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Counsel to the Debtors and Debtors in Possession

**UNITED STATES BANKRUPTCY COURT  
SOUTHERN DISTRICT OF NEW YORK**

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In re:	) Chapter 11
	)
LEAR CORPORATION, <u>et al.</u> , <sup>1</sup>	) Case No. 09-14326 (ALG)
	)
Debtors.	) Jointly Administered
	)

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**DECLARATION AND EXPERT REPORT OF DURC SAVINI IN SUPPORT OF  
CONFIRMATION OF THE DEBTORS' FIRST AMENDED JOINT PLAN OF  
REORGANIZATION UNDER CHAPTER 11 OF THE BANKRUPTCY CODE**

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<sup>1</sup> The Debtors in these chapter 11 cases, along with the last four digits of each U.S. Debtors' federal tax identification number (if any), include: Lear Corporation (6776); Lear #50 Holdings, LLC (N/A); Lear Argentine Holdings Corporation #2 (7832); Lear Automotive Dearborn, Inc. (4976); Lear Automotive Manufacturing, LLC (3451); Lear Canada (5059); Lear Canada Investments Ltd. (a non-U.S. Debtor that does not maintain a U.S. Federal tax identification number); Lear Corporation (Germany) Ltd. (6716); Lear Corporation Canada Ltd. (a non-U.S. Debtor that does not maintain a U.S. Federal tax identification number); Lear Corporation EEDS and Interiors (6360); Lear Corporation Global Development, Inc. (3121); Lear EEDS Holdings, LLC (4474); Lear European Operations Corporation (8411); Lear Holdings, LLC (4476); Lear Investments Company, LLC (8771); Lear Mexican Holdings Corporation (7829); Lear Mexican Holdings, LLC (4476); Lear Mexican Seating Corporation (4599); Lear Operations Corporation (5872); Lear Seating Holdings Corp. #50 (9055); Lear South Africa Limited (a non-U.S. Debtor that does not maintain a U.S. Federal tax identification number); Lear South American Holdings Corporation (1365); Lear Trim L.P. (8386); and Renosol Seating, LLC (4745). The location of the Debtors' corporate headquarters and the service address for all of the Debtors is: 21557 Telegraph Road, Southfield, Michigan 48033.



I, Durc Savini, declare as follows under penalty of perjury under 28 U.S.C. § 1746:

1. I am a Managing Director of Miller Buckfire & Co., LLC, (“Miller Buckfire”), investment bankers to the above-captioned debtors (collectively, the “Debtors”) in these proceedings. I submit this declaration and expert report (this “Declaration”) in support of the *Debtors’ Memorandum of Law (A) in Support of Confirmation of the Debtors’ First Amended Joint Plan of Reorganization Under Chapter 11 of the Bankruptcy Code and (B) in Response to Objections Thereto* and in support of confirmation of the *Debtors’ First Amended Joint Plan of Reorganization Under Chapter 11 of the Bankruptcy Code* [Docket No. 633] (the “Plan”). All facts set forth in this Declaration are based upon my personal knowledge, information supplied to me by the Debtors and other parties in interest, my review of relevant documents and my education and experience. If I am called upon to testify, I can and will testify competently to the facts set forth herein.

## **I. Qualifications**

2. I received a Bachelor of Arts degree in Economics from Columbia University. I also received a Masters of Business Administration degree, with concentrations in finance and accounting, from the University of Chicago Graduate School of Business.

3. I started my career in investment banking in the automotive and leveraged finance groups at CIBC Wood Gundy Securities. I then moved to Bear Stearns & Co., Inc. where I represented numerous companies in the automotive supplier, telecommunication, biopharmaceutical, food, consumer products, chemical, business outsourcing and building products industries. In 1999, after leaving Bear Stearns, I joined the financial restructuring group of Wasserstein Perella, a predecessor of Miller Buckfire.

4. I have been with Miller Buckfire and its predecessors for approximately 10 years, working on financial restructurings of automotive parts suppliers, as well as financial

restructurings of companies in various other industries. In addition to working with the Debtors in the above-captioned cases, my automotive parts supplier advisory engagements have included engagements with the following companies:

- Allied Holdings;
- Bluewater Automotive Systems;
- Breed Technologies;
- Cambridge Industries;
- Citation Corporation;
- Dana Corporation;
- Dura Automotive Systems, Inc.;
- EaglePicher Holdings;
- JL French Automotive Castings, Inc.; and
- Oxford Automotive.

