

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

FORM 10-Q



Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended: September 30, 2007

Commission File Number: 1-1063

Dana Corporation

(Exact name of registrant as specified in its charter)

Virginia

(State or other jurisdiction of
incorporation or organization)

34-4361040

(IRS Employer Identification Number)

4500 Dorr Street, Toledo, Ohio

(Address of principal executive offices)

43615

(Zip Code)

(419) 535-4500

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one)

Large accelerated filer Accelerated filer Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class

Common stock, \$1 par value

Outstanding at October 31, 2007

149,823,595

**DANA CORPORATION — FORM 10-Q
FOR THE QUARTERLY PERIOD
ENDED SEPTEMBER 30, 2007**

Table of Contents

	10-Q Pages
Cover	1
Table of Contents	2
Forward-Looking Information	3
 PART I — FINANCIAL INFORMATION	
Item 1	5
Financial Statements	
Condensed Consolidated Statement of Operations (Unaudited) for the Three and Nine Months Ended September 30, 2007 and 2006	5
Condensed Consolidated Balance Sheet (Unaudited) at September 30, 2007 and December 31, 2006	6
Condensed Consolidated Statement of Cash Flows (Unaudited) for the Nine Months Ended September 30, 2007 and 2006	7
Notes to Condensed Consolidated Financial Statements	9
Item 2	45
Management's Discussion and Analysis of Financial Condition and Results of Operations	
Item 3	81
Quantitative and Qualitative Disclosures About Market Risk	
Item 4	81
Controls and Procedures	
 PART II — OTHER INFORMATION	
Item 1	84
Legal Proceedings	
Item 1A	84
Risk Factors	
Item 6	84
Exhibits	
Signatures	85
Exhibit Index	86
EX-10-P	
EX-31-A	
EX-31-B	
EX-32	

FORWARD-LOOKING INFORMATION

Statements in this report that are not entirely historical constitute “forward-looking” statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are indicated by words such as “anticipates,” “expects,” “believes,” “intends,” “plans,” “estimates,” “projects” and similar expressions. These statements represent the present expectations of Dana Corporation (Dana, we or us) and its consolidated subsidiaries based on our current information and assumptions. Forward-looking statements are inherently subject to risks and uncertainties. Our plans, actions and actual results could differ materially from our present expectations due to a number of factors, including those discussed below and elsewhere in this report, in our Annual Report on Form 10-K for the fiscal year ended December 31, 2006 (our 2006 Form 10-K), our quarterly reports on Form 10-Q for the quarterly periods ended March 31, 2007 and June 30, 2007 and in our other filings with the Securities and Exchange Commission (SEC).

Bankruptcy-Related Risk Factors

- Our ability to continue as a going concern, operate pursuant to the terms of our debtor-in-possession credit facility, and obtain court approval with respect to motions in our bankruptcy proceedings from time to time;
- Our ability to fund and execute our business plan;
- Our ability to maintain satisfactory terms with our customers, vendors and service providers;
- Our ability to attract, motivate and/or retain key employees;
- Our ability to successfully complete the implementation of the reorganization initiatives discussed in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” (MD&A) in Item 2 of Part I of this report; and
- Our ability to obtain confirmation of a plan of reorganization as required under the terms of: (a) the Investment Agreement dated as of July 26, 2007 between Centerbridge Capital Partners, L.P.(Centerbridge), CBP Parts Acquisition Co. LLC and Dana (the Investment Agreement) and (b) the Plan Support Agreement dated as of July 26, 2007 by and among Dana; United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union (the USW); the International Union, United Automobile, Aerospace and Agricultural Implement Workers of America (the UAW); Centerbridge and certain creditors of Dana (the Plan Support Agreement). If a plan of reorganization does not become effective by February 28, 2008, certain individual supporting creditors may withdraw their support, and if one does not become effective by May 1, 2008, our Plan Support Agreement will expire.

Risk Factors in the Vehicle Markets We Serve

- High fuel prices and interest rates;
- The cyclical nature of the heavy-duty commercial vehicle market;
- Shifting consumer preferences in the United States (U.S.) from pickup trucks and sport utility vehicles (SUVs) to cross-over vehicles (CUVs) and passenger cars;
- Market share declines, production cutbacks and potential vertical integration by our larger customers, including Ford Motor Company (Ford), General Motors Corporation (GM) and Chrysler LLC (Chrysler);
- The ratification by Ford unionized employees of a tentative collective bargaining agreement thereby averting potential strike-related production interruptions;
- High costs of commodities used in our manufacturing processes, such as steel, other raw materials and energy, particularly costs that cannot be recovered from our customers;
- Competitive pressures on our sales from other vehicle component suppliers; and
- Adverse effects that could result from any divestitures, consolidations or bankruptcies of our customers, vendors and competitors.

Company-Specific Risk Factors

- Changes in business relationships with our major customers and/or in the timing, size and duration of their programs for vehicles with Dana content;
- Price reduction pressures from our customers;
- Our vendors' ability to maintain projected production levels and furnish us with critical components for our products and other necessary goods and services;
- Adverse effects that could result if U.S. federal legislation relating to asbestos personal injury claims were enacted; and
- Adverse effects that could result from increased costs of environmental remediation and compliance.

PART I — FINANCIAL INFORMATION
(In millions, except per share amounts)

ITEM 1. FINANCIAL STATEMENTS

DANA CORPORATION
(DEBTOR IN POSSESSION)

CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS (Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
Net sales	\$ 2,130	\$ 2,009	\$ 6,564	\$ 6,506
Costs and expenses				
Cost of sales	2,017	1,952	6,201	6,209
Selling, general and administrative expenses	79	85	263	315
Realignment charges, net	6	2	159	4
Impairment of assets		211		226
Other income, net	30	44	108	114
Income (loss) from continuing operations before interest, reorganization items and income taxes	58	(197)	49	(134)
Interest expense (contractual interest of \$54 and \$51 for the three months ended September 30, 2007 and 2006 and \$159 and \$151 for the nine months ended September 30, 2007 and 2006)	27	24	78	89
Reorganization items, net	98	25	173	114
Loss from continuing operations before income taxes	(67)	(246)	(202)	(337)
Income tax benefit (expense)	3	(20)	(15)	(78)
Minority interest expense	(4)	(2)	(10)	(5)
Equity in earnings (loss) of affiliates	4	(4)	22	12
Loss from continuing operations	(64)	(272)	(205)	(408)
Loss from discontinued operations	(5)	(84)	(89)	(102)
Net loss	\$ (69)	\$ (356)	\$ (294)	\$ (510)
Basic loss per common share				
Loss from continuing operations	\$ (0.42)	\$ (1.81)	\$ (1.36)	\$ (2.72)
Loss from discontinued operations	(0.04)	(0.56)	(0.60)	(0.68)
Net loss	\$ (0.46)	\$ (2.37)	\$ (1.96)	\$ (3.40)
Diluted loss per common share				
Loss from continuing operations	\$ (0.42)	\$ (1.81)	\$ (1.36)	\$ (2.72)
Loss from discontinued operations	(0.04)	(0.56)	(0.60)	(0.68)
Net loss	\$ (0.46)	\$ (2.37)	\$ (1.96)	\$ (3.40)
Average shares outstanding — Basic	150	150	150	150
Average shares outstanding — Diluted	150	150	150	150

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

DANA CORPORATION
(DEBTOR IN POSSESSION)
CONDENSED CONSOLIDATED BALANCE SHEET (Unaudited)

	September 30, 2007	December 31, 2006
Assets		
Current assets		
Cash and cash equivalents	\$ 1,035	\$ 704
Restricted cash	12	15
Accounts receivable		
Trade, less allowance for doubtful accounts of \$22 in 2007 and \$23 in 2006	1,410	1,131
Other	290	235
Inventories		
Raw materials	348	290
Work in process and finished goods	495	435
Assets of discontinued operations	52	392
Other current assets	157	122
Total current assets	3,799	3,324
Investments and other assets	1,099	1,079
Investments in equity affiliates	207	555
Property, plant and equipment, net	1,741	1,776
Total assets	\$ 6,846	\$ 6,734
Liabilities and shareholders' deficit		
Current liabilities		
Notes payable, including current portion of long-term debt	\$ 192	\$ 293
Debtor-in-possession financing	900	
Accounts payable	1,135	886
Liabilities of discontinued operations	21	195
Other accrued liabilities	838	712
Total current liabilities	3,086	2,086
Liabilities subject to compromise	3,687	4,175
Deferred employee benefits and other non-current liabilities	493	504
Long-term debt	21	22
Debtor-in-possession financing		700
Commitments and contingencies (Note 14)		
Minority interest in consolidated subsidiaries	95	81
Total liabilities	7,382	7,568
Shareholders' deficit	(536)	(834)
Total liabilities and shareholders' deficit	\$ 6,846	\$ 6,734

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

**DANA CORPORATION
(DEBTOR IN POSSESSION)**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (Unaudited)

	Nine Months Ended September 30,	
	2007	2006
Operating activities		
Net loss	\$ (294)	\$ (510)
Depreciation and amortization	209	206
Impairment and divestiture-related charges	3	325
Non-cash portion of U.K. pension charge	60	
Reorganization items, net of payments	59	49
Payments to VEBAs for postretirement benefits	(27)	
Changes in working capital	(183)	29
Other	(68)	(85)
Net cash flows provided by (used in) operating activities	<u>(241)</u>	<u>14</u>
Investing activities		
Purchases of property, plant and equipment	(148)	(239)
Proceeds from sale of businesses	400	
Proceeds from sale of DCC assets and partnership interests	104	
Proceeds from sale of other assets	7	54
Acquisition of business, net of cash acquired		(17)
Payments received on leases and loans	8	20
Decrease in restricted cash	3	
Other	53	33
Net cash flows provided by (used in) investing activities	<u>427</u>	<u>(149)</u>
Financing activities		
Net change in short-term debt	(11)	(553)
Proceeds from debtor-in-possession facility	200	700
Proceeds from European Securitization Program	30	
Reduction in DCC Medium Term Notes	(129)	
Net cash flows provided by financing activities	<u>90</u>	<u>147</u>
Net increase in cash and cash equivalents	276	12
Cash and cash equivalents — beginning of period	704	762
Effect of exchange rate changes on cash balances	61	6
Net change in cash of discontinued operations	(6)	5
Cash and cash equivalents — end of period	<u>\$ 1,035</u>	<u>\$ 785</u>

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

**DANA CORPORATION
(DEBTOR IN POSSESSION)
INDEX TO NOTES TO CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS**

- [1. Basis of Presentation](#)
- [2. Reorganization Under Chapter 11 of the Bankruptcy Code](#)
- [3. Debtor Financial Statements](#)
- [4. Asset Disposals and Impairments, Divestitures and Acquisitions](#)
- [5. Discontinued Operations](#)
- [6. Realignment of Operations](#)
- [7. Common Shares](#)
- [8. Goodwill](#)
- [9. Equity-Based Compensation](#)
- [10. Pension and Postretirement Benefit Plans](#)
- [11. Comprehensive Income \(Loss\)](#)
- [12. Cash Deposits](#)
- [13. Financing Agreements](#)
- [14. Commitments and Contingencies](#)
- [15. Warranty Obligations](#)
- [16. Income Taxes](#)
- [17. Other Income, Net](#)
- [18. Segments](#)

Notes to Condensed Consolidated Financial Statements
(In millions, except per share amounts)

Note 1. Basis of Presentation

In management's opinion, the accompanying financial statements include all normal recurring adjustments necessary for a fair presentation of Dana's financial condition, results of operations and cash flows for the interim periods presented. Interim results are not necessarily indicative of full-year results.

The financial statements in this report should be read in conjunction with the audited consolidated financial statements and accompanying notes in our 2006 Form 10-K.

Accounting Requirements

As discussed in Note 2, Dana Corporation and forty of its wholly-owned subsidiaries (collectively, the Debtors) are reorganizing under the Bankruptcy Code. American Institute of Certified Public Accountants Statement of Position 90-7, "Financial Reporting by Entities in Reorganization under the Bankruptcy Code" (SOP 90-7), which is applicable to companies operating under Chapter 11, generally does not change the manner in which financial statements are prepared. However, SOP 90-7 does require that the financial statements for periods subsequent to the filing of a Chapter 11 petition distinguish transactions and events that are directly associated with the reorganization from the ongoing operations of the business.

We adopted SOP 90-7 effective March 3, 2006 (the Filing Date) and prepare our financial statements in accordance with its requirements. Revenues, expenses, realized gains and losses and provisions for losses that can be directly associated with the reorganization and restructuring of our business are reported separately as reorganization items in our statement of operations. Our balance sheet distinguishes pre-petition liabilities subject to compromise both from those pre-petition liabilities that are not subject to compromise and from post-petition liabilities. Liabilities that may be affected by the plan of reorganization are reported at the amounts expected to be allowed by the United States Bankruptcy Court for the Southern District of New York (the Bankruptcy Court), although they may ultimately be settled for different amounts. In addition, cash provided by or used for reorganization items is disclosed separately in our statement of cash flows. See Note 3 for further information about our financial statement presentation under SOP 90-7.

Recent Accounting Pronouncements

In February 2007, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities — including an amendment of FASB Statement No. 115." SFAS No. 159 permits an entity to choose to measure many financial instruments and certain other items at fair value. Most of the provisions in SFAS No. 159 are elective; however, the amendment to SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities," applies to all entities with available-for-sale and trading securities. The fair value option established by SFAS No. 159 permits companies to choose to measure eligible items at fair value at specified election dates. Companies must report unrealized gains and losses on items for which the fair value option has been elected in earnings at each subsequent reporting date. SFAS No. 159 must be adopted effective January 1, 2008, and we are evaluating the effect, if any, that adoption will have on our consolidated financial statements in 2008.

In September 2006, the FASB Emerging Issues Task Force (EITF) promulgated Issue No. 06-4, "Accounting for Deferred Compensation and Postretirement Benefit Aspects of Endorsement Split-Dollar Life Insurance Arrangements" (EITF No. 06-4). In March 2007, the EITF promulgated Issue No. 06-10, "Accounting for Collateral Assignment Split-Dollar Life Insurance Arrangements" (EITF No. 06-10). EITF Nos. 06-4 and 06-10 require a company that provides a benefit to an employee under an endorsement or collateral assignment split-dollar life insurance arrangement that extends to postretirement periods to recognize a liability and related compensation costs. We will adopt EITF Nos. 06-4 and 06-10 effective in the first quarter of 2008 and are evaluating the effect, if any, that adoption will have on our consolidated financial statements in 2008.

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurement." SFAS No. 157 defines fair value, establishes a framework for measuring fair value under accounting principles generally accepted in the United States (GAAP) and expands disclosures about fair value measurements. We will adopt SFAS No. 157 as of January 1, 2008 and are evaluating the effect, if any, that adoption will have on our consolidated financial statements for 2008 and subsequent periods.

We expect to emerge from bankruptcy following the confirmation of our plan of reorganization and to adopt fresh start reporting as defined in SOP 90-7. Fresh start reporting would require that we adjust our balance sheet at the date of emergence to equal the reorganization value as determined in connection with the Bankruptcy Court approved plan of reorganization. Reorganization value is the estimated fair value of the assets available to satisfy the allowed bankruptcy claims and postpetition liabilities. Accumulated depreciation, accumulated deficit and accumulated other comprehensive income will be reset to zero. The reorganization value will be allocated to our individual assets and liabilities based on their fair value at the date of emergence. Items such as current liabilities, accounts receivable and cash will generally remain at the amounts reported prior to emergence. Items such as inventory; property, plant and equipment; long-term assets and long-term liabilities may be significantly adjusted from amounts currently reported. The variance between reorganization value and the fair value of assets and liabilities may be treated in accordance with FAS 141, "Business Combinations." SOP 90-7 also requires that changes in accounting principles that the emerging entity must adopt within twelve months of the date of emergence must be adopted at the time fresh start reporting is adopted.

Note 2. Reorganization Under Chapter 11 of the Bankruptcy Code

The Bankruptcy Cases

The Debtors are operating under Chapter 11 of the Bankruptcy Code. The Debtors' Chapter 11 cases (collectively, the Bankruptcy Cases) have been consolidated in the Bankruptcy Court under the caption *In re Dana Corporation, et al.*, Case No. 06-10354 (BRL). Neither Dana Credit Corporation (DCC) and its subsidiaries nor any of Dana's non-U.S. affiliates are Debtors.

During the bankruptcy proceedings, investments in Dana securities are highly speculative. Although shares of our common stock continue to trade on the OTC Bulletin Board under the symbol "DCNAQ," the opportunity for any recovery by shareholders under a confirmed plan of reorganization is uncertain. If our Third Amended Plan of Reorganization of Debtors and Debtors in Possession (the Plan) which was filed with the Bankruptcy Court on October 23, 2007 is ultimately confirmed, Dana common shares will be cancelled and shareholders with allowed interests will be entitled to a pro rata share of the assets, if any, that remain after the holders of allowed unsecured claims have been paid in full, with interest. There is no assurance that the Plan will be confirmed or, if it is, that there will be any residual assets for the benefit of holders of Dana common shares. In fact, the Debtors do not currently anticipate that the holders of Dana common shares will receive any distribution under the Plan.

The Bankruptcy Cases are being jointly administered, with the Debtors managing their businesses as debtors in possession subject to the supervision of the Bankruptcy Court. We are continuing normal business operations during the bankruptcy process and taking steps to reduce costs, increase efficiency and enhance productivity so that we can emerge from bankruptcy as a stronger, more viable company.

Official committees of the Debtors' unsecured creditors (the Creditors Committee) and retirees not represented by unions (the Retiree Committee) have been appointed in the Bankruptcy Cases. The Debtors bear certain of the committees' costs and expenses, including those of their counsel and other professional advisors. An official committee of Dana's equity security holders was also appointed and subsequently disbanded.

Under the Bankruptcy Code, the Debtors' have the right to assume or reject executory contracts (*i.e.*, contracts that are to be performed by the parties after the Filing Date) and unexpired leases, subject to Bankruptcy Court approval and other limitations. The Bankruptcy Court has approved the Debtors' assumption and rejection of certain executory contracts and unexpired leases. The Plan and certain procedures approved by the Bankruptcy Court address the proposed treatment of outstanding executory contracts and unexpired leases upon the Debtors' emergence from bankruptcy.

[Table of Contents](#)

The Bankruptcy Court has entered an order establishing procedures for trading in claims and equity securities that is designed to protect the Debtors' potentially valuable tax attributes (such as NOL carryforwards). Under the order, holders or acquirers of 4.75% or more of Dana's common stock are subject to certain notice and consent procedures prior to acquiring or disposing of the shares. Holders of claims against the Debtors that would entitle them to more than 4.75% of the common shares of reorganized Dana under a confirmed plan of reorganization utilizing the tax benefits provided under Section 382(l)(5) of the Internal Revenue Code may be required to sell down the excess claims if necessary to implement such a plan of reorganization. However, in accordance with the agreement with the new investors, the Plan contemplates utilizing tax benefits under Section 382(l)(6) of the Internal Revenue Code, rather than Section 382(l)(5). Accordingly, under the Plan, no sell-down of claims will be required.

Pre-petition Claims

Most persons and entities asserting pre-petition claims (with the exception of, among others, asbestos-related personal injury claims and claims resulting from the future rejection of executory contracts and unexpired leases) against the Debtors were required to file proofs of claim in the Bankruptcy Cases by September 21, 2006. Proofs of claim in a total amount of approximately \$27,215 (as well as certain unliquidated amounts) were filed by that date. In addition, another \$48 in liabilities, for which no proof of claim was filed, is listed in our schedules of assets and liabilities as undisputed, non-contingent and liquidated, and thus is deemed to be asserted as claims under the Bankruptcy Code.

Of the claims filed, the Debtors have identified claims totaling approximately \$24,468 that they believe should be disallowed, primarily because they appear to be amended, duplicative, withdrawn by the creditor, without basis for the claim, late filed or are interests and solely equity-based. Of these claims (or portions of claims), approximately \$22,244 had been disallowed by the Bankruptcy Court, withdrawn by the creditors or eliminated by settlement through October 2007. The Debtors are continuing to evaluate the remaining filed claims and, as appropriate, to file and prosecute additional claim objections with the Bankruptcy Court or to address claims through settlement or alternate dispute resolution procedures. The Plan addresses the proposed treatment of allowed claims and provides for the resolution of remaining claims after emergence from Chapter 11.

Claims have been filed for matters such as contract disputes, litigation and environmental remediation and related costs. The amounts recorded as liabilities subject to compromise for the remaining claims are, in most cases, significantly lower than the amount claimed based on the Debtors' assessment of the probable and estimable liabilities. Since receipt of the filed claims, the Debtors have been actively evaluating the merits of the claims and obtaining additional information to ascertain their validity. The Debtors are in settlement discussions with substantially all of the remaining claimants and are seeking to reach agreement as to the allowed claim amounts. Agreements to settle these claims could be for amounts in excess of the liability currently recorded. The remaining claims to be settled are primarily EPA and other environmental claims in excess of our estimated liability. As of the present date, these additional amounts do not meet the probable and estimable standards for recognition in the financial statements.

[Table of Contents](#)

Under the Plan, the Debtors propose that asbestos-related personal injury claims be reinstated upon emergence and that the reorganized Debtors will defend, settle and resolve such pending and future claims in the ordinary course of business. In addition, certain pension liabilities will remain an obligation of the reorganized Debtors.

In August 2007, the Bankruptcy Court approved a settlement agreement with Sypris Solutions, Inc. (Sypris) under which Sypris has been granted an allowed general unsecured claim of \$90 in the Bankruptcy Cases. The settlement amount primarily covers damages alleged by Sypris in connection with the termination of existing supply agreements. As part of the settlement, Sypris and Dana have executed a new long-term supply agreement at prices more favorable to Dana than those in the prior agreements and Sypris has released Dana from all filed and asserted claims other than the general unsecured claim described above.

In August 2007, we entered into a settlement agreement with the Toledo-Lucas County Port Authority (Port Authority) under which we intend to amend a lease on an office facility to market rate terms and grant a general unsecured claim to the Port Authority of \$15. The Port Authority has received a secured claim on the property of \$19 which, under the Plan, is proposed to be satisfied by our entry into an amended lease upon emergence.

Pre-petition Debt

Our bankruptcy filing triggered the immediate acceleration of certain of the direct financial obligations of the Debtors, including, among others, an aggregate of \$1,623 in principal and accrued interest on outstanding unsecured notes issued under our 1997, 2001, 2002 and 2004 indentures. Such amounts are characterized as unsecured debt for purposes of the reorganization proceedings and the related obligations are classified as liabilities subject to compromise in our consolidated balance sheet as of September 30, 2007. In accordance with SOP 90-7, following the Filing Date, we discontinued recording interest expense on debt classified as liabilities subject to compromise. The Plan addresses the proposed treatment of the claims of the holders of these notes upon our emergence.

Reorganization Initiatives

It is critical to the Debtors' successful emergence from bankruptcy that they: (i) maintain positive margins for their products through substantial price increases obtained from their customers, (ii) continue to recover or otherwise provide for increased material costs through renegotiation or rejection of various customer programs, (iii) realize the restructured wage and benefit programs from settlement agreements with two primary unions which eliminate the excessive cash requirements of the legacy pension and other postretirement benefit liabilities accumulated over the years, (iv) realize the benefits of changes in the manufacturing footprint that eliminated excess capacity, closed and consolidated facilities and repositioned operations in lower cost countries and (v) continue the permanent reduction and realignment of their overhead costs. The steps that the Debtors have taken to accomplish these goals are discussed in Item 2 of Part I.

Plan of Reorganization

The Debtors filed the Plan and the related Third Amended Disclosure Statement with Respect to Joint Plan of Reorganization of Debtors and Debtors in Possession (the Disclosure Statement) with the Bankruptcy Court on October 23, 2007. On October 23, 2007, the Bankruptcy Court approved the Disclosure Statement authorizing the Debtors to begin soliciting votes from their creditors to accept or reject the Plan. By that order, the Bankruptcy Court determined that the Disclosure Statement contains adequate information for creditors who are entitled to vote on the Plan. The hearing at which the Bankruptcy Court will consider confirmation of the Plan is scheduled to commence on December 10, 2007. Copies of these documents are contained in a Current Report on Form 8-K that Dana filed with the SEC on November 2, 2007.

The Plan and Disclosure Statement describe the anticipated organization, operations and financing of the reorganized Debtors if the Plan is confirmed by the Bankruptcy Court and becomes effective. Among other things, the Plan incorporates certain provisions of the following agreements that are discussed in Note 19 to our condensed consolidated financial statements in Item 1 of Part I of our second-quarter 2007 Form 10-Q as well as in the Current Report on Form 8-K that Dana filed with the SEC on October 25, 2007: (i) the settlement agreements with the USW and the UAW (Settlement Agreements); (ii) the Investment Agreement with Centerbridge and a Centerbridge affiliate that provides for the Centerbridge affiliate to purchase \$250 in Series A convertible preferred shares of reorganized Dana, with qualified creditors of the Debtors (*i.e.*, creditors who meet specified criteria) having an opportunity to purchase up to \$540 in Series B convertible preferred shares on a pro rata basis and with Centerbridge agreeing to purchase up to \$250 in any Series B convertible preferred shares that are not purchased by the qualified creditors; and (iii) a letter agreement dated October 18, 2007 with Dana, specified members of the ad hoc steering committee of bondholders and their affiliates (the Backstop Investors) (the Backstop Commitment Letter) who severally agreed to purchase up to \$290 in Series B convertible preferred shares of reorganized Dana that are not subscribed for by qualified supporting creditors in the offering or purchased by Centerbridge in accordance with its obligations under the Investment Agreement. Through these arrangements, reorganized Dana has obtained contractual assurance that it will raise \$790 through the offering to qualified investors and the commitments of Centerbridge and the Backstop Investors. Under the Plan Support Agreement, if a plan of reorganization does not become effective by February 28, 2008, certain individual supporting creditors may withdraw their support and if one does not become effective by May 1, 2008, our Plan Support Agreement will expire.

The Disclosure Statement contains certain information about the Debtors' pre-petition operating and financial history, the events leading up to the commencement of the Bankruptcy Cases and significant events that have occurred during the Bankruptcy Cases. The Disclosure Statement also describes the terms and provisions of the Plan, including certain effects of confirmation of the Plan, certain risk factors associated with securities to be issued under the Plan, certain alternatives to the Plan, the manner in which distributions will be made under the Plan and the confirmation process and the voting procedures that holders of claims and interests entitled to vote under the Plan must follow for their votes to be counted.

Continuation as a Going Concern

Our financial statements have been prepared on a going-concern basis, which contemplates continuity of operations, realization of assets and liquidation of liabilities in the ordinary course of business. As a result of our bankruptcy filing, such realization of assets and liquidation of liabilities is subject to uncertainty. While operating as debtors in possession under the protection of Chapter 11 of the Bankruptcy Code, the Debtors may sell or otherwise dispose of assets and liquidate or settle liabilities for amounts other than those recorded in our financial statements, subject to Bankruptcy Court approval or as otherwise permitted in the ordinary course of business. Our financial statements as of September 30, 2007 do not give effect to all the adjustments to the carrying value of assets and liabilities that may become necessary as a consequence of our reorganization.

Our continuation as a going concern is contingent upon our ability to: (i) comply with the terms and conditions of the Senior Secured Superpriority Debtor-In-Possession Credit Agreement to which Dana, as borrower, and our Debtor U.S. subsidiaries, as guarantors, are parties (the DIP Credit Agreement) (see Note 13); (ii) obtain confirmation of a plan of reorganization under the Bankruptcy Code; (iii) generate sufficient cash flow from operations and (iv) obtain financing sources to meet our future obligations. Although we are taking steps to achieve these objectives, there is no assurance that we will be successful in doing so or that any measures that are achievable will result in sufficient improvement to our financial position. Accordingly, until such time as we emerge from bankruptcy, there is no certainty about our ability to continue as a going concern. If our reorganization is not completed successfully, we could be forced to sell a significant portion of our assets to retire debt outstanding or, under certain circumstances, to cease operations.

DCC Notes

At the time of our bankruptcy filing, DCC had outstanding notes totaling approximately \$399. In December 2006, DCC and most of its noteholders executed a Forbearance Agreement under which: (i) the forbearing noteholders agreed not to exercise their rights or remedies with respect to the DCC notes for a period of 24 months (or until the effective date of Dana's plan of reorganization), during which time DCC is endeavoring to sell its remaining asset portfolio in an orderly manner and use the proceeds to pay down the notes and (ii) DCC agreed to pay the forbearing noteholders their pro rata share of any cash it maintains in the U.S. greater than \$7.5 on a quarterly basis. At September 30, 2007, the amount of principal outstanding under the DCC notes was \$138. In October 2007, DCC made a \$5 payment to the forbearing noteholders, consisting of \$2 of principal and \$3 of interest.

Contemporaneously with the execution of the Forbearance Agreement, Dana and DCC executed a Settlement Agreement whereby they agreed to the discontinuance of a tax sharing agreement between them and to a stipulated amount of a general unsecured claim owed by Dana to DCC of \$325 (the DCC Claim). Under the Plan, upon emergence, the Debtors propose to satisfy DCC's outstanding liability under the then-outstanding DCC notes in full satisfaction of the DCC Claim.

Liabilities Subject to Compromise

As required by SOP 90-7, we have recorded liability amounts for the claims that can be reasonably estimated and which we believe are probable of being allowed by the Bankruptcy Court. Such claims are subject to future adjustments that may result from, among other things, negotiations with creditors, and rejection of executory contracts and unexpired leases. Liabilities subject to compromise may change due to reclassifications, settlements or reorganization activities that give rise to new claims or increases in existing claims.

Liabilities subject to compromise in the consolidated balance sheet include those of our discontinued operations and consisted of the following at September 30, 2007 and December 31, 2006:

	<u>September 30, 2007</u>	<u>December 31, 2006</u>
Accounts payable	\$ 290	\$ 290
Pension and other postretirement obligations	1,069	1,687
Debt (including accrued interest of \$39)	1,623	1,623
Other	705	575
Consolidated liabilities subject to compromise	<u>3,687</u>	<u>4,175</u>
Payables to non-Debtor subsidiaries	401	402
Debtor liabilities subject to compromise	<u>\$ 4,088</u>	<u>\$ 4,577</u>

Other includes accrued liabilities for environmental, asbestos-related and other product liabilities, income tax, deferred compensation, other postemployment benefits and contract rejection claims. Payables to non-Debtor subsidiaries include the DCC Claim. Claims and settlement activity described elsewhere in Note 2 added \$108 to liabilities subject to compromise during the third quarter of 2007. This increase was partially offset by pension plan contributions and settlements, other postemployment benefits payments and other payments for a net increase of \$41.

As discussed in Note 10, the reduction in pension and postretirement obligations since the end of 2006 is attributed to the elimination of postretirement healthcare benefits for non-union employees and retirees and the freeze of service and benefit accruals for non-union employees and benefit payments.

Debtors' pre-petition debt of \$1,623 is included in liabilities subject to compromise. As of the Filing Date, we discontinued recording interest expense on debt classified as liabilities subject to compromise. On a consolidated basis, contractual interest on all debt, including the portion classified as liabilities subject to compromise, amounted to \$54 and \$51 for the three months and \$159 and \$151 for the nine months ended September 30, 2007 and 2006.

