

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended **July 1, 2000**

OR

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

For the transition period from _____ to _____.

Commission file number: 1-11311

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

Delaware

(State or other jurisdiction of incorporation or organization)

13-3386776

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

21557 Telegraph Road, Southfield, MI

(Address of principal executive offices)

48086-5008

(zip code)

(248) 447-1500

(Registrant's telephone number, including area code)

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

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

Number of shares of Common Stock, \$0.01 par value per share, outstanding as of July 31, 2000: 64,507,349

LEAR CORPORATION

FORM 10-Q

FOR THE QUARTER ENDED JULY 1, 2000

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LEAR CORPORATION
PART I — FINANCIAL INFORMATION**ITEM 1 — CONSOLIDATED FINANCIAL STATEMENTS****INTRODUCTION TO THE CONSOLIDATED FINANCIAL STATEMENTS**

We have prepared the condensed consolidated financial statements of Lear Corporation and subsidiaries, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations. We believe that the disclosures are adequate to make the information presented not misleading when read in conjunction with the financial statements and the notes thereto included in our Annual Report on Form 10-K, as filed with the Securities and Exchange Commission for the period ended December 31, 1999.

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

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

	July 1, 2000	December 31, 1999
	(Unaudited)	
ASSETS		
<i>CURRENT ASSETS:</i>		
Cash and cash equivalents	\$ 93.6	\$ 106.9
Accounts receivable, net	2,115.0	1,866.1
Inventories	495.2	577.3
Recoverable customer engineering and tooling	292.8	304.9
Other	328.0	299.0
	<hr/>	<hr/>
Total current assets	3,324.6	3,154.2
	<hr/>	<hr/>
<i>LONG-TERM ASSETS:</i>		
Property, plant and equipment, net	1,912.3	1,970.0
Goodwill, net	3,281.0	3,210.5
Other	391.3	382.9
	<hr/>	<hr/>
Total long-term assets	5,584.6	5,563.4
	<hr/>	<hr/>
	\$8,909.2	\$8,717.6
	<hr/>	<hr/>
LIABILITIES AND STOCKHOLDERS' EQUITY		
<i>CURRENT LIABILITIES:</i>		
Short-term borrowings	\$ 22.3	\$ 103.6
Accounts payable and drafts	2,396.0	2,245.3
Accrued liabilities	1,224.0	1,074.9
Current portion of long-term debt	129.1	63.6
	<hr/>	<hr/>
Total current liabilities	3,771.4	3,487.4
	<hr/>	<hr/>
<i>LONG-TERM LIABILITIES:</i>		
Long-term debt	3,150.2	3,324.8
Other	465.1	440.1
	<hr/>	<hr/>
Total long-term liabilities	3,615.3	3,764.9
	<hr/>	<hr/>
<i>STOCKHOLDERS' EQUITY:</i>		
Common stock, \$.01 par value, 150,000,000 authorized; 67,659,679 issued at July 1, 2000 and		

67,609,730 issued at December 31, 1999	.7	.7
Additional paid-in capital	870.9	870.2
Note receivable from sale of common stock	(.1)	(.1)
Common stock held in treasury, at cost, 3,152,330 shares at July 1, 2000 and 1,010,230 shares at December 31, 1999	(84.4)	(33.5)
Retained earnings	925.5	761.8
Accumulated other comprehensive income	(190.1)	(133.8)
Total stockholders' equity	1,522.5	1,465.3
	<u>\$8,909.2</u>	<u>\$8,717.6</u>

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

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

	Three Months Ended		Six Months Ended	
	July 1, 2000	July 3, 1999	July 1, 2000	July 3, 1999
Net sales	\$3,761.4	\$3,233.6	\$7,566.5	\$5,920.8
Cost of sales	3,354.4	2,894.4	6,802.5	5,362.9
Selling, general and administrative expenses	138.9	129.1	280.0	213.4
Amortization of goodwill	22.6	19.3	44.8	33.3
Operating income	245.5	190.8	439.2	311.2
Interest expense	80.7	60.2	159.5	90.3
Other (income) expense, net	(8.5)	7.3	1.3	15.2
Income before provision for national income taxes	173.3	123.3	278.4	205.7
Provision for national income taxes	71.6	48.5	114.7	80.6
Net income	<u>\$ 101.7</u>	<u>\$ 74.8</u>	<u>\$ 163.7</u>	<u>\$ 125.1</u>
Basic net income per share	<u>\$ 1.54</u>	<u>\$ 1.12</u>	<u>\$ 2.48</u>	<u>\$ 1.87</u>
Diluted net income per share	<u>\$ 1.53</u>	<u>\$ 1.10</u>	<u>\$ 2.45</u>	<u>\$ 1.85</u>

The accompanying notes are an integral part of these statements.

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**LEAR CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited, in millions)**

	Six Months Ended	
	July 1, 2000	July 3, 1999
Cash Flows from Operating Activities:		
Net income	\$ 163.7	\$ 125.1
Adjustments to reconcile net income to net cash provided by operating activities:		
Gain on sale of business	(36.6)	—
Depreciation and amortization	199.3	150.1
Change in recoverable customer engineering and tooling and other	5.1	(61.1)
Net change in working capital items	(46.2)	(6.2)
Other, net	8.8	3.7
Net cash provided by operating activities	<u>294.1</u>	<u>211.6</u>

Cash Flows from Investing Activities:		
Additions to property, plant and equipment	(161.4)	(162.6)
Cost of acquisitions, net of cash acquired	—	(2,277.6)
Proceeds from disposition of businesses	104.1	310.0
Other, net	(7.9)	—
	<u>(65.2)</u>	<u>(2,130.2)</u>
Cash Flows from Financing Activities:		
Change in long-term debt, net	(100.2)	1,825.6
Short-term borrowings, net	(80.2)	(17.5)
Purchase of treasury stock	(50.9)	—
Increase (decrease) in drafts	(9.9)	97.9
Other, net	.7	.7
	<u>(240.5)</u>	<u>1,906.7</u>
Effect of foreign currency translation	(1.7)	14.2
Net Change in Cash and Cash Equivalents	(13.3)	2.3
Cash and Cash Equivalents at Beginning of Period	106.9	30.0
	<u> </u>	<u> </u>
Cash and Cash Equivalents at End of Period	\$ 93.6	\$ 32.3
	<u> </u>	<u> </u>
Changes in Working Capital Items, Net of Effects of Acquisitions:		
Accounts receivable, net	\$(319.7)	\$ (234.2)
Inventories	57.0	11.1
Accounts payable	234.0	128.1
Accrued liabilities and other	(17.5)	88.8
	<u>\$ (46.2)</u>	<u>\$ (6.2)</u>
	<u> </u>	<u> </u>
Supplementary Disclosure:		
Cash paid for interest	\$ 148.5	\$ 56.7
	<u> </u>	<u> </u>
Cash paid for income taxes	\$ 49.2	\$ 49.4
	<u> </u>	<u> </u>

The accompanying notes are an integral part of these statements.

LEAR CORPORATION AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(1) Basis of Presentation

The consolidated financial statements include the accounts of Lear Corporation, a Delaware corporation, and the wholly-owned and majority-owned subsidiaries controlled by Lear. Unless the context otherwise requires, references herein to “Lear” or the “Parent” are to Lear Corporation, and references to the “Company” are to Lear and the wholly-owned and majority-owned subsidiaries controlled by Lear. Investments in affiliates, other than wholly-owned and majority-owned subsidiaries controlled by Lear, in which Lear owns a 20% or greater interest are accounted for under the equity method. Certain items have been reclassified to conform to the presentation used in the quarter ended July 1, 2000.

(2) 2000 Disposition

In June 2000, the Company completed the sale of its sealants and foam rubber business to AcoustiSeal, Inc. for approximately \$92.5 million. A gain on the sale of \$36.6 million is included in other (income) expense, net in the accompanying consolidated statements of income. The pro forma effects of this disposition would not be materially different from reported results.

(3) 1999 Acquisitions / Dispositions

Acquisition of UT Automotive

In May 1999, the Company acquired UT Automotive, Inc. (“UT Automotive”), a wholly-owned operating segment of United Technologies Corporation, for approximately \$2.3 billion, net of cash acquired. In the third quarter of 1999, the consideration paid to the former owner of UT Automotive was increased by \$79.9 million to reflect a revised estimate of the working capital acquired. UT Automotive was a supplier of electrical, electronic, motor and interior products and systems to the global automotive industry. Headquartered in Dearborn, Michigan, UT Automotive had annual sales of approximately \$3.0 billion, 44,000 employees and 90 facilities located in 18 countries.

The UT Automotive acquisition was accounted for as a purchase, and accordingly, the assets purchased and liabilities assumed in the acquisition have been reflected in the accompanying consolidated balance sheets. The operating results of UT Automotive have been included in the consolidated financial statements of the Company since the date of acquisition. In the first quarter of 2000, the allocation of the purchase price was revised, resulting in an increase in goodwill of \$45.6 million. The increase was primarily due to the finalization of certain restructuring plans (see Note 6) and the recognition of certain pre-acquisition contingent liabilities. The purchase price and related allocation were finalized in May 2000, which resulted in an aggregate increase in goodwill of \$114.6 million. The increase was primarily due to the finalization of pre-acquisition contingencies related to warranty and legal issues, the finalization of certain restructuring plans (see Note 6) and the revision of amounts recorded related to loss contracts that existed at the date of acquisition to provide products to customers at selling prices which are not sufficient to cover the direct costs to produce such products.

LEAR CORPORATION AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The final purchase price and related allocation were as follows (in millions):

Consideration paid to former owner, net of cash acquired of \$83.5 million	\$2,296.4
Debt assumed	9.0
Estimated fees and expenses	8.2
	—
Cost of acquisition	\$2,313.6
	—
Property, plant and equipment	\$ 685.0
Value assigned to assets sold	310.0
Net working capital	(53.6)
Other assets purchased and liabilities assumed	(20.0)
Goodwill	1,392.2
	—
Total cost allocation	\$2,313.6
	—

See Note 4 for pro forma financial information.

Sale of Electric Motor Systems

In June 1999, the Company completed the sale of the recently acquired Electric Motor Systems (“EMS”) business to Johnson Electric Holdings Limited for \$310.0 million. Lear acquired the EMS business in conjunction with the acquisition of UT Automotive. The EMS business was sold for an amount that was approximately equal to the fair value which had been allocated to the EMS business at the date of acquisition. As such, no gain or loss on the sale was recognized. In the first quarter of 2000, the sale price was increased by \$14.6 million to reflect a revised estimate of the working capital sold. The increase was recorded as an adjustment to goodwill. See Note 4 for pro forma financial information.

(4) Pro Forma Financial Information

The following pro forma financial information is presented to illustrate the estimated effects of the Transactions, as if such Transactions had occurred as of January 1, 1999.

The Transactions are:

- the acquisition of UT Automotive;
- the sale of EMS and the application of the proceeds therefrom;
- the amendment and restatement of the Company’s existing senior credit facility in connection with the acquisition of UT Automotive;
- borrowings under the Company’s new senior credit facilities, which it entered into in May 1999, in connection with the acquisition of UT Automotive; and
- the offering and sale of the Company’s 7.96% Senior Notes due 2005 and 8.11% Senior Notes due 2009 and the application of the net proceeds therefrom.

LEAR CORPORATION AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(Unaudited, in millions, except per share data):

Three Months Ended July 3, 1999

	Lear Historical	UT Automotive Historical (1)	Operating and Financing Adjustments	Elimination of EMS Historical (1)	Operating and Financing Adjustments	Pro Forma
Net sales	\$3,233.6	\$298.1	\$ —	\$(29.7)	\$ —	\$3,502.0
Net income	74.8	14.6	(10.8)(2)	(.7)	2.7(3)	80.6
Basic net income per share	1.12					1.20
Diluted net income per share	1.10					1.19

Six Months Ended July 3, 1999

	Lear Historical	UT Automotive Historical (1)	Operating and Financing Adjustments	Elimination of EMS Historical (1)	Operating and Financing Adjustments	Pro Forma
Net sales	\$5,920.8	\$1,091.1	\$ —	\$(114.9)	\$ —	\$6,897.0
Net income	125.1	36.4	(42.6)(2)	(6.1)	6.1(3)	118.9
Basic net income per share	1.87					1.78
Diluted net income per share	1.85					1.76

- (1) The UT Automotive and EMS historical information represents amounts derived from the unaudited results of operations from the beginning of the respective periods to May 4, 1999, the date the Company acquired UT Automotive.
- (2) The Operating and Financing Adjustments that resulted from the acquisition of UT Automotive include:

	Three Months Ended July 3, 1999	Six Months Ended July 3, 1999
Amortization of goodwill from the acquisition of UT Automotive (over 40 years)	\$ 2.1	\$ 8.3
Incremental interest expense incurred as a result of the acquisition of UT Automotive	13.4	52.8
Impact on tax provision due to incremental interest expense	(4.7)	(18.5)
Net impact of adjustments on net income	<u>\$ (10.8)</u>	<u>\$ (42.6)</u>

- (3) The Operating and Financing Adjustments that resulted from the sale of EMS include:

	Three Months Ended July 3, 1999	Six Months Ended July 3, 1999
Reduction of interest expense incurred as a result of the sale of EMS	\$ (4.2)	\$ (9.4)
Impact on tax provision due to reduction of interest expense	1.5	3.3
Net impact of adjustments on net income	<u>\$ 2.7</u>	<u>\$ 6.1</u>

The pro forma information above does not purport to be indicative of the results that actually would have been achieved if the operations were combined during the periods presented and is not intended to be a projection of future results or trends.

(5) 1998 Restructuring and Other Charges

In the fourth quarter of 1998, the Company began to implement a restructuring plan designed to lower its cost structure and improve the long-term competitive position of the Company. As a result of this restructuring plan, the Company recorded pre-tax charges of \$133.0 million, consisting of \$110.5 million of restructuring charges and \$22.5 million of other charges. Included in this total were the costs to consolidate the Company's European operations of \$78.9 million, charges resulting from the consolidation of certain manufacturing and administrative operations in North and South America of \$31.6 million, other asset impairment charges of \$15.0 million and contract termination fees and other of \$7.5 million. The impaired

assets, included in other charges, consisted of a valuation allowance on the collectibility of a note receivable from a South American supplier of \$6.5 million, the write-down of equipment to fair market value of \$5.6 million and the write-down of costs related to the termination of an information systems project of \$2.9 million.

The plan originally called for the termination of approximately 3,000 employees, of which 2,604 had been terminated as of July 1, 2000. In addition, the plan originally called for the closure of 13 facilities, of which 11 had been closed as of July 1, 2000. In the fourth quarter of 1999, the closure of a European facility and the related termination of 280 employees were delayed until the third quarter of 2001 due to a request from a customer to continue supplying product until that time. Also in the fourth quarter of 1999, the termination of 71 manufacturing and engineering personnel in Italy and Germany was cancelled due to increased demand for the related programs. There have been no other significant changes to the original restructuring plan. The following table summarizes the restructuring and other charges (in millions):

	Accrual at December 31, 1999	Utilized		Accrual at July 1, 2000
		Cash	Noncash	
European Operations Consolidation:				
Severance	\$12.5	\$(4.3)	\$—	\$ 8.2
Lease cancellation costs	18.3	(1.2)	—	17.1
North and South America Operations Consolidation Severance	1.4	(1.1)	—	.3
	—	—	—	—
Total	\$32.2	\$(6.6)	\$—	\$25.6

(6) Restructuring Charges Related to Acquisitions

UT Automotive

During the second quarter of 1999, the Company began to implement restructuring plans designed to integrate the operations of the recently acquired UT Automotive. Certain of these restructuring plans were finalized during the first quarter of 2000. As a result of these restructuring plans, the Company recorded an adjustment to the original purchase price allocation of \$21.0 million, consisting of \$14.9 million of severance costs, \$4.6 million of asset impairment charges and \$1.5 million of other costs. The plans call for the termination of 367 employees and the closure of 3 facilities. Employee terminations and facility closures are expected to be completed by the first quarter of 2001. Additional restructuring plans were finalized in the second quarter of 2000, prior to May 4, 2000. As a result of these additional restructuring plans, the Company recorded an adjustment to the original purchase price allocation of \$11.3 million, consisting of \$4.9 million of severance costs, \$2.8 million of asset impairment charges and \$3.6 million of other costs. These plans further call for the termination of 532 employees and the closure of 2 facilities. The employee terminations and facility closures are expected to be completed by the fourth quarter of 2000.

LEAR CORPORATION AND SUBSIDIARIES NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following table summarizes the restructuring activity related to this acquisition (in millions):

	Original Adjustment	Cash	Utilized Noncash	Accrual at July 1, 2000
Severance	\$19.8	\$—	\$ —	\$19.8
Asset impairments	7.4	—	(7.4)	—
Other	5.1	—	—	5.1
	—	—	—	—
Total	\$32.3	\$—	\$(7.4)	\$24.9

Pianfei, Strapazzini and Chapman

During the second quarter of 1998, the Company began to implement restructuring plans designed to integrate the recently acquired Pianfei, Strapazzini and Chapman operations. These restructuring plans were finalized during the second quarter of 1999. The plans call for the termination of 340 employees, all of which were terminated as of July 1, 2000, and the closure of or exit from five facilities, of which four were closed or vacated as of July 1, 2000. The remaining facility closure is expected to be completed during the third quarter of 2000. There have been no significant changes to the plans. The following table summarizes the restructuring activity related to these acquisitions (in millions):

	Accrual at December 31, 1999	Utilized		Accrual at July 1, 2000
		Cash	Noncash	
Lease cancellation costs	\$2.0	\$ (.9)	\$—	\$1.1

Severance	.5	(.4)	—	.1
Total	\$2.5	\$(1.3)	\$—	\$1.2

Delphi Seating

During the third quarter of 1998, the Company began to implement restructuring plans designed to integrate the operations of the recently acquired Delphi Seating. These restructuring plans were finalized during the third quarter of 1999. The plans call for the termination of 434 employees, of which 419 were terminated as of July 1, 2000, and the closure of or exit from four facilities, all of which were closed or vacated as of July 1, 2000. The remaining employee terminations are expected to be completed in the fourth quarter of 2000. There have been no significant changes to the plans.

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LEAR CORPORATION AND SUBSIDIARIES NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following table summarizes the restructuring activity related to the Delphi Seating acquisition (in millions):

	Accrual at December 31, 1999	Utilized		Accrual at July 1, 2000
		Cash	Noncash	
Lease cancellation costs	\$1.0	\$(.3)	\$—	\$.7
Severance	1.6	(.4)	—	1.2
Other	1.4	—	—	1.4
Total	\$4.0	\$(.7)	\$—	\$3.3

(7) Inventories

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

	July 1, 2000	December 31, 1999
Raw materials	\$288.2	\$317.4
Work-in-process	83.1	88.1
Finished goods	123.9	171.8
Inventories	\$495.2	\$577.3

(8) Property, Plant and Equipment

Property, plant and equipment is stated at cost. Depreciable property is depreciated over the estimated useful lives of the assets, principally using the straight-line method. A summary of property, plant and equipment is shown below (in millions):

	July 1, 2000	December 31, 1999
Land	\$ 108.6	\$ 84.2
Buildings and improvements	600.5	577.4
Machinery and equipment	1,981.6	1,992.2
Total property, plant and equipment	2,690.7	2,653.8
Less – accumulated depreciation	(778.4)	(683.8)
Net property, plant and equipment	\$1,912.3	\$1,970.0

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LEAR CORPORATION AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(9) Long-Term Debt

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

	July 1, 2000	December 31, 1999
Credit agreements	\$1,402.1	\$1,506.7
Other	141.2	145.7
	1,543.3	1,652.4
Less – current portion	(129.1)	(63.6)
	1,414.2	1,588.8
8.11% Senior Notes, due 2009	800.0	800.0
7.96% Senior Notes, due 2005	600.0	600.0
9.50% Subordinated Notes, due 2006	200.0	200.0
8.25% Subordinated Notes, due 2002	136.0	136.0
	1,736.0	1,736.0
Long-term debt	\$3,150.2	\$3,324.8

The purchase price for the acquisition of UT Automotive was financed by borrowings under the Company's primary credit facilities. In connection with the acquisition, the Company amended and restated its \$2.1 billion senior credit facility and entered into new senior credit facilities. The \$2.1 billion senior credit facility matures on September 30, 2001. The new senior credit facilities consist of a \$500 million revolving credit facility which matures on May 4, 2004, a \$500 million term loan having scheduled amortization beginning on October 31, 2000 and a final maturity on May 4, 2004 and a \$1.4 billion interim term loan. The \$310 million proceeds from the sale of the EMS business were used to reduce borrowings under the \$2.1 billion senior credit facility.

On May 18, 1999, the Company issued \$1.4 billion aggregate principal amount of senior notes, the proceeds of which were used to repay the interim term loan. The offering included \$800 million in aggregate principal amount of ten-year notes bearing interest at a rate of 8.11% per annum and \$600 million in aggregate principal amount of six-year notes bearing interest at a rate of 7.96% per annum. Interest on the senior notes is payable on May 15 and November 15 of each year. The senior notes were not registered under the Securities Act of 1933, as amended. In January 2000, the Company completed an exchange offer of the senior notes for substantially identical notes registered under the Securities Act of 1933, as amended.

The Company's primary credit facilities are guaranteed by certain of its significant domestic subsidiaries and are secured by the pledge of all or a portion of the capital stock of certain of its significant subsidiaries. The senior notes are guaranteed by the same subsidiaries that guarantee the Company's primary credit facilities.

LEAR CORPORATION AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(10) Net Income Per Share

Basic net income per share is computed using the weighted average common shares outstanding during the period. Diluted net income per share is computed using the average share price during the period when calculating the dilutive effect of stock options. Options to purchase 2,607,150 shares of common stock of the Company at exercise prices ranging from \$30.25 to \$54.22 were outstanding during the second quarter of 2000 but were not included in the computation of diluted shares outstanding, as inclusion would have resulted in antidilution. Shares outstanding for the periods presented were as follows:

	Three Months Ended		Six Months Ended	
	July 1, 2000	July 3, 1999	July 1, 2000	July 3, 1999
Weighted average shares outstanding	65,879,474	66,901,059	66,069,900	66,804,126
Dilutive effect of stock options	794,907	1,028,863	760,368	921,324

(11) Comprehensive Income

Comprehensive income is defined as all changes in a Company's net assets except changes resulting from transactions with shareholders. It differs from net income in that certain items currently recorded in equity would be a part of comprehensive income. Comprehensive income for the periods presented was as follows (in millions):

	Three Months Ended		Six Months Ended	
	July 1, 2000	July 3, 1999	July 1, 2000	July 3, 1999
Net income	\$101.7	\$ 74.8	\$163.7	\$125.1
Other comprehensive loss:				
Foreign currency translation adjustment	(25.6)	(18.4)	(56.3)	(72.2)
Other comprehensive loss	(25.6)	(18.4)	(56.3)	(72.2)
Comprehensive income	\$ 76.1	\$ 56.4	\$107.4	\$ 52.9

(12) Pre-Production Costs Related to Long-Term Supply Agreements

The Company incurs pre-production engineering, research and development ("ER&D") costs related to the products that it supplies to its customers under long-term supply agreements. Historically, the Company has capitalized these costs when reimbursable from the customer and amortized them over the term of the related supply agreement. On January 1, 2000, the Company prospectively adopted the provisions of Emerging Issues Task Force ("EITF") Issue

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LEAR CORPORATION AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

No. 99-5, "Accounting for Pre-Production Costs Related to Long-Term Supply Agreements," which requires that all pre-production ER&D costs incurred after December 31, 1999 for products to be supplied under long-term supply agreements be expensed as incurred unless the reimbursement of such costs is contractually guaranteed by the customer. As a result, beginning January 1, 2000, the Company expensed all pre-production ER&D costs for products to be supplied under long-term supply agreements for which reimbursement was not contractually guaranteed by the customer. The financial impact of expensing such costs was offset through both commercial and operational efforts. In addition, during the first six months of 2000, the Company capitalized \$57.0 million of pre-production ER&D costs for products to be supplied under long-term supply agreements for which reimbursement is contractually guaranteed by the customer and is primarily in the form of lump sum recovery. The EITF consensus does allow for the continued amortization of pre-production ER&D costs incurred and capitalized on or prior to December 31, 1999. As such, the Company is continuing to amortize these costs over the terms of the related supply agreements.

In addition, the Company incurs pre-production tooling costs related to the products that it supplies to its customers under long-term supply agreements. Historically, the Company has capitalized these costs when reimbursable from the customers. On January 1, 2000, the Company adopted the provisions of EITF Issue No. 99-5, which require that all pre-production tooling costs incurred after December 31, 1999 for tools that the supplier will not own and that will be used in producing products to be supplied under long-term supply agreements be expensed as incurred unless the supply agreement provides the supplier with the noncancelable right to use the tools or the reimbursement of such costs is contractually guaranteed by the customer. During the first six months of 2000, the Company capitalized \$166.5 million of pre-production tooling costs for products to be supplied under long-term supply agreements for which reimbursement is contractually guaranteed by the customer and is primarily in the form of lump sum recovery. This accounting is consistent with the Company's historical accounting policies.

(13) Segment Reporting

The Company is organized based on customer-focused and geographic divisions. Each division reports its results from operations and makes requests for capital expenditures directly to the chief operating decision making group. Under this organizational structure, the Company's operating segments have been aggregated into one reportable segment. This aggregated segment consists of ten divisions, each with separate management teams. The Other category includes the corporate office, geographic headquarters, technology division and elimination of intercompany activities, none of which meet the requirements of being classified as an operating segment.

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LEAR CORPORATION AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following table presents revenues and other financial information by business segment (in millions):

	Three Months Ended July 1, 2000			Six Months Ended July 1, 2000		
	Automotive Interiors	Other	Total	Automotive Interiors	Other	Total
Revenues	\$3,743.2	\$ 18.2	\$3,761.4	\$7,531.8	\$ 34.7	\$7,566.5
EBITA	299.7	(31.6)	268.1	561.9	(77.9)	484.0
Depreciation	72.0	3.9	75.9	146.8	7.7	154.5
Capital expenditures	71.6	4.4	76.0	156.0	5.4	161.4
Total assets	5,609.9	3,299.3	8,909.2	5,609.9	3,299.3	8,909.2

	Three Months Ended July 3, 1999			Six Months Ended July 3, 1999		
	Automotive Interiors	Other	Total	Automotive Interiors	Other	Total
Revenues	\$3,231.2	\$ 2.4	\$3,233.6	\$5,916.0	\$ 4.8	\$5,920.8
EBITA	230.8	(20.7)	210.1	403.5	(59.0)	344.5
Depreciation	66.1	2.4	68.5	111.9	4.9	116.8
Capital expenditures	90.0	1.0	91.0	158.9	3.7	162.6
Total assets	5,867.5	2,835.9	8703.4	5,867.5	2,835.9	8,703.4

LEAR CORPORATION AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(14) Supplemental Guarantor Condensed Consolidating Financial Statements

July 1, 2000

	Parent	Guarantors	Non-Guarantors	Eliminations	Consolidated
		(Unaudited, in millions)			
ASSETS					
<i>CURRENT ASSETS:</i>					
Cash and cash equivalents	\$ 26.6	\$ 15.0	\$ 52.0	\$ —	\$ 93.6
Accounts receivable, net	118.9	646.8	1,349.3	—	2,115.0
Inventories	13.2	164.7	317.3	—	495.2
Recoverable customer engineering and tooling	36.4	50.7	205.7	—	292.8
Other	51.4	85.0	191.6	—	328.0
Total current assets	246.5	962.2	2,115.9	—	3,324.6
<i>LONG-TERM ASSETS:</i>					
Property, plant and equipment, net	114.3	645.1	1,152.9	—	1,912.3
Goodwill, net	106.2	1,245.5	1,929.3	—	3,281.0
Investment in subsidiaries	2,923.4	2,777.8	—	(5,701.2)	—
Other	172.4	(21.6)	240.5	—	391.3
Total long-term assets	3,316.3	4,646.8	3,322.7	(5,701.2)	5,584.6
	\$ 3,562.8	\$5,609.0	\$5,438.6	\$(5,701.2)	\$8,909.2
LIABILITIES AND STOCKHOLDERS' EQUITY					
<i>CURRENT LIABILITIES:</i>					
Short-term borrowings	\$ 12.0	\$ —	\$ 10.3	\$ —	\$ 22.3
Accounts payable and drafts	217.4	739.0	1,439.6	—	2,396.0
Accrued liabilities	123.4	451.5	649.1	—	1,224.0
Current portion of long-term debt	123.8	1.4	3.9	—	129.1
Total current liabilities	476.6	1,191.9	2,102.9	—	3,771.4

<i>LONG-TERM LIABILITIES:</i>					
Long-term debt	3,029.2	10.1	110.9	—	3,150.2
Intercompany accounts, net	(1,654.5)	1,839.3	(184.8)	—	—
Other	189.0	92.3	183.8	—	465.1
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total long-term liabilities	1,563.7	1,941.7	109.9	—	3,615.3
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
<i>STOCKHOLDERS' EQUITY</i>	1,522.5	2,475.4	3,225.8	(5,701.2)	1,522.5
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	\$ 3,562.8	\$5,609.0	\$5,438.6	\$(5,701.2)	\$8,909.2
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

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LEAR CORPORATION AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(14) Supplemental Guarantor Condensed Consolidating Financial Statements - (continued)

December 31, 1999

	Parent	Guarantors	Non-Guarantors	Eliminations	Consolidated
	(Audited, in millions)				
ASSETS					
<i>CURRENT ASSETS:</i>					
Cash and cash equivalents	\$.2	\$ 8.8	\$ 97.9	\$ —	\$ 106.9
Accounts receivable, net	102.2	581.4	1,182.5	—	1,866.1
Inventories	14.7	191.6	371.0	—	577.3
Recoverable customer engineering and tooling	38.1	59.4	207.4	—	304.9
Other	68.6	79.9	150.5	—	299.0
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total current assets	223.8	921.1	2,009.3	—	3,154.2
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
<i>LONG-TERM ASSETS:</i>					
Property, plant and equipment, net	101.6	675.3	1,193.1	—	1,970.0
Goodwill, net	108.8	1,195.9	1,905.8	—	3,210.5
Investment in subsidiaries	3,200.3	2,119.6	—	(5,319.9)	—
Other	252.2	55.5	75.2	—	382.9
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total long-term assets	3,662.9	4,046.3	3,174.1	(5,319.9)	5,563.4
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	\$ 3,886.7	\$4,967.4	\$5,183.4	\$(5,319.9)	\$8,717.6
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
LIABILITIES AND STOCKHOLDERS' EQUITY					
<i>CURRENT LIABILITIES:</i>					
Short-term borrowings	\$ 78.6	\$ —	\$ 25.0	\$ —	\$ 103.6
Accounts payable and drafts	201.3	657.9	1,386.1	—	2,245.3
Accrued liabilities	205.8	339.4	529.7	—	1,074.9
Current portion of long-term debt	50.0	.2	13.4	—	63.6
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total current liabilities	535.7	997.5	1,954.2	—	3,487.4
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
<i>LONG-TERM LIABILITIES:</i>					
Long-term debt	3,054.7	10.2	259.9	—	3,324.8
Intercompany accounts, net	(1,392.6)	2,282.3	(889.7)	—	—
Other	223.6	111.6	104.9	—	440.1
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total long-term liabilities	1,885.7	2,404.1	(524.9)	—	3,764.9
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
<i>STOCKHOLDERS' EQUITY</i>	1,465.3	1,565.8	3,754.1	(5,319.9)	1,465.3
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	\$ 3,886.7	\$4,967.4	\$5,183.4	\$(5,319.9)	\$8,717.6
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

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LEAR CORPORATION AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(14) Supplemental Guarantor Condensed Consolidating Financial Statements - (continued)

For the Three Months Ended July 1, 2000

	Parent	Guarantors	Non- Guarantors	Eliminations	Consolidated
(Unaudited, in millions)					
Net sales	\$ 261.8	\$1,563.5	\$2,618.3	\$(682.2)	\$3,761.4
Cost of sales	261.3	1,368.1	2,407.2	(682.2)	3,354.4
Selling, general and administrative expenses	61.8	22.6	54.5	—	138.9
Amortization of goodwill	1.2	7.9	13.5	—	22.6
Operating income (loss)	(62.5)	164.9	143.1	—	245.5
Interest (income) expense	24.8	108.9	(53.0)	—	80.7
Other (income) expense, net	(73.0)	(28.4)	92.9	—	(8.5)
Income (loss) before provision (credit) for national income taxes and equity in net income of subsidiaries	(14.3)	84.4	103.2	—	173.3
Provision (credit) for national income taxes	(8.6)	38.7	41.5	—	71.6
Equity in net income of subsidiaries	(107.4)	(30.3)	—	137.7	—
Net income	<u>\$ 101.7</u>	<u>\$ 76.0</u>	<u>\$ 61.7</u>	<u>\$(137.7)</u>	<u>\$ 101.7</u>

For the Three Months Ended July 3, 1999

	Parent	Guarantors	Non- Guarantors	Eliminations	Consolidated
(Unaudited, in millions)					
Net sales	\$ 111.0	\$1,505.4	\$2,256.2	\$(639.0)	\$3,233.6
Cost of sales	105.2	1,355.5	2,072.7	(639.0)	2,894.4
Selling, general and administrative expenses	25.8	28.2	75.1	—	129.1
Amortization of goodwill	.9	5.6	12.8	—	19.3
Operating income (loss)	(20.9)	116.1	95.6	—	190.8
Interest expense	17.5	37.1	5.6	—	60.2
Other (income) expense, net	(82.5)	40.4	49.4	—	7.3
Income before provision (credit) for national income taxes and equity in net income of subsidiaries	44.1	38.6	40.6	—	123.3
Provision (credit) for national income taxes	32.6	18.7	(2.8)	—	48.5
Equity in net income of subsidiaries	(63.3)	(8.2)	—	71.5	—
Net income	<u>\$ 74.8</u>	<u>\$ 28.1</u>	<u>\$ 43.4</u>	<u>\$(71.5)</u>	<u>\$ 74.8</u>

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LEAR CORPORATION AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(14) Supplemental Guarantor Condensed Consolidating Financial Statements - (continued)

For the Six Months Ended July 1, 2000

	Parent	Guarantors	Non- Guarantors	Eliminations	Consolidated
(Unaudited, in millions)					
Net sales	\$ 546.6	\$3,210.5	\$5,314.4	\$(1,505.0)	\$7,566.5
Cost of sales	554.9	2,824.8	4,927.8	(1,505.0)	6,802.5
Selling, general and administrative expenses	95.4	41.8	142.8	—	280.0
Amortization of goodwill	2.2	16.1	26.5	—	44.8

Operating income (loss)	(105.9)	327.8	217.3	—	439.2
Interest expense	51.7	153.7	(45.9)	—	159.5
Other (income) expense, net	(131.9)	16.1	117.1	—	1.3
<hr/>					
Income (loss) before provision (credit) for national income taxes and equity in net income of subsidiaries	(25.7)	158.0	146.1	—	278.4
Provision (credit) for national income taxes	(15.4)	75.6	54.5	—	114.7
Equity in net income of subsidiaries	(174.0)	(59.5)	—	233.5	—
<hr/>					
Net income	\$ 163.7	\$ 141.9	\$ 91.6	\$ (233.5)	\$ 163.7
<hr/>					

For the Six Months Ended July 3, 1999

	Parent	Guarantors	Non-Guarantors	Eliminations	Consolidated
(Unaudited, in millions)					
Net sales	\$ 576.3	\$2,344.1	\$4,188.9	\$(1,188.5)	\$5,920.8
Cost of sales	564.3	2,109.0	3,878.1	(1,188.5)	5,362.9
Selling, general and administrative expenses	61.0	38.6	113.8	—	213.4
Amortization of goodwill	2.8	9.4	21.1	—	33.3
<hr/>					
Operating income (loss)	(51.8)	187.1	175.9	—	311.2
Interest expense	31.3	48.8	10.2	—	90.3
Other (income) expense, net	(147.1)	77.6	84.7	—	15.2
<hr/>					
Income before provision for national income taxes and equity in net income of subsidiaries	64.0	60.7	81.0	—	205.7
Provision for national income taxes	38.4	25.4	16.8	—	80.6
Equity in net income of subsidiaries	(99.5)	(26.3)	—	125.8	—
<hr/>					
Net income	\$ 125.1	\$ 61.6	\$ 64.2	\$ (125.8)	\$ 125.1
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**LEAR CORPORATION AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

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

For the Six Months Ended July 1, 2000

	Parent	Guarantors	Non-Guarantors	Eliminations	Consolidated
(Unaudited, in millions)					
Net cash provided by operating activities	\$ 23.4	\$ 229.3	\$ 41.4	\$ —	\$ 294.1
Cash Flows from Investing Activities:					
Additions to property, plant and equipment	(25.9)	(40.1)	(95.4)	—	(161.4)
Proceeds from disposition of businesses	—	95.1	9.0	—	104.1
Other, net	(7.5)	.3	(.7)	—	(7.9)
<hr/>					
Net cash provided by (used in) investing activities	(33.4)	55.3	(87.1)	—	(65.2)
<hr/>					
Cash Flows from Financing Activities:					
Change in long-term debt, net	48.3	1.1	(149.6)	—	(100.2)
Short-term borrowings, net	(66.5)	—	(13.7)	—	(80.2)
Purchase of treasury stock	(50.9)	—	—	—	(50.9)
Increase (decrease) in drafts	2.0	(30.1)	18.2	—	(9.9)
Other, net	.7	—	—	—	.7
Change in intercompany accounts	102.8	(253.7)	150.9	—	—
<hr/>					
Net cash provided by (used in) financing activities	36.4	(282.7)	5.8	—	(240.5)
<hr/>					
Effect of foreign currency translation	—	4.4	(6.1)	—	(1.7)
<hr/>					
Net Change in Cash and Cash Equivalents	26.4	6.3	(46.0)	—	(13.3)
Cash and Cash Equivalents at Beginning of Period	.2	8.7	98.0	—	106.9

Cash and Cash Equivalents at End of Period	\$ 26.6	\$ 15.0	\$ 52.0	\$ —	\$ 93.6
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LEAR CORPORATION AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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

For the Six Months Ended July 3, 1999

	Parent	Guarantors	Non-Guarantors	Eliminations	Consolidated
(Unaudited, in millions)					
Net cash provided by (used in) operating activities	\$ (94.3)	\$ 342.7	\$ (36.8)	\$ —	\$ 211.6
Cash Flows from Investing Activities:					
Additions to property, plant and equipment	(28.2)	(40.5)	(93.9)	—	(162.6)
Cost of acquisitions, net of cash acquired	—	(2,277.6)	—	—	(2,277.6)
Proceeds from disposition of businesses	—	310.0	—	—	310.0
Net cash used in investing activities	(28.2)	(2,008.1)	(93.9)	—	(2,130.2)
Cash Flows from Financing Activities:					
Change in long-term debt, net	1,922.1	9.5	(106.0)	—	1,825.6
Short-term borrowings, net	(25.3)	18.7	(10.9)	—	(17.5)
Increase (decrease) in drafts	43.0	48.5	6.4	—	97.9
Other, net	.7	—	—	—	.7
Change in intercompany accounts	(1,845.5)	1,638.5	207.0	—	—
Net cash provided by financing activities	95.0	1,715.2	96.5	—	1,906.7
Effect of foreign currency translation	—	.6	13.6	—	14.2
Net Change in Cash and Cash Equivalents	(27.5)	50.4	(20.6)	—	2.3
Cash and Cash Equivalents at Beginning of Period	(3.8)	2.7	31.1	—	30.0
Cash and Cash Equivalents at End of Period	\$ (31.3)	\$ 53.1	\$ 10.5	\$ —	\$ 32.3

LEAR CORPORATION AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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

Basis of Presentation — In connection with the acquisition of UT Automotive (see Notes 3 and 9), the Company issued \$1.4 billion aggregate principal amount of senior notes, which consisted of \$600 million aggregate principal amount of 7.96% senior notes due May 15, 2005 and \$800 million aggregate principal amount of 8.11% senior notes due May 15, 2009. Certain of the Company's domestic wholly-owned subsidiaries (the "Guarantors") irrevocably and unconditionally fully guaranteed on a joint and several basis the punctual payment when due, whether at stated maturity, by acceleration or otherwise, of all of the Company's obligations under the senior notes, including the Company's obligations to pay principal, premium, if any, and interest with respect to the senior notes. The Guarantors on the date of the indenture were Lear Operations Corporation and Lear Corporation Automotive Holdings (formerly, UT Automotive). Effective as of May 2, 2000, Lear Seating Holdings Corp. #50 and Lear Corporation EEDS and Interiors became Guarantors under the indenture governing the senior notes. In lieu of providing separate unaudited financial statements for the Guarantors, the Company has included the unaudited consolidating condensed financial statements on pages 17 to 22. All supplemental guarantor condensed consolidating financial statements reflect Lear Operations Corporation, Lear Corporation Automotive Holdings, Lear Seating Holdings Corp. #50 and Lear Corporation EEDS and Interiors as Guarantors for all periods presented. Management does not believe that separate financial statements of the Guarantors are material to investors. Therefore, separate financial statements and other disclosures concerning the Guarantors are not presented.