5. Non-automotive related advisory clients have included, among others, Avado Brands, IMPATH Inc., Burlington Industries, CenterPoint Energy, Sunbeam Corporation, Polaroid Corporation, Railworks Corporation and Favorite Brands International.

6. My expertise is in advising clients regarding financial restructurings in general, and those in the automotive industry in particular. I routinely assist my clients in addressing financial challenges inside and outside of the bankruptcy process. In that process, one of the tasks that I am frequently asked to perform is valuing going-concern business enterprises. I am the chairman of Miller Buckfire's Valuation Committee, and I have participated in numerous industry panel presentations on valuation and other related topics. I am a member of the American Bankruptcy Institute, the Turnaround Management Association and the Original

Equipment Supplier Association. I am also a member of the board of the Association of Insolvency & Restructuring Advisors.

7. My training and experience qualifies me to perform valuation analyses and testify as an expert thereon. I have performed valuation analyses and provided testimony in connection therewith for a number of other companies mentioned above, including:

- Avado Brands;
- Breed Technologies;
- Citation Corporation;
- Dura Automotive Systems, Inc.;
- JL French Automotive Castings Corp.; and
- Sunbeam Corporation.

8. I have also been qualified and have testified as an expert in the area of investment banking in a number of cases.

## **II. Background**

9. On December 16, 2008, pursuant to an engagement letter subsequently amended on July 1, 2009, the Debtors retained Miller Buckfire to serve as their investment banker and financial advisor in connection with their restructuring efforts. Since that time, Miller Buckfire has, among other tasks: (a) reviewed and analyzed the Debtors' business, operations and financial projections; (b) assisted the Debtors in the months leading up to the Petition Date in evaluating strategic alternatives, including identification of potential alternative financing sources; (c) provided financial and valuation advice and assistance to the Debtors in developing and seeking approval of the Plan; (d) assisted the Debtors in structuring new securities to be issued under the Plan; (e) conducted a marketing process for the Debtors' convertible debtor-in-possession ("DIP") financing facility; and (f) structured and led negotiations with parties in

interest in the Chapter 11 Cases with the goal of a smooth and largely consensual restructuring process.

10. During that time, Miller Buckfire developed a great deal of institutional knowledge regarding the Debtors' finances, operations and systems. It has also become intimately familiar with the Debtors' restructuring initiatives.

### **III. Development of and Negotiations Regarding the Plan**

11. Prior to commencing these chapter 11 cases (collectively, the "Chapter 11 Cases") on July 7, 2009 (the "Petition Date"), the Debtors recognized that any restructuring of their capital structure would likely involve a significant reduction in funded debt levels. During discussions with their prepetition senior lenders and noteholders, the Debtors concluded that in light of the Debtors' over-leveraged balance sheet, declining global automotive production volumes and the Debtors' anticipated 2010 and 2011 cash flow requirements, restructuring the Debtors' balance sheet was in the best long-term interests of the Debtors and their creditors. In addition, the Debtors and all parties in interest understood that any in-court restructuring under the chapter 11 of the Bankruptcy Code, 11 U.S.C. § 101–1532 (the "Bankruptcy Code"), would need to progress swiftly to allow the Debtors to emerge quickly from chapter 11, resume normal-course operations and maintain its value as a going concern.

12. As with any restructuring negotiation, the question of value was central. The Debtors and Miller Buckfire engaged in substantial negotiations with the agent for the Debtors' prepetition senior lenders and an ad hoc committee of noteholders and, through these negotiations, developed a framework for the distribution of value between the Debtors' prepetition secured and unsecured creditors. As is often the case, the senior lenders and the noteholders disagreed on value. One of the virtues of the settlement is an avoidance of the delay, expense and business risk of a valuation contest. Ultimately, the Debtors and those lenders and

noteholders party to the Plan Support Agreements (as defined below) agreed, for settlement purposes, upon a distributable value of \$3.054 billion for the reorganized Debtors' businesses.