[Table of Contents](#)

During the quarter ended September 30, 2007, the Bankruptcy Court approved a settlement agreement with one of our major suppliers, Sypris. Under the terms of the settlement, Dana and Sypris entered into a new long-term supply agreement, and Sypris received a general, unsecured non-priority claim against Dana of \$90 for damages in connection with cancellation of the old supply agreement. Liabilities subject to compromise were increased by \$90 to recognize the allowed contract claim. The portion of the claim attributable to price reductions on future products to be acquired from Sypris was estimated at \$35 and recorded as a deferred charge in investments and other assets. This amount will be recognized as a component of cost of sales in the future. The remaining contract claim of \$55 attributable to the economic effects of other modifications to the Sypris contract (primarily to exclude certain products) has been recorded as a charge to reorganization items, net.

During the third quarter of 2007, the Bankruptcy Court also approved a settlement agreement relating to our lease of an office facility from the Port Authority. Under the terms of the settlement agreement, in exchange for modifying the terms of the existing lease, the Port Authority will receive a secured claim of \$19 and a general, unsecured nonpriority claim of \$15 under the Plan. The secured claim of \$19 can be satisfied by execution of an amended lease substantially in the form of that agreed by the parties and included in the Bankruptcy Court's settlement order. This settlement has been recognized as a lease modification. The lease's classification as an operating lease was reevaluated at the modified terms and continued classification as an operating lease was determined to be appropriate. The unsecured claim of \$15 has been recorded as prepaid rent in investments and other assets, with liabilities subject to compromise increasing by a like amount.

If, as expected, the prices under the new supply agreement with Sypris and the rental payments under the amended lease with the Port Authority are determined to be at prevailing market rates at emergence, the deferred assets recognized in connection with the above settlement actions will be eliminated and charged against income as part of applying the fresh start accounting provisions at emergence.

Reorganization Items

Professional advisory fees and other costs directly associated with our reorganization are reported separately as reorganization items pursuant to SOP 90-7. Reorganization items also include provisions and adjustments to record the carrying value of certain pre-petition liabilities at their estimated allowable claim amounts, as well as the costs of certain actions within the non-Debtor companies that have occurred as a result of the Debtors' bankruptcy proceedings.

[Table of Contents](#)

The reorganization items in the consolidated statement of operations for the three and nine months ended September 30, 2007 and 2006 consisted of the following items:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
Debtor reorganization items				
Professional fees	\$ 27	\$ 24	\$ 87	\$ 88
Debt valuation adjustments				17
Contract rejections and claim settlements	59	(1)	68	7
Union agreement and other costs	16		19	
Interest income	(4)	(1)	(11)	(4)
Debtor reorganization items	98	22	163	108
Non-Debtor reorganization items				
Professional fees		3	10	6
Total reorganization items	\$ 98	\$ 25	\$ 173	\$ 114

Contract rejections and claim settlement charges include costs associated with the above-mentioned Sypris settlement, other lease and contract rejections and other claims settlement activity.

As a consequence of the settlement agreement with the unions that occurred during the third quarter of 2007, lump sum payments to union employees of approximately \$9 that were paid upon ratification or pursuant to other provisions of the settlement agreement were recognized as a reorganization cost.

Non-Debtor costs during 2007 related principally to organizational restructuring to facilitate future repatriations, financings and other actions.

Note 3. Debtor Financial Statements

Debtor In Possession Financial Information

In accordance with SOP 90-7, the statement of operations and statement of cash flows of the Debtors are presented below for the three and nine months ended September 30, 2007 and 2006, along with the balance sheet at September 30, 2007 and December 31, 2006.

Intercompany balances between Debtors and non-Debtors are not eliminated. The investment in non-Debtor subsidiaries is accounted for on an equity basis and, accordingly, the net loss reported in the debtor-in-possession statement of operations is equal to the consolidated net loss.

DANA CORPORATION
DEBTOR IN POSSESSION
STATEMENT OF OPERATIONS (Unaudited)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2007	2006	2007	2006
Net sales				
Customers	\$ 947	\$ 971	\$ 3,057	\$ 3,205
Non-Debtor subsidiaries	65	67	187	193
Total	<u>1,012</u>	<u>1,038</u>	<u>3,244</u>	<u>3,398</u>
Costs and expenses				
Cost of sales	1,022	1,093	3,255	3,483
Selling, general and administrative expenses	44	48	159	200
Realignment and impairment	(1)	10	(6)	10
Other income, net	<u>69</u>	<u>51</u>	<u>189</u>	<u>136</u>
Income (loss) from continuing operations before interest, reorganization items and income taxes	16	(62)	25	(159)
Interest expense (contractual interest of \$46 and \$43 for the three months ended September 30, 2007 and 2006 and \$135 and \$121 for the nine months ended September 30, 2007 and 2006)	19	16	54	59
Reorganization items, net	<u>98</u>	<u>22</u>	<u>163</u>	<u>108</u>
Loss from continuing operations before income taxes	(101)	(100)	(192)	(326)
Income tax benefit (expense)	28	(54)	54	(64)
Minority interest income			2	
Equity in earnings (loss) of affiliates	<u>(1)</u>	<u>(100)</u>	<u>2</u>	<u>(107)</u>
Loss from continuing operations	(74)	(254)	(134)	(497)
Loss from discontinued operations	(54)	(27)	(172)	(70)
Equity in earnings (loss) of non-Debtor subsidiaries	<u>59</u>	<u>(75)</u>	<u>12</u>	<u>57</u>
Net loss	<u>\$ (69)</u>	<u>\$ (356)</u>	<u>\$ (294)</u>	<u>\$ (510)</u>

**DANA CORPORATION
DEBTOR IN POSSESSION
BALANCE SHEET (Unaudited)**

	September 30, 2007	December 31, 2006
Assets		
Current assets		
Cash and cash equivalents	\$ 381	\$ 216
Accounts receivable		
Trade, less allowance for doubtful accounts of \$22 in 2007 and \$23 in 2006	567	460
Other	93	71
Inventories	245	243
Assets of discontinued operations	4	237
Other current assets	43	15
Total current assets	1,333	1,242
Investments and other assets	965	875
Investments in equity affiliates	131	110
Investments in non-Debtor subsidiaries	2,202	2,292
Property, plant and equipment, net	721	689
Total assets	\$ 5,352	\$ 5,208
Liabilities and shareholders' deficit		
Current liabilities		
Debtor-in-possession financing	\$ 900	\$ —
Accounts payable	374	294
Liabilities of discontinued operations		50
Other accrued liabilities	391	343
Total current liabilities	1,665	687
Liabilities subject to compromise	4,088	4,577
Other non-current liabilities	135	76
Debtor-in-possession financing		700
Commitments and contingencies (Note 14)		
Minority interest in consolidated subsidiaries		2
Total liabilities	5,888	6,042
Shareholders' deficit	(536)	(834)
Total liabilities and shareholders' deficit	\$ 5,352	\$ 5,208

DANA CORPORATION
DEBTOR IN POSSESSION
STATEMENT OF CASH FLOWS (Unaudited)

	Nine Months Ended September 30,	
	2007	2006
Operating activities		
Net loss	\$ (294)	\$ (510)
Depreciation and amortization	102	91
Loss on sale of assets	96	
Impairment and divestiture-related charges	1	30
Reorganization items, net of payments	48	43
Equity in losses (earnings) of non-Debtor subsidiaries, net of dividends	19	(58)
Payments to VEBAs for postretirement benefits	(27)	
Changes in working capital	88	199
Other	(93)	114
Net cash flows used for operating activities	<u>(60)</u>	<u>(91)</u>
Investing activities		
Purchases of property, plant and equipment	(53)	(129)
Proceeds from sale of businesses	41	
Other	39	32
Net cash flows provided by (used for) investing activities	<u>27</u>	<u>(97)</u>
Financing activities		
Proceeds from debtor-in-possession facility	200	700
Net change in short-term debt	(2)	(546)
Net cash flows provided by financing activities	<u>198</u>	<u>154</u>
Net increase (decrease) in cash and cash equivalents	165	(34)
Cash and cash equivalents — beginning of period	216	286
Cash and cash equivalents — end of period	<u>\$ 381</u>	<u>\$ 252</u>

Note 4. Asset Disposals and Impairments, Divestitures and Acquisitions

DCC Asset Disposals and Impairments

The carrying value of the remaining DCC portfolio assets was \$77 at September 30, 2007, down from \$178 at December 31, 2006. Where applicable, these assets are adjusted quarterly to estimated fair value less cost to sell.

During the first nine months of 2007, DCC continued to dispose of assets under the terms of the Forbearance Agreement discussed in Note 2. Cash proceeds from these asset sales totaled \$104.

Two remaining DCC assets with a net book value of \$44 are equity investments. An agreement has been reached to sell one of the equity investments. In connection therewith, we recognized a loss in other income of \$5 during the third quarter of 2007. The assets underlying the one remaining equity investment have not been impaired by the investee and there is no readily determinable market value for this investment. We will recognize an impairment charge if DCC enters into an agreement to sell the remaining investment at a value below its carrying value or if we obtain other evidence that there has been an other-than-temporary decline in the fair value of the asset. Based on internally estimated current market value, DCC expects that the future sale of the remaining asset may result in a loss of \$13 to \$16.

Divestitures

In January 2007, we sold our trailer axle business manufacturing assets for \$28 in cash and recorded an after-tax gain of \$14.

In March 2007:

- We sold our engine hard parts business and received cash proceeds of \$98, of which \$12 remains escrowed pending finalization of purchase price adjustments and satisfaction of certain of our indemnification obligations. We recorded a first quarter after-tax loss of \$43 in connection with this sale.
- We sold our 30% equity interest in GETRAG Getriebe-und Zahnradfabrik Hermann Hagenmeyer GmbH & Cie KG (GETRAG) to our joint venture partner, an affiliate of GETRAG, for \$207 in cash. We had recorded an impairment charge of \$58 in the fourth quarter of 2006 to adjust this equity investment to fair value and we recorded an additional charge of \$2 after tax in the first quarter of 2007 based on the value of the investment at the time of closing.

In July and August 2007, we completed the sale of our fluid products hose and tubing business to Orhan Holding A.S. and certain of its affiliates under agreements signed in March 2007. We received aggregate cash proceeds of \$84 from these transactions and recorded an aggregate third quarter after-tax gain of \$32 in connection with the sale of this business.

[Table of Contents](#)

In August 2007, Dana and certain of our affiliates executed an axle agreement and related transaction documents providing for a series of transactions relating to our rights and obligations under two joint ventures with GETRAG and certain of its affiliates. These agreements provide for relief from non-compete provisions in various agreements restricting our ability to participate in certain markets for axle products other than through participation in the joint ventures; the grant of a call option to GETRAG to acquire Dana's ownership interests in the two joint ventures for a purchase price of \$75; Dana's payment to GETRAG of \$11 under certain conditions; the withdrawal, with prejudice, of bankruptcy claims aggregating approximately \$66 filed by GETRAG and one of the joint venture entities relating to Dana's alleged breach of certain non-compete provisions; the amendment, assumption, rejection and/or termination of certain other agreements between the parties; and the grant of certain mutual releases by Dana and various other parties. In connection with these agreements, we had recorded \$11 as liabilities subject to compromise and as a charge to other income, net in the second quarter based on our determination that the liability was probable. These agreements have been approved by the Bankruptcy Court, and the agreements are expected to close in the fourth quarter.

In September 2007, we completed the sale of our coupled fluid products business to Coupled Products Acquisition LLC for the nominal price of one dollar, with the buyer assuming certain liabilities of the business at closing, pursuant to agreements signed in May 2007. We recorded a third quarter after-tax loss of \$23 in connection with the sale of this business.

We completed the sale of a portion of the pump products business in October 2007, generating proceeds of \$7 and a nominal after-tax gain, which will be recorded in the fourth quarter.

Acquisitions

In June 2007, our subsidiary Dana Mauritius Limited (Dana Mauritius) purchased 4% of the registered capital of Dongfeng Dana Axle Co., Ltd. (a commercial vehicle axle manufacturer in China formerly known as Dongfeng Axle Co., Ltd.) from Dongfeng Motor Co., Ltd. and certain of its affiliates for \$5. Dana Mauritius has agreed, subject to certain conditions, to purchase an additional 46% equity interest in Dongfeng Dana Axle Co., Ltd. within the next three years for approximately \$55.

Note 5. Discontinued Operations

The results of operations of the engine hard parts, fluid products and pump products businesses that we have divested or are divesting are aggregated and presented as discontinued operations through their respective dates of divestiture.

[Table of Contents](#)

The results of the discontinued operations for the three and nine months ended September 30, 2007 and 2006 were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
Sales	\$ 61	\$ 334	\$ 477	\$ 987
Cost of sales	73	331	479	938
Selling, general and administrative expenses	2	18	24	51
Impairment charges		87	4	115
Realignment and other expense (income), net	(6)	(4)	44	
Loss before income taxes	(8)	(98)	(74)	(117)
Income tax benefit (expense)	3	14	(15)	15
Loss from discontinued operations	<u>\$ (5)</u>	<u>\$ (84)</u>	<u>\$ (89)</u>	<u>\$ (102)</u>

Since the fourth quarter of 2005, we have adjusted the underlying assets of the discontinued operations to their net fair value less cost to sell based on the profit outlook for these businesses, discussions with potential buyers and other factors impacting expected sale proceeds. These valuation adjustments were recorded in the discontinued operations results as impairment charges. For the three months ended September 30, 2007, realignment and other expense (income), net includes a pre-tax gain of \$13 in connection with the sale of the fluid products businesses and a charge of \$4 for a bankruptcy claim settlement. Realignment and other expense, net for the nine months ended September 30, 2007 included a charge of \$17 for settlement of pension obligations in the U.K. (see Note 6) relating to discontinued operations, \$13 for estimated bankruptcy claim settlements and \$14 of pre-tax losses associated with the sale of the engine hard parts and fluid products businesses. The impairment charges in 2006 primarily represent adjustments to the net assets of the businesses being sold to record their fair value less cost to sell. At September 30, 2007, we had reduced the assets of the pump products businesses to the extent permitted by GAAP. At the current expected selling prices, additional charges of \$2 are expected when the sales are finalized.

[Table of Contents](#)

The assets and liabilities of discontinued operations reported in the consolidated balance sheet at September 30, 2007 and December 31, 2006 consisted of the following:

	September 30, 2007	December 31, 2006
Assets of discontinued operations		
Accounts receivable	\$ 34	\$ 223
Inventories	6	123
Cash and other assets	12	40
Investments in leases		6
Total assets	<u>\$ 52</u>	<u>\$ 392</u>
Liabilities of discontinued operations		
Accounts payable	\$ 10	\$ 95
Accrued payroll and employee benefits	3	41
Other current liabilities	8	51
Other noncurrent liabilities		8
Total liabilities	<u>\$ 21</u>	<u>\$ 195</u>

In the consolidated statement of cash flows, the cash flows of discontinued operations are reported in the respective categories of cash flows, along with those of our continuing operations. Liabilities subject to compromise of discontinued operations and certain other accounts are not included in the liabilities of discontinued operations. The assets and liabilities of discontinued operations have declined due to the sale of the engine hard parts business during the first quarter and the sale of the fluid products business during the third quarter of 2007.

Note 6. Realignment of Operations

The following tables show the realignment charges and related payments, exclusive of the U.K. pension charges discussed below, recorded in our continuing operations during the three and nine months ended September 30, 2007.

	Employee Termination Benefits	Long-Lived Asset Impairment	Exit Costs	Total
Balance at June 30, 2007	\$ 28	\$ —	\$ 11	\$ 39
Activity during the period				
Charges to expense	(3)	3	7	7
Adjustments of accruals	(1)			(1)
Non-cash write-off		(3)		(3)
Cash payments	(3)		(13)	(16)
Balance at September 30, 2007	<u>\$ 21</u>	<u>\$ —</u>	<u>\$ 5</u>	<u>\$ 26</u>

[Table of Contents](#)

	Employee Termination Benefits	Long-Lived Asset Impairment	Exit Costs	Total
Balance at December 31, 2006	\$ 64	\$ —	\$ 10	\$ 74
Activity during the period				
Charges to expense	8	9	31	48
Adjustments of accruals	(25)			(25)
Non-cash write-off		(9)		(9)
Cash payments	(26)		(36)	(62)
Balance at September 30, 2007	<u>\$ 21</u>	<u>\$ —</u>	<u>\$ 5</u>	<u>\$ 26</u>

In February 2007, we announced the restructuring of pension liabilities in the U.K. As a result of the underlying agreement, we recorded \$8 of pension curtailment cost as a realignment charge in the first quarter of 2007. In April 2007, our U.K. subsidiaries settled their pension plan obligations to the plan participants through a cash payment of \$93 and the transfer of a 33% equity interest in our remaining U.K. axle and driveshaft operating businesses to the plans. Concurrent with the cash payment and equity transfer, we recorded a pension settlement charge as a realignment expense of \$128 in continuing operations and \$17 in discontinued operations.

As a consequence of the negotiations that resulted in the agreements reached with the UAW and the USW in July 2007 (see Note 10), we modified certain of our manufacturing footprint optimization plans. A facility that we previously planned to close will remain open, but we will implement work force reductions at that facility and other facilities in the affected business segment. As a result of these modifications, realignment charges for the second quarter of 2007 included a credit adjustment of \$17 to record reduced contractual employee separation cost.

The realignment charges expensed during the three months ended September 30, 2007 related primarily to the ongoing facility closure activities associated with previously announced manufacturing footprint actions, including the recognition of a post-retirement medical benefit curtailment gain of \$8.

At September 30, 2007, \$26 of realignment accruals remained in accrued liabilities, including \$21 for the reduction of approximately 1,500 employees to be completed over the next two years and \$5 for lease terminations and other exit costs. The estimated cash expenditures related to these liabilities are projected to approximate \$20 in the remainder of 2007 and \$6 thereafter. In addition to the \$26 accrued at September 30, 2007, we estimate that another \$101 will be expensed in relation to pending initiatives.

Realignment initiatives generally occur over multiple reporting periods. The following table provides project-to-date and estimated future expenses for completion of our pending realignment initiatives for the Automotive Systems Group (ASG) and the Heavy Vehicle Technologies and Systems Group (HVTSG) business units and the underlying segments.

	Expense Recognized			Estimated Cost to Complete
	Prior to 2007	Year-to- Date 2007	Total	
ASG				
Axle	\$ 42	\$ 1	\$ 43	\$ 1
Driveshaft	31	(12)	19	41
Sealing	3	1	4	1
Thermal	4	2	6	
Structures	45	14	59	58
Total ASG	125	6	131	101
HVTSG				
Commercial Vehicles	5	8	13	
Off-Highway	31	2	33	
Total HVTSG	36	10	46	
Other	17	7	24	
Total continuing operations	<u>\$ 178</u>	<u>\$ 23</u>	<u>\$ 201</u>	<u>\$ 101</u>

Note 7. Common Shares

In addition to average shares outstanding of 149.8 for the three and nine months ended September 30, 2007 and 2006, there were 0.5 shares that satisfy the definition of potentially dilutive shares for these periods. These potentially dilutive shares have been excluded from the computation of earnings per share for the three and nine months ended September 30, 2007 and 2006 as the loss from continuing operations for these periods caused the shares to have an anti-dilutive effect.

In addition, we have excluded 10.9 common shares for each of these periods from the computation of earnings per share as these shares represent stock options with exercise prices higher than the average per share trading price of our stock during the respective periods and the effect of including them would also be anti-dilutive.

Under the Plan, our common shares will be cancelled and shareholders with allowed interests will be entitled to a pro rata share of the assets, if any, that remain in a reserve after the holders of certain allowed unsecured claims have been paid in full, with interest, from such reserve. There is no assurance that the Plan will be confirmed or, if it is, that there will be any residual assets left in the reserve for the benefit of holders of Dana common shares. In fact, the Debtors do not currently anticipate that the holders of Dana common shares will receive any distribution under the Plan.

Note 8. Goodwill

Changes in goodwill during the nine months ended September 30, 2007 for the affected segments were as follows:

	<u>December 31, 2006</u>	<u>Effect of Currency and Other</u>	<u>September 30, 2007</u>
ASG			
Driveshaft	\$ 158	\$ 13	\$ 171
Sealing	24	1	25
Thermal	119	2	121
Total	<u>301</u>	<u>16</u>	<u>317</u>
HVTSG			
Off-Highway	115	3	118
Total	<u>\$ 416</u>	<u>\$ 19</u>	<u>\$ 435</u>

Note 9. Equity-Based Compensation

During the third quarter of 2007, there were no stock options, restricted shares or units or other stock-based awards granted under our equity compensation plans and no options were exercised.

The following chart shows the number of options that vested or were forfeited during the first nine months of 2007:

	<u>Number of Options</u>	<u>Weighted Average Grant Date Fair Values (in \$ per share)</u>
Non-vested at December 31, 2006	617,026	\$3.39
Vested	(367,289)	3.42
Forfeited	<u>(54,750)</u>	3.46
Non-vested at September 30, 2007	<u>194,987</u>	3.31

As of September 30, 2007, the total unrecognized compensation expense for non-vested options was less than \$1, which is being amortized over a period of approximately one year. Upon emergence, common shares of the predecessor will be cancelled and shares of a new successor company will be issued. Outstanding stock options in the predecessor will be cancelled at that time. The total fair value of options that vested during the three and nine months ended September 30, 2007 was \$0 and \$1. During the three and nine months ended September 30, 2007, we recognized nominal equity-based compensation expense. For the three and nine months ended September 30, 2006, we recognized \$0 and \$1 of expense.

Note 10. Pension and Postretirement Benefit Plans

We provide defined contribution and defined benefit, qualified and nonqualified, pension plans for certain employees. We also provide other postretirement benefits, including medical and life insurance, for certain employees following retirement.

Components of net periodic benefit costs for the three and nine months ended September 30, 2007 and 2006 were as follows:

	Three Months Ended September 30,			
	Pension Benefits		Other Benefits	
	2007	2006	2007	2006
Service cost	\$ 5	\$ 11	\$ 2	\$ 2
Interest cost	34	42	16	23
Expected return on plan assets	(40)	(50)		
Amortization of prior service cost				(3)
Recognized net actuarial loss	7	8	1	10
Net periodic benefit cost	\$ 6	\$ 11	\$ 19	\$ 32
Curtailment (gain) loss	6		(8)	
Settlement loss	13	3		
Net periodic benefit cost after curtailment and settlements	\$ 25	\$ 14	\$ 11	\$ 32

	Nine Months Ended September 30,			
	Pension Benefits		Other Benefits	
	2007	2006	2007	2006
Service cost	\$ 30	\$ 34	\$ 5	\$ 8
Interest cost	116	124	58	68
Expected return on plan assets	(138)	(151)		
Amortization of prior service cost		2	(6)	(10)
Recognized net actuarial loss	21	24	15	30
Net periodic benefit cost	\$ 29	\$ 33	\$ 72	\$ 96
Curtailment (gain) loss	6		(8)	
Settlement (gain) loss	158	14	(12)	
Net periodic benefit cost after curtailment and settlements	\$ 193	\$ 47	\$ 52	\$ 96

In March 2007, the Bankruptcy Court approved the elimination of postretirement healthcare benefits for active non-union employees in the U.S. This action reduced our accumulated postretirement benefit obligation (APBO) for postretirement healthcare by \$115 in the first quarter. Because the elimination of these benefits reduced benefits previously earned, it was considered a negative plan amendment. Accordingly, the reduction in the APBO was offset by a credit to other comprehensive income (OCI) which is being amortized to income as an offset to pension expense.

Table of Contents

During the first quarter of 2007, the sale of the engine hard parts business resulted in a postretirement medical plan settlement gain of \$12. As described in Note 6, the restructuring of pension liabilities in the U.K. generated a pension curtailment charge of \$8 in the first quarter of 2007 and a settlement charge of \$145 during the second quarter of 2007.

In May 2007, we reached an agreement with the Retiree Committee to make cash contributions of \$78 to a VEBA trust for non-pension retiree benefits in exchange for release of the Debtors from obligations for postretirement health and welfare benefits for non-union retirees in the U.S. A payment of \$25 was made in June 2007. In May 2007, we also made a \$2.25 payment to the International Association of Machinists (IAM) to resolve all claims for non-pension retiree benefits after June 30, 2007 for retirees and active employees represented by the IAM. As a result of these actions, we reduced our APBO by \$303, with \$80 being offset by the payment obligation to the VEBAs and \$223 being credited to OCI.

The elimination of retiree medical benefits for non-union employees in March 2007 and the agreement with the Retiree Committee on behalf of such employees in May 2007 necessitated the remeasurement of U.S. postretirement medical benefits as of June 30, 2007. The discount rate used for remeasurement was 6.29% versus 5.88% used at December 31, 2006.

In June 2007, we amended our U.S. pension plans for non-union employees to freeze service credits and benefit accruals effective July 1, 2007. In connection with this action, we recorded a curtailment charge of \$3 during the second quarter of 2007 and certain plan assets and liabilities were remeasured. The resulting funded status of all our U.S. pension plans (non-union and union) at June 30, 2007 was a net liability of \$19, as compared to a net liability of \$103 at December 31, 2006. Unamortized pension loss in AOCI was reduced to \$335 at June 30, 2007 from \$433 at December 31, 2006 and continues to be amortized to income over an actuarially determined period.

In July 2007, we entered into settlement agreements with the UAW and USW. Some provisions of the agreements, such as wage structure modifications and buyouts for certain eligible employees represented by the UAW and the USW (the union-represented employees), were effective upon the Bankruptcy Court's approval of the settlement agreements in August.

Other provisions will be implemented on January 1, 2008 or on the date of emergence from bankruptcy, whichever is later. Under these provisions, we have agreed to:

- modify healthcare, long-term and short-term disability and life insurance benefits for covered union-represented employees;
- freeze credited service and benefit accruals under our defined benefit pension plans for union-represented employees;
- make contributions, based on an allowed hours formula, to a USW pension trust, which will provide future pension benefits for covered union-represented employees;

Table of Contents

- eliminate non-pension retiree benefits (postretirement healthcare and life insurance benefits) for union-represented employees and retirees;
- contribute an aggregate of \$722 in cash (less certain offsets, including amounts paid for non-pension retiree benefit claims of union-represented retirees incurred between July 1, 2007 and January 1, 2008 or the date of emergence, if later) to separate UAW- and USW-administered VEBAs to provide non-pension retiree benefits, as determined by the VEBA trustees, to eligible union-represented retirees after our emergence from bankruptcy;
- eliminate long-term disability and related healthcare benefits for union-represented employees receiving, or entitled to receive, disability benefits; and
- contribute an aggregate of \$42 in cash (less certain offsets, including amounts paid for long-term disability and related healthcare benefit claims of eligible union-represented employees after June 30, 2007) to the VEBAs to provide disability benefits, as determined by the VEBA trustees, to such employees after our emergence from bankruptcy.

These actions, when implemented on the later of January 1, 2008 or on the date of our emergence from bankruptcy, are expected to eliminate our remaining APBO for non-pension retiree benefits in the U.S. (\$953 as of September 30, 2007). Although we expect to implement these actions, under certain circumstances (such as termination of the Centerbridge investment commitments) they may not be implemented as currently contemplated or at all. Accordingly, no recognition has been given to the effects of the benefit actions referenced in the preceding paragraph as of September 30, 2007.

During the third quarter of 2007, lump sum distributions from one of the pension plans reached a level requiring recognition of \$12 as pension settlement expense. The portions attributable to divested operations and manufacturing footprint actions amounted to \$4 and \$5 and were included in discontinued operations and realignment charges. The exercise of employee early retirement incentives, resulting from the settlement agreements with the unions, generated pension plan curtailment losses of \$5 which are included in reorganization items, net. The lump sum distributions and the reversal of the decision to close a facility required a remeasurement of two plans which reduced our pension obligation by \$42 resulting in a credit to OCI. Completion of a facility closure in the third quarter of 2007 resulted in recognition of a postretirement medical plan curtailment gain of \$8 in realignment charges.

Note 11. Comprehensive Income (Loss)

Comprehensive income (loss) includes our net loss and components of OCI such as deferred currency translation gains and losses that are charged or credited directly to shareholders' deficit.

The components of our total comprehensive income (loss) for the three and nine months ended September 30, 2007 and 2006 were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
Net loss	\$ (69)	\$ (356)	\$ (294)	\$ (510)
Other comprehensive income (loss):				
Deferred translation gain	61	(6)	128	84
Postretirement healthcare plan revisions			338	
Pension plan revisions	51		114	
Reclassification to net loss of:				
Benefit plan amortization	10		28	
U.K. pension settlement			144	
GETRAG deferred translation and pension			(93)	
Income tax provision	(4)		(77)	
Other	(10)		10	
Total comprehensive income (loss)	<u>\$ 39</u>	<u>\$ (362)</u>	<u>\$ 298</u>	<u>\$ (426)</u>

The \$61 deferred translation gain reported for the three months ended September 30, 2007 resulted primarily from a further weakening of the U.S. dollar in relation to the euro (\$20), the Brazilian real (\$16), the Canadian dollar (\$13) and the Australian dollar (\$5). For the nine months ended September 30, 2007, the Brazilian real (\$50), the euro (\$33), the Canadian dollar (\$22) and the Australian dollar (\$13) all strengthened relative to the U.S. dollar, contributing to a deferred translation gain of \$128.

OCI for the three months ended September 30, 2007 includes the reclassification to net income of \$9 for settlements relating to lump sum distributions from a salaried pension plan and \$10 for the amortization of unamortized benefit plan losses. The plan remeasurement resulting from the lump sum distributions in the salaried plan reduced our pension obligations and increased OCI for the quarter ended September 30, 2007 by \$35. In addition, OCI for the quarter includes a \$7 credit related to the remeasurement of a plan affected by our decision in the second quarter of 2007 to retain a facility that had been identified in 2006 for closure. The plan remeasurement was not completed until the third quarter and reporting the \$7 in the current period does not have a material effect on OCI for either the current or the previous quarter. OCI for the nine months ended September 30, 2007 includes an additional credit of \$63 related to pension plan modifications, \$223 resulting from settlements reached with the Retiree Committee and the IAM (see Note 10) and \$115 from the termination of postretirement healthcare coverage for active non-union employees (see Note 10). Amortization of benefit plan losses for the nine months totals \$28. OCI for the nine months ended September 30, 2007 also includes an increase of \$144 related to the April settlement of U.K. pension liabilities, effected through a cash payment and transfer of an equity interest in our U.K. axle and driveshaft operating businesses (see Note 6). The reclassification of \$93 to net loss related to a deferred translation gain and unamortized pension expense associated with our equity investment in GETRAG, which we sold in March 2007.

See Note 16 for a discussion of the tax provision.

The \$6 deferred translation loss reported for the three months ended September 30, 2006 was due to a weaker euro (\$7) and South African rand (\$3), offset in part by a stronger British pound (\$3). The \$84 deferred gain for the nine months ended September 30, 2006 was due to a stronger euro (\$53), Brazilian real (\$22) and British pound (\$18), partially offset by a weaker rand (\$9).

Note 12. Cash Deposits

At September 30, 2007, cash and cash equivalents held in the U.S. amounted to \$381. Included in this amount was \$72 of cash deposits that provide credit enhancement for certain lease agreements and support surety bonds that enable us to self-insure our workers' compensation obligations in certain states and fund an escrow account required to appeal a judgment rendered in Texas. Cash held by DCC of \$12 is restricted under the terms of the Forbearance Agreement discussed in Note 2 and is reported separately as restricted cash.

