



IN THE COURT OF CHANCERY OF THE STATE OF DELAWARE
IN AND FOR NEW CASTLE COUNTY

IN RE LEAR CORP.) Consolidated
SHAREHOLDERS LITIGATION) C.A. No. 2728-VCS

AMENDED CONSOLIDATED CLASS ACTION COMPLAINT

Plaintiffs allege upon information and belief, except for paragraph 5 hereof, which Plaintiffs allege upon knowledge, as follows:

NATURE OF THE ACTION

1. Plaintiffs bring this action individually and as a class action on behalf of the public shareholders of Lear Corporation ("Lear" or the "Company") in connection with the sale of Lear to American Real Estate Partners, L.P. ("AREP"), AREP Car Holdings Corp., and AREP Car Acquisition Corp. (collectively the "AREP Entities") for \$36 per share, pursuant to a Merger Agreement announced on February 9, 2007 (the "Proposed Transaction"). Plaintiffs allege that the sale of Lear to the AREP Entities constitutes a breach of the fiduciary duties of the directors of Lear in the sale of the Company, aided and abetted by the AREP Entities.

2. The terms of the Proposed Transaction also reflect a preference for the AREP Entities in that the deal actually tilts the playing field in favor of this acquirer. For example, as detailed herein, the "fiduciary out" contemplated by the Proposed Transaction is at best illusory and provides no real opportunity for a superior proposal from a third party acquirer. Moreover, the oppressive terms agreed to in the Proposed Transaction effectively eliminate the benefit of any "go-shop" provision of this deal.

3. On March 20, 2007, the Company filed a Form PREM 14A Preliminary Proxy Statement with the United States Securities and Exchange Commission ("SEC") to solicit the shareholder vote on the Proposed Transaction (the "Proxy"). As alleged in detail herein, the Proxy is materially misleading and omits material facts. Among many other things, the Proxy

fails to disclose (a) material details regarding the true reasons that the Company declined to explore strategic alternatives at a time when others had expressed interest in a potential deal; (b) the true explanation as to why the Company agreed to an illusory “go-shop” provision that was rendered unworkable by other deal terms, thereby eliminating the prospect of a fair and accurate post-deal market check; and (c) the existence of fundamental flaws in the methods and analyses underlying the fairness opinion provided to the Special Committee of the Company’s Board of Directors formed to consider the Proposed Transaction; and (d) what steps, if any, the Company took in performing that essentially meaningless post-deal market check.

4. In addition, the Proxy confirms that the process leading to the Proposed Transaction was tilted to favor the AREP Entities. Specifically, the Proxy actually reveals, without any coherent explanation, that the Company refused perform a *bona fide* pre-deal market check or action, despite the fact that other potential acquirers had expressed an interest in acquiring Lear. It should come as no surprise, then, that the sham Go-Shop period ended without any definitive acquisition proposals

THE PARTIES

5. Plaintiffs Classic Fund Management AG, Market Street Securities, and Harry Massie, Jr., each currently own shares of Lear common stock. Each plaintiff has been the owner of Lear common stock since prior to the wrongs complained of herein.

6. Defendant Lear is a Delaware Corporation that provides automotive interior systems worldwide. It has three segments: Seating; Interior; and Electronic and Electrical. The Seating segment manufactures, assembles, and supplies vehicle-seating requirements. The Interior segment includes instrument panels and cockpit systems, headliners and overhead systems, door panels, flooring and acoustic systems, and other interior products. The Electronic and Electrical segment includes electronic products and electrical systems, primarily wire

harnesses and junction boxes; interior control and entertainment systems; and wireless systems. Lear Corporation serves automotive and light truck markets. The Company was founded in 1917 and maintains its principal offices at 21557 Telegraph Road, Southfield, Michigan 48034.

7. The Company's long-term profitability reportedly comes from the seating business. Unlike other businesses in the auto supply chain, seating has historically been a profitable industry. Two major players--Lear and Johnson Controls--have 80% market share, which is split evenly. The business does not require heavy capital spending and seats, because of their bulkiness, cannot be shipped very far, which further limits competition. Lear had \$12 billion in revenue in this business last year, and historically has seen mid single digit growth. Lear is also a major player in the electronics business, with \$3 billion in revenue and margins in the upper single digits. The interiors business, which Lear disposed of last year, had been losing money in recent years.

8. Defendant Robert E. Rossiter ("Rossiter") is the Chairman of the Board of Lear, a position he has held since January 1, 2003. Defendant Rossiter has been a Director of the Company since 1988 and serves as the Company's Chief Executive Officer, a position he has held since October 2000. Defendant Rossiter served as President of the Company from 1984 until December 2002 and served as Chief Operating Officer from 1988 to April 1997 and from November 1998 to October 2000. Defendant Rossiter also served as the Company's Chief Operating Officer, International Operations, from April 1997 to November 1998.

9. Defendant David E. Fry ("Fry") is and has been a director of Lear since August 2002. He has also been the President and Chief Executive Officer of Northwood University since 1982. Additionally, Defendant Fry serves as a director of Reynolds and Reynolds Company, Decker Energy International, and Chemical Bank and Trust Co. (Midland, Michigan). Defendant

Fry is also a director and member of the executive committee of the Automotive Hall of Fame and past Chairman of the Michigan Higher Education Facilities Authority.

10. Defendant Vincent J. Intrieri ("Intrieri") is and has been a director of Lear since 2006. Defendant Intrieri has been affiliated with Icahn Associates Corp. since 1998. Defendant Intrieri has been a director of American Property Investors, Inc., the general partner of American Real Estate Partners, L.P., affiliates of Carl C. Icahn ("Icahn"), since July 2006. Since November 2004, Defendant Intrieri has been Senior Managing Director of Icahn Partners LP and Icahn Partners Master Fund LP, private investment funds controlled by Mr. Icahn. From 1998 to March 2003, Defendant Intrieri served as portfolio manager for Icahn Associates Corp. Defendant Intrieri has also served as the Senior Managing Director for other entities owned and controlled by Mr. Icahn. He is the President and Chief Executive Officer of Phillip Services Corporation, a director of American Railcar Industries, Inc., and a director of XO Holdings, Inc., each affiliated with Mr. Icahn. He is also chairman of the board of Viskase Companies, Inc., a public company in which Mr. Icahn holds an interest.

11. Defendant Conrad L. Mallett, Jr. ("Mallett") is and has been a director of Lear since August 2002, and has been the President and CEO of Sinai Grace Hospital since August 2003. Prior to his current position, Justice Mallett served as the Chief Administrative Officer of the Detroit Medical Center since March 2003. Previously, he served as President and General Counsel of Hawkins Food Group LLC from April 2002 to March 2003, and Transition Director for Detroit Mayor Kwame M. Kilpatrick and Chief Operating Officer for the City of Detroit from January 2002 to April 2002. From August 1999 to April 2002, Justice Mallett was General Counsel and Chief Administrative Officer of the Detroit Medical Center. Justice Mallett was also a Partner in the law firm of Miller, Canfield, Paddock & Stone from January 1999 to August 1999. Justice Mallett was a Justice of the Michigan Supreme Court from December 1990 to

January 1999 and served a two-year term as Chief Justice beginning in 1997. Justice Mallett also serves as a director of TechTeam Global, Inc., and serves as a General Board Member of the Metropolitan Detroit YMCA.

12. Defendant Larry W. McCurdy ("McCurdy") is and has been a director of Lear since 1988. In July 2000, Defendant McCurdy retired from Dana Corporation, a motor vehicle parts manufacturer and after-market supplier, where he served as President, Dana Automotive Aftermarket Group, since July 1998. Defendant McCurdy was Chairman of the Board, President and Chief Executive Officer of Echlin, a motor vehicle parts manufacturer, from March 1997 until July 1998 when it was merged into Dana Corporation. Prior to this, Defendant McCurdy was Executive Vice President, Operations of Cooper Industries, a diversified manufacturing company, from April 1994 to March 1997. Defendant McCurdy also serves as a director of Mohawk Industries, Inc., as well as the non-executive Chairman of Affinia Group Inc., a privately held supplier of after-market motor vehicle parts.

13. Defendant Roy E. Parrott ("Parrott") is and has been a director of Lear since February 1997. In January 2003, Defendant Parrott retired from Metaldyne Corporation where he served as President of Business Operations since December 2000. Metaldyne Corporation, an integrated metal solutions supplier, purchased Simpson Industries, Inc. in December 2000. Previously, Defendant Parrott was the Chief Executive Officer of Simpson Industries, Inc. from 1994 to December 2000, and Chairman of Simpson Industries, Inc. from November 1997 to December 2000.

14. Defendant David P. Spalding ("Spalding") is and has been a director of Lear since 1991. Defendant Spalding has been a Vice Chairman of The Cypress Group L.L.C., a private equity fund manager, since 1994. Defendant Spalding is also a director of AMTROL, Inc., Republic National Cabinet Corporation, and Cooper-Standard Automotive Inc.

