHEDULE IV-C

-----

LEAR SEATING HOLDINGS CORP. NO. 50  
Locations of Inventory and Equipment

-----

21557 Telegraph Road  
Southfield, Michigan 48034

SCHEDULE IV-D

-----

PROGRESS PATTERN CORP.  
Locations of Inventory and Equipment

-----

21555 Telegraph Road  
Southfield, Michigan 48034

SCHEDULE IV-E

-----

LEAR PLASTICS CORP.  
Locations of Inventory and Equipment

-----

236 West Clark Street  
Mendon, Michigan 49072

SCHEDULE IV-F

-----

LS ACQUISITION CORPORATION. NO. 24  
Locations of Inventory and Equipment

-----

21557 Telegraph Road  
Southfield, Michigan 48034



SCHEDULE IV-G  
-----

FAIR HAVEN INDUSTRIES, INC.  
Locations of Inventory and Equipment  
-----

7445 Mayer Road  
Fair Haven, Michigan 48023

SCHEDULE V-A

-----

LEAR SEATING CORPORATION  
Chief Executive Office  
-----

21557 Telegraph Road  
Southfield, Michigan 48034

SCHEDULE V-B

-----

LS ACQUISITION CORP. NO. 14  
Chief Executive Office  
-----

21557 Telegraph Road  
Southfield, Michigan 48034

SCHEDULE V-C

-----

LEAR SEATING HOLDINGS CORP. NO. 50  
Chief Executive Office  
-----

21557 Telegraph Road  
Southfield, Michigan 48034

SCHEDULE V-D

-----

PROGRESS PATTERN CORP.  
Chief Executive Office  
-----

21555 Telegraph Road  
Southfield, Michigan 48034

SCHEDULE V-E

-----

LEAR PLASTICS CORP.  
Chief Executive Office  
-----

236 West Clark Street  
Mendon, Michigan 49072

SCHEDULE V-F  
-----

LS ACQUISITION CORPORATION. NO. 24  
Chief Executive Office  
-----

21557 Telegraph Road  
Southfield, Michigan 48034

SCHEDULE V-G  
-----

FAIR HAVEN INDUSTRIES, INC.  
Chief Executive Office  
-----

7445 Mayer Road  
Fair Haven, Michigan 48023

FORM OF  
DEPOSITARY AGENCY AGREEMENT

DEPOSITARY AGENCY AGREEMENT, dated as of August 17, 1995, among BANKERS TRUST COMPANY, as depositary (in its capacity as depositary, the "Depositary"), CHEMICAL BANK, as administrative agent under the Credit Agreement referred to below (in its capacity as administrative agent, the "Agent"), LEAR SEATING CORPORATION, a Delaware corporation (the "Borrower"), and AIHI ACQUISITION CORP., a Delaware corporation ("Acquisition Corp.").

W I T N E S S E T H :

WHEREAS, the Borrower has entered into the Credit Agreement, dated as of August 17, 1995 (as amended, supplemented or otherwise modified from time to time, the "Credit Agreement"), among the Borrower, the Banks parties thereto, the Agent and the Managing Agents, Co-Agents and Lead Managers identified therein;

WHEREAS, Acquisition Corp. has executed and delivered the Acquisition Pledge Agreement, dated as of August 17, 1995 (as amended, supplemented or otherwise modified from time to time, the "Pledge Agreement"), in favor of the Agent (unless otherwise defined herein or the context otherwise requires, all capitalized terms used herein shall have the meanings assigned thereto in the Credit Agreement or the Pledge Agreement, as the case may be);

WHEREAS, the Depositary has received (and hereby acknowledges receipt of) a copy of the Credit Agreement and the Pledge Agreement;

WHEREAS, pursuant to the Depositary Letter Agreement, dated July 20, 1995 (the "Depositary Agreement"), between the Borrower and the Depositary, the Depositary will be receiving Class A Common Stock, \$.01 par value per share (the "Company Stock"), of Automotive Industries Holding, Inc. ("AIHI") tendered by the holders thereof for purchase by Acquisition Corp. in a tender offer (the "Tender Offer") made pursuant to and in accordance with the Offer to Purchase;