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

Selling and Administrative Expenses — The Parent allocated \$26.8 million and \$21.0 million for the three month periods ended July 1, 2000 and July 3, 1999, respectively, and \$47.6 million and \$33.1 million for the six month periods ended July 1, 2000 and July 3, 1999, respectively, of corporate selling and administrative expenses to its operating subsidiaries. The allocations were based on various factors which estimate usage of particular corporate functions, and in certain instances, other relevant factors, such as the revenues or headcount of the Company's subsidiaries.

LEAR CORPORATION AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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

Long-term debt of the Parent and the Guarantors — Long-term debt of the Parent and the Guarantors on a combined basis consisted of the following as of July 1, 2000 and December 31, 1999 (unaudited, in millions):

	July 1, 2000	December 31, 1999
Senior notes	\$1,400.0	\$1,400.0
Credit agreement	1,327.1	1,275.1
Other long-term debt	101.4	104.0
Subordinated notes	336.0	336.0
	3,164.5	3,115.1
Less — current portion	(125.2)	(50.2)
	\$3,039.3	\$3,064.9

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

For a more detailed description of the above indebtedness, see Note 9 to the Consolidated Financial Statements.

ITEM 2 — MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Three Months Ended July 1, 2000 vs. Three Months Ended July 3, 1999.

Net sales in the quarter ended July 1, 2000 were \$3.8 billion, exceeding net sales in the quarter ended July 3, 1999 by \$.5 billion or 16.3%. The increase in net sales in the second quarter of 2000 was primarily the result of internal growth, which accounted for \$.4 billion of the increase, and acquisitions, which collectively accounted for \$.2 billion of the increase. Unfavorable exchange rate fluctuations negatively impacted net sales in the second quarter of 2000 by \$.1 billion.

Gross profit and gross margin were \$407 million and 10.8% in the quarter ended July 1, 2000 as compared to \$339 million and 10.5% in the quarter ended July 3, 1999. The increase in gross profit and gross margin in the second quarter of 2000 was driven by organic growth and acquisitions as well as improved operating efficiencies.

Selling, general and administrative expenses, including research and development, as a percentage of net sales decreased to 3.7% in the second quarter of 2000 as compared to 4.0% in the second quarter of 1999. The decrease in selling, general and administrative expenses as a percentage of net sales was primarily due to the inclusion of acquisition-related costs in the second quarter of 1999.

Operating income and operating margin were \$246 million and 6.5% in the second quarter of 2000 as compared to \$191 million and 5.9% in the second quarter of 1999. The increase in operating income was primarily due to the contribution of acquisitions, which collectively accounted for \$28 million of the increase, as well as operating efficiencies. This increase was partially offset by higher goodwill amortization as a result of the acquisition of UT Automotive and foreign currency which negatively impacted operating income by \$8 million. The operating margin improvement was primarily the result of the successful integration of our acquisitions as well as the improved performance of our manufacturing operations in the United States and Canada and increased production in Mexico and South America.

Interest expense in the second quarter of 2000 increased by \$21 million to \$81 million as compared to \$60 million in the second quarter of 1999, primarily due to interest expense resulting from debt incurred to finance recent acquisitions and an increase in interest rates on our floating debt, including debt under our primary credit facilities.

Other (income) expense, which includes state and local taxes, foreign currency exchange, minority interests in consolidated subsidiaries, equity in net income of affiliates and other non-operating expenses, was \$9 million of income in the second quarter of 2000 as compared to \$7 million of expense in the second quarter of 1999. During the second quarter of 2000, we recorded a one-time gain of \$37 million related to the sale of our sealants and foam rubber business. In addition, we recorded non-recurring expenses of \$14 million, which included the disposal of idle equipment. Excluding non-recurring transactions, other (income) expense was \$14 million of expense in the second quarter of 2000.

The provision for income taxes in the current quarter was \$72 million, representing an effective tax rate of 41.3%, as compared to \$48 million, representing an effective tax rate of 39.3%, in the prior year. Net income in the second quarter of 2000 was \$102 million, or \$1.53 per share, as compared to \$75 million, or \$1.10 per share, in the second quarter of 1999. Excluding non-recurring transactions, net income was \$89 million, or \$1.33 per share, in the quarter ended July 1, 2000.

Six Months Ended July 1, 2000 vs. Six Months Ended July 3, 1999.

Net sales in the first six months of 2000 were \$7.6 billion, exceeding net sales in the first six months of 1999 by \$1.6 billion or 28%. The increase in net sales in the first six months of 2000 was primarily the result of acquisitions, which collectively accounted for \$1.1 billion of the increase, and internal growth, which accounted for \$.7 billion of the increase. Unfavorable exchange rate fluctuations negatively impacted net sales in the first six months of 2000 by \$.2 billion.

Gross profit and gross margin were \$764 million and 10.1% in the six months of 2000 as compared to \$558 million and 9.4% in the comparable period of 1999. The increase in gross profit and gross margin in the current period was primarily due to the contribution of acquisitions.

Selling, general and administrative expenses, including research and development, as a percentage of net sales was 3.7% in the first six months of 2000 as compared to 3.6% in the first six months of 1999. Actual expenditures increased as a result of acquisitions, which accounted for \$54 million of additional selling, general and administrative expenses in the first six months of 2000.

Operating income and operating margin were \$439 million and 5.8% in the first half of 2000 as compared to \$311 million and 5.3% in the first half of 1999. The increase in operating income was primarily due to the contribution of acquisitions, which collectively accounted for \$111 million of the increase. This increase was partially offset by higher goodwill amortization as a result of the acquisition of UT Automotive and foreign currency which negatively impacted operating income by \$10 million. The operating margin improvement was primarily the result of the successful integration of our acquisitions and the positive impact of our restructuring activities as well as continuous improvement activities in all regions of the world.

Interest expense in the first six months of 2000 increased by \$69 million to \$159 million as compared to \$90 million in the first six months of 1999, primarily due to interest expense resulting from debt incurred to finance recent acquisitions and an increase in interest rates on our floating debt, including debt under our primary credit facilities.

Other expense, which includes state and local taxes, foreign currency exchange, minority interests in consolidated subsidiaries, equity in net income of affiliates and other non-operating expenses, was \$1 million in the first six months of 2000 as compared to \$15 million in the first six months of 1999. During the second quarter of 2000, we recorded a one-time gain of \$37 million related to the sale of our sealants and foam rubber business. In addition, we recorded non-recurring expenses of \$14 million, which included the disposal of idle equipment. Excluding non-recurring transactions, other expense was \$24 million in the current period. The increase in expense, as compared to the first six months of 1999, was primarily due to an increase in minority interest expense as a result of higher income at certain of our consolidated joint ventures.

The provision for income taxes in the current period was \$115 million, representing an effective tax rate of 41.2%, as compared to \$81 million, representing an effective tax rate of 39.2%, in the prior year. Net income in the first six months of 2000 was \$164 million, or \$2.45 per share, as compared to \$125 million, or \$1.85 per share, in the first six months of 1999. Excluding non-recurring transactions, net income was \$151 million, or \$2.25 per share, in the first six months of 2000.

Restructuring and Other Charges

In the fourth quarter of 1998, Lear began to implement a restructuring plan designed to lower its cost structure and improve the long-term competitive position of the Company. As a result of this restructuring plan, we recorded pre-tax charges of \$133.0 million, consisting of \$110.5 million of restructuring charges and \$22.5 million of other charges.

The plan originally called for the termination of approximately 3,000 employees, of which 2,604 had been terminated as of July 1, 2000. In addition, the plan originally called for the closure of 13 facilities, of which 11 had been closed as of July 1, 2000. The closure of a European facility and the related termination of 280 employees has been delayed until the third quarter of 2001 due to a request from a customer to continue supplying product until that time. Further, we cancelled the termination of certain

manufacturing and engineering personnel in Italy and Germany due to increased demand for the related programs. There have been no other significant changes to the original restructuring plan.

LIQUIDITY AND CAPITAL RESOURCES

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

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Cash Flow

Operating activities generated \$294 million of cash flows during the first half of 2000 as compared to \$212 million during the first half of 1999. The increase in operating cash flows was primarily due to recoverable customer engineering and tooling, which was a source of \$5 million in the first six months of 2000 as compared to a use of \$61 million in the first six months of 1999.

Excluding non-recurring transactions, net income for the first six months of 2000 increased 20.5% to \$151 million as compared to \$125 million for the same period in 1999. In addition, depreciation and amortization was \$199 million for the first half of 2000 and \$150 million for the first half of 1999. The increase was primarily the result of the acquisition of UT Automotive.

Net cash used in investing activities decreased from \$2.1 billion in the first six months of 1999 to \$65 million in the first six months of 2000. The investments in UT Automotive, Peregrine, Polovot and Ovatex resulted in net acquisition costs of \$2.3 billion in the first half of 1999. Capital expenditures decreased from \$163 million in the first six months of 1999 to \$161 million in the first six months of 2000. We currently anticipate approximately \$215 million in additional capital expenditures during the remaining six months of 2000.

Capitalization

Our primary credit facilities consist of a \$2.1 billion senior credit facility, which matures on September 30, 2001, a \$500 million revolving credit facility, which matures on May 4, 2004, and a \$500 million term loan, having scheduled amortization beginning on October 31, 2000 and a final maturity on May 4, 2004. In addition, we have \$1.4 billion of outstanding senior notes, \$800 million of which mature in 2009 and \$600 million of which mature in 2005.

Our primary credit facilities contain operating and financial covenants that, among other things, could limit our ability to obtain additional sources of capital. The primary credit facilities are guaranteed by certain of our significant domestic subsidiaries and are secured by the pledge of all or a portion of the capital stock of certain of our significant subsidiaries. The senior notes are guaranteed by the same subsidiaries that guarantee our primary credit facilities.

As of July 1, 2000, we had \$1.4 billion outstanding under the primary credit facilities and \$52 million committed under outstanding letters of credit, resulting in approximately \$1.6 billion unused and available. In addition to debt outstanding under the primary credit facilities, we had \$1.9 billion of debt, including short-term borrowings, outstanding as of July 1, 2000, consisting primarily of \$1.4 billion of senior notes due between 2005 and 2009 and \$336 million of subordinated notes due between 2002 and 2006.

In January 2000, we purchased 500,000 shares of our outstanding Common Stock at an average purchase price of \$29.43 per share. In March 2000, our Board of Directors approved a share repurchase program, authorizing the repurchase of up to an additional 6.7 million shares of our outstanding Common Stock over a 24-month period. In the second quarter of 2000, we purchased 1,642,100 shares of our outstanding Common Stock at purchase prices ranging from \$20.53 per share to \$24.91 per share. The extent to which we will repurchase additional shares

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and the timing of such purchases will depend upon prevailing market conditions, alternative uses of capital and other factors.

We believe that cash flows from operations and available credit facilities will be sufficient to meet our anticipated debt service obligations, projected capital expenditures and working capital requirements.

Market Rate Sensitivity

In the normal course of business, we are exposed to market risk associated with fluctuations in foreign exchange rates and interest rates. We manage these risks through the use of derivative financial instruments in accordance with management's guidelines. We enter into all hedging transactions for periods consistent with the underlying exposures. We do not enter into derivative instruments for trading purposes.

Foreign Exchange

We enter into foreign currency forward, swap and option contracts to mitigate our exposure to adverse currency rate fluctuations. Our currency exposures are related to commitments to buy, sell and finance in currencies other than the local currencies in which we operate. These commitments are generally for terms of less than one year. The foreign currency contracts are executed with banks that we believe are creditworthy and are denominated in currencies of major industrialized countries. The gains and losses relating to the foreign currency forward contracts are deferred and included in the measurement of the foreign currency transaction subject to the hedge. Any gain or loss incurred on a foreign currency forward contract is generally offset by the direct effects of currency movements on the underlying transactions.

Our most significant foreign currency exposures relate to Mexico, Canada and the European Monetary Union. We have performed a quantitative analysis of our overall currency rate exposure as of July 1, 2000. The potential adverse earnings impact from a hypothetical 10% weakening of the U.S. dollar relative to all other currencies for a twelve month period is approximately \$3 million.

Interest Rates

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

We have performed a quantitative analysis of our overall interest rate exposure as of July 1, 2000. This analysis assumes an instantaneous 100 basis point parallel shift in interest rates at all

points of the yield curve. The potential adverse earnings impact from this hypothetical increase for a twelve month period is approximately \$11 million.

OTHER MATTERS

Environmental Matters

We are subject to local, state, federal and foreign laws, regulations and ordinances, which govern activities or operations that may have adverse environmental effects and which impose liability for the costs of cleaning up certain damages resulting from past spills, disposal or other releases of hazardous wastes and environmental compliance. Our policy is to comply with all applicable environmental laws and to maintain procedures to ensure compliance. However, we have been, and in the future may become, the subject of formal or informal enforcement actions or procedures. We have been named a potentially responsible party or are voluntarily engaged in the cleanup of hazardous wastes at certain sites owned, leased or operated by us, including certain properties acquired in the UT Automotive acquisition. Certain present and former properties of UT Automotive are subject to environmental liabilities which may be significant. We obtained certain agreements and indemnities with respect to possible environmental liabilities from United Technologies Corporation in connection with our acquisition of UT Automotive. While we do not believe that the environmental liabilities associated with our properties will have a material adverse effect on our business, consolidated financial position or results or future operations, no assurances can be given in this regard.

Accounting Policies

Pre-Production Costs Related to Long-Term Supply Agreements

We incur pre-production ER&D costs related to the products that we supply to our customers under long-term supply agreements. Historically, we have capitalized these costs when reimbursable from the customer and amortized them over the term of the related supply agreement. On September 23, 1999, the EITF issued a consensus on EITF Issue No. 99-5 "Accounting for Pre-Production Costs Related to Long-Term Supply Agreements." The consensus requires that beginning January 1, 2000, all pre-production ER&D costs incurred after December 31, 1999 for products to be supplied under long-term supply agreements be expensed as incurred unless the reimbursement of such costs is contractually guaranteed by the customer. As a result, beginning January 1, 2000, we expensed all pre-production ER&D costs for products to be supplied under long-term supply agreements for which reimbursement was not guaranteed by our customer. The financial impact of expensing such costs was offset through both commercial and operational efforts, and compliance with EITF Issue No. 99-5 had no impact on our cash flows from operations. The EITF consensus does allow for the continued amortization of pre-production engineering, research and development costs incurred and capitalized on or prior to December 31, 1999. As such, we have continued to amortize these costs over the terms of the related supply agreements.

In addition, we incur pre-production tooling costs related to the products that we supply to our customers under long-term supply agreements. Historically, we have capitalized these costs when reimbursable from the customers. EITF Issue No. 99-5

2000, all pre-production tooling costs incurred after December 31, 1999 for tools that the supplier will not own and that will be used in producing products to be supplied under long-term supply agreements be expensed as incurred unless the supply agreement provides the supplier with the noncancelable right to use the tools or the reimbursement of such costs is contractually guaranteed by the customer. As the reimbursement of pre-production tooling costs is generally contractually guaranteed by our customers, compliance with this requirement of EITF Issue No. 99-5 did not have a material impact on our results of operations during the first six months of 2000.

Loss Contract Accrual

We typically enter into supply agreements with our customers at the beginning of a given vehicle's production life. In certain instances, we may be committed under existing agreements to supply product to our customers at selling prices which are not sufficient to cover the direct cost to produce such product. In such situations, we record a liability for the estimated future amount of such losses. Such losses are recognized at the time that the loss is probable and reasonably estimable and are recorded at the minimum amount necessary to fulfill our obligations to our customers. Losses are determined on a separate agreement basis and are estimated based upon information available at the time of the estimate, including future production volume estimates, the length of the program and selling price and production cost information.

During the second quarter of 2000, we recorded a loss contract accrual of \$19.7 million in purchase accounting in connection with the UT Automotive acquisition. During this same period, we utilized \$3.7 million of the accrual to offset current losses. During the first quarter of 2000, we recorded a loss contract accrual of \$18.4 million in purchase accounting in connection with the Peregrine acquisition. During the second quarter of 2000, we utilized \$1.1 million of the accrual to offset current losses. As of July 1, 2000, the remaining loss contract accrual related to Peregrine was \$15.1 million. Previously, we had recorded a loss contract accrual of \$53.3 million in purchase accounting in conjunction with the Delphi acquisition. During the second quarter of 2000, we utilized \$3.6 million of the accrual to offset current losses. As of July 1, 2000, the remaining loss contract accrual related to Delphi was \$26.3 million. These loss contract accruals were not recorded in the historical operating results of UT Automotive, Peregrine or Delphi. The losses included in the accrual have not been, and will not be, included in our operating results since the acquisition date. Further, our future operating results will benefit from accruing these contract losses in the related purchase price allocations.

Derivative Instruments and Hedging Activities

The Financial Accounting Standards Board has issued Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities," which, as amended by SFAS No. 137, is effective for fiscal years beginning after June 15, 2000. It requires all derivative instruments to be recorded in the balance sheet at their fair value. Changes in the fair value of derivative instruments are required to be recorded each period in current earnings or accumulated other comprehensive income, depending on whether or not the derivative instrument is designated as part of a hedge transaction. We do not expect the effects of adoption to be significant.

FORWARD-LOOKING STATEMENTS

This Report contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Investors are cautioned that any forward-looking statements, including statements regarding our intent, belief or current expectations, are not guarantees of future performance and involve risks and uncertainties. Actual results may differ materially from those in the forward-looking statements as a result of various factors including, but not limited to:

- general economic conditions in the markets in which we operate,
- fluctuation in worldwide or regional automobile and light truck production,
- labor disputes involving us or our significant customers,
- changes in practices and/or policies of our significant customers towards outsourcing automotive components and systems,
- our success in achieving cost reductions that offset or exceed customer-mandated selling price reductions,
- unanticipated liabilities arising from legal proceedings to which we are a party or unexpected claims against us or our products,
- fluctuations in currency exchange rates and
- other risks detailed from time to time in our Securities and Exchange Commission filings.

LEAR CORPORATION

PART II — OTHER INFORMATION

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

(a) The annual Meeting of Stockholders of Lear Corporation was held on May 11, 2000. At the meeting, the following matters were submitted to a vote of the stockholders of Lear Corporation. Pursuant to the rules of the New York Stock Exchange, there were no broker non-voters in any of the matters described below.

(1) The election of four directors to hold office until the 2002 Annual Meeting of Stockholders.
The vote with respect to each nominee was as follows:

Nominee	For	Withheld
Irma B. Elder	59,181,045	1,336,630
David P. Spalding	59,187,531	1,330,144
James A. Stern	59,187,297	1,330,378

(2) The appointment of the firm of Arthur Andersen LLP as independent auditors of Lear Corporation for the year ending December 31, 2000

For	Withheld	Abstain
60,466,043	22,916	28,716

LEAR CORPORATION

PART II — OTHER INFORMATION

ITEM 6 — EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits.

- 4.1 Supplemental Indenture No. 1 to Indenture dated as of May 15, 1999, by and among Lear Corporation as Issuer, the Guarantors party thereto from time to time and the Bank of New York as Trustee.
- 10.1 Employment Agreement dated July 5, 2000 between the Company and Kenneth L. Way.
- 10.2 Employment Agreement dated July 5, 2000 between the Company and Robert E. Rossiter.
- 10.3 Employment Agreement dated July 5, 2000 between the Company and James H. Vandenberghe.
- 10.4 Employment Agreement dated July 5, 2000 between the Company and Donald J. Stebbins.
- 10.5 Employment Agreement dated July 5, 2000 between the Company and Douglas G. DelGrosso.
- 27.1 Financial Data Schedule for the quarter ended July 1, 2000.

(b) Reports on Form 8-K.

No reports on Form 8-K were filed during the quarter ended July 1, 2000.

SIGNATURES

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

LEAR CORPORATION

Dated: August 15, 2000

By: /s/ Donald J. Stebbins

Donald J. Stebbins
Senior Vice President and
Chief Financial Officer

By: /s/ David C. Wajsgras

David C. Wajsgras
Vice President and
Corporate Controller

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LEAR CORPORATION
FORM 10-Q
Exhibit Index
For the Quarter Ended July 1, 2000

**Exhibit
Number**

- | | |
|------|--|
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| 27.1 | Financial Data Schedule for the quarter ended July 1, 2000. |

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SUPPLEMENTAL INDENTURE

NO. 1

TO

INDENTURE DATED AS OF MAY 15, 1999

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This SUPPLEMENTAL INDENTURE NO. 1 to INDENTURE (this "Supplemental Indenture") is entered into among Lear Corporation, a Delaware corporation (the "Company"), Lear Operations Corporation, a Delaware corporation ("LOC"), Lear Corporation Automotive Holdings, a Delaware corporation ("LCAH"), Lear Seatings Holdings Corp. # 50, a Delaware corporation ("Lear # 50"), Lear Corporation EEDS and Interiors, a Delaware corporation ("Lear Interiors"), and The Bank of New York, a New York banking corporation, as Trustee (the "Trustee").

RECITALS

WHEREAS, the Company, LOC, LCAH and the Trustee have entered into that certain Indenture dated as of May 15, 1999 (the "Indenture") providing for the issuance and delivery by the Company of its 7.96% Senior Notes due 2005 (the "7.96% Notes") and its 8.11% Senior Notes due 2009 (the "8.11% Notes" and, together, with the 7.96% Notes, the "Notes");

WHEREAS, Lear # 50, a subsidiary of the Company, will become, concurrently with the execution and delivery of this Supplemental Indenture, a guarantor under the Principal Credit Facilities;

WHEREAS, Lear Interiors, a subsidiary of the Company, will become, concurrently with the execution and delivery of this Supplemental Indenture, a guarantor under the Principal Credit Facilities; and

WHEREAS, pursuant to Section 10.06 of the Indenture, any subsidiary of the Company that becomes a guarantor under the Principal Credit Facilities is required to become a Guarantor under the Indenture;

NOW, THEREFORE, in consideration of the mutual agreements contained herein and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereto agree as follows for the benefit of each other party and for the equal and ratable benefit of the Holders of the Notes:

Section 1. GUARANTEE.

For value received, each of Lear # 50 and Lear Interiors hereby agrees to become a party to the Indenture as a Guarantor under and pursuant to Article 10 of the Indenture and to jointly and severally unconditionally guarantee to each Holder and the Trustee (a) the due and punctual payment in full of principal of and interest on the Notes when due, whether at stated maturity, upon acceleration, redemption or otherwise, (b) the due and punctual payment in full of interest on the overdue principal of and, to the extent permitted by law, interest on the Notes, and (c) the due and punctual payment of all other Obligations of the Company and the other Guarantors to the Holders and the Trustee under the Indenture and the Notes, including, without limitation, the payment of fees, expenses, indemnification or other amounts.

Section 2. MISCELLANEOUS.

2.1. GOVERNING LAW. THIS SUPPLEMENTAL INDENTURE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

2.2. Confirmation of the Indenture. Except as amended hereby, the Indenture shall remain in full force and effect and is hereby ratified and confirmed in all respects.

2.3. Multiple Counterparts. The parties may sign multiple counterparts of this Supplemental Indenture. Each signed counterpart shall be deemed an original, but all of them together represent one and the same agreement.

2.4. Separability. Each provision of this Supplemental Indenture shall be considered separable and if for any reason any provision which is not essential to the effectuation of the basic purpose of this Supplemental Indenture shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

2.5. Headings. The captions of the various section headings of this Supplemental Indenture have been inserted for convenience of reference only, are not to be considered a part hereof, and shall in no way modify or restrict any of the terms or provisions hereof.

2.6. The Trustee. The Trustee shall not be responsible in any manner whatsoever for or in respect of the validity or sufficiency of this Supplemental Indenture or for or in respect of the recitals contained herein, all of which recitals are made solely by the Company and the Guarantors.

2.7. Definitions. All terms defined in the Indenture shall have the same meaning in this Supplemental Indenture unless otherwise defined herein.

[signature page follows]

IN WITNESS WHEREOF, the parties hereto caused this Supplemental Indenture to be duly executed as of this 2nd day of May, 2000.

LEAR CORPORATION

By: /s/ Joseph F. McCarthy

Name: Joseph F. McCarthy
Title: Vice President, Secretary and General Counsel

LEAR OPERATIONS CORPORATION

By: /s/ Joseph F. McCarthy

Name: Joseph F. McCarthy
Title: Vice President, Secretary and General Counsel

LEAR CORPORATION AUTOMOTIVE HOLDINGS

By: /s/ Joseph F. McCarthy

Name: Joseph F. McCarthy
Title: Vice President and Secretary

LEAR SEATINGS HOLDINGS CORP. # 50

By: /s/ Joseph F. McCarthy

Name: Joseph F. McCarthy
Title: Secretary and General Counsel

LEAR CORPORATION EEDS AND INTERIORS

By: /s/ Joseph F. McCarthy

Name: Joseph F. McCarthy
Title: Vice President and Secretary

THE BANK OF NEW YORK, as Trustee

By: /s/ Terence Rawlins

Name: Terence Rawlins
Title: Assistant Vice President

July 5, 2000

Mr. Kenneth L. Way
1452 Inwoods Circle Court
Bloomfield Hills, MI 48302

Dear Ken:

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

The Board of Directors of the Company (the "Board") has determined that appropriate steps should be taken to reinforce and encourage the continued attention and dedication of members of the Company's management, including yourself, to their assigned duties. The Board recognizes that, as is the case with many publicly-held companies, the possibility of a Change in Control (as that term is hereafter defined) exists. The Company wishes to assure itself of both present and future continuity of management in the event of any Change in Control and that certain of its executives are not practically disabled from discharging their duties upon a Change in Control. In order to induce you to remain in the employ of the Company, and in consideration of your agreement to the termination of any existing employment contract you may have with the Company or any predecessor, the Company agrees that you shall receive, upon the terms and conditions set forth herein, the compensation and benefits set forth in this letter agreement ("Agreement") during the Term hereof.

1. TERM OF AGREEMENT. This Agreement shall commence as of July 1, 2000 ("Effective Date") and the term of this Agreement shall at all times be three years, that is, the term of this Agreement shall be automatically extended each day for an additional day such that this Agreement shall continually have an unexpired term of three years, until the date three years after written notice is provided by either the Company or the Executive that this Agreement is not to be further extended or until the date the Executive reaches his or her normal retirement date under the Company's retirement plan for salaried employees then in effect, whichever shall first occur (the "Term"). There shall be no renewal of the Term after the Date of Termination.

2. TERMS OF EMPLOYMENT. During the Term, you agree to be a full-time employee of the Company serving in the position of Chairman of the Company and to devote substantially all of your working time and attention to the business and affairs of the Company and, to the extent necessary, to discharge the responsibilities associated with your position as Chairman of the

Company, to use your best efforts to perform faithfully and efficiently such responsibilities. In addition, you agree to serve in such other capacities or offices to which you may be assigned, appointed or elected from time to time by the Board. Nothing herein shall prohibit you from devoting your time to civic and community activities, serving as a member of the Board of Directors of other corporations who do not compete with the Company, or managing personal investments, as long as the foregoing do not interfere with the performance of your duties hereunder.

3. COMPENSATION.

(i) As compensation for your services, under this Agreement, you shall be entitled to receive an initial base salary of \$1,000,000 per annum, to be paid in accordance with existing payroll practices for executives of the Company. Increases in your base salary, if any, shall be as approved by the Compensation Committee of the Board. In addition, you shall be eligible to receive an annual incentive compensation bonus ("Bonus") to be approved from time to time by the Compensation Committee of the Board.

(ii) In addition to compensation provided for in Subsection (i) of this Section 3, the Company agrees (A) to provide the same or comparable benefits with respect to any compensation or benefit plan in which you participate as of the Effective Date which is material to your total compensation, unless an equitable arrangement (embodied in an ongoing substitute or alternative plan) has been made with respect to such plan; and (B) to maintain your ability to participate therein (or in such substitute or alternative plan) on a basis not materially less favorable, both in terms of the opportunities provided and the level of your participation relative to other participants, than exists on the Effective Date.

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

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

4. TERMINATION OF EMPLOYMENT. Your employment may be terminated as set forth herein. If your employment should terminate during the Term, your entitlement to benefits shall be determined in accordance with Section 5 hereof.

(i) NOTICE. Your employment may be terminated by either the Company or you by giving a Notice of Termination, as defined in Subsection (vii) of this Section 4.

(ii) DISABILITY. If, as a result of your incapacity due to physical or mental illness, you become permanently disabled and begin actually to receive disability benefits pursuant to the Lear Corporation's Salary Continuation Plan, the Lear Corporation's Long Term Disability (LTD) Plan for Salaried Employees, the Lear Corporation Executive Disability Insurance Plan or any successor thereto, your employment may be terminated for "Disability".

(iii) CAUSE. Termination of your employment for "Cause" shall mean termination upon:

- (A) an act of fraud, embezzlement or theft by you in connection with your duties or in the course of your employment with the Company;
- (B) your intentional wrongful damage to the property of the Company;
- (C) your intentional wrongful disclosure of secret processes or confidential information of the Company;
- (D) your intentional breach of Section 10 or Section 11 hereof while you remain in the employ of the Company;
- (E) an act of Sexual Harassment (as defined below);
- (F) an act of Gross Misconduct (as defined below);
- (G) discrimination on the basis of race, color, religion or national origin; or
- (H) a felony conviction for a crime involving moral turpitude.

and the determination by the Directors of the Company as hereafter provided that any such act shall have been materially harmful to the Company. For purposes of this Agreement, "Sexual Harassment" shall mean unwelcome sexual advances, requests for sexual favors, and other verbal or physical conduct of a sexual nature, based on the totality of the circumstances, such as the nature of the sexual advances and the context in which the alleged incidents occurred, when (1) submission to such conduct is made either explicitly or implicitly a term or condition of an individual's employment, (2) submission to or rejection of such conduct by an individual is used as the basis of employment decisions affecting such individual, or (3) such conduct has the purpose or effect of unreasonably interfering with an individual's work performance or creating an intimidating, hostile, or offensive working environment. For purposes of this Agreement, "Gross Misconduct" shall mean a willful or negligent act or omission, which is contrary to established policies or practices of the Company and which has or will have a material and adverse impact on the business or reputation of the Company, or on the business of the Company's customers or suppliers as such relate to the Company. For purposes of this Agreement, no act, or failure to act, on your part shall be deemed for "Cause" unless done, or omitted to be done, by you not in good faith and without reasonable belief that your action or omission was in the best interest of the Company. Notwithstanding the foregoing, you shall not be deemed to have been terminated for

"Cause" hereunder unless and until there shall have been delivered to you a copy of a resolution duly adopted by the affirmative vote of a majority of the Directors then in office at a meeting of the Directors called and held for such purpose (after reasonable notice to you and an opportunity for you, together with your counsel, to be heard before the Directors), finding that, in the good faith opinion of the Directors, you have committed an act set forth above in this Section 4(iii) and specifying the particulars thereof in detail. Nothing herein shall limit your right or your beneficiaries' right to contest the validity or propriety of any such determination.

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

(A) any reduction by the Company in your base salary or adverse change in the manner of computing your Bonus, as in effect from time to time, except for across-the-board salary reductions similarly affecting all executive officers of the Company;

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

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

(D) the failure to elect, reelect or otherwise maintain you in the office or position in the Company which you held immediately prior to such failure, or your removal as a Director of the Company (or any successor thereof) if you shall have been a Director of the Company;

(E) there has been an adverse change in your responsibilities, position (including substantial change in status, reporting relationships or working conditions), authority or duties, which situation is not remedied within ten (10) calendar days after receipt by the Company of written notice from you of such change; or

(F) without limiting, the generality or effect of the foregoing, any material breach of this Agreement by the Company.