15. Defendant James A. Stern ("Stern") is and has been a director of Lear since 1991. Defendant Stern is Chairman of The Cypress Group L.L.C., a private equity fund manager, a position he has held since 1994. He is also a director of Affinia Group Inc., AMTROL, Inc., WESCO International, Inc., and MedPointe Inc.

16. Defendant Richard F. Wallman ("Wallman") is and has been a director of Lear since November 2003. Defendant Wallman has more than 25 years of executive-level operations and financial oversight experience, most recently as Senior Vice President and Chief Financial Officer of Honeywell International, Inc. from 2000 to 2003 and of AlliedSignal, Inc. from 1995 to 1999. He has also held positions with International Business Machines Corporation, Chrysler Corporation, and Ford Motor Company. Defendant Wallman also serves as a director of Hayes-Lemmerz International, Inc., Ariba, Inc., Avaya Inc., and ExpressJet Holdings, Inc.

17. Defendant Henry D.G. Wallace ("Wallace") is and has been a director of Lear since February 2005. Defendant Wallace worked for 30 years at Ford Motor Company until his retirement in 2001 and held several executive-level operations and financial oversight positions, most recently as Group Vice President, Mazda & Asia Pacific Operations in 2001, Chief Financial Officer in 2000 and Group Vice President, Asia Pacific Operations in 1999. Defendant Wallace also serves as a director of AMBAC Financial Group, Inc., Diebold, Inc., and Hayes-Lemmerz International, Inc.

18. Defendant James H. Vandenberghe ("Vandenberghe") is the Company's Interim Chief Financial Officer, a position he has held since March 10, 2006. Defendant Vandenberghe is and has been a director of Lear since 1995 and Vice Chairman of Lear since November 1998. He served as Lear's President and Chief Operating Officer — North American Operations from April 1997 to November 1998. He also served as the Company's Chief Financial Officer from 1988 to April 1997 and as Executive Vice President from 1993 to April 1997.

19. As Directors of the Company, the Individual Defendants referred to in paragraphs 8 through and including 18 (collectively the "Individual Defendants"), are in a fiduciary relationship with the Company, Plaintiffs and the public shareholders of Lear. Accordingly, the Individual Defendants owe these constituents the highest obligations of good faith, fair dealing, due care, loyalty, and full and candid disclosure.

20. The Company's recent filings with the SEC reveal that insiders dominate the Company's Board. For example, Intrieri is a close associate of Icahn and serves as his nominee on the Board. Likewise, Rossiter (Chairman and CEO) and Vandenberghe (Director and CFO) will serve as senior management with the Company following completion of the Proposed Transaction at substantial levels of compensation. The Company employs Parrott's daughter, who earned \$126,866 in 2005. The Company also employs Michael Spalding, the brother of Spalding, as a Senior Account Manager at Lear's DaimlerChrysler Division. In 2005, the Company paid Michael Spalding \$99,442. Until February 2005, defendant Rossiter served as a Trustee of Northwood University, of which defendant David E. Fry is President and Chief Executive Officer. Lear actively recruits employees from Northwood and has sponsored automotive programs at Northwood in the past.

21. Defendant AREP is a Delaware limited partnership engaged in the gaming, real estate, and home fashion businesses. AREP maintains its headquarters at 767 Fifth Avenue, Suite 4700, New York, New York 10153. Icahn controls AREP. He is the Chairman of the Board of Directors of American Property Investors, Inc., the General Partner of AREP. In addition, Intrieri also is a director of AREP.

22. Defendant AREP Car Holdings Corp. is a Delaware corporation formed February 1, 2007 to effect the Proposed Transaction. AREP Car Holdings Corp.'s registered agent in

Delaware is Corporation Service Company, 2711 Centerville Road, Suite 400, Wilmington, DE 19808.

23. Defendant AREP Car Acquisition Corp. is a Delaware corporation formed February 1, 2007 and is a wholly-owned subsidiary of AREP Car Holdings Corp. AREP Car Acquisition Corp.'s registered agent in Delaware is Corporation Service Company, 2711 Centerville Road, Suite 400, Wilmington, DE 19808.

CLASS ACTION ALLEGATIONS

24. Plaintiffs bring this action as a class action, pursuant to Rule 23 of the Rules of the Court of Chancery, on behalf of all security holders of the Company (except the Defendants herein and any person, firm, trust, corporation, or other entity related to or affiliated with any of the Defendants) and their successors in interest, who are or will be threatened with injury arising from Defendants' actions as more fully described herein (the "Class").

25. This action is properly maintainable as a class action.

26. The Class is so numerous that joinder of all members is impracticable. As of February 16, 2007, Lear had 76,387,448 shares of common stock outstanding owned by hundreds, if not thousands, of holders other than Defendants.

27. There are questions of law and fact that are common to the Class including, *inter alia*, the following: (a) whether Defendants have breached their fiduciary and other common law duties owed by them to Plaintiffs and the members of the Class; (b) whether Defendants are pursuing a scheme and course of business designed to eliminate the public securities holders of Lear in violation of the laws of the State of Delaware in order to enrich themselves at the expense and to the detriment of Plaintiffs and the other public shareholders who are members of the Class; (c) whether the Proposed Transaction, hereinafter described, constitutes a breach of the duties of fair dealing and loyalty with respect to Plaintiffs and the other

members of the Class; (d) whether the AREP Entities knowingly aided and abetted breaches of fiduciary duty; and (e) whether the Class is entitled to injunctive relief or damages as a result of the wrongful conduct committed by Defendants.

28. Plaintiffs are committed to prosecuting this action and have retained competent counsel experienced in litigation of this nature. The claims of the Plaintiffs are typical of the claims of other members of the Class and Plaintiffs have the same interests as the other members of the Class. Plaintiffs will fairly and adequately represent the Class.

29. Defendants have acted in a manner that affects Plaintiffs and all members of the Class alike, thereby making appropriate injunctive relief and/or corresponding declaratory relief with respect to the Class as a whole.

30. The prosecution of separate actions by individual members of the Class would create a risk of inconsistent or varying adjudications with respect to individual members of the Class, which would establish incompatible standards of conduct for Defendants, or adjudications with respect to individual members of the Class which would, as a practical matter, be dispositive of the interests of other members or substantially impair or impede their ability to protect their interests.

SUBSTANTIVE ALLEGATIONS

The Company is Poised for Future Growth

31. The Company has performed particularly well as reflected by its most recent financial performance. For example, on July 28, 2006, the Company issued a press release reporting record net sales of \$4.8 billion and pretax income of \$31.5 million, which included costs related to restructuring actions, impairments, and other special items of \$24.0 million. The Company's net sales were up from the prior year, primarily reflecting the addition of new business globally, offset in part by lower production on several Lear platforms in North America

and Europe. Operating performance improved in comparison to the previous year primarily due to the increase in net sales as well as benefits from cost and operating efficiencies in the Company's core businesses. The July 28, 2006, press release also stated in relevant part:

Lear also made progress on important strategic initiatives, including the signing of a definitive agreement to contribute substantially all of its European Interiors business to International Automotive Components Group, LLC in return for a 34% equity interest, subject to adjustment, and *the Company continued to aggressively expand its business in Asia and with Asian automakers globally.*

During the quarter, Lear was awarded several new programs in China, and in India, Lear won its first business with Tata Motors. In addition, Lear opened a new TACLE joint venture facility in Sunderland, England with its Japanese partner Tachi-S, to support future vehicle programs with Nissan in Europe. This is Lear's third TACLE joint venture facility, including a plant under construction in Mt. Juliet, Tennessee to serve Nissan in North America and a facility in China to serve Asia. Lear's plant in Montgomery, Alabama is ramping up to full production to supply seats for the all-new Hyundai Santa Fe sport utility vehicle and another new location in San Antonio, Texas will be supplying interior trim for the 2007 Toyota Tundra.

(Emphasis added).

32. In this same July 28, 2006, press release, Defendant Rossiter, Chairman and Chief Executive Officer of the Company, stated in relevant part:

The Lear team remains focused on improving quality and ensuring flawless launch execution while we aggressively implement cost improvement and operating efficiency initiatives [...] *Although there are many challenges facing our industry, we are taking aggressive actions to address these issues and further improve our operating results.* We will continue to be product-line focused; competitive on a global basis; and dedicated to working collaboratively with our customers.

(Emphasis added).

33. On that same day, the Company also held a publicly accessible conference call with analysts and investors to report its financial results for the second quarter 2006. At that

conference call, Defendant Vandenberghe, Vice-Chairman and Chief Financial Officer of the Company, stated in pertinent part:

[...] based on our current vehicle production and raw material price forecast, *we're holding our full-year 2006 earnings guidance. This reflects our favorable first-half performance, including solid improvement in Seating, continued growth and margin improvement in Asia, ongoing operating efficiency actions and increasing net benefits from our restructuring actions.*

* * *

[...] we posted record net sales of 4.8 billion, up about 400 million or 9% from last year. This increase was driven by the addition of new business globally.

