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DANA CORPORATION - FORM 10-K
FOR THE YEAR ENDED DECEMBER 31, 1997

10-K Pages

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PART I

ITEM I - BUSINESS

Dana Corporation, Incorporated in 1905, is a global leader in the engineering, manufacturing and distribution of components and systems for worldwide vehicular and industrial manufacturers. Dana also owns Dana Credit Corporation (DCC), a leading provider of lease financing services in certain markets.

Dana's Vehicular segment is comprised of components and parts used on light, medium and heavy trucks, sport utility vehicles, trailers, vans and automobiles. The Company's products include components for drivetrain systems, such as axles and driveshafts; engine parts, such as gaskets and sealing systems, piston rings, and filtration products; structural components, such as vehicular frames, engine cradles and rails; and chassis products, such as steering and suspension components. In 1997, sales from this segment accounted for 76% of Dana's sales.

The Company's Industrial segment products are used in off-highway vehicle and stationary equipment applications. These products include components for industrial power transmission products, such as electrical and mechanical brakes and clutches, drives and motion control devices and fluid power systems, such as pumps, cylinders and control valves. Sales from this segment amounted to 24% of the Company's 1997 sales.

Dana's Lease Financing segment is almost exclusively comprised of the operations of DCC which offers lease financing services in the form of capital markets specialized lease transactions worldwide and customized equipment financing programs in the United States (U.S.), Canada, the United Kingdom and continental Europe. The revenue derived from such services is included in Revenue from Lease Financing and Other Income in Dana's financial statements and is not considered a component of net sales.

"Note 16. Business Segments" at pages 34 - 36 of Dana's 1997 Annual Report is incorporated herein by reference.

GEOGRAPHICAL AREAS

The Company maintains four regional structures - North America, Europe, South America and Asia/Pacific - to facilitate financial and statutory reporting and tax compliance on a worldwide basis. The regional structures also provide administrative support to the six Strategic Business Units (SBUs) - Automotive Components, Engine Components, Heavy Truck Components, Industrial Components, Off-Highway Components and Leasing Services - established in 1997 to better serve Dana's global markets.

The Company's operations are located in the following countries:

North America	Europe	South America	Asia/Pacific		
-----	-----	-----	-----		
Canada	Austria	Poland	Argentina	Australia	Malaysia
Mexico	Belgium	Spain	Brazil	China	Singapore
United States	France	Sweden	Colombia	Hong Kong	Taiwan
	Germany	Switzerland	Uruguay	Japan	Thailand
	India	United Kingdom	Venezuela	Korea	New Zealand
	Italy	Netherlands			

Dana's international subsidiaries and affiliates manufacture and sell a number of vehicular and industrial products which are similar to those produced by Dana in the U.S. In addition to normal business risks, operations outside the U.S. are subject to other risks including, among others, changing political, economic and social environments, changing governmental laws and regulations, currency revaluations and market fluctuations.

Consolidated international sales were \$2.3 billion, or 28% of the Company's 1997 sales. Including U.S. exports of \$697 million, international sales accounted for 36% of 1997 consolidated sales. International operating income was \$109 million, or 17% of consolidated 1997 operating income. In addition, there was \$27 million of equity in earnings of international affiliates in 1997.

"Note 6. International Operations" at page 30 of Dana's 1997 Annual Report is incorporated herein by reference. See also "Note 16. Business Segments" at pages 34-36 of Dana's 1997 Annual Report.

MARKETS

During the past three years, Dana's sales to Vehicular and Industrial original equipment (OE) manufacturers and the related service parts markets were as follows:

	Market Analysis by Business Segment*		
	Percentage of Consolidated Sales		
	1995	1996	1997
Vehicular Products-			
OE Manufacturers	58%	58%	58%
Service Parts	22%	22%	18%
Total	80%	80%	76%
Industrial Products-			
OE Manufacturers	10%	10%	14%
Service parts	10%	10%	10%
Total	20%	20%	24%

*Note: End use of products is not always identifiable but these are reasonable estimates derived from expected customer usages.

Sales in the Lease Financing segment consisted of real estate sales and did not exceed 1% of consolidated sales for 1995, 1996 or 1997. Lease financing revenues (amounting to less than 5% of Dana's consolidated 1997 total revenues) have been excluded from this market analysis.

CUSTOMER DEPENDENCE

The Company has thousands of customers around the world and has developed long-standing business relationships with many of these customers. The Company's attention to cost, as well as quality, delivery and service, has been recognized by numerous customers who have awarded the Company supplier quality awards. Ford Motor Company (Ford) and Chrysler Corporation (Chrysler) were the only customers accounting for more than 10% of the Company's consolidated sales in 1997. The Company has been supplying product to Ford, Chrysler and their subsidiaries for many years. Sales to Ford, as a percentage of the Company's sales, were 17%, 16% and 17% in 1995, 1996 and 1997, respectively. Sales to Chrysler, as a percentage of sales, were 13%, 14% and 14% in 1995, 1996 and 1997, respectively. Loss of all or a substantial portion of the Company's sales to Ford, Chrysler or other large volume customers would have a significant adverse effect on the Company's financial results until this lost sales volume could be replaced.

PRODUCTS

The major groups of products within the Vehicular segment are as follows:

Types of Products -----	Major Product Groups - Vehicular Segment Percentage of Consolidated Sales		
	1995 ----	1996 ----	1997 ----
Vehicular products for highway vehicles, primarily trucks			
Front and rear axles	30%	30%	29%
Engine parts and accessories	13%	12%	15%
Driveshafts and universal joints	10%	11%	12%
Frames and other structural components	8%	9%	10%
Other Vehicular products	19%	18%	10%
	--	--	--
Total	80%	80%	76%

No product or product group within the Industrial or Lease Financing segments exceeded 10% of consolidated sales during these periods.

MATERIAL SOURCE AND SUPPLY

Most raw materials (such as steel) and semi-processed or finished items (such as forgings and castings) are purchased from long-term suppliers located within the geographic regions of the Dana operating units. Generally, these materials are available from numerous sources in quantities needed by the Company. Temporary shortages of a particular material or part occasionally occur, but the overall availability of materials is not considered to be a significant risk factor by the Company.

SEASONALITY

Dana's businesses are not considered to be seasonal, but the OE vehicular businesses are closely related to the vehicle manufacturers' production schedules.

BACKLOG

The majority of Dana's products are not on a backlog status. They are produced from readily available materials and have a relatively short manufacturing cycle. Each operating unit of the Company maintains its own inventories and production schedules, and many products are available from more than one facility. Production capacity is adequate to handle current requirements; anticipated growth in Dana's product lines is regularly reviewed to determine when additional capacity may be needed.

COMPETITION

In its Vehicular and Industrial segments, the Company competes worldwide with a number of other manufacturers and distributors which produce and sell similar products. These competitors include vertically-integrated units of the Company's major vehicular OE customers and a number of independent U.S. and international suppliers. The Company's traditional U.S. OE customers, in response to substantial international competition in the past few years, have expanded their worldwide sourcing of components while reducing their overall number of suppliers. The Company has established operations throughout the world to enable Dana to be a strong global supplier of its core products.

In the Lease Financing segment, the Company's primary focus is on leasing activities. The Company's competitors include national and regional leasing and finance organizations.

STRATEGY

The Company is actively pursuing two broad strategies, focused around Dana's six customer and market-focused, global SBUs.

The first strategy is to significantly reduce the effects of the economic cycle by diversifying the Company's products and reducing its dependence on highway vehicle OE production. Dana's long-term goal is to obtain 50% of sales from highway vehicle OE customers and 50% from distribution, off-highway, service and industrial markets. In 1997, sales from highway vehicle OE customers were 58% of Dana's total, while distribution, off-highway, service and industrial sales were 42%. The Company continues to seek expansion in its off-highway and distribution businesses by increasing market penetration and broadening its product offerings through internal growth and acquisition.

The second strategy focuses on obtaining a balance between U.S. and international sales. Dana has well-defined regional organizations in North America, South America, Europe and Asia/Pacific in support of this initiative. In 1997, international sales, including exports from the U.S., totaled 36% of consolidated sales. The Company's long-term goal is to derive 50% of its sales (including exports) from customers outside the U.S. Although this strategy is subject to certain risks, the Company believes broadening its sales base will enable it to offset effects of economic downturns in specific countries, source materials from the areas of the world which offer the lowest cost, and provide access to markets which have the greatest growth potential. To accomplish this objective, the Company is focusing on meeting OE customers' needs in each of the local markets in which those customers operate, both through exports and by locating manufacturing or assembly facilities in markets where key OE customers have assembly plants.

As part of the continuing efforts to focus on its core businesses, the Company in 1997 announced or completed nine divestitures of businesses with annual sales of nearly \$900 million. The Company also completed the acquisitions of the piston ring and cylinder liner operations of SPX Corporation and the assets of Clark-Hurth Components from Ingersoll-Rand. The Company also announced the acquisition of the global axle and brake business of Eaton Corporation which was completed in January 1998. Refer to "Note 21, Acquisitions" for additional information related to these activities.

PATENTS AND TRADEMARKS

Dana's proprietary drivetrain, engine parts, chassis, structural components, fluid power systems, and industrial power transmission product lines have strong identities in the Vehicular and Industrial markets which Dana serves. Throughout these product lines, Dana also owns or is licensed to manufacture and sell its products under a number of patents and licenses, which have been obtained over a period of years and expire at various times, Dana considers each of them to be of value and aggressively protects its rights throughout the world against infringement. Because the Company is involved with many product lines, the loss or expiration of any particular patent or license would not materially affect the sales and profits of the Company.

Dana owns numerous trademarks which are registered in many countries enabling Dana to market its products worldwide. The Dana(R), Spicer(R), Parish(R), Perfect Circle(R), Victor Reinz(R), Wix(R), Weatherhead(R), Warner Electric(R) and Gresen(R) trademarks, among others, are widely recognized in their respective industries.

RESEARCH AND DEVELOPMENT

Dana's facilities engage in engineering, research and development, and quality control activities to improve the reliability, performance and cost-effectiveness of Dana's products and to design and develop new products for existing and anticipated applications. The Company employs advanced technology and methods to achieve these improvements. To promote efficiency and reduce development costs, Dana's research and engineering people work closely with OE manufacturing customers on special products and systems designs. Dana's consolidated worldwide expenditures for engineering, research and development, and quality control programs were \$149 million in 1995, \$164 million in 1996 and \$193 million in 1997.

EMPLOYMENT

Dana's worldwide employment (including consolidated subsidiaries) was approximately 47,900 at December 31, 1997.

ENVIRONMENTAL COMPLIANCE

The Company makes capital expenditures in the normal course of business, as necessary to ensure that its facilities are in compliance with applicable environmental laws and regulations. Costs of environmental compliance did not have a materially adverse effect on the Company's capital expenditures, earnings or competitive position in 1997, and the Company currently does not anticipate future environmental compliance costs will be material. "Environmental Compliance and Remediation" under "Note 1. Summary of Significant Accounting Policies" on page 28 of Dana's 1997 Annual Report is incorporated herein by reference.

EXECUTIVE OFFICERS OF THE REGISTRANT

The Company's executive officers and their ages, present positions and other positions within the past five years are as follows. Except as otherwise indicated, all positions are with Dana. The first five officers listed are the members of Dana's Policy Committee.

Name and Age -----	Present Position(s) with the Registrant -----	Other Positions During the Past 5 Years -----
S. J. Morcott (59)	Chairman of the Board of Directors since 1990; Chief Executive Officer since 1989	Chief Operating Officer, 1986-97; President, 1986-95; Director since 1985; Chairman of the Board of Hayes-Dana Inc., 1987-95 (1)
J. M. Magliochetti (55)	Chief Operating Officer since 1997; Director and President since 1996	President - Dana North American Operations, 1992-95
J. S. Simpson (56)	Chief Financial Officer since 1997; Vice President of Finance since 1996	Treasurer, 1996-97; President - Dana Asia Pacific Operations, 1992-95
W. J. Carroll (53)	President - Automotive Components Group since 1997	President - Diversified Products & Distribution, 1996-97; President - Dana Distribution Service Group, 1995-97; President - DTF Trucking, 1985-97; Chairman of the Board of Dana Canada Inc., 1995-97; President of Dana Canada Inc., 1993-97 (1)
M. A. Franklin, III (50)	President - Dana International since 1997	President - Dana Europe, 1993-97
R. L. Clayton (37)	Vice President - Heavy Truck Components Group since 1997	Vice President and General Manager - Spicer Heavy Axle & Brake Division, 1996-97; General Manager - Spicer Clutch Division, 1995-96; Director of Planning and Development - Reinz-Dichtungs GmbH, 1993-95 (2)
B. N. Cole (55)	President - Off-Highway Components Group since 1997	President - Structural Components Group, 1995-97; Vice President - Heavy Vehicle - Dana North American Operations, 1991-95
T. A. Dattilo (46)	Vice President - Sealing Products and Distribution since January 1998	President - Victor Products Division, 1993-97
C. J. Eterovic (63)	President - Dana South America since 1993	
H.E. Ferreira (58)	Vice President- Engine Products since 1996	Group Vice President - Perfect Circle Engine Products Group, 1995-96; Vice President, Mercosur-Dana South America, 1994-95; Chairman - Administration Council of Albarus S.A., 1992-95 (3)

Name and Age -----	Present Position(s) with the Registrant -----	Other Positions During the Past 5 Years -----
R. B. Forde (61)	Vice President - Marketing - Engine Components Group since January 1998	Group Vice President - Wix Filtration Products Group, 1995-97; Vice President and General Manager - Wix Division, 1987-95
M. F. Greene (49)	Vice President - Structural Products since 1997	Group Vice President - Parish Structural Components Group, 1997; Vice President and General Manager - Parish Light Vehicle Structures Division, 1991-97
F. J. Hawes (51)	Controllor - North American Operations since 1996	Vice President and Corporate Controllor - Dana Canada, Inc., 1995-96; Corporate Controllor - Hayes-Dana Inc., 1992-95 (1)
C. F. Heine (45)	President - Dana Asia Pacific since 1996	Vice President - Asia Pacific Operations, 1995; General Manager - Spicer Off-Highway Axle Division, 1993-94
C. W. Hinde (59)	Vice President and Chief Accounting Officer since 1992; Assistant Treasurer since 1986	
J. M. Laisure (46)	Vice President - Modular Systems since 1997	Group Vice President - Spicer Modular Systems Group, 1994-97; Vice President and General Manager - Spicer Transmission Division, 1991-94
W. M. Lasky (50)	Vice President - Filtration Products since January 1998	Vice President and General Manager - Wix Filtration Products Division, 1995-97; Vice President and General Manager - Spicer Clutch Division, 1993-95
C. J. McNamara (59)	President - Engine Components Group since 1997	President - Victor Reinz Sealing Products Group, 1995-97; Vice President - Automotive - Dana North American Operations, 1993-95
J. I. Melgar (50)	Vice President - Driveshaft Products since 1997	Executive President - Metalmeccanica Consolidada, C.A., 1993-97 (4)
E. Mendoza (60)	Chairman- Spicer, S.A. since 1994(5)	General Director - Spicer, S.A., 1981-93(5)
W. L. Myers (57)	President - Automotive Axle Products since 1997	President - Spicer Driveshaft Group 1995-97; Vice President and General Manager - Spicer Driveshaft Division, 1986-95
K. A. Nitsch (47)	President - Dana Europe since 1997	Vice President and General Manager - Dana World Trade, 1996-97; General Manager - Dana World Trade, 1994-96; Director - Dana World Trade, 1991-94
A. G. Paton (50)	Vice President - Treasurer since 1997	Vice President - Corporate Planning, 1995-97; Senior Vice President - Finance and Corporate Secretary, Hayes-Dana Inc., 1995; Vice President - Finance, Hayes-Dana Inc., 1987-95 (1)

Name and Age -----	Present Position(s) with the Registrant -----	Other Positions During the Past 5 Years -----
M. A. Plumley (47)	Vice President - Industrial Components Group since 1997	Group Vice President - Dana Industrial 1996- 97; General Manager - Plumley Companies, Inc., 1995-96; Chairman and Chief Executive Officer - Plumley Companies, Inc., 1988-95 (6)
J. H. Reed (65)	Vice President - Manufacturing since 1997	President - Spicer Axle Group, 1995-97; President - Light Truck Dana North American Operations, 1995-97; Vice President - Light Vehicle Dana North American Operations, 1992-95; President and General Manager - Spicer Axle Division, 1991-95
R. C. Richter (46)	Vice President - Administration since 1997	General Manager - Perfect Circle Sealed Power Europe, 1997; Vice President and General Manager - Perfect Circle Europe, 1994-97; Dana Corporate Controller, 1989-94; Dana Vice President - Administration, 1987-94
A. J. Shelbourn (52)	President - Dana World Trade since January 1998	Group Vice President - Dana Distribution, North American Operations, 1996-97; Vice President and General Manager - Dana Distribution U.K., 1994-96; General Manager - Dana Distribution U.K., 1991-94
E. J. Shultz (53)	Chairman and President - Dana Credit Corporation since 1995	President - Lease Financing, 1994-95; President - Financial Services, 1990-94
M. J. Strobel (57)	Vice President since 1976; General Counsel since 1970; and Secretary since 1982	
J. H. Woodward, Jr. (45)	Vice President and Corporate Controller since 1996	Controller - Dana North American Operations, 1994-96; Division Controller - Spicer Heavy Axle & Brake Division, 1992-94

Notes:

- (1) Hayes-Dana Inc., formerly a majority-owned Dana subsidiary located in Canada, is now a wholly-owned subsidiary and has been renamed Dana Canada Inc.
- (2) Reinz-Dichtungs GmbH is a wholly-owned Dana subsidiary located in Germany.
- (3) Albarus S.A. is a majority-owned Dana subsidiary located in Brazil.
- (4) Metalmeccanica Consolidada, C.A. is a Dana affiliate located in Venezuela.
- (5) Spicer, S.A. is a Dana affiliate located in Mexico.
- (6) Plumley Companies, Inc., formerly a wholly-owned Dana subsidiary located in the U.S., is now a Dana division.

The Company's officers are elected annually by the Board of Directors at its first meeting after the Annual Meeting of Shareholders. None of the officers has a family relationship with any other Dana officer or director or an arrangement or understanding with any Dana officer or other person pursuant to which he was elected as an officer of the Company.

ITEM 2 - PROPERTIES

Dana owns the majority of the manufacturing facilities and the larger distribution facilities for its Vehicular and Industrial products. Several manufacturing facilities and many of the Company's smaller distribution outlets, service branches, and offices are leased. The facilities, in general, are well-maintained and adapted to the operations for which they are being used, and their productive capacity is adjusted as required by market and customer growth.

On a geographic basis, Dana's facilities (including those of consolidated subsidiaries) are located as follows:

Dana Facilities by Geographic Region

Type of Facility	North America	Europe	South America	Asia/Pacific	Total
Manufacturing	110	56	23	9	198
Distribution	25	2	9	22	58
Service Branches, Offices	46	9	5	13	73
Total	181	67	37	44	329

ITEM 3 - LEGAL PROCEEDINGS

The Company and its consolidated subsidiaries are parties to various pending judicial and administrative proceedings arising in the ordinary course of business. The Company's management and legal counsel have reviewed the probable outcome of these proceedings, the costs and expenses reasonably expected to be incurred, the availability and limits of the Company's insurance coverage, and the Company's established reserves for uninsured liabilities. While the outcome of the pending proceedings cannot be predicted with certainty, based on its review, management believes that any liabilities that may result are not reasonably likely to have a material effect on the Company's liquidity, financial condition or results of operations.

Under the rules of the Securities and Exchange Commission, certain environmental proceedings are not deemed to be ordinary routine proceedings incidental to the Company's business and are required to be reported in the Company's annual and/or quarterly reports. The Company is not currently a party to any such proceedings.

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

- - None -

ITEM 5 - MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Dana's common stock is listed on the New York, Pacific, and London Stock Exchanges. On February 13, 1998, there were 32,137 shareholders of record.

Dividends have been paid on the common stock every year since 1936. Quarterly dividends have been paid since 1942.

"Shareholders' Investment" under "Additional Information" at page 50 of Dana's 1997 Annual Report is incorporated herein by reference.

ITEM 6 - SELECTED FINANCIAL DATA

"Financial Highlights" under "Eleven Year History" at page 51 of Dana's 1997 Annual Report is incorporated herein by reference.

ITEM 7 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

"Management's Discussion and Analysis of Financial Condition and Results of Operations" at pages 41-45 of Dana's 1997 Annual Report is incorporated herein by reference.

ITEM 8 - FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The financial statements, together with the report thereon of Price Waterhouse LLP dated January 21, 1998, at pages 22-40 of Dana's 1997 Annual Report and "Unaudited Quarterly Financial Information" under "Shareholders' Investment" at page 50 of Dana's 1997 Annual Report are incorporated herein by reference.

ITEM 9 - CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

- - None -

PART III

ITEM 10 - DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Information regarding Dana's directors and executive officers is set out in Part I, Item 1 of this Form 10-K and in Dana's Proxy Statement dated February 27, 1998, for the Annual Meeting of Shareholders to be held on April 1, 1998 (the "1998 Proxy Statement"). "Election of Directors" and "Section 16(a) Beneficial Ownership Reporting Compliance" from the 1998 Proxy Statement are incorporated herein by reference.

ITEM 11 - EXECUTIVE COMPENSATION

"Compensation" under "The Board and its Committees," "Executive Compensation," "Compensation Committee Report on Executive Compensation," and "Comparison of Five-Year Cumulative Total Return" from the 1998 Proxy Statement are incorporated herein by reference.

ITEM 12 - SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

"Stock Ownership" from the 1998 Proxy Statement is incorporated herein by reference.

ITEM 13 - CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

"Other Transactions" and "Transactions With Management" from the 1998 Proxy Statement are incorporated herein by reference.

ITEM 14 - EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

	Page in Annual Report -----
(a) The following documents are incorporated by reference and filed as part of this report:	
(1) Financial Statements: -----	
Report of Independent Accountants	22
Statement of Income for each of the three years in the period ended December 31, 1997	23
Balance Sheet at December 31, 1996 and 1997	24
Statement of Cash Flows for each of the three years in the period ended December 31, 1997	25
Statement of Shareholders' Equity for each of the three years in the period ended December 31, 1997	26
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(2) Financial Statement Schedules: -----	
Report of Independent Accountants on Financial Statement Schedule for the three years ended December 31, 1997	15
Valuation and Qualifying Accounts and Reserves (Schedule II)	16 - 20
Supplementary Information - Stock Plans	21 - 23
Supplementary Information - Commitments and Contingencies	24
All other schedules are omitted because they are not applicable or the required information is shown in the financial statements or notes thereto.	
(3) Exhibits - The Exhibits listed in the "Exhibit Index" are filed as part of this report.	25 - 27
(b) Reports on Form 8-K -----	
None	

Report of Independent Accountants on
Financial Statement Schedule

To the Board of Directors
of Dana Corporation

Our audits of the consolidated financial statements referred to in our report dated January 21, 1998 appearing on page 22 of the 1997 Annual Report to Shareholders of Dana Corporation (which report and consolidated financial statements are incorporated by reference in this Annual Report on Form 10-K) also included an audit of Financial Statement Schedule II appearing on pages 16 through 20 of this Form 10-K. In our opinion, this Financial Statement Schedule presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements.

PRICE WATERHOUSE LLP

Toledo, Ohio
January 21, 1998

DANA CORPORATION AND CONSOLIDATED SUBSIDIARIES

SCHEDULE II(a) - VALUATION AND QUALIFYING ACCOUNTS AND RESERVES

ALLOWANCE FOR DOUBTFUL ACCOUNTS RECEIVABLE

Year ended	Balance at beginning of period	Additions charged to income	Trade accounts receivable "written off" net of recoveries	Adjustment arising from change in currency exchange rates and other items	Balance at end of period
December 31, 1995	\$19,646,000	\$9,281,000	\$(5,322,000)	\$ (64,000)	\$23,541,000
December 31, 1996	\$23,541,000	\$8,900,000	\$(6,315,000)	\$(151,000)	\$25,975,000
December 31, 1997	\$25,975,000	\$9,455,000	\$(6,682,000)	\$ 835,000	\$29,583,000

DANA CORPORATION AND CONSOLIDATED SUBSIDIARIES

SCHEDULE II(b) - VALUATION AND QUALIFYING ACCOUNTS AND RESERVES

ALLOWANCE FOR CREDIT LOSSES - LEASE FINANCING

Year ended	Balance at beginning of period	Additions charged to income	Amounts "written off" net of recoveries	Adjustment arising from change in currency exchange rates and other items	Balance at end of period
	-----	-----	-----	-----	-----
December 31, 1995	\$40,789,000	\$15,578,000	\$ (9,000,000)	\$ 58,000	\$47,425,000
December 31, 1996	\$47,425,000	\$12,349,000	\$ (9,299,000)	\$ 350,000	\$50,825,000
December 31, 1997	\$50,825,000	\$12,141,000	\$ (9,851,000)	\$ (462,000)	\$52,653,000

DANA CORPORATION AND CONSOLIDATED SUBSIDIARIES

SCHEDULE II(c) - VALUATION AND QUALIFYING ACCOUNTS AND RESERVES

ALLOWANCE FOR LOAN LOSSES

Year ended	Balance at beginning of period	Additions charged to income	Amounts "written off" net of recoveries	Adjustment arising from change in currency exchange rates and other items	Balance at end of period
December 31, 1995	\$ 5,639,000	\$ 1,551,000	\$ (3,265,000)	\$ (548,000)	\$3,377,000
December 31, 1996	\$ 3,377,000	\$ 994,000	\$ (3,161,000)	--	\$1,210,000
December 31, 1997	\$ 1,210,000	\$ 1,843,000	\$ (70,000)	--	\$2,983,000

DANA CORPORATION AND CONSOLIDATED SUBSIDIARIES

SCHEDULE II(d) - VALUATION AND QUALIFYING ACCOUNTS AND RESERVES

VALUATION ALLOWANCE - REAL ESTATE

	Balance at beginning of period	Additions charged (credited) to income	Amounts "written off net of recoveries	Acquisitions and other items	Balance at end of period
Year ended	-----	-----	-----	-----	-----
December 31, 1995	\$38,918,000	\$ 292,000	\$ (9,291,000)	\$ (507,000)	\$29,412,000
December 31, 1996	\$29,412,000	\$ 63,000	\$ (24,984,000)	\$ (71,000)	\$ 4,420,000
December 31, 1997	\$ 4,420,000	\$ (642,000)	\$ (526,000)	--	\$ 3,252,000

DANA CORPORATION AND CONSOLIDATED SUBSIDIARIES

SCHEDULE II(e) - VALUATION AND QUALIFYING ACCOUNTS AND RESERVES

VALUATION ALLOWANCE FOR DEFERRED TAX ASSETS

Year ended	Balance at beginning of Period	Additions charged to income	Amounts "written off" net of recoveries	Adjustment arising from change in currency exchange rates and other items	Balance at end of period
December 31, 1995	--	--	--	--	--
December 31, 1996	--	\$ 4,800,000	--	--	\$ 4,800,000
December 31, 1997	\$ 4,800,000	\$30,400,000	\$ (4,800,000)	--	\$30,400,000

DANA CORPORATION AND CONSOLIDATED SUBSIDIARIES

SUPPLEMENTARY INFORMATION TO FINANCIAL STATEMENTS

EMPLOYEE STOCK OPTION PLAN

The Company's 1997 Amended Stock Option Plan (1997 Plan) provides for the granting of options and/or stock appreciation rights (SARs) to key employees to purchase 13,200,000 shares of common stock at exercise prices that are no less than 100% of the market value of such stock at date of grant; the exercise periods may extend for no more than ten years from date of grant.

The number of shares above and all references below to the number of shares and per share prices have been adjusted for all stock splits and distributions subsequent to the date the plan was approved.

The number of shares subject to options (by year of grant) at December 31, 1997, and the exercise prices per share were as follows:

Year granted-	Number of Shares	Average Price Per Share	Total
1988	54,824	\$ 18.75	\$ 1,028,000
1989	28,650	21.06	602,500
1990	117,044	18.25	2,136,100
1991	84,900	16.38	1,390,200
1992	601,271	20.16	12,119,400
1993	505,748	27.56	13,939,700
1994	830,343	29.06	24,131,800
1995	904,250	31.06	28,084,800
1996	1,316,853	28.13	37,036,500
1997	1,062,900	38.44	40,855,200
	5,506,783		\$161,324,200
	=====		=====

At December 31, 1997, there were 3,478,026 shares available for future grants under the 1997 Plan, including 350,000 shares which may, at the discretion of a Committee of the Board of Directors, be issued for stock distributions under the Company's Additional Compensation Plan. There were no SARs outstanding at December 31, 1997.

Options becoming exercisable and options exercised, their exercise prices and their market prices during the three years ended December 31, 1997, under the 1997 Plan and former plans were as follows:

	Exercise Price			Market Price	
	No. Of Shares	Avg. Per Share	Aggregate	Avg. Per Share	Aggregate
Options becoming exercisable (Market prices at dates exercisable):					
Year ended December 31,					
1995	814,971	\$ 24.32	\$ 19,822,000	\$ 29.78	\$ 24,266,000
1996	1,070,901	27.09	29,016,000	29.08	31,141,000
1997	1,099,888	28.45	31,892,000	36.95	40,638,000
Options exercised (Market prices at dates exercised):					
Year ended December 31,					
1995	223,430	\$17.93	\$ 4,005,000	\$28.74	\$6,422,000
1996	417,260	19.46	8,119,000	31.53	13,158,000
1997	1,332,210	22.90	30,513,000	41.62	55,447,000

The amount by which proceeds exceeded the par value of shares issued under options was credited to additional paid-in capital. No amounts were charged against income either at the time of granting options or issuing shares.

The following table sets forth (1) the aggregate number of shares of the Company's common stock subject, at December 31, 1997, to outstanding options, (2) the average exercise price per share of such options, (3) the aggregate exercise price of such options, (4) the range of expiration dates of such options, and (5) the aggregate market value of such shares at February 13, 1998, based on \$55.44 per share, the closing price in the New York Stock Exchange Composite Transactions Index as reported in THE WALL STREET JOURNAL:

	Aggregate No. of Shares Covered By Outstanding Options	Average Exercise Price Per Share	Aggregate Exercise Price	Range of Expiration Dates	Aggregate Market Value at February 13, 1998
1997 Plan	5,506,783	\$29.30	\$ 161,324,200	7/11/98 to 7/21/07	\$305,282,300

At December 31, 1997, 1,079 employees of the Company and its subsidiaries and affiliates held exercisable options under the 1997 Plan.

EMPLOYEES' STOCK PURCHASE PLAN

The Company has an Employees' Stock Purchase Plan which was approved by the shareholders in 1994. As of December 31, 1997, approximately 37,800 employees of the Company and its subsidiaries were eligible to participate. Of such employees, approximately 13,500 were participating at December 31, 1997.

NON-EMPLOYEE DIRECTORS' STOCK OPTION PLAN

The Company has a Directors' Stock Option Plan for non-employee Directors of the Company which was approved by the shareholders in 1993. The Plan provides for the granting of options to purchase the Company's common stock at prices equal to the market value of the stock at the date of grant. The options are exercisable after one year for a period not to exceed ten years from the date of grant. In 1995, 1996 and 1997, options were granted for 24,000, 21,000 and 24,000 shares, respectively, at per share exercise prices of \$24.81 in 1995, \$32.25 in 1996 and \$31.81 in 1997. The options outstanding under the plan expire between April 19, 2003 and April 21, 2007. At December 31, 1997, options for 99,000 shares were outstanding, 75,000 options were exercisable and there were 22,000 options available for future grant. During 1997, options for 21,000 shares became exercisable, with an aggregate exercise price of \$677,250 and an aggregate market price at date of exercisability of \$653,625. As of February 13, 1998, the aggregate exercise price of the 99,000 options outstanding under the Plan was \$2,845,300 and the aggregate market value of those options was \$5,488,300.

DANA CORPORATION AND CONSOLIDATED SUBSIDIARIES

SUPPLEMENTARY INFORMATION TO FINANCIAL STATEMENTS

COMMITMENTS AND CONTINGENCIES

The Company and its consolidated subsidiaries are parties to various legal proceedings (judicial and administrative) arising in the normal course of business, including proceedings which involve environmental and product liability claims. "Note 20. Commitments and Contingencies" on pages 38 and 39 of Dana's 1997 Annual Report is incorporated herein by reference.

With respect to environmental claims, the Company is involved in investigative and/or remedial efforts at a number of locations, including "on-site" activities at currently or formerly owned facilities and "off-site" activities at "Superfund" sites where the Company has been named as a potentially responsible party. "Environmental Compliance and Remediation" under "Note 1. Summary of Significant Accounting Policies" at page 28 of Dana's 1997 Annual Report is incorporated herein by reference. Reference is also made to applicable portions of "Management's Discussion and Analysis of Financial Condition and Results of Operations" at pages 41-45 of Dana's 1997 annual report.

With respect to product liability claims, from time to time, the Company is named in proceedings involving alleged defects in its products. Currently included in such proceedings are a large number of claims (most of which are relatively small) based on alleged asbestos-related personal injuries. At December 31, 1997, approximately 41,000 such claims were outstanding, of which approximately 3,000 were subject to pending settlement agreements. The Company has agreements with its insurance carriers providing for the payment of substantially all of the indemnity costs and the legal and administrative expenses for these claims. The Company is also a party to a small number of asbestos-related property damage proceedings. The Company's insurance carriers are paying the major portion of the defense costs in connection with such cases, and the Company has incurred no indemnity costs to date.

EXHIBIT INDEX

No. -----	Description -----	Method of Filing -----
3-A	Restated Articles of Incorporation, effective June 1, 1994	Filed by reference to Exhibit 4 to Registrant's Form 8-A/A, Amendment No.3 filed October 4, 1994
3-B	Restated By-Laws, effective December 9, 1996	Filed by reference to Exhibit 3-B to Registrant's Form 10-K for the year ended December 31, 1996
4-A	Specimen Single Denomination Stock Certificate	Filed by reference to Exhibit 4-B to Registrant's Registration Statement No. 333-18403 filed December 20, 1996
	No class of long-term debt exceeds 10% of Registrant's total assets. Registrant will furnish copies of agreements defining the rights of debt holders to the Securities and Exchange Commission upon request.	
4-B	Rights Agreement, dated as of April 25, 1996, between Registrant and ChemicalMellon Shareholder Services, L.L.C., Rights Agent	Filed by reference to Exhibit 1 to Registrant's Form 8-A filed May 1, 1996
10-A	Additional Compensation Plan, effective January 1, 1995	Filed by reference to Exhibit A to Registrant's Proxy Statement for its Annual Meeting on April 5, 1995
10-A(1)	First Amendment to Additional Compensation Plan, dated July 17, 1995	Filed by reference to Exhibit 10-A(1) to Registrant's Form 10-Q for the quarter ended June 30, 1995
10-A(2)	Second Amendment to Additional Compensation Plan, effective January 1, 1996	Filed by reference to Exhibit 10-A(2) to Registrant's Form 10-K for the year ended December 31, 1995
10-A(3)	Third Amendment to Additional Compensation Plan, effective October 20, 1996	Filed by reference to Exhibit 10-A(3) to Registrant's Form 10-K for the year ended December 31, 1996
10-E	1997 Stock Option Plan	Filed by reference to Exhibit A to Registrant's Proxy Statement for its Annual Meeting on April 2, 1997
10-E(1)	First Amendment to 1997 Stock Option Plan, dated February 10, 1997	Filed by reference to Exhibit 10-E(2) to Registrant's Form 10-Q for the quarter ended June 30, 1997
10-E(2)	Second Amendment to 1997 Stock Option Plan, dated September 1, 1997	Filed with this Report
10-F	Excess Benefits Plan, amended February 13, 1995	Filed by reference to Exhibit 10-F to Registrant's Form 10-Q for the quarter ended June 30, 1995
10-G	Retirement Plan, effective December 13, 1994	Filed by reference to Exhibit 10-G to Registrant's Form 10-K for the year ended December 31, 1995
10-G(1)	First Amendment to Retirement Plan, adopted December 19, 1996	Filed by reference to Exhibit 10-G(1) to Registrant's Form 10-K for the year ended December 31, 1996
10-G(2)	Second Amendment to Retirement Plan, effective June 1, 1998	Filed by reference to Exhibit 10-G(2) to Registrant's Form 10-Q for the quarter ended June 30, 1997

No. - - -	Description -----	Method of Filing -----
10-H	Directors Retirement Plan, effective December 31, 1996	Filed by reference to Exhibit 10-H to Registrant's Form 10-Q for the quarter ended June 30, 1997
10-I	Director Deferred Fee Plan	Filed by reference to Exhibit B to Registrant's Proxy Statement for its Annual Meeting on April 2, 1997
10-J(1)	Employment Agreement between Registrant and Southwood J. Morcott, dated December 8, 1997	Filed with this Report
10-J(2)	Employment Agreement between Registrant and Joseph M. Magliochetti, dated December 8, 1997	Filed with this Report
10-J(3)	Employment Agreement between Registrant and Martin J. Strobel, dated December 8, 1997	Filed with this Report
10-J(4)	Change of Control Agreement between Registrant and William J. Carroll, dated December 8, 1997. There are substantially similar agreements with Messrs. B.N. Cole, C.J. Eterovic, M.A. Franklin, C.J. McNamara, W.L Myers, R.C. Richter, E.J. Shultz, and J.S. Simpson	Filed with this Report
10-J(5)	Collateral Assignment Split-Dollar Insurance Agreement for Universal Life Policies between Registrant and Southwood J. Morcott, dated April 18, 1989. There are substantially similar agreements with Messrs. Magliochetti and Strobel.	Filed by reference to Exhibit 10J(13) to Registrant's Form 10-K for the year ended December 31, 1992
10-K	Supplemental Benefits Plan, effective January 1, 1996	Filed by reference to Exhibit 10-K to Registrant's Form 10-K for the year ended December 31, 1996
10-L(1)	1989 Restricted Stock Plan	Filed by reference to Exhibit A of Registrant's Proxy Statement for its Annual Meeting on April 5, 1989
10-L(2)	First Amendment to 1989 Restricted Stock Plan, adopted December 10, 1990	Filed by reference to Exhibit 10-L(2) to Registrant's Form 10-K for the year ended December 31, 1993
10-L(3)	Second Amendment to 1989 Restricted Stock Plan, adopted October 18, 1993	Filed by reference to Exhibit 10-L(3) to Registrant's Form 10-K for the year ended December 31, 1993
10-L(4)	Third Amendment to 1989 Restricted Stock Plan, effective October 20, 1996	Filed by reference to Exhibit 10-L(4) to Registrant's Form 10-K for the year ended December 31, 1996
10-L(5)	Fourth Amendment to 1989 Restricted Stock Plan, effective July 21, 1997	Filed with this Report
10-M	Directors' Stock Option Plan	Filed by reference to Exhibit B to Registrant's Proxy Statement for its Annual Meeting on April 7, 1993
10-M(1)	First Amendment to Directors' Stock Option Plan, effective April 18, 1994	Filed by reference to Exhibit 10-M(1) to Registrant's Form 10-K for the year ended December 31, 1995

No. - ---	Description -----	Method of Filing -----
10-M(2)	Second Amendment to the Directors Stock Option Plan, effective October 20, 1996	Filed by reference to Exhibit 10-M(2) to Registrant's Form 10-K for the year ended December 31, 1996
10-N	Supplementary Bonus Plan, effective December 12, 1994	Filed by reference to Exhibit 10-N to Registrant's Form 10-Q for the quarter ended June 30, 1995
13	The following sections of Registrant's 1997 Annual Report to Shareholders, located at the pages indicated:	Filed with this Report
	"Financial Results," "Financial Statements" and "Independent Accountant's Report" at pages 21-40	
	"Management's Discussion and Analysis of Financial Condition and Results of Operations" at pages 41-45 (excluding the charts on these pages)	
	"Additional Information - Shareholders' Investment" at page 50	
	"Unaudited Quarterly Financial Information" at page 50	
	"Eleven Year History - Financial Highlights" at page 51	
21	List of Subsidiaries of Registrant	Filed with this Report
23	Consent of Price Waterhouse LLP	Filed with this Report
24	Power of Attorney	Filed with this Report
27	Financial Data Schedule	Filed with this Report
Note: - ----	Exhibit Nos. 10-A through 10-N are exhibits required to be filed pursuant to Item 14(c) of Form 10-K.	

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

DANA CORPORATION

(Registrant)

Date: February 27, 1998

By: /s/ Martin J. Strobel

Martin J. Strobel, Vice President

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the date indicated.

Date: February 27, 1998

/s/ Southwood J. Morcott

Southwood J. Morcott, Chairman of the
Board of Directors and Chief Executive
Officer

Date: February 27, 1998

/s/ John S. Simpson

John S. Simpson, Chief Financial Officer

Date: February 27, 1998

*/s/ Charles W. Hinde

Charles W. Hinde, Chief Accounting Officer

Date: February 27, 1998

*/s/ B.F. Bailar

B.F. Bailar, Director

Date: February 27, 1998

*/s/ E.M. Carpenter

E.M. Carpenter, Director

Date: February 27, 1998

*/s/ E. Clark

E. Clark, Director

Date: February 27, 1998

*/s/ G.H. Hiner

G.H. Hiner, Director

Date: February 27, 1998

*/s/ J.M. Magliochetti

J.M. Magliochetti, Director

SIGNATURES (Continued)

Date: February 27, 1998 */s/ M.R.Marks

M.R. Marks, Director

Date: February 27, 1998 */s/ R.B. Priory

R. B. Priory, Director

Date: February 27, 1998 */s/ J.D. Stevenson

J.D. Stevenson, Director

Date: February 27, 1998 */s/ T.B. Sumner

T.B. Sumner, Jr., Director

*By: /s/ Martin J. Strobel

 Martin J. Strobel, Attorney-in-Fact

The following language was added to the end of Section 10(a) of Dana Corporation 1997 Stock Option Plan ("Plan"), effective September 1, 1997:

"For purposes of the Plan, a transfer of an Optionee's employment between the Company (or a Subsidiary) and an affiliate of the Company in which the Company owns between 1% and 50% of the voting interest of the affiliate, or a situation where an Optionee becomes immediately employed by such an affiliate following his termination of employment with the Company (or a Subsidiary), shall not be deemed to be a termination of employment for purposes of this Section 10(a)."

EMPLOYMENT AGREEMENT

BETWEEN

DANA CORPORATION

AND

SOUTHWOOD J. MORCOTT

DATED DECEMBER 8, 1997

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DEFINED TERMS

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 *Each listed term is intended to include both the singular and plural form of the term.

DEFINED TERMS

DEFINED TERMS* -----	SECTION -----	PAGE -----
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 *Each listed term is intended to include both the singular and plural form of the term. *Each listed term is intended to include both the singular and plural form of the term.

*Each listed term is intended to include both the singular and plural form of the term.

AMENDED AND RESTATED EMPLOYMENT AGREEMENT (the "Agreement") made and entered into as of this 8th day of December, 1997, by and between DANA CORPORATION, a Virginia corporation whose principal place of business is located at 4500 Dorr Street, Toledo, Ohio (the "Corporation"), and Southwood J. Morcott (the "Executive");

WHEREAS, the Executive is a principal executive officer of the Corporation and an integral part of its management; and

WHEREAS, the Corporation wishes to assure itself of the continuing services of the Executive and to assure the Executive of continued employment during the period of employment hereunder; and

WHEREAS, the Executive is willing to commit himself to remain in the employ of the Corporation during such period on terms and conditions substantially similar to those on which other senior executive officers of the Corporation are employed, and to forego opportunities elsewhere during such period; and

WHEREAS, the parties have entered into an Agreement dated December 14, 1992, as amended from time to time thereafter (the "Prior Agreement"); and

WHEREAS, the parties wish to amend and restate the Prior Agreement in its entirety;

NOW, THEREFORE, IN CONSIDERATION of the mutual promises, covenants and agreements set forth below, it is hereby agreed as follows:

1. EMPLOYMENT AND TERM.

(a) The Corporation agrees to continue the employment of the Executive, and the Executive agrees to remain in the employ of the Corporation, in accordance with the terms and provisions of this Agreement, for the period set forth below (the "Employment Period").

(b) The Employment Period under this Agreement shall commence as of December 8, 1997, and, subject only to the provisions of Section 4 below relating to termination of employment, shall continue until (i) the close of business on December 31, 2000 or (ii) such later date as shall result from the operation of subparagraph (c) below (the "Terminal Date").

(c) Commencing on December 31, 1998, and on each anniversary of such date (such date and each such annual anniversary thereof, the "Renewal Date") the Terminal Date set forth in subparagraph (b) above shall be extended so as to occur

three (3) years from the Renewal Date unless either party shall have given notice to the other party that the Terminal Date is not to be extended or further extended.

2. POSITION AND DUTIES OF THE EXECUTIVE.

(a) POSITION. It is contemplated that during the Change of Control Period (as defined in Section 12(d), below), the Executive will continue to serve as a principal officer of the Corporation and as a member of its Board of Directors if serving as a member of the Board of Directors immediately prior to the Change of Control Date, with the office(s) and title(s), reporting responsibility, and duties and responsibilities of the Executive immediately prior to the Change of Control Date. The Executive hereby agrees that at any time prior to the Change of Control Date, the Board of Directors of the Corporation (or the individual to whom the Executive reports) may, without the Executive's consent, change the Executive's office(s), title(s), reporting responsibility, and duties or responsibilities.

The office(s), title(s), reporting responsibility, duties and responsibilities of the Executive on the date of this Agreement, as the same may be changed from time to time after the date of this Agreement in accordance with the provisions of the previous paragraph, shall be summarized in Exhibit A to this Agreement, it being understood and agreed that if, as and when the office(s), title(s), reporting responsibility, duties or responsibilities of the Executive shall be so changed after the date of this Agreement, Exhibit A shall be deemed to be, and shall be updated by the parties to reflect such change; PROVIDED, HOWEVER, that Exhibit A is intended only as a memorandum for the convenience of the parties and shall be disregarded if, and to the extent that, Exhibit A shall fail to reflect accurately the office(s), title(s), reporting responsibility, duties or responsibilities of the Executive as so changed after the date of this Agreement because the parties shall have failed to update Exhibit A as aforesaid.

At all times during the Change of Control Period, the Executive shall hold a position of responsibility and importance and a position of scope, with the functions, duties and responsibilities attached thereto, at least equal in responsibility and importance and in scope to and commensurate with his position described in general terms above in this Section 2(a) and intended to be summarized in Exhibit A to this Agreement.

During the Employment Period the Executive shall, without compensation other than that herein provided, also serve and continue to serve, if and when elected and re-elected, as an officer or director, or both, of any United States Subsidiary, division or Affiliate of the Corporation.

For all purposes of this Agreement, (i) a Subsidiary shall mean a corporation or other entity, of which 50% or more of the voting securities or other equity interests is owned directly, or indirectly through one or more intermediaries, by the Corporation, and (ii) an Affiliate shall mean a corporation or other entity which is not a Subsidiary and which directly, or indirectly, through one or more intermediaries, controls, or is controlled by, or is under common control with, the Corporation. For the purpose of this definition, the terms "control," "controls" and "controlled" mean the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a corporation or other entity, whether through the ownership of voting securities, by contract, or otherwise.

(b) DUTIES. Throughout the Employment Period the Executive shall devote his full time and undivided attention during normal business hours to the business and affairs of the Corporation except for reasonable vacations and except for illness or incapacity, but nothing in this Agreement shall preclude the Executive from devoting reasonable periods required for:

(i) serving as a director or member of a committee or any organization involving no conflict of interest with the interests of the Corporation;

(ii) delivering lectures, fulfilling speaking engagements, teaching at educational institutions;

(iii) engaging in charitable and community activities; and

(iv) ..managing his personal investments;

provided that such activities do not materially interfere with the regular performance of his duties and responsibilities under this Agreement.

