SIMMONS HAROLD C
Form 4
June 08, 2006

FORM 4

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

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

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

OMB APPROVAL
OMB Number: 3235-0287
Expires: January 31, 2005
Estimated average burden hours per response... 0.5

(Print or Type Responses)

1. Name and Address of Reporting Person *
SIMMONS HAROLD C

(Last) (First) (Middle)

THREE LINCOLN CENTRE, 5430 LBJ FREEWAY STE 1700

(Street)

DALLAS, TX 75240-2697

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
NL INDUSTRIES INC [NL]

3. Date of Earliest Transaction (Month/Day/Year)
06/06/2006

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

__X__ Director __X__ 10% Owner
__X__ Officer (give title below) _____ Other (specify below)
Chairman of the Board & CEO

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common stock $0.125 par value	06/06/2006		J (1)		500	A	$ 10.99	219,975	I	by Spouse (2)
Common stock $0.125 par value	06/06/2006		J (1)		19,500	A	$ 11	239,475	I	By Spouse (2)
Common stock $0.125 par value								445,100	D	

Common stock $0.125 par value	40,350,931	I	by Valhi [(3)]
Common stock $0.125 par value	222,100	I	by TFMC [(4)]

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)		8. Price of Derivative Security (Instr. 5)	9. Nu Deriv Secur Bene Owne Follo Repo Trans (Instr
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares		

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
SIMMONS HAROLD C THREE LINCOLN CENTRE 5430 LBJ FREEWAY STE 1700 DALLAS, TX 75240-2697	X	X	Chairman of the Board & CEO	

Signatures

A. Andrew R. Louis, Attorney-in-fact, for Harold C. Simmons	06/08/2006
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) Open market purchase by the Reporting Person's spouse. The Reporting Person disclaims beneficial ownership of these shares.

(2) Directly held by the Reporting Person's spouse. The Reporting Person disclaims beneficial ownership of these shares

(3) Directly held by Valhi, Inc. See the Additional Information filed as an exhibit to this statement for a description of the relationships among the persons joining in this filing.

(4) Directly held by TIMET Finance Management Company. See the Additional Information filed as an exhibit to this statement for a description of the relationships among the persons joining in this filing.

Remarks:
Exhibit Index
99 Additional Information

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. 33.8)

Payment of debt issuance costs
(4.8) (17.6)

Repurchase of common stock
(194.2)

Dividends paid to Lear Corporation stockholders
(38.3)

Dividends paid to noncontrolling interests
(18.5) (13.9)

Other
(3.4) (3.4)

Net cash used in financing activities
(264.5) (308.4)

Effect of foreign currency translation
(4.8) (3.0)

Net Change in Cash and Cash Equivalents
22.4 (40.5)

Cash and Cash Equivalents as of Beginning of Period
1,654.1 1,554.0

Cash and Cash Equivalents as of End of Period
$1,676.5 $1,513.5

Changes in Working Capital Items:

Accounts receivable	$(342.6)	$(442.1)
Inventories	(162.6)	(130.3)
Accounts payable	372.3	314.7
Accrued liabilities and other	(19.0)	202.8
Net change in working capital items	$(151.9)	$(54.9)

Supplementary Disclosure:

Cash paid for interest	$57.3	$56.7
Cash paid for income taxes, net	$60.9	$41.9

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

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LEAR CORPORATION AND SUBSIDIARIES
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(1) Basis of Presentation

Lear Corporation (Lear, and together with its consolidated subsidiaries, the Company) and its affiliates design and manufacture complete automotive seat systems and related components, as well as electrical distribution systems and related components. The Company s main customers are automotive original equipment manufacturers. The Company operates facilities worldwide.

On November 9, 2009, Lear and certain of its U.S. and Canadian subsidiaries emerged from bankruptcy proceedings under Chapter 11 of the United States Bankruptcy Code (Chapter 11). In accordance with the provisions of FASB Accounting Standards Codification™ (ASC) 852, Reorganizations, Lear adopted fresh-start accounting upon its emergence from Chapter 11 bankruptcy proceedings and became a new entity for financial reporting purposes as of November 7, 2009. For further information, see Note 1, Basis of Presentation, and Note 2, Reorganization under Chapter 11, to the consolidated financial statements included in the Company s Annual Report on Form 10-K for the year ended December 31, 2010.

The accompanying condensed consolidated financial statements include the accounts of Lear, a Delaware corporation, and the wholly owned and less than wholly owned subsidiaries controlled by Lear. In addition, Lear consolidates variable interest entities in which it has a controlling financial interest. Investments in affiliates in which Lear does not have control, but does have the ability to exercise significant influence over operating and financial policies, are accounted for under the equity method.

The Company s annual financial results are reported on a calendar year basis and quarterly interim results are reported using a thirteen week reporting calendar.

Certain amounts in the prior period s financial statements have been reclassified to conform to the presentation used in the quarter ended October 1, 2011.

Cost of Sales and Selling, General and Administrative Expenses

Cost of sales includes material, labor and overhead costs associated with the manufacture and distribution of the Company s products. Distribution costs include inbound freight costs, purchasing and receiving costs, inspection costs, warehousing costs and other costs of the Company s distribution network. Selling, general and administrative expenses include selling, engineering and development and administrative costs not directly associated with the manufacture and distribution of the Company s products.

(2) Restructuring Activities

In 2005, the Company initiated a multi-year operational restructuring strategy to (i) eliminate excess capacity and lower the operating costs of the Company, (ii) streamline the Company s organizational structure and reposition its business for improved long-term profitability and (iii) better align the Company s manufacturing footprint with the changing needs of its customers. In light of industry conditions and customer announcements, the Company expanded this strategy, and through the end of 2010, the Company incurred pretax restructuring costs of $736.1 million. The Company expects elevated restructuring actions and related investments to continue in 2011 and to moderate thereafter.

Restructuring costs include employee termination benefits, fixed asset impairment charges and contract termination costs, as well as other incremental costs resulting from the restructuring actions. These incremental costs principally include equipment and personnel relocation costs. The Company also incurs incremental manufacturing inefficiency costs at the operating locations impacted by the restructuring actions during the related restructuring implementation period. Restructuring costs are recognized in the Company s consolidated financial statements in accordance with accounting principles generally accepted in the United States (GAAP). Generally, charges are recorded as restructuring actions are approved and/or implemented.

In the first nine months of 2011, the Company recorded charges of $13.3 million in connection with its restructuring actions. These charges consist of $13.0 million recorded as cost of sales, $0.9 million recorded as selling, general and administrative expenses and $(0.6) million recorded as other expense, net. The 2011 charges consist of employee termination benefits of $8.8 million, asset impairment charges of $1.0 million and contract termination costs of $1.9 million, as well as other related restructuring costs of $1.6 million. Employee termination benefits were recorded based on existing union and employee contracts, statutory requirements and completed negotiations. Asset impairment charges relate to the disposal of buildings, leasehold improvements and machinery and equipment with carrying values of $1.0 million in excess of related estimated fair values. The Company expects to incur approximately $65 million of additional restructuring costs related to activities initiated as of October 1, 2011. Although each restructuring action is unique, based upon the nature of the Company s operations, the Company expects that the allocation of future restructuring costs will be consistent with historical experience.

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

A summary of 2011 activity is shown below (in millions):

	Accrual as of January 1, 2011	2011 Charges	Utilization Cash	Utilization Non-cash	Accrual as of October 1, 2011
Employee termination benefits	$ 38.4	$ 8.8	$ (19.9)	$	$ 27.3
Contract termination costs	3.7	1.9			5.6
Asset impairments		1.0		(1.0)	
Other related costs		1.6	(1.6)		
Total	$ 42.1	$ 13.3	$ (21.5)	$ (1.0)	$ 32.9

(3) Inventories

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

	October 1, 2011	December 31, 2010
Raw materials	$ 565.1	$ 448.6
Work-in-process	38.3	32.9
Finished goods	105.5	72.7
Inventories	$ 708.9	$ 554.2

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

The Company incurs pre-production engineering and development (E&D) and tooling costs related to the products produced for its customers under long-term supply agreements. The Company expenses all pre-production E&D costs for which reimbursement is not contractually guaranteed by the customer. In addition, the Company expenses all pre-production tooling costs related to customer-owned tools for which reimbursement is not contractually guaranteed by the customer or for which the Company does not have a non-cancelable right to use the tooling. During the first nine months of 2011 and 2010, the Company capitalized $135.4 million and $99.0 million, respectively, of pre-production E&D costs for which reimbursement is contractually guaranteed by the customer. In addition, during the first nine months of 2011 and 2010, the Company capitalized $118.8 million and $102.3 million, respectively, of pre-production tooling costs related to customer-owned tools for which reimbursement is contractually guaranteed by the customer or for which the Company has a non-cancelable right to use the tooling. These amounts are included in other current and long-term assets in the accompanying condensed consolidated balance sheets. During the nine months ended October 1, 2011 and October 2, 2010, the Company collected $222.1 million and $191.3 million, respectively, of cash related to E&D and tooling costs.