Our income before interest, other expenses, and income taxes was 110.3 million compared to 30 million a year ago. The improvement reflects the increase in net sales, operating improvements and lower costs for restructuring actions and other special items. On a pretax basis, our results improved from a loss of 50 million last year to a profit of 31.5 million this year. We did report a net loss of 6.4 million, or \$0.10 per share.

(Emphasis added).

34. On that same July 28, 2006 conference call, Defendant Rossiter also touted the Company's significant quarterly improvements:

I am extremely proud of what they have accomplished. *Earlier this year, we said that our results would improve, and they have.* Looking ahead, we expect lower production on our key programs compared to a year ago. We see launch activity and costs moderating in the second half. Also, capital spending returned to more normal levels following peak spending last year. *We are forecasting positive free cash flow for the year.*

(Emphasis added).

35. The Company's prospects are also reflected in a presentation entitled "Second-Quarter Results and Full-Year 2006 Financial Guidance," extracted from the Company's website, dated July 28, 2006, which demonstrates the Company's significant increase in growth:

Summary and Outlook Lear Financial Results Improving*



- ▶▶ Second-quarter and first half operating results better than a year ago
- ▶▶ Launch costs expected to moderate in second half
- ▶▶ Capital spending returning to more moderate levels
- ▶▶ Free cash flow expected to turn positive this year
- ▶▶ Given the production outlook and raw material price forecast we see today, we are holding our full year 2006 earnings guidance unchanged

***First Half Results Better Than A Year Ago,
Targeting Improvement In Full Year Operating Results***

36. On October 17, 2006, the Company announced that it had entered into a definitive agreement to issue \$200 million of common stock in a private placement to affiliates of and funds managed by Icahn. The offering included 8,695,653 shares of Lear common stock issued at \$23.00 per share. The purchase agreement entered into in connection with the transaction provided Icahn with the right to a representative on the Company's board of directors and contained certain other corporate governance terms and conditions with respect to Icahn's ownership position.

37. On October 26, 2006, the Company reported financial results for the third quarter of 2006, guidance for the full year of 2006, and a preliminary outlook for 2007. In the press release, the Company announced net sales of \$4.1 billion and a pretax loss of \$65.9 million, including \$46.1 million related to restructuring costs and a loss on the divestiture of the

Company's European Interior business. These results compare with year-earlier net sales of \$4.0 billion and a pretax loss of \$787.8 million, including \$777.7 million related to impairments and restructuring costs.

38. In this same October 26, 2006 press release, Defendant Rossiter stated in relevant part:

In response to very challenging industry conditions, we are continuing to aggressively implement cost reduction and restructuring actions to improve future profitability. *Margins in our Seating business are showing solid improvement, and the actions we are taking to improve our manufacturing footprint will benefit our Electronic and Electrical margins in the future.* We are also moving forward with our strategy to put in place a new, more sustainable business model for our Interior segment [...]

(Emphasis added).

39. On that same day, the Company also held a publicly accessible conference call with analysts and investors to report its financial results for the third quarter 2006. At that conference call, Defendant Rossiter stated in pertinent part:


We're continuing to restructure our North American business. *Our plan is being implemented and is on track. We're streamlining our business to become more competitive in the future. And the fact that the industry conditions are so tough right now, really says that we're on the right track.* Recently, also we announced that an agreement to sell stock to one of our major investors, the Icahn Group. They see significant value in Lear and we saw an opportunity to improve our financial flexibility and [it] also gives us the opportunity to look at opportunities to strengthen our core business going forward. *We are growing our business in Asia as we planned, and we're also improving our footprint globally with Asian producers and low cost country sourcing.* And on the new technology front, Lear introduced the first solid-state smart junction box. It is a new product that enhances functionality and at the same time significantly lowers cost. I feel good about where we're going and the things that we're doing. Our core values have not changed.

I think it does give Lear a competitive advantage. I have to tell

you today, we know that we're the highest quality producer of products in our segments and we also believe that we provide the best customer satisfaction and our goal is to maintain our competitive advantage going forward. From a restructuring standpoint, we have significant things that we have completed already. And we expect to upgrade so that we can compete in the future and this industry is changing and I believe it provides us opportunity, but also the actions we're taking will make us more competitive.

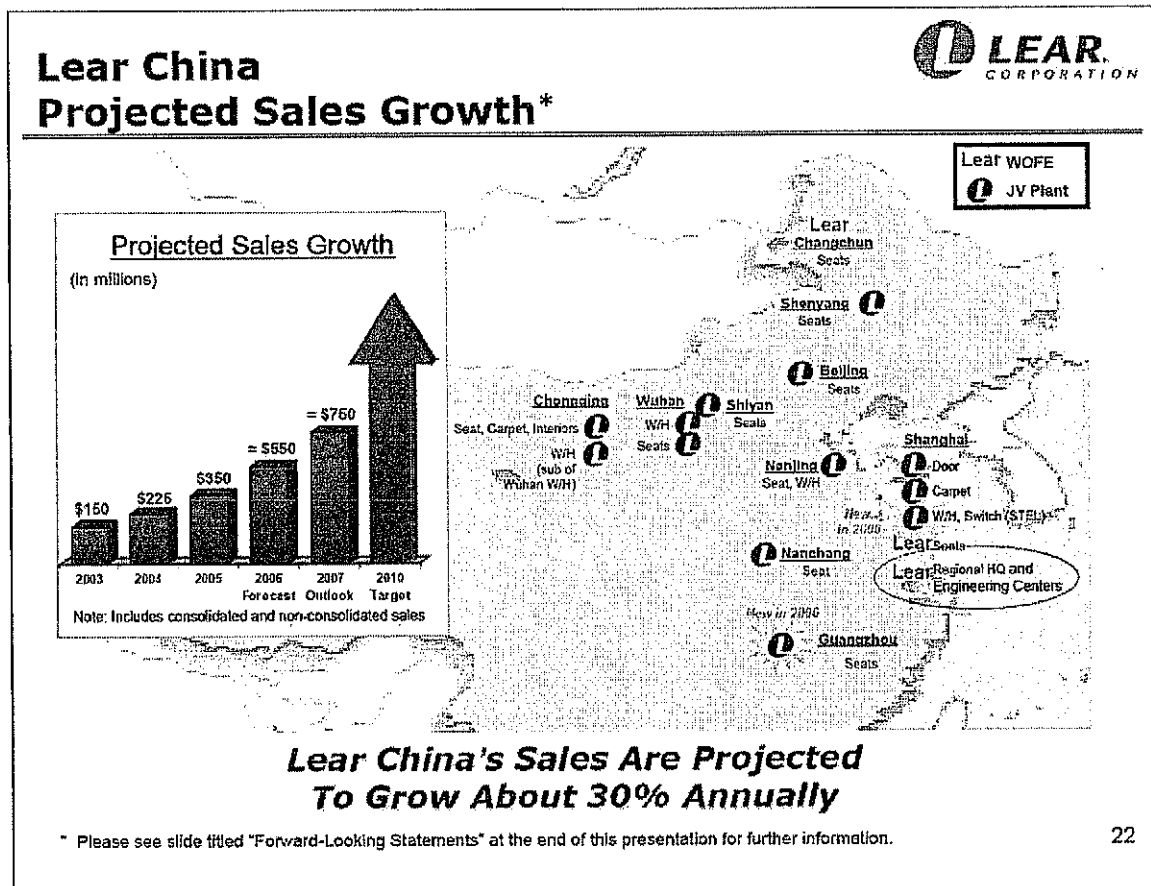
(Emphasis added).

40. The Company's prospects are also reflected in a presentation entitled "Third-Quarter 2006 Results, Fourth-Quarter 2006 Guidance, and a Preliminary Outlook for 2007," extracted from the Company's web-site, dated October 26, 2006, which demonstrates the Company's significant increase in net sales, income, margin and a significant decrease in pre-tax loss:

Third Quarter 2006 Financial Summary**			
(in millions, except net loss per share)	<i>Third Quarter 2006</i>	<i>Third Quarter 2005</i>	<i>3Q '06 B/W 3Q '05</i>
Net Sales	\$4,069.7	\$3,986.6	\$83.1
Income (Loss) Before Interest, Other Expense and Income Taxes*	\$28.8	(\$726.3)	\$755.1
Margin	0.7 %	NM	NM
Pretax Loss	(\$65.9)	(\$787.8)	\$721.9
Net Loss*	(\$74.0)	(\$750.1)	\$676.1
Net Loss Per Share	(\$1.10)	(\$11.17)	\$10.07
SG&A % of Net Sales	3.9 %	3.6 %	(0.3) pts.
Interest Expense	\$56.6	\$45.1	(\$11.5)
Depreciation / Amortization	\$98.1	\$99.6	\$1.5
Other Expense, Net	\$38.1	\$16.4	(\$21.7)

* Third quarter 2006 tax provision was \$6.1 million. This included a non-recurring tax benefit of \$19.9 million related to restructuring actions, the loss on the divestiture of the European Interior business and a one-time tax benefit.
 ** Please see slides titled "Non-GAAP Financial Information" at the end of this presentation for further information.