At September 30, 2007, cash and cash equivalents held outside the U.S. amounted to \$654. Included in this amount was \$23 of cash deposits that provide credit enhancement for certain lease agreements and support surety bonds that enable us to self-insure certain employee benefit obligations.

The cash deposits other than DCC's cash are not considered restricted as they could be replaced by letters of credit available under our DIP Credit Agreement (discussed in Note 13). Availability at September 30, 2007 was adequate to cover the deposits for which replacement by letters of credit is permitted.

A substantial portion of our non-U.S. cash and cash equivalents is needed for working capital and other operating purposes. Several countries have local regulatory requirements that significantly restrict the ability of the Debtors to access this cash. In addition, at September 30, 2007, \$78 was held by consolidated entities that have minority interests with varying levels of participation rights involving cash withdrawals. Beyond these restrictions, there are practical limitations on repatriation of cash from certain countries because of the resulting tax cost.

Note 13. Financing Agreements

DIP Credit Agreement

Dana Corporation, as borrower, and its Debtor subsidiaries, as guarantors, are parties to the DIP Credit Agreement that was approved by the Bankruptcy Court in March 2006. Under the DIP Credit Agreement, we currently have a \$650 revolving credit facility and a \$900 term loan facility. In the first quarter of 2007, the original term loan facility was increased by \$200 and we reduced the original revolving credit facility by \$100 to correspond with the lower availability in our collateral base. For a discussion of the terms of the DIP Credit Agreement, see Note 10 to our consolidated financial statements in Item 8 of our 2006 Form 10-K.

[Table of Contents](#)

At September 30, 2007, we had borrowed \$900 under the DIP Credit Agreement. Based on our borrowing base collateral, we had availability at that date under the DIP Credit Agreement of \$249 after deducting the \$100 minimum availability requirement and \$230 for outstanding letters of credit. All obligations under the DIP Credit Agreement will become due and payable no later than March 2008. We expect to refinance these obligations as part of our plan of reorganization. However, since refinancing these obligations on a long-term basis is not presently assured, we have classified the borrowings under the DIP Credit Agreement as a current liability at September 30, 2007.

Canadian Credit Agreement

Dana Canada Corporation (Dana Canada) as borrower, and certain of its Canadian affiliates, as guarantors, are parties to a credit agreement (the Canadian Credit Agreement) that provides Dana Canada with a \$100 revolving credit facility, of which \$5 is available for the issuance of letters of credit. For a discussion of the terms of the Canadian Credit Agreement, see Note 10 to our consolidated financial statements in Item 8 of our 2006 Form 10-K. Based on Dana Canada's borrowing base collateral at September 30, 2007, it had availability under the Canadian Credit Agreement of \$65 after deducting the \$20 minimum availability requirement and \$2 for outstanding letters of credit. Dana Canada had no borrowing under this agreement at September 30, 2007.

European Receivables Loan Facility

In July 2007, certain of Dana's European subsidiaries established a five-year accounts receivable securitization facility under which the euro equivalent of up to \$225 in financing will be available to those subsidiaries when the securitization processes are completed in all countries. For a discussion of this facility and the receivables program, see Note 13 to our condensed consolidated financial statements in Item 1 of Part I of our second quarter 2007 Form 10-Q. At September 30, 2007, there was availability of \$37 in countries that have started securitization and there were borrowings under this facility equivalent to \$30 recorded as notes payable. The proceeds from the borrowings were used for operations and the repayment of intercompany debt.

DCC Notes

See Note 2 for information about DCC's outstanding notes and the Forbearance Agreement among DCC and most of its noteholders.

United Kingdom Financing

During the first quarter of 2007, in connection with the restructuring and settlement of our U.K. pension obligations (see Note 6), we borrowed GBP 35 under an interim bank loan which has an October 31, 2007 maturity date. As of September 30, 2007, this bank loan had been repaid.

Note 14. Commitments and Contingencies

Impact of Our Bankruptcy Filing

During our Chapter 11 reorganization proceedings, most actions against us relating to pre-petition liabilities are automatically stayed. Substantially all of our pre-petition liabilities will be addressed under our plan of reorganization or pursuant to orders of the Bankruptcy Court.

Class Action Lawsuit and Derivative Actions

A securities class action entitled *Howard Frank v. Michael J. Burns and Robert C. Richter* was originally filed in October 2005 in the U.S. District Court for the Northern District of Ohio, naming Dana's Chief Executive Officer, Michael J. Burns, and former Chief Financial Officer, Robert C. Richter, as defendants. In a consolidated complaint filed in August 2006, the lead plaintiff alleged violations of the U.S. securities laws and claimed that the price at which Dana's shares traded at various times between April 2004 and October 2005 was artificially inflated as a result of the defendants' alleged wrongdoing. In June 2007, the District Court denied the lead plaintiff's motion for an order partially lifting the statutory discovery stay which would have enabled the plaintiff to obtain copies of certain documents produced to the SEC. By order dated August 21, 2007, the District Court granted the defendants' motion to dismiss the consolidated complaint and entered a judgment closing the case. In September 2007, the plaintiff filed a notice of appeal from the District Court's order and judgment.

A shareholder derivative action entitled *Roberta Casden v. Michael J. Burns, et al.* was originally filed in the U.S. District Court for the Northern District of Ohio in March 2006 on behalf of Dana. An amended complaint filed in August 2006 added non-derivative class claims on behalf of holders of Dana shares on the day of its bankruptcy filing alleging, among other things, that Dana's bankruptcy filing had been made in bad faith. In June 2006, the District Court stayed the derivative claims, deferring to the Bankruptcy Court on those claims. In July 2007, the District Court dismissed the non-derivative class claims asserted in the amended complaint and entered a judgment closing the case. In August 2007, the plaintiff filed a notice of appeal from the District Court's order and judgment. A second shareholder derivative action, *Steven Staehr v. Michael J. Burns, et al.*, remains stayed in the U.S. District Court for the Northern District of Ohio.

SEC Investigation

We are continuing to cooperate with the SEC in its investigation with respect to matters related to the restatement of our financial statements for the first two quarters of 2005 and fiscal years 2002 through 2004.

Legal Proceedings Arising in the Ordinary Course of Business

We are a party 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 environmental laws. We have reviewed these pending legal proceedings, including the probable outcomes, our reasonably anticipated costs and expenses, the availability and limits of our insurance coverage and surety bonds and our established reserves for uninsured liabilities.

Further information about these legal proceedings follows, including information about our accruals for the liabilities that may arise from such proceedings. We accrue for contingent liabilities at the time when we believe they are both probable and estimable. We review our assessments of probability and estimability as new information becomes available and adjust our accruals quarterly, if appropriate. With respect to liabilities subject to compromise in the bankruptcy proceedings, we consider the potential settlement outcomes in determining whether the liabilities are probable and estimable. Since we do not accrue for contingent liabilities that we believe are probable unless we can reasonably estimate the amounts of such liabilities, our actual liabilities may exceed the amounts we have recorded.

We do not believe that any liabilities that may result from these proceedings are reasonably likely to have a material adverse effect on our liquidity or financial condition; however, bankruptcy claim settlements could result in charges materially impacting results of operations.

Asbestos-Related Personal Injury Liabilities

We had approximately 55,000 active pending asbestos-related product liability claims at September 30, 2007, including approximately 6,000 claims that were settled but awaiting final documentation and payment. The number of active pending claims was reduced as tort reform and other initiatives in the State of Mississippi resulted in the dismissal of 17,000 claims. Due to the nature of these dismissed claims, the impact on the estimated liability was not significant. On October 26, 2007, Dana filed a motion with the Bankruptcy Court seeking approval to resolve an additional 7,500 pending cases. The estimated total payments for these settlements, if all claimants are able to submit the required proof to support their claims, would approximate \$2. We project costs for asbestos-related product liability claims using the methodology that is discussed in Note 17 to our consolidated financial statements in Item 8 of our 2006 Form 10-K. We had accrued \$138 for indemnity and defense costs for pending and future claims at September 30, 2007.

Prior to 2006, we reached agreements with some of our insurers to commute policies covering asbestos-related product liability claims. There were no commutations of insurance in the first three quarters of 2007. At September 30, 2007, our liability for future demands under prior commutations was \$11, bringing our total recorded liability for asbestos-related product liability claims to \$149.

At September 30, 2007, we had recorded \$71 as an asset for probable recovery from our insurers for pending and projected asbestos-related product liability claims. The recorded asset does not represent the limits of our insurance coverage, but rather the amount we would expect to recover if we paid the accrued indemnity and defense costs.

In addition, we had a net amount recoverable from our insurers and others of \$17 at September 30, 2007. The recoverable represents reimbursements for settled asbestos-related product liability claims, including billings in progress and amounts subject to alternate dispute resolution proceedings with some of our insurers.

Under the Plan, the Debtors propose that their asbestos-related personal injury claims be reinstated upon emergence and that the reorganized Debtors will defend, settle and resolve such pending claims and future demands in the ordinary course of business.

Other Product Liabilities

We had accrued \$11 for non-asbestos product liabilities at September 30, 2007, with no recovery expected from third parties. We estimate these liabilities based on assumptions about the value of the claims and about the likelihood of recoveries against us derived from our historical experience and current information.

Environmental Liabilities

We had accrued \$60 for environmental liabilities at September 30, 2007. We estimate these liabilities based on the most probable method of remediation, current laws and regulations and existing technology. Our estimates are made on an undiscounted basis and exclude the effects of inflation. If there is a range of equally probable remediation methods or outcomes, we accrue the lower end of the range. The difference between our minimum and maximum estimates for these liabilities was \$1 at September 30, 2007. Included in this accrual are amounts relating to the Hamilton Avenue Industrial Park site in New Jersey, where we are one of four potentially responsible parties under the Comprehensive Environmental Response, Compensation and Liability Act (Superfund). The Debtors are pursuing a final estimation of this claim through a court proceeding in the Bankruptcy Court. Previously, the Bankruptcy Court entered an order approving an estimation process and scheduling a hearing for January 2008 to determine the amount of the Debtors' liability relating to the Hamilton Avenue Industrial Park site and certain other sites. However, the United States Environmental Protection Agency (EPA) filed and is prosecuting a motion in the United States District Court for the Southern District of New York seeking to have the estimation proceeding conducted in the District Court instead of the Bankruptcy Court. The EPA also has sought a 60-day extension of the estimation schedule established by the Bankruptcy Court. At this time, the court that will hear the estimation proceeding has not been determined. The Debtors do not expect this issue to delay their emergence from bankruptcy.

Other Liabilities Related to Asbestos Claims

After the Center for Claims Resolution (CCR) discontinued negotiating shared settlements for asbestos claims for its member companies in 2001, some former CCR members defaulted on the payment of their shares of some settlements and some settling claimants sought payment of the unpaid shares from other members of the CCR at the time of the settlements, including Dana. Through September 30, 2007, we had paid \$47 to such claimants and collected \$29 from our insurance carriers with respect to these claims. At September 30, 2007, we had a net receivable of \$13 for the amount that we expect to recover from available insurance and surety bonds relating to these claims. We are continuing to pursue insurance collections with respect to such claims paid prior to the Filing Date.

Assumptions Regarding Asbestos-Related Liabilities

The amounts we have recorded for asbestos-related liabilities and recoveries are based on assumptions and estimates reasonably derived from our historical experience and current information. The actual amount of our liability for asbestos-related claims and the effect on us could differ materially from our current expectations if our assumptions about the outcome of the pending unresolved asbestos-related product liability claims, the volume and outcome of projected future asbestos-related product liability claims, the outcome of

[Table of Contents](#)

claims relating to the CCR-negotiated settlements, the costs to resolve these claims, or the amount of available insurance and surety bonds prove to be incorrect, or if U.S. federal legislation impacting asbestos personal injury claims is enacted. Although we have projected our liability for future asbestos-related product liability claims based upon historical trend data that we consider to be reliable, there is no assurance that our actual liability will not differ from what we currently project.

Note 15. Warranty Obligations

We record a liability for estimated warranty obligations at the dates our products are sold. Adjustments are made as new information becomes available. Our warranty activity for the three months and nine months ended September 30, 2007 and 2006 was as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
Balance, beginning of period	\$ 89	\$ 95	\$ 90	\$ 91
Amounts accrued for current period sales	16	12	47	37
Adjustments of prior accrual estimates	(2)	(3)		(2)
Settlements of warranty claims	(11)	(14)	(46)	(38)
Foreign currency translation and other	2	(1)	3	1
Balance, end of period	<u>\$ 94</u>	<u>\$ 89</u>	<u>\$ 94</u>	<u>\$ 89</u>

We have been notified by a European customer that a quality matter relating to a specific product supplied by Dana could potentially result in warranty claims. Our customer has advised us of alleged vehicle performance issues which may be potentially attributable to our product. We are currently investigating the information provided by our customer and performing product testing to ascertain whether the reported performance failures are attributable to our product. At September 30, 2007, no liability had been recorded for this matter as the information currently available to us is insufficient to assess our liability, if any.

Note 16. Income Taxes

Income taxes are accounted for in accordance with SFAS No. 109, "Accounting for Income Taxes." Current and deferred income tax assets and liabilities are recognized based on events which have occurred and are measured under enacted tax laws. Based on our history of losses and our near-term profit outlook, we have established 100% valuation allowances against our U.S. deferred tax assets. Similar valuation allowances are recorded in other countries such as the U.K. where, based on the profit outlook, realization of the deferred taxes does not satisfy the more likely than not recognition criterion.

The tax expense or benefit recorded in continuing operations is generally determined without regard to other categories of earnings, such as a loss from discontinued operations or OCI. An exception is provided if there is aggregate pre-tax income from other categories and a pre-tax loss from continuing operations, even if a valuation allowance has been established against deferred tax assets as of the beginning of the year. The tax benefit allocated to continuing operations is the amount by which the loss from continuing operations reduces the tax expense recorded with respect to the other categories of earnings.

[Table of Contents](#)

Prior to considering the effect of income taxes, our operations in the U.S. reported OCI of \$444 for the nine months ended September 30, 2007, primarily as a result of amending its pension and other postretirement benefit plans. The exception described in the preceding paragraph resulted in a year-to-date charge to OCI of \$77. An offsetting tax benefit was attributed to continuing operations; however, the benefits recorded in continuing operations for the three months and nine months ended September 30, 2007 were limited to \$34 and \$60 due to interperiod tax allocation rules, leaving a deferred credit balance of \$17 in other accrued liabilities as of September 30, 2007. The amount to be recognized in the fourth quarter of 2007 will be affected by the OCI and pre-tax loss from continuing operations reported for the period by our operations in the U.S.

With the exception of the \$60 of income tax benefits recorded in continuing operations for the nine months ended September 30, 2007, we have not recognized tax benefits on losses generated since 2005 in several countries, including the U.S. and the U.K., where the recent history of operating losses does not allow us to satisfy the “more likely than not” criterion for realization of deferred tax assets. This is the primary factor which causes the tax benefit of \$3 for the three months and the tax expense of \$15 for the nine months ended September 30, 2007 to differ from expected tax benefits of \$23 and \$71 at the U.S. federal statutory rate of 35%. This is also the primary factor which causes the tax expense of \$20 and \$78 for the three and nine months ended September 30, 2006 to differ from the expected tax benefits of \$86 and \$118 using the 35% rate.

We adopted the provisions of FASB Interpretation No. 48, “Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109” (FIN 48), on January 1, 2007, and credited retained earnings for the initial impact of approximately \$3. As of the adoption date, we had gross unrecognized tax benefits of \$137, of which \$112 can be reduced by net operating loss (NOL) carryforwards, and other timing adjustments. The net amount of \$25, if recognized, would affect our effective tax rate. Unrecognized tax benefits are the difference between a tax position taken, or expected to be taken, in a tax return and the benefit recognized for accounting purposes pursuant to FIN 48. We recognize interest and penalties related to unrecognized tax benefits in income tax expense.

We conduct business globally and, as a result, file income tax returns in multiple jurisdictions and are subject to examination by taxing authorities throughout the world. With few exceptions, we are no longer subject to U.S. federal, state and local or foreign income tax examinations for years before 1999. The 1999 — 2002 U.S. federal audits are closed except for a determination of the treatment of certain leasing transactions. The closing agreement on this transaction is expected to be finalized by the end of 2007, and the effect, if any, on the financial statements is not expected to be material. We are currently under audit by the U.S. Internal Revenue Service for the 2003 to 2005 tax years. The examination phase of this audit is expected to be completed early in 2008.

[Table of Contents](#)

As of September 30, 2007, the total amount of gross unrecognized tax benefits was \$51, of which \$30, if recognized, would impact the effective tax rate. The gross unrecognized tax benefits decrease of \$86 from January 1, 2007 was caused by our continuing assessment of certain and uncertain tax positions. If matters for 1999 through 2005 are settled with the U.S. Internal Revenue Service within the next 12 months, the total amounts of unrecognized tax benefits for all open tax years may be modified. Audit outcomes and the timing of the audit settlements are subject to significant uncertainty; therefore, we cannot make an estimate of the impact on earnings at this time. As discussed in Note 2, we have included accrued liabilities for income taxes of the Debtors in liabilities subject to compromise. These tax liabilities will be settled on emergence from bankruptcy.

German tax laws enacted in July 2007 will limit the future utilization of NOLs for companies that change ownership after December 31, 2007. If our emergence from bankruptcy occurs after December 31, this law would have an adverse impact on our ability to realize our deferred tax assets in Germany related to NOL's. We are currently reviewing tax planning strategies to utilize some or all of these NOL's prior to December 31, 2007. The deferred tax asset at risk due to this law change is approximately \$5. Tax reforms in Mexico enacted in October 2007 will reduce our tax rate beginning on January 1, 2008, and we will reduce our deferred tax liability during the fourth quarter. The lower rate will have a favorable impact on the taxation of our operations in Mexico beginning in 2008. Tax legislation enacted in other jurisdictions, including the U.K. and State of Michigan, during the third quarter of 2007 did not have a material effect on our financial statements.

Note 17. Other Income, Net

	Three Months		Nine Months	
	Ended September 30,		Ended September 30,	
	2007	2006	2007	2006
Interest income	\$ 12	\$ 8	\$ 29	\$ 28
DCC income, net	(4)	10	14	33
Divestiture gains		15	12	15
Foreign exchange gain (loss),net	17	(1)	36	2
Claim settlement			(11)	
Government grants	4	3	10	7
Rental income	2	2	5	3
Other, net	(1)	7	13	26
Other income, net	<u>\$ 30</u>	<u>\$ 44</u>	<u>\$ 108</u>	<u>\$ 114</u>

Foreign currency denominated intercompany loans valued at \$254 at September 30, 2007 by the Debtors to certain non-U.S. operations have been determined to no longer be permanently invested. As such, the foreign exchange gains on these loans of \$21 and \$43 for the three and nine months ended September 30, 2007 are now included in Foreign exchange gain (loss), net above, rather than as translation gain in other comprehensive income. The claim settlement charge of \$11 represents the estimated costs to settle a contractual matter with an investor in one of our equity investments.

Note 18. Segments

SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information" (SFAS No. 131), establishes standards for reporting information about operating segments and related disclosures about products and services and geographic locations. SFAS No. 131 requires reporting on a single basis of segmentation. The components that management establishes for purposes of making decisions about an enterprise's operating matters are referred to as "operating segments." We currently have seven operating segments within two manufacturing business units (ASG and HVTSG). ASG consists of five operating segments: Axle, Driveshaft, Sealing, Thermal and Structures. HVTSG consists of two operating segments: Commercial Vehicle and Off-Highway.

Management also monitors shared services operations that are not part of the operating segments, trailing liabilities of closed operations and other administrative costs.

Management evaluates DCC as if it were accounted for under the equity method of accounting rather than on the fully consolidated basis used for external reporting. DCC is included as a reconciling item between the segment results and our income (loss) from continuing operations before income taxes.

At the start of 2007, we modified the methodology underlying the transfer pricing on certain sales from the Axle and Driveshaft segments to the Commercial Vehicle segment. For comparability purposes, segment profits in 2006 have been adjusted to be consistent with the new profit allocation used by management to evaluate segment performance.

Earnings before interest and taxes (EBIT) is the key internal measure of performance used by management as a measure of profitability for our segments. EBIT, a non-GAAP financial measure, excludes equity in earnings of affiliates. It includes sales, cost of sales, SG&A and certain reorganization items and other income (expense) items, net. Certain nonrecurring and unusual items like goodwill impairment, certain realignment charges and divestiture gains and losses are excluded from segment EBIT. EBIT is a critical component of earnings before interest, taxes, depreciation, amortization, realignment and reorganization charges (EBITDAR), which is a measure used to determine compliance with our DIP Credit Agreement financial covenants.

[Table of Contents](#)

We used the following information to evaluate our operating segments for the three months ended September 30, 2007 and 2006:

	External Sales	Inter-Segment Sales	Segment EBIT
2007			
ASG			
Axle	\$ 657	\$ 26	\$ 9
Driveshaft	291	60	15
Sealing	173	4	8
Thermal	69	1	2
Structures	257	5	7
Eliminations and other	8	(68)	(6)
Total ASG	1,455	28	35
HVTSG			
Commercial Vehicle	303	(1)	9
Off-Highway	371	11	30
Eliminations and other		(8)	(2)
Total HVTSG	674	2	37
Other Operations	1	9	
Eliminations		(39)	
Total	<u>\$ 2,130</u>	<u>\$ —</u>	<u>\$ 72</u>
2006			
ASG			
Axle	\$ 501	\$ 24	\$ (16)
Driveshaft	279	48	24
Sealing	164	7	11
Thermal	65	1	4
Structures	257	6	(16)
Eliminations and other	14	(53)	(7)
Total ASG	1,280	33	
HVTSG			
Commercial Vehicle	435	2	14
Off-Highway	288	11	29
Eliminations and other		(11)	(2)
Total HVTSG	723	2	41
Other Operations	6	11	
Eliminations		(46)	
Total	<u>\$ 2,009</u>	<u>\$ —</u>	<u>\$ 41</u>

[Table of Contents](#)

We used the following information to evaluate our operating segments for the nine months ended September 30, 2007 and 2006:

	External Sales	Inter-Segment Sales	Segment EBIT
2007			
ASG			
Axle	\$ 1,984	\$ 76	\$ 12
Driveshaft	884	170	46
Sealing	539	17	35
Thermal	220	5	11
Structures	806	14	36
Eliminations and other	20	(198)	(23)
Total ASG	4,453	84	117
HVTSG			
Commercial Vehicle	950	1	21
Off-Highway	1,158	32	107
Eliminations and other		(27)	(6)
Total HVTSG	2,108	6	122
Other Operations	3	26	
Eliminations		(116)	
Total	<u>\$ 6,564</u>	<u>\$ —</u>	<u>\$ 239</u>
2006			
ASG			
Axle	\$ 1,704	\$ 51	\$ (21)
Driveshaft	849	108	80
Sealing	519	23	44
Thermal	220	3	25
Structures	914	24	(3)
Eliminations and other	74	(120)	(31)
Total ASG	4,280	89	94
HVTSG			
Commercial Vehicle	1,291	6	22
Off-Highway	918	29	89
Eliminations and other		(29)	(7)
Total HVTSG	2,209	6	104
Other Operations	17	35	
Eliminations		(130)	
Total	<u>\$ 6,506</u>	<u>\$ —</u>	<u>\$ 198</u>

[Table of Contents](#)

The following table reconciles segment EBIT to the consolidated income (loss) from continuing operations before income tax:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
Segment EBIT	\$ 72	\$ 41	\$ 239	\$ 198
Shared services and administrative	(31)	(33)	(109)	(139)
Closed operations not in segments	(2)	(9)	(7)	(33)
DCC EBIT	(5)	4	14	19
Impairment of other assets		(211)		(226)
Reorganization items, net	(98)	(25)	(173)	(114)
Interest expense	(27)	(24)	(78)	(89)
Foreign exchange not in segments	18	1	41	3
Realignment not in segments	(6)		(156)	
Other income (loss)	12	10	27	44
Loss from continuing operations before income taxes	<u>\$ (67)</u>	<u>\$ (246)</u>	<u>\$ (202)</u>	<u>\$ (337)</u>

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(Dollars in millions)

Management's discussion and analysis of financial condition and results of operations should be read in conjunction with the financial statements and accompanying notes in this report.

Management Overview

We are a leading supplier of axle, driveshaft, structures, sealing and thermal products and we design and manufacture products for every major vehicle producer in the world. We are focused on being an essential partner to automotive, commercial truck and off-highway vehicle customers. We employ approximately 36,000 people in 26 countries. Our world headquarters is in Toledo, Ohio. Our Internet address is www.dana.com.

We are currently operating under Chapter 11 of the Bankruptcy Code. The Bankruptcy Cases are discussed in detail in Note 2 to our financial statements in Item 1 of Part I. Our reorganization goals are to maximize enterprise value during the reorganization process and to emerge from Chapter 11 as soon as practicable as a sustainable, viable company.

Business Strategy

We are utilizing the reorganization process to effect fundamental changes that will improve our distressed U.S. operations. This is critical to us, as our worldwide operations are highly integrated for the manufacture and assembly of our products. Therefore, while we are continuing to grow overseas, our long-term viability depends on our ability to return our U.S. operations to sustainable profitability.

During 2007, we have been successfully implementing our reorganization initiatives. While our U.S. operations continue to generate losses and consume substantial amounts of cash, our efforts to improve our margins and reduce costs are favorably impacting our performance and helping to mitigate the underlying industry challenges and difficult business conditions. We are depending upon divestiture proceeds, repatriating available cash from our overseas operations, and loans under our DIP Credit Agreement to meet our liquidity needs for 2007. However, we cannot depend on those sources of funding indefinitely. We expect the reorganization actions summarized herein and incorporated in our Plan to enable our U.S. operations to become substantially less dependent on returns from our foreign operations in the future.

As we successfully implement the initiatives that we have reported previously, we expect to emerge from bankruptcy as a sustainable, viable business. These initiatives, which require the cooperation of all of our key business constituencies — customers, vendors, employees and retirees - - are:

- Achieve improved margins for our products by obtaining substantial price increases from our customers;
- Restructure our wage and benefit programs to create an appropriate labor and benefit cost structure;

Table of Contents

- Address the excessive costs and funding requirements of the legacy postretirement benefit liabilities that we have accumulated over the years, in part from prior divestitures and closed operations;
- Achieve a permanent reduction and realignment of our overhead costs; and
- Optimize our manufacturing “footprint” by substantially repositioning our production to lower cost countries.

Achievement of many of our objectives has enabled us to mitigate the effects of the significantly curtailed production forecasts since the second half of 2006 by some of our largest domestic customers, particularly in the production of SUVs and pickup trucks, which represent the primary market for our products in the U.S. These production cuts are adversely impacting our sales in 2007 in the light vehicle market. Weaker demand in the U.S. heavy-duty and medium-duty truck markets in 2007 as a result of pre-buying in 2006 ahead of new emissions rules is also negatively impacting our 2007 performance. However, we expect that our reorganization initiatives, when fully implemented, will achieve viable long-term U.S. operations despite a challenged U.S. automotive industry and a cyclical commercial vehicle market.

We have made the following progress on our reorganization initiatives:

- *Product Profitability*

Following a detailed review of our product programs to identify unprofitable contracts and meetings with our customers and their advisors to address under-performing programs, we have finalized most of the documentation for agreements with customers resulting in aggregate pricing improvements of approximately \$180 on an annualized basis. Certain of these agreements required the approval of the Bankruptcy Court, which was obtained in September and October 2007.

- *Labor and Benefit Costs*

In June 2007, we amended our U.S. pension plans for non-union employees to freeze service credits and benefit accruals effective July 1, 2007. Actions to reduce other non-union employee benefits, such as disability and healthcare, were previously implemented.

In July 2007, we entered into settlement agreements (subsequently approved by the Bankruptcy Court) with two primary unions representing our active U.S. employees — the UAW and the USW — which resolve our collective bargaining issues with these unions and, when fully implemented, will help us achieve our labor cost reduction goal. These agreements provide for (i) union master agreements and collective bargaining agreements for UAW- and USW-represented employees at our U.S. facilities until June 2011, and (ii) wage structure modifications and modifications to healthcare, short-term disability, and life insurance benefits for the covered union employees.

The UAW and USW settlement agreements also provide for a freeze of credited service and benefit accruals under our defined benefit pension plans for UAW- and USW-represented employees, effective on the later of January 1, 2008 or the effective date of our plan of reorganization, and for the replacement of future benefits with matching company contributions to a USW pension trust for some such employees. Although we expect to obtain the above benefits from the union settlement agreements, under certain circumstances involving termination of the Centerbridge investment commitments, these agreements may not be implemented.

Our labor and benefits cost reduction goal was \$60-\$90 of annual cost savings. With the actions referred to above and other previously implemented actions, the annualized cost savings are expected to approximate \$70.

- *Other Postretirement Employee Benefits*

In March 2007, we reached an agreement with the Retiree Committee (subsequently executed in May after approval by the Bankruptcy Court) to make a \$78 cash contribution to a VEBA trust for non-pension retiree benefits for our non-union retirees, in exchange for release of our obligations for postretirement health and welfare benefits for such retirees after June 30, 2007. We also reached an agreement with the IAM (subsequently approved by the Bankruptcy Court) to pay \$2.25 to resolve all IAM claims after June 30, 2007 for non-pension retiree benefits for retirees and active employees represented by the IAM.

In April 2007, we eliminated retiree healthcare benefits coverage for our active non-union U.S. employees.

Under the UAW and USW settlement agreements, we will eliminate long-term disability, healthcare, and life insurance benefits for UAW- and USW-represented employees and retirees, effective on the later of January 1, 2008 or the effective date of our plan of reorganization, and the UAW and the USW will establish separate, union-specific VEBAs to provide such benefits to eligible union-represented employees and retirees after that date. We have agreed to contribute to the VEBAs an aggregate cash amount of up to \$764 (less amounts incurred by UAW- and USW-represented employees between July 1, 2007 and January 1, 2008 for long-term disability, healthcare and life insurance claims).

As a result of these actions, we will eliminate our U.S. postretirement healthcare obligations, resulting in annualized cost savings of approximately \$90.

- *Overhead Costs*

We are continuing to analyze and implement initiatives to reduce overhead costs. Additional reductions in overhead will occur as a result of a remaining divestiture and reorganization activities. We expect our reductions in overhead spending to contribute annual expense savings of \$40 to \$50.

- *Manufacturing Footprint*

We have identified a number of manufacturing and assembly plants that carry an excessive cost structure or have excess capacity and closed certain locations and consolidated their operations into lower cost facilities in other countries or into U.S. facilities that currently have excess capacity. During 2007, we completed the closure of eleven facilities. Closures of four facilities are in various stages of progress, and other locations are in various stages of implementing work force reductions. Over the long term, we continue to expect our manufacturing footprint actions to reduce our annual operating costs by \$60 to \$85.

Our customer pricing initiatives and labor and benefit actions, certain of which are subject to future events, are substantially completed. The manufacturing footprint and overhead reduction actions are in process and progressing largely as planned. We are solidly on course to achieve our goal of aggregate annual pre-tax profit improvement of \$405 to \$540 from our reorganization initiatives, when fully implemented, and we expect these actions to contribute between \$175 and \$200 to our base plan forecast for 2007 (*i.e.*, our initial base forecast based on 2006 ending production levels, before inclusion of the benefits of any of the initiatives) as we continue to phase them in during the year.