WHEREAS, the Banks are willing to make Loans to finance in part Acquisition Corp.'s purchases of shares of Company Stock in the Tender Offer (all shares of Company Stock so purchased being "Purchased Shares") upon simultaneous satisfaction of the condition, among others, that the Agent obtain a perfected first priority security interest (the "Security Interest") in the Purchased Shares pursuant to the Pledge Agreement; and

WHEREAS, pursuant to the requirement set forth in subsection 5.1(y) of the Credit Agreement, it is a condition precedent to the making of the initial Loans under the Credit

Agreement that this Depositary Agency Agreement shall have been duly executed and delivered by the parties hereto;

NOW, THEREFORE, the parties hereto hereby agree as follows:

1. Pursuant to the Depositary Agreement, the Borrower has appointed the Depositary to accept tenders of Company Stock. The Borrower and Acquisition Corp. hereby designate the Depositary to receive, on behalf of the Borrower and Acquisition Corp., transfers (within the meaning of Section 8-313 of the Uniform Commercial Code as in effect in the State of New York (the "New York UCC")) of the Company Stock by the holders thereof simultaneously with the payment for the Purchased Shares, and the Depositary hereby accepts such designation.

2. The Borrower and Acquisition Corp. hereby instruct the Depositary to deliver to the Agent on behalf of the Borrower and Acquisition Corp. and pursuant to Section 3(a) or 4(a), as the case may be, of the Pledge Agreement stock certificates representing the Purchased Shares that are held from time to time by the Depositary on behalf of the Borrower and Acquisition Corp.

3. The Borrower and Acquisition Corp. hereby instruct the Depositary as follows: on the Closing Date, with respect to any Purchased Shares which are not evidenced by stock certificates in the possession of the Depositary on such date, and thereafter, contemporaneously with each purchase by Acquisition Corp. of Purchased Shares, with respect to such Purchased Shares which are not evidenced by stock certificates then in the possession of the Depositary, the Depositary shall cause such shares to be transferred by book-entry to an account maintained in the name of Chemical Bank, for the benefit of the Agent, with a Clearing Corporation as specified by the Agent.

4. The Agent hereby designates the Depositary as its agent to, and the Depositary shall use reasonable efforts to, as expeditiously as possible exchange on behalf of the Agent all certificates representing Purchased Shares for certificates registered in the name of Acquisition Corp. by delivering such certificates to Norwest Bank Minnesota, National Association, as transfer agent (the "Transfer Agent"), and obtain from the Transfer Agent possession of the certificates representing the Purchased Shares which have been registered in the name of Acquisition Corp. within the period specified in Section 8-321(4) of the New York UCC (such period currently being 21 days) for transferring a security for the sole purpose of exchange or registration of transfer; provided, however, that prior to delivering any Purchased Shares to the Transfer Agent, the Depositary shall have received from the Transfer Agent a duly executed agreement, in substantially the form of Annex I hereto, with respect to such Purchased Shares.

5. The Depositary shall promptly deliver to the Agent, upon receipt thereof from the Transfer Agent, all certificates representing Purchased Shares registered in the name of Acquisition Corp. Acquisition Corp. shall, upon the request of the Agent, promptly deliver to the Agent an undated stock power for each such certificate executed in blank.

6. The Depositary agrees to be the Agent's designated bailee pursuant to the Pledge Agreement for purposes of perfecting, in accordance with Sections 8-313(1) and 8-321(2) of the New York UCC, the Agent's security interest in the Purchased Shares with respect to any such shares which are not, for any reason, delivered to the Agent pursuant to paragraph 2 hereof or transferred by book-entry to the account referred to in paragraph 3 hereof.

7. The Depositary waives all rights of offset and bank liens afforded it by law, agreement or otherwise against any funds and amounts deposited by the Borrower and Acquisition Corp. with it for the purpose of purchasing Purchased Shares but which at any time shall not have then been paid to the former holder(s) or any other authorized payee(s) of Purchased Shares.