41. The October 26, 2006 presentation also projected the Company's significant sales growth from 2003 to 2010 in China. As reflected below, the Company's sales in China are projected to increase about 30% annually:

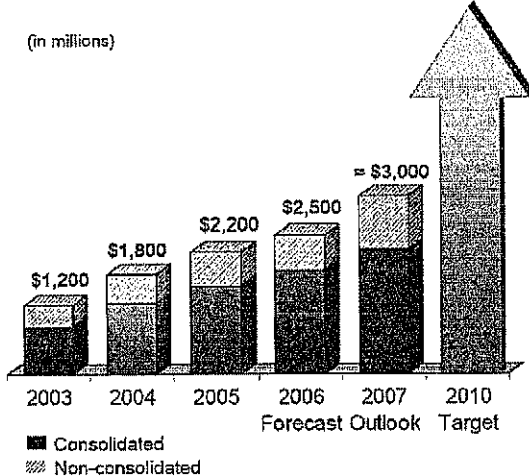


42. As reflected below, the Company also reported that its Asian sales would grow at around 25% annually:

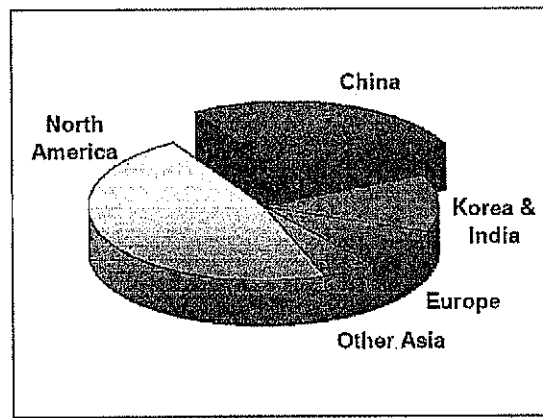
Targeting Total Asian Sales Growth of About 25% Annually**



Revenue in Asia and with Asian Manufacturers*



Lear's Targeted Asian Sales by Major Market



Rapid Growth In Asian Sales Led By Expanding Relationships With Hyundai, Nissan And Toyota, As Well As Growth In Emerging Markets Such As China

* Total Asian sales target includes consolidated and non-consolidated sales.

** Please see slide titled "Forward-Looking Statements" at the end of this presentation for further information.

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43. In January 25, 2007, the Company reported net sales of \$4.3 billion. The Company's fourth-quarter free cash flow was \$254.4 million, compared with \$46.0 million in the fourth quarter of 2005. The improvement reflected primarily lower capital spending and the timing of commercial recoveries. For the fiscal year 2006, the Company reported record net sales of \$17.8 billion and a pretax loss of \$655.5 million, including a loss of \$636.0 million related to the divestiture of the Interior business, restructuring costs of \$99.7 million and a fourth-quarter loss on the extinguishment of debt of \$48.5 million. For 2005, the Company reported net sales of \$17.1 billion and a pretax loss of \$1,187.2 million. Excluding the loss on divestiture, restructuring costs and other special items, the Company had pretax income of \$114.7 million in 2006.

44. In this same January 25, 2007 press release, Defendant Rossiter stated in relevant part:

In a challenging environment last year, we improved our financial results for the full year, improved our liquidity position and took a number of important steps to reposition Lear for future success [...] We refocused our strategy to manage our business on a product-line basis. We increased our emphasis on new technology and innovation with our Core Dimension™ strategy. We also continued to make steady progress in diversifying our sales on a customer, regional and vehicle segment basis.

(Emphasis added).

45. On that same day, the Company also held a publicly accessible conference call with analysts and investors to report its financial results for the fourth quarter 2006. At that conference call, Defendant Rossiter stated in pertinent part:

I'd like to review our highlights from 2006. *Environment last year was difficult but we were able to improve our overall financial results, strengthen our liquidity positions and took steps to reposition the Company for the future.* As you know, we now manage our business on a product line basis. Our global restructuring initiative has improved our long term competitiveness. These actions have included capacity and census reductions, as well as global footprint actions.

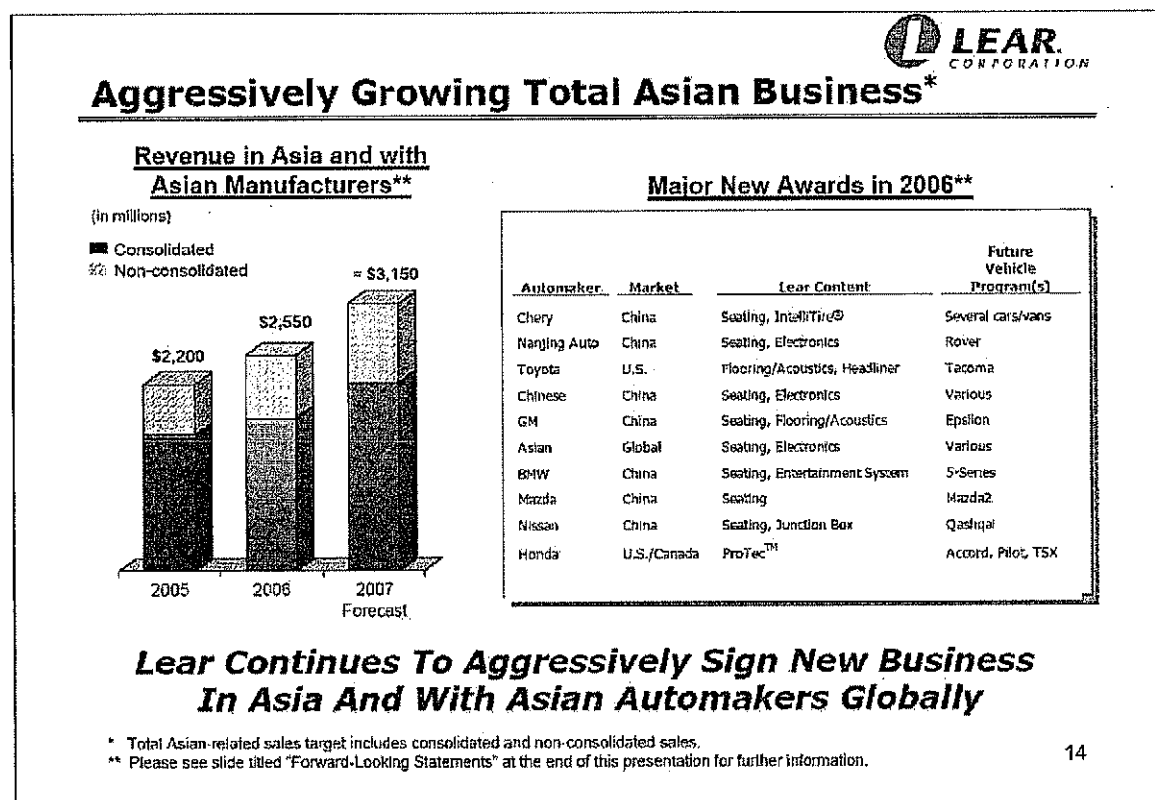
We have also made steady progress in expanding our infrastructure in Asia, and we are growing our business with the Asian producers globally. We further diversified our sales by customer, region, and vehicle basis. Lastly, we repositioned our Interiors business for future success, with our agreement to transfer to international automotive components group in return for a minority interest. In summary, I believe we accomplished a great deal in 2006 and a difficult environment. We've improved our financial flexibility and our competitive position.

(Emphasis added).

46. Once again, the Company issued a presentation entitled "Fourth-Quarter/Full Year 2006 Results and 2007 Financial Guidance," extracted from the Company's web-site, dated

January 25, 2007, which demonstrates that the Company's significant increase in net sales and core operating earnings.

47. Also, the January 25, 2007 presentation reported the Company's significant increase in new business in Asia:



48. A recent filing with the SEC from Pzena Investment Management ("Pzena"), one of the Company's largest shareholders, confirms that the Company is poised for financial growth. According to Pzena, in the seating business, operating margins excluding restructuring costs have already rebounded to 5.6% in 2006 from 3.2% in 2005. Both Pzena and Company management agree that normal margins are between 6% and 7%. Pzena believes that margins are likely to return to historical levels as the product mix improves and raw material price increases are either passed on and/or the price of raw materials begins to decline. Lear itself, as recently as late last

year, predicted a return to normal margins in 2008. In the electronics business, operating margins remain depressed at 4.9% and normal margins are approximately 7%.

49. According to Pzena, several factors will enable Lear to return to normal margins. First are raw material prices. Lear would obviously benefit if raw material prices fell. However, even if they do not, Pzena says that the Company will also be able to pass through a portion of those price increases to customers. Its two main competitors expect to do that too. Lear will also benefit from the end of a series of restructurings that cost \$300 million over the past two years. In addition, the Company will get a boost from an estimated \$1.2 billion in tax loss carry-forwards, which Pzena believes have a net present value in excess of \$4 a share. In addition, Lear's interest in the joint venture to which it sold its interiors business has more than \$4 per share in value.

