LEAR CORP
Form DEFM14A
May 23, 2007

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

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

o Preliminary Proxy Statement

o **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

þ Definitive Proxy Statement
o Definitive Additional Materials
o Soliciting Material Pursuant to §240.14a-12

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

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

Payment of Filing Fee (Check the Appropriate Box):

o No fee required.

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

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

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

2) Aggregate number of securities to which transaction applies:

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

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

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

4) Proposed maximum aggregate value of transaction:

$2,857,990,534

5) Total fee paid:

$87,770

þ Fee paid previously with preliminary materials.

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

1) Amount Previously Paid:

2) Form, Schedule or Registration Statement No.:

3) Filing Party:

4) Date Filed:

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21557 Telegraph Road
Southfield, Michigan 48033

May 23, 2007

Dear Fellow Stockholder:

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

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

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

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

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

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

Thank you in advance for your cooperation and continued support.

Sincerely,

Robert E. Rossiter
Chairman and Chief Executive Officer

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

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

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

To the Stockholders of Lear Corporation:

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

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

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

3. elect three directors;

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

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

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

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

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

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

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

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

By Order of the Board of Directors,

Wendy L. Foss

Vice President, Finance & Administration and Corporate Secretary

May 23, 2007

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SUMMARY TERM SHEET

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

The Parties to the Merger (Page 76)

Lear Corporation

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

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

Parent

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

Merger Sub

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

The Merger (Page 78)

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

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

Effects of the Merger (Page 55)

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

Treatment of Options and Other Awards (Page 79)

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

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

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

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

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

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

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

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

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

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

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

Financing (Page 57)

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

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

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

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

Regulatory Approvals (Page 69)

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

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

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

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Conditions to the Merger (Page 86)

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

- the merger agreement must have been adopted by the affirmative vote of the holders of a majority of the outstanding shares of our common stock;
- there is no order, injunction or decree preventing the consummation of the merger; and
- any applicable waiting period (and any extension thereof) under the HSR Act will have expired or been terminated and, subject to materiality thresholds, approvals and authorizations from other applicable antitrust authorities will have been granted.

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

- our representations and warranties must be true and correct, subject to certain materiality thresholds;
- we must have performed in all material respects all obligations required to be performed by us under the merger agreement at or prior to the closing date;
- we must deliver to Parent and Merger Sub at closing a certificate with respect to the satisfaction of the foregoing conditions relating to representations, warranties and obligations;
- since the date of the merger agreement, there must not have been any event, change, effect, development, condition or occurrence that has had or would reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect (as defined in the merger agreement) or any specified force majeure event that has had or could reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect;
- we must perform certain obligations and satisfy certain requirements with respect to Parent s debt financing arrangements; and
- we must provide to Parent a certification that our shares of common stock are not United States real property interests.

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

- the representations and warranties made by Parent and Merger Sub must be true and correct, subject to certain materiality thresholds;
- Parent and Merger Sub must have performed in all material respects all obligations required to be performed by them under the merger agreement at or prior to the closing date;
- Parent must deliver to us at closing a certificate with respect to the satisfaction of the foregoing conditions relating to representations, warranties and obligations; and
- Parent must deliver to us at closing a solvency opinion.

Solicitation of Other Offers (Page 87)

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

or facilitate any such discussions or negotiations.

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

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

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

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

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

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

Notwithstanding these restrictions:

we are permitted to continue discussions and provide non-public information to any party with whom we were having ongoing discussions or negotiations as of March 26, 2007 regarding a possible acquisition proposal (we were otherwise required to immediately cease or cause to be terminated discussions except as permitted below and cause any confidential information provided or made available to be returned or destroyed); and

at any time after the date of the merger agreement and prior to the approval of the merger agreement by our stockholders, we are permitted to furnish information with respect to Lear and our subsidiaries to any person making an acquisition proposal and participate in discussions or negotiations with the person making the acquisition proposal, subject to certain limitations.

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

Termination of the Merger Agreement (Page 91)

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

by mutual written consent of Lear and Parent;

by either Lear or Parent if:

there is any final and non-appealable action that restrains, enjoins or otherwise prohibits any of the transactions contemplated by the merger agreement or a governmental entity declines to grant an approval necessary to satisfy the conditions to closing;

the merger is not completed on or before the Outside Date (as defined under The Merger Agreement Termination of the Merger Agreement), as may be extended by Parent in certain circumstances; or

our stockholders do not adopt the merger agreement at the annual meeting or any adjournment or postponement thereof.

by Lear, if:

Parent or Merger Sub has breached any of its representations, warranties, covenants or agreements under the merger agreement in a manner that would result in the failure of certain conditions to closing to be satisfied, and where that breach is not cured or is incapable of being cured within the Outside Date and 30 days following written notice to the party committing such breach;

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

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

by Parent, if:

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

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

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

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

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

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

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

Termination Fees (Page 93)

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

Voting Agreement (Page 70)

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

Limited Guaranty (Page 59)

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

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Appraisal Rights (Page 104)

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

Market Price of Common Stock (Page 135)

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

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ANSWERS TO QUESTIONS YOU MAY HAVE

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

Questions and Answers About the Annual Meeting

Q When and where is the annual meeting?

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

Q. What do I need to do now?

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

Q. How do I vote?

A: You may vote by:

signing and dating each proxy card you receive and returning it in the enclosed prepaid envelope;

using the telephone number printed on your proxy card; or

if you hold your shares in street name, follow the procedures provided by your broker, bank or other nominee.

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

Q. How can I change or revoke my vote?

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

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

submitting a proxy to Lear with a later date; or

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

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