As reported elsewhere in this report, we are also completing previously announced divestures.

In January 2007, we sold our trailer axle business manufacturing assets for \$28 in cash and recorded an after-tax gain of \$14.

In March 2007:

- We sold our engine hard parts business and received cash proceeds of \$98 of which \$12 remains escrowed pending finalization of purchase price adjustments and satisfaction of certain of our indemnification obligations. We recorded a first quarter after-tax loss of \$43 in connection with this sale.
- We sold our 30% equity interest in GETRAG to our joint venture partner, an affiliate of GETRAG, for \$207 in cash. We had recorded an impairment charge of \$58 in the fourth quarter of 2006 to adjust this equity investment to fair value and we recorded an additional charge of \$2 in the first quarter of 2007 based on value of the investment at the time of closing.

In July and August 2007, we completed the sale of our fluid products hose and tubing business to Orhan Holding A.S. and certain of its affiliates under agreements signed in March 2007. We received aggregate cash proceeds of \$84 from these transactions and recorded an aggregate third quarter after-tax gain of \$32 in connection with the sale of this business.

In August 2007, Dana and certain of our affiliates executed an axle agreement and related transaction documents providing for a series of transactions relating to our rights and obligations under two joint ventures with GETRAG and certain of its affiliates. These agreements provide for relief from non-compete provisions in various agreements restricting our ability to participate in certain markets for axle products other than through participation in the joint ventures; the grant of a call option to GETRAG to acquire Dana's ownership interests

[Table of Contents](#)

in the two joint ventures for a purchase price of \$75; Dana's payment to GETRAG of \$11 under certain conditions; the withdrawal, with prejudice, of bankruptcy claims aggregating approximately \$66 filed by GETRAG and one of the joint venture entities relating to Dana's alleged breach of certain non-compete provisions; the amendment, assumption, rejection and/or termination of certain other agreements between the parties; and the grant of certain mutual releases by Dana and various other parties. In connection with these agreements, we had recorded \$11 as liabilities subject to compromise and as a charge to other income, net in the second quarter based on our determination that the liability was probable. These agreements have been approved by the Bankruptcy Court, and the agreements are expected to close in the fourth quarter.

In September 2007, we completed the sale of our coupled fluid products business to Coupled Products Acquisition LLC for the nominal price of one dollar, with the buyer assuming certain liabilities of the business at closing, pursuant to agreements signed in May 2007. We recorded a third-quarter after-tax loss of \$23 in connection with the sale of this business.

We completed the sale of a portion of the pump products business in October 2007, generating proceeds of \$7 and a nominal after-tax gain which will be recorded in the fourth quarter.

Reorganization Proceedings under Chapter 11 of the Bankruptcy Code

The Bankruptcy Cases

Dana Corporation and forty of its wholly-owned domestic subsidiaries (collectively, the Debtors) are operating under Chapter 11 of the Bankruptcy Code. The Debtors' Chapter 11 cases have been consolidated in the Bankruptcy Court for the Southern District of New York under the caption *In re Dana Corporation, et al.*, Case No. 06-10354 (BRL). Neither DCC and its subsidiaries nor any of Dana's non-U.S. subsidiaries are Debtors.

During the bankruptcy proceedings, investments in Dana securities are highly speculative. Although shares of our common stock continue to trade on the OTC Bulletin Board under the symbol "DCNAQ," the opportunity for any recovery by shareholders under a confirmed plan of reorganization is uncertain. If the Plan that was filed with the Bankruptcy Court on October 23, 2007 is ultimately confirmed, Dana common shares will be cancelled and shareholders with allowed interests will be entitled to a pro rata share of the assets, if any, that remain in a reserve after the holders of allowed unsecured claims have been paid in full, with interest, from such reserve. There is no assurance that the Plan will be confirmed or, if it is, that there will be any residual assets left in the reserve for the benefit of holders of Dana common shares. In fact, the Debtors do not currently anticipate that the holders of Dana common shares will receive any distribution under the Plan.

The Bankruptcy Cases are being jointly administered, with the Debtors managing their businesses as debtors in possession subject to the supervision of the Bankruptcy Court. We are continuing normal business operations during the bankruptcy process and taking steps to reduce costs, increase efficiency and enhance productivity so that we can emerge from bankruptcy as a stronger, more viable company.

Table of Contents

Official committees of the Debtors' unsecured creditors (the Creditors Committee) and retirees not represented by unions (the Retiree Committee) have been appointed in the Bankruptcy Cases. The Debtors bear certain of the committees' costs and expenses, including those of their counsel and other professional advisors. An official committee of Dana's equity security holders was also appointed and subsequently disbanded.

Under the Bankruptcy Code, the Debtors have the right to assume or reject executory contracts (*i.e.*, contracts that are to be performed by the parties after the Filing Date) and unexpired leases, subject to Bankruptcy Court approval and other limitations. The Bankruptcy Court has approved the Debtors' assumption and rejection of certain executory contracts and unexpired leases. The Plan and certain procedures approved by the Bankruptcy Court address the proposed treatment of outstanding executory contracts and unexpired leases upon the Debtors' emergence from bankruptcy.

The Bankruptcy Court has entered an order establishing procedures for trading in claims and equity securities that is designed to protect the Debtors' potentially valuable tax attributes (such as NOL carryforwards). Under the order, holders or acquirers of 4.75% or more of Dana's common shares are subject to certain notice and consent procedures before acquiring or disposing of the shares. Holders of claims against the Debtors that would entitle them to more than 4.75% of the common shares of reorganized Dana under a confirmed plan of reorganization utilizing the tax benefits provided under Section 382(l)(5) of the Internal Revenue Code may be required to sell down the excess claims if necessary to implement such a plan of reorganization. However, in accordance with the agreement with the new investors, the Plan contemplates utilizing tax benefits under Section 382(l)(6) of the Internal Revenue Code, rather than Section 382(l)(5). Accordingly, under the Plan, no sell-down will be required.

Pre-petition Claims

Most persons and entities asserting pre-petition claims (with the exception of, among others, asbestos-related personal injury claims and claims resulting from the future rejection of executory contracts and unexpired leases) against the Debtors were required to file proofs of claim in the Bankruptcy Cases by September 21, 2006. Proofs of claim alleging rights to payment for financing, trade debt, employee obligations, environmental matters, commercial damages and other litigation-based liabilities, tax liabilities and other matters in a total amount of approximately \$27,215 (as well as certain unliquidated amounts) were filed by that date. In addition, another \$48 in liabilities, for which no proof of claim was filed, is listed in our schedules of assets and liabilities as undisputed, non-contingent and liquidated, and thus is deemed to be asserted as claims under the Bankruptcy Code.

Of the claims filed, the Debtors have so far identified claims totaling approximately \$24,468 that they believe should be disallowed, primarily because they appear to be amended, duplicative, withdrawn by the creditor, without basis for the claim, late filed or are solely equity-based. Of these claims (or portions of claims), approximately \$22,244 had been disallowed by the Bankruptcy Court, withdrawn by the creditors or eliminated by settlement through October 2007. The Debtors are continuing to evaluate the remaining filed claims and, as appropriate, to file and prosecute additional claim objections with the Bankruptcy Court or to address claims through settlement or alternate dispute resolution procedures. The Plan addresses the proposed treatment of allowed claims and provides for the resolution of remaining claims after emergence from Chapter 11.

[Table of Contents](#)

Under the Plan, the Debtors propose that asbestos-related personal injury claims be reinstated upon emergence and that the reorganized Debtors will defend, settle and resolve such pending and future claims in the ordinary course of business. In addition, certain pension liabilities will remain an obligation of the reorganized Debtors.

Pre-petition Debt

Our bankruptcy filing triggered the immediate acceleration of certain of our direct financial obligations, including, among others, an aggregate of \$1,623 in principal and accrued interest on outstanding unsecured notes issued under our 1997, 2001, 2002 and 2004 indentures. Such amounts are characterized as unsecured debt for purposes of the reorganization proceedings and the related obligations are classified as liabilities subject to compromise in our consolidated balance sheet as of September 30, 2007. In accordance with SOP 90-7, following the Filing Date, we discontinued recording interest expense on debt classified as liabilities subject to compromise. The Plan addresses the proposed treatment of the claims of the holders of these notes upon our emergence.

Reorganization Initiatives

It is critical to the Debtors' successful emergence from bankruptcy that they: (i) maintain positive margins for their products through substantial price increases obtained from their customers; (ii) continue to recover or otherwise provide for increased material costs through renegotiation or rejection of various customer programs; (iii) realize the restructured wage and benefit programs from settlement agreements with two primary unions which eliminate the excessive cash requirements of the legacy pension and other postretirement benefit liabilities accumulated over the years; (iv) realize the benefits of changes in the manufacturing footprint that eliminated excess capacity, closed and consolidated facilities and repositioned operations in lower cost countries and (v) continue the permanent reduction and realignment of their overhead costs. The steps that the Debtors have taken to accomplish these goals are discussed in Item 2 of Part I.

Plan of Reorganization

As stated above, the Debtors filed the most recent version of their Plan and the related Disclosure Statement with the Bankruptcy Court on October 23, 2007. On October 23, 2007, the Bankruptcy Court approved the Disclosure Statement authorizing the Debtors to begin soliciting votes from their creditors to accept or reject the Plan. By that order, the Bankruptcy Court determined the Disclosure Statement contains adequate information for creditors who are entitled to vote on the Plan. The hearing at which the Bankruptcy Court will consider conformation of the Plan is scheduled to commence on December 10, 2007.

[Table of Contents](#)

As discussed above, the Plan and the Disclosure Statement describes the anticipated organization, operations, and financing of reorganized Debtors if the Plan is confirmed by the Bankruptcy Court and becomes effective. Among other things, the Plan incorporates certain provisions of the following agreements that are discussed in Note 19 to our consolidated financial statements in Item 1 of Part I of our second-quarter 2007 Form 10-Q as well as in Current Report on Form 8-K that Dana filed with the SEC on October 25, 2007: (i) the Settlement Agreements; (ii) the Investment Agreement; and (iii) the Backstop Commitment Letter. Under the Plan Support Agreement, if a plan of reorganization does not become effective by February 28, 2008, certain individual supporting creditors may withdraw their support and if one does not become effective by May 1, 2008, our Plan Support Agreement will expire.

The Disclosure Statement contains certain information about the Debtors' prepetition operating and financial history, the events leading up to the commencement of the Bankruptcy Cases, and significant events that have occurred during the Bankruptcy Cases. The Disclosure Statement also describes the terms and provisions of the Plan including certain effects of confirmation of the Plan, certain risk factors associated with securities to be issued under the Plan, certain alternatives to the Plan, the manner in which distributions will be made under the Plan, and the confirmation process and the voting procedures that holders of claims and interests entitled to vote under the Plan must follow for their votes to be counted.

Continuation as a Going Concern

Our financial statements have been prepared on a going-concern basis, which contemplates continuity of operations, realization of assets and liquidation of liabilities in the ordinary course of business. As a result of our bankruptcy filing, such realization of assets and liquidation of liabilities is subject to uncertainty. While operating as debtors in possession under the protection of Chapter 11 of the Bankruptcy Code, the Debtors may sell or otherwise dispose of assets and liquidate or settle liabilities for amounts other than those recorded in our financial statements, subject to Bankruptcy Court approval or as otherwise permitted in the ordinary course of business. Our financial statements as of September 30, 2007 do not give effect to all the adjustments to the carrying value of assets and liabilities that may become necessary as a consequence of our reorganization.

Our continuation as a going concern is contingent upon our ability to: (i) comply with the terms and conditions of the DIP Credit Agreement; (ii) obtain confirmation of a plan of reorganization under the Bankruptcy Code; (iii) generate sufficient cash flow from operations, and (iv) obtain financing sources to meet our future obligations. Although we are taking steps to achieve these objectives, there is no assurance that we will be successful in doing so or that any measures that are achievable will result in sufficient improvement to our financial position. Accordingly, until such time as we emerge from bankruptcy, there is no certainty about our ability to continue as a going concern. If our reorganization is not completed successfully, we could be forced to sell a significant portion of our assets to retire debt outstanding or, under certain circumstances, to cease operations.

DCC Notes

At the time of our bankruptcy filing, DCC had outstanding notes totaling approximately \$399. In December 2006, DCC and most of its noteholders executed a Forbearance Agreement under which (i) the forbearing noteholders agreed not to exercise their rights or remedies with respect to the DCC notes for a period of 24 months (or until the effective date of Dana's plan of reorganization), during which time DCC is endeavoring to sell its remaining asset portfolio in an orderly manner and use the proceeds to pay down the notes and (ii) DCC agreed to pay the forbearing noteholders their pro rata share of any excess cash it maintains in the U.S. greater than \$7.5 on a quarterly basis. At September 30, 2007, the amount of principal outstanding under the DCC notes was \$138. In October 2007, DCC made a \$5 payment to the forbearing noteholders, consisting of \$2 of principal and \$3 of interest.

Contemporaneously with the execution of the Forbearance Agreement, Dana and DCC executed a Settlement Agreement whereby they agreed to the discontinuance of a tax sharing agreement between them and to a stipulated amount of a general unsecured claim owed by Dana to DCC of \$325 (the DCC Claim). Under the Plan, upon emergence, the Debtors propose to satisfy DCC's outstanding liability for the then-outstanding DCC notes in full satisfaction of the DCC Claim.

Business Units

We manage our operations globally through two business units — ASG and HVTSG. ASG focuses on the automotive market and primarily supports light vehicle original equipment manufacturers (OEMs) with products for light trucks, SUVs, CUVs, vans and passenger cars. ASG has five operating segments focused on specific products for the automotive market: Axle, Driveshaft, Structures, Sealing and Thermal.

HVTSG supports the OEMs of medium-duty (Classes 5-7) and heavy-duty (Class 8) commercial vehicles (primarily trucks and buses) and off-highway vehicles (primarily wheeled vehicles used in construction and agricultural applications). HVTSG has two operating segments focused on specific markets: Commercial Vehicle and Off-Highway.

Trends in Our Markets

North American Light Vehicle Market

Production Levels

North American light vehicle production levels were 2.9% higher in the third quarter of 2007 than in the third quarter of 2006, and 2.5% lower for the first nine months of 2007 compared to 2006. In the light truck segment, third quarter production levels were up 8.2% over 2006, while nine-month production was up about 1%. The comparatively higher third quarter production is due to a number of our major light truck customers significantly reducing 2006 production levels to bring inventory levels in line with unit sales. Within the light truck segment, while overall production was slightly up in the first nine months of 2007, production of medium and full size pick-up trucks and SUVs declined due to consumer concerns about high fuel prices and increased preferences for more fuel efficient CUVs. The light truck platforms which generate the highest sales for us are primarily medium and full size pick-up trucks and SUVs; however, a number of our newer programs involve CUVs (*source: Global Insight*).

[Table of Contents](#)

Lower light truck production levels during the second half of 2006 helped bring inventory levels down. Days supply of light truck inventories in the U.S. was 67 at September 30, 2007 as compared to 76 at the same time a year ago. Light truck U.S. sales in the third quarter of 2007 were down only slightly from this year's second quarter, as higher incentives were introduced. Combined with lower segments production, inventory of 67 days improved from 76 at June 30, 2007. While inventories are currently in line with sales, high fuel prices and a weaker housing market could put potential pressure on fourth quarter sales — leading to a cautious near term outlook for light truck production levels (*source: Wards Automotive*).

Overall North American light vehicle production in 2007 is currently forecast to be around 15.0 million units, slightly lower than 2006 production of 15.3 million units (*source: Global Insight & Wards Automotive*).

OEM Mix

The declining sales of light vehicles (especially light trucks, which generally have a higher profit margin than passenger cars) in North America, as well as losses of market share to competitors such as Toyota and Nissan, continue to put pressure on three of our largest light vehicle customers: Ford, GM and Chrysler. These three customers accounted for 77% of light truck production in North America in the first nine months of 2006. Their share of nine-month 2007 production was 75% (*source: Global Insight*). While our current bankruptcy reorganization has provided us with some relief from the price reduction pressures applied by these major customers, we expect any continuing loss of their market shares could result in renewed pricing pressure in order for us to retain existing business and be awarded new business. Our product profitability initiative discussed in "Business Strategy" above specifically addresses our efforts to improve our pricing.

Commodity Costs

Another challenge we face is the high cost of steel and other raw materials, which has had a significant adverse impact on our results, and those of other North American automotive suppliers, for over three years. Steel suppliers began assessing price surcharges and increasing base prices during the first half of 2004, and prices since then have remained at considerably higher levels.

Two commonly used market-based indicators — the Tri Cities Scrap Index for #1 bundled scrap steel (which represents the monthly average costs in the Chicago, Cleveland and Pittsburgh ferrous scrap markets, as posted by American Metal Market, and is used by our domestic steel suppliers to determine our monthly surcharge) and the spot market price for hot-rolled sheet steel — illustrate the impact. Average scrap steel prices on the Tri Cities index during 2007 were nearly twice the scrap prices at the end of 2003, and spot market hot-rolled sheet steel prices during 2007 are about one and a half times higher. After subsiding some during the second half of 2006, scrap prices on the Tri Cities index increased in 2007 — with the average price for the first nine months of 2007 being about 5% higher than the average for the comparable 2006 period. In the case of hot-rolled steel, spot prices during the first six months of 2007 have dropped, with average nine month 2007 spot prices about 12% lower than the comparable 2006 period. At current consumption levels, we estimate that our annualized cost of raw steel is approximately \$140 higher than it would have been using prices at the end of 2003. We have taken actions to mitigate the impact of these increases, including consolidating purchases, taking advantage of our customers'

resale programs where possible, finding new global steel sources, identifying alternative materials and redesigning our products to be less dependent on higher cost steel grades.

During the latter part of 2005 and throughout 2006, cost increases for raw materials other than steel were also significant. Average prices for nickel (which is used to manufacture stainless steel) and aluminum increased significantly, up about 60% and 37% over 2005 prices. During the first nine months of this year, aluminum prices declined about 7% from the beginning of the year. Nickel prices continued to increase through May but have declined since then to a level at September 30, 2007 that is about 20% below that at the start of the year. On a nine month year-to-date basis, aluminum prices in 2007 were about 7% higher than 2006, while stainless steel prices were up around 65%.

As discussed above, our reorganization initiatives include working with our customers to recover a greater portion of our commodity materials costs.

Automotive Supplier Bankruptcies

Several major U.S. automotive suppliers, in addition to Dana, have filed for protection under Chapter 11 of the Bankruptcy Code since early 2005, including Tower Automotive, Inc., Collins & Aikman Corporation, Delphi Corporation and Dura Automotive Systems, Inc. These bankruptcy filings indicate stress in the North American light vehicle market that could lead to further filings or to competitor or customer reorganizations or consolidations that could impact the marketplace and our business.

North American Commercial Vehicle Market

Production Cyclicalities

The North American commercial vehicle market was strong during 2006, primarily due to pre-buying of heavy-duty (Class 8) and medium-duty (Class 5-7) trucks in advance of the more stringent U.S. emission regulations that took effect at the beginning of 2007 and increased the prices of these trucks. As a result of the pre-buying, North American commercial vehicle truck build was expected to be down considerably in 2007.

Third quarter 2007 production of Class 8 vehicles in North America was down about 52% from the third quarter of 2006, and Class 5-7 medium-duty production was down 28% for the same period. Class 8 and medium-duty order backlogs at September 30, 2007 were off 54% and 62% from the same time last year. Full year 2007 production of Class 8 vehicles is expected to be around 200,000 units, compared to 369,000 units in 2006, and medium-duty truck build is forecast at about 200,000 units in 2007 compared to 265,000 units in 2006 (*source: ACT*).

Commodity Costs

The high commodity costs, in particular steel, affecting the North American light vehicle market have also impacted the commercial vehicle market, but this impact has been partially mitigated by our ability to recover material cost increases from our Commercial Vehicle customers.

New Business

A continuing major focus for us is growing our revenue through new business. Based on awards to date, we expect net new business to contribute approximately \$270 and \$165 to our sales in 2007 and 2008. Our level of net new business is lower in 2007 than in recent years. This is due, in part, to the end of some of our larger customer programs in 2006, including programs to supply certain structural products to Ford and certain axle products to a GM affiliate in Australia. Our 2008 net new business projection takes into consideration sales reductions that we anticipate next year due to the co-sourcing of a structural products program with Ford. While continuing to support Ford, GM and Chrysler, we are striving to diversify our sales across a broader customer base. Approximately 80% of our current book of net new business involves customers other than Ford, GM and Chrysler, and approximately 90% of this business is with other automotive manufacturers based outside North America.

United States Profitability

Our U.S. operations have generated losses before income taxes during the past five years aggregating more than \$2,000. While numerous factors have contributed to our lack of profitability in the U.S., paramount among them are those discussed earlier in this report: high raw material costs that we have been absorbing, customer price reductions that have reduced our margins, competition from suppliers in countries with lower labor costs, and accumulated retiree healthcare costs disproportionate to the scale of our current business.

As indicated in Note 3 to the financial statements in Item 1 of Part I, during the first nine months of 2007, the Debtor companies (comprised of our U.S. operations other than DCC), incurred pre-tax losses from continuing operations of \$192, including \$163 of net reorganization costs. After adjusting for the reorganization items, the pre-tax loss was \$29 for the first nine months of the year, with the third quarter of 2007 showing pre-tax loss before reorganization items of \$3. While the third quarter results benefited from some nonrecurring currency transaction gains, the results include improvement due to the customer pricing, employee and retiree benefits, and SG&A reorganization actions discussed earlier in this section. The cost savings associated with most of the benefits program modifications under the settlement agreement with the unions are not reflected in the 2007 results. Similarly, the benefits of the manufacturing footprint actions are longer-term. With the addition of these cost savings we expect to see continued improvement in U.S. profitability.

Results of Operations — Summary (Third Quarter 2007 versus Third Quarter 2006)

	For the Three Months Ended		
	September 30,		
	2007	2006	Change
Net sales	\$ 2,130	\$ 2,009	\$ 121
Cost of sales	2,017	1,952	65
Gross margin	113	57	56
Selling, general and administrative expenses	79	85	(6)
Gross margin less SG&A*	34	(28)	62
Other costs and expenses			
Realignment charges	\$ 6	\$ 2	\$ 4
Impairment of other assets		211	(211)
Other income, net	30	44	(14)
Total expense (income)	(24)	169	(193)
Income (loss) from continuing operations before interest, reorganization items and income taxes	\$ 58	\$ (197)	\$ 255
Loss from continuing operations	\$ (64)	\$ (272)	\$ 208
Loss from discontinued operations	\$ (5)	\$ (84)	\$ 79
Net loss	\$ (69)	\$ (356)	\$ 287

* Gross margin less SG&A is a non-GAAP financial measure derived by excluding realignment charges, impairments and other income, net from the most closely related GAAP measure, which is income from continuing operations before interest, reorganization items and income taxes. We believe this non-GAAP measure is useful for an understanding of our ongoing operations because it excludes other income and expense items which are generally not expected to be part of our ongoing business. Certain reclassifications were made to conform 2006 to the 2007 reporting schedules.

Results of Operations (Third Quarter 2007 versus Third Quarter 2006)

The tables below show changes in our sales by geographic region, business unit and segment for the three months ended September 30, 2007 and 2006.

Geographical Sales Analysis

	2007	2006	Increase/ (Decrease)	Amount of Change Due To		
				Currency Effects	Acquisitions/ Divestitures	Organic Change
North America	\$ 1,155	\$ 1,213	\$ (58)	\$ 8	\$ (31)	\$ (35)
Europe	526	429	97	38		59
South America	277	221	56	22		34
Asia Pacific	172	146	26	18	(5)	13
Total	\$ 2,130	\$ 2,009	\$ 121	\$ 86	\$ (36)	\$ 71

Segment Sales Analysis

	2007	2006	Increase/ (Decrease)	Amount of Change Due To		
				Currency Effects	Acquisitions/ Divestitures	Organic Change
ASG						
Axle	\$ 657	\$ 501	\$ 156	\$ 28		\$ 128
Driveshaft	291	279	12	16		(4)
Sealing	173	164	9	6		3
Thermal	69	65	4	5		(1)
Structures	257	257		6		(6)
Other	8	14	(6)			(6)
Total ASG	1,455	1,280	175	61		114
HVTSG						
Commercial Vehicle	303	435	(132)	4	(36)	(100)
Off-Highway	371	288	83	21		62
Total HVTSG	674	723	(49)	25	(36)	(38)
Other Operations	1	6	(5)			(5)
Total	\$ 2,130	\$ 2,009	\$ 121	\$ 86	\$ (36)	\$ 71

Regional Review

Total sales of \$2,130 in the third quarter of 2007 were \$121 higher than in the third quarter of 2006. Currency translation effects, primarily from a stronger euro, increased sales by \$86, while divestitures reduced year over year sales by \$36. New business and higher overall production levels in certain of our key markets resulted in an organic sales increase of \$71.

[Table of Contents](#)

The third quarter of 2007 organic sales decline of 2.9% in North America was driven primarily by lower production in the commercial vehicle markets. Production levels of Class 8 trucks were down 52% and medium-duty production was 28% lower compared to the third quarter of 2006. North American light vehicle production in the third quarter of 2007 was up 2.9% compared to the same period in 2006. Also, partially offsetting the commercial vehicle production decreases was the impact of higher pricing from our reorganization initiatives which contributed about \$45 as discussed in the "Business Strategy" section.

In Europe, the sales increase of \$97 included a positive translation impact of \$38 — mostly from a stronger euro. The organic increase of \$59 was in large part due to strong production levels in the off-highway market where we have a significant European presence and to new business with European customers. The organic sales increase in South America was due to higher light vehicle production levels and new customer programs.

Business Segment Review

Reorganization-related pricing improvements contributed approximately \$42 to organic sales in our ASG segments in third quarter of 2007, with the remainder coming from higher production levels and new business. In our Axle segment, pricing improvements and new business programs generated the higher sales. Our Driveshaft segment sells to the commercial vehicle market as well as the light vehicle market. The significant decline in commercial vehicle production levels more than offset stronger light duty production levels leading to a slight decline in this unit's organic sales. Neither the Thermal nor Sealing segment benefited significantly from pricing improvement or new business; consequently, the organic sales change in these operations was primarily due to production level changes and business mix. In Structures, higher sales due to stronger production levels and improved pricing were offset by the expiration of a frame program with Ford in 2006.

In HVTSG, our Commercial Vehicle segment is heavily concentrated in the North American market and the organic sales decline of 23% in this segment was primarily due to the drop in North American production levels. Organic sales in the Off-Highway segment have benefited from stronger production levels and sales from new programs. With its significant European presence, this segment's sales also benefited from the stronger euro.

[Table of Contents](#)

The chart below shows our business unit and segment margin analysis for the three months ended September 30, 2007 and 2006:

	As a Percentage of Sales		Increase / (Decrease)
	2007	2006	
Gross margin:			
ASG	4.6%	3.0%	1.6%
Axle	2.8	(1.0)	3.8
Driveshaft	5.7	9.4	(3.7)
Sealing	11.0	13.6	(2.6)
Thermal	7.5	9.3	(1.8)
Structures	3.9	(4.7)	8.6
HVTSG	9.0	7.7	1.3
Commercial Vehicle	6.6	5.0	1.6
Off-Highway	10.6	11.2	(0.6)
Selling, general and administrative expenses:			
ASG	2.8%	3.9%	(1.1)%
Axle	2.3	2.6	(0.3)
Driveshaft	1.8	3.6	(1.8)
Sealing	7.0	7.6	(0.6)
Thermal	5.0	3.4	1.6
Structures	1.4	2.1	(0.7)
HVTSG	3.3	3.2	0.1
Commercial Vehicle	3.9	3.1	0.8
Off-Highway	2.3	2.5	(0.2)
Gross margin less SG&A:*			
ASG	1.8%	(0.9)%	2.7%
Axle	0.5	(3.6)	4.1
Driveshaft	3.9	5.8	(1.9)
Sealing	4.0	6.0	(2.0)
Thermal	2.5	5.9	(3.4)
Structures	2.5	(6.8)	9.3
HVTSG	5.7	4.5	1.2
Commercial Vehicle	2.7	1.9	0.8
Off-Highway	8.3	8.7	(0.4)
Consolidated	1.6	(1.4)	3.0

* Gross margin less SG&A is a non-GAAP financial measure derived by excluding realignment charges, impairments and other income, net from the most closely related GAAP measure, which is income from continuing operations before interest, reorganization items and income taxes. We believe this non-GAAP measure is useful for an understanding of our ongoing operations because it excludes other income and expense items which are generally not expected to be part of our ongoing business. Certain reclassifications were made to conform 2006 to the 2007 reporting structures.

Table of Contents

In ASG, gross margin less SG&A was 1.8% as compared to the (0.9)% in the third quarter of 2006. In the Axle segment, gross margin less SG&A as a percent of sales was up 4.1% from 2006. The reorganization related pricing improvement contributed approximately \$17 to 2007 margin. Although sales in this segment were stronger, adverse sales mix — higher sales on programs with lower margins — negatively impacted margins. Gross margin less SG&A in the Driveshaft segment was down 1.9%. In addition to the light vehicle market, this segment supplies product to the commercial vehicle market where production levels in 2007 were down substantially. Driveshaft sales to the North American commercial vehicle market were approximately \$35 lower than last year. This decline was partially offset by higher sales to the light vehicle market. Margins on sales to the light vehicle market, however, are lower, resulting in an overall margin decline. Also negatively impacting margins were higher premium freight and warranty costs of \$4. Benefiting margins was customer pricing improvement of about \$5. In the Sealing segment, the margin reduction of 2.0% of sales was due principally to higher material costs for stainless steel and nickel. Higher raw material costs, most notably aluminum, also reduced margins in our Thermal segment. Margins in Thermal were also negatively impacted by start-up costs associated with new operations in Hungary and Mexico and some new program launch costs. The Structures segment had quarter-over-quarter gross margin less SG&A improvement of 9.3%, primarily due to \$16 of pricing improvement.

Gross margin less SG&A in HVTSG improved from 4.5% in the third quarter of 2006 to 5.7% in the third quarter of 2007. Commercial Vehicle gross margin less SG&A as a percent of sales improved 0.8% as the margin reduction associated with the lower production levels and loss of the trailer axle business was more than offset by pricing improvement of \$5, lower material and warranty costs, and reduced SG&A. Price increases with certain major customers in this segment were implemented in the second half of 2006, with additional pricing improvement coming from the reorganization actions discussed in the "Business Strategy" section. In the Off-Highway segment, there was a margin decline of 0.4% of sales. The margin improvement from higher sales was partially offset by higher warranty costs of \$4. The 2006 results of this segment benefited from \$3 of one-time benefits. Exclusive of these benefits, year-over-year margins improved by 0.6%.

Corporate expenses and other costs not allocated to the business units reduced gross margins less SG&A by 1.4% for the third quarter of 2007 as compared to 2.5% in the same period in 2006, thereby contributing to the 3.0% improvement in consolidated gross margin less SG&A. The margin improvement was due primarily to lower employee benefit costs resulting from the actions discussed in the "Business Strategy" section and to manpower and other cost reductions.