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

(v) CHANGE IN CONTROL. Notwithstanding, anything contained in this Agreement to the contrary, if a Constructive Termination (as defined in Section 4(vi)) shall have occurred after a Change in Control shall have occurred, you may terminate employment with the Company during the 30 day period immediately following the first anniversary of the occurrence of such Change in Control, with the right to severance compensation as provided in Section 5(iv) hereof and, if applicable, Section 6 hereof. For purposes of this Agreement, a "Change in Control" shall have occurred if at any time during the Term any of the following events shall occur:

(A) the Company is merged or consolidated or reorganized into or with another corporation or other legal person or entity and as a result of such merger, consolidation or reorganization less than 51% of the combined voting power of the then outstanding securities of such corporation or person immediately after such transaction is held in the aggregate by the holders of the then outstanding securities entitled to vote generally in the election of Directors ("Voting Stock") of the Company immediately prior to such transaction;

(B) the Company sells or otherwise transfers all or substantially all of its assets to any other corporation or other legal person or entity if less than 51% of the combined voting power of the then outstanding Voting Stock of such corporation or person immediately after such sale or transfer is held in the aggregate by the holders of Voting Stock of the Company immediately prior to such sale or transfer;

(C) there is a report filed on Schedule 13D or Schedule 14D-1 (or any successor schedule, form or report), each as promulgated pursuant to the Securities Exchange Act of 1934 (the "Exchange Act"), disclosing that any person (as the term "person" is used in Section 13(d)(3) or Section 14(d)(2) of the Exchange Act) has become the beneficial owner (as the term "beneficial owner" is defined under Rule 13d-3 or any successor rule or regulation promulgated under the Exchange Act) of securities representing 20% or more of the then outstanding Voting Stock of the Company;

(D) the Company shall file a report or proxy statement with the Securities and Exchange Commission pursuant to the Exchange Act disclosing in response to Item 1 of Form 8-K-thereunder or Item 6(e) of Schedule 14A thereunder (or any successor schedule, form or report or item therein) that a change in control of the Company has or may have occurred or will or may occur in the future pursuant to any then existing, contract or transaction; or

(E) during any period of two consecutive years, individuals who at the beginning of any such period constitute the Directors of the Company cease for any reason to constitute

at least a majority thereof unless the election, or the nomination for election by the Company's shareholders, of each Director of the Company first elected during such period was approved by a vote of at least two-thirds of the Directors of the Company then still in office who were Directors of the Company at the beginning, of any such period.

Notwithstanding the foregoing provisions of Sections 4(v)(A) and 4(v)(B) hereof, a Change in Control shall not be deemed to have occurred under Section 4(v)(A) or 4(v)(B) if: (i) the Chairman and CEO, President and COO, and Vice Chairman (i.e., the top three executive officers) of the Company shall hold officer positions of substantially equivalent responsibility and authority with the corporation surviving such merger, consolidation, or reorganization, or the entity acquiring such assets (the "Acquiror"); and (ii) not less than 40% of the members of the Board of Directors or other governing body of the Acquiror shall have been directors of the Company during the 90 day period immediately preceding such merger, consolidation, reorganization or acquisition of assets. Notwithstanding the foregoing provisions of Section 4(v)(C) and 4(v)(D) hereof, a Change in Control shall not be deemed to have occurred for purposes of this Agreement solely because (a) the Company, (b) an entity in which the Company directly or indirectly beneficially owns more than 50% of the voting securities or (c) any Company-sponsored employee stock ownership plan or any other employee benefit plan of the Company, or any entity holding shares of Voting Stock for or pursuant to the terms of any such plan, either files or becomes obligated to file a report or a proxy statement under or in response to Schedule 13D, Schedule 14D-1, Item I of Form 8-K or Item 6(e) of Schedule 14A (or any successor schedule, form or report or item therein) under the Exchange Act, disclosing beneficial ownership by it of shares of Voting Stock of the Company, whether in excess of 20% or otherwise, or because the Company reports that a change in control of the Company has or may have occurred or will or may occur in the future by reason of such beneficial ownership by the entities described in clauses (a), (b) and (c) of this paragraph.

(vi) CONSTRUCTIVE TERMINATION. For purposes of this Agreement, "Constructive Termination" shall mean the occurrence, without your express written consent, of any of the following circumstances or events unless such circumstances or events are fully corrected prior to the Date of Termination specified in the Notice of Termination, as such terms are defined in Subsections (viii) and (vii) of this Section 4, respectively, given in respect thereof:

(A) any reduction, other than across-the-board reduction, by the Company in your base salary or adverse change in the manner of computing your Bonus, as in effect from time to time;

(B) the failure by the Company to pay or provide to you within seven (7) days of receipt by the Company of your written demand any amounts of base salary or Bonus or any benefits which are due, owing and payable to you pursuant to the terms hereof, or to pay to you any portion of an installment of deferred compensation due under any deferred compensation program of the Company;

(C) the failure by the Company to (i) continue in effect any compensation or benefit plan in which you participate which is material to your total compensation and benefits,

including but not limited to the Company's plans currently in effect or hereafter adopted, and any plans adopted in substitution therefor, or (ii) continue to provide you with benefits substantially similar, in aggregate, to the Company's life insurance, medical, dental, health, accident or disability plans in which you are participating at the date of this Agreement;

(D) the failure to elect, reelect or otherwise maintain you in the office or substantially same position in the Company which you held immediately prior to such failure, or your removal as a Director of the Company (or any successor thereof) if you shall have been a Director of the Company;

(E) there has been an adverse change in your responsibilities, position (including substantial change in status, reporting relationships or working conditions), authority or duties, which situation is not remedied within ten (10) calendar days after receipt by the Company of written notice from you of such change;

(F) the requirement by the Company that you change your principal location of work to any location which is in excess of 50 miles from your principal location of work immediately prior to such relocation, or a material increase in your travel away from your office in the course of discharging your responsibilities or duties hereunder, without, in either case, your prior written consent; or

(G) without limiting, the generality or effect of the foregoing, any material breach of this Agreement by the Company.

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

(vii) NOTICE OF TERMINATION. Any termination of your employment by the Company or by you shall be communicated by written Notice of Termination to the other party hereto in accordance with Section 9 hereof. For purposes of this Agreement, a "Notice of Termination" shall mean a notice which shall indicate the specific termination provision in this Agreement relied upon, if any, and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of your employment under the provision so indicated.

(viii) DATE OF TERMINATION. "Date of Termination" shall mean

(A) if your employment is terminated for Disability pursuant to Subsection (ii) of this Section 4, the date on which you are considered disabled pursuant to the Lear Corporation's Salary Continuation Plan, the Lear Corporation's Long Term Disability (LTD) Plan for Salaried Employees, the Lear Corporation Executive Disability Insurance Plan or any successor thereto;

(B) if your employment is terminated by reason of your death, the date of your death;

(C) if your employment is terminated by you for Good Reason or by either party for any other reason (other than Disability, death, or your voluntary resignation without Good Reason), the date specified in the Notice of Termination (which, in the case of a termination by you for Good Reason, shall not be less than thirty (30) nor more than sixty (60) days from the date such Notice of Termination is given); and

(D) if your employment is terminated by your voluntary resignation without Good Reason (as defined in Subsection (iv) of this Section 4), the Date of Termination shall be forty-five (45) days from the date such Notice of Termination is given or such earlier date after the date such Notice of Termination is given, as may be identified by the Company.

Unless the Company instructs you not to do so, you shall continue to perform services as provided in this Agreement through the Date of Termination.

(ix) EMPLOYEE BENEFITS. A termination by the Company pursuant to Section 4(ii) hereof or by you pursuant to Section 4(iv) or Section 4(v) hereof shall not affect any rights which you may have pursuant to any other agreement, policy, plan, program or arrangement of the Company providing employee benefits, which rights shall be governed by the terms thereof; provided, however, that if you shall have received or shall be receiving benefits under Section 5 hereof and, if applicable, Section 6 hereof, you shall not be entitled to receive benefits under any other policy, plan, program or arrangement of the Company providing severance compensation to which you would otherwise be entitled. If this Agreement or your employment is terminated under circumstances in which you are not entitled to any payments under Section 5 hereof, you shall have no further obligation or liability to the Company hereunder with respect to your prior or any future employment by the Company.

5. COMPENSATION UPON TERMINATION OR DURING DISABILITY. Upon termination of your employment with the Company during the Term, you shall be entitled to the following compensation and benefits:

(i) If your employment is terminated for Disability, (a) for the period from the Date of Termination until the end of the calendar year in which such termination occurs, you shall receive all compensation payable to you under the Company's disability and medical plans and programs, as in effect on the Date of Termination, plus an additional payment from the Company (if necessary) such that the aggregate amount received by you in the nature of salary continuation from all sources equals your base salary, at the rate in effect on the Date of Termination, plus any Bonus earned and all other amounts to which you are entitled under any compensation or benefit plans of the Company, prorated for the portion of the Bonus, compensation or benefit measurement period occurring prior to the Date of Termination, and (b) for the period from the end of the calendar year in which such termination occurs until the end of the Term, you shall receive all compensation payable to you under the Company's disability and medical plans and programs, as in effect on the Date of Termination, plus an additional payment from the Company (if necessary) such that the aggregate amount received by you in the nature of salary continuation from all sources equals your base salary at the rate in effect on the Date of Termination. After the end of the Term, your benefits shall be determined under the Company's retirement, insurance and

other compensation programs then in effect in accordance with the terms of such programs, provided that such terms shall not be less advantageous to you than the terms of such programs in effect as of the Effective Date.

(ii) If your employment shall be terminated (a) by the Company for Cause, or (b) by you other than for Good Reason or a Constructive Termination after a Change in Control, the Company shall pay you your base salary proportionately allocated on a pro-rata basis through the Date of Termination, at the rate in effect at the time Notice of Termination is given, plus all other amounts to which you are fully vested and irrevocably entitled under any compensation or benefit plans of the Company as of the Date of Termination, and the Company shall have no further obligations in any respect whatsoever for payment of compensation or benefits to you under this Agreement. Provided, however, that if your employment is terminated by your voluntary resignation without Good Reason, you shall be compensated under this Subsection 5(ii) only to the extent that you actively performed your assigned responsibilities through the Date of Termination.

(iii) If your employment shall be terminated by reason of your death, the Company shall pay your estate or designated beneficiary (as designated by you by written notice to the Company, which designation shall remain in effect for the remainder of the Term and any extensions thereof until revoked or a new beneficiary is designated, in either case by written notice to the Company) your base salary proportionately allocated on a pro-rata basis through the Date of Termination and for a period of 12 whole calendar months thereafter plus, if the Date of Termination shall not occur on the first day of a calendar month, the balance of the month in which the Date of Termination occurs, at the rate in effect at the time of your death, plus any Bonus earned, prorated for the portion of the Bonus measurement period occurring prior to the date of your death, plus all other amounts to which you are entitled under any compensation or benefit plans of the Company at the date of your death, including, but not limited to, all life insurance proceeds payable on your death to which your estate or beneficiaries are otherwise entitled in accordance with the terms thereof, and the Company shall have no further obligation to you, your beneficiaries or your estate under this Agreement.

(iv) If your employment shall be terminated (a) by the Company other than for Cause or Disability or (b) by you for Good Reason or because of Constructive Termination after a Change in Control, then you shall be entitled to the benefits provided below:

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

(B) The Company shall pay or cause to be paid to you, in lieu of any further payments to you for the portion of the Term subsequent to the Termination Date, excluding any amounts payable under Section 5(iv)(D) hereof, and excluding your rights at law or in

equity (other than rights to damages for termination of your employment or this Agreement), a payment, which shall be made either (i) if mutually agreed to by you (or your estate or other representative) and the Company as of the Date of Termination, in a lump sum within five business days after the Termination Date in an amount equal to the present value of the Severance Payment (as defined below), using a discount rate equal to the applicable interest rate promulgated by the Internal Revenue Service ("IRS") under Section 417(e)(3) of the Internal Revenue Code of 1986, as amended ("Code") for the third month preceding the month in which the Termination Date occurs, and if the IRS ceases to promulgate such interest rates, the last such interest rate so promulgated, or (ii) in the absence of such an agreement, in installments, without interest (with exceptions for any amounts imputed or otherwise deemed or recharacterized as interest under the Code) in thirty-six (36) equal monthly installments with each such monthly installment payment equal to 1/36th of the aggregate amount of the Severance Payment. The "Severance Payment" shall be equal to the sum of:

(i) the aggregate base salary (at the highest rate in effect at any time during the Term) which you would have received pursuant to this Agreement for two years, had your employment with the Company continued for such period; plus

(ii) the aggregate Bonus (based upon the highest annual Bonus that you received with respect to any calendar year during, the three calendar years immediately preceding the calendar year in which the Termination Date occurred) which you would have received pursuant to this Agreement for two years, had your employment with the Company continued for such period; plus

(iii) the cash value of all benefits that would be payable to you under the Company Pension Equalization Plan ("PEP"), the Company Management Stock Purchase Plan ("MSPP"), the Company Executive Supplemental Savings Plan ("ESSP"), and the Company Long-Term Stock Incentive Plan ("LTSIP") (the PEP, MSPP, ESSP and LTSIP are collectively referred to herein as the "Plans"), (based upon the highest annual aggregate rate that you received benefits under each of the Plans with respect to any calendar year during the three calendar years immediately preceding the calendar year in which the Termination Date occurs) pursuant to this Agreement for two years, had your employment with the Company continued for such period, other than Plan benefits providing base salary, Bonus and the benefits to be provided pursuant to Section 5(iv)(D) hereof.

You and the Company acknowledge that references in this Section 5(iv)(B) to the PEP, the MSPP, the ESSP, and the LTSIP, shall be deemed to be references to such plans as amended or restated from time to time and to any similar plan of the Company that supplements or supersedes any such plans; provided that any amendment during the Term that reduces benefits under the PEP, the MSPP, the ESSP, or the LTSIP (or any similar plan of the Company that supplements or supersedes any of such plans) in any way (including without limitation by reducing, the rate of benefit accruals or contribution levels under, any of such plans, or by changing, the basis upon which actuarial equivalents are

determined under any such plans) shall be disregarded for purposes of this Section 5(iv)(B). In addition, you and the Company acknowledge that references in this Section 5 to any Section of the Code shall be deemed to be references to such Section as amended from time to time or to any successor thereto.

(C) The Company shall pay all legal fees and expenses incurred by you as a result of such termination (including without limitation all such fees and expenses, if any, incurred in seeking to obtain or enforce any right or benefit provided by this Agreement in accordance with Section 21 hereof).

(D) The Company shall arrange to provide to you, for the remainder of the Term, benefits provided under any "welfare benefit plan" of the Company as the term "welfare benefit plan" is defined in Section 3(1) of the Employee Retirement Income Security Act of 1974, as amended, which you were receiving or entitled to receive during the Term ("Welfare Benefits"). If and to the extent that any such Welfare Benefits shall not or cannot be paid or provided under any policy, plan, program or arrangement of the Company (i) solely due to the fact that you are no longer an officer or employee of the Company or did not continue as an officer or employee of the Company during the remainder of the Term or (ii) as a result of the amendment or termination of any plan providing for Welfare Benefits, the Company shall then itself pay or provide for the payment of such Welfare Benefits to you, your dependents and beneficiaries. Without otherwise limiting the purposes or effect of the no mitigation obligation in Section 5(viii) hereof, Welfare Benefits payable to you (including your dependents and beneficiaries) pursuant to this Section 5(iv)(D) shall be reduced to the extent comparable benefits are actually received by you (including your dependents and beneficiaries) from another employer during such period, and any such benefits actually received by you shall be reported by you to the Company.

(E) Your right to acquire any shares of the Company's capital stock under any and all outstanding stock options, or other rights previously granted to you under any stock option, stock purchase, stock appreciation, or similar equity-based plans of the Company shall expire as of the Date of Termination and be null, void, and of no further force or effect, except (i) to the extent the express terms of such stock option, stock purchase, stock appreciation, or similar equity-based plans provide for vesting or other manner of continuation after the Date of Termination, or (ii) on such terms and conditions as mutually agreed to by you and the Company as of the Date of Termination.

(v) Any Bonus that is payable to you with respect to a period that is less than a full calendar year (a "partial calendar year") shall be prorated by multiplying (i) the Bonus that would have been payable to you with respect to the entire calendar year had your employment with the Company continued until the end of such year by (ii) a fraction, the numerator of which equals the number of days in the partial calendar year and the denominator of which equals 365.

(vi) The Company, if permitted by law, may set-off or counterclaim losses, fines or damages in respect of any claim, debt or obligation against any payment to or benefit for you provided for in this Agreement.

(vii) Without limiting your rights at law or in equity, if the Company fails to make any payment or provide any benefit required to be made or provided hereunder on a timely basis, the Company will pay interest on the amount or value thereof at an annualized rate of interest equal to the "prime rate" as quoted from time to time during the relevant period in The Wall Street Journal, plus three percent. Such interest will be payable as it accrues on demand. Any change in such prime rate will be effective on and as of the date of such change.

(viii) The Company hereby acknowledges that it will be difficult, and may be impossible, for you to find reasonably comparable employment following the Termination Date. In addition, the Company acknowledges that its severance pay plans and policies applicable in general to its salaried employees do not provide for mitigation, offset or reduction of any severance payment received thereunder. Accordingly, the parties hereto expressly agree that the payment of the severance compensation by the Company to you in accordance with the terms of this Agreement shall be liquidated damages and that you shall not be required to mitigate the amount of any payment provided for in this Agreement by seeking other employment or otherwise, nor shall any profits, income, earnings or other benefits from any source whatsoever create any mitigation, offset, reduction or any other obligation on the part of you hereunder or otherwise, except as expressly provided in this Section 5.

6. CERTAIN ADDITIONAL PAYMENTS BY THE COMPANY.

(i) Anything in this Agreement to the contrary notwithstanding, in the event that it shall be determined (as hereafter provided) that any payment by the Company to or for your benefit, whether paid or payable pursuant to the terms of this Agreement or otherwise (a "Payment"), would be subject to the excise tax imposed by Section 4999 (or any successor thereto) of the Code, and any interest or penalties with respect to such excise tax (such excise tax, together with any such interest and penalties, are hereafter collectively referred to as the "Excise Tax"), then you shall be entitled to receive an additional payment or payments (collectively, a "Gross-Up Payment"), including without limitation any Gross-Up Payment made with respect to the Excise Tax, if any, attributable to (i) any incentive stock option, as defined by Section 422 of the Code ("ISO"), or (ii) any stock appreciation or similar right, whether or not limited, granted in tandem with any ISO. The Gross-Up Payment shall be in an amount such that, after payment by you of the Excise Tax, plus any additional taxes, penalties and interest, and any further Excise Taxes imposed upon the Gross-Up Payment, you retain, after payment of all such taxes and Excise Taxes, an amount of the Gross-Up Payment equal to the Payment that you would have received if no Excise Taxes had been imposed upon the Payment and no additional taxes or further Excise Taxes had been imposed upon the Gross-Up Payment.

(ii) Subject to the provisions of Section 6(v) hereof, all determinations required to be made under this Section 6, including whether an Excise Tax is payable by you and the amount of such Excise Tax and whether a Gross-Up Payment is required and the amount of such Gross-Up

Payment, shall be made by a nationally recognized firm of certified public accountants (the "Accounting Firm") selected by you in your sole discretion. You shall direct the Accounting Firm to submit its determination and detailed supporting calculations to both the Company and you within 30 calendar days after the Termination Date. If the Accounting Firm determines that any Excise Tax is payable by you, the Company shall pay the required Gross-Up Payment to you within five (5) business days after receipt of the aforesaid determination and calculations. If the Accounting Firm determines that no Excise Tax is payable by you, it shall, at the same time as it makes such determination, furnish you with an opinion that you do not owe any Excise Tax on your Federal income tax return. Any determination by the Accounting Firm as to the amount of the Gross-Up Payment to be paid by the Company within such 30 calendar day period shall be binding upon the Company and you. As a result of the uncertainty in the application of Section 4999 (or any successor thereto) of the Code at the time of the initial determination by the Accounting Firm hereunder, it is possible that Gross-Up Payments which will not have been made by the Company should have been made ("Underpayment"), consistent with the calculations required to be made hereunder. In the event that the Company exhausts its remedies pursuant to Section 6(v) hereof and you thereafter are required to make a payment of any Excise Tax, you shall direct the Accounting Firm to determine the amount of the Underpayment that has occurred and to submit its determination and detailed supporting calculations to both the Company and you as promptly as possible. Any such Underpayment shall be promptly paid by the Company to or for your benefit within three calendar days after receipt of such determination and calculations.

(iii) The Company and you shall each cooperate with the Accounting Firm in connection with the preparation and issuance of the determination provided for in Section 6(ii) hereof. Such cooperation shall include without limitation providing the Accounting Firm access to and copies of any books, records and documents in the possession of the Company or you, as the case may be, that are reasonably requested by the Accounting Firm.

(iv) The fees and expenses of the Accounting Firm for its services in connection with the determinations and calculations provided for in Section 6(ii) hereof shall initially be paid by you. The Company shall reimburse you for your payment of such costs and expenses within five (5) business days after receipt from you of a statement therefor and evidence of your payment thereof.

(v) You shall notify the Company in writing, of any claim by the IRS that, if successful, would require the payment by the Company of a Gross-Up Payment. Such notification shall be given as soon as practicable but no later than 10 business days after you receive notice of such claim and shall apprise the Company of the nature of such claim and the date on which such claim is requested to be paid. You shall not pay such claim prior to the earlier of (A) the expiration of the 30 calendar day period following the date on which you give such notice to the Company or (B) the date that any payment of taxes with respect to such claim is due. If the Company notifies you in writing prior to the expiration of such period that it desires to contest such claim, you shall:

(i) give the Company any information reasonably requested by the Company relating to such claim;

(ii) take such action in connection with contesting such claim as the Company shall reasonably request in writing, from time to time, including without limitation accepting legal representation with respect to such claim by an attorney reasonably selected by the Company;

(iii) cooperate with the Company in good faith in order effectively to contest such claim; and

(iv) permit the Company to participate in any proceedings relating to such claim;

provided, however, that the Company shall bear and pay directly all costs and expenses (including additional interest and penalties) incurred in connection with such contest and shall indemnify and hold you harmless, on an after-tax basis, for any Excise Tax or income tax, including interest and penalties with respect thereto, imposed as a result of such representation and payment of costs and expenses. Without limitation on the foregoing provisions of this Section 6(v), the Company shall, provided that such control does not have a material adverse affect on your individual income tax with respect to matters unrelated to the contest of the Excise Tax, control all proceedings taken in connection with such contest and, at its sole option, may, provided that such pursuit or foregoing does not have a material adverse affect on your individual income tax with respect to matters unrelated to the contest of the Excise Tax, pursue or forego any and all administrative appeals, proceedings, hearings and conference with the IRS in respect of such claim (but, you may participate therein at your own cost and expense) and may, at its sole option, provided that such payment, suit, contest or prosecution does not have a material adverse affect on your individual income tax with respect to matters unrelated to the contest of the Excise Tax, either direct you to pay the tax claimed and sue for a refund or contest the claim in any permissible manner, and you agree to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as the Company shall determine; provided, however, that if the Company directs you to pay the tax claimed and sue for a refund, the Company shall advance the amount of such payment to you on an interest-free basis and shall indemnify and hold you harmless, on an after-tax basis, from any Excise Tax or income tax, including interest or penalties with respect thereto, imposed with respect to such advance or with respect to any imputed income with respect to such advance; and further provided that any extension of the statute of limitations relating to payment of taxes for your taxable year with respect to which the contested amount is claimed to be due is limited solely to such contested amount. Furthermore, the Company's control of such contest shall be limited to issues with respect to which a Gross Up Payment would be payable hereunder, and you shall be entitled to settle or contest, as the case may be, any other issue raised by the IRS.

(vi) If, after the receipt by you of an amount advanced by the Company pursuant to Section 6(v) hereof, you receive any refund with respect to such claim, you shall (subject to the Company's complying with the requirements of Section 6(v) hereof) promptly pay to the Company the amount of such refund (together with any interest paid or credited thereon after any taxes applicable thereto). If, after the receipt by you of an amount advanced by the Company

pursuant to Section 6(v) hereof, a determination is made that you shall not be entitled to any refund with respect to such claim and the Company does not notify you in writing of its intent to contest such denial or refund prior to the expiration of 30 calendar days after such determination, then such advance shall be forgiven and shall not be required to be repaid and the amount of such advance shall offset, to the extent thereof, the amount of Gross-Up Payment required to be paid.

7. TRAVEL. Except to the extent that you are permitted to terminate your employment for Constructive Termination after a Change in Control as provided in Section 4(v), you shall be required to travel to the extent necessary for the performance of your responsibilities under this Agreement.

8. SUCCESSORS; BINDING AGREEMENT. The Company will, by agreement in form and substance satisfactory to you, require any successor (whether direct or indirect, by purchase merger, consolidation or otherwise) to all or substantially all the business and/or assets of the Company, to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. Failure of the Company to obtain such assumption and agreement prior to the effectiveness of any such succession shall entitle you to compensation from the Company in the same amount and on the same terms as you would be entitled to hereunder if you terminate your employment for Good Reason, except that for purposes of implementing, the foregoing, the date on which any such succession becomes effective shall be deemed the Date of Termination. As used in this Agreement, "Company" shall mean the Company as hereinbefore defined and any successor to its business and/or assets as aforesaid which assumes and agrees to perform this Agreement by operation of law, or otherwise. This Agreement shall inure to the benefit of and be enforceable by your personal or legal representatives, executors, administrators, successors, heirs, distributees and/or legatees. This Agreement is personal in nature and neither of the parties hereto shall, without the consent of the other, assign, transfer or delegate this Agreement or any rights or obligations hereunder except as expressly provided in this Section 8. Without limiting the generality of the foregoing, your right to receive payments hereunder shall not be assignable or transferable, whether by pledge, creation of a security interest or otherwise, other than by a transfer by your will or by the laws of descent and distribution and, in the event of any attempted assignment or transfer contrary to this Section 8, the Company shall have no liability to pay to the purported assignee or transferee any amount so attempted to be assigned or transferred. The Company and you recognize that each party will have no adequate remedy at law for any material breach by the other of any of the agreements contained herein and, in the event of any such breach, the Company and you hereby agree and consent that the other shall be entitled to a decree of specific performance, mandamus or other appropriate remedy to enforce performance of this Agreement.

9. NOTICES. For the purpose of this Agreement, notices and all other communications provided for in this Agreement shall be in writing, and shall be deemed to have been duly given when delivered by hand, or mailed by United States certified mail, return receipt requested, postage prepaid, or sent by Federal Express or similar overnight courier service, addressed to the respective addresses set forth on the first page of this Agreement, or sent by facsimile with confirmation of receipt to the respective facsimile numbers set forth on the first page of this

Agreement, provided that all notices to the Company shall be directed to the attention of the Secretary of the Company (or, if you are the Secretary at the time such notice is to be given, to the Chairman of the Company's Board of Directors), or to such other address or facsimile number as either party may have furnished to the other in writing in accordance herewith, except that notice of change of address or facsimile number shall be effective only upon receipt.

10. NONCOMPETITION.

(i) Until the Date of Termination, you agree not to engage in any Competitive Activity. For purposes of this Agreement, the term "Competitive Activity" shall mean your participation, without the written consent of an officer of the Company of higher rank and standing than yourself (and if there is no such person then by the Chairman of the Board of Directors), in the management of any business enterprise if such enterprise engages in substantial and direct competition with the Company (including without limitation any supplier to an original equipment automotive vehicle manufacturer) and such enterprise's sales of any product or service competitive with any product or service of the Company amounted to 25% of such enterprise's net sales for its most recently completed fiscal year and if the Company's net sales of said product or service amounted to 25% of the Company's net sales for its most recently completed fiscal year. "Competitive Activity" shall not include (i) the mere ownership of securities in any enterprise and exercise of rights appurtenant thereto or (ii) participation in management of any enterprise or business operation thereof other than in connection with the competitive operation of such enterprise.

(ii) You agree not to engage in any Competitive Activity (A) until one (1) year after the Date of Termination if you are terminated for Cause or you terminate your employment for other than Good Reason or Constructive Termination after a Change in Control, or (B) until three (3) years after the Date of Termination if you are terminated by the Company other than for Cause or you terminate your employment for Good Reason or Constructive Termination after a Change in Control.

(iii) You shall not directly or indirectly, either on your own account or with or for anyone else, (A) solicit or attempt to solicit any of the Company's customers (B) solicit or attempt to solicit for any business endeavor any employee of the Company or (C) otherwise divert or attempt to divert from the Company any business whatsoever or interfere with any business relationship between the Company and any other person, (a) until one (1) year after the Date of Termination if you are terminated for Cause or you terminate your employment for other than Good Reason or Constructive Termination after a Change in Control, or (b) until three (3) years after the Date of Termination if you are terminated other than for Cause or you terminate your employment for Good Reason or Constructive Termination after a Change in Control.

(iv) You acknowledge and agree that damages for breach of the covenants in this Section 10 will be difficult to determine and will not afford a full and adequate remedy, and therefore agree that the Company, in addition to seeking actual damages pursuant to Section 10 hereof, may seek specific enforcement of the covenant not to compete in any court of competent jurisdiction, including, without limitation, by the issuance of a temporary or permanent injunction,

without the necessity of a bond. You and the Company agree that the provisions of this covenant not to compete are reasonable. However, should any court or arbitrator determine that any provision of this covenant not to compete is unreasonable, either in period of time, geographical area, or otherwise, the parties agree that this covenant not to compete should be interpreted and enforced to the maximum extent which such court or arbitrator deems reasonable.

(v) As compensation for your covenants contained in Sections 10(ii)(B) and 10(iii)(b), the Company shall pay or cause to be paid to you a payment, which shall be made either (i) if mutually agreed to by you (or your estate or other representative) and the Company as of the Date of Termination, in a lump sum within five business days after the Termination Date in an amount equal to the present value of the Noncompete Payment (as defined below), using a discount rate equal to the applicable interest rate promulgated by the Internal Revenue Service ("IRS") under Section 417(e)(3) of the Internal Revenue Code of 1986, as amended ("Code") for the third month preceding the month in which the Termination Date occurs, and if the IRS ceases to promulgate such interest rates, the last such interest rate so promulgated, or (ii) in the absence of such an agreement, in installments, without interest (with exceptions for any amounts imputed or otherwise deemed or recharacterized as interest under the Code) in thirty-six (36) equal monthly installments with each such monthly installment payment equal to 1/36th of the aggregate amount of the Noncompete Payment. The "Noncompete Payment" shall be equal to the sum of:

(i) the aggregate base salary (at the highest rate in effect at any time during the Term) which you would have received pursuant to this Agreement for one year, had your employment with the Company continued for such period; plus

(ii) the aggregate Bonus (based upon the highest annual Bonus that you received with respect to any calendar year during, the three calendar years immediately preceding the calendar year in which the Termination Date occurred) which you would have received pursuant to this Agreement for one year, had your employment with the Company continued for such period plus

(iii) the cash value of all benefits that would be payable to you under the Company Pension Equalization Plan ("PEP"), the Company Management Stock Purchase Plan ("MSPP"), the Company Executive Supplemental Savings Plan ("ESSP"), and the Company Long-Term Stock Incentive Plan ("LTSIP") (the PEP, MSPP, ESSP and LTSIP are collectively referred to herein as the "Plans"), (based upon the highest annual aggregate rate that you received benefits under each of the Plans with respect to any calendar year during the three calendar years immediately preceding the calendar year in which the Termination Date occurs) pursuant to this Agreement for one year, had your employment with the Company continued for such period, other than Plan benefits providing base salary, Bonus and the benefits to be provided pursuant to Section 5(iv)(D) hereof.

You and the Company acknowledge that references in this Section 10(v) to the PEP, the MSPP, the ESSP, and the LTSIP, shall be deemed to be references to such plans as amended or restated from time to time and to any similar plan of the Company that supplements or supersedes any such plans; provided that any amendment during the Term that reduces benefits under the PEP, the MSPP, the

ESSP, or the LTSIP (or any similar plan of the Company that supplements or supersedes any of such plans) in any way (including without limitation by reducing, the rate of benefit accruals or contribution levels under any of such plans, or by changing, the basis upon which actuarial equivalents are determined under any such plans) shall be disregarded for purposes of this Section 5(iv)(B). In addition, you and the Company acknowledge that references in this Section 10 to any Section of the Code shall be deemed to be references to such Section as amended from time to time or to any successor thereto.

11. CONFIDENTIALITY AND COOPERATION.

(i) You shall not knowingly use, disclose or reveal to any unauthorized person, during, or after the Term, any trade secret or other confidential information relating to the Company or any of its affiliates, or any of their respective businesses or principals, such as, without limitation, dealers' or distributor's lists, information regarding personnel and manufacturing processes, marketing and sales plans, and all other such information; and you confirm that such information is the exclusive property of the Company and its affiliates. Upon termination of your employment, you agree to return to the Company on demand by the Company all memoranda, books, papers, letters and other data, and all copies thereof or therefrom, in any way relating to the business of the Company and its affiliates, whether made by you or otherwise in your possession.

(ii) Any design, engineering methods, techniques, discoveries, inventions (whether patentable or not), formulae, formulations, technical and product specifications, bill of materials, equipment descriptions, plans, layouts, drawings, computer programs, assembly, quality control, installation and operating procedures, operating manuals, strategic, technical or marketing information, designs, data, secret knowledge, know-how and all other information of a confidential nature prepared or produced during the period of your employment and which ideas, processes, etc. relate to any of the businesses of the Company, shall be owned by the Company and its affiliates whether or not you should in fact execute an assignment thereof or other instrument or document which may be reasonably necessary to protect and secure such rights to the Company.

(iii) During the Term and for a period ending on the later of three (3) years after the Date of Termination or at the conclusion of any dispute which commences during the Term, you shall cooperate and comply with all reasonable requests made by the Company in prosecuting or defending any claim with respect to any litigation or arbitration or any pending or threatened litigation or arbitration, involving any invention, patent, trademark, trade name, secret process, or other intangible property in which the Company has, or reasonably believes it has, proprietary rights in and which you had substantial involvement in the development of during the Term of your employment. You shall not receive any additional compensation, other than reimbursement for reasonable costs and expenses incurred by you, in complying with the terms of this Section 11(iii).

12. ARBITRATION.

(i) Except as contemplated by Section 10(iv) or Section 12 (iii) hereof, any dispute or controversy arising under or in connection with this Agreement that cannot be mutually resolved by the parties to this Agreement and their respective advisors and representatives shall be settled exclusively by arbitration in Southfield, Michigan, before one arbitrator of exemplary qualifications and stature, who shall be selected jointly by an individual to be designated by the Company and an individual to be selected by you, or if such two individuals cannot agree on the selection of the arbitrator, who shall be selected pursuant to the procedures of the American Arbitration Association.

(ii) The parties agree to use their best efforts to cause (a) the two individuals set forth in the preceding Section 12(i), or, if applicable, the American Arbitration Association, to appoint the arbitrator within 30 days of the date that a party hereto notifies the other party that a dispute or controversy exists that necessitates the appointment of an arbitrator, and (b) any arbitration hearing to be held within 30 days of the date of selection of the arbitrator, and, as a condition to his or her selection, such arbitrator must consent to be available for a hearing, at such time.

(iii) Judgment may be entered on the arbitrator's award in any court having jurisdiction, provided that you shall be entitled to seek specific performance of your right to be paid and to participate in benefit programs during the pendency of any dispute or controversy arising under or in connection with this Agreement. The Company and you hereby agree that the arbitrator shall be empowered to enter an equitable decree mandating specific performance of the terms of this Agreement. If any dispute under this Section 12 shall be pending, the Executive shall continue to receive at a minimum the base salary which the Executive was receiving immediately prior to the act or omission which forms the basis for the dispute.

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

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

15. GOVERNING LAW. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of Michigan without giving effect to any conflicts of laws rules.

16. PAYMENTS NET OF TAXES. Except as otherwise provided in Section 6 herein, any payments provided for herein which are subject to Federal, State local or other governmental tax

or other withholding requirements or obligations, shall have such amounts withheld prior to payment, and the Company shall be considered to have fully satisfied its obligation hereunder by making such payments to you net of and after deduction for all applicable withholding obligations.

17. CAPACITY OF PARTIES. The parties hereto warrant that they have the capacity and authority to execute this Agreement.

18. VALIDITY. The invalidity or unenforceability of any provision of this Agreement shall not, at the option of the party for whose benefit such provision was intended, affect the validity or enforceability of any other provision of the Agreement, which shall remain in full force and effect.