The classification of recoverable customer engineering, development and tooling costs related to long-term supply agreements is shown below (in millions):

	October 1, 2011	December 31, 2010

Current	$	122.3	$	77.9
Long-term		64.3		75.3
Recoverable customer engineering, development and tooling	$	186.6	$	153.2

(5) Property, Plant and Equipment

Property, plant and equipment is stated at cost; however, as a result of fresh-start accounting, property, plant and equipment was re-measured at fair value as of November 7, 2009. For further information, see Note 3, Fresh-Start Accounting, to the consolidated financial statements included in the Company s Annual Report on Form 10-K for the year ended December 31, 2010. Costs associated with the repair and maintenance of the Company s property, plant and equipment are expensed as incurred. Costs associated with improvements which extend the life, increase the capacity or improve the efficiency or safety of the Company s property, plant and equipment are capitalized and depreciated over the remaining life of the related asset. Depreciable property is depreciated over the estimated useful lives of the assets, using principally the straight-line method.

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

A summary of property, plant and equipment is shown below (in millions):

	October 1, 2011	December 31, 2010
Land	$ 107.8	$ 106.0
Buildings and improvements	399.8	360.6
Machinery and equipment	930.0	761.8
Construction in progress	15.8	5.7
Total property, plant and equipment	1,453.4	1,234.1
Less accumulated depreciation	(395.3)	(239.4)
Net property, plant and equipment	$ 1,058.1	$ 994.7

Depreciation expense was $56.4 million and $51.7 million in the three months ended October 1, 2011 and October 2, 2010, respectively, and $168.2 million and $154.0 million in the nine months ended October 1, 2011 and October 2, 2010, respectively.

The Company monitors its long-lived assets for impairment indicators on an ongoing basis in accordance with GAAP. If impairment indicators exist, the Company performs the required impairment analysis by comparing the undiscounted cash flows expected to be generated by the long-lived assets to the related net book values. If the net book value exceeds the undiscounted cash flows, an impairment loss is measured and recognized. The Company does not believe that there were any indicators that would have resulted in additional long-lived asset impairment charges as of October 1, 2011. The Company will, however, continue to assess the impact of any significant industry events and long-term automotive production estimates on the realization of its long-lived assets.

(6) Goodwill

A summary of the changes in the carrying amount of goodwill, all of which relates to the seating segment, for the nine months ended October 1, 2011, is shown below (in millions):

Balance as of January 1, 2011	$ 614.6
Acquisition	15.0
Foreign currency translation	2.4
Balance as of October 1, 2011	$ 632.0

Goodwill is not amortized but is tested for impairment on at least an annual basis. Impairment testing is required more often than annually if an event or circumstance indicates that an impairment is more likely than not to have occurred. In conducting its impairment testing, the Company compares the fair value of each of its reporting units to the related net book value. If the net book value of a reporting unit exceeds its fair value, an impairment loss is measured and recognized. The Company conducts its annual impairment testing as of the first day of its fourth quarter.

The Company does not believe that there were any indicators that would have resulted in goodwill impairment charges as of October 1, 2011. The Company will, however, continue to assess the impact of any significant industry events and long-term automotive production estimates on its recorded goodwill.

(7) Long-Term Debt

A summary of long-term debt and the related weighted average interest rates is shown below (in millions):

	October 1, 2011		December 31, 2010	
	Long-Term Debt	Weighted Average Interest Rate	Long-Term Debt	Weighted Average Interest Rate
7.875% Senior Notes due 2018	$ 347.8	8.00%	$ 347.7	8.00%
8.125% Senior Notes due 2020	347.4	8.25%	347.2	8.25%
Long-term debt	$ 695.2		$ 694.9	

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

Senior Notes

The Company s long-term debt consists of $350 million in aggregate principal amount at maturity of senior unsecured notes due 2018 with a stated coupon rate of 7.875% (the 2018 Notes) and $350 million in aggregate principal amount at maturity of senior unsecured notes due 2020 with a stated coupon rate of 8.125% (the 2020 Notes and together with the 2018 Notes, the Notes). The 2018 Notes were priced at 99.276% of par, resulting in a yield to maturity of 8.00%, and the 2020 Notes were priced at 99.164% of par, resulting in a yield to maturity of 8.25%. The Notes were issued on March 26, 2010, and the net proceeds, together with existing cash on hand, were used to repay in full an aggregate amount of $925.0 million of term loans provided under the Company s first and second lien credit agreements. Interest is payable on the Notes on March 15 and September 15 of each year, beginning September 15, 2010. The 2018 Notes mature on March 15, 2018, and the 2020 Notes mature on March 15, 2020.

The Notes are senior unsecured obligations. Obligations under the Notes are fully and unconditionally guaranteed, jointly and severally, on a senior unsecured basis, by certain of Lear s domestic subsidiaries, which are directly or indirectly 100% owned by Lear (see Note 17, Supplemental Guarantor Condensed Consolidating Financial Statements).

The indenture governing the Notes contains restrictive covenants that, among other things, limit the ability of the Company and its subsidiaries to: (i) incur additional debt, (ii) pay dividends and make other restricted payments, (iii) create or permit certain liens, (iv) issue or sell capital stock of the Company s restricted subsidiaries, (v) use the proceeds from sales of assets and subsidiary stock, (vi) create or permit restrictions on the ability of the Company s restricted subsidiaries to pay dividends or make other distributions to the Company, (vii) enter into transactions with affiliates, (viii) enter into sale and leaseback transactions and (ix) consolidate or merge or sell all or substantially all of the Company s assets. The foregoing limitations are subject to exceptions as set forth in the Notes. In addition, if in the future the Notes have an investment grade credit rating from both Moody s Investors Service and Standard & Poor s Ratings Services and no default has occurred and is continuing, certain of these covenants will, thereafter, no longer apply to the Notes for so long as the Notes have an investment grade credit rating by both rating agencies. The indenture governing the Notes also contains customary events of default. As of October 1, 2011, the Company was in compliance with all covenants under the indenture governing the Notes.

As discussed above, in 2010, the Company used the net proceeds from the issuance of the Notes, together with existing cash on hand, to repay in full all amounts outstanding under the term loans provided under the Company s first and second lien credit agreements. In connection with the issuance of the Notes, the repayment of the term loans and the related amendments to the first lien credit agreement, the Company recognized a loss on the extinguishment of debt of $11.8 million in the first quarter of 2010, resulting from the write-off of unamortized debt issuance costs, and paid debt issuance costs of $17.6 million in the first half of 2010. The debt issuance costs are being amortized over the life of the related debt. The loss on the extinguishment of debt is recorded in other expense, net. See Note 9, Other Expense, Net.

Revolving Credit Facility

On June 17, 2011, the Company entered into an amendment and restatement of its senior secured credit agreement (the Amended and Restated Credit Agreement) to, among other things, (i) extend the maturity of the Company s existing revolving credit facility from March 18, 2013 to June 17, 2016, (ii) increase the amount available under its existing revolving credit facility from $110 million to $500 million, (iii) adjust the interest rates payable on outstanding borrowings, as described below, and (iv) modify the covenants under the existing credit agreement to provide the Company with significant flexibility with respect to certain actions. In connection with this amendment and restatement, the Company paid debt issuance costs of $4.8 million in the second quarter of 2011. The revolving credit facility permits borrowings for general corporate and working capital purposes and the issuance of letters of credit. As of October 1, 2011, there were no borrowings outstanding under the revolving credit facility.