Realignment Charges

Realignment charges during the third quarter of 2007 were primarily costs incurred in connection with the continuing manufacturing footprint optimization actions described in the "Business Strategy" section.

Other Income (Expense)

During 2007, certain intercompany loans receivable held by the Debtors that were previously designated as invested indefinitely were identified for repayment through near-term repatriation actions. As a consequence, exchange rate movements on these loans generated currency gains of \$21 during the third quarter offset by other currency losses, net, of \$4. The increase resulting from the higher foreign exchange gains on these loans was more than offset by lower DCC income of \$16 and the inclusion in 2006 of \$15 of gains from divestitures. See Note 17 to the financial statements in Item 1 of Part I for additional components of other income.

Interest Expense

As a result of our Chapter 11 reorganization process, a substantial portion of our debt obligations are now subject to compromise. Effective with our filing for reorganization under Chapter 11, interest expense is no longer accrued on these obligations. The post-filing interest expense not recognized in the three month periods ended September 30, 2007 and 2006 on these obligations amounted to \$27 in 2007 and 2006.

Reorganization Items

Reorganization items are expenses directly attributed to our Chapter 11 reorganization process. See Note 3 to our financial statements in Item 1 of Part I of this report for a summary of these costs. Higher professional advisory fees in 2007 were due in part to costs associated with the completion of the settlement agreements with the unions and the filing of our Plan. Higher contract rejection and claim settlement costs resulted from specific actions relative to contract settlements to facilitate the reorganization process.

Income Tax Benefit (Expense)

Based on our likely inability to realize U.S. deferred tax assets, except as described below, we did not recognize tax benefits on U.S. losses generated during 2007 and 2006. This is the principal reason that tax benefit of \$3 for the three months ended September 30, 2007 is significantly less than the \$23 of expected benefit derived by applying a marginal tax rate of 35%. As a result of the significant amount of OCI reported for the three months ended September 30, 2007, we recognized a U.S. tax benefit of \$34 in continuing operations for the same period. (See Note 16 to the financial statements in Item 1 of Part I for additional information regarding the determination of this benefit.) The inability to recognize U.S. tax benefits in 2006 was the primary reason that we recorded tax expense of \$20 on \$246 of pre-tax losses from continuing operations in the third quarter of 2006.

Results of Operations — Summary (Year-to-Date 2007 versus Year-to-Date 2006)

	For the Nine Months Ended		
	September 30,		
	2007	2006	Change
Net sales	\$ 6,564	\$ 6,506	\$ 58
Cost of sales	6,201	6,209	(8)
Gross margin	363	297	66
Selling, general and administrative expenses	263	315	(52)
Gross margin less SG&A*	100	(18)	118
Other costs and expenses			
Realignment charges	\$ 159	\$ 4	\$ 155
Impairment of other assets		226	(226)
Other income, net	108	114	(6)
Total expense	51	116	(65)
Income (loss) from continuing operations before interest, reorganization items and income taxes	\$ 49	\$ (134)	\$ 183
Loss from continuing operations	\$ (205)	\$ (408)	\$ 203
Loss from discontinued operations	\$ (89)	\$ (102)	\$ 13
Net loss	\$ (294)	\$ (510)	\$ 216

* Gross margin less SG&A is a non-GAAP financial measure derived by excluding realignment charges, impairments and other income, net from the most closely related GAAP measure, which is income from continuing operations before interest, reorganization items and income taxes. We believe this non-GAAP measure is useful for an understanding of our ongoing operations because it excludes other income and expense items which are generally not expected to be part of our ongoing business. Certain reclassifications were made to conform 2006 to the 2007 reporting schedules.

Results of Operations (Year-to-Date 2007 versus Year-to-Date 2006)

The tables below show changes in our sales by geographic region, business unit and segment for the nine months ended September 30, 2007 and 2006.

Geographical Sales Analysis

	2007	2006	Increase/ (Decrease)	Amount of Change Due To		
				Currency Effects	Acquisitions/ Divestitures	Organic Change
North America	\$ 3,680	\$ 3,983	\$ (303)	\$ 8	\$ (63)	\$ (248)
Europe	1,663	1,387	276	128	(23)	171
South America	736	641	95	38		57
Asia Pacific	485	495	(10)	41	(18)	(33)
Total	\$ 6,564	\$ 6,506	\$ 58	\$ 215	\$ (104)	\$ (53)

Segment Sales Analysis

	2007	2006	Increase/ (Decrease)	Amount of Change Due To		
				Currency Effects	Acquisitions/ Divestitures	Organic Change
ASG						
Axle	\$ 1,984	\$ 1,704	\$ 280	\$ 60	\$ 20	\$ 200
Driveshaft	884	849	35	38	23	(26)
Sealing	539	519	20	18		2
Thermal	220	220		8		(8)
Structures	806	914	(108)	12		(120)
Other	20	74	(54)		(24)	(30)
Total ASG	4,453	4,280	173	136	19	18
HVTSG						
Commercial Vehicle	950	1,291	(341)	11	(123)	(229)
Off-Highway	1,158	918	240	68		172
Total HVTSG	2,108	2,209	(101)	79	(123)	(57)
Other Operations	3	17	(14)			(14)
Total	\$ 6,564	\$ 6,506	\$ 58	\$ 215	\$ (104)	\$ (53)

Regional Review

Total sales of \$6,564 in the first nine months of 2007 were \$58 higher than in the comparable period of 2006. Currency translation effects, primarily from a stronger euro, increased sales, partially offsetting the lower sales due to divestitures and the overall organic sales decline associated with reduced production levels in certain of our key markets. The 2006 acquisition of the axle and driveshaft operations of our former Mexican joint venture provided additional sales in 2007. However, these higher sales were more than offset by the divestiture of our trailer axle business in January 2007, which had a \$123 negative impact on sales for the first nine months of 2007.

[Table of Contents](#)

The first nine months of 2007 organic sales decline of 6.2% in North America reflects lower production levels. In the commercial vehicle market, production levels of Class 8 trucks were down 42% and medium-duty production was 20% lower. Light truck production levels in North America were up slightly at 1%; however, declines on some of our key platforms and expiration of certain customer programs resulted in reduced organic sales. Partially offsetting the production-driven decreases was the impact of higher pricing from our reorganization initiatives of about \$118 as discussed in the “Business Strategy” section.

In Europe, the sales increase of \$276 included a positive translation impact of \$128 — mostly from a stronger euro. The organic increase of \$171 was in large part due to strong production levels in the off-highway market where we have a significant European presence and to contributions from new business. The organic sales reduction in the Asia Pacific region was due primarily to the expiration of an axle program in mid-2006 with a subsidiary of GM.

Business Segment Review

Most of our ASG segments were impacted negatively in the first nine months of 2007 by the lower production levels in the North American light vehicle market. The exception was our Axle segment where higher sales from new business more than offset the impact from lower production levels. Lower organic sales in the Driveshaft segment were due principally to lower commercial vehicle production levels. In Structures, the sales decline was due to lower production levels and to the expiration of a frame program with Ford in 2006. ASG sales benefited by about \$110 from the pricing initiatives discussed in the “Business Strategy” section.

In the HVTSG, our Commercial Vehicle segment is heavily concentrated in the North American market and the organic sales decline of 18% in this segment was primarily due to lower North American production levels. Organic sales in the Off-Highway segment have benefited from stronger production levels and sales from new programs. With its significant European presence, this segment’s sales particularly benefited from the stronger euro.

[Table of Contents](#)

The chart below shows our business unit and segment margin analysis for the nine months ended September 30, 2007 and 2006:

	As a Percentage of Sales		Increase / (Decrease)
	2007	2006	
Gross margin:			
ASG	4.9%	5.5%	(0.6)%
Axle	2.0	0.9	1.1
Driveshaft	6.1	11.7	(5.6)
Sealing	12.8	14.6	(1.8)
Thermal	9.5	14.7	(5.2)
Structures	5.5	1.2	4.3
HVTSG	9.0	7.6	1.4
Commercial Vehicle	5.7	4.5	1.2
Off-Highway	11.5	11.7	(0.2)
Selling, general and administrative expenses:			
ASG	2.9%	3.7%	(0.8)%
Axle	2.2	2.4	(0.2)
Driveshaft	1.9	3.7	(1.8)
Sealing	6.7	6.9	(0.2)
Thermal	4.9	3.6	1.3
Structures	1.7	1.9	(0.2)
HVTSG	3.3	3.3	
Commercial Vehicle	3.7	3.2	0.5
Off-Highway	2.3	2.6	(0.3)
Gross margin less SG&A:*			
ASG	2.0%	1.8%	0.2%
Axle	(0.2)	(1.5)	1.3
Driveshaft	4.2	8.0	(3.8)
Sealing	6.1	7.7	(1.6)
Thermal	4.6	11.1	(6.5)
Structures	3.8	(0.7)	4.5
HVTSG	5.7	4.3	1.4
Commercial Vehicle	2.0	1.3	0.7
Off-Highway	9.2	9.1	0.1
Consolidated	1.5	(0.3)	1.8

* Gross margin less SG&A is a non-GAAP financial measure derived by excluding realignment charges, impairments and other income, net from the most closely related GAAP measure, which is income from continuing operations before interest, reorganization items and income taxes. We believe this non-GAAP measure is useful for an understanding of our ongoing operations because it excludes other income and expense items which are generally not expected to be part of our ongoing business. Certain reclassifications were made to conform 2006 to the 2007 reporting structures.

[Table of Contents](#)

In ASG, gross margin less SG&A improved from 1.8% in the first nine months of 2006 to 2.0% in the first nine months of 2007. Organic sales in 2007 for ASG were comparable to 2006, with business mix contributing to lower margins in 2007. Offsetting the business mix decline was margin improvement from increased pricing of about \$110. In the Axle segment, net margins as a percent of sales improved by 1.3% from the first nine months of 2006. Pricing actions benefited margins by about \$43. However, this benefit was largely offset by adverse sales mix. The higher sales were mostly on newer programs with lower overall margins. As such, these sales masked the sales reduction resulting from lower production levels on existing higher margin programs. Gross margin less SG&A in the Driveshaft segment was down significantly — 3.8%. The Mexican driveshaft operation that was acquired in mid-2006 generated losses of \$7, in part due to start up costs associated with the transition of business from the U.S. This segment also sells to the commercial vehicle market, where production levels were down more significantly than in the light vehicle market. Further adding to the mix factor, margins on Driveshaft commercial vehicle sales are higher than on light vehicle sales. Margins in the Driveshaft operations have also been negatively impacted by new program launch costs, premium freight and other manufacturing inefficiencies. Partially offsetting the above margin reductions in Driveshaft was pricing action improvement of \$14. In the Sealing segment, the margin reduction of 1.6% of sales was due principally to higher material costs for stainless steel and nickel. Higher raw material costs, most notably aluminum, also reduced margins in our Thermal segment. Margins in Thermal were also negatively impacted by the lower production levels, start-up costs associated with a new operation in Hungary and some new program launch costs. The Structures segment achieved year-over-year net margin improvement of 4.5%. More than offsetting the impact from lower sales was \$50 of increased margin from pricing improvement and \$9 from one-time program cost recoveries.

Gross margin less SG&A in HVTSG improved from 4.3% in the first nine months of 2006 to 5.7% in the first nine months of 2007. Commercial Vehicle net margins as a percent of sales improved 0.7% as the margin reduction associated with the lower production levels and loss of the trailer axle business was more than offset by pricing improvement, lower material costs and reduced SG&A. Price increases with certain major customers in this segment were implemented in the second half of 2006, with additional pricing improvement from the reorganization actions discussed in the "Business Strategy" section effectuated during this year's first nine months. The year-over-year margin improvement from pricing amounted to \$20. In the Off-Highway segment, the margin improvement of 0.1% of sales was due primarily to higher sales volume. Lower material costs improved margins, but this was largely offset by higher warranty cost.

Corporate expenses and other costs not allocated to the business units reduced gross margins less SG&A by 1.7% for the first nine months of 2007 as compared to 3.0% in the same period in 2006, thereby contributing to the 1.8% improvement in consolidated gross margin less SG&A. 2006 included approximately \$3 of higher costs associated with advisory and other fees incurred in connection with the arrangement of replacement financing and other projects which were discontinued with our bankruptcy filing in March 2006. The lower corporate and other expenses as a percent of sales in 2007 reflect manpower, employee benefits, and other cost reductions and net reductions to medical and long-term disability accruals in 2007.

Realignment Charges

Realignment charges during the first nine months of 2007 were primarily costs incurred in connection with the continuing manufacturing footprint optimization actions and \$136 of costs relating to settlement of pension obligations in the U.K., both of which are described in the "Business Strategy" section.

Other Income (Expense)

Other income in 2007 was \$6 lower than 2006. Although currency gains increased income by \$34, this was more than offset by DCC income that was down by \$21, an expense of \$11 associated with settling a contractual matter with an investor in one of our equity investments and net reductions in other items.

Interest Expense

As a result of our Chapter 11 reorganization process, a substantial portion of our debt obligations are now subject to compromise. Effective with our filing for reorganization under Chapter 11, interest expense is no longer accrued on these obligations. The post-filing interest expense not recognized in the first nine months of 2007 on these obligations amounted to \$81, compared to \$62 not recognized for this period in 2006.

Reorganization Items

Reorganization items are primarily expenses directly attributed to our Chapter 11 reorganization process. See Note 3 to our financial statements in Item 1 of Part I of this report for a summary of these costs. Reorganization items recorded in the nine months ended September 30, 2006 included debt valuation adjustments on pre-petition liabilities and underwriting fees related to the DIP Credit Agreement that were one-time charges associated with the initial phase of the reorganization. In the first nine months of 2007, in lieu of these one-time charges, the reorganization items consisted primarily of higher ongoing professional advisory fees due to an increased level of reorganization initiatives and the activities of the official committees appointed by the Bankruptcy Court. Additionally, the 2007 reorganization items include higher charges associated with contract rejections and claims settlements incurred to facilitate the reorganization process.

Income Tax Benefit (Expense)

As a result of the significant amount of OCI reported for the nine months ended September 30, 2007, we recognized a U.S. tax benefit of \$60 in continuing operations for the same period. (See Note 16 to the financial statements in Part 1 of Item I for additional information regarding the determination of this benefit.) The continuing inability to recognize tax benefits in the U.K. offset this item as the substantial operating loss in the U.K., which included the \$136 of charges related to the curtailment and subsequent settlement of pension plans, generated no tax effects. Accordingly, the tax expense of \$15 is significantly less than the \$71 of expected benefit derived by applying a marginal tax rate of 35%. The inability to recognize benefits in the U.S. and the U.K. in 2006 was the primary reason that we recorded tax expense of \$78 versus an expected benefit of \$118 derived by applying a marginal tax rate of 35% to a pre-tax loss from continuing operations of \$337 in the first nine months of 2006.

Discontinued Operations

In October 2005, our Board of Directors approved the divestiture of our engine hard parts, fluid products and pump products operations and we started to report these businesses as discontinued operations. The engine hard parts business was sold in March 2007 and the fluid products hose and tubing business was sold in July and August 2007. The coupled fluid products business was sold in September 2007. We are continuing to pursue the sale of our pump products business, with a portion of this business having been sold in October 2007.

The net sales and the income (loss) from discontinued operations of these businesses for the three and nine months ended September 30, 2007 and 2006, aggregated by operating segment, are shown in the table below.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
Sales				
ASG				
Engine	\$ —	\$ 178	\$ 130	\$ 532
Fluid	39	126	277	374
Pump	22	30	70	81
Total Discontinued Operations	<u>\$ 61</u>	<u>\$ 334</u>	<u>\$ 477</u>	<u>\$ 987</u>
Net Income (Loss)				
ASG				
Engine	\$ —	\$ (35)	\$ (63)	\$ (54)
Fluid	(2)	(26)	(4)	(39)
Pump	—	(9)	(15)	(8)
Total ASG	(2)	(70)	(82)	(101)
Other	(3)	(14)	(7)	(1)
Total Discontinued Operations	<u>\$ (5)</u>	<u>\$ (84)</u>	<u>\$ (89)</u>	<u>\$ (102)</u>

The three months ended September 30, 2007 results of Fluid include a gain of \$9 on the completion of the divestiture of these operations. The nine-month 2007 net loss in Engine includes a loss of \$43 on the sale of the engine hard parts business, while the nine-month net loss in Pump includes a charge of \$17 for settlement of pension obligations in the U.K. (see Note 6 in Item 1 of Part I of this report). The 2006 losses in these operations include impairment charges as we adjusted the underlying net assets of the business to their net fair value less cost to sell, as determined based on the expected sale proceeds.

Liquidity

During 2007, we have taken the following steps to ensure adequate liquidity for all of our operations for the expected duration of the Chapter 11 proceedings, including the funding of our realignment initiatives.

- Increased the size of our DIP Credit Agreement;
- Negotiated settlements with the Retiree Committee and the IAM related to postretirement, non-union benefits;
- Sold our equity interest in GETRAG to our joint venture partner;
- Sold our engine hard parts and fluid products businesses;
- Sold our trailer axle business; and
- Established a \$225 five-year accounts receivable securitization program with respect to our European operations.

As a result of these actions, we believe that our liquidity will be adequate to finance our business through our emergence from bankruptcy.

The following table summarizes our global liquidity at September 30, 2007:

Cash	\$ 1,035
Less:	
Deposits supporting obligations	(95)
Cash in less than wholly-owned subsidiaries	(78)
Available cash	862
Additional cash availability from:	
Lines of credit in the U.S., Canada and Europe	321
Letters of credit from these lines allowing additional international borrowing	60
Total global liquidity	<u>\$ 1,243</u>

[Table of Contents](#)

A summary of the changes in cash and cash equivalents for the nine months ended September 30, 2007 and 2006 is shown in the following tables:

Cash flow summary:	2007	2006
Cash and cash equivalents at beginning of period	\$ 704	\$ 762
Cash provided by (used in) operating activities	(231)	14
Cash provided by (used in) investing activities	416	(149)
Cash provided by financing activities	91	147
Increase in cash and cash equivalents	276	12
Impact of foreign exchange and discontinued operations	55	11
Cash and cash equivalents at end of period	\$ 1,035	\$ 785
Operating activities:	2007	2006
Net loss	\$ (294)	\$ (510)
Depreciation and amortization	209	206
Impairment and divestiture-related charges	1	325
Non-cash portion of U.K. pension charge	60	
Reorganization items, net of payments	59	49
Payments to VEBAs for postretirement benefits	(27)	
Other	(63)	(85)
	(55)	(15)
Changes in working capital	(176)	29
Cash flows provided by (used in) operating activities	\$ (231)	\$ 14

Cash of \$231 was used by operating activities in the first nine months of 2007 as compared to cash of \$14 provided in the same period of 2006. We typically experience an increase in working capital during the first nine months of the year due primarily to trade receivables being customarily lower at the end of the calendar year as our OEM customers' production levels are lighter during the holiday season. During the first nine months of 2007, receivables, as expected, increased by \$180, which was higher than the first nine months of 2006 — in part due to slightly higher third quarter sales in 2007 and price increases achieved as part of our bankruptcy initiatives. Inventory used cash of \$50 in 2007, which was slightly higher than the use of \$35 in 2006. Increased accounts payable in 2007, due in part to seasonality, partially offset the increases in receivables and inventory. The increase in payables during the first nine months of 2006 more than offset the increase in receivables and inventory as the bankruptcy filing in March 2006 precluded the payment of a large portion of the pre-petition accounts payable. Operating cash flow, exclusive of working capital, was lower in 2007 in large part due to a payment of \$93 to settle pension obligations in the U.K. and \$27 of payments to VEBAs in connection with reorganization-related benefit reduction actions in the U.S. These uses were partially offset by improved operating margins — sales, less cost of sales and SG&A expense.

[Table of Contents](#)

Investing activities:	2007	2006
Purchases of property, plant and equipment	\$ (140)	\$ (239)
Proceeds from sale of businesses	390	
Proceeds from sale of DCC assets and partnership interests	104	
Proceeds from sale of other assets	7	54
Acquisition of business, net of cash acquired		(17)
Payments received on leases and loans	8	20
Decrease in restricted cash	3	
Other	44	33
Cash flows provided by (used in) investing activities	\$ 416	\$ (149)

Divestitures of the engine hard parts, fluid products and trailer axle businesses and the sale of our investment in GETRAG provided cash of \$390 in the first nine months of 2007. Proceeds from DCC investment-related actions generated \$104. Expenditures for property, plant and equipment were lower than last year in part due to timing. Capital investment in last year's first nine months was higher because we had delayed some expenditures from the second half of 2005. Redeployment of assets from closed facilities and some program cancellations have also contributed to lower 2007 capital spend. DCC cash is restricted by the Forbearance Agreement discussed in Note 2 to our financial statements in Item 1, Part I and decreased by \$3 from year-end.

Financing activities:	2007	2006
Net change in short-term debt	\$ 3	\$ (550)
Proceeds from debtor-in-possession facility	200	700
Proceeds from European Securitization Program	30	
Reduction in DCC Medium Term Notes	(129)	
Other	(13)	(3)
Cash flows provided by financing activities	\$ 91	\$ 147

During the first nine months of 2007, we borrowed an additional \$200 under the DIP Credit Agreement. We also borrowed GBP 35 (\$67) under a short-term financing arrangement in the U.K. to facilitate the restructuring of our pension obligations. The proceeds from this U.K. borrowing were placed in escrow and were used to satisfy the settlement payment in April 2007. During the third quarter of 2007, this loan was repaid. In the first nine months of 2006, we borrowed \$700 under the DIP Credit Agreement in connection with our bankruptcy filing. These proceeds were used in part to repay obligations under our previous bank facility and an accounts receivable securitization program.

Pursuant to the Forbearance Agreement with DCC noteholders, proceeds from the sale of DCC assets are remitted to the noteholders at the beginning of each month following the end of the calendar quarter, resulting in the reduction in DCC term notes.

Financing Activities

Cash and Cash Equivalents

At September 30, 2007, cash and cash equivalents held in the U.S. amounted to \$381. Included in this amount was \$72 of cash deposits that provide credit enhancement for certain lease agreements and support surety bonds that enable us to self-insure our workers' compensation obligations in certain states and fund an escrow account required to appeal a judgment rendered in Texas. Cash held by DCC of \$12 is restricted under the terms of the Forbearance Agreement discussed in Note 2 to our financial statements in Item 1, Part I and is reported separately as restricted cash.

At September 30, 2007, cash and cash equivalents held outside the U.S. amounted to \$654. Included in this amount was \$23 of cash deposits that provide credit enhancement for certain lease agreements and support surety bonds that enable us to self-insure certain employee benefit obligations. These deposits are not considered restricted cash as they could be replaced by letters of credit under our DIP Credit Agreement (discussed in Note 13 to our financial statements in Item 1 of Part I). Availability at September 30, 2007 was adequate to cover the deposits for which replacement by letters of credit is permitted.

A substantial portion of our non-U.S. cash and cash equivalents is needed for working capital and other operating purposes. Several countries have local regulatory requirements that significantly restrict the ability of the Debtors to access this cash. In addition, at September 30, 2007, \$78 was held by consolidated entities that have minority interests with varying levels of participation rights involving cash withdrawals. Beyond these restrictions, there are practical limitations on repatriation of cash from certain countries because of the resulting tax cost.

Intercompany Loans

Certain of our international operations had intercompany loan obligations to the U.S. totaling \$529 at September 30, 2007. These intercompany loans resulted (i) from certain international operations having received cash or other forms of financial support from the U.S. to finance their activities, (ii) from U.S. entities transferring their ownership in certain entities in exchange for intercompany notes and (iii) from certain entities having declared a dividend in kind in the form of a note payable. Of these intercompany loans, \$254 are denominated in a foreign currency and no longer considered permanently invested as they are expected to be repaid in the near term. Accordingly, foreign exchange gains and losses on these loans are reported in other income (expense) rather than being recorded in other comprehensive income as translation gain or loss.

Credit Agreements

DIP Credit Agreement

Dana Corporation, as borrower, and its Debtor subsidiaries, as guarantors, are parties to the DIP Credit Agreement that was approved by the Bankruptcy Court in March 2006. Under the DIP Credit Agreement, we currently have a \$650 revolving credit facility and a \$900 term loan facility. In the first quarter of 2007, the original term loan facility was increased by \$200 and we reduced the original revolving credit facility by \$100 to correspond with the lower availability in our collateral base.

At September 30, 2007, we had borrowed \$900 under the DIP Credit Agreement and, based on our borrowing base collateral, had availability of \$249 after deducting the \$100 minimum availability requirement and \$230 for outstanding letters of credit. All obligations under the DIP Credit Agreement will become due and payable no later than March 2008. We expect to refinance these obligations as part of our plan of reorganization. However, since refinancing these obligations on a long-term basis is not presently assured, we have classified the borrowings under the DIP Credit Agreement as a current liability at September 30, 2007.

Canadian Credit Agreement

Dana Canada and certain of its Canadian affiliates are parties to the Canadian Credit Agreement. The Canadian Credit Agreement provides for a \$100 revolving credit facility, of which \$5 is available for the issuance of letters of credit. At September 30, 2007, \$2 was utilized under the facility for the issuance of letters of credit and there were no borrowings. Dana Canada must maintain a minimum availability of \$20 under the Canadian Credit Agreement. Based on Dana Canada's borrowing base collateral, at September 30, 2007, it had availability of \$65 after deducting the \$20 minimum availability requirement and \$2 for outstanding letters of credit.

European Receivables Loan Facility

In July 2007, certain European subsidiaries of Dana established a five-year accounts receivable securitization facility under which the euro equivalent of up to \$225 in financing will be available to those subsidiaries when the securitization processes are completed in all countries. At September 30, 2007, there was availability of \$37 in countries that have started securitization and there were borrowings under this facility equivalent to \$30 recorded as notes payable. The proceeds from the borrowings were used for operations and the repayment of intercompany debt.

United Kingdom Financing

In February 2007, we announced the restructuring of pension liabilities in the U.K. As a result of the underlying agreement, we recorded \$8 of pension curtailment cost as a realignment charge in the first quarter of 2007. In April 2007, our U.K. subsidiaries settled their continuing pension plan obligations through a cash payment of \$93 and the transfer of a 33% equity interest in our remaining U.K. axle and driveshaft operating businesses to the plan. Concurrent with the cash payment and equity transfer, we recorded a pension settlement charge of \$128 as a realignment charge in continuing operations and \$17 in discontinued operations for the portion of the charge attributed to these businesses.

[Table of Contents](#)

In connection with the restructuring of our U.K. pension obligations (see Note 6 to our financial statements in Item 1 of Part I), we borrowed GBP 35 under a short-term interim bank loan. As of September 30, 2007, this bank loan had been repaid.

Post-emergence Financing

Under our Plan, the Debtors propose to finance their operations post-emergence through a senior secured credit exit facility that will include funded commitments not to exceed \$1,500 and certain unfunded commitments. These funds, along with proceeds from the investment by Centerbridge and other investors under the Investment Agreement, will be available to refinance the existing DIP credit facility and satisfy other emergence cash requirements.

Cash Obligations

We are obligated to make future cash payments in fixed amounts under various agreements. These include payments under our long-term debt agreements, rent payments under operating lease agreements and payments for equipment, other fixed assets and certain raw materials under purchase agreements. In Item 7 of our 2006 Form 10-K, we presented our cash obligations for certain items based on the original payment terms. In addition, we indicated that the amounts and timing of future payments for non-pension employee benefit obligations are dependent upon an approved plan of reorganization. We have entered settlement agreements covering significant portions of these non-pension obligations, primarily with our two largest unions, but execution of the settlements is contingent upon emergence from bankruptcy and the funding of related contributions to union-sponsored VEBAs. Other liabilities subject to compromise, excluding certain obligations expected to pass to the reorganized company, will be settled at emergence. Our debt structure will change significantly and the structure and timing of the new debt obligations are unknown at this time. Due to these and other uncertainties surrounding approval of a final plan of reorganization, we are unable to estimate our future cash obligations.

Contingencies

Impact of Our Bankruptcy Filing

During our Chapter 11 reorganization proceedings, most actions against us relating to pre-petition liabilities are automatically stayed. Substantially all of our pre-petition liabilities will be addressed under our plan of reorganization or pursuant to orders of the Bankruptcy Court.

Class Action Lawsuit and Derivative Actions

A securities class action entitled *Howard Frank v. Michael J. Burns and Robert C. Richter* was originally filed in October 2005 in the U.S. District Court for the Northern District of Ohio, naming Dana's Chief Executive Officer, Michael J. Burns and former Chief Financial Officer, Robert C. Richter, as defendants. In a consolidated complaint filed in August 2006, the lead plaintiff alleged violations of the U.S. securities laws and claimed that the price at which Dana's shares traded at various times between April 2004 and October 2005 was artificially inflated as a result of the defendants' alleged wrongdoing. In June 2007, the District Court denied the lead plaintiff's motion for an order partially lifting the statutory discovery stay which would have enabled the plaintiff to obtain copies of certain documents produced to the SEC. By order dated August 21, 2007, the District Court granted the defendants' motion to dismiss the consolidated complaint and entered a judgment closing the case. In September 2007, the plaintiff filed a notice of appeal from the District Court's order and judgment.

A shareholder derivative action entitled *Roberta Casden v. Michael J. Burns, et al.* was originally filed in the U.S. District Court for the Northern District of Ohio in March 2006 on behalf of Dana. An amended complaint filed in August 2006 added non-derivative class claims on behalf of holders of Dana shares on the day of its bankruptcy filing alleging, among other things, that Dana's bankruptcy filing had been made in bad faith. In June 2006, the District Court stayed the derivative claims, deferring to the Bankruptcy Court on those claims. In July 2007, the District Court dismissed the non-derivative class claims asserted in the amended complaint and entered a judgment closing the case. In August 2007, the plaintiff filed a notice of appeal from the District Court's order and judgment. A second shareholder derivative action, *Steven Staehr v. Michael J. Burns, et al.*, remains stayed in the U.S. District Court for the Northern District of Ohio.

SEC Investigation

We are continuing to cooperate with the SEC in its investigation with respect to matters related to the restatement of our financial statements for the first two quarters of 2005 and fiscal years 2002 through 2004.

Legal Proceedings Arising in the Ordinary Course of Business

We are a party 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 environmental laws. We have reviewed these pending legal proceedings, including the probable outcomes, our reasonably anticipated costs and expenses, the availability and limits of our insurance coverage and surety bonds and our established reserves for uninsured liabilities. We do not believe that any liabilities that may result from these proceedings are reasonably likely to have a material adverse effect on our liquidity, financial condition or results of operations.

Asbestos-Related Personal Injury Liabilities

We had approximately 55,000 active pending asbestos-related product liability claims at September 30, 2007, including approximately 6,000 claims that were settled but awaiting final documentation and payment. The number of active pending claims was reduced as tort reform and other initiatives in the State of Mississippi resulted in the dismissal of 17,000 claims. Due to the nature of these dismissed claims, the impact on the estimated liability was not significant. On October 26, 2007, Dana filed a motion with the Bankruptcy Court seeking approval to resolve an additional 7,500 pending cases. The estimated total payments for these settlements, if all claimants are able to submit the required proof to support their claims, would approximate \$2. We project costs for asbestos-related product liability claims using the methodology that is discussed in Note 17 to our consolidated financial statements in Item 8 of our 2006 Form 10-K. We had accrued \$138 for indemnity and defense costs for pending and future claims at September 30, 2007.