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

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

21. LEGAL FEES AND EXPENSES. It is the intent of the Company that you not be required to incur the expenses associated with the enforcement of your rights under this Agreement by litigation or other legal action because the cost and expense thereof would substantially detract from the benefits intended to be extended to you hereunder. Accordingly, if it should appear to you that the Company has failed to comply with any of its obligations under this Agreement or in the event that the Company or any other person takes any action to declare the Agreement void or unenforceable or institutes any litigation designed to deny, or to recover from you the benefits intended to be provided to you hereunder, the Company irrevocably authorizes you from time to time to retain counsel of your choice, at the expense of the Company as hereafter provided, to represent you in connection with the initiation or defense of any litigation or other legal action relating, thereto, whether by or against the Company or any Director, officer, shareholder or other person affiliated with the Company, in any jurisdiction. Notwithstanding any existing or prior attorney-client relationship between the Company and any such counsel, the Company irrevocably consents to your entering into an attorney-client relationship with such counsel, and in that connection the Company and you agree that a confidential relationship shall exist between you and such counsel. The Company shall pay or cause to be paid and be solely responsible for any and all attorneys' and related fees and expenses incurred by you (i) as a result of the Company's failure to perform this Agreement or any provision hereof or (ii) as a result of the Company or any person contesting the validity or enforceability of this Agreement or any provision hereof as aforesaid.

If this letter sets forth our agreement on the subject matter hereof, kindly sign and return to the Company the enclosed copy of this letter which will then constitute our agreement on this subject, effective on July 1, 2000 ("Effective Date").

Sincerely,

LEAR CORPORATION

By: /s/ Joseph F. McCarthy

Agreed to this 6th day of July, 2000

By: /s/ Kenneth L. Way

Kenneth L. Way

July 5, 2000

Mr. Robert E. Rossiter
603 Windsor Run
Bloomfield Hills, MI 48304

Dear Bob:

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

The Board of Directors of the Company (the "Board") has determined that appropriate steps should be taken to reinforce and encourage the continued attention and dedication of members of the Company's management, including yourself, to their assigned duties. The Board recognizes that, as is the case with many publicly-held companies, the possibility of a Change in Control (as that term is hereafter defined) exists. The Company wishes to assure itself of both present and future continuity of management in the event of any Change in Control and that certain of its executives are not practically disabled from discharging their duties upon a Change in Control. In order to induce you to remain in the employ of the Company, and in consideration of your agreement to the termination of any existing employment contract you may have with the Company or any predecessor, the Company agrees that you shall receive, upon the terms and conditions set forth herein, the compensation and benefits set forth in this letter agreement ("Agreement") during the Term hereof.

1. TERM OF AGREEMENT. This Agreement shall commence as of July 1, 2000 ("Effective Date") and the term of this Agreement shall at all times be three years, that is, the term of this Agreement shall be automatically extended each day for an additional day such that this Agreement shall continually have an unexpired term of three years, until the date three years after written notice is provided by either the Company or the Executive that this Agreement is not to be further extended or until the date the Executive reaches his or her normal retirement date under the Company's retirement plan for salaried employees then in effect, whichever shall first occur (the "Term"). There shall be no renewal of the Term after the Date of Termination.

2. TERMS OF EMPLOYMENT. During the Term, you agree to be a full-time employee of the Company serving in the position of President and CEO of the Company and to devote substantially all of your working time and attention to the business and affairs of the Company and, to the extent necessary, to discharge the responsibilities associated with your position as

President and CEO of the Company, to use your best efforts to perform faithfully and efficiently such responsibilities. In addition, you agree to serve in such other capacities or offices to which you may be assigned, appointed or elected from time to time by the Board. Nothing herein shall prohibit you from devoting your time to civic and community activities, serving as a member of the Board of Directors of other corporations who do not compete with the Company, or managing personal investments, as long as the foregoing do not interfere with the performance of your duties hereunder.

3. COMPENSATION.

(i) As compensation for your services, under this Agreement, you shall be entitled to receive an initial base salary of \$840,000 per annum, to be paid in accordance with existing payroll practices for executives of the Company. Increases in your base salary, if any, shall be as approved by the Compensation Committee of the Board. In addition, you shall be eligible to receive an annual incentive compensation bonus ("Bonus") to be approved from time to time by the Compensation Committee of the Board.

(ii) In addition to compensation provided for in Subsection (i) of this Section 3, the Company agrees (A) to provide the same or comparable benefits with respect to any compensation or benefit plan in which you participate as of the Effective Date which is material to your total compensation, unless an equitable arrangement (embodied in an ongoing substitute or alternative plan) has been made with respect to such plan; and (B) to maintain your ability to participate therein (or in such substitute or alternative plan) on a basis not materially less favorable, both in terms of the opportunities provided and the level of your participation relative to other participants, than exists on the Effective Date.

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

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

4. TERMINATION OF EMPLOYMENT. Your employment may be terminated as set forth herein. If your employment should terminate during the Term, your entitlement to benefits shall be determined in accordance with Section 5 hereof.

(i) NOTICE. Your employment may be terminated by either the Company or you by giving a Notice of Termination, as defined in Subsection (vii) of this Section 4.

(ii) DISABILITY. If, as a result of your incapacity due to physical or mental illness, you become permanently disabled and begin actually to receive disability benefits pursuant to the Lear Corporation's Salary Continuation Plan, the Lear Corporation's Long Term Disability (LTD) Plan for Salaried Employees, the Lear Corporation Executive Disability Insurance Plan or any successor thereto, your employment may be terminated for "Disability".

(iii) CAUSE. Termination of your employment for "Cause" shall mean termination upon:

- (A) an act of fraud, embezzlement or theft by you in connection with your duties or in the course of your employment with the Company;
- (B) your intentional wrongful damage to the property of the Company;
- (C) your intentional wrongful disclosure of secret processes or confidential information of the Company;
- (D) your intentional breach of Section 10 or Section 11 hereof while you remain in the employ of the Company;
- (E) an act of Sexual Harassment (as defined below);
- (F) an act of Gross Misconduct (as defined below);
- (G) discrimination on the basis of race, color, religion or national origin; or
- (H) a felony conviction for a crime involving moral turpitude.

and the determination by the Directors of the Company as hereafter provided that any such act shall have been materially harmful to the Company. For purposes of this Agreement, "Sexual Harassment" shall mean unwelcome sexual advances, requests for sexual favors, and other verbal or physical conduct of a sexual nature, based on the totality of the circumstances, such as the nature of the sexual advances and the context in which the alleged incidents occurred, when (1) submission to such conduct is made either explicitly or implicitly a term or condition of an individual's employment, (2) submission to or rejection of such conduct by an individual is used as the basis of employment decisions affecting such individual, or (3) such conduct has the purpose or effect of unreasonably interfering with an individual's work performance or creating an intimidating, hostile, or offensive working environment. For purposes of this Agreement, "Gross Misconduct" shall mean a willful or negligent act or omission, which is contrary to established policies or practices of the Company and which has or will have a material and adverse impact on the business or reputation of the Company, or on the business of the Company's customers or suppliers as such relate to the Company. For purposes of this Agreement, no act, or failure to act, on your part shall be deemed for "Cause" unless done, or omitted to be done, by you not in good faith and without reasonable belief that your action or omission was in the best interest of the Company. Notwithstanding the foregoing, you shall not be deemed to have been terminated for

"Cause" hereunder unless and until there shall have been delivered to you a copy of a resolution duly adopted by the affirmative vote of a majority of the Directors then in office at a meeting of the Directors called and held for such purpose (after reasonable notice to you and an opportunity for you, together with your counsel, to be heard before the Directors), finding that, in the good faith opinion of the Directors, you have committed an act set forth above in this Section 4(iii) and specifying the particulars thereof in detail. Nothing herein shall limit your right or your beneficiaries' right to contest the validity or propriety of any such determination.

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

(A) any reduction by the Company in your base salary or adverse change in the manner of computing your Bonus, as in effect from time to time, except for across-the-board salary reductions similarly affecting all executive officers of the Company;

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

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

(D) the failure to elect, reelect or otherwise maintain you in the office or position in the Company which you held immediately prior to such failure, or your removal as a Director of the Company (or any successor thereof) if you shall have been a Director of the Company;

(E) there has been an adverse change in your responsibilities, position (including substantial change in status, reporting relationships or working conditions), authority or duties, which situation is not remedied within ten (10) calendar days after receipt by the Company of written notice from you of such change; or

(F) without limiting, the generality or effect of the foregoing, any material breach of this Agreement by the Company.

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

(v) CHANGE IN CONTROL. Notwithstanding, anything contained in this Agreement to the contrary, if a Constructive Termination (as defined in Section 4(vi)) shall have occurred after a Change in Control shall have occurred, you may terminate employment with the Company during the 30 day period immediately following the first anniversary of the occurrence of such Change in Control, with the right to severance compensation as provided in Section 5(iv) hereof and, if applicable, Section 6 hereof. For purposes of this Agreement, a "Change in Control" shall have occurred if at any time during the Term any of the following events shall occur:

(A) the Company is merged or consolidated or reorganized into or with another corporation or other legal person or entity and as a result of such merger, consolidation or reorganization less than 51% of the combined voting power of the then outstanding securities of such corporation or person immediately after such transaction is held in the aggregate by the holders of the then outstanding securities entitled to vote generally in the election of Directors ("Voting Stock") of the Company immediately prior to such transaction;

(B) the Company sells or otherwise transfers all or substantially all of its assets to any other corporation or other legal person or entity if less than 51% of the combined voting power of the then outstanding Voting Stock of such corporation or person immediately after such sale or transfer is held in the aggregate by the holders of Voting Stock of the Company immediately prior to such sale or transfer;

(C) there is a report filed on Schedule 13D or Schedule 14D-1 (or any successor schedule, form or report), each as promulgated pursuant to the Securities Exchange Act of 1934 (the "Exchange Act"), disclosing that any person (as the term "person" is used in Section 13(d)(3) or Section 14(d)(2) of the Exchange Act) has become the beneficial owner (as the term "beneficial owner" is defined under Rule 13d-3 or any successor rule or regulation promulgated under the Exchange Act) of securities representing 20% or more of the then outstanding Voting Stock of the Company;

(D) the Company shall file a report or proxy statement with the Securities and Exchange Commission pursuant to the Exchange Act disclosing in response to Item 1 of Form 8-K-thereunder or Item 6(e) of Schedule 14A thereunder (or any successor schedule, form or report or item therein) that a change in control of the Company has or may have occurred or will or may occur in the future pursuant to any then existing, contract or transaction; or

(E) during any period of two consecutive years, individuals who at the beginning of any such period constitute the Directors of the Company cease for any reason to constitute

at least a majority thereof unless the election, or the nomination for election by the Company's shareholders, of each Director of the Company first elected during such period was approved by a vote of at least two-thirds of the Directors of the Company then still in office who were Directors of the Company at the beginning, of any such period.

Notwithstanding the foregoing provisions of Sections 4(v)(A) and 4(v)(B) hereof, a Change in Control shall not be deemed to have occurred under Section 4(v)(A) or 4(v)(B) if: (i) the Chairman and CEO, President and COO, and Vice Chairman (i.e., the top three executive officers) of the Company shall hold officer positions of substantially equivalent responsibility and authority with the corporation surviving such merger, consolidation, or reorganization, or the entity acquiring such assets (the "Acquiror"); and (ii) not less than 40% of the members of the Board of Directors or other governing body of the Acquiror shall have been directors of the Company during the 90 day period immediately preceding such merger, consolidation, reorganization or acquisition of assets. Notwithstanding the foregoing provisions of Section 4(v)(C) and 4(v)(D) hereof, a Change in Control shall not be deemed to have occurred for purposes of this Agreement solely because (a) the Company, (b) an entity in which the Company directly or indirectly beneficially owns more than 50% of the voting securities or (c) any Company-sponsored employee stock ownership plan or any other employee benefit plan of the Company, or any entity holding shares of Voting Stock for or pursuant to the terms of any such plan, either files or becomes obligated to file a report or a proxy statement under or in response to Schedule 13D, Schedule 14D-1, Item I of Form 8-K or Item 6(e) of Schedule 14A (or any successor schedule, form or report or item therein) under the Exchange Act, disclosing beneficial ownership by it of shares of Voting Stock of the Company, whether in excess of 20% or otherwise, or because the Company reports that a change in control of the Company has or may have occurred or will or may occur in the future by reason of such beneficial ownership by the entities described in clauses (a), (b) and (c) of this paragraph.

(vi) CONSTRUCTIVE TERMINATION. For purposes of this Agreement, "Constructive Termination" shall mean the occurrence, without your express written consent, of any of the following circumstances or events unless such circumstances or events are fully corrected prior to the Date of Termination specified in the Notice of Termination, as such terms are defined in Subsections (viii) and (vii) of this Section 4, respectively, given in respect thereof:

(A) any reduction, other than across-the-board reduction, by the Company in your base salary or adverse change in the manner of computing your Bonus, as in effect from time to time;

(B) the failure by the Company to pay or provide to you within seven (7) days of receipt by the Company of your written demand any amounts of base salary or Bonus or any benefits which are due, owing and payable to you pursuant to the terms hereof, or to pay to you any portion of an installment of deferred compensation due under any deferred compensation program of the Company;

(C) the failure by the Company to (i) continue in effect any compensation or benefit plan in which you participate which is material to your total compensation and benefits,

including but not limited to the Company's plans currently in effect or hereafter adopted, and any plans adopted in substitution therefor, or (ii) continue to provide you with benefits substantially similar, in aggregate, to the Company's life insurance, medical, dental, health, accident or disability plans in which you are participating at the date of this Agreement;

(D) the failure to elect, reelect or otherwise maintain you in the office or substantially same position in the Company which you held immediately prior to such failure, or your removal as a Director of the Company (or any successor thereof) if you shall have been a Director of the Company;

(E) there has been an adverse change in your responsibilities, position (including substantial change in status, reporting relationships or working conditions), authority or duties, which situation is not remedied within ten (10) calendar days after receipt by the Company of written notice from you of such change;

(F) the requirement by the Company that you change your principal location of work to any location which is in excess of 50 miles from your principal location of work immediately prior to such relocation, or a material increase in your travel away from your office in the course of discharging your responsibilities or duties hereunder, without, in either case, your prior written consent; or

(G) without limiting, the generality or effect of the foregoing, any material breach of this Agreement by the Company.

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

(vii) NOTICE OF TERMINATION. Any termination of your employment by the Company or by you shall be communicated by written Notice of Termination to the other party hereto in accordance with Section 9 hereof. For purposes of this Agreement, a "Notice of Termination" shall mean a notice which shall indicate the specific termination provision in this Agreement relied upon, if any, and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of your employment under the provision so indicated.

(viii) DATE OF TERMINATION. "Date of Termination" shall mean

(A) if your employment is terminated for Disability pursuant to Subsection (ii) of this Section 4, the date on which you are considered disabled pursuant to the Lear Corporation's Salary Continuation Plan, the Lear Corporation's Long Term Disability (LTD) Plan for Salaried Employees, the Lear Corporation Executive Disability Insurance Plan or any successor thereto;

(B) if your employment is terminated by reason of your death, the date of your death;

(C) if your employment is terminated by you for Good Reason or by either party for any other reason (other than Disability, death, or your voluntary resignation without Good Reason), the date specified in the Notice of Termination (which, in the case of a termination by you for Good Reason, shall not be less than thirty (30) nor more than sixty (60) days from the date such Notice of Termination is given); and

(D) if your employment is terminated by your voluntary resignation without Good Reason (as defined in Subsection (iv) of this Section 4), the Date of Termination shall be forty-five (45) days from the date such Notice of Termination is given or such earlier date after the date such Notice of Termination is given, as may be identified by the Company.

Unless the Company instructs you not to do so, you shall continue to perform services as provided in this Agreement through the Date of Termination.

(ix) EMPLOYEE BENEFITS. A termination by the Company pursuant to Section 4(ii) hereof or by you pursuant to Section 4(iv) or Section 4(v) hereof shall not affect any rights which you may have pursuant to any other agreement, policy, plan, program or arrangement of the Company providing employee benefits, which rights shall be governed by the terms thereof; provided, however, that if you shall have received or shall be receiving benefits under Section 5 hereof and, if applicable, Section 6 hereof, you shall not be entitled to receive benefits under any other policy, plan, program or arrangement of the Company providing severance compensation to which you would otherwise be entitled. If this Agreement or your employment is terminated under circumstances in which you are not entitled to any payments under Section 5 hereof, you shall have no further obligation or liability to the Company hereunder with respect to your prior or any future employment by the Company.

5. COMPENSATION UPON TERMINATION OR DURING DISABILITY. Upon termination of your employment with the Company during the Term, you shall be entitled to the following compensation and benefits:

(i) If your employment is terminated for Disability, (a) for the period from the Date of Termination until the end of the calendar year in which such termination occurs, you shall receive all compensation payable to you under the Company's disability and medical plans and programs, as in effect on the Date of Termination, plus an additional payment from the Company (if necessary) such that the aggregate amount received by you in the nature of salary continuation from all sources equals your base salary, at the rate in effect on the Date of Termination, plus any Bonus earned and all other amounts to which you are entitled under any compensation or benefit plans of the Company, prorated for the portion of the Bonus, compensation or benefit measurement period occurring prior to the Date of Termination, and (b) for the period from the end of the calendar year in which such termination occurs until the end of the Term, you shall receive all compensation payable to you under the Company's disability and medical plans and programs, as in effect on the Date of Termination, plus an additional payment from the Company (if necessary) such that the aggregate amount received by you in the nature of salary continuation from all sources equals your base salary at the rate in effect on the Date of Termination. After the end of the Term, your benefits shall be determined under the Company's retirement, insurance and

other compensation programs then in effect in accordance with the terms of such programs, provided that such terms shall not be less advantageous to you than the terms of such programs in effect as of the Effective Date.

(ii) If your employment shall be terminated (a) by the Company for Cause, or (b) by you other than for Good Reason or a Constructive Termination after a Change in Control, the Company shall pay you your base salary proportionately allocated on a pro-rata basis through the Date of Termination, at the rate in effect at the time Notice of Termination is given, plus all other amounts to which you are fully vested and irrevocably entitled under any compensation or benefit plans of the Company as of the Date of Termination, and the Company shall have no further obligations in any respect whatsoever for payment of compensation or benefits to you under this Agreement. Provided, however, that if your employment is terminated by your voluntary resignation without Good Reason, you shall be compensated under this Subsection 5(ii) only to the extent that you actively performed your assigned responsibilities through the Date of Termination.

(iii) If your employment shall be terminated by reason of your death, the Company shall pay your estate or designated beneficiary (as designated by you by written notice to the Company, which designation shall remain in effect for the remainder of the Term and any extensions thereof until revoked or a new beneficiary is designated, in either case by written notice to the Company) your base salary proportionately allocated on a pro-rata basis through the Date of Termination and for a period of 12 whole calendar months thereafter plus, if the Date of Termination shall not occur on the first day of a calendar month, the balance of the month in which the Date of Termination occurs, at the rate in effect at the time of your death, plus any Bonus earned, prorated for the portion of the Bonus measurement period occurring prior to the date of your death, plus all other amounts to which you are entitled under any compensation or benefit plans of the Company at the date of your death, including, but not limited to, all life insurance proceeds payable on your death to which your estate or beneficiaries are otherwise entitled in accordance with the terms thereof, and the Company shall have no further obligation to you, your beneficiaries or your estate under this Agreement.

(iv) If your employment shall be terminated (a) by the Company other than for Cause or Disability or (b) by you for Good Reason or because of Constructive Termination after a Change in Control, then you shall be entitled to the benefits provided below:

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

(B) The Company shall pay or cause to be paid to you, in lieu of any further payments to you for the portion of the Term subsequent to the Termination Date, excluding any amounts payable under Section 5(iv)(D) hereof, and excluding your rights at law or in

equity (other than rights to damages for termination of your employment or this Agreement), a payment, which shall be made either (i) if mutually agreed to by you (or your estate or other representative) and the Company as of the Date of Termination, in a lump sum within five business days after the Termination Date in an amount equal to the present value of the Severance Payment (as defined below), using a discount rate equal to the applicable interest rate promulgated by the Internal Revenue Service ("IRS") under Section 417(e)(3) of the Internal Revenue Code of 1986, as amended ("Code") for the third month preceding the month in which the Termination Date occurs, and if the IRS ceases to promulgate such interest rates, the last such interest rate so promulgated, or (ii) in the absence of such an agreement, in installments, without interest (with exceptions for any amounts imputed or otherwise deemed or recharacterized as interest under the Code) in thirty-six (36) equal monthly installments with each such monthly installment payment equal to 1/36th of the aggregate amount of the Severance Payment. The "Severance Payment" shall be equal to the sum of:

(i) the aggregate base salary (at the highest rate in effect at any time during the Term) which you would have received pursuant to this Agreement for two years, had your employment with the Company continued for such period; plus

(ii) the aggregate Bonus (based upon the highest annual Bonus that you received with respect to any calendar year during, the three calendar years immediately preceding the calendar year in which the Termination Date occurred) which you would have received pursuant to this Agreement for two years, had your employment with the Company continued for such period; plus

(iii) the cash value of all benefits that would be payable to you under the Company Pension Equalization Plan ("PEP"), the Company Management Stock Purchase Plan ("MSPP"), the Company Executive Supplemental Savings Plan ("ESSP"), and the Company Long-Term Stock Incentive Plan ("LTSIP") (the PEP, MSPP, ESSP and LTSIP are collectively referred to herein as the "Plans"), (based upon the highest annual aggregate rate that you received benefits under each of the Plans with respect to any calendar year during the three calendar years immediately preceding the calendar year in which the Termination Date occurs) pursuant to this Agreement for two years, had your employment with the Company continued for such period, other than Plan benefits providing base salary, Bonus and the benefits to be provided pursuant to Section 5(iv)(D) hereof.

You and the Company acknowledge that references in this Section 5(iv)(B) to the PEP, the MSPP, the ESSP, and the LTSIP, shall be deemed to be references to such plans as amended or restated from time to time and to any similar plan of the Company that supplements or supersedes any such plans; provided that any amendment during the Term that reduces benefits under the PEP, the MSPP, the ESSP, or the LTSIP (or any similar plan of the Company that supplements or supersedes any of such plans) in any way (including without limitation by reducing, the rate of benefit accruals or contribution levels under any of such plans, or by changing, the basis upon which actuarial equivalents are

determined under any such plans) shall be disregarded for purposes of this Section 5(iv)(B). In addition, you and the Company acknowledge that references in this Section 5 to any Section of the Code shall be deemed to be references to such Section as amended from time to time or to any successor thereto.

(C) The Company shall pay all legal fees and expenses incurred by you as a result of such termination (including without limitation all such fees and expenses, if any, incurred in seeking to obtain or enforce any right or benefit provided by this Agreement in accordance with Section 21 hereof).

(D) The Company shall arrange to provide to you, for the remainder of the Term, benefits provided under any "welfare benefit plan" of the Company as the term "welfare benefit plan" is defined in Section 3(1) of the Employee Retirement Income Security Act of 1974, as amended, which you were receiving or entitled to receive during the Term ("Welfare Benefits"). If and to the extent that any such Welfare Benefits shall not or cannot be paid or provided under any policy, plan, program or arrangement of the Company (i) solely due to the fact that you are no longer an officer or employee of the Company or did not continue as an officer or employee of the Company during the remainder of the Term or (ii) as a result of the amendment or termination of any plan providing for Welfare Benefits, the Company shall then itself pay or provide for the payment of such Welfare Benefits to you, your dependents and beneficiaries. Without otherwise limiting the purposes or effect of the no mitigation obligation in Section 5(viii) hereof, Welfare Benefits payable to you (including your dependents and beneficiaries) pursuant to this Section 5(iv)(D) shall be reduced to the extent comparable benefits are actually received by you (including your dependents and beneficiaries) from another employer during such period, and any such benefits actually received by you shall be reported by you to the Company.

(E) Your right to acquire any shares of the Company's capital stock under any and all outstanding stock options, or other rights previously granted to you under any stock option, stock purchase, stock appreciation, or similar equity-based plans of the Company shall expire as of the Date of Termination and be null, void, and of no further force or effect, except (i) to the extent the express terms of such stock option, stock purchase, stock appreciation, or similar equity-based plans provide for vesting or other manner of continuation after the Date of Termination, or (ii) on such terms and conditions as mutually agreed to by you and the Company as of the Date of Termination.

(v) Any Bonus that is payable to you with respect to a period that is less than a full calendar year (a "partial calendar year") shall be prorated by multiplying (i) the Bonus that would have been payable to you with respect to the entire calendar year had your employment with the Company continued until the end of such year by (ii) a fraction, the numerator of which equals the number of days in the partial calendar year and the denominator of which equals 365.

(vi) The Company, if permitted by law, may set-off or counterclaim losses, fines or damages in respect of any claim, debt or obligation against any payment to or benefit for you provided for in this Agreement.

(vii) Without limiting your rights at law or in equity, if the Company fails to make any payment or provide any benefit required to be made or provided hereunder on a timely basis, the Company will pay interest on the amount or value thereof at an annualized rate of interest equal to the "prime rate" as quoted from time to time during the relevant period in The Wall Street Journal, plus three percent. Such interest will be payable as it accrues on demand. Any change in such prime rate will be effective on and as of the date of such change.

(viii) The Company hereby acknowledges that it will be difficult, and may be impossible, for you to find reasonably comparable employment following the Termination Date. In addition, the Company acknowledges that its severance pay plans and policies applicable in general to its salaried employees do not provide for mitigation, offset or reduction of any severance payment received thereunder. Accordingly, the parties hereto expressly agree that the payment of the severance compensation by the Company to you in accordance with the terms of this Agreement shall be liquidated damages and that you shall not be required to mitigate the amount of any payment provided for in this Agreement by seeking other employment or otherwise, nor shall any profits, income, earnings or other benefits from any source whatsoever create any mitigation, offset, reduction or any other obligation on the part of you hereunder or otherwise, except as expressly provided in this Section 5.

6. CERTAIN ADDITIONAL PAYMENTS BY THE COMPANY.

(i) Anything in this Agreement to the contrary notwithstanding, in the event that it shall be determined (as hereafter provided) that any payment by the Company to or for your benefit, whether paid or payable pursuant to the terms of this Agreement or otherwise (a "Payment"), would be subject to the excise tax imposed by Section 4999 (or any successor thereto) of the Code, and any interest or penalties with respect to such excise tax (such excise tax, together with any such interest and penalties, are hereafter collectively referred to as the "Excise Tax"), then you shall be entitled to receive an additional payment or payments (collectively, a "Gross-Up Payment"), including without limitation any Gross-Up Payment made with respect to the Excise Tax, if any, attributable to (i) any incentive stock option, as defined by Section 422 of the Code ("ISO"), or (ii) any stock appreciation or similar right, whether or not limited, granted in tandem with any ISO. The Gross-Up Payment shall be in an amount such that, after payment by you of the Excise Tax, plus any additional taxes, penalties and interest, and any further Excise Taxes imposed upon the Gross-Up Payment, you retain, after payment of all such taxes and Excise Taxes, an amount of the Gross-Up Payment equal to the Payment that you would have received if no Excise Taxes had been imposed upon the Payment and no additional taxes or further Excise Taxes had been imposed upon the Gross-Up Payment.

(ii) Subject to the provisions of Section 6(v) hereof, all determinations required to be made under this Section 6, including whether an Excise Tax is payable by you and the amount of such Excise Tax and whether a Gross-Up Payment is required and the amount of such Gross-Up

Payment, shall be made by a nationally recognized firm of certified public accountants (the "Accounting Firm") selected by you in your sole discretion. You shall direct the Accounting Firm to submit its determination and detailed supporting calculations to both the Company and you within 30 calendar days after the Termination Date. If the Accounting Firm determines that any Excise Tax is payable by you, the Company shall pay the required Gross-Up Payment to you within five (5) business days after receipt of the aforesaid determination and calculations. If the Accounting Firm determines that no Excise Tax is payable by you, it shall, at the same time as it makes such determination, furnish you with an opinion that you do not owe any Excise Tax on your Federal income tax return. Any determination by the Accounting Firm as to the amount of the Gross-Up Payment to be paid by the Company within such 30 calendar day period shall be binding upon the Company and you. As a result of the uncertainty in the application of Section 4999 (or any successor thereto) of the Code at the time of the initial determination by the Accounting Firm hereunder, it is possible that Gross-Up Payments which will not have been made by the Company should have been made ("Underpayment"), consistent with the calculations required to be made hereunder. In the event that the Company exhausts its remedies pursuant to Section 6(v) hereof and you thereafter are required to make a payment of any Excise Tax, you shall direct the Accounting Firm to determine the amount of the Underpayment that has occurred and to submit its determination and detailed supporting calculations to both the Company and you as promptly as possible. Any such Underpayment shall be promptly paid by the Company to or for your benefit within three calendar days after receipt of such determination and calculations.

(iii) The Company and you shall each cooperate with the Accounting Firm in connection with the preparation and issuance of the determination provided for in Section 6(ii) hereof. Such cooperation shall include without limitation providing the Accounting Firm access to and copies of any books, records and documents in the possession of the Company or you, as the case may be, that are reasonably requested by the Accounting Firm.

(iv) The fees and expenses of the Accounting Firm for its services in connection with the determinations and calculations provided for in Section 6(ii) hereof shall initially be paid by you. The Company shall reimburse you for your payment of such costs and expenses within five (5) business days after receipt from you of a statement therefor and evidence of your payment thereof.

(v) You shall notify the Company in writing, of any claim by the IRS that, if successful, would require the payment by the Company of a Gross-Up Payment. Such notification shall be given as soon as practicable but no later than 10 business days after you receive notice of such claim and shall apprise the Company of the nature of such claim and the date on which such claim is requested to be paid. You shall not pay such claim prior to the earlier of (A) the expiration of the 30 calendar day period following the date on which you give such notice to the Company or (B) the date that any payment of taxes with respect to such claim is due. If the Company notifies you in writing prior to the expiration of such period that it desires to contest such claim, you shall:

(i) give the Company any information reasonably requested by the Company relating, to such claim;

(ii) take such action in connection with contesting such claim as the Company shall reasonably request in writing, from time to time, including without limitation accepting legal representation with respect to such claim by an attorney reasonably selected by the Company;

(iii) cooperate with the Company in good faith in order effectively to contest such claim; and

(iv) permit the Company to participate in any proceedings relating to such claim;

provided, however, that the Company shall bear and pay directly all costs and expenses (including additional interest and penalties) incurred in connection with such contest and shall indemnify and hold you harmless, on an after-tax basis, for any Excise Tax or income tax, including interest and penalties with respect thereto, imposed as a result of such representation and payment of costs and expenses. Without limitation on the foregoing provisions of this Section 6(v), the Company shall, provided that such control does not have a material adverse affect on your individual income tax with respect to matters unrelated to the contest of the Excise Tax, control all proceedings taken in connection with such contest and, at its sole option, may, provided that such pursuit or foregoing does not have a material adverse affect on your individual income tax with respect to matters unrelated to the contest of the Excise Tax, pursue or forego any and all administrative appeals, proceedings, hearings and conference with the IRS in respect of such claim (but, you may participate therein at your own cost and expense) and may, at its sole option, provided that such payment, suit, contest or prosecution does not have a material adverse affect on your individual income tax with respect to matters unrelated to the contest of the Excise Tax, either direct you to pay the tax claimed and sue for a refund or contest the claim in any permissible manner, and you agree to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as the Company shall determine; provided, however, that if the Company directs you to pay the tax claimed and sue for a refund, the Company shall advance the amount of such payment to you on an interest-free basis and shall indemnify and hold you harmless, on an after-tax basis, from any Excise Tax or income tax, including interest or penalties with respect thereto, imposed with respect to such advance or with respect to any imputed income with respect to such advance; and further provided that any extension of the statute of limitations relating to payment of taxes for your taxable year with respect to which the contested amount is claimed to be due is limited solely to such contested amount. Furthermore, the Company's control of such contest shall be limited to issues with respect to which a Gross Up Payment would be payable hereunder, and you shall be entitled to settle or contest, as the case may be, any other issue raised by the IRS.

(vi) If, after the receipt by you of an amount advanced by the Company pursuant to Section 6(v) hereof, you receive any refund with respect to such claim, you shall (subject to the Company's complying with the requirements of Section 6(v) hereof) promptly pay to the Company the amount of such refund (together with any interest paid or credited thereon after any taxes applicable thereto). If, after the receipt by you of an amount advanced by the Company

pursuant to Section 6(v) hereof, a determination is made that you shall not be entitled to any refund with respect to such claim and the Company does not notify you in writing of its intent to contest such denial or refund prior to the expiration of 30 calendar days after such determination, then such advance shall be forgiven and shall not be required to be repaid and the amount of such advance shall offset, to the extent thereof, the amount of Gross-Up Payment required to be paid.

7. TRAVEL. Except to the extent that you are permitted to terminate your employment for Constructive Termination after a Change in Control as provided in Section 4(v), you shall be required to travel to the extent necessary for the performance of your responsibilities under this Agreement.

8. SUCCESSORS; BINDING AGREEMENT. The Company will, by agreement in form and substance satisfactory to you, require any successor (whether direct or indirect, by purchase merger, consolidation or otherwise) to all or substantially all the business and/or assets of the Company, to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. Failure of the Company to obtain such assumption and agreement prior to the effectiveness of any such succession shall entitle you to compensation from the Company in the same amount and on the same terms as you would be entitled to hereunder if you terminate your employment for Good Reason, except that for purposes of implementing, the foregoing, the date on which any such succession becomes effective shall be deemed the Date of Termination. As used in this Agreement, "Company" shall mean the Company as hereinbefore defined and any successor to its business and/or assets as aforesaid which assumes and agrees to perform this Agreement by operation of law, or otherwise. This Agreement shall inure to the benefit of and be enforceable by your personal or legal representatives, executors, administrators, successors, heirs, distributees and/or legatees. This Agreement is personal in nature and neither of the parties hereto shall, without the consent of the other, assign, transfer or delegate this Agreement or any rights or obligations hereunder except as expressly provided in this Section 8. Without limiting the generality of the foregoing, your right to receive payments hereunder shall not be assignable or transferable, whether by pledge, creation of a security interest or otherwise, other than by a transfer by your will or by the laws of descent and distribution and, in the event of any attempted assignment or transfer contrary to this Section 8, the Company shall have no liability to pay to the purported assignee or transferee any amount so attempted to be assigned or transferred. The Company and you recognize that each party will have no adequate remedy at law for any material breach by the other of any of the agreements contained herein and, in the event of any such breach, the Company and you hereby agree and consent that the other shall be entitled to a decree of specific performance, mandamus or other appropriate remedy to enforce performance of this Agreement.

9. NOTICES. For the purpose of this Agreement, notices and all other communications provided for in this Agreement shall be in writing, and shall be deemed to have been duly given when delivered by hand, or mailed by United States certified mail, return receipt requested, postage prepaid, or sent by Federal Express or similar overnight courier service, addressed to the respective addresses set forth on the first page of this

Agreement, or sent by facsimile with confirmation of receipt to the respective facsimile numbers set forth on the first page of this Agreement, provided that all notices to the Company shall be directed to the attention of the Secretary of the Company (or, if you are the Secretary at the time such notice is to be given, to the Chairman of the Company's Board of Directors), or to such other address or facsimile number as either party may have furnished to the other in writing in accordance herewith, except that notice of change of address or facsimile number shall be effective only upon receipt.

10. NONCOMPETITION.

(i) Until the Date of Termination, you agree not to engage in any Competitive Activity. For purposes of this Agreement, the term "Competitive Activity" shall mean your participation, without the written consent of an officer of the Company of higher rank and standing than yourself (and if there is no such person then by the Chairman of the Board of Directors), in the management of any business enterprise if such enterprise engages in substantial and direct competition with the Company (including without limitation any supplier to an original equipment automotive vehicle manufacturer) and such enterprise's sales of any product or service competitive with any product or service of the Company amounted to 25% of such enterprise's net sales for its most recently completed fiscal year and if the Company's net sales of said product or service amounted to 25% of the Company's net sales for its most recently completed fiscal year. "Competitive Activity" shall not include (i) the mere ownership of securities in any enterprise and exercise of rights appurtenant thereto or (ii) participation in management of any enterprise or business operation thereof other than in connection with the competitive operation of such enterprise.