50. According to Pzena, Lear should grow revenue roughly 2% per year for the remainder of the decade. Lear has had several different revenue growth estimates in the past few months. Last July, Lear management told the Company's board that there would be almost no revenue growth for the next three years. Three months later, Lear told investors at an investor conference in Europe that it was targeting 5% annual sales growth. Then, Pzena continued, after Lear began negotiating with Icahn, management told the board it expected revenue to fall an average of 3% a year over the next three years. While internal projections may have changed, a lower growth rate would better justify the low deal price.

51. Nevertheless, Pzena's analysis points to roughly \$16 billion in revenue over the same time. With that modest growth rate, Lear's earnings should accelerate rapidly over the next few years. The Company can earn more than \$4 a share in 2009, compared with a loss of \$1.50 in 2006 and a profit of \$2.04 a share in 2007, as expected by the consensus of Wall Street analysts.

52. Pzena continued to state that Lear itself appears to share our optimistic view of the future. In a presentation to analysts in January, the company said its main priority was to return the business to historic levels of operating margins and free cash flow. The Company said it expects to get \$125 million in annual savings from its recent restructuring. It also predicted that seating margins would improve to the mid 5% level, electronics margins would rise to between 5.5% and 6% and it would have solidly positive free cash flow. The Company is guiding to between \$560 million and \$600 million in core operating earnings for 2007.

AREP's Offer to Acquire Lear

53. On February 5, 2007, Lear announced that AREP, an affiliate of Carl C. Icahn, made an offer to acquire all of the issued and outstanding shares of Lear for \$36.00 per share in cash. The press release stated in relevant part:

Southfield, Mich., February 5, 2007 — Lear Corporation [NYSE: LEA], a leading global supplier of automotive seating, electronics and electrical distribution systems, today announced that following discussions with the Company, American Real Estate Partners LP, an affiliate of Carl C. Icahn, has made an offer to acquire all of the issued and outstanding shares of Lear Corporation for \$36.00 per share in cash.

Any transaction would be subject to negotiation and execution of definitive documentation and other conditions. Lear's Board of Directors is expected to formally consider the acquisition proposal following the conclusion of on-going negotiations.

The acquisition proposal contemplates that Bob Rossiter, Lear's chairman and CEO, and the rest of the senior management team will remain with the Company.

54. Immediately after the public announcement, shares of Company stock surged nearly 11.5 % to close at \$38.64 per share and reached a peak of \$41.14. Investors and analysts opined that the offer was too low. In particular, Morningstar analyst John Novak commented that this is "not such a great deal for shareholders." According to his estimates, the Company is worth

somewhere in the mid \$40s per share and AREP's offer to purchase it for \$36 per share comes at a substantial discount.

55. On that same day, Pzena Investment Management LLC ("Pzena") announced that it informed certain Lear directors of its strong opposition to the possible sale of the Company to AREP. Pzena currently holds on behalf of its clients 6,805,829 shares, or 10.1%, of Lear. The letter to the Board of Directors setting forth Pzena's reasons for its opposition to the Proposed Transaction states:

To the Independent Directors of Lear Corporation:

We are writing to express our alarm about the possible sale of Lear Corporation to Carl Icahn's American Real Estate Partners LP at a price which we believe to be far below the fair value of the company. As you know, we are one of Lear's largest shareholders and we have long believed in Lear's business and its plan for recovery. Our view is that the company's earnings are well below their normal level and that Lear is being valued by the market as if there is little chance of an earnings recovery. Our analysis suggests that earnings are likely to recover to more than \$4.00 per share over the next few years from consensus analyst estimates of \$2.00 per share for 2007. Consequently, we believe the company's value to be closer to \$60 per share.

As you may or may not know, we had a lengthy discussion with Mr. Icahn's team in November when they bought their stake in the company at a very attractive price. We shared our belief in the greater than \$4.00 earnings power and \$60 valuation and they appeared to agree with our assessment at that time. To claim today that \$36 is a fair price is quite disingenuous.

It is our fear that the company's management may have lost sight of the long-term value inherent in the company and that their personal interest in the transaction may create an inherent conflict. We are well aware of Wall Street's short-term mentality and the pressure it can bring on companies. It is our hope that Lear does not succumb to that pressure and sell the business for less than it is worth over the long term.

We would like to remind the board of its fiduciary obligation to shareholders and urge you to seek other offers for the firm. We think it is incumbent on the board to exclude the management from this process since preserving their jobs and/or enriching

themselves can come at the expense of shareholders. The trend towards private equity firms teaming up with management to “steal” companies from their owners is alarming and we urge you to take a stand to ensure this does not happen at Lear.

We are happy to meet with you to share our view of valuation should you deem it interesting or desirable. To the extent that this particular transaction is put to a shareholder vote, we intend to vote against it.

Sincerely,

Richard S. Pzena John P. Goetz
Co-Chief Investment Officer Co-Chief Investment Officer
Pzena Investment Management

56. Indeed, in an article in *TheStreet.com*, entitled “Battle Looming at Lear,” Richard Penza, Co-Chief Investment Officer of Pzena Investment Management, recently stated that he will push for a shareholder revolt:

For sure, we’re going to vote against it, and we’re going to encourage other people to vote against it. A lot of stock traded hands above the deal price in the last few days, so I’m guessing there are a lot of people who will not be happy with this deal, and I’m hoping we can rally support against it.

57. Moreover, on February 9, 2007, *Reuters* reported that fund manager Brandes Investment Partners LP (“Brandes”) intended to vote against “billionaire investor Carl Icahn’s proposed \$2.31 billion buyout offer for Lear Corp.” Brandes stated that it would vote against the deal on behalf of its clients who own 2.85 million shares in Lear (about 3.9% of the total shares outstanding).

58. Also, on February 9, 2007, *BusinessWeek.com* reported in an article entitled “King Lear” that AREP and Icahn may not be the only potential bidders interested in the Company:

At least one large shareholder thinks the company will continue to make progress and that Icahn’s bid is a lowball offer. Richard Pzena, chief investment officer of Pzena Investment Management, which owns nearly 11% of the stock, says that in

the long run Lear is worth \$60 a share. Pzena says he has spoken with other shareholders and has told the company that his firm doesn't like Icahn's bid.

The company is making all the necessary steps to stage a recovery, says Pzena. If they want to sell the company, they should put it up for bid.

The other side says that Wall Street still doesn't like parts companies, so getting to \$60 a share would be a long shot. Lear's stock is up nearly 30% this year, more than any other in the segment, says company spokesman Mel Stephens. So it could be the right time for some investors to cash out.

In any case, Icahn can likely look forward to some competition. Pzena says one option is to find others to bid on the business. *Morgan Stanley (MS) analyst Jonathan Steinmetz says Canadian interiors firm Magna International (MGA) or French seat maker Faurecia could both be interested.*

(Emphasis added).

The Definitive Merger Agreement with AREP

59. On February 9, 2007, the Company announced that it had entered into an Agreement and Plan of Merger with AREP ("the Merger Agreement"). The Merger Agreement provides for a 45-day "go-shop" period that expires on March 26, 2007, and that Lear can terminate the Merger Agreement based on a Superior Transaction. Notably, however, the "go-shop" provision does not actually mandate that the Company conduct an *ex post* market check, but rather, it simply permits the Company to do so. The "go-shop" provisions, however, are illusory, unfair, and tilt the sale process in favor of AREP. Moreover, termination entitles AREP to receive a termination fee payable by Lear.

60. If, in certain instances, the Merger Agreement is terminated by either the Company or AREP, including if the Individual Defendants recommend a Superior Proposal or the shareholders vote down the Merger and the Company enters into an alternative transaction within one year, the Company must pay AREP a termination fee. These termination fees will pay AREP

anywhere between \$6.13 to \$8.35 a share based on its ownership of 11,994,943 shares. Lear will apparently be required to pay a termination fee even if it accepts a Superior Proposal during the 45-day “go-shop” period.

61. Pursuant to Section 5.2(e) of the Merger Agreement, the Company must give AREP ten days written notice if the Company solicits an offer superior to the AREP deal and decides to terminate the AREP transaction. The Merger Agreement provides that the Company cannot terminate the AREP transaction without first providing the other bidder’s terms to AREP and negotiating with AREP to determine if AREP is willing to top the superior offer. Also pursuant to the Merger Agreement, if the rival bidder increases its offer, the Company must give AREP ten days notice and again negotiate with it to determine if AREP will top the improved rival offer. This process can continue indefinitely except that AREP is entitled to three days written notice for every subsequent increase in the rival bidder’s offer (the Merger Agreement specifies that the Company must negotiate with AREP once only if the initial rival bid is greater than \$37.00 per share).

62. In other words, the Merger Agreement gives AREP access to any rival bidder’s information and allows AREP a free right to top any superior offer. Accordingly, no rival bidder is likely to emerge and act as a stalking horse for AREP because the Merger Agreement unfairly assures that any “auction” will favor AREP.