(c) LOCATION OF OFFICE. During the Change of Control Period, the office of the Executive shall be located at the principal offices of the Corporation, within the greater Toledo, Ohio area, and the Executive shall not be required to locate his office elsewhere without his prior written consent, nor shall he be required to be absent therefrom on travel status or otherwise more than thirty (30%) of the working days in any calendar year nor for more than ten (10) consecutive days at any one time.

3. COMPENSATION.

The Executive shall receive the following compensation for his services:

(a) SALARY. So long as the Executive is employed by the Corporation, he shall be paid an annual base salary, payable not less often than monthly, at the rate of not less than \$82,916.66 per month with such increases as shall be awarded from time to time in accordance with the Corporation's regular administrative practices of other salary increases applicable to executives of the Corporation, subject to any and all required withholdings and deductions for Social Security, income taxes and the like (the "Annual Base Salary"). The Board of Directors of the Corporation (the "Board") may from time to time direct such upward adjustments to Annual Base Salary as the Board deems to be necessary or desirable; PROVIDED, HOWEVER, that during the Change of Control Period (as defined in Section 12(d) below), the Annual Base Salary shall be reviewed at least annually and shall be increased at any time and from time to time but not less often than annually and shall be substantially consistent with increases in base salary generally awarded in the ordinary course of business to other senior executives of the Corporation and its Affiliated Companies (a term which, as used in this Agreement, shall mean a Subsidiary or Affiliate of the Corporation) and, in addition, shall be adjusted effective as of January 1st of each calendar year commencing in the Change of Control Period to reflect increases in the cost of living during the preceding calendar year. Annual Base Salary shall not be reduced after any increase thereof pursuant to this Section 3(a). Any increase in Annual Base Salary shall not serve to limit or reduce any other obligation of the Corporation under this Agreement.

(b) ADDITIONAL COMPENSATION. So long as the Executive is employed by the Corporation, he shall be eligible to receive annual short-term incentive awards or bonuses (such award or bonus is hereinafter referred to as "Short-Term Award" or "Annual Bonus") from the Dana Corporation Additional Compensation Plan, and from any successor or replacement plan (the Dana Corporation Additional Compensation Plan and such successor or replacement plans being referred to herein collectively as the "ACP"), in accordance with the terms thereof; PROVIDED, HOWEVER, that, with respect to each fiscal year of the Corporation ending during the Change of Control Period, the Executive shall be awarded (whether under the terms of the ACP or otherwise) an Annual Bonus in an amount that shall not be less than fifty percent (50%) of his Annual Base Salary rate in effect on the last day of such fiscal year (which amount shall be prorated if such fiscal year shall be less than 12 months) (the "Target Annual Bonus"). Each Annual Bonus shall be paid no later than the end of the third month of the fiscal year next following the fiscal year for which the Annual Bonus is

awarded, unless the receipt of such Annual Bonus is deferred in accordance with the terms of the ACP.

(c) INCENTIVE, STOCK AND SAVINGS PLANS. So long as the Executive is employed by the Corporation, he shall be and continue to be a full participant in the Dana Corporation 1997 Stock Option Plan, the ACP (providing for Short-Term Awards) and in any and all other incentive, stock, savings or retirement plans, practices or policies in which executives of the Corporation participate that are in effect on the date hereof and that may hereafter be adopted, including, without limitation, any stock option, stock purchase or stock appreciation plans, or any successor plans that may be adopted by the Corporation with, except in the case of the ACP after the commencement of the Change of Control Period, at least the same reward opportunities, if any, that have heretofore been provided to the Executive. Nothing in this Agreement shall preclude improvement of reward opportunities in such plans or other plans in accordance with the practice of the Corporation on or after the date of this Agreement. Any provision of the ACP or of this Agreement to the contrary notwithstanding, any Short-Term Awards made to the Executive during the Change of Control Period (whether for services rendered prior to or after the Change of Control Date) shall be paid wholly in cash as soon as practicable after the awards are made.

(d) RETIREMENT AND WELFARE BENEFIT PLANS. The Executive, his dependents and Beneficiary, including, without limitation, any beneficiary of a joint and survivor or other optional method of payment applicable to the payment of benefits under the Pension and Retirement Program of the Corporation, as defined in Section 3(j)(vi) below, shall be entitled to all payments and benefits and service credit for benefits during the Employment Period to which other senior executives of the Corporation, their dependents and their beneficiaries are entitled under the terms of employee retirement and welfare benefit plans and practices of the Corporation, including, without limitation, the Pension and Retirement Program of the Corporation (as defined in Section 3(j)(vi) below), the Corporation's Savings and Investment Plan, its Stock Purchase Plan, its Stock Award Plan, its Income Protection Plan for Management and Certain Other Employees providing layoff and severance benefits, its 1989 Restricted Stock Plan, its Excess Benefits Plan, its Supplemental Benefits Plan, its death benefit plans (consisting of its Group Insurance Plan for Management Employees providing life insurance, accidental death and dismemberment insurance, and travel accident insurance), its disability benefit plans (consisting of its salary continuation, sickness and accident and long-term disability benefits programs), its medical, dental and health and welfare plans and other present or equivalent successor plans and practices of the Corporation, its Subsidiaries and divisions, for active and

retired employees, for which officers, their dependents and beneficiaries, are eligible, and to all payments or other benefits under any such plan or practice subsequent to the Employment Period as a result of participation in such plan or practice during the Employment Period.

(e) EXPENSES. So long as the Executive is employed by the Corporation, he shall be entitled to receive prompt reimbursement for all reasonable expenses incurred by the Executive in accordance with the policies, practices and procedures of the Corporation and its Affiliated Companies from time to time in effect, commensurate with his position and on a basis at least comparable to that of other senior executives of the Corporation.

(f) FRINGE BENEFITS. So long as the Executive is employed by the Corporation, he shall be entitled to fringe benefits, including, without limitation, the business and personal use of an automobile, and payment or reimbursement of club initiation fees and dues, in accordance with the plans, practices, programs and policies of the Corporation and its Affiliated Companies from time to time in effect, commensurate with his position and at least comparable to those received by other senior executives of the Corporation.

(g) OFFICE AND SUPPORT STAFF. So long as the Executive is employed by the Corporation, he shall be entitled to an office or offices of a size and with furnishings and other appointments, and to exclusive personal secretarial and other assistance, commensurate with his position and at least comparable to those received by other senior executives of the Corporation.

(h) VACATION AND OTHER ABSENCES. So long as the Executive is employed by the Corporation, he shall be entitled to paid vacation and such other paid absences whether for holidays, illness, personal time or any similar purposes, in accordance with the plans, policies, programs and practices of the Corporation and its Affiliated Companies in effect from time to time, commensurate with his position and at least comparable to those received by other senior executives of the Corporation.

(i) BENEFITS SHALL NOT BE REDUCED UNDER CERTAIN CIRCUMSTANCES. Nothing in this Agreement shall preclude the Corporation from amending or terminating any employee benefit or welfare plan or practice, but, it being the intent of the parties that the Executive shall continue to be entitled during the Employment Period to perquisites as set forth in this Section 3 and to benefits and service credit for benefits under Section 3(d) above at least equal to those attached to his position on February 13, 1984, the date of the original agreement between the parties, and except as provided in the

last sentence of this Section 3(i), nothing in this Agreement shall operate or be construed to reduce, or authorize a reduction without the Executive's written consent in, the level of such perquisites, benefits or service credit for benefits; in the event of any such reduction, by amendment or termination of any plan or practice or otherwise, the Executive, his dependents and Beneficiary, shall continue to be entitled to perquisites, benefits and service credit for benefits at least equal to the perquisites, benefits and service credit for benefits under such plans or practices that he or his dependents and Beneficiary would have received if such reduction had not taken place. If and to the extent that such perquisites, benefits and service credits are not payable or provided under any such plans or practices by reason of such amendment or termination thereof, the Corporation itself shall pay or provide therefor. Notwithstanding the foregoing provisions of this Section 3(i), the Executive hereby waives the benefit of the foregoing minimum benefit protection only as it applies to the Dana Corporation Savings and Investment Plan, and to its medical, dental and health plans for active and retired employees. The Executive expressly does not waive the application of the foregoing minimum benefit protection to any of the other benefit plans, programs or practices enumerated in Section 3 above, including, without limitation, the Pension and Retirement Program of the Corporation (including the lump sum discount factor in effect on February 13, 1984), its death benefit plans, its disability benefit plans, and its Income Protection Plan for Management and Certain Other Employees. The Executive reserves the right to cancel the above waiver, prospectively, at any future time by giving written notice to the Corporation of such cancellation. Nothing in this Section 3(i) shall be construed to prohibit the Corporation from amending or terminating any employee benefit or welfare plan or practice to reduce benefits, so long as such reduction applies to all salaried Corporation employees covered by such plan or practice equally and such reduction is adopted prior to the commencement of the Change of Control Period.

(j) SUPPLEMENTAL RETIREMENT ANNUITY.

(i) If the Service of the Executive, including, without limitation, the period set forth in Section 5(a)(iv)(2) below, relating to the period between the Date of Termination and the end of the Termination Period, shall terminate other than for death or Cause as defined in Section 4(b) below, and if the Executive shall have a total of not less than fifteen (15) years of Service, as defined in subparagraph (vii) of this Section 3(j), whether or not consecutive, the Executive, subject to compliance with the provisions of Sections 9 and 10 below, relating to confidential information and Competition, respectively, shall be entitled to the supplemental retirement annuity provided by this Section 3(j) in addition to all other

benefits to which the Executive may be entitled including, without limitation, benefits under the Pension and Retirement Program of the Corporation. Notwithstanding the foregoing provisions of this paragraph, the Executive shall not be entitled to receive the supplemental retirement annuity provided by this Section 3(j) if his Service shall terminate prior to his attainment of age 55 and prior to the Change of Control Date.

Such supplemental retirement annuity shall be payable by the Corporation on a straight life annuity basis commencing on the first day of the month coinciding with or next following the latest of

- (1) termination of Service;
- (2) attainment by the Executive of age 55; and
- (3) if the Executive had not previously retired with 15 years or more of Service, the expiration of the Employment Period;

and continuing on the first day of each month thereafter during his lifetime.

(ii) The monthly payment provided for in Section 3(j)(i) above shall be equal to fifty percent (50%) (or if higher, the percentage which is the product of 1.6% multiplied by the Executive's Credited Service at retirement, as such Credited Service is determined by application of the definition of Credited Service under the Dana Corporation Retirement Plan), of the Executive's Highest Average Monthly Compensation, as defined in Section 3(j)(v), less the sum of

- (1) commencing at the earliest date that it could be payable on or after termination of Service, the aggregate monthly retirement benefit payable to the Executive for life on a straight life annuity basis under the Pension and Retirement Program of the Corporation to the extent attributable to contributions of the Corporation, its Subsidiaries and Affiliates;
- (2) commencing at the earliest date that it could be payable on or after termination of Service, the aggregate monthly retirement or disability benefit payable to the Executive for life on a straight life annuity basis following his retirement from employment by the Corporation, its Subsidiaries and Affiliates, to the extent attributable to contributions other than by the

Executive under pension or retirement plans of all corporations, organizations or entities other than the Corporation, its Subsidiaries and Affiliates;

- (3) commencing at the earliest date payable on or after termination of Service, 50% of the monthly primary Social Security benefit that would be or would have been payable to the Executive in the absence of any compensation that may at the time be or have been earned by him; and
- (4) commencing at the earliest date payable on or after termination of Service and continuing until no longer payable, the aggregate monthly disability benefit payable to the Executive under disability benefit plans and pension plans of the Corporation, its Subsidiaries and Affiliates to the extent attributable to contributions of the Corporation, its Subsidiaries and Affiliates.

(iii) The Executive may elect to receive payment of the supplemental retirement annuity provided by this Section 3(j), under a joint and survivor or any other optional method of payment available under the Dana Corporation Retirement Plan, including, without limitation, any deferment in the time of payment thereof. The amount of the benefit payable pursuant to any form of payment under this Section 3(j) shall be determined by applying the mortality assumptions, interest rates, and other factors contained in the Dana Corporation Retirement Plan that would be applicable to the form of payment elected by the Executive (subject, however, to any actuarial factor that may apply as a result of the operation of Section 3(i)); PROVIDED THAT, if a lump sum distribution is made hereunder, the amount of the lump sum distribution shall be actuarially equivalent to the monthly benefit prescribed by Section 3(j)(ii), calculated using the basis described in subparagraph (1) or (2), below, whichever produces the larger lump sum amount:

- (1) the lump sum amount calculated on the basis of the "applicable interest rate" (as in effect for the November preceding the calendar year in which the calculation is made) and the "applicable mortality table," both as defined in Section 417(e) of the Internal Revenue Code; or
- (2) the lump sum amount calculated on the basis of the actuarial equivalent factor used to convert the Executive's Earned Benefit Account into a

life annuity under the Dana Corporation Retirement Plan at the time the calculation is made, subject to any lump sum discount factor that might apply as a result of the operation of Section 3(i) of this Agreement.

If it is determined that the Executive is subject to federal income taxation on an amount in respect of the supplemental retirement annuity prior to the distribution of all of such amount to him, the Corporation shall forthwith pay to the Executive all (or the balance) of such amount as is includable in the Executive's federal gross income and correspondingly reduce future payments, if any, of the supplemental retirement annuity.

(iv) In the event that the Corporation defaults in payment of all or any part of the supplemental retirement annuity provided above in this Section 3(j) and fails to remedy such default within thirty days after having received notice from the Executive or his Beneficiary, the Corporation shall thereupon pay to the Executive or his Beneficiary, as the case may be, in full discharge of its obligations under this Section 3(j), (1) a lump sum amount actuarially equivalent (based on the same assumptions and discount factors as would be applicable under the Dana Corporation Retirement Plan) to the future payments otherwise payable under this Section 3(j), and (2) an amount equal to any and all past due payments under this Section 3(j).

(v) The term "Highest Average Monthly Compensation" shall mean the sum of (1) one-twelfth (1/12) of the Annual Base Salary provided in Section 3(a) at the rate being paid at the time the Executive's termination of employment occurred, and (2) one-twelfth (1/12) of the average of the highest Annual Bonuses payable to the Executive for any three (3) consecutive full or partial fiscal years during his employment by the Corporation, PROVIDED, HOWEVER, that with respect to 1994 and subsequent years' Annual Bonuses, only that portion of the Employee's Annual Bonus as does not exceed 125% of his Annual Base Salary will be considered.

(vi) The term "Pension and Retirement Program of the Corporation" shall mean the Dana Corporation Retirement Plan, the Dana Corporation Excess Benefits Plan, the Dana Corporation Supplemental Benefits Plan, and any other supplemental, early retirement and similar plan or plans of the Corporation, its Subsidiaries and Affiliates, providing for pension or retirement benefits that may be applicable to the Executive and that are in effect on the date hereof or may hereafter be adopted or substituted for

any such plan, but exclusive of the Dana Corporation Savings and Investment Plan and any similar plan or plans.

(vii) The term "Service" shall mean employment as an employee by the Corporation, any Subsidiary or Affiliate thereof or any corporation the capital stock or assets of which have been acquired by, or which has been merged into or consolidated with the Corporation or any Subsidiary or Affiliate thereof.

4. TERMINATION OF EMPLOYMENT.

(a) DEATH OR DISABILITY.

(i) The Executive's employment shall terminate automatically upon the Executive's death during the Employment Period.

(ii) If the Corporation determines in good faith that the Disability (as defined below) of the Executive has occurred during the Employment Period, it may give to the Executive written notice in accordance with Section 14(b) below of its intention to terminate the Executive's employment. In such event, the Employment Period shall terminate effective on the 30th day after receipt of such notice by the Executive (the "Disability Effective Date"), PROVIDED, that within the 30 days after such receipt, the Executive shall not have returned to full-time performance of the Executive's duties. For purposes of this Agreement, "Disability" shall mean the absence of the Executive from the Executive's duties with the Corporation on a full-time basis for 180 consecutive business days as a result of incapacity due to mental or physical illness which is determined to be total and permanent by a physician selected by the Corporation or its insurers and acceptable to the Executive or the Executive's legal representative (such agreement as to acceptability not to be withheld unreasonably).

(b) CAUSE. The Corporation may terminate the Executive's employment during the Employment Period for Cause. For purposes of this Agreement, the termination of the Executive's employment shall be deemed to have been for "Cause" only

(i) if termination of his employment shall have been the result of his conviction of, or plea of guilty or nolo contendere to, the charge of having committed a felony (whether or not such conviction is later reversed for any reason), or

(ii) if there has been a breach by the Executive during the Employment Period of the provisions of

Section 2(b), relating to the time to be devoted to the affairs of the Corporation, or of Section 9, relating to confidential information, and such breach results in demonstrably material injury to the Corporation, and, with respect to any alleged breach of Section 2(b) hereof, the Executive shall have either failed to remedy such alleged breach within thirty days from his receipt of written notice from the Secretary of the Corporation pursuant to resolution duly adopted by the Board of Directors of the Corporation after notice to the Executive and an opportunity to be heard demanding that he remedy such alleged breach, or shall have failed to take all reasonable steps to that end during such thirty-day period and thereafter; PROVIDED, that there shall have been delivered to the Executive a certified copy of a resolution of the Board of Directors of the Corporation adopted by the affirmative vote of not less than three-fourths of the entire membership of the Board of Directors called and held for that purpose and at which the Executive was given an opportunity to be heard, finding that the Executive was guilty of conduct set forth in subparagraph (i) or (ii) above, specifying the particulars thereof in detail.

Anything in this Section 4(b) or elsewhere in this Agreement to the contrary notwithstanding, the employment of the Executive shall in no event be considered to have been terminated by the Corporation for Cause if termination of his employment took place

- (1) as the result of bad judgment or negligence on the part of the Executive, or
- (2) because of an act or omission believed by the Executive in good faith to have been in or not opposed to the interests of the Corporation, or
- (3) for any act or omission in respect of which a determination could properly be made that the Executive met the applicable standard of conduct prescribed for indemnification or reimbursement or payment of expenses under (A) the Bylaws of the Corporation, or (B) the laws of the State of Virginia, or (C) the directors' and officers' liability insurance of the Corporation, in each case either as in effect at the time of this Agreement or in effect at the time of such act or omission, or
- (4) as the result of an act or omission which occurred more than twelve calendar months prior to the Executive's having been given notice of the termination of his employment for such act or

omission unless the commission of such act or such omission could not at the time of such commission or omission have been known to a member of the Board of Directors of the Corporation (other than the Executive, if he is then a member of the Board of Directors), in which case more than twelve calendar months from the date that the commission of such act or such omission was or could reasonably have been so known, or

- (5) as the result of a continuing course of action which commenced and was or could reasonably have been known to a member of the Board of Directors of the Corporation (other than the Executive, if he is then a member of the Board of Directors) more than twelve calendar months prior to notice having been given to the Executive of the termination of his employment.

(c) GOOD REASON. Following a Change of Control (as defined in Section 12(b) below), the Executive may terminate his employment for Good Reason. For purposes of this Agreement, "Good Reason" shall mean the occurrence after the Change of Control Date of any of the following events:

(i) Failure to elect or reelect the Executive to the Board of Directors of the Corporation, if the Executive shall have been a member of the Board of Directors on the date of this Agreement or at any time thereafter during the Employment Period, or failure to elect or reelect the Executive to, or removal of the Executive from, the office(s) described in Section 2(a) above and intended to be summarized in Exhibit A to this Agreement.

(ii) A significant change in the nature or scope of the authorities, powers, functions or duties attached to the position described in Section 2 above and intended to be summarized in Exhibit A to this Agreement, or a reduction in compensation, which is not remedied within 30 days after receipt by the Corporation of written notice from the Executive.

(iii) A determination by the Executive made in good faith that as a result of a Change of Control, and a change in circumstances thereafter and since the date of this Agreement significantly affecting his position, he is unable to carry out the authorities, powers, functions or duties attached to his position and contemplated by Section 2 of this Agreement and the situation is not remedied within 30 days after receipt by the Corporation of written notice from the Executive of such determination.

(iv) A breach by the Corporation of any provision of this Agreement not embraced within the foregoing clauses (i), (ii) and (iii) of this Section 4(c) which is not remedied within 30 days after receipt by the Corporation of written notice from the Executive.

(v) The liquidation, dissolution, consolidation or merger of the Corporation or transfer of all or a significant portion of its assets unless a successor or successors (by merger, consolidation or otherwise) to which all or a significant portion of its assets have been transferred shall have assumed all duties and obligations of the Corporation under this Agreement but without releasing the corporation that is the original party to this Agreement;

PROVIDED, that in any event set forth in this Section 4(c), the Executive shall have elected to terminate his employment under this Agreement, upon not less than ten and not more than ninety days' advance written notice to the Corporation, attention of the Secretary, given, except in the case of a continuing breach, within three calendar months after (A) failure to be so elected or reelected, or removal, (B) expiration of the thirty-day cure period with respect to such event, or (C) the closing date of such liquidation, dissolution, consolidation, merger or transfer of assets, as the case may be.

An election by the Executive to terminate his employment given under the provisions of this Section 4(c) shall not be deemed a voluntary termination of employment by the Executive for the purpose of this Agreement or any plan or practice of the Corporation.

(d) NOTICE OF TERMINATION. Any termination by the Corporation for Cause, or by the Executive for Good Reason, shall be communicated by Notice of Termination to the other party hereto given in accordance with Section 14(b) below. For purposes of this Agreement, a "Notice of Termination" means a written notice which

(i) indicates the specific termination provision in this Agreement relied upon,

(ii) to the extent applicable, sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated and

(iii) if the Date of Termination (as defined in Section 4(e) below) is other than the date of receipt of such notice, specifies the termination date (which date shall be not more than fifteen days after the giving of such notice).

(e) DATE OF TERMINATION. "Date of Termination" means

(i) if the Executive's employment is terminated by the Corporation for Cause, or by the Executive for Good Reason, the date of receipt of the Notice of Termination or any later date specified therein, as the case may be,

(ii) if the Executive's employment is terminated by the Corporation other than for Cause or Disability, the Date of Termination shall be the date on which the Corporation notifies the Executive of such termination and

(iii) if the Executive's employment is terminated by reason of death or Disability, the Date of Termination shall be the date of death of the Executive or the Disability Effective Date, as the case may be.

5 OBLIGATIONS OF THE CORPORATION UPON TERMINATION.

(a) TERMINATION OTHER THAN FOR CAUSE. If, during the Employment Period, the Corporation shall terminate the Executive's employment other than for Cause or the Executive shall terminate his employment following a Change of Control for Good Reason (termination in any such case referred to as "Termination"):

(i) the Corporation shall pay the Executive in a lump sum in cash within 30 days after the Date of Termination the sum of

- (1) the Executive's Annual Base Salary through the Date of Termination to the extent not theretofore paid,
- (2) the product of (x) the Target Annual Bonus and (y) a fraction, the numerator of which is the number of days in the current fiscal year through the Date of Termination, and the denominator of which is 365, and
- (3) any compensation previously deferred by the Executive (together with any accrued interest or earnings thereon) and any accrued vacation pay, in each case to the extent not theretofore paid (the sum of the amounts described in clauses (1), (2), and (3) shall be hereinafter referred to as the "Accrued Obligations"); and

(ii) at the end of the month next following the Termination, and at the end of each month thereafter until the earliest of the end of the Employment Period, three

years following the Date of Termination, or until the Executive shall attain the age of 65 years, but in no event beyond the end of the month in which the death of the Executive shall have occurred or the end of the sixth month following the Disability Effective Date (such period to be called the "Termination Period"), the Corporation shall pay to the Executive an amount equal to the Highest Average Monthly Compensation; PROVIDED, HOWEVER, that such amount shall be reduced by any other amounts payable to the Executive in respect of salary or bonus continuation to be received by the Executive under any severance plan, policy or arrangement of the Corporation; and, PROVIDED, FURTHER, that if the Date of Termination occurs on or after the occurrence of a Change of Control, such amount shall be paid as a lump-sum within 30 days following the Date of Termination, such lump-sum calculated based upon the present value (within the meaning of Section 280G(d)(4) of the Internal Revenue Code of 1986 as amended (the "Code")) of the payments which would be made absent the Change of Control; and

(iii) During the Termination Period, or such longer period as any plan, program, practice or policy may provide, the Corporation shall continue benefits to the Executive and/or the Executive's family at least equal to those which would have been provided to them in accordance with the plans, programs, practices and policies described in Section 3(d) above if the Executive's employment had not been terminated in accordance with the most favorable plans, practices, programs or policies of the Corporation and its Affiliated Companies as in effect and applicable generally to other senior executives of the Corporation and its Affiliated Companies and their families during the 90-day period immediately preceding the Date of Termination or, if more favorable to the Executive, as in effect at any time thereafter or, if more favorable to the Executive, as in effect generally at any time thereafter with respect to other senior executives of the Corporation and its Affiliated Companies and their families, PROVIDED, HOWEVER, that if the Executive becomes reemployed with another employer and is eligible to receive medical or other welfare benefits under another employer-provided plan, the medical and other welfare benefits described herein shall be secondary to those provided under such other plan during such applicable period of eligibility (such continuation of such benefits for the applicable period herein set forth shall be hereinafter referred to as "Welfare Benefit Continuation"). For purposes of determining eligibility of the Executive for retiree benefits pursuant to such plans, practices, programs and policies, the Executive shall be considered to have remained employed until the end of the Termination Period and to have retired on the date of the

end of the Termination Period. To the extent that any benefits referred to in this Section 5(a)(iii) shall not be payable or provided under any such plan by reason of the Executive's no longer being an employee of the Corporation as the result of Termination, the Corporation shall itself pay, or provide for payment of, such benefits and the service credit for benefits provided for in Section 5(a)(iv) below, to the Executive, his dependents and Beneficiary; and

(iv) The period from the Date of Termination until the end of the Termination Period shall be considered:

- (1) Service with the Corporation for the purpose of continued credits under the employee benefit plans referred to in Section 3(d) above and all other benefit plans of the Corporation applicable to the Executive or his Beneficiary as in effect immediately prior to Termination but prior to any reduction of benefits thereunder as the result of amendment or termination during the Employment Period;
- (2) Service within the meaning of Section 3(j) (vii) above for purposes of Section 3(j) above; and
- (3) Employment with the Corporation for purposes of determining payments and other rights in respect of awards made or accrued and award opportunities granted prior to Termination under the executive incentive plans referred to in Section 3(c) above and all other incentive plans of the Corporation in which the Executive was a participant prior to Termination; and

(v) to the extent not theretofore paid or provided, the Corporation shall timely pay or provide to the Executive and/or the Executive's family any other amounts or benefits required to be paid or provided or which the Executive and/or the Executive's family is eligible to receive pursuant to this Agreement and under any plan, program, policy or practice or contract or agreement of the Corporation and its Affiliated Companies as in effect and applicable generally to other senior executives of the Corporation and its Affiliated Companies and their families during the 90-day period immediately preceding the Date of Termination or, if more favorable to the Executive, as in effect generally thereafter with respect to other senior executives of the Corporation and its Affiliated Companies and their families (such other

amounts and benefits shall be referred to below as the "Other Benefits").

(b) TERMINATION ON OR AFTER CHANGE OF CONTROL. If Termination shall have occurred coincidental with a Change of Control or during the Change of Control Period, any provision of Section 5(a)(iv) above or of the ACP to the contrary notwithstanding, upon such Termination, the Corporation shall pay or distribute to the Executive on an accelerated basis, to the extent, if any, not theretofore accelerated, any and all outstanding Short-Term Awards, or installments thereof, under the ACP that shall have been awarded to the Executive prior to Termination and deferred for payment subsequent to termination of employment, with any such accelerated payment based on the value, determined in accordance with such plan (or successor plan), of such awards or installments (and any increments thereon) on the Termination Date, and such accelerated payment or distribution shall constitute a complete discharge of the Corporation's obligation in respect of the Short-Term Awards so paid or distributed.

(c) CAUSE; OTHER THAN FOR GOOD REASON. If the Executive's employment shall be terminated for Cause during the Employment Period, the Corporation shall have no further obligations to the Executive under this Agreement other than the obligation to pay the Executive's Annual Base Salary, any compensation previously deferred by the Executive (together with any accrued interest or earnings thereon), and accrued vacation pay through the Date of Termination, in each case to the extent not theretofore paid, and any other amounts or benefits to which the Executive and/or the Executive's family is otherwise entitled under the terms of any employee benefit or incentive plan of the Corporation. If the Executive terminates employment during the Employment Period, excluding a termination for Good Reason following a Change of Control, the Corporation shall have no further obligations to the Executive, other than to pay the Executive's Annual Base Salary, any compensation previously deferred by the Executive (together with any accrued interest or earnings thereon), and accrued vacation pay through the termination date, in each case to the extent not theretofore paid, any other benefits to which the Executive and/or the Executive's family is otherwise entitled under the terms of any employee benefit or incentive plan of the Corporation, and, if the Executive is otherwise eligible under the provisions of Section 3(j) of this Agreement, he shall also be entitled to receive the supplemental retirement annuity described in such Section 3(j).

(d) DEATH OR DISABILITY.

(i) In the event of the death of the Executive during the Employment Period, the legal representative of

the Executive shall be entitled to the compensation provided for in Sections 3(a) and 3(b) above for the month in which death shall have taken place, at the rate being paid at the time of death, and the Employment Period shall be deemed to have ended as of the close of business on the last day of the month in which death shall have occurred but without prejudice to any payments due in respect of the Executive's death.

(ii) In the event of the Disability of the Executive during the Employment Period, the Executive shall be entitled to the compensation provided for in Sections 3(a) and 3(b) above, at the rate being paid on the Disability Effective Date, for the period of such Disability but not in excess of six months. The amount of any payments due under this Section 5(d)(ii) shall be reduced by any payments to which the Executive may be entitled for the same period because of disability under any disability or pension plan of the Corporation or of any Subsidiary or Affiliate thereof.

(e) RESOLUTION OF DISPUTES.

(i) RIGHT OF ELECTION BY EXECUTIVE TO ARBITRATE OR SUE. In the event that the Executive's employment shall be terminated by the Corporation during the Employment Period and such termination is alleged to be for Cause, or the Executive's right to terminate his employment under Section 4(c) above shall be questioned by the Corporation, or the Corporation shall withhold payments or provision of benefits for any other reason, the Executive shall have the right, in addition to all other rights and remedies provided by law, at his election either to seek arbitration within the Toledo, Ohio area under the rules of the American Arbitration Association by serving a notice to arbitrate upon the Corporation or to institute a judicial proceeding, in either case within ninety days after having received notice of termination of his employment or notice in any form that the termination of his employment under Section 4(b) above is subject to question or that the Corporation is withholding or proposes to withhold payments or provision of benefits.

(ii) THIRD-PARTY STAKEHOLDER. In the event that the Corporation defaults on any obligation set forth in Section 5(a) above, relating to Termination, and shall have failed to remedy such default within thirty (30) days after having received written notice of such default from the Executive, in addition to all other rights and remedies that the Executive may have as a result of such default, the Executive may demand and the Corporation shall thereupon be required to deposit, with the third-party

stakeholder hereinafter described, an amount equal to the undiscounted value of any and all undischarged, future obligations of the Corporation under Section 5(a) above and such amount shall thereafter be held, paid, applied or distributed by such third-party stakeholder for the purpose of satisfying such undischarged, future obligations of the Corporation when and to the extent that they become due and payable. Any interest or other income on such amount shall be retained by the third-party stakeholder and applied, if necessary, by it to satisfy such obligations, PROVIDED, HOWEVER, that any interest or other income that is earned on such undischarged, future obligations after the date that the third-party stakeholder determines, in its sole discretion, that such obligations are due and owing to the Executive, shall be paid to the Executive as earned. To the extent not theretofore expended, such amount (including any remaining unexpended interest or other income) shall be repaid to the Corporation at such time as the third-party stakeholder, in its sole discretion, reasonably exercised, determines, upon the advice of counsel and after consultation with the Corporation and the Executive or, in the event of his death, his Beneficiary, that all obligations of the Corporation under Section 5(a) above have been substantially satisfied.

Such amount shall, in the event of any question, be determined jointly by the firm of certified public accountants regularly employed by the Corporation and a firm of certified public accountants selected by the Executive, in each case upon the advice of actuaries to the extent the certified public accountants consider necessary, and, in the event such two firms of accountants are unable to agree on a resolution of the question, such amount shall be determined by an independent firm of certified public accountants selected jointly by both firms of accountants.

The third-party stakeholder, the fees and expenses of which shall be paid by the Corporation, shall be a national or state bank or trust company having a combined capital, surplus and undivided profits and reserves of not less than Ten Million Dollars (\$10,000,000) which is duly authorized and qualified to do business in the state in which the Executive resides at the time of such default.

(f) BENEFITS ARE IN ADDITION TO SUPPLEMENTAL RETIREMENT

ANNUITY. Any provision of this Agreement to the contrary notwithstanding, the payments, benefits, service credit for benefits and other matters provided by this Section 5, including without limitation Section 5(a) above, in the event of a Termination, are in addition to any payments, benefits, service credit for benefits and other matters provided by Section 3(j)

above relating to a supplemental retirement annuity that may apply in such event.

6 NON-EXCLUSIVITY OF RIGHTS.

Except as provided in Sections 5(a) (ii), 5(b) and 5(c) above, nothing in this Agreement shall prevent or limit the Executive's continuing or future participation in any plan, program, policy or practice provided by the Corporation or any of its Affiliated Companies and for which the Executive may qualify, nor shall anything herein limit or otherwise affect such rights as the Executive may have under any contract or agreement entered into after the date hereof with the Corporation or any of its Affiliated Companies. Amounts which are vested benefits or which the Executive is otherwise entitled to receive under any plan, policy, practice or program of, or any contract or agreement entered into after the date hereof with, the Corporation or any of its Affiliated Companies at or subsequent to the Date of Termination shall be payable in accordance with such plan, policy, practice or program or contract or agreement except as explicitly modified by this Agreement.

7 FULL SETTLEMENT.

The Corporation's obligation to make the payments provided for in this Agreement and otherwise to perform its obligations hereunder shall not be affected by any set-off, counterclaim, recoupment, defense or other claim, right or action which the Corporation may have against the Executive or others. In no event shall the Executive be obligated to seek other employment or take any other action by way of mitigation of the amounts payable to the Executive under any of the provisions of this Agreement and, except as provided in Section 5(a) (iii) above, such amounts shall not be reduced whether or not the Executive obtains other employment.

8 GOLDEN PARACHUTE TAX PAYMENTS.

(a) Anything in this Agreement to the contrary notwithstanding, in the event it shall be determined that any payment or distribution involving a change of control of the Corporation, by the Corporation or any other person or entity, to or for the benefit of the Executive (whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise, but determined without regard to any additional payments required under this Section 8) (a "Payment") would be subject to the excise tax imposed by Section 4999 of the Code (or any successor provision) or any interest or penalties are incurred by the Executive with respect to such excise tax (such excise tax, together with any such interest and penalties, are hereinafter collectively referred to as the "Excise Tax"), then the Executive shall be entitled to receive

an additional payment (a "Gross-Up Payment") from the Corporation in an amount such that, after payment by the Executive of all taxes (including any interest or penalties imposed with respect to such taxes), including, without limitation, any income taxes (and any interest and penalties imposed with respect thereto) and Excise Tax imposed upon the Gross-Up Payment, the Executive retains an amount of the Gross-Up Payment equal to the Excise Tax imposed upon the Payments.

(b) All calculations and determinations required to be made under this Section 8, including whether and when a Gross-Up Payment is required and the amount of such Gross-Up Payment and the assumptions to be utilized in arriving at such determination, shall be made by Price Waterhouse (or any successor thereto by merger or operation of law) (the "Accounting Firm"). In the event that the Accounting Firm is serving as accountant or auditor for the individual, entity or group effecting the change of control, the Executive shall appoint another nationally recognized accounting firm to make the determinations required hereunder (which accounting firm shall then be referred to as the Accounting Firm hereunder). All fees and expenses of the Accounting Firm shall be borne solely by the Corporation. Any Gross-Up Payment, as determined pursuant to this Section 8, shall be paid by the Corporation to the Executive within five days of the receipt of the Accounting Firm's determination. If the Accounting Firm determines that no Excise Tax is payable by the Executive, it shall furnish the Executive with a written opinion that failure to report the Excise Tax on the Executive's applicable federal income tax return would not result in the imposition of a negligence or similar penalty. Any determination by the Accounting Firm shall be binding upon the Corporation and the Executive.

(c) The Executive shall promptly notify the Corporation in writing of any claim by the Internal Revenue Service that, if successful, would require the payment by the Corporation of the Gross-Up Payment.

The Corporation shall bear and pay directly all costs and expenses (including additional interest and penalties) incurred in connection with such claim and shall indemnify and hold the Executive harmless, on an after-tax basis, for any Excise Tax or income tax (including interest and penalties with respect thereto) imposed as a result of such representation and payment of costs and expenses. Without limitation on the foregoing provisions of this Section 8(c), the Corporation shall control all proceedings taken in connection with such contest and, at its sole option, may pursue or forgo any and all administrative appeals, proceedings, hearings and conferences with the taxing authority in respect of such claim and may, at its sole option, either direct the Executive to pay the tax claimed and sue for a refund or to contest the claim in any

permissible manner, and the Executive agrees to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as the Corporation shall determine; PROVIDED, HOWEVER, that if the Corporation directs the Executive to pay such claim and sue for a refund, the Corporation shall advance the amount of such payment to the Executive, on an interest-free basis and shall indemnify and hold the Executive harmless, on an after-tax basis, from any Excise Tax or income tax (including interest or penalties with respect thereto) imposed with respect to such advance or with respect to any imputed income with respect to such advance. Furthermore, the Corporation's control of the contest shall be limited to issues with respect to which a Gross-Up Payment would be payable hereunder and the Executive shall be entitled to settle or contest, as the case may be, any other issue raised by the Internal Revenue Service or any other taxing authority.

9 CONFIDENTIAL INFORMATION.

(a) The Executive agrees not to disclose, either while in the Corporation's employ or at any time thereafter, to any person not employed by the Corporation, or not engaged to render services to the Corporation, except with the prior written consent of an officer authorized to act in the matter by the Board of Directors of the Corporation, any confidential information obtained by him while in the employ of the Corporation, including, without limitation, information relating to any of the Corporation's inventions, processes, formulae, plans, devices, compilations of information, methods of distribution, customers, client relationships, marketing strategies or trade secrets; PROVIDED, HOWEVER, that this provision shall not preclude the Executive from use or disclosure of information known generally to the public or of information not considered confidential by persons engaged in the business conducted by the Corporation or from disclosure required by law or Court order. The agreement herein made in this Section 9(a) shall be in addition to, and not in limitation or derogation of, any obligations otherwise imposed by law upon the Executive in respect of confidential information and trade secrets of the Corporation, its Subsidiaries and Affiliates.

(b) The Executive also agrees that upon leaving the Corporation's employ he will not take with him, without the prior written consent of an officer authorized to act in the matter by the Board of Directors of the Corporation, and he will surrender to the Corporation any record, list, drawing, blueprint, specification or other document or property of the Corporation, its Subsidiaries and Affiliates, together with any copy and reproduction thereof, mechanical or otherwise, which is of a confidential nature relating to the Corporation, its Subsidiaries and Affiliates, or, without limitation, relating to

its or their methods of distribution, client relationships, marketing strategies or any description of any formulae or secret processes, or which was obtained by him or entrusted to him during the course of his employment with the Corporation.

10 COMPETITION.

(a) Subject to the provisions of Section 5(e) above relating to resolution of disputes, there shall be no obligation on the part of the Corporation to make any further payments provided for in Section 3(j) above relating to payment of a supplemental retirement annuity, if the Executive shall, during the period that such payments are being made or benefits provided, engage in Competition with the Corporation as hereinafter defined, provided all of the following shall have taken place:

(i) the Secretary of the Corporation, pursuant to resolution of the Board of Directors of the Corporation, shall have given written notice to the Executive that, in the opinion of the Board of Directors, the Executive is engaged in such Competition, specifying the details;

(ii) the Executive shall have been given a reasonable opportunity upon reasonable notice to appear before and to be heard by the Board of Directors prior to the determination of the Board evidenced by such resolution;

(iii) the Executive shall neither have ceased to engage in such Competition within thirty days from his receipt of such notice nor diligently taken all reasonable steps to that end during such thirty-day period and thereafter.

Notwithstanding any provision to the contrary contained herein, in the event of a Termination, as defined in Section 5(a) above, this Section 10(a) shall not apply following a Change of Control.

(b) The Executive agrees in addition to the provisions relating to Competition set forth in Section 10(a) above that he will not engage in Competition at any time (i) during the Employment Period, and (ii) except in the event of a Termination, during the thirty-six (36) months immediately following the termination of his employment with the Corporation.

(c) The word "Competition" for the purposes of this Agreement shall mean

(i) taking a management position with or control of a business engaged in the design, development, manufacture, marketing or distribution of products, which constituted 15% or more of the sales of the Corporation and its Subsidiaries and Affiliates during the last fiscal year of the Corporation preceding the termination of the Executive's employment, in any geographical area in which the Corporation, its Subsidiaries or Affiliates is at the time engaging in the design, development, manufacture, marketing or distribution of such products; PROVIDED, HOWEVER, that in no event shall ownership of less than 5% of the outstanding capital stock entitled to vote for the election of directors of a corporation with a class of equity securities held of record by more than 500 persons, standing alone, be deemed Competition with the Corporation within the meaning of this Section 10,

(ii) soliciting any person who is a customer of the businesses conducted by the Corporation, or any business in which the Executive has been engaged on behalf of the Corporation and its Subsidiaries or Affiliates at any time during the term of this Agreement on behalf of a business described in clause (i) of this Section 10,

(iii) inducing or attempting to persuade any employee of the Corporation or any of its Subsidiaries or Affiliates to terminate his employment relationship in order to enter into employment with a business described in clause (i) of this Subsection 10(c), or

(iv) making or publishing any statement which is, or may reasonably be considered to be, disparaging of the Corporation or any of its Subsidiaries or Affiliates, or directors, officers, employees or the operations or products of the Corporation or any of its Subsidiaries or Affiliates, except to the extent the Executive, during the Employment Period, makes the statement to employees or other representatives of the Corporation or any of its Subsidiaries or Affiliates in furtherance of the Corporation's business and the performance of his services hereunder.

11 SUCCESSORS.

Except as otherwise provided herein,

(a) This Agreement shall be binding upon and shall inure to the benefit of the Executive, his heirs and legal representatives, and the Corporation and its successors as provided in this Section 11.

(b) This Agreement shall be binding upon and inure to the benefit of the Corporation and any successor of the Corporation, including, without limitation, any corporation or corporations acquiring, directly or indirectly, 50% or more of the outstanding securities of the Corporation, or all or substantially all of the assets of the Corporation, whether by merger, consolidation, sale or otherwise (and such successor shall thereafter be deemed embraced within the term "the Corporation" for the purposes of this Agreement), but shall not otherwise be assignable by the Corporation.

12 CERTAIN DEFINITIONS.

The following defined terms used in this Agreement shall have the meanings indicated:

(a) BENEFICIARY. The term "Beneficiary" as used in this Agreement shall, in the event of the death of the Executive, mean an individual or individuals and/or an entity or entities, including, without limitation, the Executive's estate, duly designated on a form filed with the Corporation by the Executive to receive any amount that may be payable after his death or, if no such individual, individuals, entity or entities has or have been so designated, or is at the time in existence or able to receive any such amount, the Executive's estate.

(b) CHANGE OF CONTROL. A "Change of Control" shall be deemed to have occurred if the event set forth in any one of the following paragraphs shall have occurred:

(i) any Person is or becomes the Beneficial Owner, directly or indirectly, of securities of the Corporation (not including in the securities Beneficially Owned by such Person any securities acquired directly from the Corporation or its Affiliates) representing 20% or more of the combined voting power of the Corporation's then outstanding securities, excluding any Person who becomes such a Beneficial Owner in connection with a transaction described in clause (1) of paragraph (iii) below; or

(ii) the following individuals cease for any reason to constitute a majority of the number of directors then serving: individuals who, on the date hereof, constitute the Board and any new director whose appointment or election by the Board or nomination for election by the Corporation's stockholders was approved or recommended by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors on the date hereof or whose appointment, election or nomination for election was previously so approved or recommended. For

purposes of the preceding sentence, any director whose initial assumption of office is in connection with an actual or threatened election contest, including but not limited to a consent solicitation, relating to the election of directors of the Corporation, shall not be counted; or

(iii) there is consummated a merger or consolidation of the Corporation or any direct or indirect Subsidiary of the Corporation with any other corporation, other than (1) a merger or consolidation which would result in the voting securities of the Corporation outstanding immediately prior to such merger or consolidation continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or any parent thereof) at least 50% of the combined voting power of the securities of the Corporation or such surviving entity or any parent thereof outstanding immediately after such merger or consolidation, or (2) a merger or consolidation effected to implement a recapitalization of the Corporation (or similar transaction) in which no Person is or becomes the Beneficial Owner, directly or indirectly, of securities of the Corporation (not including in the securities Beneficially Owned by such Person any securities acquired directly from the Corporation or its Affiliates) representing 20% or more of the combined voting power of the Corporation's then outstanding securities; or

(iv) the stockholders of the Corporation approve a plan of complete liquidation or dissolution of the Corporation or there is consummated an agreement for the sale or disposition by the Corporation of all or substantially all of the Corporation's assets, other than a sale or disposition by the Corporation of all or substantially all of the Corporation's assets to an entity, at least 50% of the combined voting power of the voting securities of which are owned by stockholders of the Corporation in substantially the same proportions as their ownership of the Corporation immediately prior to such sale.

"Beneficial Owner" shall have the meaning set forth in Rule 13d-3 under the Exchange Act.

"Exchange Act" shall mean the Securities Exchange Act of 1934, as amended from time to time.

"Person" shall have the meaning given in Section 3(a)(9) of the Exchange Act, as modified and used in Sections 13(d) and 14(d)

thereof, except that such term shall not include (i) the Corporation or any of its Subsidiaries, (ii) a trustee or other fiduciary holding securities under an employee benefit plan of the Corporation or any of its Affiliates, (iii) an underwriter temporarily holding securities pursuant to an offering of such securities or (iv) a corporation owned, directly or indirectly, by the stockholders of the Corporation in substantially the same proportions as their ownership of stock of the Corporation.

(c) CHANGE OF CONTROL DATE. The "Change of Control Date" shall mean the first date on which a Change of Control occurs. Anything in this Agreement to the contrary notwithstanding, if a Change of Control occurs and if the Executive's employment with the Corporation is terminated or the Executive ceases to have the position with the Corporation set forth in Section 2(a) above prior to the date on which the Change of Control occurs, and if it is reasonably demonstrated by the Executive that such termination or cessation (i) was at the request of a third party who has taken steps reasonably calculated to effect the Change of Control or (ii) otherwise arose in connection with or anticipation of the Change of Control, then for all purposes of this Agreement the "Change of Control Date" shall mean the date immediately prior to the date of such termination or cessation.

(d) CHANGE OF CONTROL PERIOD. The "Change of Control Period" shall mean the period commencing on the Change of Control Date and ending on the last day of the Employment Period.

13 AMENDMENT OR MODIFICATION; WAIVER.

No provision of this Agreement may be amended, modified or waived unless such amendment, modification or waiver shall be authorized by the Board of Directors of the Corporation or any authorized committee of the Board of Directors and shall be agreed to in writing, signed by the Executive and by an officer of the Corporation thereunto duly authorized. Except as otherwise specifically provided in this Agreement, no waiver by either party hereto of any breach by the other party hereto of any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of a subsequent breach of such condition or provision or a waiver of a similar or dissimilar provision or condition at the same time or at any prior or subsequent time.