Advances under the revolving credit facility generally bear interest at a variable rate per annum equal to (i) the Eurocurrency Rate (as defined in the Amended and Restated Credit Agreement) plus an adjustable margin of 1.375%

to 3.0% based on the Company s corporate rating (2.25% as of October 1, 2011), payable on the last day of each applicable interest period but in no event less frequently than quarterly, or (ii) the Adjusted Base Rate (as defined in the Amended and Restated Credit Agreement) plus an adjustable margin of 0.375% to 2.0% based on the Company s corporate rating (1.25% as of October 1, 2011), payable quarterly. A facility fee is payable which ranges from 0.375% to 0.50% of the total amount committed under the revolving credit facility.

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

Obligations under the Amended and Restated Credit Agreement are secured on a first priority basis by a lien on substantially all of the U.S. assets of Lear and its domestic subsidiaries, as well as 100% of the stock of Lear s domestic subsidiaries and 65% of the stock of certain of Lear s foreign subsidiaries. In addition, obligations under the Amended and Restated Credit Agreement are guaranteed, jointly and severally, on a first priority basis, by certain of Lear s domestic subsidiaries, which are directly or indirectly 100% owned by Lear (see Note 17, Supplemental Guarantor Condensed Consolidating Financial Statements).

The Amended and Restated Credit Agreement contains various customary representations, warranties and covenants by the Company, including, without limitation, (i) covenants regarding maximum leverage and minimum interest coverage, (ii) limitations on fundamental changes involving the Company or its subsidiaries and (iii) limitations on indebtedness, liens, investments and restricted payments. As of October 1, 2011, the Company was in compliance with all covenants under the agreement governing the Amended and Restated Credit Agreement.

For further information on the Notes and the revolving credit facility, see Note 8, Long-Term Debt, to the consolidated financial statements included in the Company s Annual Report on Form 10-K for the year ended December 31, 2010.

(8) Pension and Other Postretirement Benefit Plans

Net Periodic Pension and Other Postretirement Benefit Cost

The components of the Company s net periodic pension benefit cost are shown below (in millions):

	Three Months Ended				Nine Months Ended			
	October 1, 2011		October 2, 2010		October 1, 2011		October 2, 2010	
	U.S.	Foreign	U.S.	Foreign	U.S.	Foreign	U.S.	Foreign
Service cost	$ 0.7	$ 1.7	$ 0.8	$ 1.2	$ 2.2	$ 5.0	$ 2.4	$ 3.5
Interest cost	5.8	6.4	5.8	5.9	17.5	19.1	17.4	17.7
Expected return on plan assets	(6.5)	(7.9)	(5.9)	(6.8)	(19.7)	(23.6)	(17.6)	(20.5)
Amortization of actuarial loss		0.1				0.2		
Curtailment loss				3.5				3.5
Settlement gain					(0.1)		(0.1)	
Net periodic benefit cost	$	$ 0.3	$ 0.7	$ 3.8	$ (0.1)	$ 0.7	$ 2.1	$ 4.2

The components of the Company s net periodic other postretirement benefit cost are shown below (in millions):

	Three Months Ended				Nine Months Ended			
	October 1, 2011		October 2, 2010		October 1, 2011		October 2, 2010	
	U.S.	Foreign	U.S.	Foreign	U.S.	Foreign	U.S.	Foreign
Service cost	$ 0.1	$ 0.4	$ 0.2	$ 0.2	$ 0.3	$ 0.8	$ 0.4	$ 0.6
Interest cost	1.4	0.8	1.3	0.9	4.1	2.8	4.0	2.7
Amortization of actuarial loss		0.1			0.2	0.1		
Special termination benefits								0.1
	$ 1.5	$ 1.3	$ 1.5	$ 1.1	$ 4.6	$ 3.7	$ 4.4	$ 3.4

Net periodic benefit
cost

Contributions

Employer contributions to the Company s domestic and foreign pension plans for the nine months ended October 1, 2011, were $16.3 million, in aggregate. The Company expects total contributions of approximately $30 to $35 million to its domestic and foreign pension plans, in aggregate, in 2011. The Company may elect to make contributions in excess of minimum funding requirements in response to investment performance or changes in interest rates or when the Company believes that it is financially advantageous to do so and based on its other cash requirements.

Employer contributions to the Company s defined contribution retirement program for its salaried employees, determined as a percentage of each covered employee s eligible compensation, for the nine months ended October 1, 2011, were $9.8 million. The Company expects total contributions of approximately $13 million to this program in 2011.

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

Recent Legislation

In March 2010, the Patient Protection and Affordable Care Act and the Health Care Education and Affordability Reconciliation Act (the Acts) were signed into law. The Acts contain provisions that impact the Company s accounting for retiree medical benefits. The impact of these provisions was not significant and was included in the determination of the Company s other postretirement benefit plan obligation as of December 31, 2010. The Company will continue to assess the provisions of the Acts and may consider plan amendments to respond to the provisions of the Acts.

(9) Other Expense, Net

Other expense, net includes equity in net income of affiliates, non-income related taxes, foreign exchange gains and losses, gains and losses related to certain derivative instruments and hedging activities, gains and losses on the sales of assets and other miscellaneous income and expense. A summary of other expense, net is shown below (in millions):

	Three Months Ended		Nine Months Ended	
	October 1, 2011	October 2, 2010	October 1, 2011	October 2, 2010
Other expense	$ 13.0	$ 12.8	$ 18.4	$ 32.9
Other income	(4.5)	(9.8)	(12.7)	(31.4)
Other expense, net	$ 8.5	$ 3.0	$ 5.7	$ 1.5

For the three and nine months ended October 1, 2011, other income includes gains of $1.9 million and $5.8 million, respectively, related to affiliate transactions. For the three and nine months ended October 1, 2011, other income includes equity in net income of affiliates of $1.7 million and $9.6 million, respectively.

For the nine months ended October 2, 2010, other expense includes a loss on the extinguishment of debt of $11.8 million, resulting from the write-off of unamortized debt issuance costs. For the three and nine months ended October 2, 2010, other income includes equity in net income of affiliates of $8.7 million and $26.5 million, respectively.

(10) Income Taxes

The provision for income taxes was $31.0 million for the third quarter of 2011, representing an effective tax rate of 22.3% on pretax income of $139.1 million, as compared to $5.4 million for the third quarter of 2010, representing an effective tax rate of 5.2% on pretax income of $103.9 million. The provision for income taxes was $90.7 million for the nine months ended October 1, 2011, representing an effective tax rate of 16.6% on pretax income of $547.2 million, as compared to $29.1 million for the nine months ended October 2, 2010, representing an effective tax rate of 7.9% on a pretax income of $366.7 million.

In the first nine months of 2011, the provision for income taxes was impacted by the level and mix of earnings among tax jurisdictions, tax benefits of $22.9 million related to the reversal of full valuation allowances on the deferred tax assets of two foreign subsidiaries and an increase in tax expense related to the phase out of preferential tax holiday rates in several Chinese subsidiaries. The provision was also impacted by a portion of the Company s restructuring charges and other expenses, for which no tax benefit was provided as the charges were incurred in certain countries for which no tax benefit is likely to be realized due to a history of operating losses in those countries. In the first nine months of 2010, the provision for income taxes was impacted by the mix of earnings among tax jurisdictions, tax benefits of $32.8 million, including interest, related to reductions in recorded tax reserves and net tax benefits of $3.1 million related to restructuring, the reduction of a valuation allowance in a foreign subsidiary and various other items. The provision was also impacted by a portion of the Company s restructuring charges and other expenses, for which no tax benefit was provided as the charges were incurred in certain countries for which no tax benefit is likely to be realized due to a history of operating losses in those countries. Excluding these items, the effective tax rate in the first nine months of 2011 and 2010 approximated the U.S. federal statutory income tax rate of 35% adjusted for income taxes on foreign earnings, losses and remittances, foreign and U.S. valuation allowances, tax credits, income tax incentives and other permanent items.

Further, the Company s current and future provision for income taxes is significantly impacted by the initial recognition of and changes in valuation allowances in certain countries, particularly the United States. The Company intends to maintain these allowances until it is more likely than not that the deferred tax assets will be realized. The Company s future income taxes will include no tax benefit with respect to losses incurred and no tax expense with respect to income generated in these countries until the respective valuation allowances are eliminated. Accordingly, income taxes are impacted by the U.S. and foreign valuation allowances and the mix of earnings among jurisdictions.