8. The Depositary represents and warrants to the Agent and each Bank that (a) it has full power and authority to enter into this Depositary Agency Agreement and perform its obligations hereunder; (b) the execution, delivery and performance of this Depositary Agency Agreement by the Depositary has been duly authorized by all necessary corporate action; and (c) this Depositary Agency Agreement is the legal, valid and binding obligation of the Depositary, enforceable against the Depositary in accordance with its terms.

9. By its execution hereof in the space provided below, Acquisition Corp. and the Borrower hereby jointly and severally (a) agree to and authorize all of the foregoing and (b) agree to indemnify and hold free and harmless each of the Depositary, the Transfer Agent and the Agent from and against any and all actions, losses, costs, liabilities and damages in connection with or arising out of or relating to, with respect to the Depositary, this Depositary Agency Agreement, the Pledge Agreement, the Credit Agreement and the Depositary Agreement, and, with respect to the Transfer Agent and the Agent, the Transfer Agent's or the Agent's obligations hereunder or performance hereof, in each case other than arising out of the gross negligence or willful misconduct of the indemnified person. The indemnification obligation set forth in this paragraph shall survive termination of this Depositary Agency Agreement, the Depositary Agreement, the Credit Agreement and the Pledge Agreement.

10. (a) The duties and obligations of the Depositary hereunder shall be determined solely by the express provisions of

this Depositary Agency Agreement, and the Depositary shall not be liable except for the performance of such duties and obligations as are specifically set forth in this Depositary Agency Agreement, and no implied covenants or obligations shall be read into this Depositary Agency Agreement against the Depositary. If the Credit Agreement or the Pledge Agreement as in effect on the date hereof is amended, supplemented or otherwise modified in a manner which affects the rights and obligations of the Depositary hereunder, the Depositary's rights and obligations hereunder shall not be so affected without the Depositary's prior consent.

(b) The Depositary assumes no responsibility or liability for and makes no representations as to the validity or sufficiency of this Depositary Agency Agreement (other than as specified in paragraph 8 above), the Credit Agreement or the Pledge Agreement, including with respect to the sufficiency of such agreements to perfect the Security Interest.

11. The Borrower and Acquisition Corp. shall pay the out of pocket expenses and reasonable administrative fees of the Depositary in connection with the Depositary's obligations pursuant to this Depositary Agency Agreement, including the reasonable fees and disbursements of counsel.

12. In no event shall the Depositary be liable for any consequential, incidental, indirect or special damages, including, without limitation, lost profits, even if the Depositary has been advised of the possibility of such damages.

13. This Depositary Agency Agreement may be amended, modified or supplemented only pursuant to a written instrument executed by all parties. THIS DEPOSITARY AGENCY AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

BANKERS TRUST COMPANY, as Depositary

By: \_\_\_\_\_  
Title:

CHEMICAL BANK, as Agent

By: \_\_\_\_\_  
Title:

LEAR SEATING CORPORATION

By: \_\_\_\_\_  
Title:

AIHI ACQUISITION CORP.

By: \_\_\_\_\_  
Title:



ANNEX I to  
Depositary  
Agency Agreement

\_\_\_\_\_, 1995

Chemical Bank,  
as Agent  
270 Park Avenue  
New York, New York 10017  
Attention: Rosemary Bradley

Ladies and Gentlemen:

Norwest Bank Minnesota, National Association (herein called the "Transfer Agent") is acting as the transfer agent for Automotive Industries Holding, Inc., a Delaware corporation (herein called the "Company"), with respect to shares of Class A Common Stock, par value \$.01 per share, of the Company (herein called "Company Stock"). The Transfer Agent has been informed that AIHI Acquisition Corp., a Delaware corporation (herein called "Acquisition Corp.") has made a tender offer (herein called the "Tender Offer") for all issued and outstanding shares of Company Stock pursuant to an Offer to Purchase, dated July 20, 1995, and that Bankers Trust Company is acting as depositary (herein called the "Depositary" when acting in such capacity) in connection with the Tender Offer.

Lear Seating Corporation, a Delaware corporation (the "Borrower"), has requested that the Transfer Agent execute and deliver this letter and has agreed to indemnify the Transfer Agent in a separate letter in form similar to the attached Exhibit A for any claims which might result from the Transfer Agent's signing of or any action taken pursuant to this letter. [Transfer Agent's standard form indemnity to be attached as Exhibit A.]