14 MISCELLANEOUS.

(a) This Agreement shall be governed by and construed in accordance with the laws of the State of Ohio, without reference to principles of conflict of laws. The captions of

this Agreement are not part of the provisions hereof and shall have no force or effect.

(b) All notices and other communications hereunder shall be in writing and shall be given by hand delivery to the other party or by registered or certified mail, return receipt requested, postage prepaid, addressed as follows:

IF TO THE EXECUTIVE:
- -----

COPY TO:

Mr. Southwood J. Morcott
c/o Dana Corporation
4500 Dorr Street
Toledo, Ohio 43615

Mr. Southwood J. Morcott
29765 Durham Circle
Perrysburg, Ohio 43551

IF TO THE CORPORATION:
- -----

Dana Corporation
4500 Dorr Street
Toledo, Ohio 43615
Attention: Secretary

or to such other address as either party shall have furnished to the other in writing in accordance herewith. Notice and communications shall be effective when actually received by the addressee.

(c) The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement.

(d) The Corporation may withhold from any amounts payable under this Agreement such Federal, state or local taxes as it determines is required to be withheld pursuant to any applicable law or regulation.

(e) When used herein in connection with plans, programs and policies relating to the Executive, employees, compensation, benefits, perquisites, executive benefits, services and similar words and phrases, the word "Corporation" shall be deemed to include all wholly-owned Subsidiaries of the Corporation.

(f) This instrument contains the entire agreement of the parties concerning the subject matter, and all promises, representations, understandings, arrangements and prior agreements concerning the subject matter are merged herein and superseded hereby, including, without limitation, the agreements between the parties dated February 13, 1984, December 10, 1990 and December 14, 1992.

(g) No right, benefit or interest hereunder, shall be subject to anticipation, alienation, sale, assignment, encumbrance, charge, pledge, hypothecation, or set-off in respect of any claim, debt or obligation, or to execution, attachment, levy or similar process, or assignment by operation of law. Any attempt, voluntary or involuntary, to effect any action specified in the immediately preceding sentence shall, to the full extent permitted by law, be null, void and of no effect.

(h) The Executive shall not have any right, title, or interest whatsoever in or to any investments which the Corporation may make to aid it in meeting its obligations under this Agreement.

(i) Subject to the provisions of Section 5(e) above, all payments to be made under this Agreement shall be paid from the general funds of the Corporation and no special or separate fund shall be established and no segregation of assets shall be made to assure payment of amounts payable under this Agreement.

(j) The Corporation and the Executive recognize that each party will have no adequate remedy at law for breach by the other of any of the agreements contained in this Agreement and, in the event of any such breach, the Corporation and the Executive hereby agree and consent that the other shall be entitled to a decree of specific performance, mandamus or other appropriate remedy to enforce performance of such agreements.

(k) Subject to the provisions of Section 5(e) above, nothing contained in this Agreement shall create or be construed to create a trust of any kind, or a fiduciary relationship between the Corporation and the Executive or any other person.

(l) Subject to the provisions of Section 5(e) above, to the extent that any person acquires a right to receive payments from the Corporation under this Agreement, except to the extent provided by law such right shall be no greater than the right of an unsecured general creditor of the Corporation.

(m) In the event of the Executive's death or a judicial determination of his incompetence, reference in this Agreement to the Executive shall be deemed, where appropriate, to refer to his legal representative or, where appropriate, to his Beneficiary.

(n) If any event provided for in this Agreement is scheduled to take place on a legal holiday, such event shall take place on the next succeeding day that is not a legal holiday.

IN WITNESS WHEREOF, the Executive and, pursuant to due authorization from its Board of Directors, the Corporation have caused this Agreement to be executed as of the day and year first above written.

DANA CORPORATION

By:/s/ Martin J. Strobel

Name: Martin J. Strobel
Title: Vice President
General Counsel

By:/s/ Theodore B. Sumner

Chairman of the
Compensation Committee

Attest:

Assistant Secretary
/s/ Sue A. Griffin

/s/ Southwood J. Morcott

Executive

Exhibit A Exhibit A to Agreement made as of December 8, 1997
between Dana Corporation and Southwood J. Morcott

As of December 8, 1997, for purposes of Section 2(a),

the office(s) and title(s) of the Executive are Chairman of the Board of Directors and Chief Executive Officer;

the reporting responsibility of the Executive is to report directly and only to the Board of Directors of the Corporation; and

the duties and responsibilities of the Executive are:

The Executive shall continue to serve as the principal officer of the Corporation and as general manager of all operations and affairs of the Corporation, its subsidiaries, affiliates and divisions, at all times having the authority, powers and duties of the person charged with the general management of the business and affairs of the Corporation, with authority to manage and direct all operations and affairs of the Corporation, its subsidiaries, affiliates and divisions, and to employ and discharge all employees thereof subject to approval of the Board of Directors of the Corporation with respect to elected officers of the Corporation. The Executive shall serve as Chairman of the Policy Committee of the Corporation. The Executive shall continue to report to and be responsible only to the Board of Directors of the Corporation, with all employees of the Corporation, its subsidiaries, affiliates and divisions reporting directly or indirectly to him.

EMPLOYMENT AGREEMENT

BETWEEN

DANA CORPORATION

AND

JOE M. MAGLIOCHETTI

DATED DECEMBER 8, 1997

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*Each listed term is intended to include both the singular and plural form of the term.

DEFINED TERMS

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*Each listed term is intended to include both the singular and plural form of the term.

AMENDED AND RESTATED EMPLOYMENT AGREEMENT (the "Agreement") made and entered into as of this 8th day of December, 1997, by and between DANA CORPORATION, a Virginia corporation whose principal place of business is located at 4500 Dorr Street, Toledo, Ohio (the "Corporation"), and Joe M. Magliochetti (the "Executive");

WHEREAS, the Executive is a principal executive officer of the Corporation and an integral part of its management; and

WHEREAS, the Corporation wishes to assure itself of the continuing services of the Executive and to assure the Executive of continued employment during the period of employment hereunder; and

WHEREAS, the Executive is willing to commit himself to remain in the employ of the Corporation during such period on terms and conditions substantially similar to those on which other senior executive officers of the Corporation are employed, and to forego opportunities elsewhere during such period; and

WHEREAS, the parties have entered into an Agreement dated December 14, 1992, as amended from time to time thereafter (the "Prior Agreement"); and

WHEREAS, the parties wish to amend and restate the Prior Agreement in its entirety;

NOW, THEREFORE, IN CONSIDERATION of the mutual promises, covenants and agreements set forth below, it is hereby agreed as follows:

1. EMPLOYMENT AND TERM.

(a) The Corporation agrees to continue the employment of the Executive, and the Executive agrees to remain in the employ of the Corporation, in accordance with the terms and provisions of this Agreement, for the period set forth below (the "Employment Period").

(b) The Employment Period under this Agreement shall commence as of December 8, 1997, and, subject only to the provisions of Section 4 below relating to termination of employment, shall continue until (i) the close of business on December 31, 2000 or (ii) such later date as shall result from the operation of subparagraph (c) below (the "Terminal Date").

(c) Commencing on December 31, 1998, and on each anniversary of such date (such date and each such annual anniversary thereof, the "Renewal Date") the Terminal Date set forth in subparagraph (b) above shall be extended so as to occur three (3) years from the Renewal Date unless either party shall have given notice to the other party that the Terminal Date is not to be extended or further extended.

2. POSITION AND DUTIES OF THE EXECUTIVE

(a) POSITION. It is contemplated that during the Change of Control Period (as defined in Section 12(d), below), the Executive will continue to serve as a principal officer of the Corporation and as a member of its Board of Directors if serving as a member of the Board of Directors immediately prior to the Change of Control Date, with the office(s) and title(s), reporting responsibility, and duties and responsibilities of the Executive immediately prior to the Change of Control Date. The Executive hereby agrees that at any time prior to the Change of Control Date, the Board of Directors of the Corporation (or the individual to whom the Executive reports) may, without the Executive's consent, change the Executive's office(s), title(s), reporting responsibility, and duties or responsibilities.

The office(s), title(s), reporting responsibility, duties and responsibilities of the Executive on the date of this Agreement, as the same may be changed from time to time after the date of this Agreement in accordance with the provisions of the previous paragraph, shall be summarized in Exhibit A to this Agreement, it being understood and agreed that if, as and when the office(s), title(s), reporting responsibility, duties or responsibilities of the Executive shall be so changed after the date of this Agreement, Exhibit A shall be deemed to be, and shall be updated by the parties to reflect such change; PROVIDED, HOWEVER, that Exhibit A is intended only as a memorandum for the convenience of the parties and shall be disregarded if, and to the extent that, Exhibit A shall fail to reflect accurately the office(s), title(s), reporting responsibility, duties or responsibilities of the Executive as so changed after the date of this Agreement because the parties shall have failed to update Exhibit A as aforesaid.

At all times during the Change of Control Period, the Executive shall hold a position of responsibility and importance and a position of scope, with the functions, duties and responsibilities attached thereto, at least equal in responsibility and importance and in scope to and commensurate with his position described in general terms above in this Section 2(a) and intended to be summarized in Exhibit A to this Agreement.

During the Employment Period the Executive shall, without compensation other than that herein provided, also serve and continue to serve, if and when elected and re-elected, as an officer or director, or both, of any United States Subsidiary, division or Affiliate of the Corporation.

For all purposes of this Agreement, (i) a Subsidiary shall mean a corporation or other entity, of which 50% or more of the voting securities or other equity interests is owned directly, or indirectly through one or more intermediaries, by the Corporation, and (ii) an Affiliate shall mean a corporation or other entity which is not a Subsidiary and which directly, or

indirectly, through one or more intermediaries, controls, or is controlled by, or is under common control with, the Corporation. For the purpose of this definition, the terms "control," "controls" and "controlled" mean the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a corporation or other entity, whether through the ownership of voting securities, by contract, or otherwise.

(b) DUTIES. Throughout the Employment Period the Executive shall devote his full time and undivided attention during normal business hours to the business and affairs of the Corporation except for reasonable vacations and except for illness or incapacity, but nothing in this Agreement shall preclude the Executive from devoting reasonable periods required for:

(i) serving as a director or member of a committee or any organization involving no conflict of interest with the interests of the Corporation;

(ii) delivering lectures, fulfilling speaking engagements, teaching at educational institutions;

(iii) engaging in charitable and community activities; and

(iv) managing his personal investments;

provided that such activities do not materially interfere with the regular performance of his duties and responsibilities under this Agreement.

(c) LOCATION OF OFFICE. During the Change of Control Period, the office of the Executive shall be located at the principal offices of the Corporation, within the greater Toledo, Ohio area, and the Executive shall not be required to locate his office elsewhere without his prior written consent, nor shall he be required to be absent therefrom on travel status or otherwise more than thirty (30%) of the working days in any calendar year nor for more than ten (10) consecutive days at any one time.

3. COMPENSATION.

The Executive shall receive the following compensation for his services:

(a) SALARY. So long as the Executive is employed by the Corporation, he shall be paid an annual base salary, payable not less often than monthly, at the rate of not less than \$43,333.33 per month with such increases as shall be awarded from time to time in accordance with the Corporation's regular administrative practices of other salary increases applicable to executives of the Corporation, subject to any and all required withholdings and deductions for Social Security, income taxes and the like (the

"Annual Base Salary"). The Board of Directors of the Corporation (the "Board") may from time to time direct such upward adjustments to Annual Base Salary as the Board deems to be necessary or desirable; PROVIDED, HOWEVER, that during the Change of Control Period (as defined in Section 12(d) below), the Annual Base Salary shall be reviewed at least annually and shall be increased at any time and from time to time but not less often than annually and shall be substantially consistent with increases in base salary generally awarded in the ordinary course of business to other senior executives of the Corporation and its Affiliated Companies (a term which, as used in this Agreement, shall mean a Subsidiary or Affiliate of the Corporation) and, in addition, shall be adjusted effective as of January 1st of each calendar year commencing in the Change of Control Period to reflect increases in the cost of living during the preceding calendar year. Annual Base Salary shall not be reduced after any increase thereof pursuant to this Section 3(a). Any increase in Annual Base Salary shall not serve to limit or reduce any other obligation of the Corporation under this Agreement.

(b) ADDITIONAL COMPENSATION. So long as the Executive is employed by the Corporation, he shall be eligible to receive annual short-term incentive awards or bonuses (such award or bonus is hereinafter referred to as "Short-Term Award" or "Annual Bonus") from the Dana Corporation Additional Compensation Plan, and from any successor or replacement plan (the Dana Corporation Additional Compensation Plan and such successor or replacement plans being referred to herein collectively as the "ACP"), in accordance with the terms thereof; PROVIDED, HOWEVER, that, with respect to each fiscal year of the Corporation ending during the Change of Control Period, the Executive shall be awarded (whether under the terms of the ACP or otherwise) an Annual Bonus in an amount that shall not be less than fifty percent (50%) of his Annual Base Salary rate in effect on the last day of such fiscal year (which amount shall be prorated if such fiscal year shall be less than 12 months) (the "Target Annual Bonus"). Each Annual Bonus shall be paid no later than the end of the third month of the fiscal year next following the fiscal year for which the Annual Bonus is awarded, unless the receipt of such Annual Bonus is deferred in accordance with the terms of the ACP.

(c) INCENTIVE, STOCK AND SAVINGS PLANS. So long as the Executive is employed by the Corporation, he shall be and continue to be a full participant in the Dana Corporation 1997 Stock Option Plan, the ACP (providing for Short-Term Awards) and in any and all other incentive, stock, savings or retirement plans, practices or policies in which executives of the Corporation participate that are in effect on the date hereof and that may hereafter be adopted, including, without limitation, any stock option, stock purchase or stock appreciation plans, or any successor plans that may be adopted by the Corporation with, except in the case of the ACP after the commencement of the Change of Control Period, at least the same reward opportunities, if any, that have heretofore been provided to the Executive. Nothing in this Agreement shall

preclude improvement of reward opportunities in such plans or other plans in accordance with the practice of the Corporation on or after the date of this Agreement. Any provision of the ACP or of this Agreement to the contrary notwithstanding, any Short-Term Awards made to the Executive during the Change of Control Period (whether for services rendered prior to or after the Change of Control Date) shall be paid wholly in cash as soon as practicable after the awards are made.

(d) RETIREMENT AND WELFARE BENEFIT PLANS. The Executive, his dependents and Beneficiary, including, without limitation, any beneficiary of a joint and survivor or other optional method of payment applicable to the payment of benefits under the Pension and Retirement Program of the Corporation, as defined in Section 3(j)(vi) below, shall be entitled to all payments and benefits and service credit for benefits during the Employment Period to which other senior executives of the Corporation, their dependents and their beneficiaries are entitled under the terms of employee retirement and welfare benefit plans and practices of the Corporation, including, without limitation, the Pension and Retirement Program of the Corporation (as defined in Section 3(j)(vi) below), the Corporation's Savings and Investment Plan, its Stock Purchase Plan, its Stock Award Plan, its Income Protection Plan for Management and Certain Other Employees providing layoff and severance benefits, its 1989 Restricted Stock Plan, its Excess Benefits Plan, its Supplemental Benefits Plan, its death benefit plans (consisting of its Group Insurance Plan for Management Employees providing life insurance, accidental death and dismemberment insurance, and travel accident insurance), its disability benefit plans (consisting of its salary continuation, sickness and accident and long-term disability benefits programs), its medical, dental and health and welfare plans and other present or equivalent successor plans and practices of the Corporation, its Subsidiaries and divisions, for active and retired employees, for which officers, their dependents and beneficiaries, are eligible, and to all payments or other benefits under any such plan or practice subsequent to the Employment Period as a result of participation in such plan or practice during the Employment Period.

(e) EXPENSES. So long as the Executive is employed by the Corporation, he shall be entitled to receive prompt reimbursement for all reasonable expenses incurred by the Executive in accordance with the policies, practices and procedures of the Corporation and its Affiliated Companies from time to time in effect, commensurate with his position and on a basis at least comparable to that of other senior executives of the Corporation.

(f) FRINGE BENEFITS. So long as the Executive is employed by the Corporation, he shall be entitled to fringe benefits, including, without limitation, the business and personal use of an automobile, and payment or reimbursement of club initiation fees and dues, in accordance with the plans, practices, programs and policies of the Corporation and its Affiliated

Companies from time to time in effect, commensurate with his position and at least comparable to those received by other senior executives of the Corporation.

(g) OFFICE AND SUPPORT STAFF. So long as the Executive is employed by the Corporation, he shall be entitled to an office or offices of a size and with furnishings and other appointments, and to exclusive personal secretarial and other assistance, commensurate with his position and at least comparable to those received by other senior executives of the Corporation.

(h) VACATION AND OTHER ABSENCES. So long as the Executive is employed by the Corporation, he shall be entitled to paid vacation and such other paid absences whether for holidays, illness, personal time or any similar purposes, in accordance with the plans, policies, programs and practices of the Corporation and its Affiliated Companies in effect from time to time, commensurate with his position and at least comparable to those received by other senior executives of the Corporation.

(i) BENEFITS SHALL NOT BE REDUCED UNDER CERTAIN CIRCUMSTANCES. Nothing in this Agreement shall preclude the Corporation from amending or terminating any employee benefit or welfare plan or practice, but, it being the intent of the parties that the Executive shall continue to be entitled during the Employment Period to perquisites as set forth in this Section 3 and to benefits and service credit for benefits under Section 3(d) above at least equal to those attached to his position on December 10, 1990, the date of the original agreement between the parties (except that, in converting a monthly retirement benefit, which is payable under any plan that is a component of the Pension and Retirement Program of the Corporation, into a lump sum payment, the lump sum conversion basis to be used shall be the basis that is described in Section 3(j) (iii) below, regardless of whether such basis is more favorable or less favorable than the one in effect on December 10, 1990), and except as provided in the last sentence of this Section 3(i), nothing in this Agreement shall operate or be construed to reduce, or authorize a reduction without the Executive's written consent in, the level of such perquisites, benefits or service credit for benefits; in the event of any such reduction, by amendment or termination of any plan or practice or otherwise, the Executive, his dependents and Beneficiary, shall continue to be entitled to perquisites, benefits and service credit for benefits at least equal to the perquisites, benefits and service credit for benefits under such plans or practices that he or his dependents and Beneficiary would have received if such reduction had not taken place. If and to the extent that such perquisites, benefits and service credits are not payable or provided under any such plans or practices by reason of such amendment or termination thereof, the Corporation itself shall pay or provide therefor. Notwithstanding the foregoing provisions of this Section 3(i), the Executive hereby waives the benefit of the foregoing minimum benefit protection only as it applies to the Dana Corporation Savings and Investment Plan, and to its medical, dental

and health plans for active and retired employees. The Executive expressly does not waive the application of the foregoing minimum benefit protection to any of the other benefit plans, programs or practices enumerated in Section 3 above, including, without limitation, the Pension and Retirement Program of the Corporation, its death benefit plans, its disability benefit plans, and its Income Protection Plan for Management and Certain Other Employees. The Executive reserves the right to cancel the above waiver, prospectively, at any future time by giving written notice to the Corporation of such cancellation. Nothing in this Section 3(i) shall be construed to prohibit the Corporation from amending or terminating any employee benefit or welfare plan or practice to reduce benefits, so long as such reduction applies to all salaried Corporation employees covered by such plan or practice equally and such reduction is adopted prior to the commencement of the Change of Control Period.

(j) SUPPLEMENTAL RETIREMENT ANNUITY.

(i) If the Service of the Executive, including, without limitation, the period set forth in Section 5(a)(iv)(2) below, relating to the period between the Date of Termination and the end of the Termination Period, shall terminate other than for death or Cause as defined in Section 4(b) below, and if the Executive shall have a total of not less than fifteen (15) years of Service, as defined in subparagraph (vii) of this Section 3(j), whether or not consecutive, the Executive, subject to compliance with the provisions of Sections 9 and 10 below, relating to confidential information and Competition, respectively, shall be entitled to the supplemental retirement annuity provided by this Section 3(j) in addition to all other benefits to which the Executive may be entitled including, without limitation, benefits under the Pension and Retirement Program of the Corporation. Notwithstanding the foregoing provisions of this paragraph, the Executive shall not be entitled to receive the supplemental retirement annuity provided by this Section 3(j) if his Service shall terminate prior to his attainment of age 55 and prior to the Change of Control Date.

Such supplemental retirement annuity shall be payable by the Corporation on a straight life annuity basis commencing on the first day of the month coinciding with or next following the latest of

- (1) termination of Service;
- (2) attainment by the Executive of age 55; and
- (3) if the Executive had not previously retired with 15 years or more of Service, the expiration of the Employment Period; and continuing

on the first day of each month thereafter during his lifetime.

(ii) The monthly payment provided for in Section 3(j) (i) above shall be equal to fifty percent (50%) (or if higher, the percentage which is the product of 1.6% multiplied by the Executive's Credited Service at retirement, as such Credited Service is determined by application of the definition of Credited Service under the Dana Corporation Retirement Plan), of the Executive's Highest Average Monthly Compensation, as defined in Section 3(j) (v), less the sum of

- (1) commencing at the earliest date that it could be payable on or after termination of Service, the aggregate monthly retirement benefit payable to the Executive for life on a straight life annuity basis under the Pension and Retirement Program of the Corporation to the extent attributable to contributions of the Corporation, its Subsidiaries and Affiliates;
- (2) commencing at the earliest date that it could be payable on or after termination of Service, the aggregate monthly retirement or disability benefit payable to the Executive for life on a straight life annuity basis following his retirement from employment by the Corporation, its Subsidiaries and Affiliates, to the extent attributable to contributions other than by the Executive under pension or retirement plans of all corporations, organizations or entities other than the Corporation, its Subsidiaries and Affiliates;
- (3) commencing at the earliest date payable on or after termination of Service, 50% of the monthly primary Social Security benefit that would be or would have been payable to the Executive in the absence of any compensation that may at the time be or have been earned by him; and
- (4) commencing at the earliest date payable on or after termination of Service and continuing until no longer payable, the aggregate monthly disability benefit payable to the Executive under disability benefit plans and pension plans of the Corporation, its Subsidiaries and Affiliates to the extent attributable to contributions of the Corporation, its Subsidiaries and Affiliates.

(iii) The Executive may elect to receive payment of the supplemental retirement annuity provided by this Section 3(j), under a joint and survivor or any other optional method of payment available under the Dana Corporation Retirement Plan, including, without limitation, any deferment in the time of payment thereof. The amount of the benefit payable pursuant to any form of payment under this Section 3(j) shall be determined by applying the mortality assumptions, interest rates, and other factors contained in the Dana Corporation Retirement Plan that would be applicable to the form of payment elected by the Executive; PROVIDED THAT, if a lump sum distribution is made hereunder, the amount of the lump sum distribution shall be actuarially equivalent to the monthly benefit prescribed by Section 3(j) (ii), calculated using the basis described in subparagraph (1) or (2), below, whichever produces the larger lump sum amount:

- (1) the lump sum amount calculated on the basis of the "applicable interest rate" (as in effect for the November preceding the calendar year in which the calculation is made) and the "applicable mortality table," both as defined in Section 417(e) of the Internal Revenue Code; or
- (2) the lump sum amount calculated on the basis of the actuarial equivalent factor used to convert the Executive's Earned Benefit Account into a life annuity under the Dana Corporation Retirement Plan at the time the calculation is made.

If it is determined that the Executive is subject to federal income taxation on an amount in respect of the supplemental retirement annuity prior to the distribution of all of such amount to him, the Corporation shall forthwith pay to the Executive all (or the balance) of such amount as is includable in the Executive's federal gross income and correspondingly reduce future payments, if any, of the supplemental retirement annuity.

(iv) In the event that the Corporation defaults in payment of all or any part of the supplemental retirement annuity provided above in this Section 3(j) and fails to remedy such default within thirty days after having received notice from the Executive or his Beneficiary, the Corporation shall thereupon pay to the Executive or his Beneficiary, as the case may be, in full discharge of its obligations under this Section 3(j), (1) a lump sum amount actuarially equivalent (based on the same assumptions and discount factors as would be applicable

under the Dana Corporation Retirement Plan as then in effect) to the future payments otherwise payable under this Section 3(j), and (2) an amount equal to any and all past due payments under this Section 3(j).

(v) The term "Highest Average Monthly Compensation" shall mean the sum of (1) one-twelfth (1/12) of the Annual Base Salary provided in Section 3(a) at the rate being paid at the time the Executive's termination of employment occurred, and (2) one-twelfth (1/12) of the average of the highest Annual Bonuses payable to the Executive for any three (3) consecutive full or partial fiscal years during his employment by the Corporation, PROVIDED, HOWEVER, that with respect to 1994 and subsequent years' Annual Bonuses, only that portion of the Employee's Annual Bonus as does not exceed 125% of his Annual Base Salary will be considered.

(vi) The term "Pension and Retirement Program of the Corporation" shall mean the Dana Corporation Retirement Plan, the Dana Corporation Excess Benefits Plan, the Dana Corporation Supplemental Benefits Plan, and any other supplemental, early retirement and similar plan or plans of the Corporation, its Subsidiaries and Affiliates, providing for pension or retirement benefits that may be applicable to the Executive and that are in effect on the date hereof or may hereafter be adopted or substituted for any such plan, but exclusive of the Dana Corporation Savings and Investment Plan and any similar plan or plans.

(vii) The term "Service" shall mean employment as an employee by the Corporation, any Subsidiary or Affiliate thereof or any corporation the capital stock or assets of which have been acquired by, or which has been merged into or consolidated with the Corporation or any Subsidiary or Affiliate thereof.

4. TERMINATION OF EMPLOYMENT.

(a) DEATH OR DISABILITY.

(i) The Executive's employment shall terminate automatically upon the Executive's death during the Employment Period.

(ii) If the Corporation determines in good faith that the Disability (as defined below) of the Executive has occurred during the Employment Period, it may give to the Executive written notice in accordance with Section 14(b) below of its intention to terminate the Executive's employment. In such event, the Employment Period shall terminate effective on the 30th day after receipt of such notice by the Executive (the "Disability Effective

Date"), PROVIDED, that within the 30 days after such receipt, the Executive shall not have returned to full-time performance of the Executive's duties. For purposes of this Agreement, "Disability" shall mean the absence of the Executive from the Executive's duties with the Corporation on a full-time basis for 180 consecutive business days as a result of incapacity due to mental or physical illness which is determined to be total and permanent by a physician selected by the Corporation or its insurers and acceptable to the Executive or the Executive's legal representative (such agreement as to acceptability not to be withheld unreasonably).

(b) CAUSE. The Corporation may terminate the Executive's employment during the Employment Period for Cause. For purposes of this Agreement, the termination of the Executive's employment shall be deemed to have been for "Cause" only

(i) if termination of his employment shall have been the result of his conviction of, or plea of guilty or nolo contendere to, the charge of having committed a felony (whether or not such conviction is later reversed for any reason), or

(ii) if there has been a breach by the Executive during the Employment Period of the provisions of Section 2(b), relating to the time to be devoted to the affairs of the Corporation, or of Section 9, relating to confidential information, and such breach results in demonstrably material injury to the Corporation, and, with respect to any alleged breach of Section 2(b) hereof, the Executive shall have either failed to remedy such alleged breach within thirty days from his receipt of written notice from the Secretary of the Corporation pursuant to resolution duly adopted by the Board of Directors of the Corporation after notice to the Executive and an opportunity to be heard demanding that he remedy such alleged breach, or shall have failed to take all reasonable steps to that end during such thirty-day period and thereafter;

PROVIDED, that there shall have been delivered to the Executive a certified copy of a resolution of the Board of Directors of the Corporation adopted by the affirmative vote of not less than three-fourths of the entire membership of the Board of Directors called and held for that purpose and at which the Executive was given an opportunity to be heard, finding that the Executive was guilty of conduct set forth in subparagraph (i) or (ii) above, specifying the particulars thereof in detail.

Anything in this Section 4(b) or elsewhere in this Agreement to the contrary notwithstanding, the employment of the Executive shall in no event be considered to have been terminated by the Corporation for Cause if termination of his employment took place

- (1) as the result of bad judgment or negligence on the part of the Executive, or
- (2) because of an act or omission believed by the Executive in good faith to have been in or not opposed to the interests of the Corporation, or
- (3) for any act or omission in respect of which a determination could properly be made that the Executive met the applicable standard of conduct prescribed for indemnification or reimbursement or payment of expenses under (A) the Bylaws of the Corporation, or (B) the laws of the State of Virginia, or (C) the directors' and officers' liability insurance of the Corporation, in each case either as in effect at the time of this Agreement or in effect at the time of such act or omission, or
- (4) as the result of an act or omission which occurred more than twelve calendar months prior to the Executive's having been given notice of the termination of his employment for such act or omission unless the commission of such act or such omission could not at the time of such commission or omission have been known to a member of the Board of Directors of the Corporation (other than the Executive, if he is then a member of the Board of Directors), in which case more than twelve calendar months from the date that the commission of such act or such omission was or could reasonably have been so known, or
- (5) as the result of a continuing course of action which commenced and was or could reasonably have been known to a member of the Board of Directors of the Corporation (other than the Executive, if he is then a member of the Board of Directors) more than twelve calendar months prior to notice having been given to the Executive of the termination of his employment.

(c) GOOD REASON. Following a Change of Control (as defined in Section 12(b) below), the Executive may terminate his employment for Good Reason. For purposes of this Agreement, "Good Reason" shall mean the occurrence after the Change of Control Date of any of the following events:

(i) Failure to elect or reelect the Executive to the Board of Directors of the Corporation, if the Executive shall have been a member of the Board of Directors on the date of this Agreement or at any time thereafter during the Employment Period, or failure to elect or reelect the Executive to, or removal of the Executive from, the office(s) described in Section 2(a) above and intended to be summarized in Exhibit A to this Agreement.

(ii) A significant change in the nature or scope of the authorities, powers, functions or duties attached to the position described in Section 2 above and intended to be summarized in Exhibit A to this Agreement, or a reduction in compensation, which is not remedied within 30 days after receipt by the Corporation of written notice from the Executive.

(iii) A determination by the Executive made in good faith that as a result of a Change of Control, and a change in circumstances thereafter and since the date of this Agreement significantly affecting his position, he is unable to carry out the authorities, powers, functions or duties attached to his position and contemplated by Section 2 of this Agreement and the situation is not remedied within 30 days after receipt by the Corporation of written notice from the Executive of such determination.

(iv) A breach by the Corporation of any provision of this Agreement not embraced within the foregoing clauses (i), (ii) and (iii) of this Section 4(c) which is not remedied within 30 days after receipt by the Corporation of written notice from the Executive.

(v) The liquidation, dissolution, consolidation or merger of the Corporation or transfer of all or a significant portion of its assets unless a successor or successors (by merger, consolidation or otherwise) to which all or a significant portion of its assets have been transferred shall have assumed all duties and obligations of the Corporation under this Agreement but without releasing the corporation that is the original party to this Agreement; PROVIDED, that in any event set forth in this Section 4(c), the Executive shall have elected to terminate his employment under this Agreement, upon not less than ten and not more than ninety days' advance written notice to the Corporation, attention of the Secretary, given, except in the case of a continuing breach, within three calendar months after (A) failure to be so elected or reelected, or removal, (B) expiration of the thirty-day cure period with respect to such event, or (C) the closing date of such liquidation, dissolution, consolidation, merger or transfer of assets, as the case may be.

An election by the Executive to terminate his employment given under the provisions of this Section 4(c) shall not be deemed a voluntary termination of employment by the Executive for the purpose of this Agreement or any plan or practice of the Corporation.

(d) NOTICE OF TERMINATION. Any termination by the Corporation for Cause, or by the Executive for Good Reason, shall be communicated by Notice of Termination to the other party hereto given in accordance with Section 14(b) below. For purposes of this Agreement, a "Notice of Termination" means a written notice which

(i) indicates the specific termination provision in this Agreement relied upon,

(ii) to the extent applicable, sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated and

(iii) if the Date of Termination (as defined in Section 4(e) below) is other than the date of receipt of such notice, specifies the termination date (which date shall be not more than fifteen days after the giving of such notice).

(e) DATE OF TERMINATION. "Date of Termination" means

(i) if the Executive's employment is terminated by the Corporation for Cause, or by the Executive for Good Reason, the date of receipt of the Notice of Termination or any later date specified therein, as the case may be,

(ii) if the Executive's employment is terminated by the Corporation other than for Cause or Disability, the Date of Termination shall be the date on which the Corporation notifies the Executive of such termination and

(iii) if the Executive's employment is terminated by reason of death or Disability, the Date of Termination shall be the date of death of the Executive or the Disability Effective Date, as the case may be.

5 OBLIGATIONS OF THE CORPORATION UPON TERMINATION.

(a) TERMINATION OTHER THAN FOR CAUSE. If, during the Employment Period, the Corporation shall terminate the Executive's employment other than for Cause or the Executive shall terminate his employment following a Change of Control for Good Reason (termination in any such case referred to as "Termination"):

(i) the Corporation shall pay the Executive in a lump sum in cash within 30 days after the Date of Termination the sum of

- (1) the Executive's Annual Base Salary through the Date of Termination to the extent not theretofore paid,
- (2) the product of (x) the Target Annual Bonus and (y) a fraction, the numerator of which is the number of days in the current fiscal year through the Date of Termination, and the denominator of which is 365, and
- (3) any compensation previously deferred by the Executive (together with any accrued interest or earnings thereon) and any accrued vacation pay, in each case to the extent not theretofore paid (the sum of the amounts described in clauses (1), (2), and (3) shall be hereinafter referred to as the "Accrued Obligations"); and

(ii) at the end of the month next following the Termination, and at the end of each month thereafter until the earliest of the end of the Employment Period, three years following the Date of Termination, or until the Executive shall attain the age of 65 years, but in no event beyond the end of the month in which the death of the Executive shall have occurred or the end of the sixth month following the Disability Effective Date (such period to be called the "Termination Period"), the Corporation shall pay to the Executive an amount equal to the Highest Average Monthly Compensation; PROVIDED, HOWEVER, that such amount shall be reduced by any other amounts payable to the Executive in respect of salary or bonus continuation to be received by the Executive under any severance plan, policy or arrangement of the Corporation; and, PROVIDED, FURTHER, that if the Date of Termination occurs on or after the occurrence of a Change of Control, such amount shall be paid as a lump-sum within 30 days following the Date of Termination, such lump-sum calculated based upon the present value (within the meaning of Section 280G(d)(4) of the Internal Revenue Code of 1986 as amended (the "Code")) of the payments which would be made absent the Change of Control; and

(iii) During the Termination Period, or such longer period as any plan, program, practice or policy may provide, the Corporation shall continue benefits to the Executive and/or the Executive's family at least equal to those which would have been provided to them in accordance with the plans, programs, practices and policies described in Section 3(d) above if the Executive's employment had not been terminated in accordance

with the most favorable plans, practices, programs or policies of the Corporation and its Affiliated Companies as in effect and applicable generally to other senior executives of the Corporation and its Affiliated Companies and their families during the 90-day period immediately preceding the Date of Termination or, if more favorable to the Executive, as in effect at any time thereafter or, if more favorable to the Executive, as in effect generally at any time thereafter with respect to other senior executives of the Corporation and its Affiliated Companies and their families, PROVIDED, HOWEVER, that if the Executive becomes reemployed with another employer and is eligible to receive medical or other welfare benefits under another employer-provided plan, the medical and other welfare benefits described herein shall be secondary to those provided under such other plan during such applicable period of eligibility (such continuation of such benefits for the applicable period herein set forth shall be hereinafter referred to as "Welfare Benefit Continuation"). For purposes of determining eligibility of the Executive for retiree benefits pursuant to such plans, practices, programs and policies, the Executive shall be considered to have remained employed until the end of the Termination Period and to have retired on the date of the end of the Termination Period. To the extent that any benefits referred to in this Section 5(a) (iii) shall not be payable or provided under any such plan by reason of the Executive's no longer being an employee of the Corporation as the result of Termination, the Corporation shall itself pay, or provide for payment of, such benefits and the service credit for benefits provided for in Section 5(a) (iv) below, to the Executive, his dependents and Beneficiary; and

(iv) The period from the Date of Termination until the end of the Termination Period shall be considered:

- (1) Service with the Corporation for the purpose of continued credits under the employee benefit plans referred to in Section 3(d) above and all other benefit plans of the Corporation applicable to the Executive or his Beneficiary as in effect immediately prior to Termination but prior to any reduction of benefits thereunder as the result of amendment or termination during the Employment Period;
- (2) Service within the meaning of Section 3(j) (vii) above for purposes of Section 3(j) above; and
- (3) Employment with the Corporation for purposes of determining payments and other rights in

respect of awards made or accrued and award opportunities granted prior to Termination under the executive incentive plans referred to in Section 3(c) above and all other incentive plans of the Corporation in which the Executive was a participant prior to Termination; and

(v) to the extent not theretofore paid or provided, the Corporation shall timely pay or provide to the Executive and/or the Executive's family any other amounts or benefits required to be paid or provided or which the Executive and/or the Executive's family is eligible to receive pursuant to this Agreement and under any plan, program, policy or practice or contract or agreement of the Corporation and its Affiliated Companies as in effect and applicable generally to other senior executives of the Corporation and its Affiliated Companies and their families during the 90-day period immediately preceding the Date of Termination or, if more favorable to the Executive, as in effect generally thereafter with respect to other senior executives of the Corporation and its Affiliated Companies and their families (such other amounts and benefits shall be referred to below as the "Other Benefits").

(b) TERMINATION ON OR AFTER CHANGE OF CONTROL. If Termination shall have occurred coincidental with a Change of Control or during the Change of Control Period, any provision of Section 5(a) (iv) above or of the ACP to the contrary notwithstanding, upon such Termination, the Corporation shall pay or distribute to the Executive on an accelerated basis, to the extent, if any, not theretofore accelerated, any and all outstanding Short-Term Awards, or installments thereof, under the ACP that shall have been awarded to the Executive prior to Termination and deferred for payment subsequent to termination of employment, with any such accelerated payment based on the value, determined in accordance with such plan (or successor plan), of such awards or installments (and any increments thereon) on the Termination Date, and such accelerated payment or distribution shall constitute a complete discharge of the Corporation's obligation in respect of the Short-Term Awards so paid or distributed.

(c) CAUSE; OTHER THAN FOR GOOD REASON. If the Executive's employment shall be terminated for Cause during the Employment Period, the Corporation shall have no further obligations to the Executive under this Agreement other than the obligation to pay the Executive's Annual Base Salary, any compensation previously deferred by the Executive (together with any accrued interest or earnings thereon), and accrued vacation pay through the Date of Termination, in each case to the extent not theretofore paid, and any other amounts or benefits to which the Executive and/or the Executive's family is otherwise entitled under the terms of any employee benefit or incentive plan of the Corpora-

tion. If the Executive terminates employment during the Employment Period, excluding a termination for Good Reason following a Change of Control, the Corporation shall have no further obligations to the Executive, other than to pay the Executive's Annual Base Salary, any compensation previously deferred by the Executive (together with any accrued interest or earnings thereon), and accrued vacation pay through the termination date, in each case to the extent not theretofore paid, any other benefits to which the Executive and/or the Executive's family is otherwise entitled under the terms of any employee benefit or incentive plan of the Corporation, and, if the Executive is otherwise eligible under the provisions of Section 3(j) of this Agreement, he shall also be entitled to receive the supplemental retirement annuity described in such Section 3(j).

(d) DEATH OR DISABILITY.

(i) In the event of the death of the Executive during the Employment Period, the legal representative of the Executive shall be entitled to the compensation provided for in Sections 3(a) and 3(b) above for the month in which death shall have taken place, at the rate being paid at the time of death, and the Employment Period shall be deemed to have ended as of the close of business on the last day of the month in which death shall have occurred but without prejudice to any payments due in respect of the Executive's death.

(ii) In the event of the Disability of the Executive during the Employment Period, the Executive shall be entitled to the compensation provided for in Sections 3(a) and 3(b) above, at the rate being paid on the Disability Effective Date, for the period of such Disability but not in excess of six months. The amount of any payments due under this Section 5(d)(ii) shall be reduced by any payments to which the Executive may be entitled for the same period because of disability under any disability or pension plan of the Corporation or of any Subsidiary or Affiliate thereof.

(e) RESOLUTION OF DISPUTES.

(i) RIGHT OF ELECTION BY EXECUTIVE TO ARBITRATE OR SUE. In the event that the Executive's employment shall be terminated by the Corporation during the Employment Period and such termination is alleged to be for Cause, or the Executive's right to terminate his employment under Section 4(c) above shall be questioned by the Corporation, or the Corporation shall withhold payments or provision of benefits for any other reason, the Executive shall have the right, in addition to all other rights and remedies provided by law, at his election either to seek arbitration within the Toledo, Ohio area under the rules of the American Arbitration Association

by serving a notice to arbitrate upon the Corporation or to institute a judicial proceeding, in either case within ninety days after having received notice of termination of his employment or notice in any form that the termination of his employment under Section 4(b) above is subject to question or that the Corporation is withholding or proposes to withhold payments or provision of benefits.

(ii) THIRD-PARTY STAKEHOLDER. In the event that the Corporation defaults on any obligation set forth in Section 5(a) above, relating to Termination, and shall have failed to remedy such default within thirty (30) days after having received written notice of such default from the Executive, in addition to all other rights and remedies that the Executive may have as a result of such default, the Executive may demand and the Corporation shall thereupon be required to deposit, with the third-party stakeholder hereinafter described, an amount equal to the undiscounted value of any and all undischarged, future obligations of the Corporation under Section 5(a) above and such amount shall thereafter be held, paid, applied or distributed by such third-party stakeholder for the purpose of satisfying such undischarged, future obligations of the Corporation when and to the extent that they become due and payable. Any interest or other income on such amount shall be retained by the third-party stakeholder and applied, if necessary, by it to satisfy such obligations, PROVIDED, HOWEVER, that any interest or other income that is earned on such undischarged, future obligations after the date that the third-party stakeholder determines, in its sole discretion, that such obligations are due and owing to the Executive, shall be paid to the Executive as earned. To the extent not theretofore expended, such amount (including any remaining unexpended interest or other income) shall be repaid to the Corporation at such time as the third-party stakeholder, in its sole discretion, reasonably exercised, determines, upon the advice of counsel and after consultation with the Corporation and the Executive or, in the event of his death, his Beneficiary, that all obligations of the Corporation under Section 5(a) above have been substantially satisfied.

Such amount shall, in the event of any question, be determined jointly by the firm of certified public accountants regularly employed by the Corporation and a firm of certified public accountants selected by the Executive, in each case upon the advice of actuaries to the extent the certified public accountants consider necessary, and, in the event such two firms of accountants are unable to agree on a resolution of the question, such amount shall be determined by an

independent firm of certified public accountants selected jointly by both firms of accountants.

The third-party stakeholder, the fees and expenses of which shall be paid by the Corporation, shall be a national or state bank or trust company having a combined capital, surplus and undivided profits and reserves of not less than Ten Million Dollars (\$10,000,000) which is duly authorized and qualified to do business in the state in which the Executive resides at the time of such default.

(f) BENEFITS ARE IN ADDITION TO SUPPLEMENTAL RETIREMENT ANNUITY. Any provision of this Agreement to the contrary notwithstanding, the payments, benefits, service credit for benefits and other matters provided by this Section 5, including without limitation Section 5(a) above, in the event of a Termination, are in addition to any payments, benefits, service credit for benefits and other matters provided by Section 3(j) above relating to a supplemental retirement annuity that may apply in such event.

6 NON-EXCLUSIVITY OF RIGHTS.

Except as provided in Sections 5(a)(ii), 5(b) and 5(c) above, nothing in this Agreement shall prevent or limit the Executive's continuing or future participation in any plan, program, policy or practice provided by the Corporation or any of its Affiliated Companies and for which the Executive may qualify, nor shall anything herein limit or otherwise affect such rights as the Executive may have under any contract or agreement entered into after the date hereof with the Corporation or any of its Affiliated Companies. Amounts which are vested benefits or which the Executive is otherwise entitled to receive under any plan, policy, practice or program of, or any contract or agreement entered into after the date hereof with, the Corporation or any of its Affiliated Companies at or subsequent to the Date of Termination shall be payable in accordance with such plan, policy, practice or program or contract or agreement except as explicitly modified by this Agreement.

7 FULL SETTLEMENT.

The Corporation's obligation to make the payments provided for in this Agreement and otherwise to perform its obligations hereunder shall not be affected by any set-off, counterclaim, recoupment, defense or other claim, right or action which the Corporation may have against the Executive or others. In no event shall the Executive be obligated to seek other employment or take any other action by way of mitigation of the amounts payable to the Executive under any of the provisions of this Agreement and, except as provided in Section 5(a)(iii) above, such amounts shall not be reduced whether or not the Executive obtains other employment.

8 GOLDEN PARACHUTE TAX PAYMENTS.

(a) Anything in this Agreement to the contrary notwithstanding, in the event it shall be determined that any payment or distribution involving a change of control of the Corporation, by the Corporation or any other person or entity, to or for the benefit of the Executive (whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise, but determined without regard to any additional payments required under this Section 8) (a "Payment") would be subject to the excise tax imposed by Section 4999 of the Code (or any successor provision) or any interest or penalties are incurred by the Executive with respect to such excise tax (such excise tax, together with any such interest and penalties, are hereinafter collectively referred to as the "Excise Tax"), then the Executive shall be entitled to receive an additional payment (a "Gross-Up Payment") from the Corporation in an amount such that, after payment by the Executive of all taxes (including any interest or penalties imposed with respect to such taxes), including, without limitation, any income taxes (and any interest and penalties imposed with respect thereto) and Excise Tax imposed upon the Gross-Up Payment, the Executive retains an amount of the Gross-Up Payment equal to the Excise Tax imposed upon the Payments.

(b) All calculations and determinations required to be made under this Section 8, including whether and when a Gross-Up Payment is required and the amount of such Gross-Up Payment and the assumptions to be utilized in arriving at such determination, shall be made by Price Waterhouse (or any successor thereto by merger or operation of law) (the "Accounting Firm"). In the event that the Accounting Firm is serving as accountant or auditor for the individual, entity or group effecting the change of control, the Executive shall appoint another nationally recognized accounting firm to make the determinations required hereunder (which accounting firm shall then be referred to as the Accounting Firm hereunder). All fees and expenses of the Accounting Firm shall be borne solely by the Corporation. Any Gross-Up Payment, as determined pursuant to this Section 8, shall be paid by the Corporation to the Executive within five days of the receipt of the Accounting Firm's determination. If the Accounting Firm determines that no Excise Tax is payable by the Executive, it shall furnish the Executive with a written opinion that failure to report the Excise Tax on the Executive's applicable federal income tax return would not result in the imposition of a negligence or similar penalty. Any determination by the Accounting Firm shall be binding upon the Corporation and the Executive.

(c) The Executive shall promptly notify the Corporation in writing of any claim by the Internal Revenue Service that, if successful, would require the payment by the Corporation of the Gross-Up Payment.

The Corporation shall bear and pay directly all costs and expenses (including additional interest and penalties) incurred in

connection with such claim and shall indemnify and hold the Executive harmless, on an after-tax basis, for any Excise Tax or income tax (including interest and penalties with respect thereto) imposed as a result of such representation and payment of costs and expenses. Without limitation on the foregoing provisions of this Section 8(c), the Corporation shall control all proceedings taken in connection with such contest and, at its sole option, may pursue or forgo any and all administrative appeals, proceedings, hearings and conferences with the taxing authority in respect of such claim and may, at its sole option, either direct the Executive to pay the tax claimed and sue for a refund or to contest the claim in any permissible manner, and the Executive agrees to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as the Corporation shall determine; PROVIDED, HOWEVER, that if the Corporation directs the Executive to pay such claim and sue for a refund, the Corporation shall advance the amount of such payment to the Executive, on an interest-free basis and shall indemnify and hold the Executive harmless, on an after-tax basis, from any Excise Tax or income tax (including interest or penalties with respect thereto) imposed with respect to such advance or with respect to any imputed income with respect to such advance. Furthermore, the Corporation's control of the contest shall be limited to issues with respect to which a Gross-Up Payment would be payable hereunder and the Executive shall be entitled to settle or contest, as the case may be, any other issue raised by the Internal Revenue Service or any other taxing authority.