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

The Company was profitable in the first nine months of 2011 and in 2010 in the United States and in certain international jurisdictions for which it has provided a full valuation allowance against its deferred tax assets. If the Company continues to experience sustained levels of profitability in the United States and these international jurisdictions, its assessment of the need for a full valuation allowance with respect to the deferred tax assets in those jurisdictions could change. Any reduction to a valuation allowance will reduce the Company s tax expense in the period in which such reduction occurs.

In connection with the Company s emergence from Chapter 11 bankruptcy proceedings, the Company increased its U.S. net operating loss carryforwards and retained its capital loss and tax credit carryforwards (collectively, the Tax Attributes). However, Internal Revenue Code (IRC) Sections 382 and 383 provide an annual limitation with respect to the ability of a corporation to utilize its Tax Attributes, as well as certain built-in-losses, against future U.S. taxable income in the event of a change in ownership. The Company s emergence from Chapter 11 bankruptcy proceedings is considered a change in ownership for purposes of IRC Section 382. The limitation under the IRC is based on the value of the corporation as of the emergence date. As a result, the Company s future U.S. taxable income may not be fully offset by the Tax Attributes if such income exceeds its annual limitation, and the Company may incur a tax liability with respect to such income. In addition, subsequent changes in ownership for purposes of the IRC could further limit the Company s ability to use its Tax Attributes.

For further information , see Note 9, Income Taxes, to the consolidated financial statements included in the Company s Annual Report on Form 10-K for the year ended December 31, 2010.

(11) Net Income Per Share Attributable to Lear

Basic net income per share attributable to Lear was computed using the two-class method by dividing net income attributable to Lear, after deducting undistributed earnings allocated to participating securities, by the average number of common shares outstanding during the period. Common shares issuable upon the satisfaction of certain conditions pursuant to a contractual agreement, such as those common shares contemplated as part of the Company s emergence from Chapter 11 bankruptcy proceedings, are considered common shares outstanding and are included in the computation of basic net income per share attributable to Lear. The Company s preferred shares that were outstanding during a portion of 2010 were considered participating securities. There were no preferred shares outstanding during 2011 as all of the Company s remaining preferred shares outstanding were converted into shares of common stock on November 10, 2010. For the three and nine months ended October 2, 2010, average participating securities outstanding were 2,367,115 and 4,480,401, respectively (such securities were convertible into 4,734,230 and 8,960,802 shares, respectively, of common stock after giving effect to the two-for-one stock split described in Note 12, Comprehensive Income and Equity).

Diluted net income per share attributable to Lear was computed using the treasury stock method by dividing net income attributable to Lear by the average number of common shares outstanding, including the dilutive effect of common stock equivalents using the average share price during the period.

A summary of information used to compute basic net income per share attributable to Lear is shown below (in millions, except share data):

	Three Months Ended		Nine Months Ended	
	October 1, 2011	October 2, 2010	October 1, 2011	October 2, 2010
Net income attributable to Lear	$ 100.7	$ 95.3	$ 434.2	$ 321.2
Less: Undistributed earnings allocated to participating securities		(4.3)		(28.5)
Net income available to Lear common shareholders	$ 100.7	$ 91.0	$ 434.2	$ 292.7

Average common shares outstanding [1]		103,356,696		99,332,230		104,363,937	91,952,210
Basic net income per share attributable to Lear [1]	$	0.97	$	0.92	$	4.16	$ 3.18

(1) 2010 share and per share data has been retroactively adjusted to reflect the two-for-one stock split described in Note 12, Comprehensive Income and Equity.

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A summary of information used to compute diluted net income per share attributable to Lear is shown below (in millions, except share data):

	Three Months Ended October 1, 2011	Three Months Ended October 2, 2010	Nine Months Ended October 1, 2011	Nine Months Ended October 2, 2010
Net income attributable to Lear	$ 100.7	$ 95.3	$ 434.2	$ 321.2
Average common shares outstanding (1)	103,356,696	99,332,230	104,363,937	91,952,210
Dilutive effect of common stock equivalents (1)	2,452,053	8,884,432	2,795,339	16,149,572
Average diluted shares outstanding (1)	105,808,749	108,216,662	107,159,276	108,101,782
Diluted net income per share attributable to Lear (1)	$ 0.95	$ 0.88	$ 4.05	$ 2.97

(1) 2010 share and per share data has been retroactively adjusted to reflect the two-for-one stock split described in Note 12, Comprehensive Income and Equity.

The Company s participating securities were convertible into common stock on a two-for-one basis, after giving effect to the two-for-one stock split described in Note 12, Comprehensive Income and Equity, and participated ratably with common stock on dividends. Accordingly, diluted net income per share attributable to Lear computed using the two-class method produced the same result.

(12) Comprehensive Income and Equity

Comprehensive Income

Comprehensive income is defined as all changes in the Company s net assets except changes resulting from transactions with stockholders. It differs from net income in that certain items recorded in equity are included in comprehensive income.

A summary of comprehensive income and reconciliations of equity, Lear Corporation stockholders equity and noncontrolling interests for the three and nine months ended October 1, 2011, is shown below (in millions):

	Three Months Ended October 1, 2011			Nine Months Ended October 1, 2011		
	Equity	Attributable to Lear Corporation Stockholders	Non-controlling Interests	Equity	Attributable to Lear Corporation Stockholders	Non-controlling Interests
Beginning equity balance	$ 2,901.9	$ 2,792.7	$ 109.2	$ 2,568.8	$ 2,460.2	$ 108.6
Stock-based compensation transactions and other	10.3	10.3		25.8	25.8	
Repurchase of common stock	(94.2)	(94.2)		(194.2)	(194.2)	

Dividends declared to Lear Corporation stockholders	(13.2)	(13.2)		(40.0)	(40.0)	
Dividends paid to noncontrolling interests	(0.3)		(0.3)	(18.5)		(18.5)
Addition to noncontrolling interests				2.4		2.4
Comprehensive income:						
Net income	108.1	100.7	7.4	456.5	434.2	22.3
Other comprehensive income (loss), net of tax:						
Defined benefit plan adjustments	0.1	0.1		0.3	0.3	
Derivative instruments and hedging activities	(51.9)	(51.9)		(45.0)	(45.0)	
Foreign currency translation adjustments	(117.6)	(118.0)	0.4	(12.9)	(14.8)	1.9
Other comprehensive income (loss)	(169.4)	(169.8)	0.4	(57.6)	(59.5)	1.9
Comprehensive income (loss)	(61.3)	(69.1)	7.8	398.9	374.7	24.2
Ending equity balance	$ 2,743.2	$ 2,626.5	$ 116.7	$ 2,743.2	$ 2,626.5	$ 116.7

In the three months ended October 1, 2011, foreign currency translation adjustments relate primarily to the Euro.

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A summary of comprehensive income and reconciliations of equity, Lear Corporation stockholders equity and noncontrolling interests for the three and nine months ended October 2, 2010, is shown below (in millions):

	Three Months Ended October 2, 2010			Nine Months Ended October 2, 2010		
	Equity	Attributable to Lear Corporation Stockholders	Non-controlling Interests	Equity	Attributable to Lear Corporation Stockholders	Non-controlling Interests
Beginning equity balance	$ 2,322.5	$ 2,214.5	$ 108.0	$ 2,181.8	$ 2,089.1	$ 92.7
Stock-based compensation transactions and other	4.0	4.0		13.1	13.1	
Dividends paid to noncontrolling interests	(9.3)		(9.3)	(13.9)		(13.9)
Transaction with affiliates				6.5		6.5
Comprehensive income:						
Net income	98.5	95.3	3.2	337.6	321.2	16.4
Other comprehensive income (loss), net of tax:						
Defined benefit plan adjustments	(1.9)	(1.9)		(2.1)	(2.1)	
Derivative instruments and hedging activities	3.5	3.5		3.7	3.7	
Foreign currency translation adjustments	120.7	119.0	1.7	11.3	9.4	1.9
Other comprehensive income	122.3	120.6	1.7	12.9	11.0	1.9
Comprehensive income	220.8	215.9	4.9	350.5	332.2	18.3
Ending equity balance	$ 2,538.0	$ 2,434.4	$ 103.6	$ 2,538.0	$ 2,434.4	$ 103.6

In the three months ended October 2, 2010, foreign currency translation adjustments relate primarily to the Euro.