The Transfer Agent hereby confirms that with respect to all certificates which the Depositary has advised the Transfer Agent are shares representing shares of Company Stock purchased by Acquisition Corp. (herein called the "Purchased Shares") and are delivered to the Transfer Agent for transfer, properly completed and in good form for transfer, or for which the Transfer Agent has been instructed by the Depositary to transfer without regard to the appropriateness of the request and for which the Transfer Agent shall have been indemnified by the Depositary, the Transfer Agent shall promptly, and in any event within the period specified in Section 8-321(4) of the Uniform Commercial Code as from time to time in effect in the State of New York (such period currently being 21 days) for transferring a security for the sole purpose of exchange or registration of

transfer, transfer such Purchased Shares into the name of Acquisition Corp. and return all newly issued certificates representing such Purchased Shares to the Depository. The Depository shall have no obligation to instruct the Transfer Agent to transfer Purchased Shares without regard to the appropriateness of the request and to indemnify the Transfer Agent, unless the Depository has been itself indemnified to the Depository's satisfaction by the Borrower and Acquisition Corp.

Very truly yours,

NORWEST BANK MINNESOTA,  
NATIONAL ASSOCIATION,  
as Transfer Agent

By: \_\_\_\_\_  
Title:

FORM OF  
BORROWING CERTIFICATE

Pursuant to subsection 5.3(f) of the Credit Agreement, dated as of August 17, 1995, among Lear Seating Corporation (the "Borrower"), the several financial institutions parties thereto, Chemical Bank, as Agent, and the Managing Agents, Co-Agents and Lead Managers identified therein (as amended, supplemented or otherwise modified from time to time in accordance with the terms thereof, the "Credit Agreement"), each of the undersigned hereby certifies as follows:

(a) The representations and warranties made by the Borrower and each of its Subsidiaries in the Loan Documents are true and correct in all material respects on and as of the date hereof with the same effect as if made on the date hereof.

(b) No Default or Event of Default has occurred and is continuing on the date hereof or after giving effect to the Loans requested to be made and the Letters of Credit requested to be issued on the date hereof.

(c) Since the Closing Date, there has been no material adverse change in the business, operations, assets, financial or other condition of the Borrower and its Subsidiaries taken as a whole.

Capitalized terms used herein and not otherwise defined shall have the meanings given to them in the Credit Agreement.

LEAR SEATING CORPORATION

By: \_\_\_\_\_  
Title:

Date: \_\_\_\_\_, \_\_\_\_\_

FORM OF  
SWING LINE LOAN PARTICIPATION CERTIFICATE

\_\_\_\_\_, 199\_

[Name of Bank]  
[Address]

Dear Sirs:

Pursuant to subsection 2.4(d) of the Credit Agreement, dated as of August 17, 1995 (as the same may be amended, supplemented or otherwise modified from time to time, the "Credit Agreement"; capitalized terms used and not otherwise defined herein shall have the meanings given to them in the Credit Agreement) among LEAR SEATING CORPORATION, the several financial institutions parties thereto or CHEMICAL BANK, as Agent, and the Managing Agents, Co-Agents and Lead Managers identified therein, the undersigned hereby acknowledges receipt from you on the date hereof of \_\_\_\_\_ DOLLARS (\$\_\_\_\_\_) as payment for a participating interest in the following Swing Line Loan:

Date of Swing Line Loan: \_\_\_\_\_

Principal Amount of Swing Line Loan: \_\_\_\_\_

Very truly yours,

CHEMICAL BANK

By: \_\_\_\_\_  
Title: \_\_\_\_\_

FORM OF  
ASSIGNMENT AND ACCEPTANCE

Reference is made to the Credit Agreement, dated as of August 17, 1995 (as amended, supplemented or otherwise modified from time to time, the "Credit Agreement"), among Lear Seating Corporation (the "Borrower"), the Banks named therein, Chemical Bank, as administrative agent for the Banks (in such capacity, the "Agent"), and the Managing Agents, Co-Agents and Lead Managers identified therein. Unless otherwise defined herein, terms defined in the Credit Agreement and used herein shall have the meanings given to them in the Credit Agreement.