13. To that end, after weeks of extensive negotiations, the Debtors commenced these chapter 11 cases with a prearranged plan of reorganization term sheet supported by 68 percent of their prepetition secured lenders (the senior impaired class under the plan term sheet) and a majority of the Debtors' noteholders. To evidence their support of the Debtors' restructuring plan, prior to the Petition Date, these parties executed plan support agreements (collectively, the "Plan Support Agreements"), attached to which was a term sheet setting forth the terms of the Debtors' chapter 11 plan (the "Plan Term Sheet").

14. Since the Petition Date, the Debtors have continued to negotiate with all parties in interest, including, in addition to the agent to the Debtors' prepetition senior lenders and an ad hoc committee of noteholders, the official committee of unsecured creditors to ensure the expeditious filing of a chapter 11 plan consistent with the bargain struck by the parties prior to the Petition Date. The Debtors have negotiated a broad base of consensus in the Chapter 11 Cases, and all major parties in interest support the Plan.

15. On September 18, 2009, the Debtors filed the Plan. The Debtors' Plan conforms to the terms of their prepetition chapter 11 plan term sheet and provides for a comprehensive balance sheet restructuring. Confirmation and consummation of the Plan will allow the Debtors to remain a viable, competitive business going forward with a financially sound capital structure. The Plan also provides that the Debtors' trade creditors will be paid in full. The Debtors believe that such payment will allow them to continue operations with minimal disruption and preserve enterprise value for the benefit of the Debtors' estates and creditors.

16. On September 18, 2009, the Court held a hearing to approve the disclosure statement related to the Plan [Docket No. 634] (the “Disclosure Statement”) and entered an order approving the Disclosure Statement and certain dates and procedures regarding solicitation of acceptance of the Plan [Docket No. 631] (the “Disclosure Statement Order”). On or about September 25, 2009, the Debtors commenced solicitation of acceptance of the Plan. Pursuant to the Disclosure Statement Order, the Court has scheduled November 5, 2009, as the date of a hearing on confirmation of the Plan.

#### **IV. Negotiated Valuation**

17. Prior to the Petition Date, the Debtors and Miller Buckfire assessed the value of the Debtors’ businesses to establish a framework for negotiating the distribution of estate value between the Debtors’ prepetition secured and unsecured creditors. The analysis was prepared, in part, by using the Debtors’ post-emergence operating performance projections (which assume, among other things, a return to more normalized light vehicle production levels) and estimated enterprise value multiples. The Debtors and Miller Buckfire presented their analysis to the steering committees of the Debtors’ prepetition senior lenders and of the Debtors’ noteholders. In addition to this analysis, the Debtors and Miller Buckfire provided additional substantial operational and financial information to the lender and noteholder steering committees. With this information, advisors for certain lenders and noteholders, representing in excess of 75 sophisticated financial institutions that are familiar with the Debtors’ operations and the automotive supplier industry, proceeded to conduct their own analyses regarding the amount and distribution of value.

18. After substantial negotiations, the Debtors and the lenders and noteholders party to the Plan Support Agreements agreed upon a distributable value for the reorganized Debtors’ businesses of approximately \$3.054 billion as of an assumed effective date of December 31,

2009, implying an equity value of approximately \$1.909 billion, as set forth below, prior to the Excess Cash Paydown (as defined in the Plan).

	<u>As provided in Disclosure Statement</u>
Distributable Value <sup>2</sup> .....	\$3.054 billion
Less: Post-Emergence Debt .....	<u>\$1.145 billion<sup>3</sup></u>
New Equity Value.....	\$1.909 billion

19. As part of the prepetition discussions regarding the Plan Term Sheet, I understand that the lenders and noteholders party to the Plan Support Agreements evaluated whether the reorganized Debtors reasonably would be expected to have greater than \$1.0 billion of minimum liquidity upon emergence from chapter 11. I also understand that these parties ultimately agreed upon an excess cash paydown mechanism by which any liquidity in excess of \$1.0 billion would be used to pay down a certain amount of the preferred stock, the new term loans and the exit financing facility. Pursuant to the Excess Cash Paydown, if the reorganized Debtors have minimum liquidity in excess of \$1.0 billion, and provided that at least \$800 million of such amount consists of cash and cash equivalents, the reorganized Debtors shall (a) first, redeem the preferred stock issued under the Plan in an aggregated stated value of up to \$50 million, (b) second, prepay the new term loans established in accordance with the Plan in an aggregate amount of up to \$50 million and (c) third, prepay the loans under the exit financing facility. Based upon recent discussions with the Debtors' management, I believe that, on the effective date, the Excess Cash Paydown will reduce the amount of previously anticipated post-emergence preferred stock and debt by \$200 million to \$300 million.