9 CONFIDENTIAL INFORMATION.

(a) The Executive agrees not to disclose, either while in the Corporation's employ or at any time thereafter, to any person not employed by the Corporation, or not engaged to render services to the Corporation, except with the prior written consent of an officer authorized to act in the matter by the Board of Directors of the Corporation, any confidential information obtained by him while in the employ of the Corporation, including, without limitation, information relating to any of the Corporation's inventions, processes, formulae, plans, devices, compilations of information, methods of distribution, customers, client relationships, marketing strategies or trade secrets; PROVIDED, HOWEVER, that this provision shall not preclude the Executive from use or disclosure of information known generally to the public or of information not considered confidential by persons engaged in the business conducted by the Corporation or from disclosure required by law or Court order. The agreement herein made in this Section 9(a) shall be in addition to, and not in limitation or derogation of, any obligations otherwise imposed by law upon the Executive in respect of confidential information and trade secrets of the Corporation, its Subsidiaries and Affiliates.

(b) The Executive also agrees that upon leaving the Corporation's employ he will not take with him, without the prior written consent of an officer authorized to act in the matter by

the Board of Directors of the Corporation, and he will surrender to the Corporation any record, list, drawing, blueprint, specification or other document or property of the Corporation, its Subsidiaries and Affiliates, together with any copy and reproduction thereof, mechanical or otherwise, which is of a confidential nature relating to the Corporation, its Subsidiaries and Affiliates, or, without limitation, relating to its or their methods of distribution, client relationships, marketing strategies or any description of any formulae or secret processes, or which was obtained by him or entrusted to him during the course of his employment with the Corporation.

10 COMPETITION.

(a) Subject to the provisions of Section 5(e) above relating to resolution of disputes, there shall be no obligation on the part of the Corporation to make any further payments provided for in Section 3(j) above relating to payment of a supplemental retirement annuity, if the Executive shall, during the period that such payments are being made or benefits provided, engage in Competition with the Corporation as hereinafter defined, provided all of the following shall have taken place:

(i) the Secretary of the Corporation, pursuant to resolution of the Board of Directors of the Corporation, shall have given written notice to the Executive that, in the opinion of the Board of Directors, the Executive is engaged in such Competition, specifying the details;

(ii) the Executive shall have been given a reasonable opportunity upon reasonable notice to appear before and to be heard by the Board of Directors prior to the determination of the Board evidenced by such resolution;

(iii) the Executive shall neither have ceased to engage in such Competition within thirty days from his receipt of such notice nor diligently taken all reasonable steps to that end during such thirty-day period and thereafter.

Notwithstanding any provision to the contrary contained herein, in the event of a Termination, as defined in Section 5(a) above, this Section 10(a) shall not apply following a Change of Control.

(b) The Executive agrees in addition to the provisions relating to Competition set forth in Section 10(a) above that he will not engage in Competition at any time (i) during the Employment Period, and (ii) except in the event of a Termination, during the thirty-six (36) months immediately following the termination of his employment with the Corporation.

(c) The word "Competition" for the purposes of this Agreement shall

mean

(i) taking a management position with or control of a business engaged in the design, development, manufacture, marketing or distribution of products, which constituted 15% or more of the sales of the Corporation and its Subsidiaries and Affiliates during the last fiscal year of the Corporation preceding the termination of the Executive's employment, in any geographical area in which the Corporation, its Subsidiaries or Affiliates is at the time engaging in the design, development, manufacture, marketing or distribution of such products; PROVIDED, however, that in no event shall ownership of less than 5% of the outstanding capital stock entitled to vote for the election of directors of a corporation with a class of equity securities held of record by more than 500 persons, standing alone, be deemed Competition with the Corporation within the meaning of this Section 10,

(ii) soliciting any person who is a customer of the businesses conducted by the Corporation, or any business in which the Executive has been engaged on behalf of the Corporation and its Subsidiaries or Affiliates at any time during the term of this Agreement on behalf of a business described in clause (i) of this Section 10,

(iii) inducing or attempting to persuade any employee of the Corporation or any of its Subsidiaries or Affiliates to terminate his employment relationship in order to enter into employment with a business described in clause (i) of this Subsection 10(c), or

(iv) making or publishing any statement which is, or may reasonably be considered to be, disparaging of the Corporation or any of its Subsidiaries or Affiliates, or directors, officers, employees or the operations or products of the Corporation or any of its Subsidiaries or Affiliates, except to the extent the Executive, during the Employment Period, makes the statement to employees or other representatives of the Corporation or any of its Subsidiaries or Affiliates in furtherance of the Corporation's business and the performance of his services hereunder.

11 SUCCESSORS.

Except as otherwise provided herein,

(a) This Agreement shall be binding upon and shall inure to the benefit of the Executive, his heirs and legal representatives, and the Corporation and its successors as provided in this Section 11.

(b) This Agreement shall be binding upon and inure to the benefit of the Corporation and any successor of the Corporation, including, without limitation, any corporation or corporations acquiring, directly or indirectly, 50% or more of the outstanding securities of the Corporation, or all or substantially all of the assets of the Corporation, whether by merger, consolidation, sale or otherwise (and such successor shall thereafter be deemed embraced within the term "the Corporation" for the purposes of this Agreement), but shall not otherwise be assignable by the Corporation.

12 CERTAIN DEFINITIONS.

The following defined terms used in this Agreement shall have the meanings indicated:

(a) BENEFICIARY. The term "Beneficiary" as used in this Agreement shall, in the event of the death of the Executive, mean an individual or individuals and/or an entity or entities, including, without limitation, the Executive's estate, duly designated on a form filed with the Corporation by the Executive to receive any amount that may be payable after his death or, if no such individual, individuals, entity or entities has or have been so designated, or is at the time in existence or able to receive any such amount, the Executive's estate.

(b) CHANGE OF CONTROL. A "Change of Control" shall be deemed to have occurred if the event set forth in any one of the following paragraphs shall have occurred:

(i) any Person is or becomes the Beneficial Owner, directly or indirectly, of securities of the Corporation (not including in the securities Beneficially Owned by such Person any securities acquired directly from the Corporation or its Affiliates) representing 20% or more of the combined voting power of the Corporation's then outstanding securities, excluding any Person who becomes such a Beneficial Owner in connection with a transaction described in clause (1) of paragraph (iii) below; or

(ii) the following individuals cease for any reason to constitute a majority of the number of directors then serving: individuals who, on the date hereof, constitute the Board and any new director whose appointment or election by the Board or nomination for election by the Corporation's stockholders was approved or recommended by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors on the date hereof or whose appointment, election or nomination for election was previously so approved or recommended. For purposes of the preceding sentence, any director whose initial assumption of office is in connection with an actual or threatened election contest, including but not limited to a consent solicitation, relating to the

election of directors of the Corporation, shall not be counted;
or

(iii) there is consummated a merger or consolidation of the Corporation or any direct or indirect Subsidiary of the Corporation with any other corporation, other than (1) a merger or consolidation which would result in the voting securities of the Corporation outstanding immediately prior to such merger or consolidation continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or any parent thereof) at least 50% of the combined voting power of the securities of the Corporation or such surviving entity or any parent thereof outstanding immediately after such merger or consolidation, or (2) a merger or consolidation effected to implement a recapitalization of the Corporation (or similar transaction) in which no Person is or becomes the Beneficial Owner, directly or indirectly, of securities of the Corporation (not including in the securities Beneficially Owned by such Person any securities acquired directly from the Corporation or its Affiliates) representing 20% or more of the combined voting power of the Corporation's then outstanding securities; or

(iv) the stockholders of the Corporation approve a plan of complete liquidation or dissolution of the Corporation or there is consummated an agreement for the sale or disposition by the Corporation of all or substantially all of the Corporation's assets, other than a sale or disposition by the Corporation of all or substantially all of the Corporation's assets to an entity, at least 50% of the combined voting power of the voting securities of which are owned by stockholders of the Corporation in substantially the same proportions as their ownership of the Corporation immediately prior to such sale.

"Beneficial Owner" shall have the meaning set forth in Rule 13d-3 under the Exchange Act.

"Exchange Act" shall mean the Securities Exchange Act of 1934, as amended from time to time.

"Person" shall have the meaning given in Section 3(a)(9) of the Exchange Act, as modified and used in Sections 13(d) and 14(d) thereof, except that such term shall not include (i) the Corporation or any of its Subsidiaries, (ii) a trustee or other fiduciary holding securities under an employee benefit plan of the Corporation or any of its Affiliates, (iii) an underwriter temporarily holding securities pursuant to an offering of such securities or (iv) a corporation owned, directly or indirectly, by the stockholders of the Corporation in substantially the same proportions as their ownership of stock of the Corporation.

(c) CHANGE OF CONTROL DATE. The "Change of Control Date" shall mean the first date on which a Change of Control occurs. Anything in this Agreement to the contrary notwithstanding, if a Change of Control occurs and if the Executive's employment with the Corporation is terminated or the Executive ceases to have the position with the Corporation set forth in Section 2(a) above prior to the date on which the Change of Control occurs, and if it is reasonably demonstrated by the Executive that such termination or cessation (i) was at the request of a third party who has taken steps reasonably calculated to effect the Change of Control or (ii) otherwise arose in connection with or anticipation of the Change of Control, then for all purposes of this Agreement the "Change of Control Date" shall mean the date immediately prior to the date of such termination or cessation.

(d) CHANGE OF CONTROL PERIOD. The "Change of Control Period" shall mean the period commencing on the Change of Control Date and ending on the last day of the Employment Period.

13 AMENDMENT OR MODIFICATION; WAIVER

No provision of this Agreement may be amended, modified or waived unless such amendment, modification or waiver shall be authorized by the Board of Directors of the Corporation or any authorized committee of the Board of Directors and shall be agreed to in writing, signed by the Executive and by an officer of the Corporation thereunto duly authorized. Except as otherwise specifically provided in this Agreement, no waiver by either party hereto of any breach by the other party hereto of any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of a subsequent breach of such condition or provision or a waiver of a similar or dissimilar provision or condition at the same time or at any prior or subsequent time.

14 MISCELLANEOUS.

(a) This Agreement shall be governed by and construed in accordance with the laws of the State of Ohio, without reference to principles of conflict of laws. The captions of this Agreement are not part of the provisions hereof and shall have no force or effect.

(b) All notices and other communications hereunder shall be in writing and shall be given by hand delivery to the other party or by registered or certified mail, return receipt requested, postage prepaid, addressed as follows:

If to the Executive:
- -----

Copy to:

Mr. Joe M. Magliochetti
c/o Dana Corporation
4500 Dorr Street
Toledo, Ohio 43615

Mr. Joe M. Magliochetti
3846 Sulphur Springs Road
Toledo, Ohio 43606

If to the Corporation:

Dana Corporation
4500 Dorr Street
Toledo, Ohio 43615
Attention: Secretary

or to such other address as either party shall have furnished to the other in writing in accordance herewith. Notice and communications shall be effective when actually received by the addressee.

(c) The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement.

(d) The Corporation may withhold from any amounts payable under this Agreement such Federal, state or local taxes as it determines is required to be withheld pursuant to any applicable law or regulation.

(e) When used herein in connection with plans, programs and policies relating to the Executive, employees, compensation, benefits, perquisites, executive benefits, services and similar words and phrases, the word "Corporation" shall be deemed to include all wholly-owned Subsidiaries of the Corporation.

(f) This instrument contains the entire agreement of the parties concerning the subject matter, and all promises, representations, understandings, arrangements and prior agreements concerning the subject matter are merged herein and superseded hereby, including, without limitation, the agreements between the parties dated December 10, 1990 and December 14, 1992.

(g) No right, benefit or interest hereunder, shall be subject to anticipation, alienation, sale, assignment, encumbrance, charge, pledge, hypothecation, or set-off in respect of any claim, debt or obligation, or to execution, attachment, levy or similar process, or assignment by operation of law. Any attempt, voluntary or involuntary, to effect any action specified in the immediately preceding sentence shall, to the full extent permitted by law, be null, void and of no effect.

(h) The Executive shall not have any right, title, or interest whatsoever in or to any investments which the Corporation may make to aid it in meeting its obligations under this Agreement.

(i) Subject to the provisions of Section 5(e) above, all payments to be made under this Agreement shall be paid from the general funds of the Corporation and no special or separate fund shall be established and no segregation of assets shall be made to assure payment of amounts payable under this Agreement.

(j) The Corporation and the Executive recognize that each party will have no adequate remedy at law for breach by the other of any of the agreements contained in this Agreement and, in the event of any such breach, the Corporation and the Executive hereby agree and consent that the other shall be entitled to a decree of specific performance, mandamus or other appropriate remedy to enforce performance of such agreements.

(k) Subject to the provisions of Section 5(e) above, nothing contained in this Agreement shall create or be construed to create a trust of any kind, or a fiduciary relationship between the Corporation and the Executive or any other person.

(l) Subject to the provisions of Section 5(e) above, to the extent that any person acquires a right to receive payments from the Corporation under this Agreement, except to the extent provided by law such right shall be no greater than the right of an unsecured general creditor of the Corporation.

(m) In the event of the Executive's death or a judicial determination of his incompetence, reference in this Agreement to the Executive shall be deemed, where appropriate, to refer to his legal representative or, where appropriate, to his Beneficiary.

(n) If any event provided for in this Agreement is scheduled to take place on a legal holiday, such event shall take place on the next succeeding day that is not a legal holiday.

IN WITNESS WHEREOF, the Executive and, pursuant to due authorization from its Board of Directors, the Corporation have caused this Agreement to be executed as of the day and year first above written.

DANA CORPORATION

By: /s/ Southwood J. Morcott

Name: Southwood J. Morcott
Title: Chairman of the Board

By: /s/ Southwood J. Morcott

Chairman of the
Compensation Committee

Attest:

Assistant Secretary
Martin J. Strobel

/s/ Joe M. Magliochetti

Executive

Exhibit A
Exhibit A to Agreement made as of December 8, 1997
between Dana Corporation and Joe M. Magliochetti

As of December 8, 1997, for purposes of Section 2(a),

the office(s) and title(s) of the Executive are President and Chief Operating Officer of the Corporation;

the reporting responsibility of the Executive is to report directly to the Chairman of the Board of Directors of the Corporation; and the duties and responsibilities of the Executive are:

Through the chairmanship of the World Operating Committee, provides direction for the Corporation's worldwide operations. Major activities include planning and review of operating results for, and organizational development to insure profitability of, worldwide operations. The World Operating Committee executes and monitors the corporate style, marketing strategies, policies and goals that the Corporation's various strategic business units and various world regions are responsible for in their performance. Serves as a member of the Policy Committee which sets the corporate style, strategies, policies and goals that business operations of the Corporation are responsible for in their performance. Performs such other duties as may be prescribed by the Chairman and Chief Executive Officer of the Corporation.

EMPLOYMENT AGREEMENT

BETWEEN

DANA CORPORATION

AND

MARTIN J. STROBEL

DATED DECEMBER 8, 1997

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 *Each listed term is intended to include both the singular and plural form of the term.

DEFINED TERMS

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 *Each listed term is intended to include both the singular and plural form of the term.

AMENDED AND RESTATED EMPLOYMENT AGREEMENT (the "Agreement") made and entered into as of this 8th day of December, 1997, by and between DANA CORPORATION, a Virginia corporation whose principal place of business is located at 4500 Dorr Street, Toledo, Ohio (the "Corporation"), and Martin J. Strobel (the "Executive");

WHEREAS, the Executive is a principal executive officer of the Corporation and an integral part of its management; and

WHEREAS, the Corporation wishes to assure itself of the continuing services of the Executive and to assure the Executive of continued employment during the period of employment hereunder; and

WHEREAS, the Executive is willing to commit himself to remain in the employ of the Corporation during such period on terms and conditions substantially similar to those on which other senior executive officers of the Corporation are employed, and to forego opportunities elsewhere during such period; and

WHEREAS, the parties have entered into an Agreement dated December 14, 1992, as amended from time to time thereafter (the "Prior Agreement"); and

WHEREAS, the parties wish to amend and restate the Prior Agreement in its entirety;

NOW, THEREFORE, IN CONSIDERATION of the mutual promises, covenants and agreements set forth below, it is hereby agreed as follows:

1. EMPLOYMENT AND TERM.

(a) The Corporation agrees to continue the employment of the Executive, and the Executive agrees to remain in the employ of the Corporation, in accordance with the terms and provisions of this Agreement, for the period set forth below (the "Employment Period").

(b) The Employment Period under this Agreement shall commence as of December 8, 1997, and, subject only to the provisions of Section 4 below relating to termination of employment, shall continue until (i) the close of business on December 31, 2000 or (ii) such later date as shall result from the operation of subparagraph (c) below (the "Terminal Date").

(c) Commencing on December 31, 1998, and on each anniversary of such date (such date and each such annual anniversary thereof, the "Renewal Date") the Terminal Date set forth in subparagraph (b) above shall be extended so as to occur three (3) years from the Renewal Date unless either party shall have given notice to the other party that the Terminal Date is not to be extended or further extended.

2. POSITION AND DUTIES OF THE EXECUTIVE.

(a) POSITION. It is contemplated that during the Change of Control Period (as defined in Section 12(d), below), the Executive will continue to serve as a principal officer of the Corporation and as a member of its Board of Directors if serving as a member of the Board of Directors immediately prior to the Change of Control Date, with the office(s) and title(s), reporting responsibility, and duties and responsibilities of the Executive immediately prior to the Change of Control Date. The Executive hereby agrees that at any time prior to the Change of Control Date, the Board of Directors of the Corporation (or the individual to whom the Executive reports) may, without the Executive's consent, change the Executive's office(s), title(s), reporting responsibility, and duties or responsibilities.

The office(s), title(s), reporting responsibility, duties and responsibilities of the Executive on the date of this Agreement, as the same may be changed from time to time after the date of this Agreement in accordance with the provisions of the previous paragraph, shall be summarized in Exhibit A to this Agreement, it being understood and agreed that if, as and when the office(s), title(s), reporting responsibility, duties or responsibilities of the Executive shall be so changed after the date of this Agreement, Exhibit A shall be deemed to be, and shall be updated by the parties to reflect such change; PROVIDED, HOWEVER, that Exhibit A is intended only as a memorandum for the convenience of the parties and shall be disregarded if, and to the extent that, Exhibit A shall fail to reflect accurately the office(s), title(s), reporting responsibility, duties or responsibilities of the Executive as so changed after the date of this Agreement because the parties shall have failed to update Exhibit A as aforesaid.

At all times during the Change of Control Period, the Executive shall hold a position of responsibility and importance and a position of scope, with the functions, duties and responsibilities attached thereto, at least equal in responsibility and importance and in scope to and commensurate with his position described in general terms above in this

Section 2(a) and intended to be summarized in Exhibit A to this Agreement.

During the Employment Period the Executive shall, without compensation other than that herein provided, also serve and continue to serve, if and when elected and re-elected, as an officer or director, or both, of any United States Subsidiary, division or Affiliate of the Corporation.

For all purposes of this Agreement, (i) a Subsidiary shall mean a corporation or other entity, of which 50% or more of the voting securities or other equity interests is owned directly, or indirectly through one or more intermediaries, by the Corporation, and (ii) an Affiliate shall mean a corporation or other entity which is not a Subsidiary and which directly, or indirectly, through one or more intermediaries, controls, or is controlled by, or is under common control with, the Corporation. For the purpose of this definition, the terms "control," "controls" and "controlled" mean the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a corporation or other entity, whether through the ownership of voting securities, by contract, or otherwise.

(b) DUTIES. Throughout the Employment Period the Executive shall devote his full time and undivided attention during normal business hours to the business and affairs of the Corporation except for reasonable vacations and except for illness or incapacity, but nothing in this Agreement shall preclude the Executive from devoting reasonable periods required for:

(i) serving as a director or member of a committee or any organization involving no conflict of interest with the interests of the Corporation;

(ii) delivering lectures, fulfilling speaking engagements, teaching at educational institutions;

(iii) engaging in charitable and community activities; and

(iv) managing his personal investments;

provided that such activities do not materially interfere with the regular performance of his duties and responsibilities under this Agreement.

(c) LOCATION OF OFFICE. During the Change of Control Period, the office of the Executive shall be located

at the principal offices of the Corporation, within the greater Toledo, Ohio area, and the Executive shall not be required to locate his office elsewhere without his prior written consent, nor shall he be required to be absent therefrom on travel status or otherwise more than thirty (30%) of the working days in any calendar year nor for more than ten (10) consecutive days at any one time.

3. COMPENSATION.

The Executive shall receive the following compensation for his services:

(a) SALARY. So long as the Executive is employed by the Corporation, he shall be paid an annual base salary, payable not less often than monthly, at the rate of not less than \$32,500 per month with such increases as shall be awarded from time to time in accordance with the Corporation's regular administrative practices of other salary increases applicable to executives of the Corporation, subject to any and all required withholdings and deductions for Social Security, income taxes and the like (the "Annual Base Salary"). The Board of Directors of the Corporation (the "Board") may from time to time direct such upward adjustments to Annual Base Salary as the Board deems to be necessary or desirable; PROVIDED, HOWEVER, that during the Change of Control Period (as defined in Section 12(d) below), the Annual Base Salary shall be reviewed at least annually and shall be increased at any time and from time to time but not less often than annually and shall be substantially consistent with increases in base salary generally awarded in the ordinary course of business to other senior executives of the Corporation and its Affiliated Companies (a term which, as used in this Agreement, shall mean a Subsidiary or Affiliate of the Corporation) and, in addition, shall be adjusted effective as of January 1st of each calendar year commencing in the Change of Control Period to reflect increases in the cost of living during the preceding calendar year. Annual Base Salary shall not be reduced after any increase thereof pursuant to this Section 3(a). Any increase in Annual Base Salary shall not serve to limit or reduce any other obligation of the Corporation under this Agreement.

(b) ADDITIONAL COMPENSATION. So long as the Executive is employed by the Corporation, he shall be eligible to receive annual short-term incentive awards or bonuses (such award or bonus is hereinafter referred to as "Short-Term Award" or "Annual Bonus") from the Dana Corporation Additional Compensation Plan, and from any successor or replacement plan (the Dana Corporation Additional Compensation Plan and such successor or replacement plans being referred to herein

collectively as the "ACP"), in accordance with the terms thereof; PROVIDED, HOWEVER, that, with respect to each fiscal year of the Corporation ending during the Change of Control Period, the Executive shall be awarded (whether under the terms of the ACP or otherwise) an Annual Bonus in an amount that shall not be less than fifty percent (50%) of his Annual Base Salary rate in effect on the last day of such fiscal year (which amount shall be prorated if such fiscal year shall be less than 12 months) (the "Target Annual Bonus"). Each Annual Bonus shall be paid no later than the end of the third month of the fiscal year next following the fiscal year for which the Annual Bonus is awarded, unless the receipt of such Annual Bonus is deferred in accordance with the terms of the ACP.

(c) INCENTIVE, STOCK AND SAVINGS PLANS. So long as the Executive is employed by the Corporation, he shall be and continue to be a full participant in the Dana Corporation 1997 Stock Option Plan, the ACP (providing for Short-Term Awards) and in any and all other incentive, stock, savings or retirement plans, practices or policies in which executives of the Corporation participate that are in effect on the date hereof and that may hereafter be adopted, including, without limitation, any stock option, stock purchase or stock appreciation plans, or any successor plans that may be adopted by the Corporation with, except in the case of the ACP after the commencement of the Change of Control Period, at least the same reward opportunities, if any, that have heretofore been provided to the Executive. Nothing in this Agreement shall preclude improvement of reward opportunities in such plans or other plans in accordance with the practice of the Corporation on or after the date of this Agreement. Any provision of the ACP or of this Agreement to the contrary notwithstanding, any Short-Term Awards made to the Executive during the Change of Control Period (whether for services rendered prior to or after the Change of Control Date) shall be paid wholly in cash as soon as practicable after the awards are made.

(d) RETIREMENT AND WELFARE BENEFIT PLANS. The Executive, his dependents and Beneficiary, including, without limitation, any beneficiary of a joint and survivor or other optional method of payment applicable to the payment of benefits under the Pension and Retirement Program of the Corporation, as defined in Section 3(j)(vi) below, shall be entitled to all payments and benefits and service credit for benefits during the Employment Period to which other senior executives of the Corporation, their dependents and their beneficiaries are entitled under the terms of employee retirement and welfare benefit plans and practices of the Corporation, including, without limitation, the Pension and Retirement Program of the Corporation (as defined in Section 3(j)(vi) below), the Corporation's Savings and Investment

Plan, its Stock Purchase Plan, its Stock Award Plan, its Income Protection Plan for Management and Certain Other Employees providing layoff and severance benefits, its 1989 Restricted Stock Plan, its Excess Benefits Plan, its Supplemental Benefits Plan, its death benefit plans (consisting of its Group Insurance Plan for Management Employees providing life insurance, accidental death and dismemberment insurance, and travel accident insurance), its disability benefit plans (consisting of its salary continuation, sickness and accident and long-term disability benefits programs), its medical, dental and health and welfare plans and other present or equivalent successor plans and practices of the Corporation, its Subsidiaries and divisions, for active and retired employees, for which officers, their dependents and beneficiaries, are eligible, and to all payments or other benefits under any such plan or practice subsequent to the Employment Period as a result of participation in such plan or practice during the Employment Period.

(e) EXPENSES. So long as the Executive is employed by the Corporation, he shall be entitled to receive prompt reimbursement for all reasonable expenses incurred by the Executive in accordance with the policies, practices and procedures of the Corporation and its Affiliated Companies from time to time in effect, commensurate with his position and on a basis at least comparable to that of other senior executives of the Corporation.

(f) FRINGE BENEFITS. So long as the Executive is employed by the Corporation, he shall be entitled to fringe benefits, including, without limitation, the business and personal use of an automobile, and payment or reimbursement of club initiation fees and dues, in accordance with the plans, practices, programs and policies of the Corporation and its Affiliated Companies from time to time in effect, commensurate with his position and at least comparable to those received by other senior executives of the Corporation.

(g) OFFICE AND SUPPORT STAFF. So long as the Executive is employed by the Corporation, he shall be entitled to an office or offices of a size and with furnishings and other appointments, and to exclusive personal secretarial and other assistance, commensurate with his position and at least comparable to those received by other senior executives of the Corporation.

(h) VACATION AND OTHER ABSENCES. So long as the Executive is employed by the Corporation, he shall be entitled to paid vacation and such other paid absences whether for holidays, illness, personal time or any similar purposes, in accordance with the plans, policies, programs and practices of

the Corporation and its Affiliated Companies in effect from time to time, commensurate with his position and at least comparable to those received by other senior executives of the Corporation.

(i) BENEFITS SHALL NOT BE REDUCED UNDER CERTAIN CIRCUMSTANCES.

Nothing in this Agreement shall preclude the Corporation from amending or terminating any employee benefit or welfare plan or practice, but, it being the intent of the parties that the Executive shall continue to be entitled during the Employment Period to perquisites as set forth in this Section 3 and to benefits and service credit for benefits under Section 3(d) above at least equal to those attached to his position on December 21, 1981, the date of the original agreement between the parties, and except as provided in the last sentence of this Section 3(i), nothing in this Agreement shall operate or be construed to reduce, or authorize a reduction without the Executive's written consent in, the level of such perquisites, benefits or service credit for benefits; in the event of any such reduction, by amendment or termination of any plan or practice or otherwise, the Executive, his dependents and Beneficiary, shall continue to be entitled to perquisites, benefits and service credit for benefits at least equal to the perquisites, benefits and service credit for benefits under such plans or practices that he or his dependents and Beneficiary would have received if such reduction had not taken place. If and to the extent that such perquisites, benefits and service credits are not payable or provided under any such plans or practices by reason of such amendment or termination thereof, the Corporation itself shall pay or provide therefor. Notwithstanding the foregoing provisions of this Section 3(i), the Executive hereby waives the benefit of the foregoing minimum benefit protection only as it applies to the Dana Corporation Savings and Investment Plan, and to its medical, dental and health plans for active and retired employees. The Executive expressly does not waive the application of the foregoing minimum benefit protection to any of the other benefit plans, programs or practices enumerated in Section 3 above, including, without limitation, the Pension and Retirement Program of the Corporation (including the lump sum discount factor in effect on December 21, 1981), its death benefit plans, its disability benefit plans, and its Income Protection Plan for Management and Certain Other Employees. The Executive reserves the right to cancel the above waiver, prospectively, at any future time by giving written notice to the Corporation of such cancellation. Nothing in this Section 3(i) shall be construed to prohibit the Corporation from amending or terminating any employee benefit or welfare plan or practice to reduce benefits, so long as such reduction applies to all salaried Corporation employees covered by such plan or practice equally and such

reduction is adopted prior to the commencement of the Change of Control Period.

(j) SUPPLEMENTAL RETIREMENT ANNUITY.

(i) If the Service of the Executive, including, without limitation, the period set forth in Section 5(a)(iv)(2) below, relating to the period between the Date of Termination and the end of the Termination Period, shall terminate other than for death or Cause as defined in Section 4(b) below, and if the Executive shall have a total of not less than fifteen (15) years of Service, as defined in subparagraph (vii) of this Section 3(j), whether or not consecutive, the Executive, subject to compliance with the provisions of Sections 9 and 10 below, relating to confidential information and Competition, respectively, shall be entitled to the supplemental retirement annuity provided by this Section 3(j) in addition to all other benefits to which the Executive may be entitled including, without limitation, benefits under the Pension and Retirement Program of the Corporation. Notwithstanding the foregoing provisions of this paragraph, the Executive shall not be entitled to receive the supplemental retirement annuity provided by this Section 3(j) if his Service shall terminate prior to his attainment of age 55 and prior to the Change of Control Date.

Such supplemental retirement annuity shall be payable by the Corporation on a straight life annuity basis commencing on the first day of the month coinciding with or next following the latest of

- (1) termination of Service;
- (2) attainment by the Executive of age 55; and
- (3) if the Executive had not previously retired with 15 years or more of Service, the expiration of the Employment Period;

and continuing on the first day of each month thereafter during his lifetime.

(ii) The monthly payment provided for in Section 3(j)(i) above shall be equal to fifty percent (50%) (or if higher, the percentage which is the product of 1.6% multiplied by the Executive's Credited Service at retirement, as such Credited Service is determined by application of the definition of Credited Service under the Dana Corporation Retirement Plan), of the Executive's

Highest Average Monthly Compensation, as defined in Section 3(j) (v), less the sum of

- (1) commencing at the earliest date that it could be payable on or after termination of Service, the aggregate monthly retirement benefit payable to the Executive for life on a straight life annuity basis under the Pension and Retirement Program of the Corporation to the extent attributable to contributions of the Corporation, its Subsidiaries and Affiliates;
- (2) commencing at the earliest date that it could be payable on or after termination of Service, the aggregate monthly retirement or disability benefit payable to the Executive for life on a straight life annuity basis following his retirement from employment by the Corporation, its Subsidiaries and Affiliates, to the extent attributable to contributions other than by the Executive under pension or retirement plans of all corporations, organizations or entities other than the Corporation, its Subsidiaries and Affiliates;
- (3) commencing at the earliest date payable on or after termination of Service, 50% of the monthly primary Social Security benefit that would be or would have been payable to the Executive in the absence of any compensation that may at the time be or have been earned by him; and
- (4) commencing at the earliest date payable on or after termination of Service and continuing until no longer payable, the aggregate monthly disability benefit payable to the Executive under disability benefit plans and pension plans of the Corporation, its Subsidiaries and Affiliates to the extent attributable to contributions of the Corporation, its Subsidiaries and Affiliates.

(iii) The Executive may elect to receive payment of the supplemental retirement annuity provided by this Section 3(j), under a joint and survivor or any other optional method of payment available under the Dana Corporation Retirement Plan, including, without limitation, any deferment in the time of payment thereof. The amount of the benefit payable pursuant to any form of payment under this Section 3(j) shall be determined by

applying the mortality assumptions, interest rates, and other factors contained in the Dana Corporation Retirement Plan that would be applicable to the form of payment elected by the Executive (subject, however, to any actuarial factor that may apply as a result of the operation of Section 3(i)); PROVIDED THAT, if a lump sum distribution is made hereunder, the amount of the lump sum distribution shall be actuarially equivalent to the monthly benefit prescribed by Section 3(j)(ii), calculated using the basis described in subparagraph (1) or (2), below, whichever produces the larger lump sum amount:

- (1) the lump sum amount calculated on the basis of the "applicable interest rate" (as in effect for the November preceding the calendar year in which the calculation is made) and the "applicable mortality table," both as defined in Section 417(e) of the Internal Revenue Code; or
- (2) the lump sum amount calculated on the basis of the actuarial equivalent factor used to convert the Executive's Earned Benefit Account into a life annuity under the Dana Corporation Retirement Plan at the time the calculation is made, subject to any lump sum discount factor that might apply as a result of the operation of Section 3(i) of this Agreement.

If it is determined that the Executive is subject to federal income taxation on an amount in respect of the supplemental retirement annuity prior to the distribution of all of such amount to him, the Corporation shall forthwith pay to the Executive all (or the balance) of such amount as is includable in the Executive's federal gross income and correspondingly reduce future payments, if any, of the supplemental retirement annuity.

(iv) In the event that the Corporation defaults in payment of all or any part of the supplemental retirement annuity provided above in this Section 3(j) and fails to remedy such default within thirty days after having received notice from the Executive or his Beneficiary, the Corporation shall thereupon pay to the Executive or his Beneficiary, as the case may be, in full discharge of its obligations under this Section 3(j), (1) a lump sum amount actuarially equivalent (based on the same assumptions and discount factors as would be applicable under the Dana Corporation Retirement Plan) to the future payments otherwise payable under this Section 3(j), and (2) an amount equal to any and all past due payments under this Section 3(j).

(v) The term "Highest Average Monthly Compensation" shall mean the sum of (1) one-twelfth (1/12) of the Annual Base Salary provided in Section 3(a) at the rate being paid at the time the Executive's termination of employment occurred, and (2) one-twelfth (1/12) of the average of the highest Annual Bonuses payable to the Executive for any three (3) consecutive full or partial fiscal years during his employment by the Corporation, PROVIDED, HOWEVER, that with respect to 1994 and subsequent years' Annual Bonuses, only that portion of the Employee's Annual Bonus as does not exceed 125% of his Annual Base Salary will be considered.

(vi) The term "Pension and Retirement Program of the Corporation" shall mean the Dana Corporation Retirement Plan, the Dana Corporation Excess Benefits Plan, the Dana Corporation Supplemental Benefits Plan, and any other supplemental, early retirement and similar plan or plans of the Corporation, its Subsidiaries and Affiliates, providing for pension or retirement benefits that may be applicable to the Executive and that are in effect on the date hereof or may hereafter be adopted or substituted for any such plan, but exclusive of the Dana Corporation Savings and Investment Plan and any similar plan or plans.

(vii) The term "Service" shall mean employment as an employee by the Corporation, any Subsidiary or Affiliate thereof or any corporation the capital stock or assets of which have been acquired by, or which has been merged into or consolidated with the Corporation or any Subsidiary or Affiliate thereof.

4. TERMINATION OF EMPLOYMENT.

(a) DEATH OR DISABILITY.

(i) The Executive's employment shall terminate automatically upon the Executive's death during the Employment Period.

(ii) If the Corporation determines in good faith that the Disability (as defined below) of the Executive has occurred during the Employment Period, it may give to the Executive written notice in accordance with Section 14(b) below of its intention to terminate the Executive's employment. In such event, the Employment Period shall terminate effective on the 30th day after receipt of such notice by the Executive (the "Disability Effective Date"), PROVIDED, that within the

days after such receipt, the Executive shall not have returned to full-time performance of the Executive's duties. For purposes of this Agreement, "Disability" shall mean the absence of the Executive from the Executive's duties with the Corporation on a full-time basis for 180 consecutive business days as a result of incapacity due to mental or physical illness which is determined to be total and permanent by a physician selected by the Corporation or its insurers and acceptable to the Executive or the Executive's legal representative (such agreement as to acceptability not to be withheld unreasonably).

(b) CAUSE. The Corporation may terminate the Executive's employment during the Employment Period for Cause. For purposes of this Agreement, the termination of the Executive's employment shall be deemed to have been for "Cause" only

(i) if termination of his employment shall have been the result of his conviction of, or plea of guilty or nolo contendere to, the charge of having committed a felony (whether or not such conviction is later reversed for any reason), or

(ii) if there has been a breach by the Executive during the Employment Period of the provisions of Section 2(b), relating to the time to be devoted to the affairs of the Corporation, or of Section 9, relating to confidential information, and such breach results in demonstrably material injury to the Corporation, and, with respect to any alleged breach of Section 2(b) hereof, the Executive shall have either failed to remedy such alleged breach within thirty days from his receipt of written notice from the Secretary of the Corporation pursuant to resolution duly adopted by the Board of Directors of the Corporation after notice to the Executive and an opportunity to be heard demanding that he remedy such alleged breach, or shall have failed to take all reasonable steps to that end during such thirty-day period and thereafter;

PROVIDED, that there shall have been delivered to the Executive a certified copy of a resolution of the Board of Directors of the Corporation adopted by the affirmative vote of not less than three-fourths of the entire membership of the Board of Directors called and held for that purpose and at which the Executive was given an opportunity to be heard, finding that the Executive was guilty of conduct set forth in subparagraph (i) or (ii) above, specifying the particulars thereof in detail.

Anything in this Section 4(b) or elsewhere in this Agreement to the contrary notwithstanding, the employment of the Executive shall in no event be considered to have been terminated by the Corporation for Cause if termination of his employment took place

- (1) as the result of bad judgment or negligence on the part of the Executive, or
- (2) because of an act or omission believed by the Executive in good faith to have been in or not opposed to the interests of the Corporation, or
- (3) for any act or omission in respect of which a determination could properly be made that the Executive met the applicable standard of conduct prescribed for indemnification or reimbursement or payment of expenses under (A) the Bylaws of the Corporation, or (B) the laws of the State of Virginia, or (C) the directors' and officers' liability insurance of the Corporation, in each case either as in effect at the time of this Agreement or in effect at the time of such act or omission, or
- (4) as the result of an act or omission which occurred more than twelve calendar months prior to the Executive's having been given notice of the termination of his employment for such act or omission unless the commission of such act or such omission could not at the time of such commission or omission have been known to a member of the Board of Directors of the Corporation (other than the Executive, if he is then a member of the Board of Directors), in which case more than twelve calendar months from the date that the commission of such act or such omission was or could reasonably have been so known, or
- (5) as the result of a continuing course of action which commenced and was or could reasonably have been known to a member of the Board of Directors of the Corporation (other than the Executive, if he is then a member of the Board of Directors) more than twelve calendar months prior to notice having been given to the Executive of the termination of his employment.

(c) GOOD REASON. Following a Change of Control (as defined in Section 12(b) below), the Executive may terminate

his employment for Good Reason. For purposes of this Agreement, "Good Reason" shall mean the occurrence after the Change of Control Date of any of the following events:

(i) Failure to elect or reelect the Executive to the Board of Directors of the Corporation, if the Executive shall have been a member of the Board of Directors on the date of this Agreement or at any time thereafter during the Employment Period, or failure to elect or reelect the Executive to, or removal of the Executive from, the office(s) described in Section 2(a) above and intended to be summarized in Exhibit A to this Agreement.

(ii) A significant change in the nature or scope of the authorities, powers, functions or duties attached to the position described in Section 2 above and intended to be summarized in Exhibit A to this Agreement, or a reduction in compensation, which is not remedied within 30 days after receipt by the Corporation of written notice from the Executive.

(iii) A determination by the Executive made in good faith that as a result of a Change of Control, and a change in circumstances thereafter and since the date of this Agreement significantly affecting his position, he is unable to carry out the authorities, powers, functions or duties attached to his position and contemplated by Section 2 of this Agreement and the situation is not remedied within 30 days after receipt by the Corporation of written notice from the Executive of such determination.

(iv) A breach by the Corporation of any provision of this Agreement not embraced within the foregoing clauses (i), (ii) and (iii) of this Section 4(c) which is not remedied within 30 days after receipt by the Corporation of written notice from the Executive.

(v) The liquidation, dissolution, consolidation or merger of the Corporation or transfer of all or a significant portion of its assets unless a successor or successors (by merger, consolidation or otherwise) to which all or a significant portion of its assets have been transferred shall have assumed all duties and obligations of the Corporation under this Agreement but without releasing the corporation that is the original party to this Agreement;

PROVIDED, that in any event set forth in this Section 4(c), the Executive shall have elected to terminate his employment

under this Agreement, upon not less than ten and not more than ninety days' advance written notice to the Corporation, attention of the Secretary, given, except in the case of a continuing breach, within three calendar months after (A) failure to be so elected or reelected, or removal, (B) expiration of the thirty-day cure period with respect to such event, or (C) the closing date of such liquidation, dissolution, consolidation, merger or transfer of assets, as the case may be.

An election by the Executive to terminate his employment given under the provisions of this Section 4(c) shall not be deemed a voluntary termination of employment by the Executive for the purpose of this Agreement or any plan or practice of the Corporation.

(d) NOTICE OF TERMINATION. Any termination by the Corporation for Cause, or by the Executive for Good Reason, shall be communicated by Notice of Termination to the other party hereto given in accordance with Section 14(b) below. For purposes of this Agreement, a "Notice of Termination" means a written notice which

(i) indicates the specific termination provision in this Agreement relied upon,

(ii) to the extent applicable, sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated and

(iii) if the Date of Termination (as defined in Section 4(e) below) is other than the date of receipt of such notice, specifies the termination date (which date shall be not more than fifteen days after the giving of such notice).

(e) DATE OF TERMINATION. "Date of Termination" means

(i) if the Executive's employment is terminated by the Corporation for Cause, or by the Executive for Good Reason, the date of receipt of the Notice of Termination or any later date specified therein, as the case may be,

(ii) if the Executive's employment is terminated by the Corporation other than for Cause or Disability, the Date of Termination shall be the date on which the Corporation notifies the Executive of such termination and

(iii) if the Executive's employment is terminated by reason of death or Disability, the Date of Termination shall be the date of death of the Executive or the Disability Effective Date, as the case may be.

5 OBLIGATIONS OF THE CORPORATION UPON TERMINATION.

(a) TERMINATION OTHER THAN FOR CAUSE. If, during the Employment Period, the Corporation shall terminate the Executive's employment other than for Cause or the Executive shall terminate his employment following a Change of Control for Good Reason (termination in any such case referred to as "Termination"):

(i) the Corporation shall pay the Executive in a lump sum in cash within 30 days after the Date of Termination the sum of

- (1) the Executive's Annual Base Salary through the Date of Termination to the extent not theretofore paid,
- (2) the product of (x) the Target Annual Bonus and (y) a fraction, the numerator of which is the number of days in the current fiscal year through the Date of Termination, and the denominator of which is 365, and
- (3) any compensation previously deferred by the Executive (together with any accrued interest or earnings thereon) and any accrued vacation pay, in each case to the extent not theretofore paid (the sum of the amounts described in clauses (1), (2), and (3) shall be hereinafter referred to as the "Accrued Obligations"); and

(ii) at the end of the month next following the Termination, and at the end of each month thereafter until the earliest of the end of the Employment Period, three years following the Date of Termination, or until the Executive shall attain the age of 65 years, but in no event beyond the end of the month in which the death of the Executive shall have occurred or the end of the sixth month following the Disability Effective Date (such period to be called the "Termination Period"), the Corporation shall pay to the Executive an amount equal to the Highest Average Monthly Compensation; PROVIDED, HOWEVER, that such amount shall be reduced by any other amounts payable to the Executive in respect of salary or bonus continuation to be received by the Executive under any severance plan, policy or arrangement of

the Corporation; and, PROVIDED, FURTHER, that if the Date of Termination occurs on or after the occurrence of a Change of Control, such amount shall be paid as a lump-sum within 30 days following the Date of Termination, such lump-sum calculated based upon the present value (within the meaning of Section 280G(d)(4) of the Internal Revenue Code of 1986 as amended (the "Code")) of the payments which would be made absent the Change of Control; and

(iii) During the Termination Period, or such longer period as any plan, program, practice or policy may provide, the Corporation shall continue benefits to the Executive and/or the Executive's family at least equal to those which would have been provided to them in accordance with the plans, programs, practices and policies described in Section 3(d) above if the Executive's employment had not been terminated in accordance with the most favorable plans, practices, programs or policies of the Corporation and its Affiliated Companies as in effect and applicable generally to other senior executives of the Corporation and its Affiliated Companies and their families during the 90-day period immediately preceding the Date of Termination or, if more favorable to the Executive, as in effect at any time thereafter or, if more favorable to the Executive, as in effect generally at any time thereafter with respect to other senior executives of the Corporation and its Affiliated Companies and their families, PROVIDED, HOWEVER, that if the Executive becomes reemployed with another employer and is eligible to receive medical or other welfare benefits under another employer-provided plan, the medical and other welfare benefits described herein shall be secondary to those provided under such other plan during such applicable period of eligibility (such continuation of such benefits for the applicable period herein set forth shall be hereinafter referred to as "Welfare Benefit Continuation"). For purposes of determining eligibility of the Executive for retiree benefits pursuant to such plans, practices, programs and policies, the Executive shall be considered to have remained employed until the end of the Termination Period and to have retired on the date of the end of the Termination Period. To the extent that any benefits referred to in this Section 5(a)(iii) shall not be payable or provided under any such plan by reason of the Executive's no longer being an employee of the Corporation as the result of Termination, the Corporation shall itself pay, or provide for payment of, such benefits and the service credit for benefits provided for in Section 5(a)(iv)

below, to the Executive, his dependents and Beneficiary; and

(iv) The period from the Date of Termination until the end of the Termination Period shall be considered:

- (1) Service with the Corporation for the purpose of continued credits under the employee benefit plans referred to in Section 3(d) above and all other benefit plans of the Corporation applicable to the Executive or his Beneficiary as in effect immediately prior to Termination but prior to any reduction of benefits thereunder as the result of amendment or termination during the Employment Period;
- (2) Service within the meaning of Section 3(j) (vii) above for purposes of Section 3(j) above; and
- (3) Employment with the Corporation for purposes of determining payments and other rights in respect of awards made or accrued and award opportunities granted prior to Termination under the executive incentive plans referred to in Section 3(c) above and all other incentive plans of the Corporation in which the Executive was a participant prior to Termination; and

(v) to the extent not theretofore paid or provided, the Corporation shall timely pay or provide to the Executive and/or the Executive's family any other amounts or benefits required to be paid or provided or which the Executive and/or the Executive's family is eligible to receive pursuant to this Agreement and under any plan, program, policy or practice or contract or agreement of the Corporation and its Affiliated Companies as in effect and applicable generally to other senior executives of the Corporation and its Affiliated Companies and their families during the 90-day period immediately preceding the Date of Termination or, if more favorable to the Executive, as in effect generally thereafter with respect to other senior executives of the Corporation and its Affiliated Companies and their families (such other amounts and benefits shall be referred to below as the "Other Benefits").