63. As reflected herein and above, the termination provisions of the Merger Agreement further demonstrate that defendants unfairly locked-up the deal in favor of AREP. Pursuant to Section 7.4 of the Merger Agreement, the Company must pay AREP a cash termination fee of \$73,500,000, plus an amount equal to the lesser of AREP’s expenses and \$6,000,000, if the Company accepts a superior bid and terminates the AREP deal prior to the end of 45-day solicitation period. If the Company accepts a superior bid and terminates the AREP

deal after the 45-day solicitation period, the Company must pay AREP a cash termination fee of \$85,225,000 plus an amount equal to the lesser of AREP's expenses and \$15,000,000. Defendants have thus agreed to give away to AREP up to almost \$80,000,000 if the Company accepts an offer from a rival bidder superior to the wholly inadequate \$36.00 AREP deal price during the so-called solicitation period.

64. The termination fees provided in the Merger Agreement are unconscionable and will deter any rival bidder from emerging with an offer superior to the AREP deal price. Rewarding AREP for making a low-ball, unfair offer for the Company is tantamount to a waste of assets and demonstrates defendants' disloyal conduct.

65. In addition, the Company's public announcement of the Merger Agreement tacitly concedes that the Merger Agreement was entered into without a sale process to maximize value for all shareholders. Rossiter is quoted ". . . we intend to solicit other offers to ensure that value is maximized for all our stockholders."

The Market Reacts Negatively to the Proposed Transaction

66. On February 13, 2007, in an article reported in *TheStreet.com*, entitled "Lear Has Some Explaining to Do," the proposed offer by Icahn was reported as follows:

Carl Icahn is a value investor. He buys assets on the cheap. If he doesn't get a deep discount, then he passes up the purchase.

Before the market opened on Feb. 5, Icahn offered \$36 per share in a buyout offer for Lear (LEA). *That's less than a 4% premium over the prior closing price of \$34.67.* The stock rose in anticipation of higher offers until Feb. 8, when trading was halted at \$40.07. Lear announced the next morning that it was going to accept the \$36 offer.

It's fair to say that Lear's board of directors is familiar with Icahn. With ownership of 17.8% of Lear's shares, he is the company's largest shareholder. Just three months ago, the company sold a private placement of stock to Icahn for \$200 million. Also, Lear gave Icahn a seat on its board of directors.

Lear's board is aware of Icahn's reputation as a deep value investor. Implicit in its acceptance of his \$36-per share offer is this: Lear's board believes Icahn has changed his stripes. Pursuant to their fiduciary duty to protect shareholders, Lear directors apparently think that Icahn is now a "full" value investor.

Of course, it's nonsense to say that Icahn has changed. There can be but one reason why Icahn offered to buy Lear for \$36 per share. It's because the price represents a deep discount to value.

This is obvious by the structure of the deal. Icahn is buying the company "as is." He's not bringing in new management to facilitate a turnaround. He's not asking for major changes in company operations. He's not bringing synergies to the table to significantly increase efficiency. He's not doing anything to unlock the value of this asset. *It follows, then, that Icahn's sole motivation to do this deal is price.*

In a letter to Lear's board, money manager Richard Pzena, who owns 10% of the company's stock, called Icahn's \$36-per-share bid "horrendous." He said that the value of Lear is closer to \$60 per share and that the company has earning power of \$4 per share in a couple of years. As I'll explain below, my analysis of Lear indicates that Pzena's valuation is reasonable and his earnings estimates are conservative.

Lear should be valued based on normalized earnings. Valuation should not be based on an extrapolation of Lear's trough years (2001 and 2005), nor its peak years (1997 and 2004).

When normalized operating margins of 6% are applied to the \$12 billion (revenue) seating business and normalized operating margins of 7.5% are applied to the \$3 billion (revenue) electronics business, the reason for Icahn's attraction to Lear becomes clear. On a normalized basis, Lear generates about \$1 billion per year in operating cash flow.

Because Icahn already owns 17.8% of Lear's shares, he will only have to pay an additional \$2.27 billion for the right to own that \$1 billion operating cash flow stream. It's worth noting, too, that Icahn is getting a high-quality business. *For example, Lear dominates the seating market, with a 40% market share. This is a solid noncommodity business that earns 25% on invested capital.*

By my calculations, Pzena's earnings-per-share estimate of \$4 in

a couple of years appears low. Normalized net margins for this business should be at least 2.1 % to 2.2%. A net profit margin at these levels implies \$4.40 to \$4.66 in earnings per share in 2009.

Why Did Lear Accept Icahn's Offer?

Last Friday, Bob Rossiter, Lear's chairman and chief executive officer, said in a press release: "We believe that the transaction price, which represents a multiple of about 9 times our forecasted 2007 core operating earnings -- excluding the Interior business -- provides shareholders with significant value."

Management has some explaining to do to shareholders. Rossiter, who stands to make \$20 million if shareholders approve the Icahn bid, claims "significant value" based on a multiple of 2007 operating earnings. However, in an Oct. 26, 2006, earnings release, the company makes it clear that margins in 2007 will be well below "historical" levels.

It is misleading, if not disingenuous, to claim significant value for shareholders based on a multiple of below normal earnings. By my calculations, based on company-provided numbers (see Lear's Oct. 26 earnings release), Rossiter applies the 9 multiple to core operating earnings that are 40% below normal.

Rossiter said last Friday that "we intend to solicit other offers to ensure that value is maximized for all of our shareholders." He needs to explain to shareholders, then, why Lear agreed to put up a sizable roadblock to other bidders -- namely, a \$100 million breakup fee payable to Icahn. This fee is outrageous considering the buyout offer amounted to a 4% premium when it was offered and an 11 % discount to market value when the stock was halted on Feb. 8.

Investors should take note of this warning issued by Pzena in his letter to Lear directors:

"The trend toward private equity firms teaming with management to 'steal' companies from their owners is alarming."

In my view, *Lear's board of directors has failed to protect shareholder property for the reasons explained above.* That leaves it to shareholders to protect themselves. In an upcoming vote, Lear shareholders will decide whether to sell their shares to Icahn for \$36 per share or not. For this Lear shareholder, the decision on which way to vote couldn't be easier.

67. On February 9, 2007, the investment advisors for Plaintiff Classic Fund Management AG, owner of nearly 3.8 million shares of Lear common stock, also wrote a letter to Lear's Board. In that letter, Plaintiff Classic Fund Management AG's advisors expressed their surprise and disappointment about the fact that the Individual Defendants had agreed to enter into the Proposed Transaction. They repeated their earlier position that the price in the deal was unacceptably low, and that the Company's justification for agreeing with the price was inconsistent with prior statements made by the Individual Defendants.

68. AREP also has co-opted Lear's management in its scheme to obtain special value for itself at the expense of the public shareholders, by stating that AREP intends to keep senior management in place. As indicated in the *Financial Times* on February 5, 2007, "By its very nature, any chief executive office looking to buy his company faces a huge conflict of interest with the company's stockholders. The job of an executive is to make a company as valuable as possible so its shares reach the highest possible price; that same executive looking to buy the company is motivated to purchase it at the lowest possible price so that he can reap a maximum reward in the future."

69. Icahn has offered management pay packages worth tens of millions of dollars and, not surprisingly, management supports Icahn's bid. The top executives get: guaranteed contracts and bonuses; their current stock and options holdings immediately vest and are paid out, a portion of their retirement benefits are paid early and they get options to buy a total of 1.6% of the company at a price equal to the deal price. If Lear's valuation rises to the equivalent of \$60 before the options expire, this piece of their compensation alone would be worth more than \$29 million for the three of them. Finally, the Company would set aside up to 6% of its shares as grants to employees, the total value of which would top \$275 million at the equivalent of a \$60 share price.

The Misleading Proxy Contains Material Misrepresentations and Omissions

70. On January 30, 2007, the Company filed the Proxy in connection with seeking shareholder approval of the Proposed Transaction. As alleged herein, the Proxy fails to disclose highly significant and material information necessary for Lear's public shareholders to make an informed decision regarding the Proposed Transaction and, importantly, whether to seek appraisal to obtain fair value for their shares. Moreover, the information defendants have omitted from the Proxy is that which a reasonable investor would view as significantly altering the total mix of information made available. The Individual Defendants' failure to accurately make material and non-misleading disclosures in the Proxy further renders the Proposed Transaction unfair and coercive.