The Assignor identified on Schedule 1 hereto (the "Assignor") and the Assignee identified on Schedule 1 hereto (the "Assignee") agree as follows:

1. The Assignor hereby irrevocably sells and assigns to the Assignee without recourse to the Assignor, and the Assignee hereby irrevocably purchases and assumes from the Assignor without recourse to the Assignor, as of the Transfer Effective Date (as defined below), the interest described in Schedule 1 hereto (the "Assigned Interest") in and to the Assignor's rights and obligations under the Credit Agreement and the other Loan Documents (the "Assigned Facility").

2. The Assignor (a) makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with the Credit Agreement or with respect to the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Credit Agreement, any other Loan Document or any other instrument or document furnished pursuant thereto, other than that the Assignor has not created any adverse claim upon the interest being assigned by it hereunder and that such interest is free and clear of any such adverse claim; (b) makes no representation or warranty and assumes no responsibility with respect to the financial condition of the Borrower, any of its Subsidiaries or any other obligor or the performance or observance by the Borrower, any of its Subsidiaries or any other obligor of any of their respective obligations under the Credit Agreement or any other Loan Document or any other instrument or document furnished pursuant hereto or thereto; and (c) attaches the Note held by it evidencing the Assigned Facility and (i) requests that the Agent, upon request by the Assignee, exchange the attached Note for a new Note payable to the Assignee and (ii) if the Assignor has retained any interest in the Assigned Facility, requests that the Agent exchange the attached Note for a new Note payable to the Assignor, in each case in amounts which reflect the assignment being made hereby (and after giving effect

to any other assignments which have become effective on the Transfer Effective Date, as the term is defined below).

3. The Assignee (a) represents and warrants that it is legally authorized to enter into this Assignment and Acceptance; (b) confirms that it has received a copy of the Credit Agreement, together with copies of the financial statements delivered pursuant to subsection 6.1 thereof and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Assignment and Acceptance; (c) agrees that it will, independently and without reliance upon the Assignor, the Agent or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Credit Agreement, the other Loan Documents or any other instrument or document furnished pursuant hereto or thereto; (d) appoints and authorizes the Agent to take such action as agent on its behalf and to exercise such powers and discretion under the Credit Agreement, the other Loan Documents or any other instrument or document furnished pursuant hereto or thereto as are delegated to the Agent by the terms thereof, together with such powers as are incidental thereto; and (e) agrees that it will be bound by the provisions of the Credit Agreement and will perform in accordance with its terms all the obligations which by the terms of the Credit Agreement are required to be performed by it as a Lender including, if it is organized under the laws of a jurisdiction outside the United States, its obligation pursuant to subsection 2.14(b) of the Credit Agreement.

4. The effective date of this Assignment and Acceptance shall be the Effective Date of Assignment described in Schedule 1 hereto (the "Transfer Effective Date"). Following the execution of this Assignment and Acceptance, it will be delivered to the Agent for acceptance by it and recording by the Agent pursuant to the Credit Agreement, effective as of the Transfer Effective Date (which shall not, unless otherwise agreed to by the Agent, be earlier than five Business Days after the date of such acceptance and recording by the Agent).

5. Upon such acceptance and recording, from and after the Transfer Effective Date, the Agent shall make all payments in respect of the Assigned Interest (including payments of principal, interest, fees and other amounts) to the Assignee for amounts which have accrued subsequent to the Transfer Effective Date. The Assignor and the Assignee shall make all appropriate adjustments in payments by the Agent for periods prior to the Transfer Effective Date or with respect to the making of this assignment directly between themselves.

6. From and after the Transfer Effective Date, (a) the Assignee shall be a party to the Credit Agreement and, to the extent provided in this Assignment and Acceptance, have the

rights and obligations of a Lender thereunder and under the other Loan Documents and shall be bound by the provisions thereof and (b) the Assignor shall, to the extent provided in this Assignment and Acceptance, relinquish its rights and be released from its obligations under the Credit Agreement.

7. This Assignment and Acceptance shall be governed by and construed in accordance with the laws of the State of New York.