Lear Corporation Stockholders Equity

Common Stock Share Repurchase Program On February 16, 2011, the Company s Board of Directors authorized a three year, $400 million common stock share repurchase program. Under this program, the Company may repurchase shares of its outstanding common stock from time to time in open market or privately negotiated transactions at prices, times and amounts to be determined by the Company. The common stock repurchase authorization expires on February 16, 2014. In the first nine months of 2011, the Company repurchased 4,082,523 shares of its outstanding common stock at an average purchase price of $47.57 per share, excluding commissions, (shares and price per share have been retroactively adjusted to reflect the two-for-one stock split discussed below) for an aggregate purchase price of $194.2 million and may repurchase an additional $205.8 million in shares of its outstanding common stock under this program. The extent to which the Company will repurchase its outstanding common stock and the timing of such repurchases will depend upon its financial condition, prevailing market conditions, alternative uses of capital and other factors. In addition, the Company s amended and restated credit facility and indentures governing the Notes place certain limitations on the repurchase of common shares.

In addition to shares repurchased under the Company s common stock share repurchase program described above, the Company classified shares withheld from the settlement of the Company s restricted stock unit awards to cover minimum tax withholding requirements as common stock held in treasury in the accompanying condensed consolidated balance sheets as of October 1, 2011 and December 31, 2010.

Stock Split On February 16, 2011, the Company s Board of Directors declared a two-for-one stock split of the Company s common stock. On March 17, 2011, as a result of the stock split, stockholders of record as of the close of business on March 4, 2011, received one additional share of common stock for every one share of the common stock held by the stockholders of record. The Company recorded a transfer from additional paid-in-capital to common stock of $0.5 million, representing $0.01 par value of each share of common stock issued. In addition, as a result of the stock split, warrant holders are entitled to exercise each warrant for two shares of common stock at an exercise price of $0.005 per share of common stock. Except as otherwise expressly stated, all issued common stock shares and per share amounts presented in the accompanying condensed consolidated financial statements have been retroactively adjusted to reflect the stock split for all periods presented.

Quarterly Dividend The Company s Board of Directors declared quarterly cash dividends of $0.125 per share of common stock in the first, second and third quarters of 2011. Declared dividends totaled $40.0 million, in aggregate, of which $38.3 million was paid in 2011. Dividends payable on common shares to be distributed under the Company s stock-based compensation program and common

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shares contemplated as part of the Company s emergence from Chapter 11 bankruptcy proceedings will be paid when such common shares are distributed.

Noncontrolling Interests

In the nine months ended October 1, 2011, addition to noncontrolling interests reflects the acquisition of a controlling interest in an affiliate previously accounted for under the equity method. In the nine months ended October 2, 2010, transaction with affiliates reflects the sale of noncontrolling interests in two previously wholly owned subsidiaries.

(13) Legal and Other Contingencies

As of October 1, 2011 and December 31, 2010, the Company had recorded reserves for pending legal disputes, including commercial disputes and other matters, of $17.2 million and $23.4 million, respectively. Such reserves reflect amounts recognized in accordance with GAAP and typically exclude the cost of legal representation. Product liability and warranty reserves are recorded separately from legal reserves, as described below.

On October 5, 2011, a plaintiff filed a putative class action complaint in United States district court against the Company and several other global suppliers of automotive wire harnesses alleging violations of federal and state antitrust and related laws. Since that time, several other plaintiffs have filed substantially similar class action complaints against the Company and these and other suppliers and individuals, and it is possible that additional similar lawsuits may be filed in the future. Plaintiffs claim that they are indirect purchasers of automotive wire harnesses supplied by the Company and/or the other defendants in vehicles purchased or leased by the plaintiffs for personal use or for resale. The complaints allege that the defendants conspired to fix prices at which automotive wire harnesses were sold and that this had an anticompetitive effect upon interstate commerce in the United States. The complaints further allege that defendants fraudulently concealed their alleged conspiracy. The plaintiffs in these proceedings seek injunctive relief and recovery of an unspecified amount of damages, as well as costs and expenses relating to the proceedings, including attorneys fees. One plaintiff has filed a motion with the Judicial Panel on Multidistrict Litigation requesting that these separate civil proceedings be consolidated into one proceeding before the U.S. District Court for the Eastern District of Michigan. Responses to this motion are due in November 2011. The ultimate outcome of this litigation, and consequently, an estimate of the possible loss, if any, related to this litigation cannot reasonably be determined at this time. However, the Company believes the plaintiffs allegations against it are without merit and intends to vigorously defend itself in these proceedings.

Commercial Disputes

The Company is involved from time to time in legal proceedings and claims, including, without limitation, commercial or contractual disputes with its customers, suppliers and competitors. These disputes vary in nature and are usually resolved by negotiations between the parties.

Product Liability and Warranty Matters

In the event that use of the Company s products results in, or is alleged to result in, bodily injury and/or property damage or other losses, the Company may be subject to product liability lawsuits and other claims. Such lawsuits generally seek compensatory damages, punitive damages and attorney fees and costs. In addition, the Company is a party to warranty-sharing and other agreements with certain of its customers related to its products. These customers may pursue claims against the Company for contribution of all or a portion of the amounts sought in connection with product liability and warranty claims. The Company can provide no assurance that it will not experience material claims in the future or that it will not incur significant costs to defend such claims. In addition, if any of the Company s products are, or are alleged to be, defective, the Company may be required or requested by its customers to participate in a recall or other corrective action involving such products. Certain of the Company s customers have asserted claims against the Company for costs related to recalls or other corrective actions involving its products.

In certain instances, allegedly defective products may be supplied by tier 2 suppliers. The Company may seek recovery from its suppliers of materials or services included within the Company s products that are associated with product liability and warranty claims. The Company carries insurance for certain legal matters, including product liability claims, but such coverage may be limited. The Company does not maintain insurance for product warranty or recall matters. Future dispositions with respect to the Company s product liability claims that were subject to compromise under the Chapter 11 bankruptcy proceedings will be satisfied out of a common stock and warrant reserve established for that purpose.

The Company records product warranty reserves based on its individual customer agreements. Product warranty reserves are recorded for known warranty issues when liability for such issues is probable and related amounts are reasonably estimable.

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A summary of the changes in reserves for product liability and warranty claims for the nine months ended October 1, 2011, is shown below (in millions):

Balance as of January 1, 2011	$ 43.6
Expense, net (including changes in estimates)	1.5
Settlements	(5.8)
Foreign currency translation and other	0.7
Balance as of October 1, 2011	$ 40.0

Environmental Matters

The Company is subject to local, state, federal and foreign laws, regulations and ordinances which govern activities or operations that may have adverse environmental effects and which impose liability for clean-up costs resulting from past spills, disposals or other releases of hazardous wastes and environmental compliance. The Company s policy is to comply with all applicable environmental laws and to maintain an environmental management program based on ISO 14001 to ensure compliance with this standard. However, the Company currently is, has been and in the future may become the subject of formal or informal enforcement actions or procedures.

The Company has been named as a potentially responsible party at several third-party landfill sites and is engaged in the cleanup of hazardous waste at certain sites owned, leased or operated by the Company, including several properties acquired in its 1999 acquisition of UT Automotive, Inc. (UT Automotive). Certain present and former properties of UT Automotive are subject to environmental liabilities which may be significant. The Company obtained agreements and indemnities with respect to certain environmental liabilities from United Technologies Corporation (UTC) in connection with its acquisition of UT Automotive. UTC manages and directly funds these environmental liabilities pursuant to its agreements and indemnities with the Company.

As of October 1, 2011 and December 31, 2010, the Company had recorded environmental reserves of $2.9 million and $2.7 million, respectively. While the Company does not believe that the environmental liabilities associated with its current and former properties will have a material adverse impact on its business, financial condition, results of operations or cash flows, no assurance can be given in this regard.

Other Matters

Although the Company records reserves for legal disputes, product liability and warranty claims and environmental and other matters in accordance with GAAP, the ultimate outcomes of these matters are inherently uncertain. Actual results may differ significantly from current estimates.