Prior to 2006, we reached agreements with some of our insurers to commute policies covering asbestos-related product liability claims. There were no commutations of insurance in the third quarter of 2007. At September 30, 2007, our liability for future demands under prior commutations was \$11, bringing our total recorded liability for asbestos-related product liability claims to \$149.

At September 30, 2007, we had recorded \$71 as an asset for probable recovery from our insurers for pending and projected asbestos-related product liability claims. The recorded asset does not represent the limits of our insurance coverage, but rather the amount we would expect to recover if we paid the accrued indemnity and defense costs.

In addition, we had a net amount recoverable from our insurers and others of \$17 at September 30, 2007. The recoverable represents reimbursements for settled asbestos-related product liability claims, including billings in progress and amounts subject to alternate dispute resolution proceedings with some of our insurers.

Under the Plan, the Debtors propose that their asbestos-related personal injury claims be reinstated upon emergence and that the reorganized Debtors will defend, settle and resolve such pending claims and future demands in the ordinary course of business.

Other Product Liabilities

We had accrued \$11 for non-asbestos product liabilities at September 30, 2007, with no recovery expected from third parties. We estimate these liabilities based on assumptions about the value of the claims and about the likelihood of recoveries against us derived from our historical experience and current information.

Environmental Liabilities

We had accrued \$60 for environmental liabilities at September 30, 2007. We estimate these liabilities based on the most probable method of remediation, current laws and regulations and existing technology. Our estimates are made on an undiscounted basis and exclude the effects of inflation. If there is a range of equally probable remediation methods or outcomes, we accrue the lower end of the range. The difference between our minimum and maximum estimates for these liabilities was \$1 at September 30, 2007. Included in this accrual are amounts relating to the Hamilton Avenue Industrial Park site in New Jersey, where we are one of four potentially responsible parties under the Comprehensive Environmental Response, Compensation and Liability Act (Superfund). The Debtors are pursuing a final estimation of this claim through a court proceeding in the Bankruptcy Court. Previously, the Bankruptcy Court entered an order approving an estimation process and scheduling a hearing for January 2008 to determine the amount of the Debtors' liability relating to the Hamilton Avenue Industrial Park site and certain other sites. However, the EPA filed and is prosecuting a motion in the United States District Court for the Southern District of New York seeking to have the estimation proceeding conducted in the District Court instead of the Bankruptcy Court. The EPA also has sought a 60-day extension of the estimation schedule established by the Bankruptcy Court. At this time, the court that will hear the estimation proceeding has not been determined. The Debtors do not expect this issue to delay their emergence from bankruptcy.

Other Liabilities Related to Asbestos Claims

After the Center for Claims Resolution (CCR) discontinued negotiating shared settlements for asbestos claims for its member companies in 2001, some former CCR members defaulted on the payment of their shares of some settlements and some settling claimants sought payment of the unpaid shares from other members of the CCR at the time of the settlements, including Dana. Through September 30, 2007, we had paid \$47 to such claimants and collected \$29 from our insurance carriers with respect to these claims. At September 30, 2007, we had a net receivable of \$13 for the amount that we expect to recover from available insurance and surety bonds relating to these claims. We are continuing to pursue insurance collections with respect to such claims paid prior to the Filing Date.

Assumptions Regarding Asbestos-Related Liabilities

The amounts we have recorded for asbestos-related liabilities and recoveries are based on assumptions and estimates reasonably derived from our historical experience and current information. The actual amount of our liability for asbestos-related claims and the effect on us could differ materially from our current expectations if our assumptions about the outcome of the pending unresolved asbestos-related product liability claims, the volume and outcome of projected future asbestos-related product liability claims, the outcome of claims relating to the CCR-negotiated settlements and costs to resolve these claims, or the amount of available insurance and surety bonds prove to be incorrect, or if U.S. federal legislation impacting asbestos personal injury claims is enacted. Although we have projected our liability for future asbestos-related product liability claims based upon historical trend data that we consider to be reliable, there is no assurance that our actual liability will not differ from what we currently project.

Critical Accounting Estimates

Except as discussed below, our critical accounting estimates for purposes of the financial statements in this report are the same as those discussed in Item 7 of our 2006 Form 10-K.

Tax Rates

For purposes of preparing our interim financial statements, we utilize an estimated annual effective tax rate for ordinary items that is reevaluated each period based on changes in the components used to determine the annual effective rate.

Retiree Benefits

Under SFAS No. 158, we record on the balance sheet any unfunded liabilities associated with defined benefit pension and other postretirement obligations, as well as any assets exceeding plan obligations.

We use several key assumptions to determine our obligations, funding requirements and expense for our defined benefit retirement plans. These key assumptions include the long-term estimated rate of return on plan assets and the interest rate used to discount the pension obligations. In connection with amending our pension plans for U.S. non-union employees during the second quarter of 2007, we remeasured the assets and liabilities of these plans using updated assumptions. Two of our U.S. plans were remeasured in the third quarter in connection with the recognition of some settlement costs and other actions. Our assumptions for other plans were last revised in December 2006.

Expense of medical and life insurance benefits provided to U.S. retired employees under postretirement benefit plans will also be impacted by changes in our assumptions. The discount rate used to value these liabilities at the end of 2006 was 5.86%.

Two actions necessitated the remeasurement of U.S. postretirement medical benefits — the elimination of retiree medical benefits for non-union employees on March 31, 2007 and the agreement with the Retiree Committee on behalf of U.S. non-union retirees in May 2007, which eliminated postretirement medical benefits in exchange for funding a retiree-sponsored VEBA. As a consequence of recognizing curtailment gains in the third quarter of 2007 in connection with a facility closure, postretirement medical obligations were again remeasured.

As discussed in the “Business Strategy” section, we have reached agreements with our U.S. union employees on similar actions to utilize union-sponsored VEBAs to eliminate postretirement medical benefits and to freeze future benefit accruals under defined benefit pension plans. While approved by the Bankruptcy Court by an order entered on August 1, 2007, these actions will generally not be effective until our emergence from bankruptcy. As such, we do not expect to remeasure the effect of the approved benefit reductions on the assets and liabilities associated with these plans until emergence from bankruptcy.

Our international defined benefit pension plans and postretirement benefit programs cover substantially fewer employees and the impact of changes in key assumptions would not be of the same magnitude as that on the domestic plans. The ultimate impact on our financial condition and results of operations of estimates used in valuing the U.S. and international pension and postretirement programs will depend on the actual assumptions used for interest rates, discount rates, health care trend rates and other factors.

Long-lived Asset and Goodwill Impairment

We perform periodic impairment analyses on our long-lived assets (such as property, plant and equipment, carrying amount of investments and goodwill) whenever events and circumstances indicate that the carrying amount of such assets may not be recoverable. The recoverability of long-lived assets is determined by comparing the forecasted undiscounted net cash flows of the operations to which the assets relate to their carrying amount. If the operation is determined to be unable to recover the carrying amount of its assets, the long-lived assets (excluding goodwill) are written down to fair value, as determined based on discounted cash flows or other methods providing best estimates of value. In assessing the recoverability of goodwill recorded by a reporting unit, we make projections regarding estimated future cash flows and other factors affecting the fair value of the reporting unit. By their nature, these assessments require significant estimates. Since the assessment completed in connection with the filing of our financial statements on 2006 Form 10-K, there have not been any significant events or developments requiring additional assessment.

Asset impairments often result from significant actions like the discontinuance of customer programs and facility closures. In the "Business Strategy" section, we discuss a number of reorganization initiatives that are in process or planned, which include customer program evaluations and manufacturing footprint assessments. While at present no final decisions have been made which require further asset impairment recognition, future decisions in connection with the reorganization initiatives could result in future asset impairment losses.

Impairments are possible if there is significant deterioration in our projected cash flows. Our cash flows could be reduced due to customer production cutbacks, our inability to increase prices to customers or reduce prices from suppliers or delays in implementing cost reduction and operating efficiencies. Our Axle and Structures segments in ASG have significant business with domestic automobile manufacturers and are presently at the greatest risk of future impairment of their long-lived assets should they be unable to meet their forecasted cash flow targets.

Liabilities Subject to Compromise

Pre-petition obligations relating to matters such as contract disputes, litigation and environmental remediation are evaluated to determine whether a potential liability is probable. If probable, an assessment, based on all information then available, is made of whether the potential liability is estimable. A liability is recorded when it is both probable and estimable. In a case where there is a range of estimates which are equally probable, a liability is generally recorded using the low end of the range of estimates. In connection with the bankruptcy reorganization process, there are attempts to settle claims relating to these pre-petition matters. As such, the likelihood of settlement and potential settlement outcomes are considered in evaluating whether potential obligations are probable and estimable.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to various types of market risks, including fluctuations in foreign currency exchange rates, adverse movements in commodity prices for products we use in our manufacturing and adverse changes in interest rates. To reduce our exposure to these risks, we maintain risk management controls to monitor these risks and take appropriate actions to attempt to mitigate such risks. There have been no material changes to the market risk exposures discussed in Item 7A of our 2006 Form 10-K.

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that the information disclosed in the reports we file with the SEC under the Securities Exchange Act of 1934, as amended (Exchange Act) is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and that such information is accumulated and communicated to our management, including our Chief Executive Officer (CEO) and Chief Financial Officer (CFO), as appropriate, to allow timely decisions regarding required disclosure.

Based on the continued existence of the material weaknesses discussed in Item 9A of our 2006 Form 10-K, management, including our CEO and CFO, has concluded that our disclosure controls and procedures were not effective as of September 30, 2007.

For more information about the material weaknesses, their impact on our disclosure controls and procedures and our internal control over financial reporting and the actions we have taken or are planning to take to remediate them, see Item 9A of our 2006 Form 10-K and Item 4 of Part I of our first- and second-quarter 2007 Forms 10-Q. As of this filing, management has concluded that the material weakness described in our 2006 Form 10-K related to effective controls in connection with completeness and accuracy of certain accruals also extends to income tax accruals.

Changes in Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with GAAP.

With the participation of our CEO and CFO, our management evaluates any changes in our internal control over financial reporting that occurred during each fiscal quarter that materially affected, or are reasonably likely to affect, such internal control.

During the third quarter of 2007, we took the following actions that management believes have materially strengthened our internal controls:

In continuing to strengthen our financial and accounting organization's ability to support our financial accounting and reporting needs, we:

- Conducted a multi-day controllers meeting for our European and Asia / Pacific financial leaders focusing on US GAAP accounting, internal controls and certain key financial transactions training, such as asset impairment, inventory valuation and account reconciliation. US GAAP accounting training focused on specific topics such as revenue recognition, fixed assets and contingencies.
- Strengthened the awareness of internal controls through training and regular meetings with financial management to continue compliance education, reinforce standards and address significant control risks.
- Implemented a weekly review of key business events and transactions affecting our accounts to proactively identify and assess potential accounting and reporting matters.
- Developed a model, to be implemented in the fourth quarter, to provide timely monitoring of variances and adjustment of standard cost.
- Expanded the 302 certification requirements to specifically address higher risk business transactions and events, including impairments, realignment and contingencies.
- Enhanced corporate policies and procedures regarding standards for management's assessment of control operation.
- Reduced the number of open financial positions and maintained vigorous recruiting and hiring efforts in spite of an extremely challenging environment.

To enhance our ability to manage our overall financial and information technology control environment, we have:

- Monitored and enforced our new policy to shorten the criteria for the timeliness of control deficiency remediation to be 30 days.
- Evaluated the quality of financial personnel and key financial controls, including account reconciliations, control ownership compliance and financial account analysis in conjunction with our internal audit function.
- Implemented and executed improved methods to monitor control deficiencies and remediation efforts, including timeliness and risk assessment.

Additionally, we continued the measures implemented in previous quarters including:

- Consolidating numerous business processes, such as billing, accounts payable, inventory costing and general accounting, in our North America Heavy Vehicle Technologies and Systems Group.
- Consolidating the accounts payable process within our North America Automotive Systems Group.
- Utilizing qualified supplemental resources in specific corporate accounting areas.
- Utilizing our internally developed programs to evaluate potential conflicts of duties for significant North American financial application systems.

Turnover in our Finance and Information Technology functions, which we attribute to the uncertainty surrounding the reorganization process, continued in the third quarter of 2007. We are addressing the situation through reassignment of internal resources, recruitment of additional qualified personnel and the utilization of temporary resources.

CEO and CFO Certifications

The Certifications of our CEO and CFO that are attached to this report as Exhibits 31-A and 31-B include information about our disclosure controls and procedures and internal control over financial reporting. These Certifications should be read in conjunction with the information contained in this Item 4 and in Item 9A of our 2006 Form 10-K and Item 4 of Part I of our first- and second-quarter 2007 Forms 10-Q for a more complete understanding of the matters covered by the Certifications.

PART II — OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Dana Corporation and forty of its wholly owned subsidiaries are operating under Chapter 11 of the Bankruptcy Code. Under the Bankruptcy Code, the filing of the petitions for reorganization automatically stayed most actions against the Debtors, including most actions to collect on pre-petition indebtedness or to exercise control over the property of the bankruptcy estates. The Plan addresses the proposed treatment of outstanding claims, upon emergence from bankruptcy.

As discussed in Note 14 to our financial statements in Item 1 of Part I, (i) the securities class action entitled *Howard Frank v. Michael J. Burns and Robert C. Richter* that had been pending in the U.S. District Court for the Northern District of Ohio has been dismissed, but plaintiff has appealed the dismissal; (ii) in the shareholder derivative action entitled *Roberta Casden v. Michael J. Burns, et al.*, pending in the same court, the derivative claims have been stayed during the bankruptcy proceedings and the subsequently added non-derivative class claims have been dismissed, but the plaintiff has appealed the dismissal; and (iii) a second shareholder derivative action, *Steven Staehr v. Michael J. Burns, et al.*, also pending in the same court, remains stayed. In addition, we are a party to various pending judicial and administrative proceedings that arose in the ordinary course of business (including both pre-petition and subsequent proceedings). We are also cooperating with a formal investigation by the SEC with respect to matters related to the restatement of our financial statements for the first two quarters of 2005 and fiscal years 2002 through 2004.

After reviewing the currently pending lawsuits and proceedings (including the probable outcomes, reasonably anticipated costs and expenses, availability and limits of our insurance coverage and surety bonds and our established reserves for uninsured liabilities), we do not believe that any liabilities that may result are reasonably likely to have a material adverse effect on our liquidity, financial condition or results of operations.

ITEM 1A. RISK FACTORS

We discussed a number of risk factors that could adversely affect our business, financial condition and results of operations in Item 1A of our 2006 Form 10-K. There have been no material changes in most of the risk factors previously disclosed, except as disclosed in Item 1A of Part II of our second-quarter 2007 Form 10-Q.

ITEM 6. EXHIBITS

The Exhibits listed in the "Exhibit Index" are filed or furnished with this report.

SIGNATURES

Pursuant to the requirements 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: November 7, 2007

/s/ Kenneth A. Hiltz

Kenneth A. Hiltz
Chief Financial Officer

EXHIBIT INDEX

Exhibit No.	Description	Method of Filing or Furnishing
2-A(1)	Joint Plan of Reorganization of Debtors and Debtors in Possession, dated August 31, 2007	Filed by reference to Exhibit 2.1 to our Form 8-K filed on September 4, 2007
2-A(2)	Third Amended Joint Plan of Reorganization of Debtors and Debtors in Possession, dated October 23, 2007	Filed by reference to Exhibit 2.1 to our Form 8-K filed on November 2, 2007
2-B(1)	Disclosure Statement with Respect to Joint Plan of Reorganization of Debtors and Debtors in Possession, dated August 31, 2007	Filed by reference to Exhibit 99.1 to our Form 8-K filed on September 4, 2007
2-B(2)	Third Amended Disclosure Statement with Respect to Joint Plan of Reorganization of Debtors and Debtors in Possession, dated October 23, 2007	Filed by reference to Exhibit 99.1 to our Form 8-K filed on November 2, 2007
4-B(2)	Amendment No. 3, dated as of July 25, 2007, to the Rights Agreement, dated as of April 25, 1996, as amended, between Dana and The Bank of New York, Rights Agent	Filed by reference to Exhibit 99.5 to our Form 8-K filed on July 31, 2007
10-AA	Plan Support Agreement, dated as of July 26, 2007, by and among Dana Corporation; United Steelworkers; International Union, UAW; Centerbridge Capital Partners, L.P.; and certain creditors of Dana Corporation	Filed by reference to Exhibit 99.1 to our Form 8-K filed on July 31, 2007
10-BB(1)	Investment Agreement, dated as of July 26, 2007, between Centerbridge Capital Partners, L.P.; CBP Parts Acquisition Co. LLC; and Dana Corporation	Filed by reference to Exhibit 99.2 to our Form 8-K filed on July 31, 2007
10-CC(1)	Settlement Agreement between Dana Corporation and International Union, UAW, dated July 5, 2007	Filed by reference to Exhibit 99.1 to our Form 8-K filed on July 10, 2007
10-CC(2)	Amendment, dated as of July 26, 2007, to the USW Settlement Agreement, dated July 5, 2007, by and among Dana Corporation, United Steelworkers, and USW Local Union 903, Local Union 9443-02, and Local Union 113	Filed by reference to Exhibit 99.3 to our Form 8-K filed on July 31, 2007
10-DD(1)	Settlement Agreement between Dana Corporation and United Steelworkers, dated July 5, 2007	Filed by reference to Exhibit 99.2 to our Form 8-K filed on July 10, 2007

Table of Contents

<u>Exhibit No.</u>	<u>Description</u>	<u>Method of Filing or Furnishing</u>
10-DD(2)	Amendment, dated as of July 26, 2007, to the UAW Settlement Agreement, dated July 5, 2007, by and among Dana Corporation, International Union, UAW and its Local Union 282, Local Union 771, Local Union 1405, Local Union 1765, Local Union 3047, Local Union 644 and the UAW Local Union representing employees at Dana's Longview, TX facility	Filed by reference to Exhibit 99.4 to our Form 8-K filed on July 31, 2007
10-EE	Letter Agreement among Dana Corporation; Centerbridge Capital Partners, L.P. and certain investor signatories thereto, dated October 18, 2007	Filed by reference to Exhibit 10.1 to our Form 8-K filed on October 25, 2007
10-P	Human Resources Management and Administration Master Services Agreement between Dana Corporation and International Business Machines Corporation, dated March 31, 2005, amended and restated as of September 30, 2007	Filed with this report
31-A	Rule 13a-14(a)/15d-14(a) Certification by Chief Executive Officer	Filed with this report
31-B	Rule 13a-14(a)/15d-14(a) Certification by Chief Financial Officer	Filed with this report
32	Section 1350 Certifications	Furnished with this report

**HUMAN RESOURCES MANAGEMENT AND ADMINISTRATION
MASTER SERVICES AGREEMENT**

between

DANA CORPORATION

and

INTERNATIONAL BUSINESS MACHINES CORPORATION

Dated March 31, 2005

Amended and restated as of September 30, 2007

TABLE OF CONTENTS

	<u>Page</u>
ARTICLE 1. DEFINITIONS	2
ARTICLE 2. TERM	2
2.1 Initial Term	2
2.2 First Extension Period	2
2.3 Second Extension Period	2
2.4 Term	2
ARTICLE 3. SERVICES GENERALLY	2
3.1 Scope of Services	2
3.2 Dana Group	3
3.3 Right to Change Service Volumes; Variable Fees	5
3.4 Governmental Approvals and Consents	5
3.5 No Exclusivity; Insourcing	5
3.6 Knowledge Sharing	6
3.7 Compliance with Internal IT Standards	6
3.8 Reports	7
3.9 Procurement	7
ARTICLE 4. TRANSFORMATION SERVICES	7
4.1 Transformation Services	7
4.2 Completion and Acceptance of Transformation Services	7
ARTICLE 5. PROJECTS AND NEW SERVICES	8
5.1 Existing Projects	8
5.2 Projects	8
5.3 New Services	9
5.4 Third Party Services	10
5.5 Cooperation	10
ARTICLE 6. SERVICE LEVELS	11
6.1 Service Levels	11
6.2 New Service Levels	11
6.3 Adjustment of Service Levels	11
6.4 Measurement and Monitoring Tools	12

TABLE OF CONTENTS
(continued)

	<u>Page</u>
6.5 Root-Cause Analysis	13
6.6 Continuous Improvement and Best Practices	13
6.7 Performance Credits	13
6.8 Deliverable Credits	14
6.9 Performance Information	14
6.10 Customer Satisfaction Surveys	14
ARTICLE 7. TECHNOLOGY	14
7.1 Retained Systems and Retained Processes	15
7.2 Process and Technology Evolution	16
ARTICLE 8. INTERNATIONAL SERVICES	17
8.1 Worldwide Agreement	17
8.2 Assignment	17
8.3 Local Country Agreements	17
ARTICLE 9. CONTRACT ADMINISTRATION	17
9.1 Assigned Agreements	18
9.2 Assigned Agreement Invoices	18
9.3 Managed Agreements	18
9.4 Managed Agreement Invoices	18
9.5 Performance Under Managed Agreements	19
ARTICLE 10. SERVICE LOCATIONS	19
10.1 Service Locations	19
10.2 Physical Safety and Security Procedures	19
10.3 Information Security	19
ARTICLE 11. HUMAN RESOURCES	20
11.1 Human Resources	20
ARTICLE 12. PROJECT STAFF	20
12.1 Project Staff Matters	20
12.2 Subcontractors	21
12.3 Conduct of Project Staff	21

TABLE OF CONTENTS
(continued)

	<u>Page</u>
ARTICLE 13. CONTINUED PROVISION OF SERVICES	22
13.1 Disaster Recovery Plan	22
13.2 Force Majeure	22
13.3 Alternate Source	23
13.4 No Payment for Unperformed Services	23
13.5 Allocation of Resources	23
ARTICLE 14. DANA RESPONSIBILITIES	23
14.1 Dana Operational Responsibilities	23
14.2 Dana Resources	24
14.3 Management of Issues	25
ARTICLE 15. FEES AND PAYMENT	25
15.1 Fees	25
15.2 Variable Fees	25
15.3 Invoices	26
15.4 INTENTIONALLY BLANK	26
15.5 Refundable Items; Prepaid Expenses	26
15.6 Adjustments to Fees	26
15.7 Expenses	26
15.8 Disputed Charges	26
15.9 Rights of Set-Off	27
15.10 Unused Credits	27
15.11 Benchmarking	27
15.12 Unforeseen Technology Improvements	30
15.13 Gainsharing	30
ARTICLE 16. TAXES	31
ARTICLE 17. AUDITS	31
17.1 Service Audits	32
17.2 Fees Audits	33
17.3 Service Provider Audits	33
17.4 Record Retention	33

TABLE OF CONTENTS
(continued)

	<u>Page</u>
17.5 Facilities	33
17.6 General	33
ARTICLE 18. RELATIONSHIP MANAGEMENT	34
18.1 Governance Guidelines and Principles	34
18.2 Responsibilities	34
18.3 Dana Appointments	34
18.4 Service Provider Appointments	34
18.5 Role of Relationship Managers	34
18.6 Senior Executives	35
18.7 Escalation Procedure for Relationship Issues	35
18.8 Executive Level Meeting	35
18.9 Quarterly Budgeting	35
18.10 Aligning Project Staff with Dana Objectives	35
18.11 Continuity of Services	36
ARTICLE 19. CONTRACT MANAGEMENT	36
19.1 Policies and Procedures Manual	36
19.2 Change Control Procedures	36
ARTICLE 20. PROPRIETARY RIGHTS	36
20.1 Dana Software and Dana Tools	36
20.2 Service Provider Software and Tools	37
20.3 Work Product	38
20.4 Interface Information	39
20.5 Residual Information	39
ARTICLE 21. DATA	39
21.1 Ownership of Dana Data	39
21.2 Return of Data	39
ARTICLE 22. CONFIDENTIALITY	39
22.1 Use and Disclosure	39
22.2 Required Disclosure	40
22.3 Unauthorized Acts	40

TABLE OF CONTENTS
(continued)

	<u>Page</u>
22.4 Return of Confidential Information	40
22.5 Business Associate Agreement	41
22.6 Data Protection Laws	41
ARTICLE 23. REPRESENTATIONS AND WARRANTIES	42
23.1 By Dana	42
23.2 By Service Provider	43
23.3 DISCLAIMER	43
ARTICLE 24. ADDITIONAL COVENANTS	44
24.1 By Dana	44
24.2 By Service Provider	45
24.3 Changes in Laws	47
ARTICLE 25. TERMINATION	47
25.1 Termination for Convenience	47
25.2 Termination for Change in Control of Dana	47
25.3 Termination for Change in Control of Service Provider	47
25.4 Termination by Dana for Cause	48
25.5 Termination for Failure to Complete Transformation	48
25.6 Service Level Termination Event	48
25.7 Termination for Failure to Provide Adequate Assurance of Due Performance	48
25.8 Termination by Service Provider for Cause	48
25.9 Termination for Insolvency Event	49
25.10 Termination for Failure to Maintain Adequate Controls	49
25.11 Other Terminations	49
ARTICLE 26. TERMINATION FEES	49
26.1 Termination Fees	49
ARTICLE 27. TERMINATION ASSISTANCE	49
27.1 Termination Assistance Services	49
27.2 Exit Rights	51
27.3 Right to Hire Project Staff	52

TABLE OF CONTENTS
(continued)

	<u>Page</u>
27.4 Termination Assistance upon Change in Services Volumes or Insourcing or Resourcing	52
27.5 Injunctive Relief	52
ARTICLE 28. INDEMNITIES	52
28.1 Indemnities by Dana	52
28.2 Indemnities by Service Provider	54
28.3 Indemnification Procedures	56
28.4 Injunctions Affecting Services	57
ARTICLE 29. DAMAGES	57
29.1 Direct Damages	57
29.2 Consequential Damages	57
29.3 Exceptions	58
29.4 Interpretation of Cap	59
29.5 Injunctive Relief	59
ARTICLE 30. INSURANCE	59
30.1 Insurance	59
30.2 Period of Insurance	60
30.3 Insurance Documentation	61
30.4 Risk of Loss	61
30.5 Deductibles or Self Insurance	61
ARTICLE 31. MISCELLANEOUS PROVISIONS	61
31.1 Assignment	61
31.2 Notices	61
31.3 Counterparts	62
31.4 Relationship	62
31.5 Consents, Approvals and Requests	62
31.6 Waivers	63
31.7 Remedies Cumulative	63
31.8 Amendments	63
31.9 Survival	63

TABLE OF CONTENTS
(continued)

	<u>Page</u>
31.10 Third Party Beneficiaries	63
31.11 Covenant of Further Assurances	63
31.12 Negotiated Terms	63
31.13 Export	63
31.14 Non-Solicitation	63
31.15 Conflict of Interest	64
31.16 Publicity	64
31.17 Liens	64
ARTICLE 32. CONSTRUCTION	64
32.1 Background	64
32.2 Incorporation and References	64
32.3 Headings	65
32.4 Severability	65
32.5 Sole and Exclusive Venue	65
32.6 Section 365(n)	65
32.7 Governing Law	65
32.8 Waiver of Jury Trial	66
32.9 Entire Agreement	66
32.10 Interpretation Consistent with Law; Conflicts	66

*** indicates where a confidential portion has been omitted and filed separately with the Commission

SCHEDULES

Schedule 1	— Definitions
Schedule 2	— Statement of Work
Schedule 3	— Transformation
Schedule 4	— Governance
Schedule 5	— Service Levels and Performance Credits
Schedule 6	— Fees
Schedule 7	— Reports
Schedule 8	— Dana Operational Responsibilities and Resources
Schedule 9	— Outline of Policies and Procedures Manual
Schedule 10	— Existing Projects
Schedule 11	— Approved Subcontractors
Schedule 12	— Service Locations
Schedule 13	— Form of Confidentiality Agreement
Schedule 14	— Dana Information Security Requirements
Schedule 15	— Dana Technology Standards
Schedule 16	— Software and Tools
Schedule 17	— Business Associate Agreement
Schedule 18	— Human Resources
Schedule 19	— Dana Policies and Procedures
Schedule 20	— Disaster Recovery and Business Continuity Requirements
Schedule 21	— Customer Satisfaction Surveys
Schedule 22	— Form of Work Order
Schedule 23	— Assigned Agreements and Managed Agreements
Schedule 24	— Benchmarks

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HUMAN RESOURCES MANAGEMENT AND ADMINISTRATION MASTER SERVICES AGREEMENT

This Human Resources Management and Administration Master Services Agreement, dated March 31, 2005 (the "Effective Date"), is between Dana Corporation ("Dana") and International Business Machines Corporation ("Service Provider").

This Agreement has been amended and restated as of September 30, 2007 (the "Restatement Date"), and all prior versions of the Agreement are superseded by, and integrated in, this version of the Agreement.

The Parties acknowledge that the changes to the Agreement set forth in the *First Amendment to the Human Resource Management and Administration Master Services Agreement Between Dana Corporation and International Business Machines Corporation*, dated as of November 23, 2005, the *Second Amendment to the Human Resource Management and Administration Master Services Agreement Between Dana Corporation and International Business Machines Corporation*, dated as of November 30, 2005, and the *Third Amendment to the Human Resource Management and Administration Master Services Agreement Between Dana Corporation and International Business Machines Corporation*, dated as of December 5, 2005, have been incorporated into this amended and restated Agreement as of the Restatement Date and shall have no further force and effect.

The Parties further acknowledge that the changes to the Agreement set forth in the *Fourth Amendment to the Human Resource Management and Administration Master Services Agreement Between Dana Corporation and International Business Machines Corporation*, dated September 29, 2006, *Change 1 to Fourth Amendment to the Human Resource Management and Administration Master Services Agreement Between Dana Corporation and International Business Machines Corporation*, dated March 14, 2007, *Omnibus Amendment to (1) The Human Resource Management and Administration Master Services Agreement Between Dana Corporation and International Business Machines Corporation and (2) Certain Local Country Agreements*, dated December 22, 2006, and *Change 1 to the Omnibus Amendment to (1) The Human Resource Management and Administration Master Services Agreement Between Dana Corporation and International Business Machines Corporation and (2) Certain Local Country Agreements*, dated August 30, 2007, have also been incorporated into this amended and restated Agreement as of the Restatement Date and shall have no further force and effect.

BACKGROUND

Dana issued a Request for Proposal seeking a service provider or service providers of human resources management and administration services and conducted a competitive bid process for the provision of such services.

Dana and Service Provider assert that the goals and objectives of this Agreement are to:

- (A) provide first class human resource management and administration to Dana's current and former employees, managers and business partners;

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- (B) deliver economic value to Dana through innovative, efficient and effective service delivery;
- (C) achieve cost reductions with respect to Dana's human resource operations through process transformation and standardization;
- (D) provide human resource management and administration services that enable Dana to attract, develop and retain best talent;
- (E) deliver services at a cost, for a price, and at a standard that is competitive with other providers of human resource management and administration services in the market;
- (F) provide service that is customer-focused and reflects Dana's business imperatives;
- (G) allow Dana to acquire services with flexibility that is consistent with Dana's changing business needs while minimizing the operational risk to which Dana and Service Provider are exposed;
- (H) proactively work to reduce human resource management and administration costs and increase efficiency; and
- (I) ensure a smooth, efficient and timely transition from Dana's internal Human Resources Department without materially disrupting Dana's business operations.