(ii) You agree not to engage in any Competitive Activity (A) until one (1) year after the Date of Termination if you are terminated for Cause or you terminate your employment for other than Good Reason or Constructive Termination after a Change in Control, or (B) until three (3) years after the Date of Termination if you are terminated by the Company other than for Cause or you terminate your employment for Good Reason or Constructive Termination after a Change in Control.

(iii) You shall not directly or indirectly, either on your own account or with or for anyone else, (A) solicit or attempt to solicit any of the Company's customers (B) solicit or attempt to solicit for any business endeavor any employee of the Company or (C) otherwise divert or attempt to divert from the Company any business whatsoever or interfere with any business relationship between the Company and any other person, (a) until one (1) year after the Date of Termination if you are terminated for Cause or you terminate your employment for other than Good Reason or Constructive Termination after a Change in Control, or (b) until three (3) years after the Date of Termination if you are terminated other than for Cause or you terminate your employment for Good Reason or Constructive Termination after a Change in Control.

(iv) You acknowledge and agree that damages for breach of the covenants in this Section 10 will be difficult to determine and will not afford a full and adequate remedy, and therefore agree that the Company, in addition to seeking actual damages pursuant to Section 10 hereof, may seek specific enforcement of the covenant not to compete in any court of competent jurisdiction, including, without limitation, by the issuance of a temporary or permanent injunction,

without the necessity of a bond. You and the Company agree that the provisions of this covenant not to compete are reasonable. However, should any court or arbitrator determine that any provision of this covenant not to compete is unreasonable, either in period of time, geographical area, or otherwise, the parties agree that this covenant not to compete should be interpreted and enforced to the maximum extent which such court or arbitrator deems reasonable.

(v) As compensation for your covenants contained in Sections 10(ii)(B) and 10(iii)(b), the Company shall pay or cause to be paid to you a payment, which shall be made either (i) if mutually agreed to by you (or your estate or other representative) and the Company as of the Date of Termination, in a lump sum within five business days after the Termination Date in an amount equal to the present value of the Noncompete Payment (as defined below), using a discount rate equal to the applicable interest rate promulgated by the Internal Revenue Service ("IRS") under Section 417(e)(3) of the Internal Revenue Code of 1986, as amended ("Code") for the third month preceding the month in which the Termination Date occurs, and if the IRS ceases to promulgate such interest rates, the last such interest rate so promulgated, or (ii) in the absence of such an agreement, in installments, without interest (with exceptions for any amounts imputed or otherwise deemed or recharacterized as interest under the Code) in thirty-six (36) equal monthly installments with each such monthly installment payment equal to 1/36th of the aggregate amount of the Noncompete Payment. The "Noncompete Payment" shall be equal to the sum of:

(i) the aggregate base salary (at the highest rate in effect at any time during the Term) which you would have received pursuant to this Agreement for one year, had your employment with the Company continued for such period; plus

(ii) the aggregate Bonus (based upon the highest annual Bonus that you received with respect to any calendar year during, the three calendar years immediately preceding the calendar year in which the Termination Date occurred) which you would have received pursuant to this Agreement for one year, had your employment with the Company continued for such period plus

(iii) the cash value of all benefits that would be payable to you under the Company Pension Equalization Plan ("PEP"), the Company Management Stock Purchase Plan ("MSPP"), the Company Executive Supplemental Savings Plan ("ESSP"), and the Company Long-Term Stock Incentive Plan ("LTSIP") (the PEP, MSPP, ESSP and LTSIP are collectively referred to herein as the "Plans"), (based upon the highest annual aggregate rate that you received benefits under each of the Plans with respect to any calendar year during the three calendar years immediately preceding the calendar year in which the Termination Date occurs) pursuant to this Agreement for one year, had your employment with the Company continued for such period, other than Plan benefits providing base salary, Bonus and the benefits to be provided pursuant to Section 5(iv)(D) hereof.

You and the Company acknowledge that references in this Section 10(v) to the PEP, the MSPP, the ESSP, and the LTSIP, shall be deemed to be references to such plans as amended or restated from time to time and to any similar plan of the Company that supplements or supersedes any such plans; provided that any amendment during the Term that reduces benefits under the PEP, the

MSPP, the ESSP, or the LTSIP (or any similar plan of the Company that supplements or supersedes any of such plans) in any way (including without limitation by reducing, the rate of benefit accruals or contribution levels under any of such plans, or by changing, the basis upon which actuarial equivalents are determined under any such plans) shall be disregarded for purposes of this Section 5(iv)(B). In addition, you and the Company acknowledge that references in this Section 10 to any Section of the Code shall be deemed to be references to such Section as amended from time to time or to any successor thereto.

11. CONFIDENTIALITY AND COOPERATION.

(i) You shall not knowingly use, disclose or reveal to any unauthorized person, during, or after the Term, any trade secret or other confidential information relating to the Company or any of its affiliates, or any of their respective businesses or principals, such as, without limitation, dealers' or distributor's lists, information regarding personnel and manufacturing processes, marketing and sales plans, and all other such information; and you confirm that such information is the exclusive property of the Company and its affiliates. Upon termination of your employment, you agree to return to the Company on demand by the Company all memoranda, books, papers, letters and other data, and all copies thereof or therefrom, in any way relating to the business of the Company and its affiliates, whether made by you or otherwise in your possession.

(ii) Any design, engineering methods, techniques, discoveries, inventions (whether patentable or not), formulae, formulations, technical and product specifications, bill of materials, equipment descriptions, plans, layouts, drawings, computer programs, assembly, quality control, installation and operating procedures, operating manuals, strategic, technical or marketing information, designs, data, secret knowledge, know-how and all other information of a confidential nature prepared or produced during the period of your employment and which ideas, processes, etc. relate to any of the businesses of the Company, shall be owned by the Company and its affiliates whether or not you should in fact execute an assignment thereof or other instrument or document which may be reasonably necessary to protect and secure such rights to the Company.

(iii) During the Term and for a period ending on the later of three (3) years after the Date of Termination or at the conclusion of any dispute which commences during the Term, you shall cooperate and comply with all reasonable requests made by the Company in prosecuting or defending any claim with respect to any litigation or arbitration or any pending or threatened litigation or arbitration, involving any invention, patent, trademark, trade name, secret process, or other intangible property in which the Company has, or reasonably believes it has, proprietary rights in and which you had substantial involvement in the development of during the Term of your employment. You shall not receive any additional compensation, other than reimbursement for reasonable costs and expenses incurred by you, in complying with the terms of this Section 11(iii).

12. ARBITRATION.

(i) Except as contemplated by Section 10(iv) or Section 12 (iii) hereof, any dispute or controversy arising under or in connection with this Agreement that cannot be mutually resolved by the parties to this Agreement and their respective advisors and representatives shall be settled exclusively by arbitration in Southfield, Michigan, before one arbitrator of exemplary qualifications and stature, who shall be selected jointly by an individual to be designated by the Company and an individual to be selected by you, or if such two individuals cannot agree on the selection of the arbitrator, who shall be selected pursuant to the procedures of the American Arbitration Association.

(ii) The parties agree to use their best efforts to cause (a) the two individuals set forth in the preceding Section 12(i), or, if applicable, the American Arbitration Association, to appoint the arbitrator within 30 days of the date that a party hereto notifies the other party that a dispute or controversy exists that necessitates the appointment of an arbitrator, and (b) any arbitration hearing to be held within 30 days of the date of selection of the arbitrator, and, as a condition to his or her selection, such arbitrator must consent to be available for a hearing, at such time.

(iii) Judgment may be entered on the arbitrator's award in any court having jurisdiction, provided that you shall be entitled to seek specific performance of your right to be paid and to participate in benefit programs during the pendency of any dispute or controversy arising under or in connection with this Agreement. The Company and you hereby agree that the arbitrator shall be empowered to enter an equitable decree mandating specific performance of the terms of this Agreement. If any dispute under this Section 12 shall be pending, the Executive shall continue to receive at a minimum the base salary which the Executive was receiving immediately prior to the act or omission which forms the basis for the dispute.

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

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

15. GOVERNING LAW. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of Michigan without giving effect to any conflicts of laws rules.

16. PAYMENTS NET OF TAXES. Except as otherwise provided in Section 6 herein, any payments provided for herein which are subject to Federal, State local or other governmental tax

or other withholding requirements or obligations, shall have such amounts withheld prior to payment, and the Company shall be considered to have fully satisfied its obligation hereunder by making such payments to you net of and after deduction for all applicable withholding obligations.

17. CAPACITY OF PARTIES. The parties hereto warrant that they have the capacity and authority to execute this Agreement.

18. VALIDITY. The invalidity or unenforceability of any provision of this Agreement shall not, at the option of the party for whose benefit such provision was intended, affect the validity or enforceability of any other provision of the Agreement, which shall remain in full force and effect.

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

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

21. LEGAL FEES AND EXPENSES. It is the intent of the Company that you not be required to incur the expenses associated with the enforcement of your rights under this Agreement by litigation or other legal action because the cost and expense thereof would substantially detract from the benefits intended to be extended to you hereunder. Accordingly, if it should appear to you that the Company has failed to comply with any of its obligations under this Agreement or in the event that the Company or any other person takes any action to declare the Agreement void or unenforceable or institutes any litigation designed to deny, or to recover from you the benefits intended to be provided to you hereunder, the Company irrevocably authorizes you from time to time to retain counsel of your choice, at the expense of the Company as hereafter provided, to represent you in connection with the initiation or defense of any litigation or other legal action relating, thereto, whether by or against the Company or any Director, officer, shareholder or other person affiliated with the Company, in any jurisdiction. Notwithstanding any existing or prior attorney-client relationship between the Company and any such counsel, the Company irrevocably consents to your entering into an attorney-client relationship with such counsel, and in that connection the Company and you agree that a confidential relationship shall exist between you and such counsel. The Company shall pay or cause to be paid and be solely responsible for any and all attorneys' and related fees and expenses incurred by you (i) as a result of the Company's failure to perform this Agreement or any provision hereof or (ii) as a result of the Company or any person contesting the validity or enforceability of this Agreement or any provision hereof as aforesaid.

If this letter sets forth our agreement on the subject matter hereof, kindly sign and return to the Company the enclosed copy of this letter which will then constitute our agreement on this subject, effective on July 1, 2000 ("Effective Date").

Sincerely,

LEAR CORPORATION

By: /s/ Joseph F. McCarthy

Agreed to this 6th day of July, 2000

By: /s/ Robert E. Rossiter

Robert E. Rossiter

July 5, 2000

Mr. James H. Vandenberghe
543 Lake Shore Drive
Grosse Pointe Shores, MI 48236

Dear Jim:

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

The Board of Directors of the Company (the "Board") has determined that appropriate steps should be taken to reinforce and encourage the continued attention and dedication of members of the Company's management, including yourself, to their assigned duties. The Board recognizes that, as is the case with many publicly-held companies, the possibility of a Change in Control (as that term is hereafter defined) exists. The Company wishes to assure itself of both present and future continuity of management in the event of any Change in Control and that certain of its executives are not practically disabled from discharging their duties upon a Change in Control. In order to induce you to remain in the employ of the Company, and in consideration of your agreement to the termination of any existing employment contract you may have with the Company or any predecessor, the Company agrees that you shall receive, upon the terms and conditions set forth herein, the compensation and benefits set forth in this letter agreement ("Agreement") during the Term hereof.

1. TERM OF AGREEMENT. This Agreement shall commence as of July 1, 2000 ("Effective Date") and the term of this Agreement shall at all times be three years, that is, the term of this Agreement shall be automatically extended each day for an additional day such that this Agreement shall continually have an unexpired term of three years, until the date three years after written notice is provided by either the Company or the Executive that this Agreement is not to be further extended or until the date the Executive reaches his or her normal retirement date under the Company's retirement plan for salaried employees then in effect, whichever shall first occur (the "Term"). There shall be no renewal of the Term after the Date of Termination.

2. TERMS OF EMPLOYMENT. During the Term, you agree to be a full-time employee of the Company serving in the position of Vice Chairman of the Company and to devote substantially all of your working time and attention to the business and affairs of the Company and, to the extent necessary, to discharge the responsibilities associated with your position as Vice Chairman

of the Company, to use your best efforts to perform faithfully and efficiently such responsibilities. In addition, you agree to serve in such other capacities or offices to which you may be assigned, appointed or elected from time to time by the Board. Nothing herein shall prohibit you from devoting your time to civic and community activities, serving as a member of the Board of Directors of other corporations who do not compete with the Company, or managing personal investments, as long as the foregoing do not interfere with the performance of your duties hereunder.

3. COMPENSATION.

(i) As compensation for your services, under this Agreement, you shall be entitled to receive an initial base salary of \$665,000 per annum, to be paid in accordance with existing payroll practices for executives of the Company. Increases in your base salary, if any, shall be as approved by the Compensation Committee of the Board. In addition, you shall be eligible to receive an annual incentive compensation bonus ("Bonus") to be approved from time to time by the Compensation Committee of the Board.

(ii) In addition to compensation provided for in Subsection (i) of this Section 3, the Company agrees (A) to provide the same or comparable benefits with respect to any compensation or benefit plan in which you participate as of the Effective Date which is material to your total compensation, unless an equitable arrangement (embodied in an ongoing substitute or alternative plan) has been made with respect to such plan; and (B) to maintain your ability to participate therein (or in such substitute or alternative plan) on a basis not materially less favorable, both in terms of the opportunities provided and the level of your participation relative to other participants, than exists on the Effective Date.

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

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

4. TERMINATION OF EMPLOYMENT. Your employment may be terminated as set forth herein. If your employment should terminate during the Term, your entitlement to benefits shall be determined in accordance with Section 5 hereof.

(i) NOTICE. Your employment may be terminated by either the Company or you by giving a Notice of Termination, as defined in Subsection (vii) of this Section 4.

(ii) DISABILITY. If, as a result of your incapacity due to physical or mental illness, you become permanently disabled and begin actually to receive disability benefits pursuant to the Lear Corporation's Salary Continuation Plan, the Lear Corporation's Long Term Disability (LTD) Plan for Salaried Employees, the Lear Corporation Executive Disability Insurance Plan or any successor thereto, your employment may be terminated for "Disability".

(iii) CAUSE. Termination of your employment for "Cause" shall mean termination upon:

- (A) an act of fraud, embezzlement or theft by you in connection with your duties or in the course of your employment with the Company;
- (B) your intentional wrongful damage to the property of the Company;
- (C) your intentional wrongful disclosure of secret processes or confidential information of the Company;
- (D) your intentional breach of Section 10 or Section 11 hereof while you remain in the employ of the Company;
- (E) an act of Sexual Harassment (as defined below);
- (F) an act of Gross Misconduct (as defined below);
- (G) discrimination on the basis of race, color, religion or national origin; or
- (H) a felony conviction for a crime involving moral turpitude.

and the determination by the Directors of the Company as hereafter provided that any such act shall have been materially harmful to the Company. For purposes of this Agreement, "Sexual Harassment" shall mean unwelcome sexual advances, requests for sexual favors, and other verbal or physical conduct of a sexual nature, based on the totality of the circumstances, such as the nature of the sexual advances and the context in which the alleged incidents occurred, when (1) submission to such conduct is made either explicitly or implicitly a term or condition of an individual's employment, (2) submission to or rejection of such conduct by an individual is used as the basis of employment decisions affecting such individual, or (3) such conduct has the purpose or effect of unreasonably interfering with an individual's work performance or creating an intimidating, hostile, or offensive working environment. For purposes of this Agreement, "Gross Misconduct" shall mean a willful or negligent act or omission, which is contrary to established policies or practices of the Company and which has or will have a material and adverse impact on the business or reputation of the Company, or on the business of the Company's customers or suppliers as such relate to the Company. For purposes of this Agreement, no act, or failure to act, on your part shall be deemed for "Cause" unless done, or omitted to be done, by you not in good faith and without reasonable belief that your action or omission was in the best interest of the Company. Notwithstanding the foregoing, you shall not be deemed to have been terminated for

"Cause" hereunder unless and until there shall have been delivered to you a copy of a resolution duly adopted by the affirmative vote of a majority of the Directors then in office at a meeting of the Directors called and held for such purpose (after reasonable notice to you and an opportunity for you, together with your counsel, to be heard before the Directors), finding that, in the good faith opinion of the Directors, you have committed an act set forth above in this Section 4(iii) and specifying the particulars thereof in detail. Nothing herein shall limit your right or your beneficiaries' right to contest the validity or propriety of any such determination.

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

(A) any reduction by the Company in your base salary or adverse change in the manner of computing your Bonus, as in effect from time to time, except for across-the-board salary reductions similarly affecting all executive officers of the Company;

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

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

(D) the failure to elect, reelect or otherwise maintain you in the office or position in the Company which you held immediately prior to such failure, or your removal as a Director of the Company (or any successor thereof) if you shall have been a Director of the Company;

(E) there has been an adverse change in your responsibilities, position (including substantial change in status, reporting relationships or working conditions), authority or duties, which situation is not remedied within ten (10) calendar days after receipt by the Company of written notice from you of such change; or

(F) without limiting, the generality or effect of the foregoing, any material breach of this Agreement by the Company.

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

(v) CHANGE IN CONTROL. Notwithstanding, anything contained in this Agreement to the contrary, if a Constructive Termination (as defined in Section 4(vi)) shall have occurred after a Change in Control shall have occurred, you may terminate employment with the Company during the 30 day period immediately following the first anniversary of the occurrence of such Change in Control, with the right to severance compensation as provided in Section 5(iv) hereof and, if applicable, Section 6 hereof. For purposes of this Agreement, a "Change in Control" shall have occurred if at any time during the Term any of the following events shall occur:

(A) the Company is merged or consolidated or reorganized into or with another corporation or other legal person or entity and as a result of such merger, consolidation or reorganization less than 51% of the combined voting power of the then outstanding securities of such corporation or person immediately after such transaction is held in the aggregate by the holders of the then outstanding securities entitled to vote generally in the election of Directors ("Voting Stock") of the Company immediately prior to such transaction;

(B) the Company sells or otherwise transfers all or substantially all of its assets to any other corporation or other legal person or entity if less than 51% of the combined voting power of the then outstanding Voting Stock of such corporation or person immediately after such sale or transfer is held in the aggregate by the holders of Voting Stock of the Company immediately prior to such sale or transfer;

(C) there is a report filed on Schedule 13D or Schedule 14D-1 (or any successor schedule, form or report), each as promulgated pursuant to the Securities Exchange Act of 1934 (the "Exchange Act"), disclosing that any person (as the term "person" is used in Section 13(d)(3) or Section 14(d)(2) of the Exchange Act) has become the beneficial owner (as the term "beneficial owner" is defined under Rule 13d-3 or any successor rule or regulation promulgated under the Exchange Act) of securities representing 20% or more of the then outstanding Voting Stock of the Company;

(D) the Company shall file a report or proxy statement with the Securities and Exchange Commission pursuant to the Exchange Act disclosing in response to Item 1 of Form 8-K-thereunder or Item 6(e) of Schedule 14A thereunder (or any successor schedule, form or report or item therein) that a change in control of the Company has or may have occurred or will or may occur in the future pursuant to any then existing, contract or transaction; or

(E) during any period of two consecutive years, individuals who at the beginning of any such period constitute the Directors of the Company cease for any reason to constitute

at least a majority thereof unless the election, or the nomination for election by the Company's shareholders, of each Director of the Company first elected during such period was approved by a vote of at least two-thirds of the Directors of the Company then still in office who were Directors of the Company at the beginning, of any such period.

Notwithstanding the foregoing provisions of Sections 4(v)(A) and 4(v)(B) hereof, a Change in Control shall not be deemed to have occurred under Section 4(v)(A) or 4(v)(B) if: (i) the Chairman and CEO, President and COO, and Vice Chairman (i.e., the top three executive officers) of the Company shall hold officer positions of substantially equivalent responsibility and authority with the corporation surviving such merger, consolidation, or reorganization, or the entity acquiring such assets (the "Acquiror"); and (ii) not less than 40% of the members of the Board of Directors or other governing body of the Acquiror shall have been directors of the Company during the 90 day period immediately preceding such merger, consolidation, reorganization or acquisition of assets. Notwithstanding the foregoing provisions of Section 4(v)(C) and 4(v)(D) hereof, a Change in Control shall not be deemed to have occurred for purposes of this Agreement solely because (a) the Company, (b) an entity in which the Company directly or indirectly beneficially owns more than 50% of the voting securities or (c) any Company-sponsored employee stock ownership plan or any other employee benefit plan of the Company, or any entity holding shares of Voting Stock for or pursuant to the terms of any such plan, either files or becomes obligated to file a report or a proxy statement under or in response to Schedule 13D, Schedule 14D-1, Item I of Form 8-K or Item 6(e) of Schedule 14A (or any successor schedule, form or report or item therein) under the Exchange Act, disclosing beneficial ownership by it of shares of Voting Stock of the Company, whether in excess of 20% or otherwise, or because the Company reports that a change in control of the Company has or may have occurred or will or may occur in the future by reason of such beneficial ownership by the entities described in clauses (a), (b) and (c) of this paragraph.

(vi) CONSTRUCTIVE TERMINATION. For purposes of this Agreement, "Constructive Termination" shall mean the occurrence, without your express written consent, of any of the following circumstances or events unless such circumstances or events are fully corrected prior to the Date of Termination specified in the Notice of Termination, as such terms are defined in Subsections (viii) and (vii) of this Section 4, respectively, given in respect thereof:

(A) any reduction, other than across-the-board reduction, by the Company in your base salary or adverse change in the manner of computing your Bonus, as in effect from time to time;

(B) the failure by the Company to pay or provide to you within seven (7) days of receipt by the Company of your written demand any amounts of base salary or Bonus or any benefits which are due, owing and payable to you pursuant to the terms hereof, or to pay to you any portion of an installment of deferred compensation due under any deferred compensation program of the Company;

(C) the failure by the Company to (i) continue in effect any compensation or benefit plan in which you participate which is material to your total compensation and benefits,

including but not limited to the Company's plans currently in effect or hereafter adopted, and any plans adopted in substitution therefor, or (ii) continue to provide you with benefits substantially similar, in aggregate, to the Company's life insurance, medical, dental, health, accident or disability plans in which you are participating at the date of this Agreement;

(D) the failure to elect, reelect or otherwise maintain you in the office or substantially same position in the Company which you held immediately prior to such failure, or your removal as a Director of the Company (or any successor thereof) if you shall have been a Director of the Company;

(E) there has been an adverse change in your responsibilities, position (including substantial change in status, reporting relationships or working conditions), authority or duties, which situation is not remedied within ten (10) calendar days after receipt by the Company of written notice from you of such change;

(F) the requirement by the Company that you change your principal location of work to any location which is in excess of 50 miles from your principal location of work immediately prior to such relocation, or a material increase in your travel away from your office in the course of discharging your responsibilities or duties hereunder, without, in either case, your prior written consent; or

(G) without limiting, the generality or effect of the foregoing, any material breach of this Agreement by the Company.

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

(vii) NOTICE OF TERMINATION. Any termination of your employment by the Company or by you shall be communicated by written Notice of Termination to the other party hereto in accordance with Section 9 hereof. For purposes of this Agreement, a "Notice of Termination" shall mean a notice which shall indicate the specific termination provision in this Agreement relied upon, if any, and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of your employment under the provision so indicated.

(viii) DATE OF TERMINATION. "Date of Termination" shall mean

(A) if your employment is terminated for Disability pursuant to Subsection (ii) of this Section 4, the date on which you are considered disabled pursuant to the Lear Corporation's Salary Continuation Plan, the Lear Corporation's Long Term Disability (LTD) Plan for Salaried Employees, the Lear Corporation Executive Disability Insurance Plan or any successor thereto;

(B) if your employment is terminated by reason of your death, the date of your death;

(C) if your employment is terminated by you for Good Reason or by either party for any other reason (other than Disability, death, or your voluntary resignation without Good Reason), the date specified in the Notice of Termination (which, in the case of a termination by you for Good Reason, shall not be less than thirty (30) nor more than sixty (60) days from the date such Notice of Termination is given); and

(D) if your employment is terminated by your voluntary resignation without Good Reason (as defined in Subsection (iv) of this Section 4), the Date of Termination shall be forty-five (45) days from the date such Notice of Termination is given or such earlier date after the date such Notice of Termination is given, as may be identified by the Company.

Unless the Company instructs you not to do so, you shall continue to perform services as provided in this Agreement through the Date of Termination.

(ix) EMPLOYEE BENEFITS. A termination by the Company pursuant to Section 4(ii) hereof or by you pursuant to Section 4(iv) or Section 4(v) hereof shall not affect any rights which you may have pursuant to any other agreement, policy, plan, program or arrangement of the Company providing employee benefits, which rights shall be governed by the terms thereof; provided, however, that if you shall have received or shall be receiving benefits under Section 5 hereof and, if applicable, Section 6 hereof, you shall not be entitled to receive benefits under any other policy, plan, program or arrangement of the Company providing severance compensation to which you would otherwise be entitled. If this Agreement or your employment is terminated under circumstances in which you are not entitled to any payments under Section 5 hereof, you shall have no further obligation or liability to the Company hereunder with respect to your prior or any future employment by the Company.

5. COMPENSATION UPON TERMINATION OR DURING DISABILITY. Upon termination of your employment with the Company during the Term, you shall be entitled to the following compensation and benefits:

(i) If your employment is terminated for Disability, (a) for the period from the Date of Termination until the end of the calendar year in which such termination occurs, you shall receive all compensation payable to you under the Company's disability and medical plans and programs, as in effect on the Date of Termination, plus an additional payment from the Company (if necessary) such that the aggregate amount received by you in the nature of salary continuation from all sources equals your base salary, at the rate in effect on the Date of Termination, plus any Bonus earned and all other amounts to which you are entitled under any compensation or benefit plans of the Company, prorated for the portion of the Bonus, compensation or benefit measurement period occurring prior to the Date of Termination, and (b) for the period from the end of the calendar year in which such termination occurs until the end of the Term, you shall receive all compensation payable to you under the Company's disability and medical plans and programs, as in effect on the Date of Termination, plus an additional payment from the Company (if necessary) such that the aggregate amount received by you in the nature of salary continuation from all sources equals your base salary at the rate in effect on the Date of Termination. After the end of the Term, your benefits shall be determined under the Company's retirement, insurance and

other compensation programs then in effect in accordance with the terms of such programs, provided that such terms shall not be less advantageous to you than the terms of such programs in effect as of the Effective Date.

(ii) If your employment shall be terminated (a) by the Company for Cause, or (b) by you other than for Good Reason or a Constructive Termination after a Change in Control, the Company shall pay you your base salary proportionately allocated on a pro-rata basis through the Date of Termination, at the rate in effect at the time Notice of Termination is given, plus all other amounts to which you are fully vested and irrevocably entitled under any compensation or benefit plans of the Company as of the Date of Termination, and the Company shall have no further obligations in any respect whatsoever for payment of compensation or benefits to you under this Agreement. Provided, however, that if your employment is terminated by your voluntary resignation without Good Reason, you shall be compensated under this Subsection 5(ii) only to the extent that you actively performed your assigned responsibilities through the Date of Termination.

(iii) If your employment shall be terminated by reason of your death, the Company shall pay your estate or designated beneficiary (as designated by you by written notice to the Company, which designation shall remain in effect for the remainder of the Term and any extensions thereof until revoked or a new beneficiary is designated, in either case by written notice to the Company) your base salary proportionately allocated on a pro-rata basis through the Date of Termination and for a period of 12 whole calendar months thereafter plus, if the Date of Termination shall not occur on the first day of a calendar month, the balance of the month in which the Date of Termination occurs, at the rate in effect at the time of your death, plus any Bonus earned, prorated for the portion of the Bonus measurement period occurring prior to the date of your death, plus all other amounts to which you are entitled under any compensation or benefit plans of the Company at the date of your death, including, but not limited to, all life insurance proceeds payable on your death to which your estate or beneficiaries are otherwise entitled in accordance with the terms thereof, and the Company shall have no further obligation to you, your beneficiaries or your estate under this Agreement.

(iv) If your employment shall be terminated (a) by the Company other than for Cause or Disability or (b) by you for Good Reason or because of Constructive Termination after a Change in Control, then you shall be entitled to the benefits provided below:

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

(B) The Company shall pay or cause to be paid to you, in lieu of any further payments to you for the portion of the Term subsequent to the Termination Date, excluding any amounts payable under Section 5(iv)(D) hereof, and excluding your rights at law or in

equity (other than rights to damages for termination of your employment or this Agreement), a payment, which shall be made either (i) if mutually agreed to by you (or your estate or other representative) and the Company as of the Date of Termination, in a lump sum within five business days after the Termination Date in an amount equal to the present value of the Severance Payment (as defined below), using a discount rate equal to the applicable interest rate promulgated by the Internal Revenue Service ("IRS") under Section 417(e)(3) of the Internal Revenue Code of 1986, as amended ("Code") for the third month preceding the month in which the Termination Date occurs, and if the IRS ceases to promulgate such interest rates, the last such interest rate so promulgated, or (ii) in the absence of such an agreement, in installments, without interest (with exceptions for any amounts imputed or otherwise deemed or recharacterized as interest under the Code) in thirty-six (36) equal monthly installments with each such monthly installment payment equal to 1/36th of the aggregate amount of the Severance Payment. The "Severance Payment" shall be equal to the sum of:

(i) the aggregate base salary (at the highest rate in effect at any time during the Term) which you would have received pursuant to this Agreement for two years, had your employment with the Company continued for such period; plus

(ii) the aggregate Bonus (based upon the highest annual Bonus that you received with respect to any calendar year during, the three calendar years immediately preceding the calendar year in which the Termination Date occurred) which you would have received pursuant to this Agreement for two years, had your employment with the Company continued for such period; plus

(iii) the cash value of all benefits that would be payable to you under the Company Pension Equalization Plan ("PEP"), the Company Management Stock Purchase Plan ("MSPP"), the Company Executive Supplemental Savings Plan ("ESSP"), and the Company Long-Term Stock Incentive Plan ("LTSIP") (the PEP, MSPP, ESSP and LTSIP are collectively referred to herein as the "Plans"), (based upon the highest annual aggregate rate that you received benefits under each of the Plans with respect to any calendar year during the three calendar years immediately preceding the calendar year in which the Termination Date occurs) pursuant to this Agreement for two years, had your employment with the Company continued for such period, other than Plan benefits providing base salary, Bonus and the benefits to be provided pursuant to Section 5(iv)(D) hereof.

You and the Company acknowledge that references in this Section 5(iv)(B) to the PEP, the MSPP, the ESSP, and the LTSIP, shall be deemed to be references to such plans as amended or restated from time to time and to any similar plan of the Company that supplements or supersedes any such plans; provided that any amendment during the Term that reduces benefits under the PEP, the MSPP, the ESSP, or the LTSIP (or any similar plan of the Company that supplements or supersedes any of such plans) in any way (including without limitation by reducing, the rate of benefit accruals or contribution levels under, any of such plans, or by changing, the basis upon which actuarial equivalents are

determined under any such plans) shall be disregarded for purposes of this Section 5(iv)(B). In addition, you and the Company acknowledge that references in this Section 5 to any Section of the Code shall be deemed to be references to such Section as amended from time to time or to any successor thereto.

(C) The Company shall pay all legal fees and expenses incurred by you as a result of such termination (including without limitation all such fees and expenses, if any, incurred in seeking to obtain or enforce any right or benefit provided by this Agreement in accordance with Section 21 hereof).

(D) The Company shall arrange to provide to you, for the remainder of the Term, benefits provided under any "welfare benefit plan" of the Company as the term "welfare benefit plan" is defined in Section 3(1) of the Employee Retirement Income Security Act of 1974, as amended, which you were receiving or entitled to receive during the Term ("Welfare Benefits"). If and to the extent that any such Welfare Benefits shall not or cannot be paid or provided under any policy, plan, program or arrangement of the Company (i) solely due to the fact that you are no longer an officer or employee of the Company or did not continue as an officer or employee of the Company during the remainder of the Term or (ii) as a result of the amendment or termination of any plan providing for Welfare Benefits, the Company shall then itself pay or provide for the payment of such Welfare Benefits to you, your dependents and beneficiaries. Without otherwise limiting the purposes or effect of the no mitigation obligation in Section 5(viii) hereof, Welfare Benefits payable to you (including your dependents and beneficiaries) pursuant to this Section 5(iv)(D) shall be reduced to the extent comparable benefits are actually received by you (including your dependents and beneficiaries) from another employer during such period, and any such benefits actually received by you shall be reported by you to the Company.

(E) Your right to acquire any shares of the Company's capital stock under any and all outstanding stock options, or other rights previously granted to you under any stock option, stock purchase, stock appreciation, or similar equity-based plans of the Company shall expire as of the Date of Termination and be null, void, and of no further force or effect, except (i) to the extent the express terms of such stock option, stock purchase, stock appreciation, or similar equity-based plans provide for vesting or other manner of continuation after the Date of Termination, or (ii) on such terms and conditions as mutually agreed to by you and the Company as of the Date of Termination.

(v) Any Bonus that is payable to you with respect to a period that is less than a full calendar year (a "partial calendar year") shall be prorated by multiplying (i) the Bonus that would have been payable to you with respect to the entire calendar year had your employment with the Company continued until the end of such year by (ii) a fraction, the numerator of which equals the number of days in the partial calendar year and the denominator of which equals 365.

(vi) The Company, if permitted by law, may set-off or counterclaim losses, fines or damages in respect of any claim, debt or obligation against any payment to or benefit for you provided for in this Agreement.

(vii) Without limiting your rights at law or in equity, if the Company fails to make any payment or provide any benefit required to be made or provided hereunder on a timely basis, the Company will pay interest on the amount or value thereof at an annualized rate of interest equal to the "prime rate" as quoted from time to time during the relevant period in The Wall Street Journal, plus three percent. Such interest will be payable as it accrues on demand. Any change in such prime rate will be effective on and as of the date of such change.

(viii) The Company hereby acknowledges that it will be difficult, and may be impossible, for you to find reasonably comparable employment following the Termination Date. In addition, the Company acknowledges that its severance pay plans and policies applicable in general to its salaried employees do not provide for mitigation, offset or reduction of any severance payment received thereunder. Accordingly, the parties hereto expressly agree that the payment of the severance compensation by the Company to you in accordance with the terms of this Agreement shall be liquidated damages and that you shall not be required to mitigate the amount of any payment provided for in this Agreement by seeking other employment or otherwise, nor shall any profits, income, earnings or other benefits from any source whatsoever create any mitigation, offset, reduction or any other obligation on the part of you hereunder or otherwise, except as expressly provided in this Section 5.

6. CERTAIN ADDITIONAL PAYMENTS BY THE COMPANY.

(i) Anything in this Agreement to the contrary notwithstanding, in the event that it shall be determined (as hereafter provided) that any payment by the Company to or for your benefit, whether paid or payable pursuant to the terms of this Agreement or otherwise (a "Payment"), would be subject to the excise tax imposed by Section 4999 (or any successor thereto) of the Code, and any interest or penalties with respect to such excise tax (such excise tax, together with any such interest and penalties, are hereafter collectively referred to as the "Excise Tax"), then you shall be entitled to receive an additional payment or payments (collectively, a "Gross-Up Payment"), including without limitation any Gross-Up Payment made with respect to the Excise Tax, if any, attributable to (i) any incentive stock option, as defined by Section 422 of the Code ("ISO"), or (ii) any stock appreciation or similar right, whether or not limited, granted in tandem with any ISO. The Gross-Up Payment shall be in an amount such that, after payment by you of the Excise Tax, plus any additional taxes, penalties and interest, and any further Excise Taxes imposed upon the Gross-Up Payment, you retain, after payment of all such taxes and Excise Taxes, an amount of the Gross-Up Payment equal to the Payment that you would have received if no Excise Taxes had been imposed upon the Payment and no additional taxes or further Excise Taxes had been imposed upon the Gross-Up Payment.