The Company is involved from time to time in various other legal proceedings and claims, including, without limitation, commercial and contractual disputes, intellectual property matters, personal injury claims, tax claims and employment matters. Although the outcome of any legal matter cannot be predicted with certainty, the Company does not believe that any of these other legal proceedings or claims in which the Company is currently involved, either individually or in the aggregate, will have a material adverse impact on its business, financial condition, results of operations or cash flows. However, no assurance can be given in this regard.

(14) Segment Reporting

The Company has two reportable operating segments: seating, which includes seat systems and related components, such as seat frames, recliner mechanisms, seat tracks, seat trim covers, headrests and seat foam, and electrical power management systems (EPMS), which includes wiring, connectors, junction boxes and various other components of electrical distribution systems for traditional powertrain vehicles, as well as for hybrid and electric vehicles. The other category includes unallocated costs related to corporate headquarters, geographic headquarters and the elimination of intercompany activities, none of which meets the requirements of being classified as an operating segment.

The Company evaluates the performance of its operating segments based primarily on (i) revenues from external customers, (ii) pretax income before interest and other expense, net (segment earnings) and (iii) cash flows, being defined as segment earnings less capital expenditures plus depreciation and amortization. A summary of revenues from external customers and other financial information by reportable operating segment is shown below (in millions):

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	Three Months Ended October 1, 2011			
	Seating	**EPMS**	**Other**	**Consolidated**
Revenues from external customers	$ 2,687.8	$ 772.2	$	$ 3,460.0
Segment earnings(1)	169.9	40.6	(52.0)	158.5
Depreciation and amortization	36.6	25.0	1.9	63.5
Capital expenditures	56.1	33.7	1.7	91.5
Total assets	3,919.4	1,313.5	1,983.0	7,215.9

	Three Months Ended October 2, 2010			
	Seating	**EPMS**	**Other**	**Consolidated**
Revenues from external customers	$ 2,208.7	$ 611.6	$	$ 2,820.3
Segment earnings(1)	139.8	24.3	(45.3)	118.8
Depreciation and amortization	36.2	20.9	1.6	58.7
Capital expenditures	24.1	13.4	1.4	38.9
Total assets	3,633.3	1,098.1	1,904.9	6,636.3

	Nine Months Ended October 1, 2011			
	Seating	**EPMS**	**Other**	**Consolidated**
Revenues from external customers	$ 8,272.7	$ 2,375.3	$	$ 10,648.0
Segment earnings(1)	601.8	133.2	(157.2)	577.8
Depreciation and amortization	111.7	72.1	5.5	189.3
Capital expenditures	135.5	107.9	4.3	247.7
Total assets	3,919.4	1,313.5	1,983.0	7,215.9

	Nine Months Ended October 2, 2010			
	Seating	**EPMS**	**Other**	**Consolidated**
Revenues from external customers	$ 6,929.7	$ 1,868.4	$	$ 8,798.1
Segment earnings(1)	496.7	73.4	(157.7)	412.4
Depreciation and amortization	107.6	62.1	4.6	174.3
Capital expenditures	71.1	40.0	4.2	115.3
Total assets	3,633.3	1,098.1	1,904.9	6,636.3

(1) See definition above.

For the three months ended October 1, 2011, segment earnings include restructuring charges (credits) of $8.6 million, $0.8 million and ($0.1) million in the seating and EPMS segments and in the other category, respectively. For the nine months ended October 1, 2011, segment earnings include restructuring charges of $12.0 million and $1.9 million in the seating and EPMS segments, respectively. For the three months ended October 2, 2010, segment earnings include restructuring charges of $24.0 million, $1.0 million and $0.6 million in the seating and EPMS segments and in the other category, respectively. For the nine months ended October 2, 2010, segment earnings include restructuring charges of $32.9 million, $15.2 million and $1.8 million in the seating and EPMS segments and in the other category, respectively. See Note 2, Restructuring Activities.

A reconciliation of consolidated segment earnings to consolidated income before provision for income taxes is shown below (in millions):

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	Three Months Ended		Nine Months Ended	
	October 1, 2011	**October 2, 2010**	**October 1, 2011**	**October 2, 2010**
Segment earnings	$ 158.5	$ 118.8	$ 577.8	$ 412.4
Interest expense	10.9	11.9	24.9	44.2
Other expense, net	8.5	3.0	5.7	1.5
Consolidated income before provision for income taxes	$ 139.1	$ 103.9	$ 547.2	$ 366.7

(15) Financial Instruments

The carrying values of the Company s debt instruments vary from their fair values. The fair values were determined by reference to the quoted market prices of these securities. As of October 1, 2011, the aggregate carrying value of the Company s Notes was $695.2 million, as compared to an estimated aggregate fair value of $742.0 million. As of December 31, 2010, the aggregate carrying value of the Company s Notes was $694.9 million, as compared to an estimated aggregate fair value of $755.6 million.

Derivative Instruments and Hedging Activities

The Company has used derivative financial instruments, including forwards, futures, options, swaps and other derivative contracts to reduce the effects of fluctuations in foreign exchange rates, interest rates and commodity prices and the resulting variability of the Company s operating results. The Company is not a party to leveraged derivatives. On the date that a derivative contract is entered into, the Company designates the derivative as either (1) a hedge of a recognized asset or liability or of an unrecognized firm commitment (a fair value hedge), (2) a hedge of a forecasted transaction or of the variability of cash flows to be received or paid related to a recognized asset or liability (a cash flow hedge) or (3) a hedge of a net investment in a foreign operation (a net investment hedge).

Foreign exchange The Company uses forward foreign exchange, futures and option contracts to reduce the effect of fluctuations in foreign exchange rates on known foreign currency exposures. Gains and losses on the derivative instruments are intended to offset gains and losses on the hedged transaction in an effort to reduce the earnings volatility resulting from fluctuations in foreign exchange rates. Currently, the principal currencies hedged by the Company include the Mexican peso, various European currencies and the Chinese renminbi. Forward foreign exchange, futures and option contracts are accounted for as cash flow hedges when the hedged item is a forecasted transaction or relates to the variability of cash flows to be received or paid. As of October 1, 2011 and December 31, 2010, contracts designated as cash flow hedges with $509.4 million and $174.7 million, respectively, of notional amount were outstanding with maturities of less than 18 months and 12 months, respectively. As of October 1, 2011 and December 31, 2010, the fair value of these contracts was approximately ($45.6) million and ($1.3) million, respectively. As of October 1, 2011 and December 31, 2010, other foreign currency derivative contracts that did not qualify for hedge accounting with $57.0 million and $140.6 million, respectively, of notional amount were outstanding. These foreign currency derivative contracts consist principally of hedges of cash transactions of up to three months, hedges of intercompany loans and hedges of certain other balance sheet exposures. As of October 1, 2011 and December 31, 2010, the fair value of these contracts was $0.7 million and $0.4 million, respectively.

The fair value of outstanding foreign currency derivative contracts and the related classification in the accompanying condensed consolidated balance sheets as of October 1, 2011 and December 31, 2010, are shown below (in millions):

	October 1,	**December 31,**

	2011	2010
Contracts qualifying for hedge accounting:		
Other current assets	$ 0.6	$ 0.2
Other current liabilities	(37.5)	(1.5)
Other long-term liabilities	(8.7)	
	(45.6)	(1.3)
Contracts not qualifying for hedge accounting:		
Other current assets	1.0	0.7
Other current liabilities	(0.3)	(0.3)
	0.7	0.4
	$ (44.9)	$ (0.9)

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Pretax amounts related to foreign currency derivative contracts that were recognized in and reclassified from accumulated other comprehensive loss are shown below (in millions):

	Three Months Ended		Nine Months Ended	
	October 1, 2011	October 2, 2010	October 1, 2011	October 2, 2010
Contracts qualifying for hedge accounting:				
Gains (losses) recognized in accumulated other comprehensive loss	$ (55.2)	$ 5.7	$ (45.8)	$ 10.5
(Gains) losses reclassified from accumulated other comprehensive loss	3.9	(2.2)	1.6	(6.8)
Comprehensive income (loss)	$ (51.3)	$ 3.5	$ (44.2)	$ 3.7

For the three and nine months ended October 1, 2011, net sales includes losses of ($0.8) million and ($1.0) million, respectively, reclassified from accumulated other comprehensive loss related to foreign currency derivative contracts. For the three and nine months ended October 1, 2011, cost of sales includes losses of ($3.1) million and ($0.6) million, respectively, reclassified from accumulated other comprehensive loss related to foreign currency derivative contracts. For the three and nine months ended October 2, 2010, net sales includes losses of ($0.5) million and ($0.2) million, respectively, reclassified from accumulated other comprehensive loss related to foreign currency derivative contracts. For the three and nine months ended October 2, 2010, cost of sales includes gains of $2.7 million and $7.0 million, respectively, reclassified from accumulated other comprehensive loss related to foreign currency derivative contracts.