71. The Proxy is materially deficient in the following respects:

- a. The Proxy is materially misleading in that the projections on which J.P. Morgan Securities Inc. ("JPMorgan"), the financial advisor to the Special Committee, bases the bulk of its analysis are not disclosed. Without such projections, Lear's shareholders are unable to perform their own independent financial analyses in order to determine whether to support or oppose the Proposed Transaction;
- b. The Proxy is materially misleading in that it fails to disclose the pricing individual multiples JPMorgan used in its Precedent Transactions Multiples Analysis. Combined with the lack of disclosure regarding Lear's expected future financial performance, shareholders are unable to judge the appropriateness of JPMorgan's conclusions in light of their own knowledge and understanding of the market for Lear's services;
- c. The Proxy is materially misleading in that it fails to disclose the analytical framework, assumptions, or rationale for JPMorgan's determination of the discount rates and terminal value multiples used in its Discounted Cash Flow Analysis;

d. The Proxy is materially misleading in that it fails to disclose what consideration, if any, the Board gave to alternative strategies available to Lear such as staying the course and allowing the Company time to continue to improve its financial condition;

e. The Proxy is materially misleading in that it does not include the Company's most recent financial results;

f. The Proxy is materially misleading in that it fails to disclose the value of any stock, options, or warrants to be provided to the Lear insiders who are going to be continuing with the Company after consummation of the Proposed Transaction, and whether the value of any such consideration affected the deal price, and to what extent;

g. The Proxy is materially misleading in that it fails to provide any discussion provided regarding the selection process leading up to the retention of JPMorgan. Specifically, the Proxy fails to disclose whether the Special Committee considered other firms, and whether preexisting relationships with any of the entities involved in the Proposed Transaction had an effect on the retention of JPMorgan;

h. The Proxy is materially misleading in that it fails to disclose the terms of JPMorgan's retention with the Special Committee and/or Lear;

i. The Proxy is materially misleading in that it fails to disclose why the Individual Defendants did not shop the Company or perform any other *bona fide* market check in light of Icahn's statement that the strength and liquidity of the capital markets offered a partially attractive opportunity for Lear to explore a value-maximizing transaction;

j. The Proxy is materially misleading in that it fails to disclose why the Company gave the AREP entities the unbridled ability to match any subsequent, superior acquisition proposal;

k. The Proxy is materially misleading in that it fails to disclose why the Company effectively agreed to the elimination of its ability to conduct a full and fair post-deal market check by agreeing to terms in the Proposed Transaction that would chill the market for potential acquirers other than the AREP entities.

l. The Proxy is materially misleading in that it fails to disclose why the Proposed Transaction is more favorable than any long range strategic plan, including attempting to continue to grow the Company's revenues;

m. The Proxy is materially misleading in that it fails to disclose what efforts the Company, the Special Committee or their advisors have taken to shop the Company after the approval of the Proposed Transaction;

n. The Proxy is materially misleading in that it fails to provide even description (let alone a copy) of the February 7, 2007 presentation to the Company's Board of Directors by Evercore Partners ("Evercore") in its capacity as an additional financial advisor. Furthermore, there is no indication in the Proxy or the March 20, 2007 Form SC 13E-3 that Evercore provided a second fairness opinion on the Proposed Transaction;

o. The Proxy is materially misleading in that it fails to disclose why the perpetuity growth rates JPMorgan used in its DCF Analysis presented to the Special Committee were well below expected inflation;

p. The Proxy is materially misleading in that it fails to disclose when the projections used by JPMorgan were created, and whether they were created in the regular course of business, solely in connection with the Proposed Transaction, or otherwise;

q. The Proxy is materially misleading in that it fails to explain the "potential harm and disruption" to its business that might result from an extensive and uncertain

sale process, and whether any other reasons existed for its decision not to pursue such an alternative;

r. The Proxy is materially misleading in that it fails to disclose why the Board of Directors or Special Committee apparently never considered the strategic of aggressive restructuring to position the Company to better deal with short term market volatility;

s. The Proxy is materially misleading in that it fails to disclose how the Company's success or failure in meeting its long-range plan was impacting negotiations or the Board's consideration of the Proposed Transaction;

t. The Proxy is materially misleading in that it fails to disclose what the anticipated rate of return if the long range plan presented to the Board in July 2006 was achieved;

u. The Proxy is materially misleading in that it fails to disclose why Daniel A. Ninivaggi, the Company's Executive Vice President, Secretary and General Counsel ("Ninivaggi") was directly negotiating on behalf of the Company with the AREP Entities and Icahn at a time after then Special Committee had been formed and at a time when he was aware the AREP Entities sought to employ him after the consummation of the Proposed Transaction;

v. The Proxy is materially misleading in that it fails to disclose why the Company proceeded with the Proposed Transaction in favor of exploring possible deals with other parties that had expressed interests in acquiring the Company;

w. The Proxy is materially misleading in that it fails to disclose exactly why the Special Committee needed to retain Evercore Partners just one day before the Board of Directors approved the Proposed Transaction;

x. The Proxy is materially misleading in that it fails to disclose why the Company initially sought or accepted financing from Icahn;

y. The Proxy is materially misleading in that it fails to disclose why the perpetuity growth rates used in JPMorgan's DCF Analysis presented to the Special Committee were well below that anticipated for the global seat market according to a February 2, 2007 presentation by A.T. Kearney to the AREP Entities;

z. The proxy is materially misleading in that it fails to disclose how the "Select Peers" were chosen in JP Morgan's comparables analysis. Only one, Lear's direct competitor Johnson Controls, shares Lear's high market position in seating (40%). This high degree of market concentration is unique in the auto industry, where markets are normally fragmented. Because pricing and thus margins are much better in oligopolistic markets, the comparison on the basis of multiples should have been to Johnson Controls only. This company is trading on an EBITDA multiple, based on consensus estimates for FY 9/08, of 8.3x, far above the so-called "peer group". While it is true that Johnson Controls in 2006 earned more money outside of the auto business, this is because earnings were depressed in this industry that year. American Axle is in a capital intensive segment, as its name implies, and is absolutely not comparable to Lear. All the other peers are predominantly in the fragmented interiors business, where margins are low because competition is intense, thus eliminating pricing power;

aa. The Proxy is materially misleading in that it fails to disclose why JPMorgan did not use the EV/EBIT and the PE multiples to value Lear. Bearing in mind that 2008 earnings are expected to be much higher than in 2007 and under normal conditions can hit \$4/share, as argued in the brief, then a multiple of 10x gives a fair value of \$40 per share;

bb. The Proxy is materially misleading in that it fails to disclose why JPMorgan did not apply a multiple of 4.5-5.5x (a bracket around its estimate for the "Median of Select Peers" similar to the one calculated for 2007) to the estimated 2008 EBITDA, even though

JPMorgan had access to Lear's own EBITDA projections. EBITDA is expected to jump from 2007 to 2008; and

cc. The Proxy is materially misleading in that it fails to disclose why the Company has not abandoned the Proposed Transaction in favor of a full and fair auction process given the recent expressions of interest by other strategic and financial buyers who were never previously contacted about strategic transactions with the Company.

72. The Company also provided additional information in support of the Proposed Transaction in a Schedule 13E-3 (the "SC13E3") also filed with the SEC by Lear on March 20, 2007. For example, Lear's SC13E3 contains a summary of a fairness opinion presentation by Morgan Joseph & Co. to the AREP Entities. The summary lacks certain important details, including:

a. The absence of transaction-by-transaction detail for pricing multiples under the Comparable Transactions Analysis;

b. Although pricing multiples are given for "Last Twelve Month" sales, EBITDA and EBIT, the range of implied prices discussed below the table is based only on the EBITDA multiples. The discussion also should include the sales and EBIT multiples;

c. The absence of company-by-company detail for pricing multiples under the Selected Public Companies Analysis; and

d. The Lear multiple of 6.8x 2006 estimated EBITDA (table at the bottom of p. B-5), apparently based on the \$36.00 offer price, is inconsistent with the "median implied share price of \$38.50" based on the 6.0x multiple presented in the table on p. B-4 of the SC13E3.

Defendants should either correct this inconsistency or, if accurate, further explain it.

The Proxy Reinforces a Flawed Process

73. On top of the numerous disclosure violations flowing from the Proxy, that document also reinforces that the process leading up to (and after) the execution of the Merger Agreement was both flawed and designed to server the AREP Entities' interests above those of the Company's public shareholders.

74. For example, the Proxy makes plain that the Proposed Transaction and the manner in which it was rushed through make it tantamount to a "shotgun wedding." Specifically,

a. Only 23 days passed between Mr. Icahn's first expression of interest on January 16, 2007 and the Board's approval of the Proposed Transaction on February 8, 2007 (the "Icahn Negotiation Period");

b. Not a single other suitor was involved in discussions with Lear during the Icahn Negotiation Period;

c. Only two weeks passed between the formation of the Special Committee on January 25, 2007 and the Board Approval;

d. Less than two weeks passed between the execution of a confidentiality agreement between Lear and Icahn on January 26, 2007 and the Board Approval;

e. Only nine days passed between the formal engagement by the Special Committee of JPMorgan (as financial advisor), Winston & Strawn LLP (as legal counsel) and Richards, Layton & Finger, P.A. (also as legal counsel) on January 30, 2007; and

f. Only one day passed between the formal engagement of Evercore Partners as an additional financial advisor on February 7, 2007 and Board Approval.