Based on these goals and objectives, Dana has agreed to engage Service Provider, and Service Provider has agreed to be engaged, as a provider of human resource management and administration services to Dana.

Dana will acquire services from Service Provider and Service Provider will provide those services on the terms set forth in this Agreement.

ARTICLE 1. DEFINITIONS

Capitalized terms used in this Agreement have the meanings set forth in Schedule 1 (Definitions).

ARTICLE 2. TERM

- 2.1 Initial Term. The initial term of this Agreement (the "Initial Term") will commence on the Effective Date and, unless this Agreement is earlier terminated in accordance with its terms or extended under Section 2.2, will expire at 11:59 p.m. Eastern Time on December 31, 2012 (the "Initial Agreement Expiration Date").
- 2.2 First Extension Period. Twelve months before the Initial Agreement Expiration Date, Service Provider will present Dana with a written proposal setting forth terms and conditions on which Service Provider proposes to continue providing the Services for an additional period. If the Parties are unable to agree upon the terms and conditions for the

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renewal of this Agreement after the Initial Term, Dana may, by notifying Service Provider in writing no later than 30 days before the Initial Agreement Expiration Date, elect to extend the effectiveness of this Agreement, for a period of time designated by Dana that will not exceed twelve months from the Initial Agreement Expiration Date (the "First Extension Period"), which renewal will be at the then current terms and conditions, including pricing. If Dana does not elect to extend this Agreement under this Section, then this Agreement will expire at the end of the Initial Term.

- 2.3 Second Extension Period. Six months before the end of the First Extension Period, Service Provider will present Dana with a written proposal setting forth terms and conditions on which Service Provider proposes to continue providing the Services for an additional period. If the Parties are unable to agree upon the terms and conditions for the renewal of this Agreement after the First Extension Period, Dana may, by notifying Service Provider in writing no later than 30 days before the end of the First Extension Period, elect to extend the effectiveness of this Agreement, for a period of time designated by Dana that will not exceed twelve months from the end of the First Extension Period (such period, together with the First Extension Period, the "Extension Periods"), which renewal will be at the then current terms and conditions, including pricing. If Dana does not elect to extend this Agreement under this Section, then this Agreement will expire at the end of the First Extension Period.
- 2.4 Term. The "Term" of this Agreement consists of the Initial Term and all Extension Periods. The Termination Assistance Period may extend beyond the Term as set forth in Article 27.

ARTICLE 3. SERVICES GENERALLY

- 3.1 Scope of Services. Service Provider will provide the following services to the Dana Group Companies, as the Dana Group Companies may evolve during the Term and as such services may be supplemented, enhanced, modified or replaced (collectively, the "Services"):
- (A) the human resource management and administration services, functions and responsibilities set forth in this Agreement, in Schedule 2 (Statement of Work), as complemented by the Base Case defined therein, and in the other Schedules to this Agreement;
 - (B) services, functions and responsibilities reasonably related to the Services identified in subsection (A) above and routinely performed by the Affected Employees and any other Dana personnel and contractors who are transitioned to Service Provider, displaced or whose functions were displaced as a result of this Agreement, even if not specifically described in this Agreement;
 - (C) human resource management and administration services, functions and responsibilities that are of a nature and type that, within a company in the automotive industry, would ordinarily be performed by the organization or the

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part of the organization performing services similar to those specifically described in this Agreement, even if not specifically described in this Agreement;

- (D) Transformation Services;
- (E) services, functions and responsibilities identified in Work Orders adopted by the Parties for Projects undertaken under this Agreement;
- (F) New Services upon Dana's approval of Service Provider's New Services Schedule;
- (G) Technology Evolution;
- (H) Termination Assistance Services; and
- (I) services, functions and responsibilities not specifically described in this Agreement, the Schedules, any New Service Schedule or any Work Order, but that are required for the proper performance and delivery, or are an inherent part, of the services, functions or responsibilities specifically described in such documents.

3.2 Dana Group.

- (A) Service Provider will provide the Services to (1) Dana and any other member of the Dana Group Companies designated by Dana, irrespective of Dana's corporate structure and (2) any New Entity as directed by Dana under subsection (B) of this Section. Service Provider will provide the Services to such authorized users at the sites at which such entities operate as of the Effective Date and any additional sites that Dana may request during the Term. Fees for Services at any such new sites will be as set forth in Schedule 6 (Fees), unless a material cost differential justifies specific alternative rates or charges.
- (B) If as a result of a Restructure or otherwise an entity that is not a Dana Group Company (a "New Entity") is acquired by Dana or acquires or becomes responsible for some of the business, assets, operations or management of a Dana Group Company, then, at Dana's discretion and in accordance with its directions, Service Provider will provide the Services to the New Entity. In such directions, Dana may require Service Provider to provide the Services to a New Entity under this Agreement or, provided that the party to such separate agreement with Service Provider is a creditworthy entity, under a separate agreement on the same terms. A party will be a creditworthy entity if such party meets Service Provider's then current generally applicable requirements for outsourcing customer credit worthiness or if such party's credit rating is substantially comparable with or better than Dana's credit rating as of the Effective Date. If the Services are provided under a separate agreement, Dana will have no obligation to pay, or guarantee the payment of, any fees in relation to those Services provided to the New Entity. The Services provided to the Dana Group Companies or any New Entity under a separate agreement will be included in the calculation of actual

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service volumes, if any, under this Agreement. For the avoidance of doubt, Dana has no obligation to obtain Services from Service Provider with respect to any New Entity.

- (C) If a Restructure includes the divestiture of an entity, a business unit or assets of Dana, Service Provider will, at Dana's request, for a period of up to 18 months from the effective date of such Restructure, continue to provide the Services to such divested entity or business unit, or to the purchaser of such assets, at the applicable Fees then in effect; provided that Dana or the entity, unit or purchaser agrees to be responsible for the payment of such Fees. If Service Provider is requested to continue to provide the Services pursuant the foregoing sentence, Service Provider will, at Dana's request, enter into good faith negotiations with such entity, unit or purchaser with respect to an agreement regarding the payment of such Fees
- (D) Service Provider will, at no additional cost to Dana (to the extent such assistance and information can be provided using the personnel resources Service Provider is then using to provide the Services without adversely affecting its ability to provide the Services and meet the Service Levels), provide to Dana all reasonable assistance and information as may be necessary, in the opinion of Dana, where Dana indicates that it is considering or intends a Restructure, including:
 - (1) responding promptly to requests for information relating to the Services and Fees for the Services;
 - (2) if requested by Dana, assisting in discussions with third parties relating to any equipment, licenses or contracts relevant to the proposed New Entity;
 - (3) providing acquisition support (including assessments, transition planning and migration support);
 - (4) cooperating in good faith with Dana in relation to the Restructure;
 - (5) providing any Termination Assistance Services that may be necessary in the circumstances in accordance with Article 27; and
 - (6) such other assistance as may be necessary or reasonable at the time.

3.3 Right to Change Service Volumes; Variable Fees.

- (A) During the Term and the Termination Assistance Period, Dana may from time to time increase or decrease service volumes within the Services, including by adding or removing members of the Dana Group Companies or locations, by giving Service Provider ten days' notice thereof. Such change in Services volumes will be handled in accordance with the Additional Resource Charge and Reduced Resource Charge methodology, and Minimum Revenue Commitment requirement as set forth in Section 3.5(C) and Schedule 6 (Fees). Such notice provision does

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not apply to ordinary fluctuations in service volumes in the normal course of business.

- (B) To the extent that such increased or decreased service volumes are within the Services and parameters associated with Variable Fees, then the Fees for such Services will be adjusted in accordance with the Variable Fees defined in Schedule 6 (Fees).

3.4 Governmental Approvals and Consents.

- (A) Service Provider will, at its own expense, (1) obtain and maintain all Service Provider Governmental Approvals, (2) obtain, maintain and comply all of the Service Provider Consents and (3) adhere to Dana's instructions in order to comply with the Dana Consents.
- (B) Dana will, at its own expense, (1) obtain and maintain all Dana Governmental Approvals and (2) obtain, maintain and comply with the Dana Consents.
- (C) Each Party will cooperate with the other Party, as requested, in the other Party's obtaining Governmental Approvals and Consents that such other Party is required to obtain under this Section.

3.5 No Exclusivity; Insourcing.

- (A) Nothing in this Agreement requires Dana to purchase any of the Services from Service Provider. Dana may obtain services similar to the Services from a third party or third parties in Dana's sole discretion or perform such Services internally subject to the Minimum Revenue Commitment set forth in Section 3.5(C) and Schedule 6 (Fees).
- (B) Dana will not be obligated to obtain any of the Services from Service Provider with respect to any additional entity or business unit, including an entity or business unit acquired by Dana. However, Dana will have the option to direct Service Provider to provide Services under and in accordance with the terms of this Agreement with respect to any such additional entity or business unit and such Services will be chargeable in accordance with Schedule 6 (Fees). If such additional entity or business unit has an agreement with Service Provider for human resource management or administration services at the time of such acquisition, Service Provider will not impose any termination fees on Dana or such entity in connection with the termination of such agreement but will add any remaining termination fees under such agreement to the applicable years of Termination Fees under this Agreement.
- (C) Upon at least 45 days' notice to Service Provider, Dana may insource or obtain from a third party any portion of the Services. No termination fee will be payable by Dana in connection with any insourcing or resourcing under this subsection provided such action does not reduce Service Provider's anticipated revenue under this Agreement below the Minimum Revenue Commitment defined in Schedule 6

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(Fees). Upon Dana's exercise of any of its rights under this subsection, the Fees will be adjusted in accordance with Schedule 6 (Fees), based upon the scope of the Services Dana will continue to receive thereafter. This subsection (C) does not apply to changes in service volumes that are governed by Section 3.3. Furthermore, the notice requirement of this subsection does not apply to changes in the Services during the Termination Assistance Period.

(D) Service Provider will provide Dana with information related to the Services that Dana reasonably requests during the Term to enable Dana to draft a request for proposal relating to the Services and to provide due diligence information for recipients of such request for proposal, even if Service Provider is not one of the recipients of the request for proposal. This provision does not require Service Provider to disclose or permit disclosure of any Service Provider Confidential Information to any Service Provider Competitor.

3.6 Knowledge Sharing. At least once every Contract Year, or on request upon at least 30 days' prior notice from Dana, Service Provider will meet with representatives of Dana in order to (A) explain how the Services are provided, (B) explain how the Service Provider Systems work and should be operated and (C) provide such training and documentation as Dana may require for Dana to (1) provide services that interact with or interface with the Services and (2) understand and operate the Service Provider Systems and understand and provide the Services after the expiration or termination of this Agreement.

3.7 Compliance with Internal IT Standards. Service Provider will comply with Dana's information management technical architecture and product standards, as such may be modified by Dana from time to time during the Term. Dana's information management technical architecture and product standards are, as of the Effective Date, as set forth in Schedule 15 (Dana Technology Standards). Dana remains responsible for promulgation, interpretation and distribution of the Dana Technology Standards.

3.8 Reports. Service Provider will provide to Dana, in a form acceptable to Dana, the reports set forth in Schedule 7 (Reports), including appropriate and accurate asset inventory capture and management reports.

3.9 Procurement. At Dana's request and in accordance with the Policies and Procedures Manual, Service Provider will obtain on behalf of Dana equipment, software and services to be used by Dana in connection with its receipt or use of the Services. Dana will pay to Service Provider, or the third-party supplier, lessor or licensor, as applicable, the purchase price, leasing fees or license fees, as applicable, due for such equipment, software or services.

ARTICLE 4. TRANSFORMATION SERVICES

4.1 Transformation Services

(A) Beginning on the Effective Date, Service Provider will perform all functions and services (except those responsibilities designated as Dana responsibilities in Schedule 3 (Transformation)) (the "Transformation Services") necessary to

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accomplish the migration of Dana's human resource management and administration operations and capabilities from Dana to Service Provider, and thereafter to undertake the transformation of such human resource management and administration processes and systems, as described in Schedule 3 (Transformation) (the "Transformation").

- (B) The Transformation will be implemented in staggered phases with overlapping timeframes as to each of the Service function groups or geographic areas specified in Schedule 3 (Transformation) (each group or area, a "Phased Service Component"). The Transformation of each Phased Service Component will be completed on or before the date set forth for each such Phased Service Component in Schedule 3 (Transformation) (each, a "Transformation Date"). Dana will perform those responsibilities designated as Dana responsibilities in Schedule 3 (Transformation) in accordance with the Transformation Plan.
- (C) Service Provider will perform the Transformation Services in accordance with Schedule 3 (Transformation) without causing a material disruption to Dana's business.
- (D) Until the completion of the Transformation Services, each Party will update the other Party regarding the status of the Transformation Services as often as may be reasonably requested by such other Party, but in any event no less frequently than weekly.

4.2 Completion and Acceptance of Transformation Services.

- (A) The Transformation of each Phased Service Component will not be complete until Service Provider has successfully completed the Transformation Services applicable to such Phased Service Component (in accordance with the process set forth in the Transformation Plan) and acceptance takes place in accordance with this Section.
- (B) Subject to the Change Control Procedures, from time to time, Dana may postpone the Transformation Date for one or more Phased Service Components or change the order of implementation of the Phased Service Components. Any such Change requested by Dana will not affect Dana's right to Deliverable Credits or prejudice Dana's right to seek other remedies that have accrued as of the date of the Change request. At the time any such Change is reviewed in accordance with the Change Control Procedures, the financial impacts of the proposed Change will be reviewed and assessed as contemplated by the Change Control Procedures.
- (C) Upon successful completion of the Transformation as to each of the Phased Service Components (i.e., the completion of the last milestone in the Transformation Plan for such Phased Service Component), Service Provider will convene a meeting with the Dana Relationship Manager in which the Service Provider Relationship Manager will present in person to the Dana Relationship Manager notice of successful completion of the Transformation as to such Phased

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Service Component as specified in the Transformation Plan. Dana will, within 10 business days after presentation of such notice, notify Service Provider whether it accepts or rejects such Transformation Services as complete. If Dana does not notify Service Provider within such 10-day period, the Transformation will be deemed complete as to such Phased Service Component the day after such 10-business-day period has expired.

- (D) If Service Provider has not successfully completed the Transformation of a Phased Service Component by the Transformation Date specified therefor in the Transformation Plan, without affecting Dana's right to Deliverable Credits or prejudicing Dana's right to seek other remedies, Dana may:
- (1) postpone the applicable Transformation Date, in which case (a) Service Provider will submit a plan to Dana for Dana's approval that sets forth how and when Transformation of any incomplete parts of the Phased Service Component will be completed and (b) once Dana has approved the plan, Service Provider will execute such Transformation in accordance with the plan; or
 - (2) notify Service Provider that Dana accepts the Transformation of such Phased Service Component as complete.

ARTICLE 5. PROJECTS AND NEW SERVICES

5.1 Existing Projects. Service Provider will perform each Project set forth in Schedule 10 (Existing Projects), completing all Project Milestones and providing all Deliverables in accordance with the applicable Work Order. If the Fees for any such existing Project are based on time and materials, then the Project rates set forth in Schedule 6 (Fees) will apply to such Project.

5.2 Projects. From time to time during the Term, Dana may engage Service Provider to perform a Project in accordance with the Project work order set forth in Schedule 22 (Form of Work Order). Service Provider will comply with Schedule 4 (Governance) and perform each Project, complete all Project Milestones and provide all Deliverables in accordance with the Work Order.

5.3 New Services.

- (A) From time to time during the Term, Dana may wish to add one or more ongoing New Services (contrasted with Projects, which are non-recurring) to the scope of the Services. Dana will provide Service Provider with a description of such New Service setting forth the services, functions and responsibilities constituting the New Service.
- (B) Service Provider will prepare a proposal to Dana setting forth:
- (1) how it would perform the New Service;

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- (2) the Fees for the New Service, including terms and conditions regarding any Variable Fees;
 - (3) when appropriate, a transition plan, including a schedule for commencing the New Service;
 - (4) New Service Levels and Performance Credits (unless Service Provider demonstrates to Dana's reasonable satisfaction that Performance Credits should not be applicable) for the New Service;
 - (5) Key Personnel (unless Service Provider demonstrates to Dana's reasonable satisfaction that additional Key Personnel are not necessary) for the New Service;
 - (6) when appropriate, a resource model for the New Service;
 - (7) when appropriate, a description of any new Software or Equipment to be provided by Service Provider in connection with the New Service;
 - (8) when appropriate, the Software and Equipment and run-time requirements necessary to develop and operate any new Software;
 - (9) a description of the human resources necessary to provide the New Service;
 - (10) when appropriate, a list of any existing Software or Equipment included in or to be used in connection with the New Service;
 - (11) when appropriate, acceptance test criteria and procedures for any new Software or any products, packages or components of the New Service;
 - (12) an outline of a Disengagement Plan for the New Service, or an update or supplement to the then current Disengagement Plan for the Services, which will be prepared following the procedures set forth in Section 27.1;
 - (13) when appropriate, a plan to update or supplement to the then current disaster recovery plan and Policies and Procedures Manual for the New Service; and
 - (14) any other information related to the New Service requested by Dana.
- (C) Pricing of a New Service will be agreed and will be consistent with the then current mechanisms in this Agreement. In any event, Service Provider's pricing of the New Service will be no more than the fees Service Provider generally charges similar customers for similar services. The price for such New Service will also take into account resources and expenses of Service Provider for then-existing Services that would no longer be required if the New Service were implemented.

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- (D) Dana will review Service Provider's proposal and may request changes. Service Provider will consider and the Parties will negotiate in good faith any such requested changes. Once the proposal is agreed, Dana will prepare a New Service Schedule incorporating the agreed proposal.
- (E) Once both Parties agree upon the New Service Schedule, the New Service will form part of the Services and the New Service Schedule will be added to this Agreement.
- (F) Dana will not be obligated to pay for any New Service or any other service that falls outside the scope of this Section unless Dana has approved the service in accordance with this Section.

5.4 Third Party Services. Notwithstanding any request made to Service Provider by Dana under Section 5.2 or Section 5.3 or any other provision in this Agreement, Dana may contract with a third party to perform any Project or New Service. Upon Dana's request, Service Provider will assist Dana in identifying qualified third-party service providers to provide such Project or New Service, if Service Provider is unwilling or unable to provide such Project or New Service.

5.5 Cooperation. To the extent that Dana performs any services itself or retains a third party to do so, Service Provider will, to the extent reasonably necessary for Dana or such third party to perform such services or to interface with the Services and, if such third party will have access to Confidential Information of Service Provider, subject to such third party executing a confidentiality agreement in the form set forth in Schedule 13 (Form of Confidentiality Agreement):

- (A) cooperate with third parties and Dana, including by providing access to design characteristics of Software and Equipment and related data to the extent required to facilitate interoperability;
- (B) provide any information regarding the operating environment, system constraints, protocol, interfaces, architecture and other operating parameters reasonably required by Dana or the third party to perform the services;
- (C) provide any reasonable interface resources (including Equipment or Software) necessary to enable Equipment to interface or be compatible with the Retained Systems;
- (D) use commercially reasonable efforts to ensure that there is no degradation in the provision of the Services caused by adjustments made by Service Provider transferring services to a third party or to Dana; and
- (E) agree on procedures with Dana and any third parties providing services to Dana for the division of responsibilities in relation to services and functions that may overlap between Service Provider and the third party.

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Service Provider will provide such cooperation, information and resources at no additional cost to Dana, unless Service Provider notifies Dana, in advance, that it cannot perform such functions using the personnel resources Service Provider is then using to provide the Services without adversely affecting its ability to provide the Services and meet the Service Levels.

ARTICLE 6. SERVICE LEVELS

- 6.1 Service Levels. Service Provider will perform the Services in accordance with the Service Levels set forth in Schedule 5 (Service Levels and Performance Credits). Service Provider will provide all Services without expressly defined Service Levels at service levels that equal or exceed the level of service being provided by Dana before the Commencement Date.
- 6.2 New Service Levels. Service Provider will perform any New Service in accordance with the New Service Levels applicable to such New Service.
- 6.3 Adjustment of Service Levels.
- (A) The Lead Executive Team (1) will review the Service Levels for the preceding 12 months during the last calendar quarter of every Contract Year and (2) with respect to those Service Levels that require periodic adjustment under Schedule 5 (Service Levels and Performance Credits) or the applicable New Service Schedule or Work Order or are no longer appropriate because of an increase, decrease or change to the Services, will adjust the Service Levels for the subsequent Contract Year in accordance with Schedule 5 (Service Levels and Performance Credits). In addition, either Party may, at any time upon notice to the other Party, initiate negotiations to review and, upon agreement by the Lead Executive Team, adjust a Service Level that such Party in good faith believes is inappropriate at the time.
- (B) Dana may, from time to time, in accordance with Schedule 5 (Service Levels and Performance Credits), change the Service Levels to reflect its changing business needs, including adding or removing a Service Level. If Service Provider can demonstrate to Dana's reasonable satisfaction that such new Service Level will materially increase Service Provider's cost of performing the Services in accordance with the new Service Level, Dana may only add that new Service Level if:
- (1) Service Provider agrees; or
- (2) Service Provider does not agree, but:
- (a) Dana removes an existing Service Level at the same time as introducing the new Service Level and the Parties agree that the aggregate cost of providing the Services in accordance with the new Service Level plus the cost of measuring and reporting on such new Service Level is not materially higher than the aggregate cost of providing the Services under the existing Service Level

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plus the cost of measuring and reporting on the existing Service Level; or

- (b) Dana agrees to pay Service Provider for its incremental cost of providing the Services under the new Service Level plus the cost of measuring and reporting on the new Service Level.

Any disputes about such incremental cost will be subject to the dispute resolution provisions of Schedule 4 (Governance) and this Agreement.

6.4 Measurement and Monitoring Tools.

- (A) As of each Transformation Date (or other date specified in Schedule 5 (Service Levels and Performance Credits) with respect to any Service Level), Service Provider will implement the measurement and monitoring tools and procedures required to measure and report (as contemplated by Schedule 5 (Service Levels and Performance Credits)) Service Provider's performance of the Services against the applicable Service Levels. Such measurement and monitoring and procedures will (1) permit reporting at a level of detail specified by Dana that is sufficient to verify compliance with the Service Levels and (2) be subject to audit by Dana or its designee.
- (B) Service Provider will provide Dana with on-line access to such measurement and monitoring tools and information, so that Dana is able to access the same information as soon as it is available on-line to Service Provider.
- (C) In addition to on-line access to such measurement and monitoring tools and information, Service Provider will provide Dana with periodic reports on Service Provider's compliance with the Service Levels as set forth in Schedule 5 (Service Levels and Performance Credits).
- (D) In addition to on-line access to such measurement and monitoring tools and information and such periodic reports, Service Provider will provide Dana and its designees access to and information concerning such measurement and monitoring tools and procedures upon request, for inspection and verification purposes.

6.5 Root-Cause Analysis.

- (A) With respect to Service Provider's failure to provide the Services in accordance with the Service Levels, Service Provider will (1) promptly investigate, perform a root cause analysis on the failure in accordance with Schedule 4 (Governance), identify the problem causing the failure and report to Dana, (2) correct the problem as soon as practicable and resume meeting the Service Levels, (3) advise Dana of the status of the problem at stages determined by Dana and (4) demonstrate to Dana that all reasonable action has been taken to prevent any recurrence of such default or failure.

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- (B) Service Provider will, at any time at which Service Provider anticipates that it will fail to meet a Service Level, advise Dana of the status of the problem at time intervals determined by Dana.

6.6 Continuous Improvement and Best Practices. Service Provider will, on a continuous basis, identify ways to improve the Service Levels. Service Provider will, from time to time, include updates with respect to such improvements in the reports provided to Dana under Section 3.8.

6.7 Performance Credits.

- (A) In the event of a failure to provide the Services in accordance with the applicable Critical Service Levels, Service Provider will incur the Performance Credits identified in and according to the terms set forth in Schedule 5 (Service Levels and Performance Credits) or a New Service Schedule.
- (B) Performance Credits will be allocated among the Critical Service Levels and calculated in accordance with the procedure set forth in Schedule 5 (Service Levels and Performance Credits). Dana may from time to time reallocate the Performance Credit percentages assigned to the Critical Service Levels as set forth in Schedule 5 (Service Levels and Performance Credits).
- (C) The Performance Credits will not limit Dana's right to recover, in accordance with this Agreement, other damages incurred by Dana as a result of a Service Level failure.
- (D) In addition to Dana's right to receive Performance Credits and any damages to which Dana may be entitled for a Service Level default, Dana may terminate this Agreement for certain Service Level defaults as set forth in Section 25.6.
- (E) Nothing in this Section will be deemed to limit or obviate Dana's right to terminate this Agreement under Section 25.4.

6.8 Deliverable Credits.

- (A) Deliverable Credits apply to those Critical Deliverables specified in Schedule 5, Exhibit C, to this Agreement, as it may be amended by the Parties from time to time.
- (B) Deliverable Credits for Critical Deliverables are specified in Schedule 5, Exhibit C, to this Agreement or, in the case of Projects, in the Work Order for the Project. Amounts for other Critical Deliverables required during the Term will be agreed on a case-by-case basis.
- (C) A Deliverable Credit payable for a Critical Deliverable earned in a particular month will be credited by Service Provider to Dana on the next invoice.

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- (D) Deliverable Credits will not limit Dana's right to recover, in accordance with this Agreement, other damages incurred by Dana as a result of failure to provide Critical Deliverables that are subject to a Deliverable Credit by the time or in the manner agreed.
- (E) Nothing in this Section will be deemed to limit or obviate Dana's right to terminate this Agreement under Section 25.4.
- (F) In the event that Dana fails to fulfill any of the responsibilities set forth in Schedule 8 (Dana Operational Responsibilities and Resources), Schedule 3 (Transformation Plan), or to provide any Dana Resources, and such failure is the direct cause of Service Provider's inability to timely deliver a Critical Deliverable, Service Provider will be excused from the payment of any resulting Deliverable Credit(s), only for so long as such failure remains the direct cause of such inability, provided that, the advance notice procedures set forth in Section 14.3 of this Agreement have been timely followed by Service Provider.

6.9 Performance Information. The raw data and detailed supporting information and reports relating to Service Levels and performance ("Performance Information") will be Confidential Information of both Parties; provided that Dana may disclose the Performance Information in connection with obtaining a successor service provider for the Services and Service Provider may disclose the Performance Information in a manner that, if aggregated with performance information from its other customers, does not identify (or enable the identification of) Dana as the recipient of the applicable Services. Service Provider will provide material containing the Performance Information to Dana promptly on request.

6.10 Customer Satisfaction Surveys. Service Provider will conduct customer satisfaction surveys in accordance with this Section 6.10 and Schedule 21 (Customer Satisfaction Surveys).

- (A) Service Provider will select an independent third party and finalize a process for conducting customer satisfaction surveys, both subject to Dana's prior approval. The selected third party will conduct a baseline customer satisfaction survey before December 31, 2005. A second survey will be conducted by the selected third party no later than June 30, 2006 with annual surveys thereafter every calendar fourth quarter starting with the fourth quarter of 2006, unless otherwise mutually agreed.
- (B) Additional customer satisfaction measurements will be performed monthly. Measurement criteria and reporting will be jointly developed and reported by IBM and Dana.
- (C) Increasing measures of customer satisfaction will be used by Service Provider as a key performance factor in determining the incentive compensation of Key Personnel and such other Project Staff as Dana may reasonably request.

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- (D) Service Provider will be responsible for all costs associated with conducting customer satisfaction surveys under this Section 6.10 and Schedule 21 (Customer Satisfaction Surveys).

ARTICLE 7. TECHNOLOGY

7.1 Retained Systems and Retained Processes.

- (A) Service Provider will use commercially reasonable efforts to ensure that (1) in providing the Services it does not by any act or omission adversely affect or alter the operation, functionality or technical environment of Dana's Retained Systems and Retained Processes without the consent of Dana; and (2) Systems and processes used to provide the Services interface and integrate with the current Retained Systems and Retained Processes as of the Effective Date. Upon a change to the Retained Systems and Retained Processes, Service Provider will make changes to its Systems and Services as necessary to maintain such interfaces and integration at no additional charge unless Service Provider notifies Dana, in advance, that it cannot make such changes using the personnel resources Service Provider is then using to provide the Services without adversely affecting its ability to provide the Services and meet the Service Levels.
- (B) As necessary for Service Provider to perform the Services and comply with its obligations under this Section, the Parties will cooperate in good faith to keep each other informed about all aspects of the existing and future Retained Systems and Retained Processes. Dana will provide documentation, information and other cooperation regarding any existing and future Retained Systems and Retained Processes, as reasonably necessary for Service Provider to perform the Services and comply with this Section. Dana will also provide training with respect to any Retained Systems and Retained Processes that are proprietary to Dana as reasonably required by Service Provider to comply with its obligations under this Section.
- (C) Service Provider will provide Dana on request with services in relation to Retained Systems affected by the Services, including liaising with Dana, its outsourcing partners or third parties on the impact of any alterations to such Retained Systems and vice versa.

7.2 Process and Technology Evolution.

- (A) Service Provider acknowledges that Dana's business model and the human resource management and administration processes employed throughout the Dana Group will continue to evolve over the Term and, at a minimum, the Parties will collaborate to ensure that the technology used to perform the Services will remain consistent with the Dana Group Companies' then current business and human resource objectives and competitive needs. Service Provider will refresh Service Provider owned Equipment and Service Provider licensed Software, and Dana licensed software for PeopleSoft from time to time during the Term as

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necessary to maintain all applicable Service Levels. In addition, as part of the Services, Service Provider will complete the installation and implementation of PeopleSoft Version 8.9 as described in Schedule 3. In addition, Service Provider will perform one additional technical upgrade to the PeopleSoft software during the Term with the version specified by Dana. Service Provider will give Dana reasonable prior notice of any significant changes associated with refresh and Dana may waive any such changes that may involve risk to Dana's business, increased Fees or other costs to Dana.

- (B) Service Provider will continually introduce and implement Technology Evolution to improve the quality and cost effectiveness of the Services and to keep pace with technological advancements or improvements throughout the Term, which may include implementing proven technology or processes that Service Provider is using in similar environments anywhere in the world or are consistent with industry best practices. In implementing any new technology or process under this subsection (B), Service Provider will obtain any Dana approvals required by this Agreement.
- (C) Subject to any Dana approvals required by this Agreement, Service Provider, without increasing the Fees, will cause the Services to evolve and to be modified, enhanced, supplemented and replaced as necessary for the Services to keep pace with improvements in practices and methodologies for the delivery of human resource management and administration services and to support Dana's efforts to maintain competitiveness in the markets in which it competes.
- (D) In addition to Service Provider's obligations under subsection (B) and subsection (C), Service Provider will (1) monitor, analyze, and report to Dana annually on new technologies, practices and methodologies and emerging trends in the field of human resource management and administration services; (2) if requested by Dana, demonstrate how Service Provider would integrate the new technologies, practices or methodologies into the Services and what effect (if any) the integration would have on the direction of Dana's then current strategy; and (3) identify and, with Dana's approval, implement new technologies, practices and methodologies that are intended (a) to improve the efficiency and effectiveness of the Services (including cost savings), (b) to result in cost savings to the Dana Group, (c) to enhance the Dana Group Companies' ability to conduct their business and serve their employees or (d) to achieve Dana's business objectives faster or more efficiently than the then current strategies.