Interest rate Historically, the Company used interest rate swap and other derivative contracts to manage its exposure to fluctuations in interest rates. Interest rate swap and other derivative contracts which fix the interest payments of certain variable rate debt instruments or fix the market rate component of anticipated fixed rate debt instruments were accounted for as cash flow hedges. Interest rate swap contracts which hedge the change in fair value of certain fixed rate debt instruments were accounted for as fair value hedges. As of October 1, 2011 and December 31, 2010, there were no interest rate contracts outstanding. The Company will continue to evaluate, and may use derivative financial instruments, including forwards, futures, options, swaps and other derivative contracts to manage its exposures to fluctuations in interest rates in the future.

Commodity prices The Company uses derivative instruments to reduce its exposure to fluctuations in copper prices. These derivative instruments are utilized to hedge forecasted inventory purchases and to the extent that they qualify and meet hedge accounting criteria, they are accounted for as cash flow hedges. Commodity swap contracts that are not designated as cash flow hedges are marked to market with changes in fair value recognized immediately in the condensed consolidated statements of income. See Note 9, Other Expense, Net. As of October 1, 2011, commodity swap contracts with $7.0 million of notional amount were outstanding with maturities of 12 months. As of October 1, 2011, the fair market value of these contracts was ($0.8) million. As of December 31, 2010, there were no commodity swap contracts outstanding.

The fair value of outstanding commodity swap contracts and the related classification in the accompanying condensed consolidated balance sheet as of October 1, 2011, are shown below (in millions):

	October 1, 2011
Contracts qualifying for hedge accounting:	

Other current liabilities	$	(0.8)

Pretax amounts related to commodity swap contracts that were recognized in and reclassified from accumulated other comprehensive loss are shown below (in millions):

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	October 1, 2011	
	Three Months Ended	Nine Months Ended
Contracts qualifying for hedge accounting:		
Losses recognized in accumulated other comprehensive loss	$ (0.7)	$ (0.9)
Losses reclassified from accumulated other comprehensive loss	0.1	0.1
Comprehensive loss	$ (0.6)	$ (0.8)

As of October 1, 2011 and December 31, 2010, net losses of approximately $46.4 million and $1.3 million, respectively, related to the Company s derivative instruments and hedging activities were recorded in accumulated other comprehensive loss. During the twelve month period ending October 1, 2012, the Company expects to reclassify into earnings net losses of approximately $37.7 million recorded in accumulated other comprehensive loss as of October 1, 2011. Such losses will be reclassified at the time that the underlying hedged transactions are realized. For the three and nine months ended October 1, 2011, other expense, net includes gains (losses) of ($2.1) million and $5.0 million, respectively, related to changes in the fair value of foreign currency derivative contracts that did not qualify for hedge accounting. For the three and nine months ended October 1, 2011 and October 2, 2010, other gains and losses recognized in other expense, net in the accompanying condensed consolidated statements of income related to changes in the fair value of cash flow and fair value hedges excluded from the Company s effectiveness assessments and the ineffective portion of changes in the fair value of cash flow and fair value hedges were not material.

Fair Value Measurements

GAAP provides that fair value is an exit price, defined as a market-based measurement that represents the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. Fair value measurements are based on one or more of the following three valuation techniques:

Market: This approach uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities.

Income: This approach uses valuation techniques to convert future amounts to a single present value amount based on current market expectations.

Cost: This approach is based on the amount that would be required to replace the service capacity of an asset (replacement cost).

Further, GAAP prioritizes the inputs and assumptions used in the valuation techniques described above into a three-tier fair value hierarchy as follows:

Level 1: Observable inputs, such as quoted market prices in active markets for identical assets or liabilities that are accessible at the measurement date.

Level 2: Inputs, other than quoted market prices included in Level 1, that are observable either directly or indirectly for the asset or liability.

Level 3: Unobservable inputs that reflect the entity s own assumptions about the exit price of the asset or liability. Unobservable inputs may be used if there is little or no market data for the asset or liability at the measurement date.

The Company discloses fair value measurements and the related valuation techniques and fair value hierarchy level for its assets and liabilities that are measured or disclosed at fair value.

Items measured at fair value on a recurring basis Fair value measurements and the related valuation techniques and fair value hierarchy level for the Company s assets and liabilities measured or disclosed at fair value on a recurring basis as of October 1, 2011 and December 31, 2010, are shown below (in millions):

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

	October 1, 2011					
	Frequency	Asset (Liability)	Valuation Technique	Level 1	Level 2	Level 3
Foreign currency derivative contracts	Recurring	$ (44.9)	Market/Income	$	$ (44.9)	$
Commodity swap contracts	Recurring	$ (0.8)	Market/Income	$	$ (0.8)	$

	December 31, 2010					
	Frequency	Liability	Valuation Technique	Level 1	Level 2	Level 3
Foreign currency derivative contracts	Recurring	$ (0.9)	Market/Income	$	$ (0.9)	$

The Company determines the fair value of its derivative contracts using quoted market prices to calculate the forward values and then discounts such forward values to the present value. The discount rates used are based on quoted bank deposit or swap interest rates. If a derivative contract is in a net liability position, these discount rates are adjusted by an estimate of the credit spread that would be applied by market participants purchasing these contracts from the Company s counterparties. To estimate this credit spread, the Company uses significant assumptions and factors other than quoted market rates, which would result in the classification of its derivative liabilities within Level 3 of the fair value hierarchy, to the extent that such adjustment is necessary. As of October 1, 2011 and December 31, 2010, there were no derivative contracts that were classified within Level 3 of the fair value hierarchy. In addition, there were no transfers in or out of Level 3 of the fair value hierarchy during the first half of 2011.

Items measured at fair value on a non-recurring basis The Company measures certain assets and liabilities at fair value on a non-recurring basis, which are not included in the table above. As these non-recurring fair value measurements are generally determined using unobservable inputs, these fair value measurements are classified within Level 3 of the fair value hierarchy. In the first nine months of 2011, there were no significant non-recurring fair value adjustments.

(16) Accounting Pronouncements

Goodwill Impairment

The Financial Accounting Standards Board (FASB) amended ASC 350, Intangibles Goodwill and Other, with Accounting Standards Update (ASU) 2010-28, When to Perform Step 2 of the Goodwill Impairment Test for Reporting Units with Zero or Negative Carrying Amounts. This update requires that step 2 of the goodwill impairment test (i.e., measurement and recognition of an impairment loss) be performed if a reporting unit has a carrying value equal to or less than zero and qualitative factors indicate that it is more likely than not that a goodwill impairment exists. The provisions of this update are effective for annual reporting periods beginning after December 15, 2010. The Company s annual goodwill impairment test is conducted as of the first day of its fourth quarter. The Company does not expect the effects of adoption to be significant.

The FASB amended ASC 350, Intangibles Goodwill and Other, with ASU 2011-08, Testing Goodwill for Impairment. This update provides entities with the option to perform a qualitative assessment of whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If it is more likely than not that the fair value of a reporting unit is less than its carrying amount, the two-step impairment test would be required. Otherwise, no further goodwill impairment testing would be required. The provisions of this update are effective for annual and interim testing periods beginning after December 15, 2011; however, early adoption is permitted. The Company expects to adopt the provisions of this ASU in connection with its 2011 annual goodwill impairment test, conducted as of the first day of its fourth quarter, and does not expect the effects of adoption to be significant.