(b) TERMINATION ON OR AFTER CHANGE OF CONTROL. If Termination shall have occurred coincidental with a Change of Control or during the Change of Control Period, any provision

of Section 5(a)(iv) above or of the ACP to the contrary notwithstanding, upon such Termination, the Corporation shall pay or distribute to the Executive on an accelerated basis, to the extent, if any, not theretofore accelerated, any and all outstanding Short-Term Awards, or installments thereof, under the ACP that shall have been awarded to the Executive prior to Termination and deferred for payment subsequent to termination of employment, with any such accelerated payment based on the value, determined in accordance with such plan (or successor plan), of such awards or installments (and any increments thereon) on the Termination Date, and such accelerated payment or distribution shall constitute a complete discharge of the Corporation's obligation in respect of the Short-Term Awards so paid or distributed.

(c) CAUSE; OTHER THAN FOR GOOD REASON. If the Executive's employment shall be terminated for Cause during the Employment Period, the Corporation shall have no further obligations to the Executive under this Agreement other than the obligation to pay the Executive's Annual Base Salary, any compensation previously deferred by the Executive (together with any accrued interest or earnings thereon), and accrued vacation pay through the Date of Termination, in each case to the extent not theretofore paid, and any other amounts or benefits to which the Executive and/or the Executive's family is otherwise entitled under the terms of any employee benefit or incentive plan of the Corporation. If the Executive terminates employment during the Employment Period, excluding a termination for Good Reason following a Change of Control, the Corporation shall have no further obligations to the Executive, other than to pay the Executive's Annual Base Salary, any compensation previously deferred by the Executive (together with any accrued interest or earnings thereon), and accrued vacation pay through the termination date, in each case to the extent not theretofore paid, any other benefits to which the Executive and/or the Executive's family is otherwise entitled under the terms of any employee benefit or incentive plan of the Corporation, and, if the Executive is otherwise eligible under the provisions of Section 3(j) of this Agreement, he shall also be entitled to receive the supplemental retirement annuity described in such Section 3(j).

(d) DEATH OR DISABILITY.

(i) In the event of the death of the Executive during the Employment Period, the legal representative of the Executive shall be entitled to the compensation provided for in Sections 3(a) and 3(b) above for the month in which death shall have taken place, at the rate being paid at the time of death, and the Employment Period shall be deemed to have ended as of the close

of business on the last day of the month in which death shall have occurred but without prejudice to any payments due in respect of the Executive's death.

(ii) In the event of the Disability of the Executive during the Employment Period, the Executive shall be entitled to the compensation provided for in Sections 3(a) and 3(b) above, at the rate being paid on the Disability Effective Date, for the period of such Disability but not in excess of six months. The amount of any payments due under this Section 5(d)(ii) shall be reduced by any payments to which the Executive may be entitled for the same period because of disability under any disability or pension plan of the Corporation or of any Subsidiary or Affiliate thereof.

(e) RESOLUTION OF DISPUTES.

(i) RIGHT OF ELECTION BY EXECUTIVE TO ARBITRATE OR SUE. In the event that the Executive's employment shall be terminated by the Corporation during the Employment Period and such termination is alleged to be for Cause, or the Executive's right to terminate his employment under Section 4(c) above shall be questioned by the Corporation, or the Corporation shall withhold payments or provision of benefits for any other reason, the Executive shall have the right, in addition to all other rights and remedies provided by law, at his election either to seek arbitration within the Toledo, Ohio area under the rules of the American Arbitration Association by serving a notice to arbitrate upon the Corporation or to institute a judicial proceeding, in either case within ninety days after having received notice of termination of his employment or notice in any form that the termination of his employment under Section 4(b) above is subject to question or that the Corporation is withholding or proposes to withhold payments or provision of benefits.

(ii) THIRD-PARTY STAKEHOLDER. In the event that the Corporation defaults on any obligation set forth in Section 5(a) above, relating to Termination, and shall have failed to remedy such default within thirty (30) days after having received written notice of such default from the Executive, in addition to all other rights and remedies that the Executive may have as a result of such default, the Executive may demand and the Corporation shall thereupon be required to deposit, with the third-party stakeholder hereinafter described, an amount equal to the undiscounted value of any and all undischarged, future obligations of the Corporation under

Section 5(a) above and such amount shall thereafter be held, paid, applied or distributed by such third-party stakeholder for the purpose of satisfying such undischarged, future obligations of the Corporation when and to the extent that they become due and payable. Any interest or other income on such amount shall be retained by the third-party stakeholder and applied, if necessary, by it to satisfy such obligations, PROVIDED, HOWEVER, that any interest or other income that is earned on such undischarged, future obligations after the date that the third-party stakeholder determines, in its sole discretion, that such obligations are due and owing to the Executive, shall be paid to the Executive as earned. To the extent not theretofore expended, such amount (including any remaining unexpended interest or other income) shall be repaid to the Corporation at such time as the third-party stakeholder, in its sole discretion, reasonably exercised, determines, upon the advice of counsel and after consultation with the Corporation and the Executive or, in the event of his death, his Beneficiary, that all obligations of the Corporation under Section 5(a) above have been substantially satisfied.

Such amount shall, in the event of any question, be determined jointly by the firm of certified public accountants regularly employed by the Corporation and a firm of certified public accountants selected by the Executive, in each case upon the advice of actuaries to the extent the certified public accountants consider necessary, and, in the event such two firms of accountants are unable to agree on a resolution of the question, such amount shall be determined by an independent firm of certified public accountants selected jointly by both firms of accountants.

The third-party stakeholder, the fees and expenses of which shall be paid by the Corporation, shall be a national or state bank or trust company having a combined capital, surplus and undivided profits and reserves of not less than Ten Million Dollars (\$10,000,000) which is duly authorized and qualified to do business in the state in which the Executive resides at the time of such default.

(f) BENEFITS ARE IN ADDITION TO SUPPLEMENTAL RETIREMENT ANNUITY. Any provision of this Agreement to the contrary notwithstanding, the payments, benefits, service credit for benefits and other matters provided by this Section 5, including without limitation Section 5(a) above, in the event of a Termination, are in addition to any payments, benefits, service credit for benefits and other matters

provided by Section 3(j) above relating to a supplemental retirement annuity that may apply in such event.

6 NON-EXCLUSIVITY OF RIGHTS.

Except as provided in Sections 5(a) (ii), 5(b) and 5(c) above, nothing in this Agreement shall prevent or limit the Executive's continuing or future participation in any plan, program, policy or practice provided by the Corporation or any of its Affiliated Companies and for which the Executive may qualify, nor shall anything herein limit or otherwise affect such rights as the Executive may have under any contract or agreement entered into after the date hereof with the Corporation or any of its Affiliated Companies. Amounts which are vested benefits or which the Executive is otherwise entitled to receive under any plan, policy, practice or program of, or any contract or agreement entered into after the date hereof with, the Corporation or any of its Affiliated Companies at or subsequent to the Date of Termination shall be payable in accordance with such plan, policy, practice or program or contract or agreement except as explicitly modified by this Agreement.

7 FULL SETTLEMENT.

The Corporation's obligation to make the payments provided for in this Agreement and otherwise to perform its obligations hereunder shall not be affected by any set-off, counterclaim, recoupment, defense or other claim, right or action which the Corporation may have against the Executive or others. In no event shall the Executive be obligated to seek other employment or take any other action by way of mitigation of the amounts payable to the Executive under any of the provisions of this Agreement and, except as provided in Section 5(a) (iii) above, such amounts shall not be reduced whether or not the Executive obtains other employment.

8 GOLDEN PARACHUTE TAX PAYMENTS.

(a) Anything in this Agreement to the contrary notwithstanding, in the event it shall be determined that any payment or distribution involving a change of control of the Corporation, by the Corporation or any other person or entity, to or for the benefit of the Executive (whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise, but determined without regard to any additional payments required under this Section 8) (a "Payment") would be subject to the excise tax imposed by Section 4999 of the Code (or any successor provision) or any interest or penalties are incurred by the Executive with respect to such excise tax (such excise tax, together with any

such interest and penalties, are hereinafter collectively referred to as the "Excise Tax"), then the Executive shall be entitled to receive an additional payment (a "Gross-Up Payment") from the Corporation in an amount such that, after payment by the Executive of all taxes (including any interest or penalties imposed with respect to such taxes), including, without limitation, any income taxes (and any interest and penalties imposed with respect thereto) and Excise Tax imposed upon the Gross-Up Payment, the Executive retains an amount of the Gross-Up Payment equal to the Excise Tax imposed upon the Payments.

(b) All calculations and determinations required to be made under this Section 8, including whether and when a Gross-Up Payment is required and the amount of such Gross-Up Payment and the assumptions to be utilized in arriving at such determination, shall be made by Price Waterhouse (or any successor thereto by merger or operation of law) (the "Accounting Firm"). In the event that the Accounting Firm is serving as accountant or auditor for the individual, entity or group effecting the change of control, the Executive shall appoint another nationally recognized accounting firm to make the determinations required hereunder (which accounting firm shall then be referred to as the Accounting Firm hereunder). All fees and expenses of the Accounting Firm shall be borne solely by the Corporation. Any Gross-Up Payment, as determined pursuant to this Section 8, shall be paid by the Corporation to the Executive within five days of the receipt of the Accounting Firm's determination. If the Accounting Firm determines that no Excise Tax is payable by the Executive, it shall furnish the Executive with a written opinion that failure to report the Excise Tax on the Executive's applicable federal income tax return would not result in the imposition of a negligence or similar penalty. Any determination by the Accounting Firm shall be binding upon the Corporation and the Executive.

(c) The Executive shall promptly notify the Corporation in writing of any claim by the Internal Revenue Service that, if successful, would require the payment by the Corporation of the Gross-Up Payment.

The Corporation shall bear and pay directly all costs and expenses (including additional interest and penalties) incurred in connection with such claim and shall indemnify and hold the Executive harmless, on an after-tax basis, for any Excise Tax or income tax (including interest and penalties with respect thereto) imposed as a result of such representation and payment of costs and expenses. Without limitation on the foregoing provisions of this Section 8(c), the Corporation shall control all proceedings taken in connec-

tion with such contest and, at its sole option, may pursue or forgo any and all administrative appeals, proceedings, hearings and conferences with the taxing authority in respect of such claim and may, at its sole option, either direct the Executive to pay the tax claimed and sue for a refund or to contest the claim in any permissible manner, and the Executive agrees to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as the Corporation shall determine; PROVIDED, HOWEVER, that if the Corporation directs the Executive to pay such claim and sue for a refund, the Corporation shall advance the amount of such payment to the Executive, on an interest-free basis and shall indemnify and hold the Executive harmless, on an after-tax basis, from any Excise Tax or income tax (including interest or penalties with respect thereto) imposed with respect to such advance or with respect to any imputed income with respect to such advance. Furthermore, the Corporation's control of the contest shall be limited to issues with respect to which a Gross-Up Payment would be payable hereunder and the Executive shall be entitled to settle or contest, as the case may be, any other issue raised by the Internal Revenue Service or any other taxing authority.

9 CONFIDENTIAL INFORMATION.

(a) The Executive agrees not to disclose, either while in the Corporation's employ or at any time thereafter, to any person not employed by the Corporation, or not engaged to render services to the Corporation, except with the prior written consent of an officer authorized to act in the matter by the Board of Directors of the Corporation, any confidential information obtained by him while in the employ of the Corporation, including, without limitation, information relating to any of the Corporation's inventions, processes, formulae, plans, devices, compilations of information, methods of distribution, customers, client relationships, marketing strategies or trade secrets; PROVIDED, HOWEVER, that this provision shall not preclude the Executive from use or disclosure of information known generally to the public or of information not considered confidential by persons engaged in the business conducted by the Corporation or from disclosure required by law or Court order. The agreement herein made in this Section 9(a) shall be in addition to, and not in limitation or derogation of, any obligations otherwise imposed by law upon the Executive in respect of confidential information and trade secrets of the Corporation, its Subsidiaries and Affiliates.

(b) The Executive also agrees that upon leaving the Corporation's employ he will not take with him, without the

prior written consent of an officer authorized to act in the matter by the Board of Directors of the Corporation, and he will surrender to the Corporation any record, list, drawing, blueprint, specification or other document or property of the Corporation, its Subsidiaries and Affiliates, together with any copy and reproduction thereof, mechanical or otherwise, which is of a confidential nature relating to the Corporation, its Subsidiaries and Affiliates, or, without limitation, relating to its or their methods of distribution, client relationships, marketing strategies or any description of any formulae or secret processes, or which was obtained by him or entrusted to him during the course of his employment with the Corporation.

10 COMPETITION.

(a) Subject to the provisions of Section 5(e) above relating to resolution of disputes, there shall be no obligation on the part of the Corporation to make any further payments provided for in Section 3(j) above relating to payment of a supplemental retirement annuity, if the Executive shall, during the period that such payments are being made or benefits provided, engage in Competition with the Corporation as hereinafter defined, provided all of the following shall have taken place:

(i) the Secretary of the Corporation, pursuant to resolution of the Board of Directors of the Corporation, shall have given written notice to the Executive that, in the opinion of the Board of Directors, the Executive is engaged in such Competition, specifying the details;

(ii) the Executive shall have been given a reasonable opportunity upon reasonable notice to appear before and to be heard by the Board of Directors prior to the determination of the Board evidenced by such resolution;

(iii) the Executive shall neither have ceased to engage in such Competition within thirty days from his receipt of such notice nor diligently taken all reasonable steps to that end during such thirty-day period and thereafter.

Notwithstanding any provision to the contrary contained herein, in the event of a Termination, as defined in Section 5(a) above, this Section 10(a) shall not apply following a Change of Control.

(b) The Executive agrees in addition to the provisions relating to Competition set forth in Section 10(a) above

that he will not engage in Competition at any time (i) during the Employment Period, and (ii) except in the event of a Termination, during the thirty-six (36) months immediately following the termination of his employment with the Corporation.

(c) The word "Competition" for the purposes of this Agreement shall mean

(i) taking a management position with or control of a business engaged in the design, development, manufacture, marketing or distribution of products, which constituted 15% or more of the sales of the Corporation and its Subsidiaries and Affiliates during the last fiscal year of the Corporation preceding the termination of the Executive's employment, in any geographical area in which the Corporation, its Subsidiaries or Affiliates is at the time engaging in the design, development, manufacture, marketing or distribution of such products; PROVIDED, HOWEVER, that in no event shall ownership of less than 5% of the outstanding capital stock entitled to vote for the election of directors of a corporation with a class of equity securities held of record by more than 500 persons, standing alone, be deemed Competition with the Corporation within the meaning of this Section 10,

(ii) soliciting any person who is a customer of the businesses conducted by the Corporation, or any business in which the Executive has been engaged on behalf of the Corporation and its Subsidiaries or Affiliates at any time during the term of this Agreement on behalf of a business described in clause (i) of this Section 10,

(iii) inducing or attempting to persuade any employee of the Corporation or any of its Subsidiaries or Affiliates to terminate his employment relationship in order to enter into employment with a business described in clause (i) of this Subsection 10(c), or

(iv) making or publishing any statement which is, or may reasonably be considered to be, disparaging of the Corporation or any of its Subsidiaries or Affiliates, or directors, officers, employees or the operations or products of the Corporation or any of its Subsidiaries or Affiliates, except to the extent the Executive, during the Employment Period, makes the statement to employees or other representatives of the Corporation or any of its Subsidiaries or Affiliates in furtherance of the Corporation's business and the performance of his services hereunder.

11 SUCCESSORS.

Except as otherwise provided herein,

(a) This Agreement shall be binding upon and shall inure to the benefit of the Executive, his heirs and legal representatives, and the Corporation and its successors as provided in this Section 11.

(b) This Agreement shall be binding upon and inure to the benefit of the Corporation and any successor of the Corporation, including, without limitation, any corporation or corporations acquiring, directly or indirectly, 50% or more of the outstanding securities of the Corporation, or all or substantially all of the assets of the Corporation, whether by merger, consolidation, sale or otherwise (and such successor shall thereafter be deemed embraced within the term "the Corporation" for the purposes of this Agreement), but shall not otherwise be assignable by the Corporation.

12 CERTAIN DEFINITIONS.

The following defined terms used in this Agreement shall have the meanings indicated:

(a) BENEFICIARY. The term "Beneficiary" as used in this Agreement shall, in the event of the death of the Executive, mean an individual or individuals and/or an entity or entities, including, without limitation, the Executive's estate, duly designated on a form filed with the Corporation by the Executive to receive any amount that may be payable after his death or, if no such individual, individuals, entity or entities has or have been so designated, or is at the time in existence or able to receive any such amount, the Executive's estate.

(b) CHANGE OF CONTROL. A "Change of Control" shall be deemed to have occurred if the event set forth in any one of the following paragraphs shall have occurred:

(i) any Person is or becomes the Beneficial Owner, directly or indirectly, of securities of the Corporation (not including in the securities Beneficially Owned by such Person any securities acquired directly from the Corporation or its Affiliates) representing 20% or more of the combined voting power of the Corporation's then outstanding securities, excluding any Person who becomes such a Beneficial Owner in connection with a transaction described in clause (1) of paragraph (iii) below; or

(ii) the following individuals cease for any reason to constitute a majority of the number of directors then serving: individuals who, on the date hereof, constitute the Board and any new director whose appointment or election by the Board or nomination for election by the Corporation's stockholders was approved or recommended by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors on the date hereof or whose appointment, election or nomination for election was previously so approved or recommended. For purposes of the preceding sentence, any director whose initial assumption of office is in connection with an actual or threatened election contest, including but not limited to a consent solicitation, relating to the election of directors of the Corporation, shall not be counted; or

(iii) there is consummated a merger or consolidation of the Corporation or any direct or indirect Subsidiary of the Corporation with any other corporation, other than (1) a merger or consolidation which would result in the voting securities of the Corporation outstanding immediately prior to such merger or consolidation continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or any parent thereof) at least 50% of the combined voting power of the securities of the Corporation or such surviving entity or any parent thereof outstanding immediately after such merger or consolidation, or (2) a merger or consolidation effected to implement a recapitalization of the Corporation (or similar transaction) in which no Person is or becomes the Beneficial Owner, directly or indirectly, of securities of the Corporation (not including in the securities Beneficially Owned by such Person any securities acquired directly from the Corporation or its Affiliates) representing 20% or more of the combined voting power of the Corporation's then outstanding securities; or

(iv) the stockholders of the Corporation approve a plan of complete liquidation or dissolution of the Corporation or there is consummated an agreement for the sale or disposition by the Corporation of all or substantially all of the Corporation's assets, other than a sale or disposition by the Corporation of all or substantially all of the Corporation's assets to an entity, at least 50% of the combined voting power of the voting securities of which are owned by

stockholders of the Corporation in substantially the same proportions as their ownership of the Corporation immediately prior to such sale.

"Beneficial Owner" shall have the meaning set forth in Rule 13d-3 under the Exchange Act.

"Exchange Act" shall mean the Securities Exchange Act of 1934, as amended from time to time.

"Person" shall have the meaning given in Section 3(a)(9) of the Exchange Act, as modified and used in Sections 13(d) and 14(d) thereof, except that such term shall not include (i) the Corporation or any of its Subsidiaries, (ii) a trustee or other fiduciary holding securities under an employee benefit plan of the Corporation or any of its Affiliates, (iii) an underwriter temporarily holding securities pursuant to an offering of such securities or (iv) a corporation owned, directly or indirectly, by the stockholders of the Corporation in substantially the same proportions as their ownership of stock of the Corporation.

(c) CHANGE OF CONTROL DATE. The "Change of Control Date" shall mean the first date on which a Change of Control occurs. Anything in this Agreement to the contrary notwithstanding, if a Change of Control occurs and if the Executive's employment with the Corporation is terminated or the Executive ceases to have the position with the Corporation set forth in Section 2(a) above prior to the date on which the Change of Control occurs, and if it is reasonably demonstrated by the Executive that such termination or cessation (i) was at the request of a third party who has taken steps reasonably calculated to effect the Change of Control or (ii) otherwise arose in connection with or anticipation of the Change of Control, then for all purposes of this Agreement the "Change of Control Date" shall mean the date immediately prior to the date of such termination or cessation.

(d) CHANGE OF CONTROL PERIOD. The "Change of Control Period" shall mean the period commencing on the Change of Control Date and ending on the last day of the Employment Period.

13 AMENDMENT OR MODIFICATION; WAIVER.

No provision of this Agreement may be amended, modified or waived unless such amendment, modification or waiver shall be authorized by the Board of Directors of the Corporation or any authorized committee of the Board of Directors and shall be agreed to in writing, signed by the Executive and by an officer of the Corporation thereunto duly authorized.

Except as otherwise specifically provided in this Agreement, no waiver by either party hereto of any breach by the other party hereto of any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of a subsequent breach of such condition or provision or a waiver of a similar or dissimilar provision or condition at the same time or at any prior or subsequent time.

14 MISCELLANEOUS.

(a) This Agreement shall be governed by and construed in accordance with the laws of the State of Ohio, without reference to principles of conflict of laws. The captions of this Agreement are not part of the provisions hereof and shall have no force or effect.

(b) All notices and other communications hereunder shall be in writing and shall be given by hand delivery to the other party or by registered or certified mail, return receipt requested, postage prepaid, addressed as follows:

If to the Executive:
- -----

Mr. Martin J. Strobel
c/o Dana Corporation
4500 Dorr Street
Toledo, Ohio 43615

Copy to:

Mr. Martin J. Strobel
4849 Corey Road
Toledo, Ohio 43623

If to the Corporation:
- -----

Dana Corporation
4500 Dorr Street
Toledo, Ohio 43615
Attention: Secretary

or to such other address as either party shall have furnished to the other in writing in accordance herewith. Notice and communications shall be effective when actually received by the addressee.

(c) The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement.

(d) The Corporation may withhold from any amounts payable under this Agreement such Federal, state or local taxes as it determines is required to be withheld pursuant to any applicable law or regulation.

(e) When used herein in connection with plans, programs and policies relating to the Executive, employees,

compensation, benefits, perquisites, executive benefits, services and similar words and phrases, the word "Corporation" shall be deemed to include all wholly-owned Subsidiaries of the Corporation.

(f) This instrument contains the entire agreement of the parties concerning the subject matter, and all promises, representations, understandings, arrangements and prior agreements concerning the subject matter are merged herein and superseded hereby, including, without limitation, the agreements between the parties dated December 21, 1981, December 10, 1990 and December 14, 1992.

(g) No right, benefit or interest hereunder, shall be subject to anticipation, alienation, sale, assignment, encumbrance, charge, pledge, hypothecation, or set-off in respect of any claim, debt or obligation, or to execution, attachment, levy or similar process, or assignment by operation of law. Any attempt, voluntary or involuntary, to effect any action specified in the immediately preceding sentence shall, to the full extent permitted by law, be null, void and of no effect.

(h) The Executive shall not have any right, title, or interest whatsoever in or to any investments which the Corporation may make to aid it in meeting its obligations under this Agreement.

(i) Subject to the provisions of Section 5(e) above, all payments to be made under this Agreement shall be paid from the general funds of the Corporation and no special or separate fund shall be established and no segregation of assets shall be made to assure payment of amounts payable under this Agreement.

(j) The Corporation and the Executive recognize that each party will have no adequate remedy at law for breach by the other of any of the agreements contained in this Agreement and, in the event of any such breach, the Corporation and the Executive hereby agree and consent that the other shall be entitled to a decree of specific performance, mandamus or other appropriate remedy to enforce performance of such agreements.

(k) Subject to the provisions of Section 5(e) above, nothing contained in this Agreement shall create or be construed to create a trust of any kind, or a fiduciary relationship between the Corporation and the Executive or any other person.

(l) Subject to the provisions of Section 5(e) above, to the extent that any person acquires a right to receive payments from the Corporation under this Agreement, except to the extent provided by law such right shall be no greater than the right of an unsecured general creditor of the Corporation.

(m) In the event of the Executive's death or a judicial determination of his incompetence, reference in this Agreement to the Executive shall be deemed, where appropriate, to refer to his legal representative or, where appropriate, to his Beneficiary.

(n) If any event provided for in this Agreement is scheduled to take place on a legal holiday, such event shall take place on the next succeeding day that is not a legal holiday.

IN WITNESS WHEREOF, the Executive and, pursuant to due authorization from its Board of Directors, the Corporation have caused this Agreement to be executed as of the day and year first above written.

DANA CORPORATION

By: /s/ Southwood J. Morcott

Name: Southwood J. Morcott
Title: Chairman of the Board

By: /s/ Theodore B. Sumner

Chairman of the
Compensation Committee

Attest:

Assistant Secretary
Sue A. Griffin

/s/ Martin J. Strobel

Executive

Exhibit A to Agreement made as of December 8, 1997
between Dana Corporation and Martin J. Strobel

As of December 8, 1997, for purposes of Section 2(a),

the office(s) and title(s) of the Executive are Vice
President, Secretary and General Counsel of the Corporation;

the reporting responsibility of the Executive is to report
directly to the Chairman of the Board of Directors and Chief Executive Officer
of the Corporation; and

the duties and responsibilities of the Executive are:

Directs all legal pursuits of the Corporation, including the patent and trademark areas, to ensure that corporate objectives are accomplished in accordance with applicable law. Practices preventive law by providing advance legal advice and counsel to management with respect to significant corporate plans and endeavors. Functions as Corporate Secretary relative to meetings of the Board of Directors and shareholders of the Corporation. Major activities include: legal counsel and negotiations respecting acquisitions, disposition, international, antitrust matters, personnel/industrial relations and employee benefits, handling claims by and against the Corporation; monitoring compliance with policies which may have legal implications, real property acquisitions and dispositions, government regulations and reporting requirements, retaining and supervising outside counsel worldwide, and supervision of the Corporation's risk management and affirmative action/EEO activities. Performs such other duties as are commonly incident to the office of Vice President, Secretary and General Counsel of the Corporation or as may be prescribed by the Chairman of the Board of Directors or Board of Directors of the Corporation. Serves as a member of the World Operating Committee which monitors business unit performance, implements product strategies, and takes corrective action in the event of non-performance in the areas of meeting financial goals and implementation of market strategies, and insures interaction between divisions and affiliates.

CHANGE OF CONTROL AGREEMENT

BETWEEN

DANA CORPORATION

AND

WILLIAM J. CARROLL

DATED DECEMBER 8, 1997

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*Each listed term is intended to include both the singular and plural form of the term.

DEFINED TERMS

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 *Each listed term is intended to include both the singular and plural form of the term.

THIS CHANGE OF CONTROL AGREEMENT (the "Agreement") made and entered into as of this 8th day of December, 1997, by and between DANA CORPORATION, a Virginia corporation whose principal place of business is located at 4500 Dorr Street, Toledo, Ohio (the "Corporation"), and William J. Carroll (the "Executive");

WHEREAS, the Executive is a principal executive officer of the Corporation and an integral part of its management; and

WHEREAS, the Corporation wishes to assure both itself and the Executive of continuity of management in the event of any actual or threatened Change of Control of the Corporation; and

WHEREAS, this Agreement is not intended to alter materially the compensation and benefits that the Executive could reasonably expect in the absence of a Change of Control of the Corporation, and, accordingly, this Agreement, though taking effect upon execution thereof, will be operative only upon a Change of Control of the Corporation, as that term is hereafter defined;

NOW, THEREFORE, IN CONSIDERATION of the mutual promises, covenants and agreements set forth below, it is hereby agreed as follows:

1. OPERATION OF AGREEMENT; EMPLOYMENT AND TERM.

(1) This Agreement shall be effective immediately upon its execution by the parties hereto but, anything in this Agreement to the contrary notwithstanding, neither the Agreement nor any provision thereof, except for this Section 1(a), Section 1(d), Section 2(a)(ii), Section 10, Section 11(b), Section 12, and Sections 13(a), (b), (c), (f), (n) and (o), shall be operative unless and until there has been a Change of Control of the Corporation, as defined in Section 11(b) below, prior to December 31, 2000 or such later date as shall result from the operation of Section 1(d) below and while the Executive is in the employ of the Corporation. Upon such a Change of Control of the Corporation, this Agreement and all provisions thereof shall become operative immediately.

(2) The Corporation hereby agrees to continue the employment of the Executive, and the Executive hereby agrees to remain in the employ of the Corporation, in accordance with the terms and provisions of this Agreement, for the period set forth below (the "Employment Period").

(3) The Employment Period under this Agreement shall commence on the date this Agreement becomes operative pursuant to the provisions of Sections 1(a) above and, subject only to the provisions of Section 4 below relating to termination of employment, shall continue until (i) the close of business on December 31, 2000 or (ii) such later date as shall result from the operation of Section 1(d) below (the "Terminal Date"). In the event that the Executive shall continue in the full-time employment of the Corporation after the latter date, such continued employment shall be subject to the terms and conditions of this Agreement and the Employment Period shall include the period during which the Executive in fact so continues in such employment.

(4) Commencing on December 31, 1998, and on each anniversary of such date (such date and each such annual anniversary thereof, the "Renewal Date"), the Terminal Date set forth in Section 1(c) above shall be extended so as to occur three (3) years from the Renewal Date unless either party shall have given notice to the other party that the Terminal Date is not to be extended or further extended.

2. POSITION AND DUTIES OF THE EXECUTIVE.

(1) POSITION.

(1) It is contemplated that during the Employment Period the Executive will continue to serve as a principal officer of the Corporation and as a member of its Board of Directors if serving as a member of the Board of Directors immediately prior to a Change of Control, as defined in Section 11(b) below, with the office(s) and title(s), reporting responsibility and duties and responsibilities of the Executive on the date of this Agreement, as the same may be changed from time to time after the date of this Agreement and prior to the date this Agreement becomes operative pursuant to the provisions of Section 1(a) above.

(2) The office(s), title(s), reporting responsibility, duties and responsibilities of the Executive on the date of this Agreement, as the same may be changed from time to time after the date of this Agreement and prior to the date this Agreement becomes operative pursuant to the provisions of Section 1(a) above, shall be summarized in Exhibit A to this Agreement, it being understood and agreed that if, as when the office(s), title(s), reporting responsibility, duties and responsibilities of the Executive shall be changed prior to the date this Agreement becomes operative pursuant to the provisions of Section 1(a) above, Exhibit A shall be deemed to be and shall be updated by the parties to reflect such change; PROVIDED, HOWEVER, that Exhibit A is intended only as memorandum for the convenience of the parties and shall be disregarded if and to the extent

that, at the time this Agreement becomes operative, Exhibit A shall fail to reflect accurately the office(s), title(s), reporting responsibility, duties or responsibilities of the Executive at the time because the parties shall have failed to update Exhibit A as aforesaid after the last such change prior to the date this Agreement shall have become operative.

(3) At all times during the Employment Period, the Executive shall hold a position of responsibility and importance and a position of scope, with the functions, duties and responsibilities attached thereto, at least equal in responsibility and importance and in scope to and commensurate with his position described in general terms above in this Section 2(a) and intended to be summarized in Exhibit A to this Agreement.

(4) During the Employment Period the Executive shall, without compensation other than that herein provided, also serve and continue to serve, if and when elected and re-elected, as an officer or director, or both, of any United States Subsidiary, division or Affiliate of the Corporation.

(5) For all purposes of this Agreement, (1) a Subsidiary shall mean a corporation or other entity, of which 50% or more of the voting securities or other equity interests is owned directly, or indirectly through one or more intermediaries, by the Corporation, and (2) an Affiliate shall mean a corporation or other entity which is not a Subsidiary and which directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, the Corporation. For the purpose of this definition, the terms "control", "controls" and "controlled" mean the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a corporation or other entity, whether through the ownership of voting securities, by contract, or otherwise.

(2) DUTIES. Throughout the Employment Period the Executive shall devote his full time and undivided attention during normal business hours to the business and affairs of the Corporation except for reasonable vacations and except for illness or incapacity, but nothing in this Agreement shall preclude the Executive from devoting reasonable periods required for:

(1) serving as a director or member of a committee or any organization involving no conflict of interest with the interests of the Corporation;

(2) delivering lectures, fulfilling speaking engagements, teaching at educational institutions;

(3) engaging in charitable and community activities;
and

(4) managing his personal investments;

PROVIDED that such activities do not materially interfere with the regular performance of his duties and responsibilities under this Agreement.

(3) LOCATION OF OFFICE. During the Change of Control Period, the office of the Executive shall be located at the principal offices of the Corporation, within the greater Toledo, Ohio area, and the Executive shall not be required to locate his office elsewhere without his prior written consent, nor shall he be required to be absent therefrom on travel status or otherwise more than thirty (30%) of the working days in any calendar year nor for more than ten (10) consecutive days at any one time.

3. COMPENSATION.

The Executive shall receive the following compensation for his services:

(1) SALARY. So long as the Executive is employed by the Corporation, he shall be paid an annual base salary, payable not less often than monthly, at the rate of not less than \$32,083.33 per month with such increases as shall be awarded from time to time in accordance with the Corporation's regular administrative practices of other salary increases applicable to executives of the Corporation, subject to any and all required withholdings and deductions for Social Security, income taxes and the like (the "Annual Base Salary"). The Board of Directors of the Corporation (the "Board") may from time to time direct such upward adjustments to Annual Base Salary as the Board deems to be necessary or desirable; PROVIDED, HOWEVER, that during the Change of Control Period (as defined in Section 11(d) below), the Annual Base Salary shall be reviewed at least annually and shall be increased at any time and from time to time but not less often than annually and shall be substantially consistent with increases in base salary generally awarded in the ordinary course of business to other senior executives of the Corporation and its Affiliated Companies (a term which, as used in this Agreement, shall mean a Subsidiary or Affiliate of the Corporation) and, in addition, shall be adjusted effective as of January 1st of each calendar year commencing in the Change of Control Period to reflect increases in the cost of living during the preceding calendar year. Annual Base Salary shall not be reduced after any increase thereof pursuant to this Section 3(a). Any increase in Annual Base Salary shall not serve to limit or reduce any other obligation of the Corporation under this Agreement.

(2) ADDITIONAL COMPENSATION. So long as the Executive is employed by the Corporation, he shall be eligible to receive annual short-term incentive awards or bonuses (such award or bonus is hereinafter referred to as "Short-Term Award" or "Annual Bonus") from the Dana Corporation Additional Compensation Plan, and from any successor or replacement plan (the Dana Corporation Additional Compensation Plan and such successor or replacement plans being referred to herein collectively as the "ACP"), in accordance with the terms thereof; PROVIDED, HOWEVER, that, with respect to each fiscal year of the Corporation ending during the Change of Control Period, the Executive shall be awarded (whether under the terms of the ACP or otherwise) an Annual Bonus in an amount that shall not be less than fifty percent (50%) of his Annual Base Salary rate in effect on the last day of such fiscal year (which amount shall be prorated if such fiscal year shall be less than 12 months) (the "Target Annual Bonus"). Each Annual Bonus shall be paid no later than the end of the third month of the fiscal year next following the fiscal year for which the Annual Bonus is awarded, unless the receipt of such Annual Bonus is deferred in accordance with the terms of the ACP.

(3) INCENTIVE, STOCK AND SAVINGS PLANS. So long as the Executive is employed by the Corporation, he shall be and continue to be a full participant in the Dana Corporation 1997 Stock Option Plan, the ACP (providing for Short-Term Awards) and in any and all other incentive, stock, savings or retirement plans, practices or policies in which executives of the Corporation participate that are in effect on the date hereof and that may hereafter be adopted, including, without limitation, any stock option, stock purchase or stock appreciation plans, or any successor plans that may be adopted by the Corporation with, except in the case of the ACP after the commencement of the Change of Control Period, at least the same reward opportunities, if any, that have heretofore been provided to the Executive. Nothing in this Agreement shall preclude improvement of reward opportunities in such plans or other plans in accordance with the practices in effect on the first day of the calendar month that this Agreement becomes operative. Any provision of the ACP or of this Agreement to the contrary notwithstanding, any Short-Term Awards made to the Executive (whether for services rendered prior to or after the date this Agreement becomes operative) shall be paid wholly in cash as soon as practicable after the awards are made.

(4) RETIREMENT AND WELFARE BENEFIT PLANS. The Executive, his dependents and Beneficiary, including, without limitation, any beneficiary of a joint and survivor or other optional method of payment applicable to the payment of benefits under the Pension and Retirement Program of the Corporation, as defined in Section 3(j) (ii) below, shall be entitled to all payments and benefits and service credit for benefits during the Employment Period to which other senior executives of the Corporation, their dependents and their beneficiaries are entitled under the terms of employee retirement and welfare benefit plans and practices of the Corporation, including, without limitation, the Pension and Retirement Program of the Corporation (as defined in Section 3(j) (ii) below), the Corporation's Savings

and Investment Plan, its Stock Purchase Plan, its Stock Award Plan, its Income Protection Plan for Management and Certain Other Employees providing layoff and severance benefits, its 1989 Restricted Stock Plan, its Excess Benefits Plan, its Supplemental Benefits Plan, its death benefit plans (consisting of its Group Insurance Plan for Management Employees providing life insurance, accidental death and dismemberment insurance, and travel accident insurance), its disability benefit plans (consisting of its salary continuation, sickness and accident and long-term disability benefits programs), its medical, dental and health and welfare plans and other present or equivalent successor plans and practices of the Corporation, its Subsidiaries and divisions, for active and retired employees, for which officers, their dependents and beneficiaries, are eligible, and to all payments or other benefits under any such plan or practice subsequent to the Employment Period as a result of participation in such plan or practice during the Employment Period.

(5) EXPENSES. So long as the Executive is employed by the Corporation, he shall be entitled to receive prompt reimbursement for all reasonable expenses incurred by the Executive in accordance with the policies, practices and procedures of the Corporation and its Affiliated Companies from time to time in effect, commensurate with his position and on a basis at least comparable to that of other senior executives of the Corporation.

(6) FRINGE BENEFITS. So long as the Executive is employed by the Corporation, he shall be entitled to fringe benefits, including, without limitation, the business and personal use of an automobile, and payment or reimbursement of club initiation fees and dues, in accordance with the plans, practices, programs and policies of the Corporation and its Affiliated Companies from time to time in effect, commensurate with his position and at least comparable to those received by other senior executives of the Corporation.

(7) OFFICE AND SUPPORT STAFF. So long as the Executive is employed by the Corporation, he shall be entitled to an office or offices of a size and with furnishings and other appointments, and to exclusive personal secretarial and other assistance, commensurate with his position and at least comparable to those received by other senior executives of the Corporation.

(8) VACATION AND OTHER ABSENCES. So long as the Executive is employed by the Corporation, he shall be entitled to paid vacation and such other paid absences whether for holidays, illness, personal time or any similar purposes, in accordance with the plans, policies, programs and practices of the Corporation and its Affiliated Companies in effect from time to time, commensurate with his position and at least comparable to those received by other senior executives of the Corporation.

(9) BENEFITS SHALL NOT BE REDUCED UNDER CERTAIN CIRCUMSTANCES.

Nothing in this Agreement shall preclude the Corporation from amending or terminating any employee benefit or welfare plan or practice, but, it being the intent of the parties that the Executive shall continue to be entitled during the Employment Period to perquisites as set forth in this Section 3 and to benefits and service credit for benefits under Section 3(d) above at least equal to those attached to his position on the date of this Agreement (except that, in converting a monthly retirement benefit, which is payable under any plan that is a component of the Pension and Retirement Program of the Corporation, into a lump sum payment, the lump sum distribution shall be actuarially equivalent to the monthly benefit provided under such Pension and Retirement Program, calculated using the following basis, whichever produces a larger lump sum amount: (x) the lump sum amount calculated on the basis of the "applicable interest rate" (as in effect for the November preceding the calendar year in which the calculation is made) and the "applicable mortality table", both as defined in Section 417(e) of the Internal Revenue Code; or (y) the lump sum amount calculated on the basis of the actuarial equivalent factor used to convert the Executive's Earned Benefit Account into a life annuity under the Dana Corporation Retirement Plan at the time the calculation was made), and except as provided in the last sentence of this Section 3(i), nothing in this Agreement shall operate or be construed to reduce, or authorize a reduction without the Executive's written consent in, the level of such perquisites, benefits or service credit for benefits; in the event of any such reduction, by amendment or termination of any plan or practice or otherwise, the Executive, his dependents and Beneficiary, shall continue to be entitled to perquisites, benefits and service credit for benefits at least equal to the perquisites, benefits and service credit for benefits under such plans or practices that he or his dependents and Beneficiary would have received if such reduction had not taken place. If and to the extent that such perquisites, benefits and service credits are not payable or provided under any such plans or practices by reason of such amendment or termination thereof, the Corporation itself shall pay or provide therefor. Notwithstanding the foregoing provisions of this Section 3(i), the Executive hereby waives the benefit of the foregoing minimum benefit protection only as it applies to the Dana Corporation Savings and Investment Plan, and to its medical, dental and health plans for active and retired employees. The Executive expressly does not waive the application of the foregoing minimum benefit protection to any of the other benefit plans, programs or practices enumerated in Section 3 above, including, without limitation, the Pension and Retirement Program of the Corporation, its death benefit plans, its disability benefit plans, and its Income Protection Plan for Management and Certain Other Employees. The Executive reserves the right to cancel the above waiver, prospectively, at any future time by giving written notice to the Corporation of such cancellation. Nothing in this Section 3(i) shall be construed to prohibit the Corporation from amending or terminating any employee benefit or welfare plan or practice to reduce benefits, so long as such reduction applies to all salaried Corporation employees covered by such plan or practice equally and such reduction is adopted prior to the commencement of the Change of Control Period.

(10) CERTAIN RETIREMENT AND SEVERANCE DEFINITIONS.

(1) The term "Highest Average Monthly Compensation" shall mean the sum of (1) one-twelfth (1/12) of the Annual Base Salary provided in Section 3(a) at the rate being paid at the time the Executive's termination of employment occurred, and (2) one-twelfth (1/12) of the average of the highest Annual Bonuses payable to the Executive for any three (3) consecutive full or partial fiscal years during his employment by the Corporation, PROVIDED, HOWEVER, that with respect to 1994 and subsequent years' Annual Bonuses, only that portion of the Employee's Annual Bonus as does not exceed 125% of his Annual Base Salary will be considered.

(2) The term "Pension and Retirement Program of the Corporation" shall mean the Dana Corporation Retirement Plan, the Dana Corporation Excess Benefits Plan, the Dana Corporation Supplemental Benefits Plan, and any other supplemental, early retirement and similar plan or plans of the Corporation, its Subsidiaries and Affiliates, providing for pension or retirement benefits that may be applicable to the Executive and that are in effect on the date hereof or may hereafter be adopted or substituted for any such plan, but exclusive of the Dana Corporation Savings and Investment Plan and any similar plan or plans.

(3) The term "Service" shall mean employment as an employee by the Corporation, any Subsidiary or Affiliate thereof or any corporation the capital stock or assets of which have been acquired by, or which has been merged into or consolidated with the Corporation or any Subsidiary or Affiliate thereof.

4. TERMINATION OF EMPLOYMENT.

(1) DEATH OR DISABILITY.

(1) The Executive's employment shall terminate automatically upon the Executive's death during the Employment Period.

(2) If the Corporation determines in good faith that the Disability (as defined below) of the Executive has occurred during the Employment Period, it may give to the Executive written notice in accordance with Section 13(b) below of its intention to terminate the Executive's employment. In such event, the Employment Period shall terminate effective on the 30th day after receipt of such notice by the Executive (the "Disability Effective Date"), PROVIDED, that

within the 30 days after such receipt, the Executive shall not have returned to full-time performance of the Executive's duties. For purposes of this Agreement, "Disability" shall mean the absence of the Executive from the Executive's duties with the Corporation on a full-time basis for 180 consecutive business days as a result of incapacity due to mental or physical illness which is determined to be total and permanent by a physician selected by the Corporation or its insurers and acceptable to the Executive or the Executive's legal representative (such agreement as to acceptability not to be withheld unreasonably).

(2) CAUSE. The Corporation may terminate the Executive's employment during the Employment Period for Cause. For purposes of this Agreement, the termination of the Executive's employment shall be deemed to have been for "Cause" only

(1) if termination of his employment shall have been the result of his conviction of, or plea of guilty or nolo contendere to, the charge of having committed a felony (whether or not such conviction is later reversed for any reason), or

(2) if there has been a breach by the Executive during the Employment Period of the provisions of Section 2(b), relating to the time to be devoted to the affairs of the Corporation, or of Section 8, relating to confidential information, and such breach results in demonstrably material injury to the Corporation, and, with respect to any alleged breach of Section 2(b) hereof, the Executive shall have either failed to remedy such alleged breach within thirty days from his receipt of written notice from the Secretary of the Corporation pursuant to resolution duly adopted by the Board of Directors of the Corporation after notice to the Executive and an opportunity to be heard demanding that he remedy such alleged breach, or shall have failed to take all reasonable steps to that end during such thirty-day period and thereafter;

PROVIDED, that there shall have been delivered to the Executive a certified copy of a resolution of the Board of Directors of the Corporation adopted by the affirmative vote of not less than three-fourths of the entire membership of the Board of Directors called and held for that purpose and at which the Executive was given an opportunity to be heard, finding that the Executive was guilty of conduct set forth in subparagraph (i) or (ii) above, specifying the particulars thereof in detail.

Anything in this Section 4(b) or elsewhere in this Agreement to the contrary notwithstanding, the employment of the Executive shall in no event be considered to have been terminated by the Corporation for Cause if termination of his employment took place

- (1) as the result of bad judgment or negligence on the part of the Executive, or
- (2) because of an act or omission believed by the Executive in good faith to have been in or not opposed to the interests of the Corporation, or
- (3) for any act or omission in respect of which a determination could properly be made that the Executive met the applicable standard of conduct prescribed for indemnification or reimbursement or payment of expenses under (A) the Bylaws of the Corporation, or (B) the laws of the State of Virginia, or (C) the directors' and officers' liability insurance of the Corporation, in each case either as in effect at the time of this Agreement or in effect at the time of such act or omission, or
- (4) as the result of an act or omission which occurred more than twelve calendar months prior to the Executive's having been given notice of the termination of his employment for such act or omission unless the commission of such act or such omission could not at the time of such commission or omission have been known to a member of the Board of Directors of the Corporation (other than the Executive, if he is then a member of the Board of Directors), in which case more than twelve calendar months from the date that the commission of such act or such omission was or could reasonably have been so known, or
- (5) as the result of a continuing course of action which commenced and was or could reasonably have been known to a member of the Board of Directors of the Corporation (other than the Executive, if he is then a member of the Board of Directors) more than twelve calendar months prior to notice having been given to the Executive of the termination of his employment.

(3) GOOD REASON. The Executive may terminate his employment during the Employment Period for Good Reason. For purposes of this Agreement, "Good Reason" shall mean the occurrence of any of the following events:

- (1) Failure to elect or reelect the Executive to the Board of Directors of the Corporation, if the Executive shall have been a member of the Board of Directors on the date of this Agreement or at any time thereafter during the Employment Period, or failure to elect or reelect the Executive to, or removal

of the Executive from, the office(s) described in Section 2(a) above and intended to be summarized in Exhibit A to this Agreement.

(2) A significant change in the nature or scope of the authorities, powers, functions or duties attached to the position described in Section 2 above and intended to be summarized in Exhibit A to this Agreement, or a reduction in compensation, which is not remedied within 30 days after receipt by the Corporation of written notice from the Executive.

(3) A determination by the Executive made in good faith that as a result of a Change of Control, and a change in circumstances thereafter and since the date of this Agreement significantly affecting his position, he is unable to carry out the authorities, powers, functions or duties attached to his position and contemplated by Section 2 of this Agreement and the situation is not remedied within 30 days after receipt by the Corporation of written notice from the Executive of such determination.

(4) A breach by the Corporation of any provision of this Agreement not embraced within the foregoing clauses (i), (ii) and (iii) of this Section 4(c) which is not remedied within 30 days after receipt by the Corporation of written notice from the Executive.