75. There Proxy also provides multitudinous reasons as to why the Special Committee and the Board acted imprudently in approving the Proposed Transaction. The Proxy's

Background of the Merger section gives no indication that Lear was in any imminent peril that would compel the Board to rush to accept Icahn's offer. Nevertheless:

a. The Board ultimately accepted Icahn's \$36.00 offer made on the *very first day* of price negotiations;

b. The \$36 price approved by the Board was only *one dollar* more than \$35.00 opening indication, made earlier the same day;

c. The Board appears to have accepted Icahn's representation that \$36.00 was his "best and final" offer, notwithstanding the fact that this was obviously not the case. Specifically, Icahn's proposal called for a provision, which was apparently approved by the Board, that he be allowed to match a higher bid should one be forthcoming during the "go-shop" period;

d. In its discussions on February 3, 2007, the day after receiving Mr. Icahn's first-day \$36.00 bid and five days before approving the same bid, the Board declined to seek competing bids in pursuit of a higher offer for its shareholders. The Proxy provides no comprehensible reason as to why the Board made this decision without first seeking the recommendation of the Special Committee and/or its financial advisor;

e. On February 8, 2007, almost immediately after inviting management to discuss the long-range plan and alternatives to entering into the Proposed Transaction, the Special Committee gave its unanimous support to the deal. This discussion is no more than window dressing, as the Special Committee should have been informed of these issues well in advance of the day it gave its approval;

f. On February 8, 2007, both the Special Committee and the Lear Board approved the Proposed Transaction despite the fact that certain issues remained open, including additional protection measure AREP was requesting during the "go shop" process; and

g. The Proxy provides no indication that the strategic planning process undertaken by the Board had been completed, or that the Special Committee or the Board ever made a comparison of the Icahn offer to the shareholder values realizable under the alternatives being considered in the strategic planning process.

76. The statements in the Proxy also call into question whether the Special Committee did, in fact, have the authority and autonomy appropriate to negotiate and recommend the Proposed Transaction:

a. On January 25, 2007, the Board directed management to advise JPMorgan to be prepared to advise the Special Committee. The Special Committee apparently was not given the opportunity to interview other candidates or select an independent advisor, but was instead compelled to engage JPMorgan at the Board's direction. This retention occurred despite the obvious conflicts of interest, given JPMorgan's previous engagement by Lear;

b. On January 30, 2007, the Special Committee engaged Winston & Strawn LLP (Lear's regular outside legal counsel) as its legal advisor, again despite obvious conflicts of interest;

c. On February 7, 2007, the Special Committee engaged Evercore as an additional financial advisor, yet again despite obvious conflicts of interest (Evercore had previously been engaged by Lear to assist in evaluation strategic alternatives). Furthermore, Evercore inexplicably made its presentation to the Board on the exact same day the Special Committee engaged this financial advisor;

d. Notably, the Proxy misleadingly fails to disclose whether the Special Committee considered these conflicts of interest in retaining its advisors, or why it selected these advisors in light of such obvious conflicts of interest; and

e. The Proxy also misleading fails to disclose whether, or to what extent, any of the Special Committee's advisors has provided services to or received fees from Icahn or any of his affiliates.

77. Pzena's 13D further decried the price in the Proposed Transaction and asserted that heroic assumptions are unnecessary to believe Lear's earnings can reach \$4 a share. At roughly the market multiple of 15 times earnings, Lear would be worth \$60. That is far above the \$36 offer price, meaning the acquirer would nearly double his money in just a couple of years. Some historical perspective bolsters the argument that \$60 a share is not an unreasonable price for Lear's stock. It traded at \$33, just below the current offer price, as recently as November. In addition, the shares were at \$60 at the start of 2005. Icahn's offer was just a 3.8% above the previous day's closing price for Lear.

The Go-Shop Period Ends without an Acquisition Proposal

78. On March 27, 2007, the Company announced that the solicitation period under the Merger Agreement had expired, without the Company having received an acquisition proposal from another party. Given the draconian deal protection devices challenged above, it is no surprise that a topping bid did not occur. Lear further stated that, as permitted by the Merger Agreement, Lear will continue on-going discussions with certain parties who had expressed an interest in exploring a possible acquisition proposal prior to the expiration of the solicitation period. It is unlikely that any discussions will lead to an acquisition proposal because, as set forth above, the termination fee and expense provisions increase at the end of the go-shop period, making the Company an even more expensive acquisition target.

COUNT I

BREACH OF FIDUCIARY DUTY

(Against the Individual Defendants)

79. Plaintiffs repeat and re-allege the preceding allegations as if fully set forth herein.

80. In entering into to the Proposed Transaction on the Company's behalf, the Individual Defendants have agreed to a deal that offers patently inadequate consideration on coercive terms that favor a significant Company shareholder. The consideration per share to be paid to the Class in the Proposed Transaction is unfair and inadequate because, among other things: (a) the intrinsic value of the Company's stock is materially in excess of \$36.00 per share that AREP has proposed, giving due consideration to the Company's prospects for growth and profitability in light of its business, earnings power, present and future; and (b) the \$36.00 per share price is not the result of arm's length negotiations but was fixed arbitrarily by defendants to "cap" the market price of the Company and obtain its assets and business at the lowest possible price.

81. Recognizing the Company's potential for greater growth, AREP's is attempting to deny the Company's public shareholders the opportunity to obtain fair value for their equity interest by proposing a transaction at an inadequate premium, thereby denying the Company's public shareholders the opportunity to obtain fair value for their equity interest.

82. Plaintiffs and the other members of the Class will suffer irreparable injury unless Defendants are enjoined from breaching their fiduciary duties to the Company's public shareholders in connection with the Proposed Transaction, which will benefit AREP at the expense of the public shareholders.

83. Plaintiffs and other members of the Class also will suffer irreparable harm because the "Breakup-Fee" and other deal protection devices agreed to in the deal chill the market for a superior offer and are unwarranted under the circumstances. This is especially the case here,

where it does not appear that defendants took any steps to maximize shareholder value or to perform any kind of market check before agreeing to the Proposed Transaction. Defendants thus should be enjoined from breaching their fiduciary duties to the Company's public shareholders in connection with the Proposed Transaction, which will benefit AREP at the expense of the public shareholders.

84. The AREP Entities have knowingly aided and abetted the Individual Defendants in their breaches of fiduciary duty. The AREP Entities know of the Individual Defendants' fiduciary duties to Plaintiffs and the Class, and in fact actively and knowingly have encouraged and participated in said breaches in order to obtain the substantial financial benefits that the proposed acquisition would provide it at the expense of Lear's stockholders.

85. Plaintiffs and the other members of the Class have no adequate remedy at law.

COUNT II

BREACH OF THE FIDUCIARY DUTY OF DISCLOSURE

(Against the Individual Defendants)

86. Plaintiffs repeat and re-allege the preceding allegations as if fully set forth herein.

87. Defendants have already caused materially misleading and incomplete information to be disseminated to the Company's public shareholders. Having chosen to publicly communicate concerning the Proposed Transaction, defendants had an obligation to be complete and accurate in their disclosures.

88. The Proxy fails to disclose material financial information, including financial information and information necessary to prevent the statements contained therein from being misleading.

89. The misleading omissions and disclosures by defendants concerning information and analyses presented to and considered by the Board and its advisors affirm the inadequacy of

disclosures to the Company's shareholders. Because of defendants' failure to provide full and fair disclosures, plaintiff and the Class will be stripped of their ability to make an informed decision on whether to vote in favor of the Proposed Transaction or seek appraisal, and thus damaged thereby.

90. Plaintiffs and other members of the Class have no adequate remedy at law.

COUNT III

AIDING AND ABETTING BREACHES OF FIDUCIARY DUTY

(Against Lear and the AREP Entities)

91. Plaintiffs repeat and re-allege the preceding allegations as if fully set forth herein.

92. Because they were fiduciaries of the Company and its shareholders, the Individual Defendants owed duties of due care, undivided loyalty, good faith, and full and fair disclosure to Lear and its shareholders. The Individual Defendants violated and breached these duties.

93. With the knowledge, approval, and participation of each of the Individual Defendants, as alleged herein, Lear and the AREP Entities were able to, and in fact did, knowingly render aid and assistance to the Individual Defendants in their breaches of fiduciary duty. Lear and the AREP Entities did so knowingly, or but for its gross negligence would have known, of the Individual Defendants' fiduciary breaches.

94. As a direct and proximate result of the aiding and abetting the Individual Defendants' breaches of fiduciary duty, Plaintiffs and the Class have sustained, and will continue to sustain, substantial harm.

WHEREFORE, Plaintiffs demand judgment against Defendants, jointly and severally, as follows:

(A) Declaring this action to be a class action and certifying Plaintiffs as the Class representatives and their counsel as Class counsel;

(B) Enjoining, preliminarily and permanently, the transaction complained of herein;

(C) To the extent, if any, that the transaction or transactions complained of are consummated prior to the entry of this Court's final judgment, rescinding such transaction or transactions, or granting the Class rescissory damages;

(D) Nullifying the break-up fee;

(E) Directing that Defendants account to Plaintiffs and the other members of the Class for all damages caused to them and account for all profits and any special benefits obtained as a result of their unlawful conduct;

(F) Awarding Plaintiffs the costs and disbursements of this action, including a reasonable allowance for the fees and expenses of Plaintiffs' attorneys and experts; and

(G) Granting Plaintiffs and the other members of the Class such other and further relief as may be just and proper.

Dated: March 27, 2007

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