(ii) Subject to the provisions of Section 6(v) hereof, all determinations required to be made under this Section 6, including whether an Excise Tax is payable by you and the amount of such Excise Tax and whether a Gross-Up Payment is required and the amount of such Gross-Up

Payment, shall be made by a nationally recognized firm of certified public accountants (the "Accounting Firm") selected by you in your sole discretion. You shall direct the Accounting Firm to submit its determination and detailed supporting calculations to both the Company and you within 30 calendar days after the Termination Date. If the Accounting Firm determines that any Excise Tax is payable by you, the Company shall pay the required Gross-Up Payment to you within five (5) business days after receipt of the aforesaid determination and calculations. If the Accounting Firm determines that no Excise Tax is payable by you, it shall, at the same time as it makes such determination, furnish you with an opinion that you do not owe any Excise Tax on your Federal income tax return. Any determination by the Accounting Firm as to the amount of the Gross-Up Payment to be paid by the Company within such 30 calendar day period shall be binding upon the Company and you. As a result of the uncertainty in the application of Section 4999 (or any successor thereto) of the Code at the time of the initial determination by the Accounting Firm hereunder, it is possible that Gross-Up Payments which will not have been made by the Company should have been made ("Underpayment"), consistent with the calculations required to be made hereunder. In the event that the Company exhausts its remedies pursuant to Section 6(v) hereof and you thereafter are required to make a payment of any Excise Tax, you shall direct the Accounting Firm to determine the amount of the Underpayment that has occurred and to submit its determination and detailed supporting calculations to both the Company and you as promptly as possible. Any such Underpayment shall be promptly paid by the Company to or for your benefit within three calendar days after receipt of such determination and calculations.

(iii) The Company and you shall each cooperate with the Accounting Firm in connection with the preparation and issuance of the determination provided for in Section 6(ii) hereof. Such cooperation shall include without limitation providing the Accounting Firm access to and copies of any books, records and documents in the possession of the Company or you, as the case may be, that are reasonably requested by the Accounting Firm.

(iv) The fees and expenses of the Accounting Firm for its services in connection with the determinations and calculations provided for in Section 6(ii) hereof shall initially be paid by you. The Company shall reimburse you for your payment of such costs and expenses within five (5) business days after receipt from you of a statement therefor and evidence of your payment thereof.

(v) You shall notify the Company in writing, of any claim by the IRS that, if successful, would require the payment by the Company of a Gross-Up Payment. Such notification shall be given as soon as practicable but no later than 10 business days after you receive notice of such claim and shall apprise the Company of the nature of such claim and the date on which such claim is requested to be paid. You shall not pay such claim prior to the earlier of (A) the expiration of the 30 calendar day period following the date on which you give such notice to the Company or (B) the date that any payment of taxes with respect to such claim is due. If the Company notifies you in writing prior to the expiration of such period that it desires to contest such claim, you shall:

(i) give the Company any information reasonably requested by the Company relating to such claim;

(ii) take such action in connection with contesting such claim as the Company shall reasonably request in writing, from time to time, including without limitation accepting legal representation with respect to such claim by an attorney reasonably selected by the Company;

(iii) cooperate with the Company in good faith in order effectively to contest such claim; and

(iv) permit the Company to participate in any proceedings relating to such claim;

provided, however, that the Company shall bear and pay directly all costs and expenses (including additional interest and penalties) incurred in connection with such contest and shall indemnify and hold you harmless, on an after-tax basis, for any Excise Tax or income tax, including interest and penalties with respect thereto, imposed as a result of such representation and payment of costs and expenses. Without limitation on the foregoing provisions of this Section 6(v), the Company shall, provided that such control does not have a material adverse affect on your individual income tax with respect to matters unrelated to the contest of the Excise Tax, control all proceedings taken in connection with such contest and, at its sole option, may, provided that such pursuit or foregoing does not have a material adverse affect on your individual income tax with respect to matters unrelated to the contest of the Excise Tax, pursue or forego any and all administrative appeals, proceedings, hearings and conference with the IRS in respect of such claim (but, you may participate therein at your own cost and expense) and may, at its sole option, provided that such payment, suit, contest or prosecution does not have a material adverse affect on your individual income tax with respect to matters unrelated to the contest of the Excise Tax, either direct you to pay the tax claimed and sue for a refund or contest the claim in any permissible manner, and you agree to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as the Company shall determine; provided, however, that if the Company directs you to pay the tax claimed and sue for a refund, the Company shall advance the amount of such payment to you on an interest-free basis and shall indemnify and hold you harmless, on an after-tax basis, from any Excise Tax or income tax, including interest or penalties with respect thereto, imposed with respect to such advance or with respect to any imputed income with respect to such advance; and further provided that any extension of the statute of limitations relating to payment of taxes for your taxable year with respect to which the contested amount is claimed to be due is limited solely to such contested amount. Furthermore, the Company's control of such contest shall be limited to issues with respect to which a Gross Up Payment would be payable hereunder, and you shall be entitled to settle or contest, as the case may be, any other issue raised by the IRS.

(vi) If, after the receipt by you of an amount advanced by the Company pursuant to Section 6(v) hereof, you receive any refund with respect to such claim, you shall (subject to the Company's complying with the requirements of Section 6(v) hereof) promptly pay to the Company the amount of such refund (together with any interest paid or credited thereon after any taxes applicable thereto). If, after the receipt by you of an amount advanced by the Company

pursuant to Section 6(v) hereof, a determination is made that you shall not be entitled to any refund with respect to such claim and the Company does not notify you in writing of its intent to contest such denial or refund prior to the expiration of 30 calendar days after such determination, then such advance shall be forgiven and shall not be required to be repaid and the amount of such advance shall offset, to the extent thereof, the amount of Gross-Up Payment required to be paid.

7. TRAVEL. Except to the extent that you are permitted to terminate your employment for Constructive Termination after a Change in Control as provided in Section 4(v), you shall be required to travel to the extent necessary for the performance of your responsibilities under this Agreement.

8. SUCCESSORS; BINDING AGREEMENT. The Company will, by agreement in form and substance satisfactory to you, require any successor (whether direct or indirect, by purchase merger, consolidation or otherwise) to all or substantially all the business and/or assets of the Company, to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. Failure of the Company to obtain such assumption and agreement prior to the effectiveness of any such succession shall entitle you to compensation from the Company in the same amount and on the same terms as you would be entitled to hereunder if you terminate your employment for Good Reason, except that for purposes of implementing, the foregoing, the date on which any such succession becomes effective shall be deemed the Date of Termination. As used in this Agreement, "Company" shall mean the Company as hereinbefore defined and any successor to its business and/or assets as aforesaid which assumes and agrees to perform this Agreement by operation of law, or otherwise. This Agreement shall inure to the benefit of and be enforceable by your personal or legal representatives, executors, administrators, successors, heirs, distributees and/or legatees. This Agreement is personal in nature and neither of the parties hereto shall, without the consent of the other, assign, transfer or delegate this Agreement or any rights or obligations hereunder except as expressly provided in this Section 8. Without limiting the generality of the foregoing, your right to receive payments hereunder shall not be assignable or transferable, whether by pledge, creation of a security interest or otherwise, other than by a transfer by your will or by the laws of descent and distribution and, in the event of any attempted assignment or transfer contrary to this Section 8, the Company shall have no liability to pay to the purported assignee or transferee any amount so attempted to be assigned or transferred. The Company and you recognize that each party will have no adequate remedy at law for any material breach by the other of any of the agreements contained herein and, in the event of any such breach, the Company and you hereby agree and consent that the other shall be entitled to a decree of specific performance, mandamus or other appropriate remedy to enforce performance of this Agreement.

9. NOTICES. For the purpose of this Agreement, notices and all other communications provided for in this Agreement shall be in writing, and shall be deemed to have been duly given when delivered by hand, or mailed by United States certified mail, return receipt requested, postage prepaid, or sent by Federal Express or similar overnight courier service, addressed to the respective addresses set forth on the first page of this Agreement, or sent by facsimile with confirmation of receipt to the respective facsimile numbers set forth on the first page of this

Agreement, provided that all notices to the Company shall be directed to the attention of the Secretary of the Company (or, if you are the Secretary at the time such notice is to be given, to the Chairman of the Company's Board of Directors), or to such other address or facsimile number as either party may have furnished to the other in writing in accordance herewith, except that notice of change of address or facsimile number shall be effective only upon receipt.

10. NONCOMPETITION.

(i) Until the Date of Termination, you agree not to engage in any Competitive Activity. For purposes of this Agreement, the term "Competitive Activity" shall mean your participation, without the written consent of an officer of the Company of higher rank and standing than yourself (and if there is no such person then by the Chairman of the Board of Directors), in the management of any business enterprise if such enterprise engages in substantial and direct competition with the Company (including without limitation any supplier to an original equipment automotive vehicle manufacturer) and such enterprise's sales of any product or service competitive with any product or service of the Company amounted to 25% of such enterprise's net sales for its most recently completed fiscal year and if the Company's net sales of said product or service amounted to 25% of the Company's net sales for its most recently completed fiscal year. "Competitive Activity" shall not include (i) the mere ownership of securities in any enterprise and exercise of rights appurtenant thereto or (ii) participation in management of any enterprise or business operation thereof other than in connection with the competitive operation of such enterprise.

(ii) You agree not to engage in any Competitive Activity (A) until one (1) year after the Date of Termination if you are terminated for Cause or you terminate your employment for other than Good Reason or Constructive Termination after a Change in Control, or (B) until three (3) years after the Date of Termination if you are terminated by the Company other than for Cause or you terminate your employment for Good Reason or Constructive Termination after a Change in Control.

(iii) You shall not directly or indirectly, either on your own account or with or for anyone else, (A) solicit or attempt to solicit any of the Company's customers (B) solicit or attempt to solicit for any business endeavor any employee of the Company or (C) otherwise divert or attempt to divert from the Company any business whatsoever or interfere with any business relationship between the Company and any other person, (a) until one (1) year after the Date of Termination if you are terminated for Cause or you terminate your employment for other than Good Reason or Constructive Termination after a Change in Control, or (b) until three (3) years after the Date of Termination if you are terminated other than for Cause or you terminate your employment for Good Reason or Constructive Termination after a Change in Control.

(iv) You acknowledge and agree that damages for breach of the covenants in this Section 10 will be difficult to determine and will not afford a full and adequate remedy, and therefore agree that the Company, in addition to seeking actual damages pursuant to Section 10 hereof, may seek specific enforcement of the covenant not to compete in any court of competent jurisdiction, including, without limitation, by the issuance of a temporary or permanent injunction,

without the necessity of a bond. You and the Company agree that the provisions of this covenant not to compete are reasonable. However, should any court or arbitrator determine that any provision of this covenant not to compete is unreasonable, either in period of time, geographical area, or otherwise, the parties agree that this covenant not to compete should be interpreted and enforced to the maximum extent which such court or arbitrator deems reasonable.

(v) As compensation for your covenants contained in Sections 10(ii)(B) and 10(iii)(b), the Company shall pay or cause to be paid to you a payment, which shall be made either (i) if mutually agreed to by you (or your estate or other representative) and the Company as of the Date of Termination, in a lump sum within five business days after the Termination Date in an amount equal to the present value of the Noncompete Payment (as defined below), using a discount rate equal to the applicable interest rate promulgated by the Internal Revenue Service ("IRS") under Section 417(e)(3) of the Internal Revenue Code of 1986, as amended ("Code") for the third month preceding the month in which the Termination Date occurs, and if the IRS ceases to promulgate such interest rates, the last such interest rate so promulgated, or (ii) in the absence of such an agreement, in installments, without interest (with exceptions for any amounts imputed or otherwise deemed or recharacterized as interest under the Code) in thirty-six (36) equal monthly installments with each such monthly installment payment equal to 1/36th of the aggregate amount of the Noncompete Payment. The "Noncompete Payment" shall be equal to the sum of:

(i) the aggregate base salary (at the highest rate in effect at any time during the Term) which you would have received pursuant to this Agreement for one year, had your employment with the Company continued for such period; plus

(ii) the aggregate Bonus (based upon the highest annual Bonus that you received with respect to any calendar year during, the three calendar years immediately preceding the calendar year in which the Termination Date occurred) which you would have received pursuant to this Agreement for one year, had your employment with the Company continued for such period plus

(iii) the cash value of all benefits that would be payable to you under the Company Pension Equalization Plan ("PEP"), the Company Management Stock Purchase Plan ("MSPP"), the Company Executive Supplemental Savings Plan ("ESSP"), and the Company Long-Term Stock Incentive Plan ("LTSIP") (the PEP, MSPP, ESSP and LTSIP are collectively referred to herein as the "Plans"), (based upon the highest annual aggregate rate that you received benefits under each of the Plans with respect to any calendar year during the three calendar years immediately preceding the calendar year in which the Termination Date occurs) pursuant to this Agreement for one year, had your employment with the Company continued for such period, other than Plan benefits providing base salary, Bonus and the benefits to be provided pursuant to Section 5(iv)(D) hereof.

You and the Company acknowledge that references in this Section 10(v) to the PEP, the MSPP, the ESSP, and the LTSIP, shall be deemed to be references to such plans as amended or restated from time to time and to any similar plan of the Company that supplements or supersedes any such plans; provided that any amendment during the Term that reduces benefits under the PEP, the

MSPP, the ESSP, or the LTSIP (or any similar plan of the Company that supplements or supersedes any of such plans) in any way (including without limitation by reducing, the rate of benefit accruals or contribution levels under any of such plans, or by changing, the basis upon which actuarial equivalents are determined under any such plans) shall be disregarded for purposes of this Section 5(iv)(B). In addition, you and the Company acknowledge that references in this Section 10 to any Section of the Code shall be deemed to be references to such Section as amended from time to time or to any successor thereto.

11. CONFIDENTIALITY AND COOPERATION.

(i) You shall not knowingly use, disclose or reveal to any unauthorized person, during, or after the Term, any trade secret or other confidential information relating to the Company or any of its affiliates, or any of their respective businesses or principals, such as, without limitation, dealers' or distributor's lists, information regarding personnel and manufacturing processes, marketing and sales plans, and all other such information; and you confirm that such information is the exclusive property of the Company and its affiliates. Upon termination of your employment, you agree to return to the Company on demand by the Company all memoranda, books, papers, letters and other data, and all copies thereof or therefrom, in any way relating to the business of the Company and its affiliates, whether made by you or otherwise in your possession.

(ii) Any design, engineering methods, techniques, discoveries, inventions (whether patentable or not), formulae, formulations, technical and product specifications, bill of materials, equipment descriptions, plans, layouts, drawings, computer programs, assembly, quality control, installation and operating procedures, operating manuals, strategic, technical or marketing information, designs, data, secret knowledge, know-how and all other information of a confidential nature prepared or produced during the period of your employment and which ideas, processes, etc. relate to any of the businesses of the Company, shall be owned by the Company and its affiliates whether or not you should in fact execute an assignment thereof or other instrument or document which may be reasonably necessary to protect and secure such rights to the Company.

(iii) During the Term and for a period ending on the later of three (3) years after the Date of Termination or at the conclusion of any dispute which commences during the Term, you shall cooperate and comply with all reasonable requests made by the Company in prosecuting or defending any claim with respect to any litigation or arbitration or any pending or threatened litigation or arbitration, involving any invention, patent, trademark, trade name, secret process, or other intangible property in which the Company has, or reasonably believes it has, proprietary rights in and which you had substantial involvement in the development of during the Term of your employment. You shall not receive any additional compensation, other than reimbursement for reasonable costs and expenses incurred by you, in complying with the terms of this Section 11(iii).

12. ARBITRATION.

(i) Except as contemplated by Section 10(iv) or Section 12 (iii) hereof, any dispute or controversy arising under or in connection with this Agreement that cannot be mutually resolved by the parties to this Agreement and their respective advisors and representatives shall be settled exclusively by arbitration in Southfield, Michigan, before one arbitrator of exemplary qualifications and stature, who shall be selected jointly by an individual to be designated by the Company and an individual to be selected by you, or if such two individuals cannot agree on the selection of the arbitrator, who shall be selected pursuant to the procedures of the American Arbitration Association.

(ii) The parties agree to use their best efforts to cause (a) the two individuals set forth in the preceding Section 12(i), or, if applicable, the American Arbitration Association, to appoint the arbitrator within 30 days of the date that a party hereto notifies the other party that a dispute or controversy exists that necessitates the appointment of an arbitrator, and (b) any arbitration hearing to be held within 30 days of the date of selection of the arbitrator, and, as a condition to his or her selection, such arbitrator must consent to be available for a hearing, at such time.

(iii) Judgment may be entered on the arbitrator's award in any court having jurisdiction, provided that you shall be entitled to seek specific performance of your right to be paid and to participate in benefit programs during the pendency of any dispute or controversy arising under or in connection with this Agreement. The Company and you hereby agree that the arbitrator shall be empowered to enter an equitable decree mandating specific performance of the terms of this Agreement. If any dispute under this Section 12 shall be pending, the Executive shall continue to receive at a minimum the base salary which the Executive was receiving immediately prior to the act or omission which forms the basis for the dispute.

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

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

15. GOVERNING LAW. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of Michigan without giving effect to any conflicts of laws rules.

16. PAYMENTS NET OF TAXES. Except as otherwise provided in Section 6 herein, any payments provided for herein which are subject to Federal, State local or other governmental tax

or other withholding requirements or obligations, shall have such amounts withheld prior to payment, and the Company shall be considered to have fully satisfied its obligation hereunder by making such payments to you net of and after deduction for all applicable withholding obligations.

17. CAPACITY OF PARTIES. The parties hereto warrant that they have the capacity and authority to execute this Agreement.

18. VALIDITY. The invalidity or unenforceability of any provision of this Agreement shall not, at the option of the party for whose benefit such provision was intended, affect the validity or enforceability of any other provision of the Agreement, which shall remain in full force and effect.

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

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

21. LEGAL FEES AND EXPENSES. It is the intent of the Company that you not be required to incur the expenses associated with the enforcement of your rights under this Agreement by litigation or other legal action because the cost and expense thereof would substantially detract from the benefits intended to be extended to you hereunder. Accordingly, if it should appear to you that the Company has failed to comply with any of its obligations under this Agreement or in the event that the Company or any other person takes any action to declare the Agreement void or unenforceable or institutes any litigation designed to deny, or to recover from you the benefits intended to be provided to you hereunder, the Company irrevocably authorizes you from time to time to retain counsel of your choice, at the expense of the Company as hereafter provided, to represent you in connection with the initiation or defense of any litigation or other legal action relating, thereto, whether by or against the Company or any Director, officer, shareholder or other person affiliated with the Company, in any jurisdiction. Notwithstanding any existing or prior attorney-client relationship between the Company and any such counsel, the Company irrevocably consents to your entering into an attorney-client relationship with such counsel, and in that connection the Company and you agree that a confidential relationship shall exist between you and such counsel. The Company shall pay or cause to be paid and be solely responsible for any and all attorneys' and related fees and expenses incurred by you (i) as a result of the Company's failure to perform this Agreement or any provision hereof or (ii) as a result of the Company or any person contesting the validity or enforceability of this Agreement or any provision hereof as aforesaid.

If this letter sets forth our agreement on the subject matter hereof, kindly sign and return to the Company the enclosed copy of this letter which will then constitute our agreement on this subject, effective on July 1, 2000 ("Effective Date").

Sincerely,

LEAR CORPORATION

By: /s/ Joseph F. McCarthy

Agreed to this 30th day of June, 2000

By: /s/ James H. Vandenberghe

James H. Vandenberghe

July 5, 2000

Mr. Donald J. Stebbins
3003 Woodcreek Way
Bloomfield Hills, MI 48304

Dear Don:

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

The Board of Directors of the Company (the "Board") has determined that appropriate steps should be taken to reinforce and encourage the continued attention and dedication of members of the Company's management, including yourself, to their assigned duties. The Board recognizes that, as is the case with many publicly-held companies, the possibility of a Change in Control (as that term is hereafter defined) exists. The Company wishes to assure itself of both present and future continuity of management in the event of any Change in Control and that certain of its executives are not practically disabled from discharging their duties upon a Change in Control. In order to induce you to remain in the employ of the Company, and in consideration of your agreement to the termination of any existing employment contract you may have with the Company or any predecessor, the Company agrees that you shall receive, upon the terms and conditions set forth herein, the compensation and benefits set forth in this letter agreement ("Agreement") during the Term hereof.

1. TERM OF AGREEMENT. This Agreement shall commence as of July 1, 2000 ("Effective Date") and the term of this Agreement shall at all times be three years, that is, the term of this Agreement shall be automatically extended each day for an additional day such that this Agreement shall continually have an unexpired term of three years, until the date three years after written notice is provided by either the Company or the Executive that this Agreement is not to be further extended or until the date the Executive reaches his or her normal retirement date under the Company's retirement plan for salaried employees then in effect, whichever shall first occur (the "Term"). There shall be no renewal of the Term after the Date of Termination.

2. TERMS OF EMPLOYMENT. During the Term, you agree to be a full-time employee of the Company serving in the position of Senior Vice President & CFO of the Company and to devote substantially all of your working time and attention to the business and affairs of the Company and, to the extent necessary, to discharge the responsibilities associated with your

position as Senior Vice President & CFO of the Company, to use your best efforts to perform faithfully and efficiently such responsibilities. In addition, you agree to serve in such other capacities or offices to which you may be assigned, appointed or elected from time to time by the Board. Nothing herein shall prohibit you from devoting your time to civic and community activities, serving as a member of the Board of Directors of other corporations who do not compete with the Company, or managing personal investments, as long as the foregoing do not interfere with the performance of your duties hereunder.

3. COMPENSATION.

(i) As compensation for your services, under this Agreement, you shall be entitled to receive an initial base salary of \$440,000 per annum, to be paid in accordance with existing payroll practices for executives of the Company. Increases in your base salary, if any, shall be as approved by the Compensation Committee of the Board. In addition, you shall be eligible to receive an annual incentive compensation bonus ("Bonus") to be approved from time to time by the Compensation Committee of the Board.

(ii) In addition to compensation provided for in Subsection (i) of this Section 3, the Company agrees (A) to provide the same or comparable benefits with respect to any compensation or benefit plan in which you participate as of the Effective Date which is material to your total compensation, unless an equitable arrangement (embodied in an ongoing substitute or alternative plan) has been made with respect to such plan; and (B) to maintain your ability to participate therein (or in such substitute or alternative plan) on a basis not materially less favorable, both in terms of the opportunities provided and the level of your participation relative to other participants, than exists on the Effective Date.

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

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

4. TERMINATION OF EMPLOYMENT. Your employment may be terminated as set forth herein. If your employment should terminate during the Term, your entitlement to benefits shall be determined in accordance with Section 5 hereof.

(i) NOTICE. Your employment may be terminated by either the Company or you by giving a Notice of Termination, as defined in Subsection (vii) of this Section 4.

(ii) DISABILITY. If, as a result of your incapacity due to physical or mental illness, you become permanently disabled and begin actually to receive disability benefits pursuant to the Lear Corporation's Salary Continuation Plan, the Lear Corporation's Long Term Disability (LTD) Plan for Salaried Employees, the Lear Corporation Executive Disability Insurance Plan or any successor thereto, your employment may be terminated for "Disability".

(iii) CAUSE. Termination of your employment for "Cause" shall mean termination upon:

- (A) an act of fraud, embezzlement or theft by you in connection with your duties or in the course of your employment with the Company;
- (B) your intentional wrongful damage to the property of the Company;
- (C) your intentional wrongful disclosure of secret processes or confidential information of the Company;
- (D) your intentional breach of Section 10 or Section 11 hereof while you remain in the employ of the Company;
- (E) an act of Sexual Harassment (as defined below);
- (F) an act of Gross Misconduct (as defined below);
- (G) discrimination on the basis of race, color, religion or national origin; or
- (H) a felony conviction for a crime involving moral turpitude.

and the determination by the Directors of the Company as hereafter provided that any such act shall have been materially harmful to the Company. For purposes of this Agreement, "Sexual Harassment" shall mean unwelcome sexual advances, requests for sexual favors, and other verbal or physical conduct of a sexual nature, based on the totality of the circumstances, such as the nature of the sexual advances and the context in which the alleged incidents occurred, when (1) submission to such conduct is made either explicitly or implicitly a term or condition of an individual's employment, (2) submission to or rejection of such conduct by an individual is used as the basis of employment decisions affecting such individual, or (3) such conduct has the purpose or effect of unreasonably interfering with an individual's work performance or creating an intimidating, hostile, or offensive working environment. For purposes of this Agreement, "Gross Misconduct" shall mean a willful or negligent act or omission, which is contrary to established policies or practices of the Company and which has or will have a material and adverse impact on the business or reputation of the Company, or on the business of the Company's customers or suppliers as such relate to the Company. For purposes of this Agreement, no act, or failure to act, on your part shall be deemed for "Cause" unless done, or omitted to be done, by you not in good faith and without reasonable belief that your action or omission was in the best interest of the Company. Notwithstanding the foregoing, you shall not be deemed to have been terminated for

"Cause" hereunder unless and until there shall have been delivered to you a copy of a resolution duly adopted by the affirmative vote of a majority of the Directors then in office at a meeting of the Directors called and held for such purpose (after reasonable notice to you and an opportunity for you, together with your counsel, to be heard before the Directors), finding that, in the good faith opinion of the Directors, you have committed an act set forth above in this Section 4(iii) and specifying the particulars thereof in detail. Nothing herein shall limit your right or your beneficiaries' right to contest the validity or propriety of any such determination.

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

(A) any reduction by the Company in your base salary or adverse change in the manner of computing your Bonus, as in effect from time to time, except for across-the-board salary reductions similarly affecting all executive officers of the Company;

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

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

(D) the failure to elect, reelect or otherwise maintain you in the office or position in the Company which you held immediately prior to such failure, or your removal as a Director of the Company (or any successor thereof) if you shall have been a Director of the Company;

(E) there has been an adverse change in your responsibilities, position (including substantial change in status, reporting relationships or working conditions), authority or duties, which situation is not remedied within ten (10) calendar days after receipt by the Company of written notice from you of such change; or

(F) without limiting, the generality or effect of the foregoing, any material breach of this Agreement by the Company.

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

(v) CHANGE IN CONTROL. Notwithstanding, anything contained in this Agreement to the contrary, if a Constructive Termination (as defined in Section 4(vi)) shall have occurred after a Change in Control shall have occurred, you may terminate employment with the Company during the 30 day period immediately following the first anniversary of the occurrence of such Change in Control, with the right to severance compensation as provided in Section 5(iv) hereof and, if applicable, Section 6 hereof. For purposes of this Agreement, a "Change in Control" shall have occurred if at any time during the Term any of the following events shall occur:

(A) the Company is merged or consolidated or reorganized into or with another corporation or other legal person or entity and as a result of such merger, consolidation or reorganization less than 51% of the combined voting power of the then outstanding securities of such corporation or person immediately after such transaction is held in the aggregate by the holders of the then outstanding securities entitled to vote generally in the election of Directors ("Voting Stock") of the Company immediately prior to such transaction;

(B) the Company sells or otherwise transfers all or substantially all of its assets to any other corporation or other legal person or entity if less than 51% of the combined voting power of the then outstanding Voting Stock of such corporation or person immediately after such sale or transfer is held in the aggregate by the holders of Voting Stock of the Company immediately prior to such sale or transfer;

(C) there is a report filed on Schedule 13D or Schedule 14D-1 (or any successor schedule, form or report), each as promulgated pursuant to the Securities Exchange Act of 1934 (the "Exchange Act"), disclosing that any person (as the term "person" is used in Section 13(d)(3) or Section 14(d)(2) of the Exchange Act) has become the beneficial owner (as the term "beneficial owner" is defined under Rule 13d-3 or any successor rule or regulation promulgated under the Exchange Act) of securities representing 20% or more of the then outstanding Voting Stock of the Company;

(D) the Company shall file a report or proxy statement with the Securities and Exchange Commission pursuant to the Exchange Act disclosing in response to Item 1 of Form 8-K-thereunder or Item 6(e) of Schedule 14A thereunder (or any successor schedule, form or report or item therein) that a change in control of the Company has or may have occurred or will or may occur in the future pursuant to any then existing, contract or transaction; or

(E) during any period of two consecutive years, individuals who at the beginning of any such period constitute the Directors of the Company cease for any reason to constitute

at least a majority thereof unless the election, or the nomination for election by the Company's shareholders, of each Director of the Company first elected during such period was approved by a vote of at least two-thirds of the Directors of the Company then still in office who were Directors of the Company at the beginning, of any such period.

Notwithstanding the foregoing provisions of Sections 4(v)(A) and 4(v)(B) hereof, a Change in Control shall not be deemed to have occurred under Section 4(v)(A) or 4(v)(B) if: (i) the Chairman and CEO, President and COO, and Vice Chairman (i.e., the top three executive officers) of the Company shall hold officer positions of substantially equivalent responsibility and authority with the corporation surviving such merger, consolidation, or reorganization, or the entity acquiring such assets (the "Acquiror"); and (ii) not less than 40% of the members of the Board of Directors or other governing body of the Acquiror shall have been directors of the Company during the 90 day period immediately preceding such merger, consolidation, reorganization or acquisition of assets. Notwithstanding the foregoing provisions of Section 4(v)(C) and 4(v)(D) hereof, a Change in Control shall not be deemed to have occurred for purposes of this Agreement solely because (a) the Company, (b) an entity in which the Company directly or indirectly beneficially owns more than 50% of the voting securities or (c) any Company-sponsored employee stock ownership plan or any other employee benefit plan of the Company, or any entity holding shares of Voting Stock for or pursuant to the terms of any such plan, either files or becomes obligated to file a report or a proxy statement under or in response to Schedule 13D, Schedule 14D-1, Item I of Form 8-K or Item 6(e) of Schedule 14A (or any successor schedule, form or report or item therein) under the Exchange Act, disclosing beneficial ownership by it of shares of Voting Stock of the Company, whether in excess of 20% or otherwise, or because the Company reports that a change in control of the Company has or may have occurred or will or may occur in the future by reason of such beneficial ownership by the entities described in clauses (a), (b) and (c) of this paragraph.

(vi) CONSTRUCTIVE TERMINATION. For purposes of this Agreement, "Constructive Termination" shall mean the occurrence, without your express written consent, of any of the following circumstances or events unless such circumstances or events are fully corrected prior to the Date of Termination specified in the Notice of Termination, as such terms are defined in Subsections (viii) and (vii) of this Section 4, respectively, given in respect thereof:

(A) any reduction, other than across-the-board reduction, by the Company in your base salary or adverse change in the manner of computing your Bonus, as in effect from time to time;

(B) the failure by the Company to pay or provide to you within seven (7) days of receipt by the Company of your written demand any amounts of base salary or Bonus or any benefits which are due, owing and payable to you pursuant to the terms hereof, or to pay to you any portion of an installment of deferred compensation due under any deferred compensation program of the Company;

(C) the failure by the Company to (i) continue in effect any compensation or benefit plan in which you participate which is material to your total compensation and benefits,

including but not limited to the Company's plans currently in effect or hereafter adopted, and any plans adopted in substitution therefor, or (ii) continue to provide you with benefits substantially similar, in aggregate, to the Company's life insurance, medical, dental, health, accident or disability plans in which you are participating at the date of this Agreement;

(D) the failure to elect, reelect or otherwise maintain you in the office or substantially same position in the Company which you held immediately prior to such failure, or your removal as a Director of the Company (or any successor thereof) if you shall have been a Director of the Company;

(E) there has been an adverse change in your responsibilities, position (including substantial change in status, reporting relationships or working conditions), authority or duties, which situation is not remedied within ten (10) calendar days after receipt by the Company of written notice from you of such change;

(F) the requirement by the Company that you change your principal location of work to any location which is in excess of 50 miles from your principal location of work immediately prior to such relocation, or a material increase in your travel away from your office in the course of discharging your responsibilities or duties hereunder, without, in either case, your prior written consent; or

(G) without limiting, the generality or effect of the foregoing, any material breach of this Agreement by the Company.

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

(vii) NOTICE OF TERMINATION. Any termination of your employment by the Company or by you shall be communicated by written Notice of Termination to the other party hereto in accordance with Section 9 hereof. For purposes of this Agreement, a "Notice of Termination" shall mean a notice which shall indicate the specific termination provision in this Agreement relied upon, if any, and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of your employment under the provision so indicated.

(viii) DATE OF TERMINATION. "Date of Termination" shall mean

(A) if your employment is terminated for Disability pursuant to Subsection (ii) of this Section 4, the date on which you are considered disabled pursuant to the Lear Corporation's Salary Continuation Plan, the Lear Corporation's Long Term Disability (LTD) Plan for Salaried Employees, the Lear Corporation Executive Disability Insurance Plan or any successor thereto;

(B) if your employment is terminated by reason of your death, the date of your death;

(C) if your employment is terminated by you for Good Reason or by either party for any other reason (other than Disability, death, or your voluntary resignation without Good Reason), the date specified in the Notice of Termination (which, in the case of a termination by you for Good Reason, shall not be less than thirty (30) nor more than sixty (60) days from the date such Notice of Termination is given); and

(D) if your employment is terminated by your voluntary resignation without Good Reason (as defined in Subsection (iv) of this Section 4), the Date of Termination shall be forty-five (45) days from the date such Notice of Termination is given or such earlier date after the date such Notice of Termination is given, as may be identified by the Company.

Unless the Company instructs you not to do so, you shall continue to perform services as provided in this Agreement through the Date of Termination.

(ix) EMPLOYEE BENEFITS. A termination by the Company pursuant to Section 4(ii) hereof or by you pursuant to Section 4(iv) or Section 4(v) hereof shall not affect any rights which you may have pursuant to any other agreement, policy, plan, program or arrangement of the Company providing employee benefits, which rights shall be governed by the terms thereof; provided, however, that if you shall have received or shall be receiving benefits under Section 5 hereof and, if applicable, Section 6 hereof, you shall not be entitled to receive benefits under any other policy, plan, program or arrangement of the Company providing severance compensation to which you would otherwise be entitled. If this Agreement or your employment is terminated under circumstances in which you are not entitled to any payments under Section 5 hereof, you shall have no further obligation or liability to the Company hereunder with respect to your prior or any future employment by the Company.

5. COMPENSATION UPON TERMINATION OR DURING DISABILITY. Upon termination of your employment with the Company during the Term, you shall be entitled to the following compensation and benefits:

(i) If your employment is terminated for Disability, (a) for the period from the Date of Termination until the end of the calendar year in which such termination occurs, you shall receive all compensation payable to you under the Company's disability and medical plans and programs, as in effect on the Date of Termination, plus an additional payment from the Company (if necessary) such that the aggregate amount received by you in the nature of salary continuation from all sources equals your base salary, at the rate in effect on the Date of Termination, plus any Bonus earned and all other amounts to which you are entitled under any compensation or benefit plans of the Company, prorated for the portion of the Bonus, compensation or benefit measurement period occurring prior to the Date of Termination, and (b) for the period from the end of the calendar year in which such termination occurs until the end of the Term, you shall receive all compensation payable to you under the Company's disability and medical plans and programs, as in effect on the Date of Termination, plus an additional payment from the Company (if necessary) such that the aggregate amount received by you in the nature of salary continuation from all sources equals your base salary at the rate in effect on the Date of Termination. After the end of the Term, your benefits shall be determined under the Company's retirement, insurance and

other compensation programs then in effect in accordance with the terms of such programs, provided that such terms shall not be less advantageous to you than the terms of such programs in effect as of the Effective Date.

(ii) If your employment shall be terminated (a) by the Company for Cause, or (b) by you other than for Good Reason or a Constructive Termination after a Change in Control, the Company shall pay you your base salary proportionately allocated on a pro-rata basis through the Date of Termination, at the rate in effect at the time Notice of Termination is given, plus all other amounts to which you are fully vested and irrevocably entitled under any compensation or benefit plans of the Company as of the Date of Termination, and the Company shall have no further obligations in any respect whatsoever for payment of compensation or benefits to you under this Agreement. Provided, however, that if your employment is terminated by your voluntary resignation without Good Reason, you shall be compensated under this Subsection 5(ii) only to the extent that you actively performed your assigned responsibilities through the Date of Termination.

(iii) If your employment shall be terminated by reason of your death, the Company shall pay your estate or designated beneficiary (as designated by you by written notice to the Company, which designation shall remain in effect for the remainder of the Term and any extensions thereof until revoked or a new beneficiary is designated, in either case by written notice to the Company) your base salary proportionately allocated on a pro-rata basis through the Date of Termination and for a period of 12 whole calendar months thereafter plus, if the Date of Termination shall not occur on the first day of a calendar month, the balance of the month in which the Date of Termination occurs, at the rate in effect at the time of your death, plus any Bonus earned, prorated for the portion of the Bonus measurement period occurring prior to the date of your death, plus all other amounts to which you are entitled under any compensation or benefit plans of the Company at the date of your death, including, but not limited to, all life insurance proceeds payable on your death to which your estate or beneficiaries are otherwise entitled in accordance with the terms thereof, and the Company shall have no further obligation to you, your beneficiaries or your estate under this Agreement.