(5) The liquidation, dissolution, consolidation or merger of the Corporation or transfer of all or a significant portion of its assets unless a successor or successors (by merger, consolidation or otherwise) to which all or a significant portion of its assets have been transferred shall have assumed all duties and obligations of the Corporation under this Agreement but without releasing the corporation that is the original party to this Agreement;

PROVIDED, that in any event set forth in this Section 4(c), the Executive shall have elected to terminate his employment under this Agreement, upon not less than ten and not more than ninety days' advance written notice to the Corporation, attention of the Secretary, given, except in the case of a continuing breach, within three calendar months after (A) failure to be so elected or reelected, or removal, (B) expiration of the thirty-day cure period with respect to such event, or (C) the closing date of such liquidation, dissolution, consolidation, merger or transfer of assets, as the case may be.

An election by the Executive to terminate his employment given under the provisions of this Section 4(c) shall not be deemed a voluntary termination of employment by the Executive for the purpose of this Agreement or any plan or practice of the Corporation.

(4) NOTICE OF TERMINATION. Any termination by the Corporation for Cause, or by the Executive for Good Reason, shall be communicated by Notice of Termination to the other party hereto given in accordance with Section 13(b) below. For purposes of this Agreement, a "Notice of Termination" means a written notice which

(1) indicates the specific termination provision in this Agreement relied upon,

(2) to the extent applicable, sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated and

(3) if the Date of Termination (as defined in Section 4(e) below) is other than the date of receipt of such notice, specifies the termination date (which date shall be not more than fifteen days after the giving of such notice).

(5) DATE OF TERMINATION. "Date of Termination" means

(1) if the Executive's employment is terminated by the Corporation for Cause, or by the Executive for Good Reason, the date of receipt of the Notice of Termination or any later date specified therein, as the case may be,

(2) if the Executive's employment is terminated by the Corporation other than for Cause or Disability, the Date of Termination shall be the date on which the Corporation notifies the Executive of such termination and

(3) if the Executive's employment is terminated by reason of death or Disability, the Date of Termination shall be the date of death of the Executive or the Disability Effective Date, as the case may be.

5. OBLIGATIONS OF THE CORPORATION UPON TERMINATION.

(1) TERMINATION OTHER THAN FOR CAUSE. If, during the Employment Period, the Corporation shall terminate the Executive's employment other than for Cause or the Executive shall terminate his employment following a Change of Control for Good Reason (termination in any such case referred to as "Termination"):

(1) the Corporation shall pay the Executive in a lump sum in cash within 30 days after the Date of Termination the sum of

(1) the Executive's Annual Base Salary through the Date of Termination to the extent not theretofore paid,

(2) the product of (x) the Target Annual Bonus and (y) a fraction, the numerator of which is the number of days in the current fiscal year through the Date of Termination, and the denominator of which is 365, and

(3) any compensation previously deferred by the Executive (together with any accrued interest or earnings thereon) and any accrued vacation pay, in each case to the extent not theretofore paid (the sum of the amounts described in clauses (1), (2), and (3) shall be hereinafter referred to as the "Accrued Obligations"); and

(2) The Corporation shall pay the Executive in a lump sum in cash within 30 days after the Date of Termination an amount calculated based upon the present value (within the meaning of Section 280G(d)(4) of the Internal Revenue Code of 1986 as amended (the "Code") of payments described as follows: at the end of the month next following the Termination, and at the end of each month thereafter until the earliest of the end of the Employment Period, three years following the Date of Termination, or until the Executive shall attain the age of 65 years, but in no event beyond the end of the month in which the death of the Executive shall have occurred or the end of the sixth month following the Disability Effective Date (such period to be called the "Termination Period"), the Corporation would pay to the Executive an amount equal to the Highest Average Monthly Compensation; PROVIDED, HOWEVER, that such amount would be reduced by any other amounts payable to the Executive in respect of salary or bonus continuation to be received by the Executive under any severance plan, policy or arrangement of the Corporation; and

(3) During the Termination Period, or such longer period as any plan, program, practice or policy may provide, the Corporation shall continue benefits to the Executive and/or the Executive's family at least equal to those which would have been provided to them in accordance with the plans, programs, practices and policies described in Section 3(d) above if the Executive's employment had not been terminated in accordance with the most favorable plans, practices, programs or policies of the Corporation and its Affiliated Companies as in effect and applicable generally to other senior executives of the Corporation and its Affiliated Companies and their families during the 90-day period immediately preceding the Date of Termination or, if more favorable to the Executive, as in effect at any time thereafter or, if more favorable to the

Executive, as in effect generally at any time thereafter with respect to other senior executives of the Corporation and its Affiliated Companies and their families, PROVIDED, HOWEVER, that if the Executive becomes reemployed with another employer and is eligible to receive medical or other welfare benefits under another employer-provided plan, the medical and other welfare benefits described herein shall be secondary to those provided under such other plan during such applicable period of eligibility (such continuation of such benefits for the applicable period herein set forth shall be hereinafter referred to as "Welfare Benefit Continuation"). For purposes of determining eligibility of the Executive for retiree benefits pursuant to such plans, practices, programs and policies, the Executive shall be considered to have remained employed until the end of the Termination Period and to have retired on the date of the end of the Termination Period. To the extent that any benefits referred to in this Section 5(a) (iii) shall not be payable or provided under any such plan by reason of the Executive's no longer being an employee of the Corporation as the result of Termination, the Corporation shall itself pay, or provide for payment of, such benefits and the service credit for benefits provided for in Section 5(a) (iv) below, to the Executive, his dependents and Beneficiary; and

(4) The period from the Date of Termination until the end of the Termination Period shall be considered:

- (1) Service with the Corporation for the purpose of continued credits under the employee benefit plans referred to in Section 3(d) above and all other benefit plans of the Corporation applicable to the Executive or his Beneficiary as in effect immediately prior to Termination but prior to any reduction of benefits thereunder as the result of amendment or termination during the Employment Period; and
- (2) Employment with the Corporation for purposes of determining payments and other rights in respect of awards made or accrued and award opportunities granted prior to Termination under the executive incentive plans referred to in Section 3(c) above and all other incentive plans of the Corporation in which the Executive was a participant prior to Termination;

(5) to the extent not theretofore paid or provided, the Corporation shall timely pay or provide to the Executive and/or the Executive's family any other amounts or benefits required to be paid or provided or which the Executive and/or the Executive's family is eligible to receive pursuant to this Agreement and under any plan, program, policy or practice or contract or agreement of the

Corporation and its Affiliated Companies as in effect and applicable generally to other senior executives of the Corporation and its Affiliated Companies and their families during the 90-day period immediately preceding the Date of Termination or, if more favorable to the Executive, as in effect generally thereafter with respect to other senior executives of the Corporation and its Affiliated Companies and their families (such other amounts and benefits shall be referred to below as the "Other Benefits").

(2) [intentionally left blank]

(3) CAUSE; OTHER THAN FOR GOOD REASON. If the Executive's employment shall be terminated for Cause during the Employment Period, the Corporation shall have no further obligations to the Executive under this Agreement other than the obligation to pay the Executive's Annual Base Salary, any compensation previously deferred by the Executive (together with any accrued interest or earnings thereon), and accrued vacation pay through the Date of Termination, in each case to the extent not theretofore paid, and any other amounts or benefits to which the Executive and/or the Executive's family is otherwise entitled under the terms of any employee benefit or incentive plan of the Corporation. If the Executive terminates employment during the Employment Period, excluding a termination for Good Reason following a Change of Control, the Corporation shall have no further obligations to the Executive, other than to pay the Executive's Annual Base Salary, any compensation previously deferred by the Executive (together with any accrued interest or earnings thereon), and accrued vacation pay through the termination date, in each case to the extent not theretofore paid, any other benefits to which the Executive and/or the Executive's family is otherwise entitled under the terms of any employee benefit or incentive plan of the Corporation.

(4) DEATH OR DISABILITY.

(1) In the event of the death of the Executive during the Employment Period, the legal representative of the Executive shall be entitled to the compensation provided for in Sections 3(a) and 3(b) above for the month in which death shall have taken place, at the rate being paid at the time of death, and the Employment Period shall be deemed to have ended as of the close of business on the last day of the month in which death shall have occurred but without prejudice to any payments due in respect of the Executive's death.

(2) In the event of the Disability of the Executive during the Employment Period, the Executive shall be entitled to the compensation provided for in Sections 3(a) and 3(b) above, at the rate being paid on the Disability Effective Date, for the period of such Disability but not in excess of six months.

The amount of any payments due under this Section 5(d)(ii) shall be reduced by any payments to which the Executive may be entitled for the same period because of disability under any disability or pension plan of the Corporation or of any Subsidiary or Affiliate thereof.

(5) RESOLUTION OF DISPUTES.

(1) RIGHT OF ELECTION BY EXECUTIVE TO ARBITRATE OR SUE. In the event that the Executive's employment shall be terminated by the Corporation during the Employment Period and such termination is alleged to be for Cause, or the Executive's right to terminate his employment under Section 4(c) above shall be questioned by the Corporation, or the Corporation shall withhold payments or provision of benefits for any other reason, the Executive shall have the right, in addition to all other rights and remedies provided by law, at his election either to seek arbitration within the Toledo, Ohio area under the rules of the American Arbitration Association by serving a notice to arbitrate upon the Corporation or to institute a judicial proceeding, in either case within ninety days after having received notice of termination of his employment or notice in any form that the termination of his employment under Section 4(b) above is subject to question or that the Corporation is withholding or proposes to withhold payments or provision of benefits.

(2) THIRD-PARTY STAKEHOLDER. In the event that the Corporation defaults on any obligation set forth in Section 5(a) above, relating to Termination, and shall have failed to remedy such default within thirty (30) days after having received written notice of such default from the Executive, in addition to all other rights and remedies that the Executive may have as a result of such default, the Executive may demand and the Corporation shall thereupon be required to deposit, with the third-party stakeholder hereinafter described, an amount equal to the undiscounted value of any and all undischarged, future obligations of the Corporation under Section 5(a) above and such amount shall thereafter be held, paid, applied or distributed by such third-party stakeholder for the purpose of satisfying such undischarged, future obligations of the Corporation when and to the extent that they become due and payable. Any interest or other income on such amount shall be retained by the third-party stakeholder and applied, if necessary, by it to satisfy such obligations, provided, HOWEVER, that any interest or other income that is earned on such undischarged, future obligations after the date that the third-party stakeholder determines, in its sole discretion, that such obligations are due and owing to the Executive, shall be paid to the Executive as earned. To the extent not theretofore expended, such amount (including any remaining unexpended interest or other income) shall be

repaid to the Corporation at such time as the third-party stakeholder, in its sole discretion, reasonably exercised, determines, upon the advice of counsel and after consultation with the Corporation and the Executive or, in the event of his death, his Beneficiary, that all obligations of the Corporation under Section 5(a) above have been substantially satisfied.

Such amount shall, in the event of any question, be determined jointly by the firm of certified public accountants regularly employed by the Corporation and a firm of certified public accountants selected by the Executive, in each case upon the advice of actuaries to the extent the certified public accountants consider necessary, and, in the event such two firms of accountants are unable to agree on a resolution of the question, such amount shall be determined by an independent firm of certified public accountants selected jointly by both firms of accountants.

The third-party stakeholder, the fees and expenses of which shall be paid by the Corporation, shall be a national or state bank or trust company having a combined capital, surplus and undivided profits and reserves of not less than Ten Million Dollars (\$10,000,000) which is duly authorized and qualified to do business in the state in which the Executive resides at the time of such default.

6. NON-EXCLUSIVITY OF RIGHTS.

Except as provided in Sections 5(a)(ii), 5(b) and 5(c) above, nothing in this Agreement shall prevent or limit the Executive's continuing or future participation in any plan, program, policy or practice provided by the Corporation or any of its Affiliated Companies and for which the Executive may qualify, nor shall anything herein limit or otherwise affect such rights as the Executive may have under any contract or agreement entered into after the date hereof with the Corporation or any of its Affiliated Companies. Amounts which are vested benefits or which the Executive is otherwise entitled to receive under any plan, policy, practice or program of, or any contract or agreement entered into after the date hereof with, the Corporation or any of its Affiliated Companies at or subsequent to the Date of Termination shall be payable in accordance with such plan, policy, practice or program or contract or agreement except as explicitly modified by this Agreement.

7. FULL SETTLEMENT.

The Corporation's obligation to make the payments provided for in this Agreement and otherwise to perform its obligations hereunder shall not be affected by any set-off, counterclaim, recoupment, defense or other claim, right or action which the Corporation may

have against the Executive or others. In no event shall the Executive be obligated to seek other employment or take any other action by way of mitigation of the amounts payable to the Executive under any of the provisions of this Agreement and, except as provided in Section 5(a)(iii) above, such amounts shall not be reduced whether or not the Executive obtains other employment.

8. CONFIDENTIAL INFORMATION.

(1) The Executive agrees not to disclose, either while in the Corporation's employ or at any time thereafter, to any person not employed by the Corporation, or not engaged to render services to the Corporation, except with the prior written consent of an officer authorized to act in the matter by the Board of Directors of the Corporation, any confidential information obtained by him while in the employ of the Corporation, including, without limitation, information relating to any of the Corporation's inventions, processes, formulae, plans, devices, compilations of information, methods of distribution, customers, client relationships, marketing strategies or trade secrets; PROVIDED, HOWEVER, that this provision shall not preclude the Executive from use or disclosure of information known generally to the public or of information not considered confidential by persons engaged in the business conducted by the Corporation or from disclosure required by law or Court order. The agreement herein made in this Section 8(a) shall be in addition to, and not in limitation or derogation of, any obligations otherwise imposed by law upon the Executive in respect of confidential information and trade secrets of the Corporation, its Subsidiaries and Affiliates.

(2) The Executive also agrees that upon leaving the Corporation's employ he will not take with him, without the prior written consent of an officer authorized to act in the matter by the Board of Directors of the Corporation, and he will surrender to the Corporation any record, list, drawing, blueprint, specification or other document or property of the Corporation, its Subsidiaries and Affiliates, together with any copy and reproduction thereof, mechanical or otherwise, which is of a confidential nature relating to the Corporation, its Subsidiaries and Affiliates, or, without limitation, relating to its or their methods of distribution, client relationships, marketing strategies or any description of any formulae or secret processes, or which was obtained by him or entrusted to him during the course of his employment with the Corporation.

9. COMPETITION.

(1) The Executive hereby agrees that he will not engage in Competition at any time (i) during the Employment Period, and (ii) except in the event of a Termination, during the thirty-six (36) months immediately following the termination of his employment with the Corporation.

(2) The word "Competition" for the purposes of this Agreement shall mean:

(1) taking a management position with or control of a business engaged in the design, development, manufacture, marketing or distribution of products, which constituted 15% or more of the sales of the Corporation and its Subsidiaries and Affiliates during the last fiscal year of the Corporation preceding the termination of the Executive's employment, in any geographical area in which the Corporation, its Subsidiaries or Affiliates is at the time engaging in the design, development, manufacture, marketing or distribution of such products; PROVIDED, HOWEVER, that in no event shall ownership of less than 5% of the outstanding capital stock entitled to vote for the election of directors of a corporation with a class of equity securities held of record by more than 500 persons, standing alone, be deemed Competition with the Corporation within the meaning of this Section 9,

(2) soliciting any person who is a customer of the businesses conducted by the Corporation, or any business in which the Executive has been engaged on behalf of the Corporation and its Subsidiaries or Affiliates at any time during the term of this Agreement on behalf of a business described in clause (i) of this Section 9(b),

(3) inducing or attempting to persuade any employee of the Corporation or any of its Subsidiaries or Affiliates to terminate his employment relationship in order to enter into employment with a business described in clause (i) of this Subsection 9(b), or

(4) making or publishing any statement which is, or may reasonably be considered to be, disparaging of the Corporation or any of its Subsidiaries or Affiliates, or directors, officers, employees or the operations or products of the Corporation or any of its Subsidiaries or Affiliates, except to the extent the Executive, during the Employment Period, makes the statement to employees or other representatives of the Corporation or any of its Subsidiaries or Affiliates in furtherance of the Corporation's business and the performance of his services hereunder.

10. SUCCESSORS.

Except as otherwise provided herein,

(1) This Agreement shall be binding upon and shall inure to the benefit of the Executive, his heirs and legal representatives, and the Corporation and its successors as provided in this Section 10.

(2) This Agreement shall be binding upon and inure to the benefit of the Corporation and any successor of the Corporation, including, without limitation, any corporation or corporations acquiring, directly or indirectly, 50% or more of the outstanding securities of the Corporation, or all or substantially all of the assets of the Corporation, whether by merger, consolidation, sale or otherwise (and such successor shall thereafter be deemed embraced within the term "the Corporation" for the purposes of this Agreement), but shall not otherwise be assignable by the Corporation.

11. CERTAIN DEFINITIONS.

The following defined terms used in this Agreement shall have the meanings indicated:

(3) BENEFICIARY. The term "Beneficiary" as used in this Agreement shall, in the event of the death of the Executive, mean an individual or individuals and/or an entity or entities, including, without limitation, the Executive's estate, duly designated on a form filed with the Corporation by the Executive to receive any amount that may be payable after his death or, if no such individual, individuals, entity or entities has or have been so designated, or is at the time in existence or able to receive any such amount, the Executive's estate.

(4) CHANGE OF CONTROL. A "Change of Control" shall be deemed to have occurred if the event set forth in any one of the following paragraphs shall have occurred:

(1) any Person is or becomes the Beneficial Owner, directly or indirectly, of securities of the Corporation (not including in the securities Beneficially Owned by such Person any securities acquired directly from the Corporation or its Affiliates) representing 20% or more of the combined voting power of the Corporation's then outstanding securities, excluding any Person who becomes such a Beneficial Owner in connection with a transaction described in clause (1) of paragraph (iii) below; or

(2) the following individuals cease for any reason to constitute a majority of the number of directors then serving: individuals who, on the date hereof, constitute the Board and any new director whose appointment or election by the Board or nomination for election by the Corporation's stockholders was approved or recommended by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors on the date hereof or whose

appointment, election or nomination for election was previously so approved or recommended. For purposes of the preceding sentence, any director whose initial assumption of office is in connection with an actual or threatened election contest, including but not limited to a consent solicitation, relating to the election of directors of the Corporation, shall not be counted; or

(3) there is consummated a merger or consolidation of the Corporation or any direct or indirect Subsidiary of the Corporation with any other corporation, other than (1) a merger or consolidation which would result in the voting securities of the Corporation outstanding immediately prior to such merger or consolidation continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or any parent thereof) at least 50% of the combined voting power of the securities of the Corporation or such surviving entity or any parent thereof outstanding immediately after such merger or consolidation, or (2) a merger or consolidation effected to implement a recapitalization of the Corporation (or similar transaction) in which no Person is or becomes the Beneficial Owner, directly or indirectly, of securities of the Corporation (not including in the securities Beneficially Owned by such Person any securities acquired directly from the Corporation or its Affiliates) representing 20% or more of the combined voting power of the Corporation's then outstanding securities; or

(4) the stockholders of the Corporation approve a plan of complete liquidation or dissolution of the Corporation or there is consummated an agreement for the sale or disposition by the Corporation of all or substantially all of the Corporation's assets, other than a sale or disposition by the Corporation of all or substantially all of the Corporation's assets to an entity, at least 50% of the combined voting power of the voting securities of which are owned by stockholders of the Corporation in substantially the same proportions as their ownership of the Corporation immediately prior to such sale.

"Beneficial Owner" shall have the meaning set forth in Rule 13d-3 under the Exchange Act.

"Exchange Act" shall mean the Securities Exchange Act of 1934, as amended from time to time.

"Person" shall have the meaning given in Section 3(a)(9) of the Exchange Act, as modified and used in Sections 13(d) and 14(d) thereof, except that such term shall not include (i) the Corporation or any of its Subsidiaries, (ii) a trustee or other fiduciary holding securities under an employee benefit plan of the Corporation or any of its Affiliates, (iii) an underwriter temporarily holding securities pursuant to an offering of such securities or (iv) a

corporation owned, directly or indirectly, by the stockholders of the Corporation in substantially the same proportions as their ownership of stock of the Corporation.

(5) CHANGE OF CONTROL DATE. The "Change of Control Date" shall mean the first date on which a Change of Control occurs. Anything in this Agreement to the contrary notwithstanding, if a Change of Control occurs and if the Executive's employment with the Corporation is terminated or the Executive ceases to have the position with the Corporation set forth in Section 2(a) above prior to the date on which the Change of Control occurs, and if it is reasonably demonstrated by the Executive that such termination or cessation (i) was at the request of a third party who has taken steps reasonably calculated to effect the Change of Control or (ii) otherwise arose in connection with or anticipation of the Change of Control, then for all purposes of this Agreement the "Change of Control Date" shall mean the date immediately prior to the date of such termination or cessation.

(6) CHANGE OF CONTROL PERIOD. The "Change of Control Period" shall mean the period commencing on the Change of Control Date and ending on the last day of the Employment Period.

11. AMENDMENT OR MODIFICATION; WAIVER.

No provision of this Agreement may be amended, modified or waived unless such amendment, modification or waiver shall be authorized by the Board of Directors of the Corporation or any authorized committee of the Board of Directors and shall be agreed to in writing, signed by the Executive and by an officer of the Corporation thereunto duly authorized. Except as otherwise specifically provided in this Agreement, no waiver by either party hereto of any breach by the other party hereto of any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of a subsequent breach of such condition or provision or a waiver of a similar or dissimilar provision or condition at the same time or at any prior or subsequent time.

12. MISCELLANEOUS.

(1) This Agreement shall be governed by and construed in accordance with the laws of the State of Ohio, without reference to principles of conflict of laws. The captions of this Agreement are not part of the provisions hereof and shall have no force or effect.

(2) All notices and other communications hereunder shall be in writing and shall be given by hand delivery to the other party or by registered or certified mail, return receipt requested, postage prepaid, addressed as follows:

If to the Executive:
- -----

Copy to:

William J. Carroll
c/o Dana Corporation
4500 Dorr Street
Toledo, Ohio 43615

William J. Carroll
P.O. Box 1000
Toledo, OH 43697

If to the Corporation:
- -----

Dana Corporation
4500 Dorr Street
Toledo, Ohio 43615
Attention: Secretary

or to such other address as either party shall have furnished to the other in writing in accordance herewith. Notice and communications shall be effective when actually received by the addressee.

(3) The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement.

(4) The Corporation may withhold from any amounts payable under this Agreement such Federal, state or local taxes as it determines is required to be withheld pursuant to any applicable law or regulation.

(5) When used herein in connection with plans, programs and policies relating to the Executive, employees, compensation, benefits, perquisites, executive benefits, services and similar words and phrases, the word "Corporation" shall be deemed to include all wholly-owned Subsidiaries of the Corporation.

(6) This instrument contains the entire agreement of the parties concerning the subject matter, and all promises, representations, understandings, arrangements and prior agreements concerning the subject matter are merged herein and superseded hereby.

(7) No right, benefit or interest hereunder, shall be subject to anticipation, alienation, sale, assignment, encumbrance, charge, pledge, hypothecation, or set-off in respect of any claim, debt or obligation, or to execution, attachment, levy or similar process, or assignment by operation of law. Any attempt, voluntary or involuntary, to effect any action specified in the immediately preceding sentence shall, to the full extent permitted by law, be null, void and of no effect.

(8) The Executive shall not have any right, title, or interest whatsoever in or to any investments which the Corporation may make to aid it in meeting its obligations under this Agreement.

(9) Subject to the provisions of Section 5(e) above, all payments to be made under this Agreement shall be paid from the general funds of the Corporation and no special or separate fund shall be established and no segregation of assets shall be made to assure payment of amounts payable under this Agreement.

(10) The Corporation and the Executive recognize that each party will have no adequate remedy at law for breach by the other of any of the agreements contained in this Agreement and, in the event of any such breach, the Corporation and the Executive hereby agree and consent that the other shall be entitled to a decree of specific performance, mandamus or other appropriate remedy to enforce performance of such agreements.

(11) Subject to the provisions of Section 5(e) above, nothing contained in this Agreement shall create or be construed to create a trust of any kind, or a fiduciary relationship between the Corporation and the Executive or any other person.

(12) Subject to the provisions of Section 5(e) above, to the extent that any person acquires a right to receive payments from the Corporation under this Agreement, except to the extent provided by law such right shall be no greater than the right of an unsecured general creditor of the Corporation.

(13) In the event of the Executive's death or a judicial determination of his incompetence, reference in this Agreement to the Executive shall be deemed, where appropriate, to refer to his legal representative or, where appropriate, to his Beneficiary.

(14) If any event provided for in this Agreement is scheduled to take place on a legal holiday, such event shall take place on the next succeeding day that is not a legal holiday.

(15) This Agreement is not intended to and shall not infer or imply any right on the part of the Executive to continue in the employ of the Corporation, or any Subsidiary or Affiliate of the Corporation, prior to a Change of Control, and is not intended in any way to limit the right of the Corporation to terminate the employment of the Executive, with or without assigning a reason therefor, at any time prior to a Change of Control. Nor is this Agreement intended to nor shall it require or imply an obligation on the part of the Executive to continue in the employment of the Corporation, or any Subsidiary or Affiliate of the Corporation, prior to a Change of Control. Neither the Corporation nor the

Executive shall incur any liability under this Agreement if the employment of the Executive shall be terminated by the Corporation or by the Executive prior to a Change of Control.

IN WITNESS WHEREOF, the Executive and, pursuant to due authorization from its Board of Directors, the Corporation have caused this Agreement to be executed as of the day and year first above written.

DANA CORPORATION

By: /s/ Southwood J. Morcott

Name: Southwood J. Morcott
Title: Chairman of the Board

By: /s/ Theodore B. Sumner

Chairman of the
Compensation Committee

Attest:

Assistant Secretary

/s/ Martin J. Strobel

/s/ William J. Carroll

Executive

Exhibit A to Agreement
Made as of December 8, 1997 Between
Dana Corporation and William J. Carroll

As of December 8, 1997, for purposes of Section 2(a),

The office(s) and title(s) of the Executive are President--Automotive Components Group of the Corporation;

the reporting responsibility of the Executive is to report directly to the President of the Corporation; and

the duties and responsibilities of the Executive are:

Serves as the President of the Automotive Components Group of the Corporation, in which capacity he has overall responsibility for development and implementation of the Corporation's business strategy for the automotive components market. Serves as a member of the Policy Committee which sets the corporate style, strategies, policies and goals that business operations of the Corporation are responsible for in their performance. Serves as a member of the World Operating Committee which monitors business unit performance, implements product strategies, and takes corrective action in the event of non-performance in the areas of meeting financial goals and implementation of market strategies, and insures interaction between divisions and affiliates. Serves on the Strategic Business Council.

FOURTH AMENDMENT
TO
THE DANA CORPORATION
1989 RESTRICTED STOCK PLAN

Pursuant to resolutions of the Board of Directors of Dana corporation adopted on the 21st day of July, 1997, the Dana Corporation 1989 Restricted Stock Plan (the "Plan") is hereby amended as set forth below.

FIRST

The Plan is amended by adding thereto a new Section 16 to read in its entirety as follows:

Section 16. CONVERSION INTO RESTRICTED STOCK UNITS.

(a) Notwithstanding anything to the contrary contained in the Plan, each participant may elect to convert any and all shares of Restricted Stock granted to such Participant into restricted stock units, as described below in paragraph (b) of this Section 16 ("Units"). Such elections may be made at such times and under such rules as may be promulgated by the Committee. Any resulting Units shall be subject to the same Restricted Period and to the same conditions for the lapse or termination of restrictions upon the occurrence of other conditions as such converted Restricted Stock. Section 11 hereof shall apply to Units in the same manner as to Restricted Stock.

(b) For each Participant who elects to convert shares of Restricted Stock into Units, the Corporation shall establish a Restricted Stock Unit Account ("Account") on its books, and shall credit to such Account a number of Units equal to the number of shares of Restricted Stock so converted. When cash dividends are declared and paid on the Stock, the Account of each Participant shall be credited as of the dividend payment date with an amount equal to the cash which would have been paid if each Unit in such Account, as of the dividend record date, had been one share of Stock. Then, four times each year, effective March 15, June 15, September 15 and December 15, the accrued dollar balance in a Participant's Account shall be converted into a number of Units equal to the maximum number of whole shares of Stock which could be purchased with such accumulated balance, and the dollar amount then credited to the Account shall be appropriately reduced. For purposes of the preceding sentence, each share of Stock shall have a value equal to the average of the last reported daily sales prices for shares of such Stock on the New York Stock Exchange-Composite Transactions on each trading day during the calendar month preceding the month in which the conversion is made.

(c) Upon termination of the Participant's employment with the Corporation for any reason, a stock certificate for the number of shares equal to

the number of whole Units in such Participant's Account shall be delivered to such Participant, less any shares withheld in accordance with the provisions of Section 7 of the Plan (as if the Units constituted Restricted Stock). The Corporation shall not be required to deliver fractional shares of Stock but will pay to such Participant, in lieu thereof, a cash amount equal to the Fair Market Value, determined as of the effective date of termination, of such fractional shares.

IN WITNESS WHEREOF, the undersigned has executed this Fourth Amendment on behalf of the Corporation this 18th day of September, 1997.

ATTEST: DANA CORPORATION

/s/ Mark/ A. Smith, Jr.

By: /s/ Martin J. Strobel

Results

DEAR SHAREHOLDERS:

Dana Corporation enjoyed a truly outstanding year in 1997. Exceptionally strong markets in North and South America, together with the realignment of our company into market-focused business units, restructuring activities at selected operations, and the largest acquisition and divestiture program in company history led to record sales and profits.

Amid a year of unprecedented change, record capital spending, improved operating margins, and tighter inventory control, Dana continued its strong cash generation. At the same time, excluding Dana Commercial Credit, the company also held its debt-to-capital ratio at 45 percent -- the same level as 1996.

Through closer customer relationships with our manufacturing units globally, we have cut lead times, reduced inventories, and improved customer service. As we continue to improve the operating efficiencies of our businesses, we serve our customers better while improving return on invested capital.

Asset management, global expansion, strong cash flow, improved customer service, and better margins -- these are the fundamentals for delivering added value to customers and shareholders alike. They are also the result of the successful execution of our long-term strategic plan for continuous improvement in all facets of our business.

[PHOTO]

Sincerely,

/s/ John S. Simpson
John S. Simpson
Chief Financial Officer

GROWTH IN SHAREHOLDER EQUITY
(in millions)

1993	\$	801
1994		940
1995		1,165
1996		1,429
1997		1,701

MANAGEMENT AND INDEPENDENT ACCOUNTANT'S REPORT

RESPONSIBILITY FOR FINANCIAL STATEMENTS

We have prepared the accompanying consolidated financial statements and related information included herein for the three years ended December 31, 1997.

The management of Dana Corporation is primarily responsible for the accuracy of the financial information that is presented in this annual report. These statements were prepared in accordance with generally accepted accounting principles and, where appropriate, we used our estimates and judgement with consideration to materiality.

To meet management's responsibility for financial reporting, we have established internal control systems which we believe are adequate to provide reasonable assurance that our assets are protected from loss. These systems produce data used for the preparation of financial information.

We believe internal control systems should be designed to provide accurate information at a reasonable cost which is not out of line with the benefits to be received. These systems and controls are reviewed by our internal auditors in order to ensure compliance, and by our independent accountants to support their audit work.

The Audit Committee of the Board of Directors meets regularly with management, internal auditors and our independent accountants to review accounting, auditing and financial matters. Our Audit Committee is composed of only outside directors. This committee and the independent accountants have free access to each other with or without management being present.

We believe people are Dana's most important asset. The proper selection, training and development of our people is a means of ensuring that effective internal controls and fair, uniform reporting are maintained as standard practice throughout the Corporation.

/s/ John S. Simpson
John S. Simpson
Chief Financial Officer

/s/ James H. Woodward, Jr.
James H. Woodward, Jr.
Vice President and Corporate Controller

REPORT OF INDEPENDENT ACCOUNTANTS

[Price Waterhouse Logo]

To the Board of Directors and Shareholders
of Dana Corporation

In our opinion, the accompanying consolidated balance sheet and the related consolidated statements of income, of shareholders' equity and of cash flows, including pages 23 through and including Note 25 on page 40, present fairly, in all material respects, the financial position of Dana Corporation and its subsidiaries at December 31, 1996 and 1997, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1997, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

/s/ Price Waterhouse LLP
Toledo, Ohio
January 21, 1998

A copy of the Annual Report as filed with the Securities and Exchange Commission on Form 10-K will be mailed at no charge upon request to the Secretary, Dana Corporation, P.O. Box 1000, Toledo, Ohio 43697.

STATEMENT OF INCOME
in millions except per share amounts

DANA CORPORATION

	Year Ended December 31		
	1995	1996	1997
NET SALES	\$ 7,597.7	\$7,686.3	\$ 8,290.8
Revenue from lease financing and other income	189.0	203.2	478.6
Foreign currency adjustments	7.8	1.2	.9
	7,794.5	7,890.7	8,770.3
Costs and expenses			
Cost of sales	6,449.7	6,525.2	7,180.4
Selling, general and administrative expenses	685.2	714.8	739.7
Interest expense	146.4	159.0	196.1
	7,281.3	7,399.0	8,116.2
Income before income taxes	513.2	491.7	654.1
Estimated taxes on income	181.2	166.3	293.6
Income before minority interest and equity in earnings (losses) of affiliates	332.0	325.4	360.5
Minority interest	(40.4)	(32.8)	(23.5)
Equity in earnings (losses) of affiliates	(3.5)	13.4	32.1
NET INCOME	\$ 288.1	\$ 306.0	\$ 369.1
NET INCOME PER COMMON SHARE			
Basic income per share	\$ 2.84	\$ 3.01	\$ 3.54
Diluted income per share	\$ 2.83	\$ 2.99	\$ 3.49
Cash dividends declared and paid per common share	\$.90	\$.98	\$ 1.04
Average shares outstanding	101.3	101.8	104.3

The accompanying notes are an integral part of the financial statements.

BALANCE SHEET
in millions except par value

DANA CORPORATION

	December 31	
	1996	1997
ASSETS		
Cash	\$ 105.3	\$ 93.3
Marketable securities, at cost which approximates market	122.5	301.0
Accounts receivable		
Trade, less allowance for doubtful accounts of \$26.0 - 1996 and \$29.6 - 1997	1,026.7	1,032.4
Other	42.4	130.5
Inventories	912.9	909.8
Lease financing	1,167.3	1,330.1
Investments and other assets	810.6	1,164.7
Deferred income tax benefits	147.5	112.1
Property, plant and equipment, net	1,824.8	2,044.8
Total assets	\$6,160.0	\$7,118.7
LIABILITIES AND SHAREHOLDERS' EQUITY		
Short-term debt	\$ 640.3	\$ 504.2
Accounts payable	460.3	535.6
Other liabilities	736.5	982.8
Deferred employee benefits	1,025.6	1,062.5
Long-term debt	1,697.7	2,178.3
Total liabilities	4,560.4	5,263.4
Minority interest in consolidated subsidiaries	170.9	154.1
Shareholders' equity		
Common stock, \$1 par value, shares authorized, 240.0; shares issued, 103.0 - 1996 and 105.1 - 1997	103.0	105.1
Additional paid-in capital	106.0	164.6
Retained earnings	1,304.9	1,565.4
Deferred pension and translation adjustments	(85.2)	(133.9)
Total shareholders' equity	1,428.7	1,701.2
Total liabilities and shareholders' equity	\$6,160.0	\$7,118.7

The accompanying notes are an integral part of the financial statements.

STATEMENT OF CASH FLOWS
in millions

DANA CORPORATION

	Year Ended December 31		
	1995	1996	1997
Net cash flows from operating activities	\$387.9	\$704.4	\$697.7
Cash flows from investing activities:			
Purchases of property, plant and equipment	(409.7)	(356.5)	(426.0)
Purchases of assets to be leased	(400.3)	(426.3)	(452.3)
Purchase of minority interest of Hayes-Dana Inc.	(92.4)		
Acquisitions	(111.2)	(88.4)	(475.8)
Divestitures		10.9	394.0
Additions to investments and other assets	(26.0)	(41.3)	(85.6)
Loans made to customers and partnerships	(25.4)	(98.5)	(115.3)
Payments received on leases	201.0	209.7	250.4
Proceeds from sales of certain assets	93.4	73.1	33.6
Proceeds from sales of leased assets	48.8	20.3	26.0
Payments received on loans	16.6	20.8	155.0
Other	63.5	26.5	(37.7)
Net cash flows - investing activities	(641.7)	(649.7)	(733.7)
Cash flows from financing activities:			
Net change in short-term debt	191.0	(163.6)	(170.6)
Issuance of long-term debt	418.1	734.9	914.0
Payments on long-term debt	(314.9)	(372.5)	(461.2)
Dividends paid	(91.2)	(99.7)	(108.6)
Other	5.2	7.4	28.9
Net cash flows - financing activities	208.2	106.5	202.5
Net increase (decrease) in cash and cash equivalents	(45.6)	161.2	166.5
Cash and cash equivalents - beginning of year	112.2	66.6	227.8
Cash and cash equivalents - end of year	\$ 66.6	\$227.8	\$394.3
Reconciliation of net income to net cash flows from operating activities:			
Net income	\$288.1	\$306.0	\$369.1
Depreciation and amortization	245.8	278.4	334.5
Unremitted earnings of affiliates	4.3	(13.3)	(19.0)
Deferred income taxes	5.2	63.9	57.4
Minority interest	7.0	26.5	15.7
Change in accounts receivable	(67.5)	34.2	(56.2)
Change in inventories	(81.8)	(16.4)	25.4
Change in other operating assets	8.1	49.9	(42.8)
Change in operating liabilities	(27.7)	(30.5)	125.5
Additions to lease and loan loss reserves	17.2	11.0	12.3
Gains on divestitures			(141.1)
Other	(10.8)	(5.3)	16.9
Net cash flows from operating activities	\$387.9	\$704.4	\$697.7

The accompanying notes are an integral part of the financial statements.

STATEMENT OF SHAREHOLDERS' EQUITY
in millions

DANA CORPORATION

	COMMON STOCK	ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS	DEFERRED PENSION AND TRANSLATION ADJUSTMENTS	SHAREHOLDERS' EQUITY
Balance, December 31, 1994	\$ 98.8	\$ 61.0	\$ 887.7	\$ (107.7)	\$ 939.8
Net income for the year ended December 31, 1995			288.1		288.1
Cash dividends declared			(91.2)		(91.2)
Issuance of shares in connection with acquisitions	2.5	2.9	11.7		17.1
Deferred translation adjustments				(3.7)	(3.7)
Deferred pension expense adjustments				9.3	9.3
Cost of shares reacquired		(1.0)			(1.0)
Issuance of shares for employee stock plans	.2	6.0		6.2	
Balance, December 31, 1995	101.5	68.9	1,096.3	(102.1)	1,164.6
Net income for the year ended December 31, 1996			306.0		306.0
Cash dividends declared			(99.7)		(99.7)
Issuance of shares for defined benefit pension plans	1.0	30.1			31.1
Deferred translation adjustments				3.4	3.4
Deferred pension expense adjustments				13.5	13.5
Cost of shares reacquired	(.2)	(5.1)			(5.3)
Issuance of shares for director and employee stock plans	.5	12.1			12.6
Issuance of shares in connection with acquisitions	.2		2.3		2.5
Balance, December 31, 1996	103.0	106.0	1,304.9	(85.2)	1,428.7
NET INCOME FOR THE YEAR ENDED DECEMBER 31, 1997			369.1		369.1
CASH DIVIDENDS DECLARED			(108.6)		(108.6)
ISSUANCE OF SHARES FOR DEFINED BENEFIT PENSION PLANS	1.0	30.8			31.8
DEFERRED TRANSLATION ADJUSTMENTS				(46.4)	(46.4)
DEFERRED PENSION EXPENSE ADJUSTMENTS				(2.3)	(2.3)
COST OF SHARES REACQUIRED	(.3)	(13.1)			(13.4)
ISSUANCE OF SHARES FOR EMPLOYEE STOCK PLANS	1.4	40.9			42.3
BALANCE, DECEMBER 31, 1997	\$ 105.1	\$ 164.6	\$ 1,565.4	\$ (133.9)	\$ 1,701.2

The accompanying notes are an integral part of the financial statements.

NOTE 1. SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES

Dana Corporation is a global leader in the engineering, manufacturing and distribution of components and systems for worldwide vehicular and industrial manufacturers. Dana also owns Dana Credit Corporation (DCC), a leading provider of lease financing services in certain markets.

The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Some of the more significant estimates include depreciation and amortization of long-lived assets, deferred tax asset and inventory valuations, environmental and warranty reserves, postemployment and postretirement benefits, residual values of leased assets and allowances for doubtful accounts. Actual results could differ from those estimates.

The following summary of significant accounting policies of Dana Corporation is presented to assist the reader in evaluating the financial statements. Where appropriate, certain amounts in 1995 and 1996 have been reclassified to conform with the 1997 presentation.

PRINCIPLES OF CONSOLIDATION

Dana's financial statements include all subsidiaries in which Dana has the ability to exercise significant influence over operating and financial policies. Affiliated companies (20% to 50% ownership) are generally recorded in the statements using the equity method of accounting. Operations of affiliates outside North America accounted for on the equity method of accounting are generally included for periods ended within two months of Dana's year end to ensure preparation of financial statements on a timely basis. Less than 20%-owned companies are included in the financial statements at the cost of Dana's investment. Dividends, royalties and fees from these cost basis affiliates are recorded in Dana's financial statements when received.

FOREIGN CURRENCY TRANSLATION

The financial statements of the Company's subsidiaries and equity affiliates outside the United States (U.S.), located in non-highly inflationary economies, are measured using the local currency as the functional currency. Income and expense items are translated at average monthly rates of exchange. Gains and losses from currency transactions of these affiliates are included in net earnings. Assets and liabilities of these affiliates are translated at the rates of exchange at the balance sheet date. The resultant translation adjustments are deferred as a separate component of shareholders' equity. For affiliates operating in highly inflationary economies, non-monetary assets are translated at historical exchange rates and monetary assets are translated at current exchange rates. Translation adjustments are included in the determination of income.

INVENTORIES

Inventories are valued at the lower of cost or market. Cost is determined generally on the last-in, first-out basis for U.S. inventories and on the first-in, first-out or average cost basis for international inventories.

LEASE FINANCING

Lease financing consists of direct financing leases, leveraged leases and equipment on operating leases. Income on direct financing leases is recognized by a method which produces a constant periodic rate of return on the outstanding investment in the lease. Income on leveraged leases is recognized by a method which produces a constant rate of return on the outstanding net investment in the lease, net of the related deferred tax liability, in the years in which the net investment is positive. Initial direct costs are deferred and amortized using the interest method over the lease period. Equipment under operating leases is recorded at cost, net of accumulated depreciation. Income from operating leases is recognized ratably over the term of the leases.

ALLOWANCE FOR LOSSES ON LEASE FINANCING

Provisions for losses on lease financing receivables are determined on the basis of loss experience and assessment of prospective risk. Resulting adjustments to the allowance for losses are made to adjust net investment in lease financing to an estimated collectible amount. Income recognition is generally discontinued on accounts which are contractually past due and where no payment activity has occurred within 120 days. Accounts are charged against the allowance for losses when determined to be uncollectible. Accounts for which equipment repossession has commenced as the primary means of recovery are classified within other assets at their estimated realizable value.

GOODWILL

Cost in excess of net assets of companies acquired is generally amortized over the estimated period of expected benefit, ranging from 10 to 40 years.

LOANS RECEIVABLE

Loans receivable consist primarily of loans to partnerships in which DCC has an interest and loans secured by equipment and first mortgages on real property. The loans to partnerships are secured by the partnerships' assets. Income on all loans is recognized using the interest method. Interest income on impaired loans is recognized either as cash is collected or on a cost recovery basis as conditions warrant.

ALLOWANCE FOR LOSSES ON LOANS RECEIVABLE

Provisions for losses on loans receivable are determined on the basis of loss experience and assessment of prospective risk. Resulting adjustments to the

allowance for losses are made to adjust loans receivable to an estimated collectible amount. Income recognition is generally discontinued on accounts which are contractually past due and where no

NOTE 1. SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES (CONT.)

payment activity has occurred within 120 days. Accounts are charged against the allowance for losses when determined to be uncollectible.

INCOME TAXES

Current tax liabilities and assets are recognized for the estimated taxes payable or refundable on the tax returns for the current year. Deferred tax liabilities or assets are recognized for the estimated future tax effects attributable to temporary differences and carryforwards that result from events that have been recognized differently between the financial statements and the tax returns. The measurement of current and deferred tax liabilities and assets is based on provisions of enacted tax laws. Deferred tax assets are reduced, if necessary, by the amount of any tax benefits that are not expected to be realized. Dana uses the "flow-through" method of accounting for investment tax credits, except for investment tax credits arising from leveraged leases and certain direct financing leases for which the deferred method is used for financial statement purposes.

PROPERTIES AND DEPRECIATION

Property, plant and equipment are valued at historical costs. Depreciation is recognized over the estimated useful lives of property, plant and equipment using primarily the straight-line method for financial reporting purposes and primarily accelerated depreciation methods for federal income tax purposes.

FINANCIAL INSTRUMENTS

The reported fair values of financial instruments are based on a variety of factors. Where available, fair values represent quoted market prices for identical or comparable instruments. Where quoted market prices are not available, fair values have been estimated based on assumptions concerning the amount and timing of estimated future cash flows and assumed discount rates reflecting varying degrees of credit risk. Accordingly, the fair values may not represent actual values of the financial instruments that could have been realized as of December 31, 1996 and 1997, or that will be realized in the future.

DERIVATIVE FINANCIAL INSTRUMENTS

The Company enters into various types of interest rate and foreign currency agreements but does not trade in derivative financial instruments. Gains and losses relating to qualifying hedges of firm commitments or anticipated transactions are deferred and recognized as adjustments of carrying amounts when the hedged transaction occurs. Interest rate swaps and caps are primarily used to manage exposure to fluctuations in interest rates. Differentials paid or received on interest rate agreements are accrued and recognized as adjustments to interest expense. Premiums paid on interest rate caps are amortized to interest expense over the terms of the agreements and unamortized premiums are included in other assets.

DCC has one interest rate-based option which is marked to market and included in other liabilities. Changes in the fair value of this instrument are reported in other income.

ENVIRONMENTAL COMPLIANCE AND REMEDIATION

Environmental expenditures that relate to current operations are expensed or capitalized as appropriate. Expenditures that relate to existing conditions caused by past operations which do not contribute to current or future revenue generation are expensed. Liabilities are recorded when environmental assessments and/or remedial efforts are probable and the costs can be reasonably estimated. Estimated costs are based upon currently enacted laws and regulations, existing technology and the most probable method of remediation. The costs determined are not discounted and exclude the effects of inflation and other societal and economic factors. Where the cost estimates result in a range of equally probable amounts, the lower end of the range is accrued.

PENSION PLANS

Annual net periodic pension costs under the Company's defined benefit pension plans are determined on an actuarial basis. Dana's policy is to fund these costs as accrued, including amortization of the initial unrecognized net obligation over 15 years and obligations arising due to plan amendments over the period benefited, through deposits with trustees. Benefits are determined based upon employees' length of service, wages and a combination of length of service and wages.

POSTRETIREMENT BENEFITS OTHER THAN PENSIONS

Annual net postretirement benefits liability and expense under the Company's benefit plans are determined on an actuarial basis. Dana's current policy is to pay these benefits as they become due. Benefits are determined primarily based upon employees' length of service and include applicable employee cost sharing.

POSTEMPLOYMENT BENEFITS

Annual net postemployment benefits liability and expense under the Company's benefit plans are accrued as service is rendered for those obligations that accumulate or vest and can be reasonably estimated. Obligations that do not accumulate or vest are recorded when payment of the benefits is probable and the amounts can be reasonably estimated.