IN WITNESS WHEREOF, the parties hereto have caused this Assignment and Acceptance to be executed as of the date first above written by their respective duly authorized officers on Schedule 1 hereto.

SCHEDULE 1  
TO ASSIGNMENT AND ACCEPTANCE

Name of Assignor: \_\_\_\_\_

Name of Assignee: \_\_\_\_\_

Transfer Effective Date: \_\_\_\_\_

Principal  
Amount Assigned  
\$ \_\_\_\_\_

Commitment Percentage Assigned(1)  
\_\_\_\_. \_\_\_\_\_%

Assignee:  
\_\_\_\_\_

Assignor:  
\_\_\_\_\_

By: \_\_\_\_\_  
Title:

By: \_\_\_\_\_  
Title:

Accepted:  
CHEMICAL BANK, as  
Agent

Consented To:  
LEAR SEATING CORPORATION

By: \_\_\_\_\_  
Title:

By: \_\_\_\_\_  
Title:

(1) Calculate the Commitment Percentage that is assigned to at least 15 decimal places and show as a percentage of the aggregate commitments of all Banks.



MATTERS TO BE COVERED BY OPINION  
OF COUNSEL TO THE BORROWER

1. Each of the guarantors (the "New Guarantors") executing Guarantor Supplements (the "Guarantor Supplements") on the date hereof (a) is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation and (b) has the corporate power and authority and the legal right to own and operate its property, to lease the property it operates and to conduct the business in which it is currently engaged.

2. Each of the New Guarantors has the corporate power and authority and the legal right to execute and deliver, and to perform its obligations under, the Guarantor Supplements and the Subsidiary Guarantee and has taken all necessary corporate action to authorize the execution, delivery and performance of such Guarantor Supplements and the Subsidiary Guarantee.

3. The Guarantee Supplements and the Subsidiary Guarantee constitute legal, valid and binding obligations of each New Guarantor enforceable in accordance with their terms.

4. The execution, delivery and performance of the Guarantor Supplements and the Subsidiary Guarantee will not violate any provision of any Requirement of Law of the United States of America, the State of Illinois, the State of New York or the General Corporation Law of the State of Delaware applicable to such party, or of any Contractual Obligation identified to us pursuant to an officer's certificate of AIHI as being material of any New Guarantor, and will not result in or require the creation or imposition of any Lien on any of the properties or revenues of any New Guarantor pursuant to any Requirement of Law of the United States of America, the State of Illinois, the State of New York or the General Corporation Law of the State of Delaware applicable to such party or any Contractual Obligation of any New Guarantor which has been identified to us pursuant to an officer's certificate of AIHI as being material.

5. No consent or authorization of, filing with, or other act by or in respect of, any arbitrator or Governmental Authority and no consent of any other Person (including, without limitation, any stockholder or creditor of any New Guarantor) is required in connection with the execution, delivery, performance, validity or enforceability of the Guarantee Supplements and the Subsidiary Guarantee.

6. Based on our understanding that the Agent has taken and is retaining possession of the stock certificates (the "Pledged Stock") evidencing the shares of stock described in [LIST PLEDGE AGREEMENTS PLEDGING STOCK OF MATERIAL DOMESTIC SUBSIDIARIES OF AIHI] (collectively, the "Pledge Agreements"), there has been created thereunder, and there has been granted to

the Agent, for the benefit of the Banks, a valid and perfected security interest and lien upon the Pledged Stock. Assuming the Agent acquires its interest in the Pledged Stock in good faith and without notice of any adverse claims and the Pledged Stock is either in bearer form or in registered form issued or indorsed in the name of the Agent or in blank, the Agent will acquire its security interest in the Pledged Stock free of adverse claims.

7. The Pledged Stock of the "Issuers" (as defined in the Pledge Agreements) has been duly authorized and validly issued by such "Issuers" and are fully paid and nonassessable.

MATTERS TO BE COVERED BY OPINION OF COUNSEL  
TO THE BORROWER AND ACQUISITION CORP.

1. The Certificate of Merger of Acquisition Corp. and AIHI has been duly executed and delivered by, and constitutes the valid, binding and enforceable obligation of, Acquisition Corp.
2. The Merger has become effective under the General Corporation Law of the State of Delaware.