Business Combinations

The FASB amended ASC 805, Business Combinations, with ASU 2010-29, Disclosure of Supplementary Pro Forma Information for Business Combinations, to, among other things, require pro forma revenue and earnings disclosures in comparative financial statements that reflect the results of operations of the acquired entity as though the business combination had occurred as of the beginning of the prior year. The provisions of this update are effective for annual reporting periods beginning after December 15, 2010. The Company will evaluate the impact of this update on material future business combinations.

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LEAR CORPORATION AND SUBSIDIARIES
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Fair Value Measurements

The FASB amended ASC 820, Fair Value Measurements, with ASU 2010-06, Improving Disclosures about Fair Value Measurements, to require additional disclosures related to activity within Level 3 of the fair value hierarchy. The provisions of this update are effective for reporting periods beginning after December 15, 2010. The effects of adoption were not significant. For further information, see Note 15, Financial Instruments.

The FASB amended ASC 820, Fair Value Measurements, with ASU 2011-04, Fair Value Measurement (Topic 820) Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs. This update provides converged guidance on how to measure fair value, which is largely consistent with existing GAAP. This update also requires additional fair value measurement disclosures. The provisions of this update are effective as of January 1, 2012. The Company is currently evaluating the impact of this update on its financial statement disclosures.

Revenue Recognition

The FASB amended ASC 605, Revenue Recognition, with ASU 2009-13, Revenue Recognition (Topic 605) Multiple-Deliverable Revenue Arrangements. If a revenue arrangement has multiple deliverables, this update requires the allocation of revenue to the separate deliverables based on relative selling prices. In addition, this update requires additional ongoing disclosures about an entity s multiple-element revenue arrangements. The provisions of this update were effective as of January 1, 2011. The effects of adoption were not significant.

Comprehensive Income

The FASB amended ASC 220, Comprehensive Income, with ASU 2001-05, Comprehensive Income (Topic 220) Presentation of Comprehensive Income, which revises the manner in which comprehensive income is presented in an entity s financial statements. This update requires the presentation of the components of comprehensive income in either a continuous statement of comprehensive income or in two separate but consecutive financial statements. The option to present comprehensive income on the statement of stockholders equity has been eliminated. The provisions of this update are effective as of January 1, 2012. The implementation of this update will have no impact on the manner in which the Company accounts for comprehensive income.

Multiemployer Pension Plans

The FASB amended ASC 715-80, Compensation Retirement Benefits Multiemployer Plans, with ASU 2011-09, Disclosures about an Employer s Participation in a Multiemployer Plan. This update requires additional qualitative and quantitative disclosures about an employer s participation in significant multiemployer plans that offer pension or other postretirement benefits. The provisions of this update are effective for annual reporting periods ending after December 15, 2011, with early adoption permitted. The Company is currently evaluating the impact of this update on its annual financial statement disclosures and does not expect the effects of adoption to be significant.

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LEAR CORPORATION AND SUBSIDIARIES
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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(17) Supplemental Guarantor Condensed Consolidating Financial Statements

	October 1, 2011				
	Lear	Guarantors	Non-guarantors	Eliminations	Consolidated
	(Unaudited; in millions)				
ASSETS					
CURRENT ASSETS:					
Cash and cash equivalents	$ 800.8	$ 0.2	$ 875.5	$	$ 1,676.5
Accounts receivable	35.5	369.1	1,677.7		2,082.3
Inventories	7.7	259.9	441.3		708.9
Other	105.9	34.5	383.6		524.0
Total current assets	949.9	663.7	3,378.1		4,991.7
LONG-TERM ASSETS:					
Property, plant and equipment, net	90.9	166.1	801.1		1,058.1
Goodwill	23.5	303.9	304.6		632.0
Investments in subsidiaries	781.8	572.4		(1,354.2)	
Other	108.9	29.4	395.8		534.1
Total long-term assets	1,005.1	1,071.8	1,501.5	(1,354.2)	2,224.2
	$ 1,955.0	$ 1,735.5	$ 4,879.6	$ (1,354.2)	$ 7,215.9
LIABILITIES AND EQUITY					
CURRENT LIABILITIES:					
Accounts payable and drafts	$ 96.9	$ 556.9	$ 1,546.0	$	$ 2,199.8
Accrued liabilities	99.1	174.4	769.3		1,042.8
Total current liabilities	196.0	731.3	2,315.3		3,242.6
LONG-TERM LIABILITIES:					
Long-term debt	695.2				695.2
Intercompany accounts, net	(1,710.9)	624.3	1,086.6		
Other	148.2	102.0	284.7		534.9
Total long-term liabilities	(867.5)	726.3	1,371.3		1,230.1
EQUITY:					
Lear Corporation stockholders equity	2,626.5	277.9	1,076.3	(1,354.2)	2,626.5
Noncontrolling interests			116.7		116.7
Equity	2,626.5	277.9	1,193.0	(1,354.2)	2,743.2

$ 1,955.0	$ 1,735.5	$ 4,879.6	$ (1,354.2)	$ 7,215.9

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

(17) Supplemental Guarantor Condensed Consolidating Financial Statements (continued)

	December 31, 2010				
	Lear	Guarantors	Non-guarantors	Eliminations	Consolidated
	(In millions)				
ASSETS					
CURRENT ASSETS:					
Cash and cash equivalents	$ 808.8	$ 0.4	$ 844.9	$	$ 1,654.1
Accounts receivable	37.1	248.4	1,472.9		1,758.4
Inventories	7.5	204.7	342.0		554.2
Other	115.5	10.5	292.8		418.8
Total current assets	968.9	464.0	2,952.6		4,385.5
LONG-TERM ASSETS:					
Property, plant and equipment, net	96.2	154.1	744.4		994.7
Goodwill	23.5	303.9	287.2		614.6
Investments in subsidiaries	599.1	651.3		(1,250.4)	
Other	194.8	33.6	397.9		626.3
Total long-term assets	913.6	1,142.9	1,429.5	(1,250.4)	2,235.6
	$ 1,882.5	$ 1,606.9	$ 4,382.1	$ (1,250.4)	$ 6,621.1
LIABILITIES AND EQUITY					
CURRENT LIABILITIES:					
Short-term borrowings	$	$	$ 4.1	$	$ 4.1
Accounts payable and drafts	97.0	395.3	1,346.1		1,838.4
Accrued liabilities	128.3	161.3	686.4		976.0
Total current liabilities	225.3	556.6	2,036.6		2,818.5
LONG-TERM LIABILITIES:					
Long-term debt	694.9				694.9
Intercompany accounts, net	(1,645.6)	553.4	1,092.2		
Other	147.7	100.2	291.0		538.9
Total long-term liabilities	(803.0)	653.6	1,383.2		1,233.8
EQUITY:					
Lear Corporation stockholders equity	2,460.2	396.7	853.7	(1,250.4)	2,460.2
Noncontrolling interests			108.6		108.6
Equity	2,460.2	396.7	962.3	(1,250.4)	2,568.8

$ 1,882.5	$ 1,606.9	$ 4,382.1	$ (1,250.4)	$ 6,621.1

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

(17) Supplemental Guarantor Condensed Consolidating Financial Statements (continued)

	For the Three Months Ended October 1, 2011				
	Lear	Guarantors	Non-guarantors	Eliminations	Consolidated
	(Unaudited; in millions)				
Net sales	$ 93.1	$ 1,340.2	$ 3,058.9	$ (1,032.2)	$ 3,460.0
Cost of sales	112.1	1,227.9	2,871.7	(1,032.2)	3,179.5
Selling, general and administrative expenses	36.7	12.5	65.7		114.9
Amortization of intangible assets	0.3	0.1	6.7		7.1
Intercompany charges	0.5	0.3	(0.8)		
Interest expense	0.5	6.4	4.0		10.9
Other intercompany (income) expense, net	(78.3)	46.9	31.4		
Other expense, net	10.8	11.6	(13.9)		8.5
Consolidated income before provision for income taxes	10.5	34.5	94.1		139.1
Provision for income taxes	4.1	(0.2)	27.1		31.0
Equity in net income of subsidiaries	(94.3)			94.3	
Consolidated net income	100.7	34.7	67.0	(94.3)	108.1
Less: Net income attributable to noncontrolling interests			7.4		7.4
Net income attributable to Lear	$ 100.7	$ 34.7	$ 59.6	$ (94.3)	$ 100.7