NET INCOME PER COMMON SHARE

Statement of Financial Accounting Standards (SFAS) No. 128, "Earnings Per Share," is effective for periods ending after December 15, 1997. Accordingly, basic and diluted income per share have been computed in accordance with this statement. Prior periods have been adjusted to conform with the provisions of this statement.

STATEMENT OF CASH FLOWS

For purposes of reporting cash flows, the Company considers highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

STOCK-BASED COMPENSATION

SFAS No. 123, "Accounting for Stock-Based Compensation," encourages, but does not require, companies to record compensation for stock-based employee compensation plans at fair value. The Company has chosen to continue to account for stock-based compensation using the intrinsic value method prescribed in Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations. Accordingly, compensation cost for stock options is measured as the excess, if any, of the quoted market price of the Company's stock at the date of grant over the amount an employee must pay to acquire the stock.

NOTE 2. COMMON SHARES

In connection with employee stock plans, Dana reacquired 36,372 shares in 1995, 169,981 in 1996 and 344,697 in 1997. In 1996 and in 1997, Dana contributed 1,000,000 shares of common stock to the Dana Corporation Pension Plans Trust.

The following summarizes the common stock transactions for 1995, 1996 and 1997:

	1995	1996	1997
Outstanding at beginning of year			
Issued for acquisitions	98,793,591	101,512,681	103,025,765
Issued for director and employee stock plans	2,456,979	163,370	
Issued for defined benefit pension plans	298,483	519,695	1,426,166
Reacquired and retired	1,000,000	1,000,000	
	(36,372)	(169,981)	(344,697)
Outstanding at end of year	101,512,681	103,025,765	105,107,234
Average outstanding for the year	101,296,858	101,799,543	104,339,650
Plus: Incremental shares from assumed conversion of -			
Deferred compensation units	39,007	19,971	424,615
Deferred restricted stock units	6,357		
Stock options	361,996	548,008	1,036,576
Potentially dilutive shares	401,003	567,979	1,467,548
Adjusted average shares outstanding for the year	101,697,861	102,367,522	105,807,198

There are 5,000,000 common shares reserved for issuance in the event that the Company issues debt securities with exchange, conversion or redemption rights under its 1997 universal shelf registration.

NOTE 3. PREFERRED SHARE PURCHASE RIGHTS

Under Dana's Preferred Share Purchase Rights Plan (Rights Plan), which is designed to deter coercive or unfair takeover tactics, one Preferred Share Purchase Right (Right) has been issued on each share of Dana common stock outstanding on and after July 25, 1996. Each Right entitles the holder to purchase 1/1000th of a share of Dana Series A Junior Participating Preferred Stock, no par value, under certain circumstances. The Rights have no voting rights and will expire on July 15, 2006, unless exercised, redeemed or exchanged sooner.

Generally, the Rights will not be exercisable (or transferable apart from the Dana common shares to which they are attached) unless a person or group (Acquiring Person) becomes the beneficial owner of 15% or more of Dana's outstanding common shares or commences a tender offer that would result in its acquisition of a 15% position. In that event, the Rights will become exercisable (except those owned by the Acquiring Person, which will become void), entitling the holder of each Right to purchase, for \$110 per share (subject to adjustment, the Purchase Price), a number of Dana common shares having a market value equal to two times the Purchase Price.

In addition, if Dana engages in certain mergers with or sells 50% or more of its assets or earning power to an Acquiring Person (or persons acting for or with an Acquiring Person), or engages in similar transactions, the Rights will become exercisable (except those owned by the Acquiring Person, which will become void), entitling the holder of each Right to purchase a number of common

shares of the acquiring or surviving company having a market value (as determined under the Rights Plan) equal to two times the Purchase Price.

Dana's Board may redeem the Rights at a price of \$.01 each at any time before any person or group acquires 15% or more of Dana's common shares. If any person or group becomes an Acquiring Person, but acquires less than 50% of Dana's common shares, the Board may exchange each Right for one share of Dana common stock.

NOTE 4. PREFERRED SHARES

Dana has authorized 5,000,000 shares of preferred stock, without par value, including 1,000,000 shares which have been reserved for issuance under the Rights Plan. At December 31, 1997, no shares of preferred stock had been issued.

NOTE 5. INVENTORIES

The components of inventory are as follows:

	December 31	
	1996	1997
Raw materials	\$ 209.9	\$ 252.9
Work in process and finished goods	703.0	656.9
	\$ 912.9	\$ 909.8

Inventories amounting to \$437.2 and \$467.7 at December 31, 1996 and 1997, respectively, were valued using the LIFO method. If all inventories were valued at replacement cost, inventories would be increased by \$121.4 and \$125.4 at December 31, 1996 and 1997, respectively.

NOTE 6. INTERNATIONAL OPERATIONS

The following is a summary of the significant financial information of Dana's consolidated international subsidiaries:

	1995	December 31	
		1996	1997
Assets	\$1,948.3	\$ 2,306.7	\$ 2,493.9
Liabilities	1,133.0	1,340.6	1,468.7
Net sales	2,121.9	2,167.1	2,296.4
Net income	119.5	108.9	135.2
Dana's equity in:			
Net assets	662.0	796.7	873.4
Net income	81.7	77.7	113.5

Cumulative undistributed earnings of international subsidiaries for which U.S. income taxes, exclusive of foreign tax credits, have not been provided approximated \$496.5 at December 31, 1997. Management intends to permanently reinvest undistributed earnings of Dana's international subsidiaries; accordingly, no U.S. income taxes have been provided on these undistributed earnings. If the total undistributed earnings of international subsidiaries had been remitted in 1997, a significant amount of the additional tax provision would have been offset by foreign tax credits.

Dana's consolidated international subsidiaries are located throughout the world with no individual subsidiary or the aggregate of all subsidiaries within a given country accounting for more than 10% of consolidated sales or assets. With the exception of certain subsidiaries located in Brazil, the functional currency of the Company's international subsidiaries is the local currency. Beginning in 1998, Brazil will report using the local currency as the functional currency. Certain subsidiaries have transactions in currencies other than their functional currencies and from time to time enter into forward and option contracts to hedge the purchase of inventory and fixed assets or to sell nonfunctional currency receipts. Currency forward and option contracts in the aggregate are not material.

Dana has equity interests in a number of affiliated companies in Mexico, South America, Asia and other areas of the world. The following is a summary of the significant financial information of affiliated companies accounted for on the equity method:

	1995	December 31	
		1996	1997
Current assets	\$ 343.3	\$ 371.4	\$ 355.8
Other assets	244.2	272.6	276.4
Current liabilities	463.4	349.3	243.2
Other liabilities	54.8	180.3	132.4
Shareholders' equity	69.3	114.4	256.6
Net sales	682.5	743.1	803.9
Gross profit	140.8	125.2	159.2

Net income (loss)	(22.1)	21.1	56.2
Dana's equity in:			
Net assets	44.8	61.1	114.4
Net income (loss)	(8.4)	10.7	26.8

NOTE 7. INVESTMENTS IN PARTNERSHIPS

DCC has ownership interests in several partnerships which are accounted for under the equity method. In certain of these partnerships, DCC has ownership interests exceeding 50%; however, they are not consolidated because DCC has no general partner interest and only limited ability to control the partnerships' activities. The partnerships are involved primarily in the leasing or financing of equipment or real estate to commercial entities. DCC's share of earnings of partnerships is included in income as earned. The investment in partnerships is reduced as distributions are received.

Summarized financial information of the partnerships on a combined basis is as follows:

	1995	December 31 1996	1997
Assets	\$ 932.4	\$ 900.3	\$ 1,076.0
Liabilities	757.7	797.1	964.7
Partners' capital	174.7	103.2	111.3
Revenue	116.2	78.0	106.8
Net income	9.0	7.0	8.8
DCC's investments in partnerships	44.5	25.8	75.1
DCC's earnings from investments in partnerships	4.9	2.7	3.2

The investments in partnerships include \$19.2 representing amounts invested in excess of DCC's share of the partnerships' book basis in net assets. These amounts are amortized against earnings from partnerships over the expected investment lives of the partnerships.

NOTE 8. SHORT-TERM DEBT

Short-term funds for certain U.S. and international operations are obtained through the issuance of commercial paper, short-term notes payable to banks and bank overdrafts.

At December 31, 1997, Dana, excluding DCC, had no commercial paper outstanding, \$108.8 borrowed against uncommitted bank lines and \$70.5 of notes payable at its international subsidiaries. DCC had \$178.6 of commercial paper issued, \$120.9 of notes payable and \$25.4 borrowed against committed borrowing lines.

Dana, excluding DCC, and DCC had committed borrowing lines of \$475.0 and \$442.1, respectively, and uncommitted borrowing lines of \$905.0 and \$479.2. The banks providing committed lines are compensated with facility or commitment fees. Amounts paid are not considered to be material and no fees are required for the uncommitted bank lines.

Selected details of short-term borrowings are as follows:

	AMOUNT	WEIGHTED AVERAGE INTEREST RATE
Balance at December 31, 1996	\$ 640.3	5.9%
Average during 1996	777.0	6.0
Maximum during 1996 (month end)	891.2	5.9
BALANCE AT DECEMBER 31, 1997	\$ 504.2	4.8%
AVERAGE DURING 1997	518.9	5.4
MAXIMUM DURING 1997 (MONTH END)	652.1	6.0

NOTE 9. LONG-TERM DEBT

	December 31	
	1996	1997
Dana, excluding consolidated subsidiaries, indebtedness --		
Unsecured notes payable, fixed rates, 5.44% - 7.39%, due 1998 to 2002	\$ 875.0	\$ 1,120.0
Unsecured notes payable, variable rates, 6.45% - 6.54%, due 1998	60.0	60.0
Various industrial revenue bonds and other	9.0	7.8
DCC indebtedness --		
Various notes payable, unsecured, variable rates, 4.03% - 8.05%, due 1998 to 2002	381.5	525.1
Various notes payable, unsecured, fixed rates, 5.98% - 9.68%, due 1998 to 2006	303.1	378.6
Various notes payable, non-recourse to issuer, fixed rates averaging 6.80% - 12.05%, due 1998 to 2010	23.7	58.2
Indebtedness of other consolidated subsidiaries	45.4	28.6
	\$1,697.7	\$ 2,178.3

Interest paid on short-term and long-term debt was \$143.0, \$148.8 and \$181.3 during 1995, 1996 and 1997, respectively.

The aggregate amounts of maturities of all long-term debt for each of the five years succeeding December 31, 1997 are as follows: 1998, \$432.7; 1999, \$393.3; 2000, \$469.9; 2001, \$416.1 and 2002, \$272.7.

Under a universal shelf registration filed in December 1997, the Company may issue debt or equity securities, or a combination thereof, in an aggregate amount not to exceed \$600.

NOTE 10. INTEREST RATE AGREEMENTS

Dana and DCC enter into interest rate agreements to manage interest rate risk, thereby reducing exposure to future interest rate movements. Under interest rate swap agreements, Dana agrees with other parties to exchange, at specific intervals, the difference between fixed rate and floating rate interest amounts calculated by reference to an agreed notional amount. At December 31, 1997, Dana was committed to pay an average fixed rate of 6.6% and receive a variable rate of 6.4% on notional amounts of \$60. These interest rate swaps

expire in 1998.

At December 31, 1997, DCC was committed to pay an average variable rate of 5.83% and receive a fixed rate of 5.14% on notional amounts of \$15 and to receive an average variable rate of 6.2% and pay an average fixed rate of 7.1% on notional amounts of \$420. DCC's notional amounts of interest rate swaps expire as follows: 1998, \$81.5; 1999, \$98.7; 2000, \$156.8; 2001, \$46.5 and 2002, \$51.5.

To reduce its interest rate obligations under an existing swap agreement having a notional amount of \$70.0, DCC granted the counterparty an option, expiring in 2000, to extend the original maturity to 2007 at a fixed rate to DCC of 9%. This option has been marked to market.

NOTE 11. STOCK OPTION PLANS

The Company's 1997 Amended Stock Option Plan (1997 Plan) provides for the granting of options to designated employees at prices no less than 100% of the market value at the date of grant. The options are exercisable for a period not to exceed ten years from date of grant. The 1997 Plan provides for the granting of stock appreciation rights separately or in conjunction with all or any part of an option, either at the time of grant or at any subsequent time during the term of the option.

NOTE 11. STOCK OPTION PLANS
(CONT.)

The following summarizes the stock option transactions under the 1997 Plan and former employee stock option plans for the years ended December 31, 1995, 1996 and 1997:

	NUMBER OF SHARES	WEIGHTED AVERAGE EXERCISE PRICE
Outstanding at December 31, 1994	4,111,403	\$ 23.17
Granted - 1995	991,000	31.06
Exercised - 1995	(223,430)	17.93
Cancelled - 1995	(10,600)	24.18
Outstanding at December 31, 1995	4,868,373	\$ 25.01
Granted - 1996	1,396,250	28.13
Exercised - 1996	(417,260)	19.46
Cancelled - 1996	(10,075)	24.13
Outstanding at December 31, 1996	5,837,288	\$ 26.15
Granted - 1997	1,067,900	38.44
Exercised - 1997	(1,332,210)	22.90
Cancelled - 1997	(66,195)	28.23
Outstanding at December 31, 1997	5,506,783	\$ 29.30

RANGE OF EXERCISE PRICES	NUMBER OF OPTIONS OUTSTANDING	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE IN YEARS	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER OF OPTIONS EXERCISABLE	WEIGHTED AVERAGE EXERCISE PRICE
\$16.38-\$18.75	257,168	2.4	\$17.74	257,168	\$17.74
\$20.16-\$29.06	3,283,090	6.7	26.76	2,087,596	25.87
\$31.06-\$38.44	1,966,525	8.6	35.05	473,375	31.06
	5,506,783			2,818,139	

At December 31, 1997, 3,478,026 shares were available for future grants. The total shares available for future grants include 350,000 shares which may, at the discretion of a committee of the Board of Directors, be issued for stock distributions under the Company's Additional Compensation Plan (ACP).

No expense has been charged to income relating to stock options. If the fair value method of accounting for stock options prescribed by SFAS No. 123 had been used, the expense relating to the stock options would have been \$.6 in 1995, \$1.9 in 1996 and \$3.4 in 1997. Pro forma net income and earnings per share would have been as follows:

	1995	1996	1997
Net Income	\$ 287.5	\$ 304.1	\$ 365.7
Basic EPS	2.84	2.99	3.51
Diluted EPS	2.83	2.97	3.45

The above pro forma effect on net income is not representative of the pro forma effect on net income that will be disclosed in future years because it does not take into consideration pro forma compensation expense relating to grants made prior to 1995.

The fair value of each option grant was estimated on the date of grant using the Black-Scholes model with the following assumptions:

	1995	1996	1997
Risk-free interest rate	6.0%	6.5%	6.2%
Dividend yield	3.0%	3.0%	2.6%

Expected life	5.4 years	5.4 years	5.3 YEARS
Stock price volatility	29.3%	27.3%	19.6%

The Company also has a Directors' Stock Option Plan for non-employee directors. The Plan provides for the automatic granting of options at prices equal to the market value at the date of grant. The options are exercisable after one year for a period not to exceed ten years from date of grant. In 1995, options were granted to purchase 24,000 shares at \$24.81 per share. No options were exercised under this Plan during 1995. During 1996, options were granted to purchase 21,000 shares at \$32.25 per share, options to purchase 6,000 shares were exercised at \$26.56 per share and 3,000 options were forfeited. During 1997, options were granted to purchase 24,000 shares at \$31.81 per share. No options were exercised under this Plan during 1997. At December 31, 1997, there were 99,000 options outstanding at exercise prices ranging from \$24.25 to \$32.25 per share, options for 75,000 shares were exercisable and there were 22,000 shares available for future grants.

NOTE 12. STOCK PURCHASE PLAN

All full-time U.S. and certain non-U.S. employees are eligible to participate in Dana's Employees' Stock Purchase Plan (SPP). The SPP provides that participants may authorize Dana to withhold up to 15% of their earnings and deposit such amounts with an independent custodian. The custodian, as nominee for the participants, causes Dana common stock to be purchased at prevailing market prices. The shares purchased are allocated to the participants' accounts and upon request are distributed to the participants.

Under the SPP, Dana contributes on behalf of each participant up to 50% of the participant's contributions. The Company's contributions will accumulate over a five-year period, provided that the shares are left in the SPP. If any shares are withdrawn by a participant before the end of five years, the amount of the Company match toward those shares will depend on the period of time that the shares have been in the SPP. The custodian has caused to be purchased 1,025,354 shares in 1995, 1,069,720 shares in 1996 and 947,950 shares in 1997 of Dana's common stock on behalf of the participants and the Company's charge to expense amounted to \$5.2 in 1995, \$6.3 in 1996 and \$7.4 in 1997.

NOTE 13. ADDITIONAL COMPENSATION PLANS

Dana has numerous additional compensation plans, including gain sharing and group incentive plans, which provide for payments computed under formulas which recognize increased productivity and improved performance.

The total amount earned by Dana employees from all such plans amounted to \$116.7, \$112.1 and \$136.4 in 1995, 1996 and 1997, respectively.

Under the ACP, in which certain officers and other key employees participate, a percentage of participants' compensation is accrued for additional compensation if certain profit levels are attained. Awards under the ACP are paid in cash immediately or, at the discretion of the Board's Compensation Committee, are deferred. Deferred awards may be paid in cash, stock or a combination of both. Dana awarded (based on prior period performance) \$10.6 in 1995, \$14.2 in 1996 and \$11.3 in 1997; in addition, 16,891, 16,438 and 7,074 shares of Dana's common stock were issued and amounts equivalent to dividends and interest of \$.6, \$.7 and \$.9 were credited to deferred awards in 1995, 1996 and 1997, respectively. Total charges to expense relating to the ACP amounted to \$16.1 in 1995, \$13.2 in 1996 and \$20.4 in 1997.

The Company also has a Restricted Stock Plan (RSP) whereby certain key employees are granted restricted shares of common stock subject to forfeiture until the restrictions lapse or terminate. With certain exceptions, the employee must remain with the Company for a period of years after the date of grant to receive the full number of shares granted. Shares granted in 1995, 1996 and 1997 were 24,000, 25,000 and 47,245, respectively. In 1997, the RSP was amended to allow the participants to convert restricted stock into restricted stock units under certain conditions. During 1997, 27,491 restricted shares were converted to restricted units. The restricted units are payable in unrestricted stock upon retirement or termination of employment. Total charges to expense for the RSP amounted to \$.6, \$.8 and \$.9 in 1995, 1996 and 1997, respectively. At December 31, 1997, 564,948 shares were available for future issuance under the RSP.

NOTE 14. PENSIONS

Dana provides retirement benefits for substantially all of its employees under several defined benefit and defined contribution pension plans. Pension expense approximated \$62.4 in 1995, \$74.0 in 1996 and \$70.5 in 1997.

In 1996 and in 1997, in addition to cash contributions, 1,000,000 shares of Dana common stock, with a market value of \$31.1 in 1996 and \$31.8 in 1997, were contributed to the Dana Corporation Pension Plans Trust.

Net periodic pension cost for defined benefit plans is computed as follows:

	Year Ended December 31		
	1995	1996	1997
Service cost	\$ 36.4	\$ 48.3	\$ 47.5
Interest cost	123.5	127.0	131.1
Actual return on plan assets	(407.9)	(186.0)	(394.6)
Amortization of unrecognized prior service cost	9.0	16.1	14.9
Amortization of initial unrecognized net obligation	5.0	4.2	4.2
Unrecognized gain	285.0	53.0	250.2
Net periodic pension cost	\$ 51.0	\$ 62.6	\$ 53.3

The funded status of defined benefit plans at December 31, 1996 was as follows:

	ACCUMULATED BENEFITS EXCEED ASSETS	ASSETS EXCEED ACCUMULATED BENEFITS	TOTAL
Actuarial present value of:			
Vested benefits	\$ 486.0	\$ 1,103.3	\$ 1,589.3
Non-vested benefits	46.0	90.1	136.1
Accumulated benefit obligation	\$ 532.0	\$ 1,193.4	\$ 1,725.4
Actuarial present value of projected benefit obligation	\$ (548.8)	\$ (1,286.9)	\$ (1,835.7)
Plan assets at fair value	442.5	1,492.8	1,935.3
Funded status	\$ (106.3)	\$ 205.9	\$ 99.6
Unrecognized prior service cost	\$ (15.7)	\$ (57.2)	\$ (72.9)
Unrecognized net gain (loss)	(6.9)	238.3	231.4
Accrued pension cost	(68.0)	26.2	(41.8)
Unrecognized initial obligation	(15.7)	(1.4)	(17.1)

 \$ (106.3) \$ 205.9 \$ 99.6

The funded status of defined benefit plans at December 31, 1997 was as follows:

	ACCUMULATED BENEFITS EXCEED ASSETS	ASSETS EXCEED ACCUMULATED BENEFITS	TOTAL

Actuarial present value of:			
Vested benefits	\$ 58.1	\$ 1,614.3	\$ 1,672.4
Non-vested benefits	6.5	93.9	100.4

Accumulated benefit obligation	\$ 64.6	\$ 1,708.2	\$ 1,772.8

Actuarial present value of projected benefit obligation	\$ (71.6)	\$ (1,806.3)	\$ (1,877.9)
Plan assets at fair value	.3	2,147.2	2,147.5

Funded status	\$ (71.3)	\$ 340.9	\$ 269.6

Unrecognized prior service cost	\$ (4.1)	\$ (64.5)	\$ (68.6)
Unrecognized net gain (loss)	(10.8)	376.9	366.1
Accrued pension cost	(54.9)	39.8	(15.1)
Unrecognized initial obligation	(1.5)	(11.3)	(12.8)

	\$ (71.3)	\$ 340.9	\$ 269.6

NOTE 14. PENSIONS (CONT.)

The assumptions used to determine pension costs and projected benefit obligations are as follows:

	U.S. Plans		
	1995	1996	1997
Expected long-term rate of return on plan assets	8.5 %	8.5%	8.75%
Discount rate	6.75%	7.5%	7.0 %
Rate of increase in future compensation levels	5%	5%	5%

	International Plans		
	1995	1996	1997
Expected long-term rates of return on plan assets	8 - 9%	8 - 9%	7.5 - 9%
Discount rates	7 - 8%	7 - 8%	5 - 8%
Rates of increase in future compensation levels	3 - 7.5%	3 - 7.5%	3 - 7.5%

Plan assets are invested in a diversified portfolio that consists primarily of equity and debt securities.

NOTE 15. MEDICAL CARE AND
OTHER BENEFITS

Dana and certain of its subsidiaries provide medical and life insurance benefits for certain active and retired employees. These benefits are provided through various insurance carriers whose charges to Dana are based on the benefits paid during the year. Substantially all of the retiree medical cost relates to North American retirees since most international retirees are covered by government-sponsored programs.

Net annual postretirement benefit cost is computed as follows:

	Year Ended December 31		
	1995	1996	1997
Service cost	\$ 9.2	\$ 11.2	\$ 12.6
Interest cost	58.4	58.7	67.0
Net amortization and deferral	(17.2)	(13.8)	(8.1)
Net annual postretirement benefit cost	\$ 50.4	\$ 56.1	\$ 71.5

Postretirement benefit obligations, none of which are funded, are summarized as follows:

	December 31	
	1996	1997
Accumulated postretirement benefit obligations:		
Retirees and dependents	\$ 590.5	\$ 670.4
Active participants eligible to retire and receive benefits	117.5	143.7
Active participants not yet fully eligible	143.5	177.5
Total accumulated postretirement benefit obligation	851.5	991.6
Unamortized plan amendments	59.7	50.9
Unamortized net loss	(67.1)	(153.0)
Accrued postretirement benefits other than pensions	\$ 844.1	\$ 889.5

The discount rate used in determining the accumulated postretirement benefit obligation was 7.75% in 1996 and 7% in 1997. The assumed medical costs trend rates result in per capita net incurred medical claims increasing 7.8% in 1998. The rate decreases to 5% over an 11-year period. If the assumed medical costs trend rates were increased by 1%, the accumulated postretirement benefit obligation as of December 31, 1997 would increase by \$78.9 and the aggregate of the service and interest cost components of the net annual postretirement benefit cost would be increased by \$6.9.

NOTE 16. BUSINESS SEGMENTS

Dana operates principally in three business segments: Vehicular, Industrial and Lease Financing. The Vehicular segment consists primarily of operations which manufacture and market axles, structural components, joints and shafts and engine parts (such as pistons, piston rings, filters and gaskets). The Industrial segment operations manufacture and market various products, including those for off-highway motor vehicles. The Lease Financing segment consists of DCC, whose primary operating subsidiaries are engaged in leasing and finance operations.

Lease financing revenue includes lease financing income, fees and interest. Other income includes dividends, interest and the gains recorded on divestitures. Charges relating to restructuring and rationalization were charged to operating income. Other expense includes interest and corporate expenses. Corporate assets include cash, marketable securities, accounts receivable and investments (excluding assets which can be identified to lease financing).

The "Other International" geographic area is comprised primarily of Brazil and Canada, neither of which exceeds 10% of the consolidated amounts. Interarea transfers between countries are transferred at the prevailing market price. Export sales from the U.S. to customers outside the U.S. amounted to \$554.6 in 1995, \$675.6 in 1996 and \$696.8 in 1997. Total export sales (including sales to Dana's international subsidiaries which are eliminated for financial state-

ment presentation) were \$735.1, \$847.3 and \$927.3 in 1995, 1996 and 1997, respectively.

Worldwide sales to Ford Motor Company and subsidiaries amounted to \$1,299.3, \$1,263.5 and \$1,372.6 in 1995, 1996 and 1997, respectively, which represented 17%, 16% and 17% of Dana's consolidated sales. Sales to Chrysler Corporation and subsidiaries in 1995, 1996 and 1997 amounted to \$968.0, \$1,104.1 and \$1,181.1, respectively, representing 13%, 14% and 14% of Dana's consolidated sales. Sales to Ford and Chrysler were primarily from the Company's Vehicular segment. No other customer accounted for more than 10% of Dana's consolidated sales.

SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information," issued in June 1997, is effective for fiscal years beginning after December 15, 1997. This statement, which requires expanded disclosure of segment information, will be adopted in 1998.

	VEHICULAR	INDUSTRIAL	LEASE FINANCING	CONSOLIDATED
Year Ended December 31, 1995				
Sales to customers	\$ 6,069.8	\$ 1,526.5	\$ 1.4	\$ 7,597.7
Lease financing revenue			155.3	155.3
Total revenue	\$ 6,069.8	\$ 1,526.5	\$ 156.7	\$ 7,753.0
Operating income	\$ 585.9	\$ 103.7	\$ 22.8	\$ 712.4
Other income				33.7
Other expense				(232.9)
Income before income taxes				\$ 513.2
Assets identified to segments	\$ 2,077.5	\$ 614.8	\$ 1,468.4	\$ 4,160.7
Corporate assets				1,552.8
Total assets				\$ 5,713.5
Depreciation	\$ 177.0	\$ 44.2	\$ 2.0	
Capital expenditures	\$ 332.9	\$ 61.4	\$ 10.7	
Year Ended December 31, 1996				
Sales to customers	\$ 6,130.5	\$ 1,555.8		\$ 7,686.3
Lease financing revenue			\$ 176.5	176.5
Total revenue	\$ 6,130.5	\$ 1,555.8	\$ 176.5	\$ 7,862.8
Operating income	\$ 574.7	\$ 109.9	\$ 39.6	\$ 724.2
Other income				26.7
Other expense				(259.2)
Income before income taxes				\$ 491.7
Assets identified to segments	\$ 2,255.9	\$ 654.0	\$ 1,669.1	\$ 4,579.0
Corporate assets				1,581.0
Total assets				\$ 6,160.0
Depreciation	\$ 192.0	\$ 54.5	\$ 5.8	
Capital expenditures	\$ 262.0	\$ 65.8	\$ 12.7	
YEAR ENDED DECEMBER 31, 1997				
SALES TO CUSTOMERS	\$ 6,323.2	\$ 1,967.6		\$ 8,290.8
LEASE FINANCING REVENUE			\$ 193.6	193.6
TOTAL REVENUE	\$ 6,323.2	\$ 1,967.6	\$ 193.6	\$ 8,484.4
OPERATING INCOME	\$ 483.3	\$ 141.5	\$ 35.7	\$ 660.5
OTHER INCOME				285.0
OTHER EXPENSE				(291.4)
INCOME BEFORE INCOME TAXES				\$ 654.1
ASSETS IDENTIFIED TO SEGMENTS	\$ 2,733.6	\$ 844.7	\$ 1,860.9	\$ 5,439.2
CORPORATE ASSETS				1,679.5
TOTAL ASSETS				\$ 7,118.7
DEPRECIATION	\$ 225.2	\$ 63.7	\$ 4.5	
CAPITAL EXPENDITURES	\$ 338.5	\$ 75.4	\$ 12.1	

NOTE 16. BUSINESS SEGMENTS (CONT.)

	UNITED STATES	EUROPE	OTHER INTERNATIONAL	ADJUSTMENTS AND ELIMINATIONS	TOTAL
Year Ended December 31, 1995					
Sales to customers	\$ 5,475.9	\$ 977.0	\$ 1,144.8		\$ 7,597.7
Lease financing revenue	104.0	37.3	14.0		155.3
Interarea transfers	180.5	12.6	118.7	\$ (311.8)	
	\$ 5,760.4	\$ 1,026.9	\$ 1,277.5	\$ (311.8)	\$ 7,753.0
Operating income	\$ 573.7	\$ 36.7	\$ 102.0		\$ 712.4
Other income	10.3		23.4		33.7
Other expense	(223.8)	(9.1)			(232.9)
Income before income taxes	\$ 360.2	\$ 27.6	\$ 125.4		\$ 513.2
Assets identified	\$ 2,631.3	\$ 863.8	\$ 665.6		\$ 4,160.7
Corporate assets	1,244.7	135.4	172.7		1,552.8
Total assets	\$ 3,876.0	\$ 999.2	\$ 838.3		\$ 5,713.5
Year Ended December 31, 1996					
Sales to customers	\$ 5,519.2	\$ 1,086.3	\$ 1,080.8		\$ 7,686.3
Lease financing revenue	122.4	45.2	8.9		176.5
Interarea transfers	171.7	19.2	128.6	\$ (319.5)	
	\$ 5,813.3	\$ 1,150.7	\$ 1,218.3	\$ (319.5)	\$ 7,862.8
Operating income	\$ 589.4	\$ 60.7	\$ 74.1		\$ 724.2
Other income	26.7				26.7
Other expense	(240.8)	(24.2)	5.8		(259.2)
Income before income taxes	\$ 375.3	\$ 36.5	\$ 79.9		\$ 491.7
Assets identified	\$ 2,824.0	\$ 1,004.0	\$ 751.0		\$ 4,579.0
Corporate assets	1,294.4	120.8	165.8		1,581.0
Total assets	\$ 4,118.4	\$ 1,124.8	\$ 916.8		\$ 6,160.0
YEAR ENDED DECEMBER 31, 1997					
SALES TO CUSTOMERS	\$ 5,994.4	\$ 1,124.8	\$ 1,171.6		\$ 8,290.8
LEASE FINANCING REVENUE	134.5	50.9	8.2		193.6
INTERAREA TRANSFERS	396.4	72.2	198.6	\$ (667.2)	
	\$ 6,525.3	\$ 1,247.9	\$ 1,378.4	\$ (667.2)	\$ 8,484.4
OPERATING INCOME	\$ 551.5	\$ 26.7	\$ 82.3		\$ 660.5
OTHER INCOME	205.2	76.4	3.4		285.0
OTHER EXPENSE	(349.1)	49.1	8.6		(291.4)
INCOME BEFORE INCOME TAXES	\$ 407.6	\$ 152.2	\$ 94.3		\$ 654.1
ASSETS IDENTIFIED	\$ 3,466.2	\$ 1,112.6	\$ 860.4		\$ 5,439.2
CORPORATE ASSETS	1,582.7	(18.6)	115.4		1,679.5
TOTAL ASSETS	\$ 5,048.9	\$ 1,094.0	\$ 975.8		\$ 7,118.7

NOTE 17. ESTIMATED INCOME TAXES

Income tax expense (benefit) consisted of the following components:

	Year Ended December 31		
	1995	1996	1997
Current			
U.S. Federal	\$ 68.0	\$ 53.7	\$ 147.5
U.S. State and Local	32.2	22.5	43.4
International	46.0	16.0	53.4
	146.2	92.2	244.3
Deferred			
U.S. Federal	48.6	80.0	71.6
International	(13.6)	(5.9)	(22.3)
	35.0	74.1	49.3
Total expense	\$ 181.2	\$ 166.3	\$ 293.6

Deferred tax benefits (liabilities) are comprised of the following:

	December 31		
	1995	1996	1997
Postretirement benefits other than pensions	\$ 373.1	\$ 362.4	\$ 351.4
Postemployment benefits	44.9	47.3	55.2
Expense accruals	116.2	100.2	162.6
Inventory reserves	4.2	7.0	8.0
Pension accruals	4.9	1.9	
Net operating loss carryforwards	24.3	39.0	46.3
Other	9.6	26.0	32.2
Deferred tax benefits	577.2	583.8	655.7
Depreciation - non-leasing	(105.6)	(129.9)	(139.1)
Leasing activities	(243.6)	(299.0)	(357.6)
Valuation allowances		(4.8)	(30.4)
Pension accruals			(12.3)
Other	(2.6)	(2.6)	(4.2)
Deferred tax liabilities	(351.8)	(436.3)	(543.6)
Net deferred tax benefits	\$ 225.4	\$ 147.5	\$ 112.1

The Company has traditionally been a taxpayer in the U.S. and accordingly expects to realize substantially all of the deferred tax benefits attributable to the Company's U.S. operations in the future. Valuation allowances are provided for deferred benefits if the likelihood of future earnings is not determinable. During 1997, the Company increased the valuation allowance by \$25.6, including \$22.6 to reflect uncertainties related to the rationalization of its operations in France. Income taxes paid during 1995, 1996 and 1997 amounted to \$119.5, \$107.6 and \$185.7, respectively.

The effective tax rates differ from the U.S. Federal income tax rate for the following reasons:

	Year Ended December 31		
	1995	1996	1997

U.S. Federal income tax rate	35.0%	35.0%	35.0%
Increase (reductions) in taxes resulting from:			
International income	(2.8)	(4.3)	6.0
Capital loss utilization	(1.0)	(.3)	(.8)
Investment tax credits	(.3)	(.3)	(.3)
Amortization of goodwill	.6	.6	.4
State and local income taxes, net of Federal income tax benefit	4.0	3.0	4.3
Miscellaneous items	(.2)	.1	.3
-----	-----	-----	-----
Estimated taxes on income	35.3%	33.8%	44.9%
-----	-----	-----	-----

NOTE 18. COMPOSITION OF CERTAIN BALANCE SHEET AMOUNTS

The following items comprise the net amounts indicated in the respective balance sheet captions:

	December 31	
	1996	1997
-----	-----	-----
INVESTMENTS AND OTHER ASSETS		
Goodwill	\$ 285.3	\$ 546.2
Investments at equity	86.9	197.9
Loans receivable	208.2	168.8
Intangible pension asset	35.0	20.4
Other	195.2	231.4
-----	-----	-----
	\$ 810.6	\$ 1,164.7
PROPERTY, PLANT AND EQUIPMENT, NET		
Land and improvements to land	\$ 90.4	\$ 86.9
Buildings and building fixtures	684.6	771.1
Machinery and equipment	2,867.0	3,053.3
-----	-----	-----
	3,642.0	3,911.3
Less: Accumulated depreciation	1,817.2	1,866.5
-----	-----	-----
	\$ 1,824.8	\$ 2,044.8
DEFERRED EMPLOYEE BENEFITS		
Postretirement other than pension	\$ 844.1	\$ 889.7
Postemployment	81.9	81.9
Pension	79.4	57.3
Compensation	20.2	33.6
-----	-----	-----
	\$ 1,025.6	\$ 1,062.5
LEASE FINANCING		
Direct financing leases	\$ 583.4	\$ 665.8
Leveraged leases	594.6	655.3
Property on operating leases, net of accumulated depreciation	40.1	61.6
Allowance for credit losses	(50.8)	(52.6)
-----	-----	-----
	\$ 1,167.3	\$ 1,330.1
-----	-----	-----

NOTE 18. COMPOSITION OF CERTAIN
BALANCE SHEET AMOUNTS
(CONT.)

The components of the net investment in direct financing leases are as follows:

	December 31	
	1996	1997
Total minimum lease payments	\$ 638.1	\$ 743.7
Residual values	66.0	89.5
Deferred initial direct costs	14.2	15.5
	718.3	848.7
Less: Unearned income	134.9	182.9
	\$ 583.4	\$ 665.8

The components of the net investment in leveraged leases are as follows:

	December 31	
	1996	1997
Rentals receivable	\$ 4,883.8	\$ 5,280.4
Residual values	698.5	865.2
Nonrecourse debt service	(4,197.4)	(4,629.1)
Unearned income	(777.9)	(849.0)
Deferred investment tax credit	(12.4)	(12.2)
	594.6	655.3
Less: Deferred taxes arising from leveraged leases	252.1	303.7
	\$ 342.5	\$ 351.6

The following is a schedule, by year, of total minimum lease payments receivable on direct financing leases as of December 31, 1997:

Year Ending December 31:

1998	\$ 290.3
1999	192.2
2000	114.2
2001	59.6
2002	25.7
Later years	61.7
Total minimum lease payments receivable	\$ 743.7

NOTE 19. FAIR VALUE OF FINANCIAL
INSTRUMENTS

The estimated fair values of Dana's financial instruments are as follows:

December 31

	1996		1997	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value

FINANCIAL ASSETS

Cash and marketable securities	\$ 227.8	\$ 227.8	\$ 394.3	\$ 394.3
Loans receivable (net)	208.2	207.2	168.8	168.9

FINANCIAL LIABILITIES

Short-term debt	640.3	640.3	504.2	504.2
Long-term debt	1,697.7	1,754.7	2,178.3	2,303.9
Security deposits -- leases	16.8	14.8	16.1	14.7
Deferred funding commitments under leveraged leases	5.9	5.9	4.9	5.0
Interest rate-based option	7.2	7.2	9.9	9.9

UNRECOGNIZED FINANCIAL INSTRUMENTS

Interest rate derivatives:				
Assets		.7		1.0
Liabilities		(12.9)		(10.6)

NOTE 20. COMMITMENTS AND CONTINGENCIES

At December 31, 1997, the Company had purchase commitments for property, plant and equipment aggregating approximately \$151.7. Future minimum rental commitments under operating leases aggregated \$229.5, with rental payments during the five succeeding years of \$44.0, \$37.6, \$29.3, \$25.0 and \$22.0, respectively. Net rental expense amounted to \$70.4, \$72.6 and \$69.7 for 1995, 1996 and 1997, respectively.

In July of 1997, Dana signed an agreement to purchase the global axle and brake business of Eaton Corporation for \$287. The regulatory approval was granted in December 1997 and the acquisition was completed in January 1998.

The Company and its consolidated subsidiaries are parties to various pending judicial and administrative proceedings arising in the ordinary course of business. These include, among others, proceedings based on product liability claims and alleged violations of various environmental laws.

Management and its legal counsel periodically review the probable outcome of pending proceedings, the costs and expenses reasonably expected to be incurred, the availability

and limits of the Company's insurance coverage, and the Company's established accruals for uninsured liabilities. While the outcome of pending proceedings cannot be predicted with certainty, management believes, based on these reviews and the information currently available, that any liabilities that may result from these proceedings are not reasonably likely to have a material effect on the Company's liquidity, financial condition or results of operations.

NOTE 21. ACQUISITIONS

In 1995, Dana acquired the European axle group of GKN plc., a manufacturer of axles for cars, light trucks and heavy-duty trucks, along with axles for agricultural, industrial and construction equipment. Dana also acquired M. Friesen GmbH in Germany, a supplier of remanufactured rotating electrics, a 70% share of Industrias Serva S.A. in Spain, a manufacturer and distributor of vehicular gaskets and Mohawk Plastics, Inc., a manufacturer of custom molded plastics for the OE market in the United States.

During 1996, Dana acquired Thompson Ramco Argentina S.A. (Thompson), J.B. Morgan and Co. Pty., Ltd. (Morgan), James N. Kirby Pty., Ltd., (Kirby), Thermoplast+Apparatebau GmbH (Thermoplast) and Industrias Orlando Stevaux Ltda. (Stevaux) and a majority interest in Centrust S.A. (Centrust). Centrust is an Argentine company whose subsidiaries manufacture modular systems, brakes and structural components. Thompson, also an Argentine company, manufactures and distributes chassis parts and piston rings. Morgan and Kirby are both Australian manufacturers of filters. Morgan produces oil, air, and fuel filters for automobiles while Kirby produces radial and panel air filters for automobiles and medium-duty trucks. Thermoplast is a German manufacturer of high-precision injection-molded plastic components and systems for automotive applications. Stevaux, a Brazilian company, manufactures gaskets and oil seals. Dana acquired a 70% interest in Centrust while 100% of all other companies was purchased. Also during 1996, Dana completed the acquisition of the light axle manufacturing business of Rockwell do Brasil, an indirect subsidiary of Rockwell International.

These acquisitions were accounted for as purchases and the results of their operations have been included in the consolidated financial statements since the dates of acquisition. The price and the results of operations of these companies prior to acquisition were not material to the consolidated financial statements.

In 1997, Dana acquired the piston ring and cylinder liner operations of SPX Corporation (SPD), the assets of Clark-Hurth Components (CH) from Ingersoll-Rand, a 75% share of Wix Filtron Sp.zo.o and 50% of the shares of Estampados Argentina S.A. (EASA), bringing Dana's effective ownership in this affiliate to 85%. SPD manufactures and sells piston rings and cylinder liners primarily for internal combustion engines. CH manufactures and sells transmissions and axles for use in off-highway vehicles and equipment. Wix Filtron is a Polish manufacturer of filtration products and EASA is an Argentine manufacturer of heavy-duty structural components.

These acquisitions were accounted for as purchases and the results of their operations have been included in the consolidated financial statements since the dates of acquisition. Sales in 1997 were \$595 higher than 1996 as a result of acquisitions and total assets of companies acquired in 1997 amounted to \$694.

In addition to the above acquisitions, in 1995 Dana purchased the remaining shares of Hayes-Dana Inc., a Canadian subsidiary that manufactures new and replacement parts for trucks, automobiles, off-highway vehicles and industrial equipment and increased its equity ownership in R.O.C. Spicer from 49% to 51%. R.O.C. Spicer manufactures axles and driveshafts in Taiwan.

In 1995, Dana acquired Plumley Companies, a U.S. manufacturer and distributor of extruded and molded rubber and silicone sealing products, primarily for automotive applications. Dana acquired Flexon, Inc., a U.S. manufacturer of fuel filters in 1996. Both Plumley and Flexon were accounted for as poolings of interests. Prior years' financial statements have not been restated since the amounts are not material to the consolidated financial statements.

NOTE 22. DIVESTITURES

In March 1997, Dana completed the sale of its automotive warehouse distribution business in the United Kingdom, the Netherlands and Portugal. In August 1997, the sale of Dana's worldwide vehicular clutch operations was completed. In September 1997, the vehicular transmission operations were sold to a subsidiary of Dana's 49%-owned Mexican affiliate, Spicer S.A. de C.V. In October 1997, the Company sold its flat rubber products operations and in November 1997 completed the sale of its 49% interest in Korea Spicer Corporation. In December 1997, as part of the rationalization plan announced in the first quarter, Dana completed the sale of its automotive warehouse distribution operation in France. Net gains recorded on these sales totaled \$134. These operations contributed sales of \$525 in 1996; through the dates of divestiture, 1997 sales for these operations totaled \$236.

NOTE 23. RESTRUCTURING OF
OPERATIONS

During 1997, Dana initiated various restructuring plans. The cost of these plans included a charge of \$36 to initiate a rationalization plan at its Perfect Circle Europe operations resulting in a workforce reduction of 368 people; a charge of \$39 relating to rationalizing its Reading, Pa., structural components plant, with an expected workforce reduction of 1,140 people; a charge of \$20 to reduce deferred income tax benefits that were anticipated to be realized from operating losses in France; a charge of \$14 relating to the closure of its Vimercate, Italy plant, with an anticipated workforce reduction of 120 people; and \$54 relating to downsizing or closing various facilities and exiting several unprofitable lines of business, with an estimated workforce reduction of 440 people.

At December 31, 1997, \$123 of restructuring charges remained in accrued liabilities. The balance was comprised of \$77 for the reduction of approximately 1,760 employees to be completed in 1998, \$12 for closing excess facilities and \$34 for other non-cash write-downs of recorded assets. The estimated annual cash expenditures will be approximately \$59 in 1998, \$16 in 1999 and \$14 thereafter. Dana's liquidity and cash flows will not be materially impacted by these actions. It is anticipated that Dana's operations over the long term will benefit from these realignment strategies. Following is a schedule of the restructuring activity for 1997:

1997 Restructuring charges	\$ 162.4
1997 Activity:	
Employee separation	2.0
Non-cash write-downs	37.3
Balance at December 31, 1997	\$ 123.1
Employee reductions in 1997	306

NOTE 24. NONCASH INVESTING AND
FINANCING ACTIVITIES

In leveraged leases, the issuance of nonrecourse debt financing, and subsequent repayments thereof, is transacted between the lessees and lending parties to the transactions. During 1995, 1996 and 1997, \$339.1, \$452.9 and \$388.5 of nonrecourse debt was issued to finance leveraged leases and \$164.3, \$80.9 and \$158.4 of nonrecourse debt obligations were repaid, respectively.

In 1996 and in 1997, in addition to cash contributions, 1,000,000 shares of Dana common stock, with a market value of \$31.1 in 1996 and \$31.8 in 1997, were contributed to the Dana Corporation Pension Plans Trust.

NOTE 25. SIGNIFICANT SUBSIDIARY

DCC is a wholly-owned subsidiary of Dana whose primary operating subsidiaries are engaged in leasing and finance operations. The following is a summary of DCC's results of operations and financial position:

	Year Ended December 31		
	1995	1996	1997
Revenue from products and services	\$ 180.4	\$ 229.6	\$ 254.4
Interest expense	62.8	74.4	80.9
General and administrative expenses	103.1	115.6	137.8
	165.9	190.0	218.7
Income before income taxes	14.5	39.6	35.7
Estimated income tax provision (benefit)	(8.0)	11.8	7.7
Income before equity in earnings of affiliates	22.5	27.8	28.0
Equity in earnings of affiliates	4.9	2.7	3.2
Net income	\$ 27.4	\$ 30.5	\$ 31.2

December 31
1996 1997

Assets		
Cash	\$ 3.5	\$ 12.3
Loans receivable	208.1	168.8
Lease financing	1,327.9	1,498.4
Other assets	129.7	181.4

Total assets	\$ 1,669.2	\$ 1,860.9

Liabilities and Shareholder's Equity		
Notes payable	\$ 1,164.7	\$ 1,286.9
Other liabilities	380.6	435.4
Shareholder's equity	123.9	138.6

Total liabilities and shareholder's equity	\$ 1,669.2	\$ 1,860.9

Dana took a number of major steps in 1997 to focus more sharply on its core businesses in order to better serve its customers worldwide. These moves included acquisitions, divestitures, the restructuring of certain operations, and a reorganization of the Company's operations into six customer and market-focused global Strategic Business Units -- automotive components, engine components, heavy truck components, off-highway components, industrial components, and leasing services.