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<sup>2</sup> Distributable Value represents the value used for purposes of determining equity distributions and recoveries under the Plan to the Debtors' creditors, which value was agreed upon in connection with the Plan Term Sheet.

<sup>3</sup> The \$1.145 billion of post-emergence debt set forth above did not assume that the reorganized Debtors would have minimum liquidity in excess of the \$1.0 billion threshold for the Excess Cash Paydown provided in the Plan as of the effective date of the Plan.

## V. Valuation Analysis

20. After the negotiations that preceded the commencement of the Chapter 11 Cases and the Petition Date, in conjunction with negotiating and finalizing the Plan, the Debtors determined that it was appropriate to prepare a formal estimate of the going-concern value of the reorganized Debtors. At the Debtors' direction, Miller Buckfire prepared such a valuation analysis and estimated the distributable value of the reorganized Debtors' businesses as summarized below, assuming an Effective Date of December 31, 2009.

	(\$ in Billions)		
	Low	Mid	High
Distributable Value	\$2.85	\$3.13	\$3.41
Less: Post-Emergence Debt	0.91	0.91	0.91
New Equity Value	\$1.94	\$2.22	\$2.50

21. The estimated distributable value was calculated as the sum of the estimated total enterprise value of the reorganized Debtors' businesses and the estimated operating cash at exit. The midpoint of the estimated distributable value range is roughly equivalent to the negotiated distributable value in the Plan and validates and supports the negotiated distributable value utilized to describe creditor recoveries in the Plan. The range of equity value, which takes into account the distributable value less the estimated post-emergence debt outstanding as of the effective date, was estimated by Miller Buckfire to be between approximately \$1.94 billion and \$2.50 billion, with a mid-point of approximately \$2.22 billion. The estimated post-emergence debt of approximately \$0.91 billion assumes the Debtors apply approximately \$300 million toward the Excess Cash Paydown described above.<sup>4</sup> Notably, the estimated Excess Cash Paydown of \$300 million does not affect the range of new equity value. All of these values are

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<sup>4</sup> As set forth in the Plan, Minimum Liquidity (as defined in the Plan) excludes cash reserved pursuant to the Net Working Capital Adjustment (as defined in the Plan).

based upon information available to, and analyses undertaken by, Miller Buckfire as of October 2009. The estimated total distributable value of the reorganized Debtors reflects, among other factors, the Debtors' income statements and balance sheets, current financial market conditions and the inherent uncertainty as to the achievement of the Debtors' projected future financial performance.

22. In preparing the estimated total distributable value of the reorganized Debtors' businesses, Miller Buckfire: (a) reviewed certain historical financial information of the Debtors for recent years and interim periods; (b) discussed the Debtors' operations and future prospects with certain members of senior management of the Debtors; (c) reviewed publicly available financial data and considered the market values of public companies deemed generally comparable to the operating businesses of the Debtors; (d) considered certain economic and industry information relevant to the Debtors' operating businesses; (e) reviewed certain analyses prepared by other firms retained by the Debtors; and (f) conducted such other analyses as Miller Buckfire deemed appropriate. Although Miller Buckfire conducted a review and analysis of the Debtors' businesses, operating assets and liabilities, and business plans, Miller Buckfire relied—as is standard practice—on the accuracy and completeness of all financial and other information furnished to it by the Debtors and by other firms retained by the Debtors and publicly available information. Again as is typical, no independent evaluations or appraisals of the Debtors' assets were sought or were obtained in connection therewith.

23. The valuation of newly issued securities is subject to additional uncertainties and contingencies, all of which are difficult to predict. Actual market prices of such securities at issuance will depend upon, among other things, prevailing interest rates, conditions in the financial markets, the anticipated initial securities holdings of prepetition creditors, some of

which may prefer to liquidate their investment rather than hold it on a long term basis and other factors that generally influence the prices of securities. Actual market prices of such securities also may be affected by the Chapter 11 Cases or by other factors not possible to predict. Because of these considerations, the values estimated by Miller Buckfire do not necessarily reflect, and should not be construed as reflecting, trading values that will be attained in the public or private markets. Such trading values may be materially different from the value ranges associated with Miller Buckfire's valuation analysis.