(iv) If your employment shall be terminated (a) by the Company other than for Cause or Disability or (b) by you for Good Reason or because of Constructive Termination after a Change in Control, then you shall be entitled to the benefits provided below:

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

(B) The Company shall pay or cause to be paid to you, in lieu of any further payments to you for the portion of the Term subsequent to the Termination Date, excluding any amounts payable under Section 5(iv)(D) hereof, and excluding your rights at law or in

equity (other than rights to damages for termination of your employment or this Agreement), a payment, which shall be made either (i) if mutually agreed to by you (or your estate or other representative) and the Company as of the Date of Termination, in a lump sum within five business days after the Termination Date in an amount equal to the present value of the Severance Payment (as defined below), using a discount rate equal to the applicable interest rate promulgated by the Internal Revenue Service ("IRS") under Section 417(e)(3) of the Internal Revenue Code of 1986, as amended ("Code") for the third month preceding the month in which the Termination Date occurs, and if the IRS ceases to promulgate such interest rates, the last such interest rate so promulgated, or (ii) in the absence of such an agreement, in installments, without interest (with exceptions for any amounts imputed or otherwise deemed or recharacterized as interest under the Code) in thirty-six (36) equal monthly installments with each such monthly installment payment equal to 1/36th of the aggregate amount of the Severance Payment. The "Severance Payment" shall be equal to the sum of:

(i) the aggregate base salary (at the highest rate in effect at any time during the Term) which you would have received pursuant to this Agreement for two years, had your employment with the Company continued for such period; plus

(ii) the aggregate Bonus (based upon the highest annual Bonus that you received with respect to any calendar year during, the three calendar years immediately preceding the calendar year in which the Termination Date occurred) which you would have received pursuant to this Agreement for two years, had your employment with the Company continued for such period; plus

(iii) the cash value of all benefits that would be payable to you under the Company Pension Equalization Plan ("PEP"), the Company Management Stock Purchase Plan ("MSPP"), the Company Executive Supplemental Savings Plan ("ESSP"), and the Company Long-Term Stock Incentive Plan ("LTSIP") (the PEP, MSPP, ESSP and LTSIP are collectively referred to herein as the "Plans"), (based upon the highest annual aggregate rate that you received benefits under each of the Plans with respect to any calendar year during the three calendar years immediately preceding the calendar year in which the Termination Date occurs) pursuant to this Agreement for two years, had your employment with the Company continued for such period, other than Plan benefits providing base salary, Bonus and the benefits to be provided pursuant to Section 5(iv)(D) hereof.

You and the Company acknowledge that references in this Section 5(iv)(B) to the PEP, the MSPP, the ESSP, and the LTSIP, shall be deemed to be references to such plans as amended or restated from time to time and to any similar plan of the Company that supplements or supersedes any such plans; provided that any amendment during the Term that reduces benefits under the PEP, the MSPP, the ESSP, or the LTSIP (or any similar plan of the Company that supplements or supersedes any of such plans) in any way (including without limitation by reducing, the rate of benefit accruals or contribution levels under, any of such plans, or by changing, the basis upon which actuarial equivalents are

determined under any such plans) shall be disregarded for purposes of this Section 5(iv)(B). In addition, you and the Company acknowledge that references in this Section 5 to any Section of the Code shall be deemed to be references to such Section as amended from time to time or to any successor thereto.

(C) The Company shall pay all legal fees and expenses incurred by you as a result of such termination (including without limitation all such fees and expenses, if any, incurred in seeking to obtain or enforce any right or benefit provided by this Agreement in accordance with Section 21 hereof).

(D) The Company shall arrange to provide to you, for the remainder of the Term, benefits provided under any "welfare benefit plan" of the Company as the term "welfare benefit plan" is defined in Section 3(1) of the Employee Retirement Income Security Act of 1974, as amended, which you were receiving or entitled to receive during the Term ("Welfare Benefits"). If and to the extent that any such Welfare Benefits shall not or cannot be paid or provided under any policy, plan, program or arrangement of the Company (i) solely due to the fact that you are no longer an officer or employee of the Company or did not continue as an officer or employee of the Company during the remainder of the Term or (ii) as a result of the amendment or termination of any plan providing for Welfare Benefits, the Company shall then itself pay or provide for the payment of such Welfare Benefits to you, your dependents and beneficiaries. Without otherwise limiting the purposes or effect of the no mitigation obligation in Section 5(viii) hereof, Welfare Benefits payable to you (including your dependents and beneficiaries) pursuant to this Section 5(iv)(D) shall be reduced to the extent comparable benefits are actually received by you (including your dependents and beneficiaries) from another employer during such period, and any such benefits actually received by you shall be reported by you to the Company.

(E) Your right to acquire any shares of the Company's capital stock under any and all outstanding stock options, or other rights previously granted to you under any stock option, stock purchase, stock appreciation, or similar equity-based plans of the Company shall expire as of the Date of Termination and be null, void, and of no further force or effect, except (i) to the extent the express terms of such stock option, stock purchase, stock appreciation, or similar equity-based plans provide for vesting or other manner of continuation after the Date of Termination, or (ii) on such terms and conditions as mutually agreed to by you and the Company as of the Date of Termination.

(v) Any Bonus that is payable to you with respect to a period that is less than a full calendar year (a "partial calendar year") shall be prorated by multiplying (i) the Bonus that would have been payable to you with respect to the entire calendar year had your employment with the Company continued until the end of such year by (ii) a fraction, the numerator of which equals the number of days in the partial calendar year and the denominator of which equals 365.

(vi) The Company, if permitted by law, may set-off or counterclaim losses, fines or damages in respect of any claim, debt or obligation against any payment to or benefit for you provided for in this Agreement.

(vii) Without limiting your rights at law or in equity, if the Company fails to make any payment or provide any benefit required to be made or provided hereunder on a timely basis, the Company will pay interest on the amount or value thereof at an annualized rate of interest equal to the "prime rate" as quoted from time to time during the relevant period in The Wall Street Journal, plus three percent. Such interest will be payable as it accrues on demand. Any change in such prime rate will be effective on and as of the date of such change.

(viii) The Company hereby acknowledges that it will be difficult, and may be impossible, for you to find reasonably comparable employment following the Termination Date. In addition, the Company acknowledges that its severance pay plans and policies applicable in general to its salaried employees do not provide for mitigation, offset or reduction of any severance payment received thereunder. Accordingly, the parties hereto expressly agree that the payment of the severance compensation by the Company to you in accordance with the terms of this Agreement shall be liquidated damages and that you shall not be required to mitigate the amount of any payment provided for in this Agreement by seeking other employment or otherwise, nor shall any profits, income, earnings or other benefits from any source whatsoever create any mitigation, offset, reduction or any other obligation on the part of you hereunder or otherwise, except as expressly provided in this Section 5.

6. CERTAIN ADDITIONAL PAYMENTS BY THE COMPANY.

(i) Anything in this Agreement to the contrary notwithstanding, in the event that it shall be determined (as hereafter provided) that any payment by the Company to or for your benefit, whether paid or payable pursuant to the terms of this Agreement or otherwise (a "Payment"), would be subject to the excise tax imposed by Section 4999 (or any successor thereto) of the Code, and any interest or penalties with respect to such excise tax (such excise tax, together with any such interest and penalties, are hereafter collectively referred to as the "Excise Tax"), then you shall be entitled to receive an additional payment or payments (collectively, a "Gross-Up Payment"), including without limitation any Gross-Up Payment made with respect to the Excise Tax, if any, attributable to (i) any incentive stock option, as defined by Section 422 of the Code ("ISO"), or (ii) any stock appreciation or similar right, whether or not limited, granted in tandem with any ISO. The Gross-Up Payment shall be in an amount such that, after payment by you of the Excise Tax, plus any additional taxes, penalties and interest, and any further Excise Taxes imposed upon the Gross-Up Payment, you retain, after payment of all such taxes and Excise Taxes, an amount of the Gross-Up Payment equal to the Payment that you would have received if no Excise Taxes had been imposed upon the Payment and no additional taxes or further Excise Taxes had been imposed upon the Gross-Up Payment.

(ii) Subject to the provisions of Section 6(v) hereof, all determinations required to be made under this Section 6, including whether an Excise Tax is payable by you and the amount of such Excise Tax and whether a Gross-Up Payment is required and the amount of such Gross-Up

Payment, shall be made by a nationally recognized firm of certified public accountants (the "Accounting Firm") selected by you in your sole discretion. You shall direct the Accounting Firm to submit its determination and detailed supporting calculations to both the Company and you within 30 calendar days after the Termination Date. If the Accounting Firm determines that any Excise Tax is payable by you, the Company shall pay the required Gross-Up Payment to you within five (5) business days after receipt of the aforesaid determination and calculations. If the Accounting Firm determines that no Excise Tax is payable by you, it shall, at the same time as it makes such determination, furnish you with an opinion that you do not owe any Excise Tax on your Federal income tax return. Any determination by the Accounting Firm as to the amount of the Gross-Up Payment to be paid by the Company within such 30 calendar day period shall be binding upon the Company and you. As a result of the uncertainty in the application of Section 4999 (or any successor thereto) of the Code at the time of the initial determination by the Accounting Firm hereunder, it is possible that Gross-Up Payments which will not have been made by the Company should have been made ("Underpayment"), consistent with the calculations required to be made hereunder. In the event that the Company exhausts its remedies pursuant to Section 6(v) hereof and you thereafter are required to make a payment of any Excise Tax, you shall direct the Accounting Firm to determine the amount of the Underpayment that has occurred and to submit its determination and detailed supporting calculations to both the Company and you as promptly as possible. Any such Underpayment shall be promptly paid by the Company to or for your benefit within three calendar days after receipt of such determination and calculations.

(iii) The Company and you shall each cooperate with the Accounting Firm in connection with the preparation and issuance of the determination provided for in Section 6(ii) hereof. Such cooperation shall include without limitation providing the Accounting Firm access to and copies of any books, records and documents in the possession of the Company or you, as the case may be, that are reasonably requested by the Accounting Firm.

(iv) The fees and expenses of the Accounting Firm for its services in connection with the determinations and calculations provided for in Section 6(ii) hereof shall initially be paid by you. The Company shall reimburse you for your payment of such costs and expenses within five (5) business days after receipt from you of a statement therefor and evidence of your payment thereof.

(v) You shall notify the Company in writing, of any claim by the IRS that, if successful, would require the payment by the Company of a Gross-Up Payment. Such notification shall be given as soon as practicable but no later than 10 business days after you receive notice of such claim and shall apprise the Company of the nature of such claim and the date on which such claim is requested to be paid. You shall not pay such claim prior to the earlier of (A) the expiration of the 30 calendar day period following the date on which you give such notice to the Company or (B) the date that any payment of taxes with respect to such claim is due. If the Company notifies you in writing prior to the expiration of such period that it desires to contest such claim, you shall:

(i) give the Company any information reasonably requested by the Company relating, to such claim;

(ii) take such action in connection with contesting such claim as the Company shall reasonably request in writing, from time to time, including without limitation accepting legal representation with respect to such claim by an attorney reasonably selected by the Company;

(iii) cooperate with the Company in good faith in order effectively to contest such claim; and

(iv) permit the Company to participate in any proceedings relating to such claim;

provided, however, that the Company shall bear and pay directly all costs and expenses (including additional interest and penalties) incurred in connection with such contest and shall indemnify and hold you harmless, on an after-tax basis, for any Excise Tax or income tax, including interest and penalties with respect thereto, imposed as a result of such representation and payment of costs and expenses. Without limitation on the foregoing provisions of this Section 6(v), the Company shall, provided that such control does not have a material adverse affect on your individual income tax with respect to matters unrelated to the contest of the Excise Tax, control all proceedings taken in connection with such contest and, at its sole option, may, provided that such pursuit or foregoing does not have a material adverse affect on your individual income tax with respect to matters unrelated to the contest of the Excise Tax, pursue or forego any and all administrative appeals, proceedings, hearings and conference with the IRS in respect of such claim (but, you may participate therein at your own cost and expense) and may, at its sole option, provided that such payment, suit, contest or prosecution does not have a material adverse affect on your individual income tax with respect to matters unrelated to the contest of the Excise Tax, either direct you to pay the tax claimed and sue for a refund or contest the claim in any permissible manner, and you agree to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as the Company shall determine; provided, however, that if the Company directs you to pay the tax claimed and sue for a refund, the Company shall advance the amount of such payment to you on an interest-free basis and shall indemnify and hold you harmless, on an after-tax basis, from any Excise Tax or income tax, including interest or penalties with respect thereto, imposed with respect to such advance or with respect to any imputed income with respect to such advance; and further provided that any extension of the statute of limitations relating to payment of taxes for your taxable year with respect to which the contested amount is claimed to be due is limited solely to such contested amount. Furthermore, the Company's control of such contest shall be limited to issues with respect to which a Gross Up Payment would be payable hereunder, and you shall be entitled to settle or contest, as the case may be, any other issue raised by the IRS.

(vi) If, after the receipt by you of an amount advanced by the Company pursuant to Section 6(v) hereof, you receive any refund with respect to such claim, you shall (subject to the Company's complying with the requirements of Section 6(v) hereof) promptly pay to the Company the amount of such refund (together with any interest paid or credited thereon after any taxes applicable thereto). If, after the receipt by you of an amount advanced by the Company

pursuant to Section 6(v) hereof, a determination is made that you shall not be entitled to any refund with respect to such claim and the Company does not notify you in writing of its intent to contest such denial or refund prior to the expiration of 30 calendar days after such determination, then such advance shall be forgiven and shall not be required to be repaid and the amount of such advance shall offset, to the extent thereof, the amount of Gross-Up Payment required to be paid.

7. TRAVEL. Except to the extent that you are permitted to terminate your employment for Constructive Termination after a Change in Control as provided in Section 4(v), you shall be required to travel to the extent necessary for the performance of your responsibilities under this Agreement.

8. SUCCESSORS; BINDING AGREEMENT. The Company will, by agreement in form and substance satisfactory to you, require any successor (whether direct or indirect, by purchase merger, consolidation or otherwise) to all or substantially all the business and/or assets of the Company, to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. Failure of the Company to obtain such assumption and agreement prior to the effectiveness of any such succession shall entitle you to compensation from the Company in the same amount and on the same terms as you would be entitled to hereunder if you terminate your employment for Good Reason, except that for purposes of implementing, the foregoing, the date on which any such succession becomes effective shall be deemed the Date of Termination. As used in this Agreement, "Company" shall mean the Company as hereinbefore defined and any successor to its business and/or assets as aforesaid which assumes and agrees to perform this Agreement by operation of law, or otherwise. This Agreement shall inure to the benefit of and be enforceable by your personal or legal representatives, executors, administrators, successors, heirs, distributees and/or legatees. This Agreement is personal in nature and neither of the parties hereto shall, without the consent of the other, assign, transfer or delegate this Agreement or any rights or obligations hereunder except as expressly provided in this Section 8. Without limiting the generality of the foregoing, your right to receive payments hereunder shall not be assignable or transferable, whether by pledge, creation of a security interest or otherwise, other than by a transfer by your will or by the laws of descent and distribution and, in the event of any attempted assignment or transfer contrary to this Section 8, the Company shall have no liability to pay to the purported assignee or transferee any amount so attempted to be assigned or transferred. The Company and you recognize that each party will have no adequate remedy at law for any material breach by the other of any of the agreements contained herein and, in the event of any such breach, the Company and you hereby agree and consent that the other shall be entitled to a decree of specific performance, mandamus or other appropriate remedy to enforce performance of this Agreement.

9. NOTICES. For the purpose of this Agreement, notices and all other communications provided for in this Agreement shall be in writing, and shall be deemed to have been duly given when delivered by hand, or mailed by United States certified mail, return receipt requested, postage prepaid, or sent by Federal Express or similar overnight courier service, addressed to the respective addresses set forth on the first page of this

Agreement, or sent by facsimile with confirmation of receipt to the respective facsimile numbers set forth on the first page of this Agreement, provided that all notices to the Company shall be directed to the attention of the Secretary of the Company (or, if you are the Secretary at the time such notice is to be given, to the Chairman of the Company's Board of Directors), or to such other address or facsimile number as either party may have furnished to the other in writing in accordance herewith, except that notice of change of address or facsimile number shall be effective only upon receipt.

10. NONCOMPETITION.

(i) Until the Date of Termination, you agree not to engage in any Competitive Activity. For purposes of this Agreement, the term "Competitive Activity" shall mean your participation, without the written consent of an officer of the Company of higher rank and standing than yourself (and if there is no such person then by the Chairman of the Board of Directors), in the management of any business enterprise if such enterprise engages in substantial and direct competition with the Company (including without limitation any supplier to an original equipment automotive vehicle manufacturer) and such enterprise's sales of any product or service competitive with any product or service of the Company amounted to 25% of such enterprise's net sales for its most recently completed fiscal year and if the Company's net sales of said product or service amounted to 25% of the Company's net sales for its most recently completed fiscal year. "Competitive Activity" shall not include (i) the mere ownership of securities in any enterprise and exercise of rights appurtenant thereto or (ii) participation in management of any enterprise or business operation thereof other than in connection with the competitive operation of such enterprise.

(ii) You agree not to engage in any Competitive Activity (A) until one (1) year after the Date of Termination if you are terminated for Cause or you terminate your employment for other than Good Reason or Constructive Termination after a Change in Control, or (B) until three (3) years after the Date of Termination if you are terminated by the Company other than for Cause or you terminate your employment for Good Reason or Constructive Termination after a Change in Control.

(iii) You shall not directly or indirectly, either on your own account or with or for anyone else, (A) solicit or attempt to solicit any of the Company's customers (B) solicit or attempt to solicit for any business endeavor any employee of the Company or (C) otherwise divert or attempt to divert from the Company any business whatsoever or interfere with any business relationship between the Company and any other person, (a) until one (1) year after the Date of Termination if you are terminated for Cause or you terminate your employment for other than Good Reason or Constructive Termination after a Change in Control, or (b) until three (3) years after the Date of Termination if you are terminated other than for Cause or you terminate your employment for Good Reason or Constructive Termination after a Change in Control.

(iv) You acknowledge and agree that damages for breach of the covenants in this Section 10 will be difficult to determine and will not afford a full and adequate remedy, and therefore agree that the Company, in addition to seeking actual damages pursuant to Section 10 hereof, may seek specific enforcement of the covenant not to compete in any court of competent jurisdiction, including, without limitation, by the issuance of a temporary or permanent injunction,

without the necessity of a bond. You and the Company agree that the provisions of this covenant not to compete are reasonable. However, should any court or arbitrator determine that any provision of this covenant not to compete is unreasonable, either in period of time, geographical area, or otherwise, the parties agree that this covenant not to compete should be interpreted and enforced to the maximum extent which such court or arbitrator deems reasonable.

(v) As compensation for your covenants contained in Sections 10(ii)(B) and 10(iii)(b), the Company shall pay or cause to be paid to you a payment, which shall be made either (i) if mutually agreed to by you (or your estate or other representative) and the Company as of the Date of Termination, in a lump sum within five business days after the Termination Date in an amount equal to the present value of the Noncompete Payment (as defined below), using a discount rate equal to the applicable interest rate promulgated by the Internal Revenue Service ("IRS") under Section 417(e)(3) of the Internal Revenue Code of 1986, as amended ("Code") for the third month preceding the month in which the Termination Date occurs, and if the IRS ceases to promulgate such interest rates, the last such interest rate so promulgated, or (ii) in the absence of such an agreement, in installments, without interest (with exceptions for any amounts imputed or otherwise deemed or recharacterized as interest under the Code) in thirty-six (36) equal monthly installments with each such monthly installment payment equal to 1/36th of the aggregate amount of the Noncompete Payment. The "Noncompete Payment" shall be equal to the sum of:

(i) the aggregate base salary (at the highest rate in effect at any time during the Term) which you would have received pursuant to this Agreement for one year, had your employment with the Company continued for such period; plus

(ii) the aggregate Bonus (based upon the highest annual Bonus that you received with respect to any calendar year during, the three calendar years immediately preceding the calendar year in which the Termination Date occurred) which you would have received pursuant to this Agreement for one year, had your employment with the Company continued for such period plus

(iii) the cash value of all benefits that would be payable to you under the Company Pension Equalization Plan ("PEP"), the Company Management Stock Purchase Plan ("MSPP"), the Company Executive Supplemental Savings Plan ("ESSP"), and the Company Long-Term Stock Incentive Plan ("LTSIP") (the PEP, MSPP, ESSP and LTSIP are collectively referred to herein as the "Plans"), (based upon the highest annual aggregate rate that you received benefits under each of the Plans with respect to any calendar year during the three calendar years immediately preceding the calendar year in which the Termination Date occurs) pursuant to this Agreement for one year, had your employment with the Company continued for such period, other than Plan benefits providing base salary, Bonus and the benefits to be provided pursuant to Section 5(iv)(D) hereof.

You and the Company acknowledge that references in this Section 10(v) to the PEP, the MSPP, the ESSP, and the LTSIP, shall be deemed to be references to such plans as amended or restated from time to time and to any similar plan of the Company that supplements or supersedes any such plans; provided that any amendment during the Term that reduces benefits under the PEP, the

MSPP, the ESSP, or the LTSIP (or any similar plan of the Company that supplements or supersedes any of such plans) in any way (including without limitation by reducing, the rate of benefit accruals or contribution levels under any of such plans, or by changing, the basis upon which actuarial equivalents are determined under any such plans) shall be disregarded for purposes of this Section 5(iv)(B). In addition, you and the Company acknowledge that references in this Section 10 to any Section of the Code shall be deemed to be references to such Section as amended from time to time or to any successor thereto.

11. CONFIDENTIALITY AND COOPERATION.

(i) You shall not knowingly use, disclose or reveal to any unauthorized person, during, or after the Term, any trade secret or other confidential information relating to the Company or any of its affiliates, or any of their respective businesses or principals, such as, without limitation, dealers' or distributor's lists, information regarding personnel and manufacturing processes, marketing and sales plans, and all other such information; and you confirm that such information is the exclusive property of the Company and its affiliates. Upon termination of your employment, you agree to return to the Company on demand by the Company all memoranda, books, papers, letters and other data, and all copies thereof or therefrom, in any way relating to the business of the Company and its affiliates, whether made by you or otherwise in your possession.

(ii) Any design, engineering methods, techniques, discoveries, inventions (whether patentable or not), formulae, formulations, technical and product specifications, bill of materials, equipment descriptions, plans, layouts, drawings, computer programs, assembly, quality control, installation and operating procedures, operating manuals, strategic, technical or marketing information, designs, data, secret knowledge, know-how and all other information of a confidential nature prepared or produced during the period of your employment and which ideas, processes, etc. relate to any of the businesses of the Company, shall be owned by the Company and its affiliates whether or not you should in fact execute an assignment thereof or other instrument or document which may be reasonably necessary to protect and secure such rights to the Company.

(iii) During the Term and for a period ending on the later of three (3) years after the Date of Termination or at the conclusion of any dispute which commences during the Term, you shall cooperate and comply with all reasonable requests made by the Company in prosecuting or defending any claim with respect to any litigation or arbitration or any pending or threatened litigation or arbitration, involving any invention, patent, trademark, trade name, secret process, or other intangible property in which the Company has, or reasonably believes it has, proprietary rights in and which you had substantial involvement in the development of during the Term of your employment. You shall not receive any additional compensation, other than reimbursement for reasonable costs and expenses incurred by you, in complying with the terms of this Section 11(iii).

12. ARBITRATION.

(i) Except as contemplated by Section 10(iv) or Section 12 (iii) hereof, any dispute or controversy arising under or in connection with this Agreement that cannot be mutually resolved by the parties to this Agreement and their respective advisors and representatives shall be settled exclusively by arbitration in Southfield, Michigan, before one arbitrator of exemplary qualifications and stature, who shall be selected jointly by an individual to be designated by the Company and an individual to be selected by you, or if such two individuals cannot agree on the selection of the arbitrator, who shall be selected pursuant to the procedures of the American Arbitration Association.

(ii) The parties agree to use their best efforts to cause (a) the two individuals set forth in the preceding Section 12(i), or, if applicable, the American Arbitration Association, to appoint the arbitrator within 30 days of the date that a party hereto notifies the other party that a dispute or controversy exists that necessitates the appointment of an arbitrator, and (b) any arbitration hearing to be held within 30 days of the date of selection of the arbitrator, and, as a condition to his or her selection, such arbitrator must consent to be available for a hearing, at such time.

(iii) Judgment may be entered on the arbitrator's award in any court having jurisdiction, provided that you shall be entitled to seek specific performance of your right to be paid and to participate in benefit programs during the pendency of any dispute or controversy arising under or in connection with this Agreement. The Company and you hereby agree that the arbitrator shall be empowered to enter an equitable decree mandating specific performance of the terms of this Agreement. If any dispute under this Section 12 shall be pending, the Executive shall continue to receive at a minimum the base salary which the Executive was receiving immediately prior to the act or omission which forms the basis for the dispute.

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

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

15. GOVERNING LAW. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of Michigan without giving effect to any conflicts of laws rules.

16. PAYMENTS NET OF TAXES. Except as otherwise provided in Section 6 herein, any payments provided for herein which are subject to Federal, State local or other governmental tax

or other withholding requirements or obligations, shall have such amounts withheld prior to payment, and the Company shall be considered to have fully satisfied its obligation hereunder by making such payments to you net of and after deduction for all applicable withholding obligations.

17. CAPACITY OF PARTIES. The parties hereto warrant that they have the capacity and authority to execute this Agreement.

18. VALIDITY. The invalidity or unenforceability of any provision of this Agreement shall not, at the option of the party for whose benefit such provision was intended, affect the validity or enforceability of any other provision of the Agreement, which shall remain in full force and effect.

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

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

21. LEGAL FEES AND EXPENSES. It is the intent of the Company that you not be required to incur the expenses associated with the enforcement of your rights under this Agreement by litigation or other legal action because the cost and expense thereof would substantially detract from the benefits intended to be extended to you hereunder. Accordingly, if it should appear to you that the Company has failed to comply with any of its obligations under this Agreement or in the event that the Company or any other person takes any action to declare the Agreement void or unenforceable or institutes any litigation designed to deny, or to recover from you the benefits intended to be provided to you hereunder, the Company irrevocably authorizes you from time to time to retain counsel of your choice, at the expense of the Company as hereafter provided, to represent you in connection with the initiation or defense of any litigation or other legal action relating, thereto, whether by or against the Company or any Director, officer, shareholder or other person affiliated with the Company, in any jurisdiction. Notwithstanding any existing or prior attorney-client relationship between the Company and any such counsel, the Company irrevocably consents to your entering into an attorney-client relationship with such counsel, and in that connection the Company and you agree that a confidential relationship shall exist between you and such counsel. The Company shall pay or cause to be paid and be solely responsible for any and all attorneys' and related fees and expenses incurred by you (i) as a result of the Company's failure to perform this Agreement or any provision hereof or (ii) as a result of the Company or any person contesting the validity or enforceability of this Agreement or any provision hereof as aforesaid.

If this letter sets forth our agreement on the subject matter hereof, kindly sign and return to the Company the enclosed copy of this letter which will then constitute our agreement on this subject, effective on July 1, 2000 ("Effective Date").

Sincerely,

LEAR CORPORATION

By: /s/ Joseph F. McCarthy

Agreed to this 30th day of June, 2000

By: /s/ Donald J. Stebbins

Donald J. Stebbins

July 5, 2000

Mr. Douglas G. DelGrosso
5763 Algonquin Court
Troy, MI 48098

Dear Doug:

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

The Board of Directors of the Company (the "Board") has determined that appropriate steps should be taken to reinforce and encourage the continued attention and dedication of members of the Company's management, including yourself, to their assigned duties. The Board recognizes that, as is the case with many publicly-held companies, the possibility of a Change in Control (as that term is hereafter defined) exists. The Company wishes to assure itself of both present and future continuity of management in the event of any Change in Control and that certain of its executives are not practically disabled from discharging their duties upon a Change in Control. In order to induce you to remain in the employ of the Company, and in consideration of your agreement to the termination of any existing employment contract you may have with the Company or any predecessor, the Company agrees that you shall receive, upon the terms and conditions set forth herein, the compensation and benefits set forth in this letter agreement ("Agreement") during the Term hereof.

1. TERM OF AGREEMENT. This Agreement shall commence as of July 1, 2000 ("Effective Date") and the term of this Agreement shall at all times be three years, that is, the term of this Agreement shall be automatically extended each day for an additional day such that this Agreement shall continually have an unexpired term of three years, until the date three years after written notice is provided by either the Company or the Executive that this Agreement is not to be further extended or until the date the Executive reaches his or her normal retirement date under the Company's retirement plan for salaried employees then in effect, whichever shall first occur (the "Term"). There shall be no renewal of the Term after the Date of Termination.

2. TERMS OF EMPLOYMENT. During the Term, you agree to be a full-time employee of the Company serving in the position of Senior Vice President - North American and South American Operations of the Company and to devote substantially all of your working time and attention to the business and affairs of the Company and, to the extent necessary, to discharge the

responsibilities associated with your position as Senior Vice President - North American and South American Operations of the Company, to use your best efforts to perform faithfully and efficiently such responsibilities. In addition, you agree to serve in such other capacities or offices to which you may be assigned, appointed or elected from time to time by the Board. Nothing herein shall prohibit you from devoting your time to civic and community activities, serving as a member of the Board of Directors of other corporations who do not compete with the Company, or managing personal investments, as long as the foregoing do not interfere with the performance of your duties hereunder.

3. COMPENSATION.

(i) As compensation for your services, under this Agreement, you shall be entitled to receive an initial base salary of \$480,000 per annum, to be paid in accordance with existing payroll practices for executives of the Company. Increases in your base salary, if any, shall be as approved by the Compensation Committee of the Board. In addition, you shall be eligible to receive an annual incentive compensation bonus ("Bonus") to be approved from time to time by the Compensation Committee of the Board.

(ii) In addition to compensation provided for in Subsection (i) of this Section 3, the Company agrees (A) to provide the same or comparable benefits with respect to any compensation or benefit plan in which you participate as of the Effective Date which is material to your total compensation, unless an equitable arrangement (embodied in an ongoing substitute or alternative plan) has been made with respect to such plan; and (B) to maintain your ability to participate therein (or in such substitute or alternative plan) on a basis not materially less favorable, both in terms of the opportunities provided and the level of your participation relative to other participants, than exists on the Effective Date.

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

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

4. TERMINATION OF EMPLOYMENT. Your employment may be terminated as set forth herein. If your employment should terminate during the Term, your entitlement to benefits shall be determined in accordance with Section 5 hereof.

(i) NOTICE. Your employment may be terminated by either the Company or you by giving a Notice of Termination, as defined in Subsection (vii) of this Section 4.

(ii) DISABILITY. If, as a result of your incapacity due to physical or mental illness, you become permanently disabled and begin actually to receive disability benefits pursuant to the Lear Corporation's Salary Continuation Plan, the Lear Corporation's Long Term Disability (LTD) Plan for Salaried Employees, the Lear Corporation Executive Disability Insurance Plan or any successor thereto, your employment may be terminated for "Disability".

(iii) CAUSE. Termination of your employment for "Cause" shall mean termination upon:

- (A) an act of fraud, embezzlement or theft by you in connection with your duties or in the course of your employment with the Company;
- (B) your intentional wrongful damage to the property of the Company;
- (C) your intentional wrongful disclosure of secret processes or confidential information of the Company;
- (D) your intentional breach of Section 10 or Section 11 hereof while you remain in the employ of the Company;
- (E) an act of Sexual Harassment (as defined below);
- (F) an act of Gross Misconduct (as defined below);
- (G) discrimination on the basis of race, color, religion or national origin; or
- (H) a felony conviction for a crime involving moral turpitude.

and the determination by the Directors of the Company as hereafter provided that any such act shall have been materially harmful to the Company. For purposes of this Agreement, "Sexual Harassment" shall mean unwelcome sexual advances, requests for sexual favors, and other verbal or physical conduct of a sexual nature, based on the totality of the circumstances, such as the nature of the sexual advances and the context in which the alleged incidents occurred, when (1) submission to such conduct is made either explicitly or implicitly a term or condition of an individual's employment, (2) submission to or rejection of such conduct by an individual is used as the basis of employment decisions affecting such individual, or (3) such conduct has the purpose or effect of unreasonably interfering with an individual's work performance or creating an intimidating, hostile, or offensive working environment. For purposes of this Agreement, "Gross Misconduct" shall mean a willful or negligent act or omission, which is contrary to established policies or practices of the Company and which has or will have a material and adverse impact on the business or reputation of the Company, or on the business of the Company's customers or suppliers as such relate to the Company. For purposes of this Agreement, no act, or failure to act, on your part shall be deemed for "Cause" unless done, or omitted to be done, by you not in good faith and without reasonable belief that your action or omission was in the best interest of the Company. Notwithstanding the foregoing, you shall not be deemed to have been terminated for

"Cause" hereunder unless and until there shall have been delivered to you a copy of a resolution duly adopted by the affirmative vote of a majority of the Directors then in office at a meeting of the Directors called and held for such purpose (after reasonable notice to you and an opportunity for you, together with your counsel, to be heard before the Directors), finding that, in the good faith opinion of the Directors, you have committed an act set forth above in this Section 4(iii) and specifying the particulars thereof in detail. Nothing herein shall limit your right or your beneficiaries' right to contest the validity or propriety of any such determination.

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

(A) any reduction by the Company in your base salary or adverse change in the manner of computing your Bonus, as in effect from time to time, except for across-the-board salary reductions similarly affecting all executive officers of the Company;

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

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

(D) the failure to elect, reelect or otherwise maintain you in the office or position in the Company which you held immediately prior to such failure, or your removal as a Director of the Company (or any successor thereof) if you shall have been a Director of the Company;

(E) there has been an adverse change in your responsibilities, position (including substantial change in status, reporting relationships or working conditions), authority or duties, which situation is not remedied within ten (10) calendar days after receipt by the Company of written notice from you of such change; or

(F) without limiting, the generality or effect of the foregoing, any material breach of this Agreement by the Company.

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

(v) CHANGE IN CONTROL. Notwithstanding, anything contained in this Agreement to the contrary, if a Constructive Termination (as defined in Section 4(vi)) shall have occurred after a Change in Control shall have occurred, you may terminate employment with the Company during the 30 day period immediately following the first anniversary of the occurrence of such Change in Control, with the right to severance compensation as provided in Section 5(iv) hereof and, if applicable, Section 6 hereof. For purposes of this Agreement, a "Change in Control" shall have occurred if at any time during the Term any of the following events shall occur:

(A) the Company is merged or consolidated or reorganized into or with another corporation or other legal person or entity and as a result of such merger, consolidation or reorganization less than 51% of the combined voting power of the then outstanding securities of such corporation or person immediately after such transaction is held in the aggregate by the holders of the then outstanding securities entitled to vote generally in the election of Directors ("Voting Stock") of the Company immediately prior to such transaction;

(B) the Company sells or otherwise transfers all or substantially all of its assets to any other corporation or other legal person or entity if less than 51% of the combined voting power of the then outstanding Voting Stock of such corporation or person immediately after such sale or transfer is held in the aggregate by the holders of Voting Stock of the Company immediately prior to such sale or transfer;

(C) there is a report filed on Schedule 13D or Schedule 14D-1 (or any successor schedule, form or report), each as promulgated pursuant to the Securities Exchange Act of 1934 (the "Exchange Act"), disclosing that any person (as the term "person" is used in Section 13(d)(3) or Section 14(d)(2) of the Exchange Act) has become the beneficial owner (as the term "beneficial owner" is defined under Rule 13d-3 or any successor rule or regulation promulgated under the Exchange Act) of securities representing 20% or more of the then outstanding Voting Stock of the Company;

(D) the Company shall file a report or proxy statement with the Securities and Exchange Commission pursuant to the Exchange Act disclosing in response to Item 1 of Form 8-K-thereunder or Item 6(e) of Schedule 14A thereunder (or any successor schedule, form or report or item therein) that a change in control of the Company has or may have occurred or will or may occur in the future pursuant to any then existing, contract or transaction; or

(E) during any period of two consecutive years, individuals who at the beginning of any such period constitute the Directors of the Company cease for any reason to constitute

at least a majority thereof unless the election, or the nomination for election by the Company's shareholders, of each Director of the Company first elected during such period was approved by a vote of at least two-thirds of the Directors of the Company then still in office who were Directors of the Company at the beginning, of any such period.