In February, Dana acquired the assets of Clark-Hurth Components (CH), a worldwide manufacturer of off-highway vehicle and equipment components, and the worldwide piston ring and cylinder liner operations of SPX Corporation (SPD). In March, Dana completed the sale of its automotive warehouse distribution business in the United Kingdom, the Netherlands and Portugal to Partco Group plc. In July, Dana announced, subject to regulatory approval, agreements to purchase Eaton Corporation's worldwide axle and brake business and to sell its global vehicular clutch business to Eaton. The sale of the vehicular clutch business was completed at the end of August; regulatory approval of the axle and brake purchase was received in December and the purchase was completed in January of 1998. In September, the Company completed the sale of its transmission business to a unit of Dana's Mexican affiliate, Spicer S.A. de C.V. In October, the Company sold its flat rubber business to a unit of Coltec Industries Inc. In November, the Company sold its 49% share of Korea Spicer Corporation and finally, in December, the automotive warehouse distribution business in France was sold. Pre-tax gains on the sales of the operations mentioned above totaled \$227.

In addition to these acquisition and divestiture activities, Dana initiated various restructuring plans in 1997. The Company implemented a rationalization at its engine products operations in France, which resulted in a charge of \$36. The plan included the sale of a piston manufacturing facility, the reorganization of a separate piston ring machining operation, the sale of its Distribution France operation, and the downsizing and relocation of its division office. A charge of \$20 was recorded reducing deferred income tax benefits from operating losses in France. A charge of \$39 was incurred for restructuring the Company's structural components facilities in Reading, Pa. A charge of \$14 was incurred relating to the closure of the Vimercate, Italy plant as part of the rationalization of capacity in the off-highway components group resulting from the acquisition of the assets of CH. Other restructuring and rationalization plans announced throughout the year amounted to \$54 for the downsizing or closing of various facilities and exiting several unprofitable lines of business.

These activities were a part of Dana's strategy to realign and strengthen its worldwide business portfolio. During the year the Company also announced the sales of its brakehose and cylinder businesses. These sales are expected to close in early 1998.

LIQUIDITY AND CAPITAL RESOURCES

The Company continues to generate its largest source of cash from operating activities. Net cash provided by operating activities in 1997 was \$698, slightly below the record level of \$704 in 1996. Higher net income and depreciation and amortization expenses in 1997 were offset by increased working capital requirements. The gains of \$141 from divestitures are included in cash flow from investing activities.

	1995	1996	1997
NET CASH FLOWS FROM OPERATING ACTIVITIES	\$388	\$704	\$698

Net cash of \$734 used in investing activities was \$84 higher than in 1996. The most significant use of cash in 1997 was for the acquisitions described previously; divestitures provided cash of \$394 in 1997.

Reflecting the Company's growth strategy in its core businesses and its ongoing commitment to product improvement through research and technology, capital expenditures were a record \$426 in 1997. Capital spending in 1998 is anticipated to be slightly less than in 1997. DCC's net purchases of leased assets (purchases less principal payments) were \$47 in 1997, \$149 lower than in 1996.

	1995	1996	1997
CAPITAL SPENDING	\$410	\$357	\$426

Financing activities provided net cash of \$203. Dana's net debt position (short- and long-term debt less cash and cash equivalents) increased \$178 over December 31, 1996. Total consolidated debt increased \$344 while cash and cash equivalents increased \$166. The debt increase was incurred early in 1997 primarily to fund the acquisitions of CH and SPD. Cash received from divestitures was used partially to reduce debt and to accumulate funds for the acquisition of Eaton Corporation's worldwide axle and brake business, which closed in January 1998.

	1995	1996	1997
NEW DEBT POSITION	\$2,040	\$2,110	\$2,288

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS
OF OPERATIONS
in millions except per share amounts

DANA CORPORATION

Year End Debt Analysis	Short-Term	Long-Term	Total

DCC			
1996	\$ 456	\$ 708	\$ 1,164
1997	325	961	1,286

Change	\$ (131)	\$ 253	\$ 122

DANA (EXCLUDING DCC)			
1996	\$ 184	\$ 990	\$ 1,174
1997	179	1,217	1,396

Change	\$ (5)	\$ 227	\$ 222

DANA CONSOLIDATED			
1996	\$ 640	\$ 1,698	\$ 2,338
1997	504	2,178	2,682

Change	\$ (136)	\$ 480	\$ 344

Cash dividends paid in 1997 were \$109. Cash dividends per share increased 6% over 1996. Dividends have been paid for 240 consecutive quarters with a current annual dividend rate of \$1.08 per share, an 8% increase over the 1996 year end dividend rate.

In 1997, Dana filed a universal shelf registration statement with the U.S. Securities and Exchange Commission to register common stock and/or debt securities having a maximum aggregate offering price of \$600. Dana plans to offer the registered securities from time to time at prices and on terms to be determined at the time of offering. The Company expects to use the net proceeds from the sale of the securities for general corporate purposes, including the repayment or refinancing of existing indebtedness. The Company does not intend to issue equity in the immediate future.

Dana utilizes short-term committed and uncommitted bank lines for the issuance of commercial paper and bank direct borrowings. Dana (excluding DCC) had committed and uncommitted borrowing lines of credit totaling approximately \$1,400 at year end 1997, while DCC's lines were \$921. Dana's strong cash flows from operations, together with its worldwide credit facilities, is expected to provide adequate liquidity to meet the Company's debt service obligations, projected capital expenditures and working capital requirements.

Dana's management and legal counsel have reviewed the legal proceedings to which the Company and its subsidiaries were parties as of December 31, 1997 (including, among others, those involving product liability claims and alleged violations of environmental laws) and concluded that neither the liabilities that may result from these legal proceedings nor the cash flows related to such liabilities are reasonably likely to have a material adverse effect on the Company's liquidity, financial condition or results of operations. The Company estimates its contingent environmental and product liabilities based upon the most probable method of remediation or outcome considering currently enacted laws and regulations and existing technology. Measurement of liabilities is made on an undiscounted basis and excludes the effects of inflation. In those cases where there is a range of equally probable remediation methods or outcomes, the Company accrues at the lower end of the range. At December 31, 1997, the Company had accrued \$50 for product liability costs (products) and \$55, including \$11 relating to acquisitions, for environmental liability costs (environmental), compared to \$65 for products and \$47 for environmental at December 31, 1996. The difference between the Company's minimum and maximum estimates for contingent liabilities, while not considered material, was \$15 for products and \$1 for environmental at December 31, 1997, compared to \$17 for products and \$1 for environmental at December 31, 1996. At December 31, 1997, the Company had recorded (as assets) probable recoveries from insurance or third parties in the amounts of \$29 for products and \$10 for environmental, compared to \$39 for products and \$10 for environmental at December 31, 1996.

RESTRUCTURING AND RATIONALIZATION EXPENSES

The Company's management evaluates its operations on an ongoing basis to identify non-strategic and under-performing assets. Pursuant to these evaluations, restructuring and rationalization plans are developed which may result in abandonment, consolidation or relocation of operations. Upon approval of these strategies (and, where appropriate, communication to affected employees), the estimated costs of implementation (including employee benefits, losses on disposal of assets and other expenses incidental to the restructuring activities) are charged to expense. Restructuring and rationalization charges of \$162 were recorded in 1997. An accrued liability of \$123 remained at December 31, 1997. The Company expects to settle \$89 of this accrual in cash (\$59 in 1998, \$16 in 1999 and \$14 thereafter). This amount generally represents employee separation costs for the approximately 1,760 workers affected by these activities. The balance of the accrual is non-cash and will be utilized to write down the affected assets. Dana's liquidity and cash flows will not be materially impacted by these actions. It is anticipated that Dana's operations over the long term will benefit from these realignment strategies.

IMPACT OF THE YEAR 2000

The Company is currently developing a plan and timetable for assessing whether its computer systems (including those which interface with customers, suppliers and other third parties) will function properly when processing data for the year 2000. At present, the Company has not determined the costs of this assessment and of modifications that may be required to correct any "Year 2000"

problems, or the impact that such problems could have on its business, financial condition, or results of operations.

RESULTS OF OPERATIONS 1997 VS. 1996

Dana achieved record worldwide sales in 1997 of \$8,291, an 8% increase over 1996. Excluding the effect of acquisitions and divestitures, sales were \$322 or 4% ahead of 1996. U.S. sales increased 9% over 1996 with acquisitions, net of divestitures, adding \$206 or 4%. Excluding the effect of acquisitions and divestitures, U.S. sales increased \$270 or 5%. Dana's international operations increased sales 6% over 1996, with acquisitions, net of divestitures, adding \$77 or 4%. Excluding these items, sales were \$52 or 2% above last year's levels. Exports from the U.S. increased 3% over 1996.

Fueled by Dana's first-quarter acquisition of CH, sales to global manufacturers of off-highway vehicles were up 50%. Additionally, worldwide sales to passenger car makers were up 9% over the comparable period last year. Excluding the

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS
OF OPERATIONS DANA CORPORATION
in millions

effect of acquisitions, worldwide original equipment (OE) sales to global manufacturers of off-highway vehicles increased 2% and worldwide sales to passenger car makers declined 7% from last year.

Dana's worldwide sales from the Vehicular segment, which includes sales of components for trucks, sport utility vehicles, trailers, vans and automobiles, increased 3% or \$193 over 1996. The OE portion of this increase was \$382 or 9% over 1996 (\$300 or 7% excluding acquisitions, net of divestitures), while the aftermarket portion decreased \$189 or 11% (\$36 or 2% excluding acquisitions, net of divestitures).

SEGMENT SALES	1996	1997	% CHANGE
Vehicular	\$6,130	\$ 6,323	+3
Industrial	1,556	1,968	+26
Total	\$7,686	\$ 8,291	+8

U.S. sales of light truck components to OE manufacturers were up 8% (acquisitions accounting for 1%) over a strong 1996 due to the ongoing demand for light trucks and sport utility vehicles. U.S. medium and heavy truck OE sales increased 7% (10% excluding the net effect of acquisitions and divestitures) as truck production levels rebounded from 1996. Sales to the U.S. OE passenger car market increased 17%, in large part due to the acquisition of SPD in early 1997.

In the Industrial segment, which includes sales to the mobile off-highway equipment market, Dana's worldwide sales rose 26% or \$412 over 1996 (18% U.S. and 42% international). Excluding the effect of acquisitions and divestitures, sales increased \$27 or 2% (4% increase in the U.S. and a 3% reduction internationally). Worldwide sales to the mobile off-highway OE market increased 50%, while industrial OE sales improved 12% worldwide (2% and 9%, respectively, excluding impact of acquisitions and divestitures). Mobile off-highway and industrial distribution sales increased 9%, largely due to the acquisition of CH in 1997.

Dana's worldwide distribution business decreased 5% over 1996. U.S. distribution sales increased 1% while the international distribution sales decreased 16%, primarily due to the sale of the European warehouse distribution business. Worldwide automotive distribution sales were down 17% due to the disposition. Truck parts distribution sales were up 3% and off-highway/industrial distribution sales increased 9%.

The North American, European and South American regions all reported increased sales over 1996. Asia Pacific, despite financial turmoil in the fourth quarter, had comparable sales with 1996.

SALES BY REGION	1996	1997	% CHANGE
North America	\$ 5,875	\$ 6,342	+8
Europe	1,086	1,125	+4
South America	536	635	+18
Asia Pacific	189	189	--

North American sales were up \$467 or 8% over 1996. Acquisitions, net of divestitures, accounted for \$206 or 4% of the increase. Continued demand for light trucks and sport utility vehicles helped fuel the increase. European and South American sales continued to grow in 1997 as the Company concentrated on international growth of its core businesses, particularly through acquisitions. Excluding the effect of acquisitions and divestitures, European sales were comparable to 1996 while South America saw an 11% increase.

Revenue from lease financing and other income increased \$275 over 1996. Contributing to the increase were gains of \$240 from the sale of the European warehouse distribution operations (\$76), the vehicular clutch business (\$119), the flat rubber products business (\$14), the 49% share of Korea Spicer Corporation (\$18), and the sale of an investment in a leveraged lease by DCC (\$13). Lease financing revenue at DCC increased 7% over 1996 as a result of continued asset growth.

Dana's gross margin of 13.3% for 1997 was adversely affected by the \$129 of charges to cost of sales relating to restructuring and rationalization plans. These charges included rationalizing the Company's Perfect Circle Europe operations in France (\$26), restructuring Dana's Parish facilities in Reading, Pa. (\$39), closing its off-highway axle plant in Vimercate, Italy (\$14) and downsizing and closing various facilities and exiting several unprofitable lines of business (\$50). Excluding these charges, Dana's gross margin would have been 14.9% versus a reported 15.1% in 1996. The net impact of acquisitions and divestitures in 1997 also had a negative impact on gross margin.

Selling, general and administrative expenses (SG&A) increased \$25 in 1997. The net impact of acquisitions, divestitures and restructuring charges accounted for \$9 of the increase. SG&A expenses at DCC were \$22 higher than in 1996 due to increased asset levels and start-up costs associated with new product development and market expansion. SG&A expenses as a percentage of sales improved from 9.3% in 1996 to 8.9% in 1997.

Dana's operating income for 1997 was adversely affected by \$132 of restructuring charges, including those previously identified. Excluding these

charges, Dana's 1997 operating margin would have been 6.1% versus 5.8% in 1996. Dana's operating margin as reported for 1997 was 4.5%. Operating margin was not affected by the acquisitions and divestitures.

Dana's U.S. operations had a \$38 decrease in reported operating income in 1997 over 1996, while international operations were down \$26 million. Of the restructuring and rationalization charges taken throughout 1997, \$77 related to U.S. operations and \$55 related to international operations. Excluding these charges, all regions would have shown an increase in operating income.

Operating income from the Vehicular segment decreased \$91, while the Industrial segment income increased \$32. The Vehicular segment recorded restructuring and rationalization charges of \$110 and the Industrial segment incurred charges of \$22. DCC's operating income decreased \$4 due primarily to the increased costs of developing new products and expanding markets.

The Company's interest expense increased \$37 over 1996 primarily due to higher average debt levels associated with acquisitions.

Minority interest in net income of consolidated subsidiaries decreased \$9, primarily due to the lower earnings of Albarus S.A. (a Brazilian subsidiary) and its majority-owned subsidiaries.

Equity in earnings of affiliates was higher in 1997 by \$19, primarily due to higher earnings of the Company's affiliates in Mexico. Spicer S.A. de C.V. contributed \$14 to the increase while the newly acquired affiliate of SPD contributed \$5.

Dana's 1997 effective tax rate was 45% compared to 34% for 1996. The effective rate was higher due to providing a valuation reserve for tax benefits previously recorded in France, discontinuing the recording of tax benefits on operating losses in France and providing a valuation reserve for tax benefits associated with the expenses recorded for the rationalization plan at its Perfect Circle Europe operations.

The Company reported record earnings in 1997 of \$369, a \$63 or 21% increase over 1996. Profits for 1997 included \$20 of gains relating to divestitures, net of restructuring and rationalization charges.

Dana's component sales to producers of light truck and sport utility vehicles in North America continued strong in 1997; this strength is expected to continue into 1998. Medium and heavy truck production in North America is expected to be at or slightly higher than 1997, but Dana's sales to this market are expected to increase significantly due to the purchase of the axle and brake business of Eaton Corporation. Sales to the off-highway market should see an increase due to the first full year of sales from CH.

Dana expects its international business will grow at a modest pace in 1998. Europe is expected to see increased sales due to the effect of acquisitions. The financial uncertainty in the Asia Pacific region will continue into 1998 while the South American economy may see a slight downturn. Recent acquisitions, previously announced restructuring and rationalization programs, and focusing on core businesses should provide growth for Dana in the last two regions.

The Company has included in this Annual Report statements about expectations for 1998 and beyond, including anticipated sales and results of acquisitions, divestitures, and restructuring and reorganization strategies. These statements (indicated by such words as "anticipates," "estimates," "expects," and "believes") represent management's current expectations based on present information and current assumptions. However, as forward-looking statements, they are inherently subject to risks and uncertainties. Actual results could differ materially from those which are anticipated or projected due to a number of factors, including changes in business relationships with the Company's major customers, competitive pressures on sales and pricing, increases in production or material costs that cannot be recouped in product pricing, and changes in global economic and market conditions.

RESULTS OF OPERATIONS 1996 VS. 1995

Dana achieved record sales and profits in 1996 for the third consecutive year. Sales were \$7,686, up 1% over 1995, while profits increased to \$306 or 6% over last year. The major factors contributing to the Company's sales increase were recent acquisitions and higher unit volumes of components for light truck and sport utility vehicles in North America. These increases were partially offset by a decline in North American medium and heavy truck production and inclusion of an additional month's sales (\$105) in 1995 for non-North American operations due to a change in reporting periods. Acquisitions accounted for \$322 of the 1996 sales increase, with \$317 related to operations outside the U.S.

Sales from U.S. operations increased 1%, while international sales were up 2%, due primarily to acquisitions in South America and Europe. Exports from the U.S. increased 22% over 1995. In 1996, international sales (including U.S. exports) represented 37% of Dana's consolidated sales, compared to 35% in 1995.

Dana's worldwide sales from the Vehicular segment, which includes sales of components and parts used on trucks, sport utility vehicles, trailers, vans and automobiles, increased 1% over 1995.

SEGMENT SALES	1995	1996	% Change
Vehicular	\$6,070	\$6,130	+1
Industrial	1,527	1,556	+2
Total	\$7,597	\$7,686	+1

The Company's U.S. sales from this segment increased 1%, while international operations increased 2%. Sales to U.S. light truck manufacturers exceeded 1995 by 9% as light trucks and sport utility vehicles continued to be in demand. This increase was partially offset by lower U.S. medium and heavy truck production, compared to 1995's record build levels, resulting in lower Dana sales to those markets of 8% and 17%, respectively. Heavy truck production in 1996, while below 1995's unusually high level, was still above average levels for the last 15 years. International sales from this segment increased, largely due to the contribution of Dana's European and South American acquisitions.

Worldwide sales from Dana's Industrial segment, which includes sales to the mobile off-highway (MOH) equipment market, increased 2% over 1995. Sales of components to MOH manufacturers, primarily agricultural and construction equipment, increased 6% worldwide, 3% in the U.S. and 10% internationally. The international increase was principally the result of the acquisition of GKN's European axle operations in late 1995. MOH and industrial distribution sales increased 1% over 1995. Those increases were partially offset by a 6% sales decline of Dana product sold to the Industrial OE market (Dana's smallest market).

Dana's distribution sales increased 1% on a worldwide basis, with U.S. sales increasing 3% and international decreasing 1%. Worldwide distribution sales performances in 1996 versus 1995 by market were as follows: truck parts down 2%, automotive up 3% and MOH/Industrial up 1%.

Dana's sales, on a regional basis, increased in Europe and South America and were lower in North America and Asia Pacific.

SALES BY REGION	1995	1996	% Change
North America	\$5,917	\$5,875	-1
Europe	977	1,086	+11
South America	497	536	+8
Asia Pacific	207	189	-9

The European and South American sales continued to grow in 1996 as the Company concentrated on international growth of its core businesses, particularly through acquisitions. North American sales were slightly lower, reflecting decreases in medium and heavy truck production, which were partially offset by light truck/sport utility vehicle increases. The lower sales in Asia resulted from the weakness of Dana's markets in Taiwan and Australia.

Revenue from lease financing and other income increased \$14 or 8% in 1996. Leasing-related revenue and interest on loans were above 1995 by \$25 as DCC's average asset levels and gains on sales of leased assets were higher in 1996. Other income in 1996 included gains of \$5 on sales of certain assets

and investments, while a \$16 gain was recorded in 1995 due to the sale of equity in three South American affiliates.

Adjustments for translation of foreign currency resulted in a gain of \$1, compared to a gain of \$8 in 1995. The adjustments in both years related almost exclusively to the translation from local currency to U.S. dollars of the Company's Brazilian operations.

Dana's gross margin was 15.1% in both 1996 and 1995. Margins for U.S. operations improved to 14.2% from 13.9% in 1995. Margins of the Company's international operations declined to 17.4% from 18.1% in 1995, in large part due to costs related to the integration of operations acquired in late 1995.

SG&A increased \$30 or 4% in 1996. Operations acquired in the latter half of 1995 and in 1996 accounted for \$23 of the increase. After adjusting for the effect of those acquisitions, SG&A increased 1%.

Dana's operating income increased \$12 million in 1996. U.S. operations had a \$16 increase, while international operations were down \$4. The international decrease was comprised of lower operating income at Dana's South American, Asia Pacific and Canadian operations partially offset by an increase in Europe. The European increase was primarily due to acquisitions.

Operating income from the Vehicular segment decreased 2%, while the Industrial segment income increased 6% over 1995. The ratio of operating income to sales for both segments was comparable in 1996 to 1995. Operating income of the Lease Financing segment increased \$17 over 1995. In 1996, DCC's operating income increased as a result of higher average lease asset levels outstanding during the year and improved lease and residual experience.

Interest expense in 1996 was \$13 higher than in 1995 due to higher average debt levels. This higher average debt position resulted from the funding of acquisitions, capital additions and lease financing assets during 1996.

Equity in earnings of affiliates increased in 1996, primarily due to the devaluation of the Mexican peso in 1995 which resulted in Dana recording a non-operating charge of \$18 for its proportionate share of translation losses incurred by the Company's affiliate, Spicer S.A. de C.V.

Minority interest in net income of consolidated subsidiaries decreased \$7 in 1996 due to the lower earnings of Albarus S.A. (a Brazilian subsidiary) and the mid-1995 purchase of the minority interest in Hayes-Dana Inc. The earnings of Albarus S.A. were lower in part due to the December 1995 sale of equity in one of its subsidiaries.

Taxes on income decreased \$15 in 1996 due to lower pre-tax profitability of the Company and lower effective rates of Dana's international operations. The Company's overall effective rate was 34% in 1996, compared to 35% in 1995.

ADDITIONAL INFORMATION

in millions except per share amounts

DANA CORPORATION

The following table shows the range of market prices of Dana Corporation common stock on the New York Stock Exchange and the cash dividends declared and paid for each quarter during 1996 and 1997. At December 31, 1997, the closing price of Dana common stock was \$47.50.

Quarter Ended	STOCK PRICE						CASH DIVIDENDS DECLARED AND PAID	
	HI	1996 LO	CLOSE	HI	1997 LO	CLOSE	1996	1997
March 31	\$34.13	\$27.75	\$33.38	\$34.63	\$30.63	\$32.88	\$.23	\$.25
June 30	35.50	30.13	31.00	39.50	30.63	38.00	.25	.25
September 30	31.13	27.25	30.25	49.50	36.88	49.38	.25	.27
December 31	33.13	29.38	32.63	54.38	43.00	47.50	.25	.27

UNAUDITED QUARTERLY FINANCIAL INFORMATION

The following information has been reviewed by our independent accountants in accordance with generally accepted auditing standards (GAAS); however, they have not performed an audit in accordance with GAAS on the quarterly information to enable them to opine on each quarter.

QUARTER ENDED	NET SALES	GROSS PROFIT	NET INCOME	NET INCOME PER SHARE BASIC	PER SHARE DILUTED
For the year ended December 31, 1995					
March 31	\$1,924	\$ 290	\$ 59.2	\$.59	\$.58
June 30	1,969	315	89.1	.88	.88
September 30	1,727	268	60.9	.60	.60
December 31	1,978	275	78.9	.77	.77
For the year ended December 31, 1996					
March 31	\$1,973	\$ 295	\$ 78.7	\$.78	\$.77
June 30	2,020	321	91.5	.90	.89
September 30	1,816	280	65.2	.64	.64
December 31	1,877	265	70.6	.69	.69
For the year ended December 31, 1997					
March 31	\$ 2,115	\$ 294	\$ 92.6	\$.90	\$.89
June 30	2,141	316	93.8	.90	.89
September 30	1,961	245	98.3	.93	.92
December 31	2,074	255	84.4	.81	.79

During the first quarter of 1995, Dana recorded a non-operating charge of \$18.0 (17 cents per share) for its proportionate share of translation losses incurred by its Mexican affiliate, Spicer S.A. de C.V., due to the devaluation of the Mexican peso.

In the fourth quarter of 1995, Dana recorded a gain of \$12.0 (11 cents per share) due to the sale of equity in three South American affiliates, a tax benefit of \$5.2 (5 cents) due to the sale of an insurance subsidiary in Bermuda and a charge of \$5.8 (6 cents) relating to a tentative settlement of a lawsuit filed by the Department of Justice, which was settled in 1996.

During the first quarter of 1997, Dana recorded a gain of \$45 (44 cents per share) relating to the sale of its European warehouse operations. In addition, the Company initiated a rationalization plan at its Perfect Circle Europe operations resulting in a charge of \$36 (35 cents per share).

ADDITIONAL INFORMATION

in millions except per share amounts

DANA CORPORATION

During the second quarter of 1997, the Company closed its Berwick, Pa., facility and sold certain of the operating assets and recorded a charge of \$5 (5 cents per share).

In the third quarter, Dana recorded a gain of \$70 (67 cents per share) on the sale of its worldwide vehicular clutch operations. The Company also recorded charges of \$51 (50 cents per share), including \$22 relating to the restructuring of its Reading, Pa., facility, \$20 million in deferred tax benefit valuation allowances for benefits not expected to be utilized in France, \$5 million to restructure the light axle operations in England and \$4 million relating to the closure of two division offices and the consolidation of filtration operations.

During the fourth quarter of 1997, the Company recorded a gain of \$18 (17 cents per share) on the sale of its 49% share of Korea Spicer Corporation and \$8 (8 cents per share) relating to the sale of its flat rubber products operations. Charges of \$28 (27 cents per share) were recorded relating to the closure of its Vimercate, Italy plant, closure of a hydraulic pump facility in Greenville, SC and exiting several unprofitable lines of business.

ELEVEN YEAR HISTORY

in millions except per share amounts

DANA CORPORATION

FINANCIAL HIGHLIGHTS

For the Years

	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997
Net Sales	\$4,180	\$4,936	\$4,865	\$4,952	\$4,398	\$4,872	\$5,460	\$6,614	\$7,598	\$7,686	\$8,291
Net Income (Loss)	142	162	132	76	13	(382)	80	228	288	306	369
Net Income (Loss) per Common Share +											
Basic	1.62	1.99	1.62	.92	.16	(4.35)	.86	2.31	2.84	3.01	3.54
Diluted	1.56	1.91	1.56	.92	.16	(4.32)	.85	2.30	2.83	2.99	3.49
Cash Dividends per Common Share	.70	.77	.80	.80	.80	.80	.80	.83	.90	.98	1.04
Total Assets	4,914	4,786	5,225	4,513	4,179	4,343	4,632	5,124	5,714	6,160	7,119
Long-Term Debt	1,322	1,324	1,522	1,486	1,541	1,467	1,207	1,187	1,315	1,698	2,178

DANA CORPORATION

(including Dana Credit Corporation on an equity basis)

For the Years	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997
SUMMARY OF OPERATIONS											
NET SALES	\$4,142	\$4,896	\$4,857	\$4,948	\$4,385	\$4,863	\$5,457	\$6,607	\$7,596	\$7,686	\$8,291
Cost of Sales	3,480	4,133	4,104	4,129	3,841	4,282	4,688	5,631	6,469	6,550	7,212
Income (Loss) before Income Taxes	203	238	217	187	(24)	48	224	380	490	452	619
Tax Rate *	41.4%	45.8%	43.8%	51.9%	(12.5)%	54.2%	39.7%	40.8%	36.9%	34.3%	46.2%
NET INCOME **	142	162	132	76	13	56	129	228	288	306	369
Percentage Pre-tax Profit on Sales	4.9%	4.9%	4.5%	3.8%	(.5)%	1.0%	4.1%	5.8%	6.5%	5.9%	7.5%
Capital Expenditures	164	222	223	226	148	111	176	278	338	284	365
FINANCIAL POSITION											
Current Assets	\$1,516	\$1,570	\$1,498	\$1,489	\$1,379	\$1,552	\$1,779	\$1,989	\$2,101	\$2,366	\$2,731
Current Liabilities	1,032	1,060	990	1,002	996	990	1,209	1,456	1,628	1,477	1,827
Current Ratio	1.5-1	1.5-1	1.5-1	1.5-1	1.4-1	1.6-1	1.5-1	1.4-1	1.3-1	1.6-1	1.5-1
Working Capital	484	509	508	487	423	562	569	533	533	889	905
Long-Term Debt	690	681	759	766	786	687	496	389	534	810	992
Total Shareholders' Equity	865	960	1,020	1,049	989	707	801	940	1,165	1,429	1,701
Return on Average Shareholders' Equity	15.7%	17.8%	13.3%	7.3%	1.3%	6.6%	17.1%	26.2%	27.4%	23.6%	23.6%
COMMON STOCK DATA											
Average Number of Shares Outstanding (in thousands)	87,430	81,353	81,658	81,954	82,171	87,792	92,533	98,689	101,297	101,800	104,340
Book Value per Share	\$10.64	\$11.81	\$12.47	\$12.79	\$12.03	\$7.70	\$8.14	\$9.51	\$11.48	\$13.87	\$16.18
Earnings per Share ***											
Basic	1.62	1.99	1.62	.92	.16	.64	1.39	2.31	2.84	3.01	3.54
Diluted	1.56	1.91	1.56	.92	.16	.63	1.38	2.30	2.83	2.99	3.49
Stock Price High	27.13	20.25	21.44	19.06	18.25	24.13	30.13	30.69	32.63	35.50	54.38
Low	13.75	16.25	16.50	9.94	12.31	13.38	22.00	19.63	21.38	27.25	30.63
Close	17.06	19.44	17.31	14.94	13.88	23.50	29.94	23.50	29.25	32.63	47.50
P/E Ratios											
High	17	10	13	21	114	38	22	13	11	12	15
Low	8	8	10	11	77	21	16	8	8	9	9

+ Years prior to 1997 have been adjusted to conform with SFAS No. 128.

* Net of the cumulative effect of the change in accounting for income taxes in 1987.

** Excludes one-time SFAS No. 106 charge of \$438 (\$4.99 per share) in 1992 and SFAS No. 112 charge of \$49 (53 cents per share) in 1993.

DANA CORPORATION
 CONSOLIDATED SUBSIDIARIES
 AS OF DECEMBER 31, 1997

Dana Corporation
 4500 Dorr Street
 Toledo, Ohio 43615

UNITED STATES
 - - - - -

DSA of America, Inc.	Delaware
Albarus, Inc.	Delaware
DTF Trucking, Inc.	Delaware
Dana Distribution, Inc.	Delaware
Dana International Finance Inc.	Delaware
Dana International Limited	Delaware
Dana Risk Management Services, Inc.	Delaware
Dana World Trade Corporation	Delaware
Flexon, Inc.	Michigan
Flight Operations, Inc.	Delaware
GemStone Gasket Company	Delaware
Precision Specialties Inc.	Delaware
Swanton Air Three, Inc.	Delaware
Results Unlimited, Inc.	Delaware
Warner Sensors Corporation	Delaware
(formerly Marengo Corporation)	Delaware
UnderCar International, Inc.	Delaware
McQuay-Norris, Inc.	Delaware
Reinz Wisconsin Gasket Co.	Delaware
Perfect Circle Valve Seals, L.L.C.	Delaware
Plumley Companies, Inc.	Tennessee
Mohawk Plastics, Inc.	Michigan
Wix Filtration Media Specialists, Inc.	Delaware
Dana Venture Capital Corporation	Ohio
Diamond Financial Holdings, Inc.	Delaware
Admiral's Harbour, Inc.	Ohio
Summey Building Systems, Inc.	North Carolina
Dana Credit Corporation	Delaware
Dana Commercial Credit Corporation	Delaware
Camotop Two Corporation	Delaware
Comprehensive Asset Services, Inc.	Delaware
Dana Business Credit Corporation	Delaware
Dana Commercial Finance Corporation	Delaware
Dana Commercial Credit, Canada Inc.	Delaware
Dana Fleet Leasing, Inc.	Delaware
Isom & Associates, Inc.	Delaware
Leased Equipment, Inc.	Delaware
Lease Recovery, Inc.	Delaware
Midwest Housing Investments J.V., Inc.	Delaware
Potomac Leasing Company	Delaware
Shannon Energy Services, Inc.	Delaware
Shannon Property Management, Inc.	Delaware
Shannon Supermarket Investors, Inc.	Delaware
CCD Air Ten, Inc.	Delaware
CCD Air Eleven, Inc.	Delaware
CCD Air Twelve, Inc.	Delaware

CCD Air Thirteen, Inc.	Delaware
CCD Air Fourteen, Inc.	Delaware
CCD Air Twenty, Inc.	Delaware
CCD Air Twenty-One, Inc.	Delaware
CCD Air Twenty-Two, Inc.	Delaware
CCD Air Twenty-Three, Inc.	Delaware
CCD Air Thirty, Inc.	Delaware
CCD Air Thirty-Two, Inc.	Delaware
CCD Air Thirty-Three, Inc.	Delaware
CCD Air Thirty-Four, Inc.	Delaware
CCD Air Thirty-Five, Inc.	Delaware
CCD Air Thirty-Six, Inc.	Delaware
CCD Air Thirty-Seven, Inc.	Delaware
CCD Air Thirty-Eight, Inc.	Delaware
CCD Air Thirty-Nine, Inc.	Delaware
CCD Air Forty, Inc.	Delaware
CCD Air Forty-One, Inc.	Delaware
CCD Air Forty-Two, Inc.	Delaware
CCD Air Forty-Four, Inc.	Delaware
CCD Air Forty-Six, Inc.	Delaware
CCD Airway One, Inc.	Delaware
CCD Airway Three, Inc.	Delaware
CCD Airway Five, Inc.	Delaware
CCD Rail Two, Inc.	Delaware
CCD Rail Three, Inc.	Delaware
DCC Franchise Services, Inc.	Delaware
DCC Project Finance One, Inc.	Delaware
DCC Project Finance Two, Inc.	Delaware
DCC Project Finance Three, Inc.	Delaware
DCC Linden, Inc.	Delaware
DCC Project Finance Four, Inc.	Delaware
DCC Project Finance Five, Inc.	Delaware
DCC Project Finance Six, Inc.	Delaware
DCC Project Finance Ten, Inc.	Delaware
DCC Servicing, Inc.	Delaware
REBAC, Inc.	Delaware
REBNEC Three, Inc.	Delaware
REBNEC Five, Inc.	Delaware
REBNEC Seven, Inc.	Delaware
REBNEC Eight, Inc.	Delaware
REBNEC Nine, Inc.	Delaware
REBNEC Eleven, Inc.	Delaware
RECCEG, Inc.	Delaware
REFIRST, Inc.	Delaware
REHAT, Inc.	Delaware
RENOVO One, Inc.	Delaware
Letovon Hammersmith Co.	Delaware
RENOVO Three, Inc.	Delaware
Letovon Heathrow Co.	Delaware
RENOVO Five, Inc.	Delaware
Letovon Waterloo Co.	Delaware
RENOVO Seven, Inc.	Delaware
RENOVO Nine, Inc.	Delaware

RENOVO Eleven, Inc.	Delaware
RENOVO Thirteen, Inc.	Delaware
RETRAM, Inc.	Delaware
Dana Lease Finance Corporation	Delaware
Camotop One Corporation	Delaware
Dana Leasing, Inc.	Delaware
CCD Air Four, Inc.	Delaware
CCD Air Five, Inc.	Delaware
CCD Air Seven, Inc.	Delaware
CCD Air Eight, Inc.	Delaware
CCD Air Nine, Inc.	Delaware
CCD Air Forty-Three, Inc.	Delaware
CCD Air Forty-Seven, Inc.	Delaware
CCD Airway Two, Inc.	Delaware
CCD Airway Four, Inc.	Delaware
CCD Rail One, Inc.	Delaware
CCD Rail Four, Inc.	Delaware
DCC Project Finance Seven, Inc.	Delaware
DCC Project Finance Eight, Inc.	Delaware
DCC Project Finance Eleven, Inc.	Delaware
DCC Spacecom Two, Inc.	Delaware
DCC Vendorcom, Inc.	Delaware
JVQ Capital One, Inc.	Delaware
REBNEC One, Inc.	Delaware
REBNEC Two, Inc.	Delaware
REBNEC Four, Inc.	Delaware
REBNEC Six, Inc.	Delaware
REBNEC Ten, Inc.	Delaware
REBNEC Twelve, Inc.	Delaware
RECONN, Inc.	Delaware
RENOVO Two, Inc.	Delaware
Letovon Hammersmith Co.	Delaware
RENOVO Four, Inc.	Delaware
Letovon Heathrow Co.	Delaware
RENOVO Six, Inc.	Delaware
Letovon Waterloo Co.	Delaware
RENOVO Eight, Inc.	Delaware
RENOVO Ten, Inc.	Delaware
RENOVO Twelve, Inc.	Delaware
RESEY, Inc.	Delaware
RESAMM, Inc.	Delaware
REVA, Inc.	Delaware
DCC Project Finance Nine, Inc.	Delaware
Farnborough Properties Partners I Limited	Delaware
Farnborough Properties Company	Delaware
Farnborough Properties Partners II Limited	Delaware
Farnborough Properties Partners III Limited	Delaware
Farnborough Airport Properties Company	Delaware
Farnborough Properties Partners IV Limited	Delaware
Findlay Properties, Inc.	Ohio
Ottawa Properties, Inc.	Michigan
Shannon Properties, Inc.	Delaware
First Shannon Realty of North Carolina, Inc.	North Carolina
Lenox I-4 Lakeland Associates	Florida
Region Center Associates	Florida

Dana Austria GmbH	Austria
Dana Canada, Inc. (fka Hayes-Dana Inc.) Hayes-Dana (Quebec) Inc.	Canada Canada
Dana Commercial Credit, Canada Inc.	Canada
Dana Japan, Ltd.	Japan
Spicer Philippines Manufacturing Co. (Ceased Operation as of December of 1984 - Inactive)	Philippines
Dantean Co., Ltd. (f.k.a. Spicer Thailand)	Thailand
Dana Industrial Co., Ltd.	Thailand
Dana Asia (Thailand) Ltd.	Thailand
Spicer Asia (Thailand) Ltd.	Thailand
Dana Asia (Singapore) Pte. Ltd. (f.k.a. Dana World Trade Singapore (Pte.) Ltd.) (Includes Warner Electric Division and Aftermarket Distribution Division)	Singapore
R.O.C. Spicer Ltd.	Taiwan
Timing Investments Limited	Taiwan
Talyin Enterprise Ltd.	Taiwan
Taiyiu Warner Industrial Ltd. (liquidated 05/31/94)	Taiwan
ROC Spicer Investment Co., Ltd.	Taiwan
Shenyang Spicer Limited	Taiwan
Spicer Asia Engineering Ltd.	Taiwan
Dana Asia (Taiwan) Ltd. (Warner Electric Trading Co.)	Taiwan
Dana Asia (Taiwan) APD Co., Ltd.	Taiwan
Dana Australia (Holdings) Pty. Ltd.	Australia
Dana Australia Pty. Ltd.	Australia
Truckline Parts Centres Pty. Ltd.	Australia
Dana Australia Trading Pty. Ltd. (Formerly Spicer Drivetrain Pty. Ltd.) J.B. Morgan and Co. Pty., Ltd.	Australia Australia
Dana Asia Pacific Industrial (fka Warner Electric Australia Pty. Ltd.)	Australia
Dana Europe Holdings B.V.	Netherlands
Spicer Netherland B.V. (Dormant)	Netherlands
Leguana Participations B.V. (Holding Co)	Netherlands
Warner Electric BV (f.k.a. Maumee Holdings B.V.) (Sales Office-Amsterdam)	Netherlands
Superior Electric Nederland B.V. (shell)	Netherlands
Warner Electric SA (Dormant)	Belgium
Clark-Hurth Belgium N.V.	Belgium
Clark Equipment Belgium N.V.	Belgium

Dana Commercial Credit (UK) Limited	United Kingdom
Dana Commercial Credit Limited	United Kingdom
DCC (March) Limited	United Kingdom
DCC (June) Limited	United Kingdom
DCC (September) Limited	United Kingdom
Dana Lease Finance Corporation	
Letovon Hammersmith Co.	United Kingdom
Letovon Heathrow Co.	United Kingdom
Letovon Waterloo Co.	United Kingdom
Farnborough Properties Partners I Limited/ Farnborough Properties Partners II Limited	
Farnborough Properties Company	United Kingdom
Farnborough Properties Partners III Limited/ Farnborough Properties Partners IV Limited	
Farnborough Airport Properties Company	United Kingdom
Farnborough Aerospace Centre Management Limited	
Dana Holdings Limited	United Kingdom
Dana Spicer Europe Ltd.	United Kingdom
Warner Electric Limited	United Kingdom
Dana Interlock Limited (Dormant 1/1/94)	United Kingdom
(Trade Transferred to Wichita Co. Ltd)	
Taylor Industrial Clutches Ltd.	United Kingdom
Wichita Company Limited (Dormant-Trade transferred to Dana Spicer Europe Ltd.)	United Kingdom
Dana (1982) Ltd. (Dormant)	United Kingdom
Superior Electric Engineering Services, Ltd.	United Kingdom
Stieber Ltd.	United Kingdom
Dana S.A.	France
Perfect Circle Europe (fka Floquet Monopole S.A.)	France
Societe Industrielle de Precision Marti, S.A.	France
Societe de Reconditionnement Industriel de Moteurs S.A. (S.R.I.M.)	France
Spicer France S.A.R.L.	France
Warner France, S.A.	France
Collins & Tournadre "TOURCO"	France
G.I.E. Warner & Tourco	France
Superior Electric S.A.R.L.	France
Stieber S.A.R.L.	France
Dana Finance S.A.	France
Clark-Hurth Components S.A.R.L.	
Spicer India Limited	India
Stieber Precision Pvt. Ltd.	India
Dana Italia, SpA	Italy
Metaltechno SpA	Italy
Clark-Hurth Components SpA	Italy
Dana Equipamientos SA (f.k.a. Spicer Espana S.A.)	Spain
Sealed Power Europe S.L.	
Industrias Seloc Reinz S.A. (closed)	Spain

Industrias Serva S.A.	Spain
Glaser Serva S.A.	Spain
Dana AB	Sweden
Warner-Tollo AB	Sweden
Warner Electric (International) S.A. (International Headquarters, f.k.a. Warner Electric S.A., locally known as "Swiss Inc.")	Switzerland
Warner Electric S.A. (Operating and local sales company, f.k.a. Societe de Vente Warner Electric S.A., locally known as "Swiss Trade")	Switzerland
Dana GmbH	Germany
Dana Holdings GmbH	
(formerly Erwin Hengstler Hydraulic GmbH)	Germany
Reinz Dichtungs GmbH	Germany
Euro Reinz GmbH (dormant)	Germany
Warner Electric GmbH	Germany
Erwin Hengstler Hydraulic GmbH	Germany
The Weatherhead GmbH	Germany
M. Freisen GmbH	Germany
Horst Riedel GmbH	Germany
Spicer GmbH (f.k.a. Superior Electric GmbH)	Germany
Clark-Hurth Components Vertriebs GmbH	Germany
DKW Kunststoffwerke GmbH(Holding Co)	Germany
Thermoplast+Apparatebau GmbH(Germany)	Germany
Dana Capital GmbH	Germany
Dana Equipamentos Ltda.	Brazil
Albarus, S.A. Industrial E Comercio	Brazil
Pellegrino Autopecas Industrial e Comercio Ltda.	Brazil
CIDAP-Industrial e Distribuidora de Aurtopecas Ltda. (Dormant)	Brazil
Albarus Sistemas Hidraulicos Ltda.	Brazil
Albarus S.A. Comercial e Exportadora	Brazil
Cirane Industria e Comercio Ltda.	Brazil
Prevalbarus Societe de Providencia	Brazil
SIMESC	Brazil
Dana do Brasil Ltda.	Brazil
Dana Industrias Ltda.	Brazil
SM- Sistemas Modulares	Brazil
Warner Electric do Brasil Ltda.	Brazil
Dana Foreign Sales Corporation	Virgin Islands
Dana Asia (Hong Kong) Limited	Hong Kong
Kentning Industries Limited	Hong Kong
Shui Hing Manufacturing Company Limited	Hong Kong

Tecnologia de Moción Controlada S.A. de C.V.	Mexico
UBALI S.A.	Uruguay
Talesol S.A.	Uruguay
Dana Argentina S.A.	Argentina
Dana San Juan S.A. (f.k.a. AROS Daneri, S.A.)	Argentina
Dana San Luis S.A. (f.k.a. Trasa San Luis)	Argentina
Transmisiones Homocinéticas Argentina S.A. (THA)	Argentina
Thompson Ramco-Argentina S.A.	Argentina
Centrust S.A.	Argentina
Armetal Industria Argentina de Metales	Argentina
Farlock S.A.	Argentina
Cerro de los Medanos S.A.	Argentina
Estampados Argentinos Sociedad Anonima (EASA)	Argentina
Dana Asia Pacific (Malaysia) Sdn. Bhd.	Malaysia
Dana Asia (Korea) Co. Ltd.	Korea
Industria De Ejes Y Transmisiones S.A. (Transejes)	Colombia
Transejes C.D. Ltda.	Colombia
Transcar Ltda.	Colombia
Transmotor Ltda.	Colombia
Wix Filtron Sp. zo.o.	Poland

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Prospectuses constituting parts of the Registration Statements on Form S-3 (Nos. 033-58121, 333-00539, 033-18043, 333-22935, 333-23733 and 333-42239) and in the Registration Statements on Form S-8 (Nos. 033-64198 and 333-37435) of Dana Corporation of our report dated January 21, 1998 appearing on page 22 of the Annual Report to Shareholders which is incorporated in this Annual Report on Form 10-K. We also consent to the incorporation by reference of our report on the Financial Statement Schedule, which appears on page 15 of this Form 10-K.

PRICE WATERHOUSE LLP

Toledo, Ohio
February 27, 1998

POWER OF ATTORNEY

The undersigned directors and/or officers of Dana Corporation hereby constitute and appoint Southwood J. Morcott, John S. Simpson, Charles W. Hinde, Martin J. Strobel and Sue A. Griffin, and each of them, severally, their true and lawful attorneys-in-fact with full power for and on their behalf to execute the Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 1997, including any and all amendments thereto, in their names, places and stead in their capacity as directors and/or officers of the Corporation, and to file the same with the Securities and Exchange Commission on behalf of the Corporation under the Securities and Exchange Act of 1934, as amended.

This Power of Attorney automatically ends as to each appointee upon the termination of his or her service with the Corporation.

In witness whereof, the undersigned have executed this instrument the 8th day of December, 1997.

/s/ B. F. Bailar

B. F. Bailar

/s/ E. M. Carpenter

E. M. Carpenter

/s/ E. Clark

E. Clark

/s/ G. H. Hiner

G. Hiner

/s/ J. M. Magliochetti

J. M. Magliochetti

/s/ M. R. Marks

M. R. Marks

/s/ S. J. Morcott

S. J. Morcott

/s/ R. B. Priory

R. B. Priory

/s/ J. D. Stevenson

J. D. Stevenson

/s/ T. B. Sumner, Jr.

T. B. Sumner, Jr.

/s/ J. S. Simpson

J. S. Simpson

/s/ C. W. Hinde

C. W. Hinde

/s/ M. J. Strobel

M. J. Strobel

/s/ S. A. Griffin

S. A. Griffin

YEAR	
	DEC-31-1997
	JAN-01-1997
	DEC-31-1997
	93,300
	301,000
	1,162,900
	29,600
	909,800
	0
	3,911,300
	1,866,500
	7,118,700
	0
	2,178,300
	0
	0
	105,100
	1,596,100
7,118,700	
	8,290,800
	8,770,300
	7,180,400
	7,180,400
	0
	0
	196,100
	654,100
	293,600
	0
	0
	0
	0
	369,100
	3.54
	3.49