24. In sum, the valuation analysis represents estimates of the value of the reorganized Debtors and is inherently uncertain. The valuation reflects a number of assumptions, including a return to more normalized light vehicle production and sales, a successful reorganization of the Debtors' businesses and finances in a timely manner, achieving the forecasts reflected in the financial projections, the amount of available cash, market conditions and the Plan becoming effective in accordance with its terms. That said, I believe that these assumptions were reasonable and appropriate. The valuation analyses employed the generally accepted valuation methodologies and techniques described below, and I believe that the results present a reasonable range of valuations of the reorganized Debtors. I also believe that the negotiated value described above is well within this reasonable range of values.

## **VI. Valuation Methodology**

25. In performing this analysis, Miller Buckfire used the discounted cash flow ("DCF") and comparable public companies trading multiples methodologies. These are standard and generally accepted valuation methodologies typically employed by professionals in my field, and I have used them many times in the past. The DCF methodology derives an estimated enterprise value based on the present value of the reorganized Debtors' projected unlevered free cash flows. The comparable public companies methodology derives an estimated enterprise

value through the application of trading multiples of public companies with generally similar business lines, operating characteristics and geographic footprints to those of the Debtors.

**A. Discounted Cash Flow Analysis**

26. The Debtors and Miller Buckfire used the DCF methodology to estimate the enterprise value of the reorganized Debtors' businesses. The DCF of an enterprise represents the present value of unleveraged, after-tax cash flows available to all providers of capital using an appropriate set of discount rates. The DCF approach takes into account the projected operating cash flows of the subject company by using company projections as the basis for the financial model. The underlying concept of the DCF approach is that debt-free, after-tax cash flows are estimated for a projection period and a terminal value is estimated to determine the going concern value of the subject company from the end of the projection period forward. These cash flows are then discounted to an assumed effective date of December 31, 2009 using an estimated weighted average cost of capital (the "WACC") for the reorganized Debtors. The WACC was determined using a range of estimated costs of equity and costs of debt for the reorganized Debtors' businesses. The estimated cost of equity was determined using the capital asset pricing model, and the estimated cost of debt takes into account the reorganized Debtors' post-emergence capital structure and an estimated tax rate.

**B. Comparable Public Companies Analysis**

27. In a comparable public company analysis, a subject company is valued by comparing it with publicly held companies in reasonably similar lines of business. As described above, in selecting comparable public companies, the Debtors and Miller Buckfire evaluated large-cap, multi-national tier I automotive suppliers based on the following factors: similarity of product offering, size, geographic footprint and customer base. The nine comparable companies

selected by Miller Buckfire have business characteristics that are generally similar to those of the Debtors.

28. The price that an investor is willing to pay in the public markets for each company's publicly traded securities reflects that company's current and future prospects. The analysis entailed comparing the public market implied enterprise value (*i.e.*, the market value of equity plus market value of debt, book value of preferred stock and minority interest minus cash) for each of the comparable public companies to their projected EBITDA. The calculated range of multiples for the comparable companies was used to estimate a reference range of multiples for the reorganized Debtors. The reference range of multiples was then applied to the Debtors' projected EBITDA to determine a range of enterprise values for the reorganized Debtors.

## **VII. Valuation of the Reorganized Debtors**

29. As noted above, the Debtors and Miller Buckfire made certain assumptions in connection with their valuation analysis. Based upon these assumptions, the analyses detailed above, other matters considered and the limits of review and certainty discussed above, I believe that the negotiated distributable value of \$3.054 billion used in the Disclosure Statement to describe recoveries was well within the range of valuation of the reorganized Debtors as described above. Accordingly, I believe that the recoveries under the Plan comport with a reasonable and appropriate estimate of the distributable value of the reorganized Debtors.

30. Notably, I believe that, Lear Corporation's prepetition common equity holders would not receive any recovery under any reasonable valuation of the reorganized Debtors. Indeed, the high end of Miller Buckfire's estimated valuation range falls significantly below a level that would provide any recovery to such equity holders.

Pursuant to 28 U.S.C. § 1746, I declare under penalty of perjury that the foregoing is true and correct.

Dated: November 2, 2009

*/s/ Durc Savini*

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Name: Durc Savini  
Title: Managing Director  
Miller Buckfire & Co., LLC