Notwithstanding the foregoing provisions of Sections 4(v)(A) and 4(v)(B) hereof, a Change in Control shall not be deemed to have occurred under Section 4(v)(A) or 4(v)(B) if: (i) the Chairman and CEO, President and COO, and Vice Chairman (i.e., the top three executive officers) of the Company shall hold officer positions of substantially equivalent responsibility and authority with the corporation surviving such merger, consolidation, or reorganization, or the entity acquiring such assets (the "Acquiror"); and (ii) not less than 40% of the members of the Board of Directors or other governing body of the Acquiror shall have been directors of the Company during the 90 day period immediately preceding such merger, consolidation, reorganization or acquisition of assets. Notwithstanding the foregoing provisions of Section 4(v)(C) and 4(v)(D) hereof, a Change in Control shall not be deemed to have occurred for purposes of this Agreement solely because (a) the Company, (b) an entity in which the Company directly or indirectly beneficially owns more than 50% of the voting securities or (c) any Company-sponsored employee stock ownership plan or any other employee benefit plan of the Company, or any entity holding shares of Voting Stock for or pursuant to the terms of any such plan, either files or becomes obligated to file a report or a proxy statement under or in response to Schedule 13D, Schedule 14D-1, Item I of Form 8-K or Item 6(e) of Schedule 14A (or any successor schedule, form or report or item therein) under the Exchange Act, disclosing beneficial ownership by it of shares of Voting Stock of the Company, whether in excess of 20% or otherwise, or because the Company reports that a change in control of the Company has or may have occurred or will or may occur in the future by reason of such beneficial ownership by the entities described in clauses (a), (b) and (c) of this paragraph.

(vi) CONSTRUCTIVE TERMINATION. For purposes of this Agreement, "Constructive Termination" shall mean the occurrence, without your express written consent, of any of the following circumstances or events unless such circumstances or events are fully corrected prior to the Date of Termination specified in the Notice of Termination, as such terms are defined in Subsections (viii) and (vii) of this Section 4, respectively, given in respect thereof:

(A) any reduction, other than across-the-board reduction, by the Company in your base salary or adverse change in the manner of computing your Bonus, as in effect from time to time;

(B) the failure by the Company to pay or provide to you within seven (7) days of receipt by the Company of your written demand any amounts of base salary or Bonus or any benefits which are due, owing and payable to you pursuant to the terms hereof, or to pay to you any portion of an installment of deferred compensation due under any deferred compensation program of the Company;

(C) the failure by the Company to (i) continue in effect any compensation or benefit plan in which you participate which is material to your total compensation and benefits,

including but not limited to the Company's plans currently in effect or hereafter adopted, and any plans adopted in substitution therefor, or (ii) continue to provide you with benefits substantially similar, in aggregate, to the Company's life insurance, medical, dental, health, accident or disability plans in which you are participating at the date of this Agreement;

(D) the failure to elect, reelect or otherwise maintain you in the office or substantially same position in the Company which you held immediately prior to such failure, or your removal as a Director of the Company (or any successor thereof) if you shall have been a Director of the Company;

(E) there has been an adverse change in your responsibilities, position (including substantial change in status, reporting relationships or working conditions), authority or duties, which situation is not remedied within ten (10) calendar days after receipt by the Company of written notice from you of such change;

(F) the requirement by the Company that you change your principal location of work to any location which is in excess of 50 miles from your principal location of work immediately prior to such relocation, or a material increase in your travel away from your office in the course of discharging your responsibilities or duties hereunder, without, in either case, your prior written consent; or

(G) without limiting, the generality or effect of the foregoing, any material breach of this Agreement by the Company.

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

(vii) NOTICE OF TERMINATION. Any termination of your employment by the Company or by you shall be communicated by written Notice of Termination to the other party hereto in accordance with Section 9 hereof. For purposes of this Agreement, a "Notice of Termination" shall mean a notice which shall indicate the specific termination provision in this Agreement relied upon, if any, and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of your employment under the provision so indicated.

(viii) DATE OF TERMINATION. "Date of Termination" shall mean

(A) if your employment is terminated for Disability pursuant to Subsection (ii) of this Section 4, the date on which you are considered disabled pursuant to the Lear Corporation's Salary Continuation Plan, the Lear Corporation's Long Term Disability (LTD) Plan for Salaried Employees, the Lear Corporation Executive Disability Insurance Plan or any successor thereto;

(B) if your employment is terminated by reason of your death, the date of your death;

(C) if your employment is terminated by you for Good Reason or by either party for any other reason (other than Disability, death, or your voluntary resignation without Good Reason), the date specified in the Notice of Termination (which, in the case of a termination by you for Good Reason, shall not be less than thirty (30) nor more than sixty (60) days from the date such Notice of Termination is given); and

(D) if your employment is terminated by your voluntary resignation without Good Reason (as defined in Subsection (iv) of this Section 4), the Date of Termination shall be forty-five (45) days from the date such Notice of Termination is given or such earlier date after the date such Notice of Termination is given, as may be identified by the Company.

Unless the Company instructs you not to do so, you shall continue to perform services as provided in this Agreement through the Date of Termination.

(ix) EMPLOYEE BENEFITS. A termination by the Company pursuant to Section 4(ii) hereof or by you pursuant to Section 4(iv) or Section 4(v) hereof shall not affect any rights which you may have pursuant to any other agreement, policy, plan, program or arrangement of the Company providing employee benefits, which rights shall be governed by the terms thereof; provided, however, that if you shall have received or shall be receiving benefits under Section 5 hereof and, if applicable, Section 6 hereof, you shall not be entitled to receive benefits under any other policy, plan, program or arrangement of the Company providing severance compensation to which you would otherwise be entitled. If this Agreement or your employment is terminated under circumstances in which you are not entitled to any payments under Section 5 hereof, you shall have no further obligation or liability to the Company hereunder with respect to your prior or any future employment by the Company.

5. COMPENSATION UPON TERMINATION OR DURING DISABILITY. Upon termination of your employment with the Company during the Term, you shall be entitled to the following compensation and benefits:

(i) If your employment is terminated for Disability, (a) for the period from the Date of Termination until the end of the calendar year in which such termination occurs, you shall receive all compensation payable to you under the Company's disability and medical plans and programs, as in effect on the Date of Termination, plus an additional payment from the Company (if necessary) such that the aggregate amount received by you in the nature of salary continuation from all sources equals your base salary, at the rate in effect on the Date of Termination, plus any Bonus earned and all other amounts to which you are entitled under any compensation or benefit plans of the Company, prorated for the portion of the Bonus, compensation or benefit measurement period occurring prior to the Date of Termination, and (b) for the period from the end of the calendar year in which such termination occurs until the end of the Term, you shall receive all compensation payable to you under the Company's disability and medical plans and programs, as in effect on the Date of Termination, plus an additional payment from the Company (if necessary) such that the aggregate amount received by you in the nature of salary continuation from all sources equals your base salary at the rate in effect on the Date of Termination. After the end of the Term, your benefits shall be determined under the Company's retirement, insurance and

other compensation programs then in effect in accordance with the terms of such programs, provided that such terms shall not be less advantageous to you than the terms of such programs in effect as of the Effective Date.

(ii) If your employment shall be terminated (a) by the Company for Cause, or (b) by you other than for Good Reason or a Constructive Termination after a Change in Control, the Company shall pay you your base salary proportionately allocated on a pro-rata basis through the Date of Termination, at the rate in effect at the time Notice of Termination is given, plus all other amounts to which you are fully vested and irrevocably entitled under any compensation or benefit plans of the Company as of the Date of Termination, and the Company shall have no further obligations in any respect whatsoever for payment of compensation or benefits to you under this Agreement. Provided, however, that if your employment is terminated by your voluntary resignation without Good Reason, you shall be compensated under this Subsection 5(ii) only to the extent that you actively performed your assigned responsibilities through the Date of Termination.

(iii) If your employment shall be terminated by reason of your death, the Company shall pay your estate or designated beneficiary (as designated by you by written notice to the Company, which designation shall remain in effect for the remainder of the Term and any extensions thereof until revoked or a new beneficiary is designated, in either case by written notice to the Company) your base salary proportionately allocated on a pro-rata basis through the Date of Termination and for a period of 12 whole calendar months thereafter plus, if the Date of Termination shall not occur on the first day of a calendar month, the balance of the month in which the Date of Termination occurs, at the rate in effect at the time of your death, plus any Bonus earned, prorated for the portion of the Bonus measurement period occurring prior to the date of your death, plus all other amounts to which you are entitled under any compensation or benefit plans of the Company at the date of your death, including, but not limited to, all life insurance proceeds payable on your death to which your estate or beneficiaries are otherwise entitled in accordance with the terms thereof, and the Company shall have no further obligation to you, your beneficiaries or your estate under this Agreement.

(iv) If your employment shall be terminated (a) by the Company other than for Cause or Disability or (b) by you for Good Reason or because of Constructive Termination after a Change in Control, then you shall be entitled to the benefits provided below:

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

(B) The Company shall pay or cause to be paid to you, in lieu of any further payments to you for the portion of the Term subsequent to the Termination Date, excluding any amounts payable under Section 5(iv)(D) hereof, and excluding your rights at law or in

equity (other than rights to damages for termination of your employment or this Agreement), a payment, which shall be made either (i) if mutually agreed to by you (or your estate or other representative) and the Company as of the Date of Termination, in a lump sum within five business days after the Termination Date in an amount equal to the present value of the Severance Payment (as defined below), using a discount rate equal to the applicable interest rate promulgated by the Internal Revenue Service ("IRS") under Section 417(e)(3) of the Internal Revenue Code of 1986, as amended ("Code") for the third month preceding the month in which the Termination Date occurs, and if the IRS ceases to promulgate such interest rates, the last such interest rate so promulgated, or (ii) in the absence of such an agreement, in installments, without interest (with exceptions for any amounts imputed or otherwise deemed or recharacterized as interest under the Code) in thirty-six (36) equal monthly installments with each such monthly installment payment equal to 1/36th of the aggregate amount of the Severance Payment. The "Severance Payment" shall be equal to the sum of:

(i) the aggregate base salary (at the highest rate in effect at any time during the Term) which you would have received pursuant to this Agreement for two years, had your employment with the Company continued for such period; plus

(ii) the aggregate Bonus (based upon the highest annual Bonus that you received with respect to any calendar year during, the three calendar years immediately preceding the calendar year in which the Termination Date occurred) which you would have received pursuant to this Agreement for two years, had your employment with the Company continued for such period; plus

(iii) the cash value of all benefits that would be payable to you under the Company Pension Equalization Plan ("PEP"), the Company Management Stock Purchase Plan ("MSPP"), the Company Executive Supplemental Savings Plan ("ESSP"), and the Company Long-Term Stock Incentive Plan ("LTSIP") (the PEP, MSPP, ESSP and LTSIP are collectively referred to herein as the "Plans"), (based upon the highest annual aggregate rate that you received benefits under each of the Plans with respect to any calendar year during the three calendar years immediately preceding the calendar year in which the Termination Date occurs) pursuant to this Agreement for two years, had your employment with the Company continued for such period, other than Plan benefits providing base salary, Bonus and the benefits to be provided pursuant to Section 5(iv)(D) hereof.

You and the Company acknowledge that references in this Section 5(iv)(B) to the PEP, the MSPP, the ESSP, and the LTSIP, shall be deemed to be references to such plans as amended or restated from time to time and to any similar plan of the Company that supplements or supersedes any such plans; provided that any amendment during the Term that reduces benefits under the PEP, the MSPP, the ESSP, or the LTSIP (or any similar plan of the Company that supplements or supersedes any of such plans) in any way (including without limitation by reducing, the rate of benefit accruals or contribution levels under, any of such plans, or by changing, the basis upon which actuarial equivalents are

determined under any such plans) shall be disregarded for purposes of this Section 5(iv)(B). In addition, you and the Company acknowledge that references in this Section 5 to any Section of the Code shall be deemed to be references to such Section as amended from time to time or to any successor thereto.

(C) The Company shall pay all legal fees and expenses incurred by you as a result of such termination (including without limitation all such fees and expenses, if any, incurred in seeking to obtain or enforce any right or benefit provided by this Agreement in accordance with Section 21 hereof).

(D) The Company shall arrange to provide to you, for the remainder of the Term, benefits provided under any "welfare benefit plan" of the Company as the term "welfare benefit plan" is defined in Section 3(1) of the Employee Retirement Income Security Act of 1974, as amended, which you were receiving or entitled to receive during the Term ("Welfare Benefits"). If and to the extent that any such Welfare Benefits shall not or cannot be paid or provided under any policy, plan, program or arrangement of the Company (i) solely due to the fact that you are no longer an officer or employee of the Company or did not continue as an officer or employee of the Company during the remainder of the Term or (ii) as a result of the amendment or termination of any plan providing for Welfare Benefits, the Company shall then itself pay or provide for the payment of such Welfare Benefits to you, your dependents and beneficiaries. Without otherwise limiting the purposes or effect of the no mitigation obligation in Section 5(viii) hereof, Welfare Benefits payable to you (including your dependents and beneficiaries) pursuant to this Section 5(iv)(D) shall be reduced to the extent comparable benefits are actually received by you (including your dependents and beneficiaries) from another employer during such period, and any such benefits actually received by you shall be reported by you to the Company.

(E) Your right to acquire any shares of the Company's capital stock under any and all outstanding stock options, or other rights previously granted to you under any stock option, stock purchase, stock appreciation, or similar equity-based plans of the Company shall expire as of the Date of Termination and be null, void, and of no further force or effect, except (i) to the extent the express terms of such stock option, stock purchase, stock appreciation, or similar equity-based plans provide for vesting or other manner of continuation after the Date of Termination, or (ii) on such terms and conditions as mutually agreed to by you and the Company as of the Date of Termination.

(v) Any Bonus that is payable to you with respect to a period that is less than a full calendar year (a "partial calendar year") shall be prorated by multiplying (i) the Bonus that would have been payable to you with respect to the entire calendar year had your employment with the Company continued until the end of such year by (ii) a fraction, the numerator of which equals the number of days in the partial calendar year and the denominator of which equals 365.

(vi) The Company, if permitted by law, may set-off or counterclaim losses, fines or damages in respect of any claim, debt or obligation against any payment to or benefit for you provided for in this Agreement.

(vii) Without limiting your rights at law or in equity, if the Company fails to make any payment or provide any benefit required to be made or provided hereunder on a timely basis, the Company will pay interest on the amount or value thereof at an annualized rate of interest equal to the "prime rate" as quoted from time to time during the relevant period in The Wall Street Journal, plus three percent. Such interest will be payable as it accrues on demand. Any change in such prime rate will be effective on and as of the date of such change.

(viii) The Company hereby acknowledges that it will be difficult, and may be impossible, for you to find reasonably comparable employment following the Termination Date. In addition, the Company acknowledges that its severance pay plans and policies applicable in general to its salaried employees do not provide for mitigation, offset or reduction of any severance payment received thereunder. Accordingly, the parties hereto expressly agree that the payment of the severance compensation by the Company to you in accordance with the terms of this Agreement shall be liquidated damages and that you shall not be required to mitigate the amount of any payment provided for in this Agreement by seeking other employment or otherwise, nor shall any profits, income, earnings or other benefits from any source whatsoever create any mitigation, offset, reduction or any other obligation on the part of you hereunder or otherwise, except as expressly provided in this Section 5.

6. CERTAIN ADDITIONAL PAYMENTS BY THE COMPANY.

(i) Anything in this Agreement to the contrary notwithstanding, in the event that it shall be determined (as hereafter provided) that any payment by the Company to or for your benefit, whether paid or payable pursuant to the terms of this Agreement or otherwise (a "Payment"), would be subject to the excise tax imposed by Section 4999 (or any successor thereto) of the Code, and any interest or penalties with respect to such excise tax (such excise tax, together with any such interest and penalties, are hereafter collectively referred to as the "Excise Tax"), then you shall be entitled to receive an additional payment or payments (collectively, a "Gross-Up Payment"), including without limitation any Gross-Up Payment made with respect to the Excise Tax, if any, attributable to (i) any incentive stock option, as defined by Section 422 of the Code ("ISO"), or (ii) any stock appreciation or similar right, whether or not limited, granted in tandem with any ISO. The Gross-Up Payment shall be in an amount such that, after payment by you of the Excise Tax, plus any additional taxes, penalties and interest, and any further Excise Taxes imposed upon the Gross-Up Payment, you retain, after payment of all such taxes and Excise Taxes, an amount of the Gross-Up Payment equal to the Payment that you would have received if no Excise Taxes had been imposed upon the Payment and no additional taxes or further Excise Taxes had been imposed upon the Gross-Up Payment.

(ii) Subject to the provisions of Section 6(v) hereof, all determinations required to be made under this Section 6, including whether an Excise Tax is payable by you and the amount of such Excise Tax and whether a Gross-Up Payment is required and the amount of such Gross-Up

Payment, shall be made by a nationally recognized firm of certified public accountants (the "Accounting Firm") selected by you in your sole discretion. You shall direct the Accounting Firm to submit its determination and detailed supporting calculations to both the Company and you within 30 calendar days after the Termination Date. If the Accounting Firm determines that any Excise Tax is payable by you, the Company shall pay the required Gross-Up Payment to you within five (5) business days after receipt of the aforesaid determination and calculations. If the Accounting Firm determines that no Excise Tax is payable by you, it shall, at the same time as it makes such determination, furnish you with an opinion that you do not owe any Excise Tax on your Federal income tax return. Any determination by the Accounting Firm as to the amount of the Gross-Up Payment to be paid by the Company within such 30 calendar day period shall be binding upon the Company and you. As a result of the uncertainty in the application of Section 4999 (or any successor thereto) of the Code at the time of the initial determination by the Accounting Firm hereunder, it is possible that Gross-Up Payments which will not have been made by the Company should have been made ("Underpayment"), consistent with the calculations required to be made hereunder. In the event that the Company exhausts its remedies pursuant to Section 6(v) hereof and you thereafter are required to make a payment of any Excise Tax, you shall direct the Accounting Firm to determine the amount of the Underpayment that has occurred and to submit its determination and detailed supporting calculations to both the Company and you as promptly as possible. Any such Underpayment shall be promptly paid by the Company to or for your benefit within three calendar days after receipt of such determination and calculations.

(iii) The Company and you shall each cooperate with the Accounting Firm in connection with the preparation and issuance of the determination provided for in Section 6(ii) hereof. Such cooperation shall include without limitation providing the Accounting Firm access to and copies of any books, records and documents in the possession of the Company or you, as the case may be, that are reasonably requested by the Accounting Firm.

(iv) The fees and expenses of the Accounting Firm for its services in connection with the determinations and calculations provided for in Section 6(ii) hereof shall initially be paid by you. The Company shall reimburse you for your payment of such costs and expenses within five (5) business days after receipt from you of a statement therefor and evidence of your payment thereof.

(v) You shall notify the Company in writing, of any claim by the IRS that, if successful, would require the payment by the Company of a Gross-Up Payment. Such notification shall be given as soon as practicable but no later than 10 business days after you receive notice of such claim and shall apprise the Company of the nature of such claim and the date on which such claim is requested to be paid. You shall not pay such claim prior to the earlier of (A) the expiration of the 30 calendar day period following the date on which you give such notice to the Company or (B) the date that any payment of taxes with respect to such claim is due. If the Company notifies you in writing prior to the expiration of such period that it desires to contest such claim, you shall:

(i) give the Company any information reasonably requested by the Company relating to such claim;

(ii) take such action in connection with contesting such claim as the Company shall reasonably request in writing, from time to time, including without limitation accepting legal representation with respect to such claim by an attorney reasonably selected by the Company;

(iii) cooperate with the Company in good faith in order effectively to contest such claim; and

(iv) permit the Company to participate in any proceedings relating to such claim;

provided, however, that the Company shall bear and pay directly all costs and expenses (including additional interest and penalties) incurred in connection with such contest and shall indemnify and hold you harmless, on an after-tax basis, for any Excise Tax or income tax, including interest and penalties with respect thereto, imposed as a result of such representation and payment of costs and expenses. Without limitation on the foregoing provisions of this Section 6(v), the Company shall, provided that such control does not have a material adverse affect on your individual income tax with respect to matters unrelated to the contest of the Excise Tax, control all proceedings taken in connection with such contest and, at its sole option, may, provided that such pursuit or foregoing does not have a material adverse affect on your individual income tax with respect to matters unrelated to the contest of the Excise Tax, pursue or forego any and all administrative appeals, proceedings, hearings and conference with the IRS in respect of such claim (but, you may participate therein at your own cost and expense) and may, at its sole option, provided that such payment, suit, contest or prosecution does not have a material adverse affect on your individual income tax with respect to matters unrelated to the contest of the Excise Tax, either direct you to pay the tax claimed and sue for a refund or contest the claim in any permissible manner, and you agree to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as the Company shall determine; provided, however, that if the Company directs you to pay the tax claimed and sue for a refund, the Company shall advance the amount of such payment to you on an interest-free basis and shall indemnify and hold you harmless, on an after-tax basis, from any Excise Tax or income tax, including interest or penalties with respect thereto, imposed with respect to such advance or with respect to any imputed income with respect to such advance; and further provided that any extension of the statute of limitations relating to payment of taxes for your taxable year with respect to which the contested amount is claimed to be due is limited solely to such contested amount. Furthermore, the Company's control of such contest shall be limited to issues with respect to which a Gross Up Payment would be payable hereunder, and you shall be entitled to settle or contest, as the case may be, any other issue raised by the IRS.

(vi) If, after the receipt by you of an amount advanced by the Company pursuant to Section 6(v) hereof, you receive any refund with respect to such claim, you shall (subject to the Company's complying with the requirements of Section 6(v) hereof) promptly pay to the Company the amount of such refund (together with any interest paid or credited thereon after any taxes applicable thereto). If, after the receipt by you of an amount advanced by the Company

pursuant to Section 6(v) hereof, a determination is made that you shall not be entitled to any refund with respect to such claim and the Company does not notify you in writing of its intent to contest such denial or refund prior to the expiration of 30 calendar days after such determination, then such advance shall be forgiven and shall not be required to be repaid and the amount of such advance shall offset, to the extent thereof, the amount of Gross-Up Payment required to be paid.

7. TRAVEL. Except to the extent that you are permitted to terminate your employment for Constructive Termination after a Change in Control as provided in Section 4(v), you shall be required to travel to the extent necessary for the performance of your responsibilities under this Agreement.

8. SUCCESSORS; BINDING AGREEMENT. The Company will, by agreement in form and substance satisfactory to you, require any successor (whether direct or indirect, by purchase merger, consolidation or otherwise) to all or substantially all the business and/or assets of the Company, to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. Failure of the Company to obtain such assumption and agreement prior to the effectiveness of any such succession shall entitle you to compensation from the Company in the same amount and on the same terms as you would be entitled to hereunder if you terminate your employment for Good Reason, except that for purposes of implementing, the foregoing, the date on which any such succession becomes effective shall be deemed the Date of Termination. As used in this Agreement, "Company" shall mean the Company as hereinbefore defined and any successor to its business and/or assets as aforesaid which assumes and agrees to perform this Agreement by operation of law, or otherwise. This Agreement shall inure to the benefit of and be enforceable by your personal or legal representatives, executors, administrators, successors, heirs, distributees and/or legatees. This Agreement is personal in nature and neither of the parties hereto shall, without the consent of the other, assign, transfer or delegate this Agreement or any rights or obligations hereunder except as expressly provided in this Section 8. Without limiting the generality of the foregoing, your right to receive payments hereunder shall not be assignable or transferable, whether by pledge, creation of a security interest or otherwise, other than by a transfer by your will or by the laws of descent and distribution and, in the event of any attempted assignment or transfer contrary to this Section 8, the Company shall have no liability to pay to the purported assignee or transferee any amount so attempted to be assigned or transferred. The Company and you recognize that each party will have no adequate remedy at law for any material breach by the other of any of the agreements contained herein and, in the event of any such breach, the Company and you hereby agree and consent that the other shall be entitled to a decree of specific performance, mandamus or other appropriate remedy to enforce performance of this Agreement.

9. NOTICES. For the purpose of this Agreement, notices and all other communications provided for in this Agreement shall be in writing, and shall be deemed to have been duly given when delivered by hand, or mailed by United States certified mail, return receipt requested, postage prepaid, or sent by Federal Express or similar overnight courier service, addressed to the respective addresses set forth on the first page of this Agreement, or sent by facsimile with confirmation of receipt to the respective facsimile numbers set forth on the first page of this

Agreement, provided that all notices to the Company shall be directed to the attention of the Secretary of the Company (or, if you are the Secretary at the time such notice is to be given, to the Chairman of the Company's Board of Directors), or to such other address or facsimile number as either party may have furnished to the other in writing in accordance herewith, except that notice of change of address or facsimile number shall be effective only upon receipt.

10. NONCOMPETITION.

(i) Until the Date of Termination, you agree not to engage in any Competitive Activity. For purposes of this Agreement, the term "Competitive Activity" shall mean your participation, without the written consent of an officer of the Company of higher rank and standing than yourself (and if there is no such person then by the Chairman of the Board of Directors), in the management of any business enterprise if such enterprise engages in substantial and direct competition with the Company (including without limitation any supplier to an original equipment automotive vehicle manufacturer) and such enterprise's sales of any product or service competitive with any product or service of the Company amounted to 25% of such enterprise's net sales for its most recently completed fiscal year and if the Company's net sales of said product or service amounted to 25% of the Company's net sales for its most recently completed fiscal year. "Competitive Activity" shall not include (i) the mere ownership of securities in any enterprise and exercise of rights appurtenant thereto or (ii) participation in management of any enterprise or business operation thereof other than in connection with the competitive operation of such enterprise.

(ii) You agree not to engage in any Competitive Activity (A) until one (1) year after the Date of Termination if you are terminated for Cause or you terminate your employment for other than Good Reason or Constructive Termination after a Change in Control, or (B) until three (3) years after the Date of Termination if you are terminated by the Company other than for Cause or you terminate your employment for Good Reason or Constructive Termination after a Change in Control.

(iii) You shall not directly or indirectly, either on your own account or with or for anyone else, (A) solicit or attempt to solicit any of the Company's customers (B) solicit or attempt to solicit for any business endeavor any employee of the Company or (C) otherwise divert or attempt to divert from the Company any business whatsoever or interfere with any business relationship between the Company and any other person, (a) until one (1) year after the Date of Termination if you are terminated for Cause or you terminate your employment for other than Good Reason or Constructive Termination after a Change in Control, or (b) until three (3) years after the Date of Termination if you are terminated other than for Cause or you terminate your employment for Good Reason or Constructive Termination after a Change in Control.

(iv) You acknowledge and agree that damages for breach of the covenants in this Section 10 will be difficult to determine and will not afford a full and adequate remedy, and therefore agree that the Company, in addition to seeking actual damages pursuant to Section 10 hereof, may seek specific enforcement of the covenant not to compete in any court of competent jurisdiction, including, without limitation, by the issuance of a temporary or permanent injunction,

without the necessity of a bond. You and the Company agree that the provisions of this covenant not to compete are reasonable. However, should any court or arbitrator determine that any provision of this covenant not to compete is unreasonable, either in period of time, geographical area, or otherwise, the parties agree that this covenant not to compete should be interpreted and enforced to the maximum extent which such court or arbitrator deems reasonable.

(v) As compensation for your covenants contained in Sections 10(ii)(B) and 10(iii)(b), the Company shall pay or cause to be paid to you a payment, which shall be made either (i) if mutually agreed to by you (or your estate or other representative) and the Company as of the Date of Termination, in a lump sum within five business days after the Termination Date in an amount equal to the present value of the Noncompete Payment (as defined below), using a discount rate equal to the applicable interest rate promulgated by the Internal Revenue Service ("IRS") under Section 417(e)(3) of the Internal Revenue Code of 1986, as amended ("Code") for the third month preceding the month in which the Termination Date occurs, and if the IRS ceases to promulgate such interest rates, the last such interest rate so promulgated, or (ii) in the absence of such an agreement, in installments, without interest (with exceptions for any amounts imputed or otherwise deemed or recharacterized as interest under the Code) in thirty-six (36) equal monthly installments with each such monthly installment payment equal to 1/36th of the aggregate amount of the Noncompete Payment. The "Noncompete Payment" shall be equal to the sum of:

(i) the aggregate base salary (at the highest rate in effect at any time during the Term) which you would have received pursuant to this Agreement for one year, had your employment with the Company continued for such period; plus

(ii) the aggregate Bonus (based upon the highest annual Bonus that you received with respect to any calendar year during, the three calendar years immediately preceding the calendar year in which the Termination Date occurred) which you would have received pursuant to this Agreement for one year, had your employment with the Company continued for such period plus

(iii) the cash value of all benefits that would be payable to you under the Company Pension Equalization Plan ("PEP"), the Company Management Stock Purchase Plan ("MSPP"), the Company Executive Supplemental Savings Plan ("ESSP"), and the Company Long-Term Stock Incentive Plan ("LTSIP") (the PEP, MSPP, ESSP and LTSIP are collectively referred to herein as the "Plans"), (based upon the highest annual aggregate rate that you received benefits under each of the Plans with respect to any calendar year during the three calendar years immediately preceding the calendar year in which the Termination Date occurs) pursuant to this Agreement for one year, had your employment with the Company continued for such period, other than Plan benefits providing base salary, Bonus and the benefits to be provided pursuant to Section 5(iv)(D) hereof.

You and the Company acknowledge that references in this Section 10(v) to the PEP, the MSPP, the ESSP, and the LTSIP, shall be deemed to be references to such plans as amended or restated from time to time and to any similar plan of the Company that supplements or supersedes any such plans; provided that any amendment during the Term that reduces benefits under the PEP, the

MSPP, the ESSP, or the LTSIP (or any similar plan of the Company that supplements or supersedes any of such plans) in any way (including without limitation by reducing, the rate of benefit accruals or contribution levels under any of such plans, or by changing, the basis upon which actuarial equivalents are determined under any such plans) shall be disregarded for purposes of this Section 5(iv)(B). In addition, you and the Company acknowledge that references in this Section 10 to any Section of the Code shall be deemed to be references to such Section as amended from time to time or to any successor thereto.

11. CONFIDENTIALITY AND COOPERATION.

(i) You shall not knowingly use, disclose or reveal to any unauthorized person, during, or after the Term, any trade secret or other confidential information relating to the Company or any of its affiliates, or any of their respective businesses or principals, such as, without limitation, dealers' or distributor's lists, information regarding personnel and manufacturing processes, marketing and sales plans, and all other such information; and you confirm that such information is the exclusive property of the Company and its affiliates. Upon termination of your employment, you agree to return to the Company on demand by the Company all memoranda, books, papers, letters and other data, and all copies thereof or therefrom, in any way relating to the business of the Company and its affiliates, whether made by you or otherwise in your possession.

(ii) Any design, engineering methods, techniques, discoveries, inventions (whether patentable or not), formulae, formulations, technical and product specifications, bill of materials, equipment descriptions, plans, layouts, drawings, computer programs, assembly, quality control, installation and operating procedures, operating manuals, strategic, technical or marketing information, designs, data, secret knowledge, know-how and all other information of a confidential nature prepared or produced during the period of your employment and which ideas, processes, etc. relate to any of the businesses of the Company, shall be owned by the Company and its affiliates whether or not you should in fact execute an assignment thereof or other instrument or document which may be reasonably necessary to protect and secure such rights to the Company.

(iii) During the Term and for a period ending on the later of three (3) years after the Date of Termination or at the conclusion of any dispute which commences during the Term, you shall cooperate and comply with all reasonable requests made by the Company in prosecuting or defending any claim with respect to any litigation or arbitration or any pending or threatened litigation or arbitration, involving any invention, patent, trademark, trade name, secret process, or other intangible property in which the Company has, or reasonably believes it has, proprietary rights in and which you had substantial involvement in the development of during the Term of your employment. You shall not receive any additional compensation, other than reimbursement for reasonable costs and expenses incurred by you, in complying with the terms of this Section 11(iii).

12. ARBITRATION.

(i) Except as contemplated by Section 10(iv) or Section 12 (iii) hereof, any dispute or controversy arising under or in connection with this Agreement that cannot be mutually resolved by the parties to this Agreement and their respective advisors and representatives shall be settled exclusively by arbitration in Southfield, Michigan, before one arbitrator of exemplary qualifications and stature, who shall be selected jointly by an individual to be designated by the Company and an individual to be selected by you, or if such two individuals cannot agree on the selection of the arbitrator, who shall be selected pursuant to the procedures of the American Arbitration Association.

(ii) The parties agree to use their best efforts to cause (a) the two individuals set forth in the preceding Section 12(i), or, if applicable, the American Arbitration Association, to appoint the arbitrator within 30 days of the date that a party hereto notifies the other party that a dispute or controversy exists that necessitates the appointment of an arbitrator, and (b) any arbitration hearing to be held within 30 days of the date of selection of the arbitrator, and, as a condition to his or her selection, such arbitrator must consent to be available for a hearing, at such time.

(iii) Judgment may be entered on the arbitrator's award in any court having jurisdiction, provided that you shall be entitled to seek specific performance of your right to be paid and to participate in benefit programs during the pendency of any dispute or controversy arising under or in connection with this Agreement. The Company and you hereby agree that the arbitrator shall be empowered to enter an equitable decree mandating specific performance of the terms of this Agreement. If any dispute under this Section 12 shall be pending, the Executive shall continue to receive at a minimum the base salary which the Executive was receiving immediately prior to the act or omission which forms the basis for the dispute.

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

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

15. GOVERNING LAW. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of Michigan without giving effect to any conflicts of laws rules.

16. PAYMENTS NET OF TAXES. Except as otherwise provided in Section 6 herein, any payments provided for herein which are subject to Federal, State local or other governmental tax

or other withholding requirements or obligations, shall have such amounts withheld prior to payment, and the Company shall be considered to have fully satisfied its obligation hereunder by making such payments to you net of and after deduction for all applicable withholding obligations.

17. CAPACITY OF PARTIES. The parties hereto warrant that they have the capacity and authority to execute this Agreement.

18. VALIDITY. The invalidity or unenforceability of any provision of this Agreement shall not, at the option of the party for whose benefit such provision was intended, affect the validity or enforceability of any other provision of the Agreement, which shall remain in full force and effect.

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

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

21. LEGAL FEES AND EXPENSES. It is the intent of the Company that you not be required to incur the expenses associated with the enforcement of your rights under this Agreement by litigation or other legal action because the cost and expense thereof would substantially detract from the benefits intended to be extended to you hereunder. Accordingly, if it should appear to you that the Company has failed to comply with any of its obligations under this Agreement or in the event that the Company or any other person takes any action to declare the Agreement void or unenforceable or institutes any litigation designed to deny, or to recover from you the benefits intended to be provided to you hereunder, the Company irrevocably authorizes you from time to time to retain counsel of your choice, at the expense of the Company as hereafter provided, to represent you in connection with the initiation or defense of any litigation or other legal action relating, thereto, whether by or against the Company or any Director, officer, shareholder or other person affiliated with the Company, in any jurisdiction. Notwithstanding any existing or prior attorney-client relationship between the Company and any such counsel, the Company irrevocably consents to your entering into an attorney-client relationship with such counsel, and in that connection the Company and you agree that a confidential relationship shall exist between you and such counsel. The Company shall pay or cause to be paid and be solely responsible for any and all attorneys' and related fees and expenses incurred by you (i) as a result of the Company's failure to perform this Agreement or any provision hereof or (ii) as a result of the Company or any person contesting the validity or enforceability of this Agreement or any provision hereof as aforesaid.

If this letter sets forth our agreement on the subject matter hereof, kindly sign and return to the Company the enclosed copy of this letter which will then constitute our agreement on this subject, effective on July 1, 2000 ("Effective Date").

Sincerely,

LEAR CORPORATION

By: /s/ Joseph F. McCarthy

Agreed to this 5th day of July, 2000

By: /s/ Douglas G. DelGrosso

Douglas G. DelGrosso

The schedule contains summary financial information extracted from the balance sheet and statement of income and is qualified in its entirety by reference to such financial statements.

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YEAR	DEC-31-2000	JAN-01-2000	JUL-01-2000
			94
		0	
		2,137	
		22	
		495	
	3,325		2,691
		779	
		8,909	
	3,771		3,150
	0		0
			1
		1,522	
8,909			7,567
	7,567		6,803
		6,803	
		1	
		0	
	160		
		279	
		115	
	164		
		0	
		0	
			0
		164	
		2.48	
		2.45	