ARTICLE 8. INTERNATIONAL SERVICES

8.1 Worldwide Agreement. In executing this Agreement Dana engages Service Provider for the provision of Services within the United States and for the benefit of selected non-US Affiliates of Dana. The Parties agree to cooperate in good faith to effectuate any changes in terms necessary as a result of any legally mandated consultation process with employees.

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- 8.2 Assignment. Either Party may assign its rights and delegate its obligations under this Agreement, in whole or in part, to one or more Affiliates without the consent of the other Party (each such Affiliate an “Assignee”), provided that the assigning Party shall remain responsible to the other Party for the assignee’s performance. The assigning Party shall provide the other with prompt notice of such assignment. To the extent Service Provider assigns its rights and delegates its obligations under the Agreement with respect to Services performed in a specific country, such Affiliate may invoice Dana’s local Affiliate for the Fees associated with the Services performed in that country. Alternatively, Dana may direct such Assignee to send such invoice to a designated Dana Affiliate in such country.
- 8.3 Local Country Agreements. In order to conform to Laws and practices outside the United States, Dana or selected Dana Affiliates and Service Provider or Affiliates of Service Provider will, prior to Service Provider providing any Services in countries outside the United States, enter into mutually agreeable local country agreements with respect to countries outside the United States (each a “Local Country Agreement”). Each Local Country Agreement will contain, as applicable:
- (A) variations to the terms and conditions of this Agreement required by Local Law;
 - (B) human resource provisions required by Local Law or as a result of a consultation process with employees concerning the transfer of Transferred Employees to Service Provider; and
 - (C) lists of Transferred Employees to be transferred to Service Provider, Dana contracts to be assigned to Service Provider or managed by Service Provider, variations in the scope of Services or manner in which Services are provided, applicable billing practices (which will otherwise be presumed to be between local Affiliates), and such other matters as are agreed by the Parties.

ARTICLE 9. CONTRACT ADMINISTRATION

- 9.1 Assigned Agreements. The Assigned Agreements will be, as of the Effective Date or such later date as may be specified for an Assigned Agreement in Schedule 23 (Assigned Agreements and Managed Agreements) (the “Assigned Agreement Effective Date”), assigned to Service Provider. Effective upon the applicable Assigned Agreement Effective Date, Service Provider will assume all responsibility for each Assigned Agreement. Dana will retain responsibility for all obligations with respect to the Assigned Agreements before the applicable Assigned Agreement Effective Date. From and after the applicable Assigned Agreement Effective Date, Service Provider may, to the extent permitted by the Assigned Agreements, renew, modify, terminate or cancel, or request or grant any consents or waivers under, any such Assigned Agreements; provided that Service Provider will remain responsible for all Services to Dana that are provided, related to or supported by all such Assigned Agreements, regardless of any such renewal, modification, termination, cancellation, consent or waiver. Any fees or charges imposed upon Dana in connection with any modification, termination or cancellation of, or

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consent or waiver under, the Assigned Agreements obtained or given after the Assigned Agreement Effective Date will be paid by Service Provider.

9.2 Assigned Agreement Invoices. Service Provider will (1) pay the invoices submitted by third parties in connection with the Assigned Agreements allocable to the period commencing on the applicable Assigned Agreement Effective Date and (2) be responsible for any late fees with respect to such third-party invoices (except for periods before the Assigned Agreement Effective Date) unless, with respect to any such invoice that Dana receives in a timely manner from a third party, Dana fails to forward such invoice to Service Provider for payment within a reasonable period of time before the date such invoice is due.

9.3 Managed Agreements. From and after the Effective Date or such later date as may be specified for a Managed Agreement in Schedule 23 (Assigned Agreements and Managed Agreements) (the "Managed Agreement Effective Date"), Service Provider will, on behalf of Dana and Dana Affiliates, manage, administer and maintain each Managed Agreement. Service Provider may not renew, modify, terminate or cancel, or request or grant any consents or waivers under, any Managed Agreements without the prior written consent of Dana. Any fees or charges or other liability or obligation imposed upon Dana in connection with any such renewal, modification, termination or cancellation of, or consent or waiver under, the Managed Agreements, obtained or given by Service Provider without the consent of Dana, will be paid or discharged, as applicable, by Service Provider.

9.4 Managed Agreement Invoices.

- (A) Except as otherwise provided herein, Dana will remain financially responsible for all amounts payable under Managed Agreements.
- (B) Service Provider will (a) receive all Managed Agreement invoices, (b) review and have the third party correct any errors in any such Managed Agreement invoices in a timely manner and (c) provided Service Provider has received the Managed Agreement invoice sufficiently in advance of the payment due date, submit such Managed Agreement invoices to Dana for approval within a reasonable period of time before the due date or, if a discount for prompt payment is offered and Dana notifies Service Provider that Dana desires to take advantage of such discount, the date by which Dana must pay such Managed Agreement invoice to receive the discount.
- (C) Dana will not be required to pay Service Provider any amounts in addition to the Fees, for management, administration, maintenance and other Services with respect to the Managed Agreements.
- (D) If Service Provider fails to submit any Managed Agreement invoice to Dana for approval within a reasonable period of time before the date on which the Managed Agreement invoice is due, Service Provider will be responsible for any late fees incurred by Dana due to such delay, unless Service Provider did not

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receive the invoice far enough in advance to permit delivery within a reasonable period of time before such due date.

9.5 Performance Under Managed Agreements. Service Provider will monitor and manage any service levels or other similar performance terms of the Managed Agreements and will notify Dana of any service level failures under the Managed Agreements. Service Provider will promptly notify Dana of any breach of, or misuse or fraud in connection with, any Managed Agreements of which Service Provider becomes aware and will cooperate with Dana to prevent or stay any such breach, misuse or fraud. To the extent necessary to enable Service Provider to perform its obligations under this Agreement with respect to the Managed Agreements, Dana will promptly notify Service Provider of any breach of, or misuse or fraud in connection with, any Managed Agreements of which Dana becomes aware.

ARTICLE 10. SERVICE LOCATIONS

10.1 Service Locations. The Services will be provided to Dana from the Service Locations specified in Schedule 12 (Service Locations) and any other location for which Service Provider has received Dana's approval, to be given in Dana's sole discretion. Any incremental expenses incurred by Dana as a direct result of a relocation to, or use of, any location other than the Service Locations initially set forth in Schedule 12 (Service Locations) (unless such relocation is undertaken at Dana's request) will, at Dana's sole discretion, either be paid by Service Provider or reimbursed to Dana by Service Provider. Service Provider and Service Provider Agents may not provide or market services to a third party from a location owned or controlled by Dana without Dana's consent, to be given in Dana's sole discretion.

10.2 Physical Safety and Security Procedures.

- (A) Service Provider will maintain and enforce at the Service Locations physical safety and security procedures that are at least equal to industry standards for locations similar to the Service Locations and any higher standard agreed upon by the Parties.
- (B) When providing Services from locations owned or controlled by Dana, Service Provider will comply with the physical safety and security procedures that are applicable to such locations as set forth in Schedule 19 (Dana Policies and Procedures) and as modified from time to time.

10.3 Information Security.

- (A) Service Provider acknowledges that Dana has established, and during the Term may amend, minimum appropriate levels of security for information residing on Dana systems and for Dana Data residing on the Service Provider Systems.
- (B) Dana's information security policies as of the Effective Date are set forth in Schedule 14 (Dana Information Security Requirements). Dana may amend these security policies on 30 days' notice to Service Provider or such shorter notice

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period as required in order to comply with Law, utilizing the Change Control Procedures.

- (C) Service Provider will, and will cause each member of the Project Staff to, comply with Schedule 14 (Dana Information Security Requirements) at all locations, whether Dana premises or Service Provider premises, to which they have access in connection with the performance of Services hereunder.
- (D) If Service Provider or any Service Provider Agent discovers or is notified of a breach or potential breach of security relating to Dana Data, Service Provider will immediately (1) notify the Dana Relationship Manager of such breach or potential breach and (2) if the applicable Dana Data was in the possession of Service Provider or a Service Provider Agent at the time of such breach or potential breach, Service Provider will (a) investigate and remedy the cause of the breach or potential breach and (b) provide Dana with assurance satisfactory to Dana that such breach or potential breach will not recur.
- (E) Without limiting the foregoing, Service Provider agrees to administer adequate safeguards, as determined by Dana, regarding the transfer of personal data used or accessed in the course of performing the Services, including any safeguards required under the 1995 EU Privacy Directive as enacted in local jurisdictions, and will ensure that its agreements with third parties involving the use or access of such data include such safeguards.

ARTICLE 11. HUMAN RESOURCES

- 11.1 Human Resources. All terms and conditions relating to the offer of employment to the Affected Employees, and the employment of the Transferred Employees, are set forth in Schedule 18 (Human Resources) and, if applicable, the Local Country Agreements.

ARTICLE 12. PROJECT STAFF

- 12.1 Project Staff Matters. Schedule 18 (Human Resources) sets forth terms and conditions regarding the selection, replacement and reassignment of Project Staff, including Key Personnel, and certain restrictions on the assignment of Key Personnel to Service Provider accounts with Excluded Companies.

12.2 Subcontractors.

- (A) Other than subcontracts of \$250,000 or less in annual value, Service Provider will not subcontract any of the Services to a third party (including to a Service Provider Affiliate) without Dana's prior consent. Approved subcontractors as of the Effective Date are set forth in Schedule 11 (Approved Subcontractors).
- (B) Regardless of subcontract value, at least 30 days before entering into a subcontract with a third party to perform any Services under this Agreement, Service Provider will give Dana written notice specifying the identity,

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qualifications and scope of the Services to be provided by the proposed subcontractor.

- (C) Each subcontract between Service Provider and a third party for the provision of any Services will provide Dana with rights and protections equivalent to those provided by this Agreement, including with respect to the use, licensing and ownership of intellectual property, the use of Dana Resources, audit of Services, protection of Confidential Information and warranties regarding Services and Deliverables.
- (D) No subcontracting will release Service Provider from its responsibility for its obligations under this Agreement. Service Provider will be responsible for the work and activities of each of the Service Provider Agents and members of the Project Staff employed by Service Provider Agents, including compliance with the terms of this Agreement. Service Provider will be responsible for all payments to its subcontractors.
- (E) Service Provider will promptly pay for all services, materials, Equipment and labor used by Service Provider in providing the Services and Service Provider will promptly cause any Service Provider Agent to promptly remove any lien on Dana's premises by such Service Provider Agent for work performed under this Agreement.

12.3 Conduct of Project Staff.

- (A) While at the Dana premises, Service Provider and Service Provider Agents will (1) comply with the requests, standard rules and regulations of Dana regarding safety and health, personal and professional conduct (including adhering to general safety practices or procedures) generally applicable to such Dana premises, including those set forth in Schedule 19 (Dana Policies and Procedures) and (2) otherwise conduct themselves in a businesslike manner.
- (B) Service Provider will cause Service Provider Agents and members of the Project Staff to maintain and enforce the confidentiality provisions of this Agreement.
- (C) If Dana notifies Service Provider that a particular member of the Project Staff is not conducting himself or herself in accordance with this Section, Service Provider will promptly (1) investigate the matter and take appropriate action, which may include (a) removing the applicable person from the Project Staff and providing Dana with prompt notice of such removal and (b) replacing the applicable person with a similarly qualified individual or (2) take other appropriate disciplinary action to prevent a recurrence. If Dana is dissatisfied with Service Provider's investigation or action or continues to be dissatisfied with the conduct of a particular member of the Project Staff, Service Provider will promptly remove the individual from the Project Staff at Dana's request.

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ARTICLE 13. CONTINUED PROVISION OF SERVICES

13.1 Disaster Recovery Plan.

- (A) Service Provider will implement and maintain disaster recovery plans and business continuity plans for Service Provider Service Locations and Service Provider's business that, at a minimum, address the matters set forth in Schedule 20 (Disaster Recovery and Business Continuity Requirements), and support Dana in their implementation of Dana disaster recovery plans and Dana business continuity plans for Dana Service Locations and will comply with Schedule 14 (Dana Information Security Requirements) in connection with such plans. For Service Provider Service Locations, Service Provider will (1) update and test the operability of any applicable Service Provider recovery plan annually and upon any significant change to the Systems or procedures constituting or affecting the Services, (2) certify to Dana upon each such test that each such plan is fully operational and provide Dana with a summary of any report regarding the results of such test and (3) implement each such plan upon the occurrence of a disaster.
- (B) Service Provider will reinstate the Services within the time periods set forth in Schedule 20 (Disaster Recovery and Business Continuity Requirements) (or if not set forth in Schedule 20, the recovery time periods set forth in Service Provider's recovery plan) after the occurrence of a disaster.
- (C) In the event of a disaster (as such term is defined in the applicable recovery plan), Service Provider will not increase its Fees under this Agreement or charge Dana any declaration, usage or other fees in addition to such Fees.

13.2 Force Majeure. If and to the extent that a Party's performance of any of its obligations under this Agreement is prevented, hindered or delayed by a cause beyond the reasonable control of such Party, which may include fire, flood, earthquake, elements of nature or acts of God, acts of war, terrorism, riots, civil disorders, rebellions or revolutions (each, a "Force Majeure Event"), and such non-performance, hindrance or delay could not have been prevented by reasonable precautions, then the non-performing, hindered or delayed Party will be excused for such non-performance, hindrance or delay, as applicable, of those obligations affected by the Force Majeure Event for as long as such Force Majeure Event continues and such Party continues to use commercially reasonable efforts to resume performance whenever and to whatever extent possible without delay, including through the use of alternate sources, workaround plans or other means. The Party whose performance is prevented, hindered or delayed by a Force Majeure Event will immediately notify the other Party of the occurrence of the Force Majeure Event and describe in reasonable detail the nature of the Force Majeure Event. The occurrence of a Force Majeure Event does not excuse, limit or otherwise affect Service Provider's obligation to provide either normal recovery procedures or any other disaster recovery services described in Section 13.1, except to the extent the Force Majeure Event prevents execution of the disaster recovery plan itself. The failures of subcontractors or third-party providers of services to Service Provider will not be considered Force Majeure Events.

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- 13.3 Alternate Source. If any Force Majeure Event or disaster prevents, hinders or delays performance of Services for more than seventy-two (72) hours after the inception of the Force Majeure Event or disaster, Dana may procure such Services from an alternate source and Service Provider will reimburse Dana for the reasonable and actual costs and expenses incurred by Dana in procuring such Services from an alternate source, to the extent that those costs and expenses exceed the Fees for such Services for so long as the delay in performance will continue, but in no event longer than the earlier of (a) 180 days from the start of such delay, or (b) the remaining Term, provided that Dana continues to pay Service Provider for such Services. If the Force Majeure Event or disaster continues to prevent, hinder or delay performance of the Services for more than 14 calendar days after the inception of the Force Majeure Event or disaster or, if a different time period is specified for Service reinstatement in Schedule 20 (Disaster Recovery and Business Continuity Requirements), such time period, Dana may at its sole discretion, effective as of a date specified by Dana in a termination notice to Service Provider, without observing the cure period required by Section 25.4, (1) terminate any portion of this Agreement affected by the nonperformance and the Fees will be equitably adjusted or (2) terminate the entire Agreement without liability to Dana except as set forth in Schedule 6 (Fees); provided that, if Service Provider succeeds in reinstating the Services, Dana must exercise such termination rights within 30 days after such reinstatement.
- 13.4 No Payment for Unperformed Services. If Service Provider fails to provide the Services in accordance with this Agreement due to the occurrence of a Force Majeure Event, the Fees will be adjusted in a manner such that Dana is not responsible for the payment of any Fees for Services that Service Provider fails to provide.
- 13.5 Allocation of Resources. Whenever a Force Majeure Event or a disaster causes Service Provider to allocate limited resources between or among Service Provider's customers, Dana will receive at least the same treatment as other Service Provider customers who are receiving an allocation of resources. In addition, in no event will Service Provider redeploy or reassign any Key Personnel to another account in the event of a Force Majeure Event.

ARTICLE 14. DANA RESPONSIBILITIES

- 14.1 Dana Operational Responsibilities. Dana will have the operational responsibilities set forth in Schedule 8 (Dana Operational Responsibilities and Resources) and, for a Project, set forth in the Work Order.
- 14.2 Dana Resources. Dana will make available to Service Provider the resources, facilities, equipment, furnishings, fixtures and support set forth in Schedule 8 (Dana Operational Responsibilities and Resources) and, for a Project, set forth in the Work Order ("Dana Resources") in accordance with the following provisions:
- (A) the terms specified in Schedule 8 (Dana Operational Responsibilities and Resources) or any other terms agreed between Dana and Service Provider in writing from time to time will apply to the Dana Resources;

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- (B) Service Provider will comply with any procedures specified in Schedule 8 (Dana Operational Responsibilities and Resources) in relation to the Dana Resources;
- (C) except as expressly provided in this Agreement, Service Provider will use the Dana Resources for the sole and exclusive purpose of providing the Services to Dana;
- (D) use by Service Provider of facilities that are included in the Dana Resources does not constitute a leasehold interest in favor of Service Provider or any of Service Provider's customers;
- (E) Service Provider will use the facilities that are included in the Dana Resources in a reasonably efficient manner, and to the extent that Service Provider operates such a facility in a manner that unnecessarily increases facility costs incurred by Dana, Dana reserves the right to set-off the excess utility costs of such practices;
- (F) Service Provider will (and will ensure that Service Provider Agents) keep facilities that are included in the Dana Resources in good order, not commit or permit waste or damage to such facilities, not use such facilities for any unlawful purpose or act and comply with all of Dana's standard policies and procedures as in effect from time to time as communicated to Service Provider, including procedures for the physical security of such facilities;
- (G) Service Provider will be responsible for damages to, and fines arising from use of, the Dana Resources to the extent caused by Service Provider, its agents, subcontractors, employees or invitees;
- (H) Service Provider will permit Dana and Dana agents to enter into those portions of facilities that are included in the Dana Resources that are occupied by Project Staff at any time to perform facility-related services;
- (I) Service Provider will not make any improvements or changes involving structural, mechanical or electrical alterations to facilities that are included in the Dana Resources without Dana's approval; and
- (J) when any facility that is included in the Dana Resources is no longer required for performance of the Services for Dana, Service Provider will return such facility to Dana in substantially the same condition as when Service Provider began using such facilities, ordinary wear and tear excepted.

14.3 Management of Issues.

- (A) Notwithstanding anything contained in this Article, Service Provider will proactively manage issues in a manner that ensures all tasks required to be performed under this Agreement are performed in a timely manner. Each member of the Project Staff will promptly escalate an issue if the performance of any such Project Staff member's obligation is directly impacted by the failure of Dana to perform a prerequisite task. Service Provider will not have met its obligation with

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respect to the hindered task unless and until the Dana Relationship Manager (or other relevant Dana team member identified in Schedule 4 (Governance)) has been notified of such failure to perform.

- (B) Dana's failure to perform any of its stated operational responsibilities or provide any Dana Resources will not constitute a breach of this Agreement or give rise to any right to terminate this Agreement. If Dana fails to fulfill any of the responsibilities set forth in Schedule 8 (Dana Operational Responsibilities and Resources) or provide any Dana Resources, Service Provider will be excused from the performance of its obligations under this Agreement adversely affected by such failure to the extent and only for so long as Dana's failure is the direct cause of Service Provider's non-performance, but only:
- (1) if Service Provider promptly notifies the Dana Relationship Manager of Dana's failure and if, after notifying the Dana Relationship Manager, Dana fails to promptly rectify the failure; and
 - (2) with respect to such specific obligations for which no reasonable workaround exists.

ARTICLE 15. FEES AND PAYMENT

15.1 Fees. In consideration of Service Provider providing the Services under this Agreement, Dana will pay to Service Provider:

- (A) the Fees set forth in Schedule 6 (Fees);
- (B) for Projects, Fees determined in accordance with Schedule 6 (Fees) and the applicable Work Order; and
- (C) for a New Service, the Fees set forth in the applicable New Service Schedule.

Except as expressly set forth in this Agreement, there will be no charge or Fees payable by Dana for Service Provider's performance of its obligations under this Agreement. Service Provider will extend the Fees to other members of the Dana Group Companies as requested by Dana.

15.2 Variable Fees. At the end of every month, Service Provider will review the volume of those Services used by Dana during the preceding month that, as designated in Schedule 6 (Fees), are subject to Variable Fees. If the volume of Dana's use of a Service subject to Variable Fees (1) increases above the applicable resource baseline set forth in Schedule 6 (Fees), Dana will pay Service Provider, in addition to the Fees otherwise due for such Service, an amount equal to the corresponding Additional Resource Charge or (2) decreases below the applicable resource baseline set forth in Schedule 6 (Fees), Service Provider will credit Dana an amount equal to the corresponding Reduced Resource Credit. All such payments and credits will be effected in accordance with Section 15.3.

15.3 Invoices. Invoices will adhere to the provisions of Schedule 6 (Fees).

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15.4 [INTENTIONALLY BLANK]

15.5 Refundable Items; Prepaid Expenses. If Service Provider receives during the Term any refund, credit or other rebate (including deposits) in connection with any Assigned Agreement, and such refund, credit or other rebate is attributable to a period before the Assigned Agreement Effective Date, as applicable, then Service Provider will promptly (1) notify Dana of such refund, credit or rebate and (2) pay to Dana the full amount of such refund, credit or rebate. Service Provider will reimburse Dana for all prepaid amounts related to the Services.

15.6 Adjustments to Fees. There will be no periodic adjustments to the Fees except as expressly set forth in Schedule 6 (Fees).

15.7 Expenses. Except as expressly set forth in Schedule 6 (Fees), all travel and other costs and expenses relating to the Services are included in the Fees and will not be charged to or reimbursed by Dana. To the extent that this Agreement or Schedule 6 (Fees) specifically identifies Pass-Through Expenses to be paid by Dana, such expenses will be passed through by Service Provider with no mark-up. Service Provider will use commercially reasonable efforts to (1) identify and obtain any Pass-Through Expenses that a third-party vendor may not provide to Service Provider in a timely manner, and (2) ensure that all Pass-Through Expenses incurred in each month will be included in the invoice issued in the following month. Service Provider will report each month to Dana on the status of late third-party vendor invoices and Service Provider's efforts to obtain them.

15.8 Disputed Charges.

- (A) Dana may withhold payment of any portion of an invoice that it disputes in good faith, not to exceed *** (the "Withholding Cap"). In addition, Dana may, in lieu of payment to Service Provider, pay into an escrow account up to an additional *** in excess of the Withholding Cap for any portion of an invoice that it disputes in good faith. Notwithstanding the preceding two sentences, if Dana disputes in good faith any portion of an invoice relating to a Project, Dana may withhold payment of up to *** for such Project (the "Project Withholding Cap").
- (B) No later than the date on which such withheld Fees or expenses are due, Dana will provide Service Provider with a statement specifying the portion of Fees or expenses being withheld or escrowed and a reasonably detailed explanation of the reasons for withholding or escrowing such Fees or expenses.
- (C) Whenever Dana withholds or escrows payment of a disputed portion of any invoice, the Parties will negotiate expeditiously and in good faith to resolve any such disputes in accordance with Schedule 4 (Governance). All amounts held in escrow at the conclusion of the dispute resolution process will be disbursed to Service Provider or to Dana, or allocated between them, in accordance with the resolution.

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(D) Payment disputes will not affect Service Provider's obligation to provide the Services in accordance with the Service Levels or any other Service Provider obligation under this Agreement.

15.9 Rights of Set-Off. With respect to any amount that (A) should be reimbursed to Dana or (B) is otherwise payable to Dana under this Agreement, Dana may deduct the entire amount owed to Dana from the Fees or from the expenses owed by Dana to Service Provider under this Agreement.

15.10 Unused Credits. Any unused credits against future payments (including Reduced Resource Credits, Performance Credits and Deliverable Credits) owed to either Party by the other under this Agreement will be paid to the applicable Party within 30 days after the expiration or termination of this Agreement.

15.11 Benchmarking. Dana may elect to engage a third party benchmark organization (the "Benchmark") to compare the Fees in the aggregate for some or all of the Services (the "Benchmarked Services") and prices charged by other top tier service providers for similar services, on an average total charges basis based on the processes included in the Benchmark Services (each such comparison a "Benchmark") pursuant to this Section. Benchmarking will be governed by the following terms:

(A) The Benchmark process may commence no earlier than ***.

(B) The agreed upon Benchmarkers will be set forth in Schedule 24 (Benchmarkers) as of the Effective Date. The Parties will update this list as necessary on an annual basis. *** Within *** days of receipt of such list, Dana will elect a Benchmark from such list and engage such Benchmark by entering into a *** written agreement with the Benchmark that, at a minimum, shall reflect the requirements set forth in this Section. Notwithstanding the above, Dana shall not engage any Benchmark for which the engagement would result in a violation of any applicable laws or regulations or otherwise violate Dana's then current audit service conflict policies. ***

(C) Dana shall pay all charges, expenses and costs incurred by the Benchmark in performing the benchmarking described in this Section. The Service Provider will

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at its sole cost and expenses cooperate fully with the Benchmark and provide the data requested by the Benchmark relating to the provision of the Services. Only Dana may exercise a right to conduct a Benchmark.

- (D) Prior to receiving any information from the Parties regarding the Services or the Fees the Benchmark shall execute a confidentiality agreement reasonably satisfactory to both Service Provider and Dana that at a minimum specifies that the data provided by Dana and Service Provider may not be used for any other purpose than conducting the referenced Benchmark.
- (E) It is the intent of the Parties that the Benchmark be a collaborative process. In this regard, each Party shall cooperate with reasonable requests by the Benchmark for any information or data related to the Agreement to the extent necessary for the Benchmark to perform the Benchmark; provided, however, in no event shall Service Provider be required to provide the Benchmark with Service Provider cost data or data relating to other Service Provider customers.
- (F) The Benchmark shall perform a price-based benchmark, using reasonably current data, comparing the total Fees for all Services included, in the aggregate, in the Benchmarked Services, against the total charges applicable to similar services with respect to the selected entities in the Representative Sample as such term is defined below. ***
- (G) For the purposes of this Section:
 - (1) “Representative Sample” for Benchmarked Services shall mean ***

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- (2) "Benchmarked Level" shall mean the average total charges attributable to the Benchmark Services based among those entities comprising the Representative Sample.
- (3) Prior to performing the comparison, the Benchmark shall meet with the Parties to review and explain its Benchmark methodology ***. The Benchmark shall provide a written summary of the Benchmark methodology and shall perform the Benchmark in adherence thereto in all material respects.
- (4) The Benchmark shall deliver the results of the Benchmark in a written report no later than *** days following its engagement by Dana (the "Benchmark Results") to the designated representatives of the Parties. ***

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- (5) ***. The report of the Benchmarking including the Benchmark Results shall be treated as Confidential Information of each Party.
- (6) ***
- (7) ***

15.12 Unforeseen Technology Improvements. Service Provider will pass through to Dana reductions in the cost of delivery of the Services resulting from significant changes in technology or extraordinary reductions in the costs of delivering technology services that could not reasonably have been foreseen as of the Effective Date but that occur during the Term and would be generally available to other users of similar technology and services.

15.13 Gainsharing. The parties will cooperate in good faith to establish, within 60 days after the Effective Date, mutually-agreeable terms to identify and equitably share unanticipated cost savings opportunities.

ARTICLE 16. TAXES

- (A) Service Provider will be responsible for any Service Taxes imposed by any Governmental Authority based on or measured by the cost of acquiring goods or services used by Service Provider in performing the Services. Service Provider will assume any and all responsibility (including the payment of interest and penalty assessments levied by a Governmental Authority) for failure to remit a tax that Service Provider is liable to pay under this subsection.

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- (B) Dana will be responsible for any Service Taxes imposed by any Governmental Authority on the provision of the Services as of the Effective Date. If new or higher Service Taxes become applicable to the Services after the Effective Date as a result of either Party moving all or part of its operations to a different jurisdiction (e.g., Dana's opening a new office or Service Provider relocating its performance of the Services to a new service center), the Party initiating such move will be responsible for such new or higher Service Taxes to the extent they are not recoverable by the other Party under applicable tax law. If new or higher Service Taxes become applicable to the Services after the Effective Date for any other reason (e.g., under changes in Law, but not volume changes) the Party otherwise responsible for such Service Taxes as set forth in this Section 16 will be responsible for such new or higher Service Taxes.
- (C) Dana and Service Provider will each be responsible for any franchise, privilege, income, gross receipts or business activity taxes based upon its own gross or net income, net worth or business activities. Neither Party will be responsible for any real or personal property taxes assessed on tangible or intangible property owned or leased by the other Party.
- (D) Dana and Service Provider will each reasonably cooperate with the other to more accurately determine a Party's tax liability and to minimize such liability, to the extent legally permissible. Dana and Service Provider will each provide and make available to the other any resale certificates, information regarding out-of-state sales or use of equipment, materials or services, and any other exemption certificates or information requested by a Party.

ARTICLE 17. AUDITS

- 17.1 Service Audits. Upon notice from Dana, Service Provider and Service Provider Agents will provide Dana, and any Governmental Authority or other third parties who are not Service Provider Competitors and who are not hired on a contingency fee basis ("Dana Auditors") with access to and any assistance that they may require with respect to the Service Locations and the Service Provider Systems for the purpose of performing audits or inspections of the Services and the business of Dana relating to the Services (excluding other Service Provider customer data and records or Service Provider's cost data or internal cost analysis), including (1) audits and examinations required by Governmental Authorities, (2) audit of Service Provider's compliance with the terms of this Agreement, (3) audit of Service Provider's operational and security-related procedures with respect to the Services, (4) confirming that control procedures are suitably designed to provide reasonable assurance that the stated internal control objectives will be achieved if the procedures operate as designed and (5) confirming that those control procedures, in fact, operated effectively and continuously at all times during the audited period. If any audit by a Dana Auditor results in Service Provider being notified that Service Provider or Service Provider Agents are not in compliance with any Law, audit requirement or other requirement set forth in this Agreement, Service Provider will, and will cause Service Provider Agents to, promptly take actions to comply with such Law, audit requirement or other requirement.

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17.2 Fees Audits. Upon notice from Dana, Service Provider will provide Dana and Dana Agents with access to such financial records and supporting documentation as may be requested by Dana. Dana and Dana Agents may audit the Fees charged to Dana to determine if such Fees are accurate and in accordance with this Agreement.

- (A) If, as a result of such audit, Dana determines that Service Provider has overcharged Dana, Dana will notify Service Provider of the amount of such overcharge and unless Service Provider disputes the amount in accordance with the dispute resolution process set forth in Schedule 4 (Governance), Service Provider will promptly pay to Dana the amount of the overcharge, plus Interest calculated from the date of receipt by Service Provider of the overcharged amount until the date of payment to Dana.
- (B) In addition, if any such audit reveals an overcharge to Dana of five percent or more during the period audited and Service Provider does not successfully dispute the amount revealed by such audit in accordance with the dispute resolution process set forth in Schedule 4 (Governance), Service Provider will, at Dana's option, issue to Dana a credit against the Fees, or reimburse Dana, for the actual and reasonable cost of such audit.

17.3 Service Provider Audits.

- (A) Service Provider will (1) promptly notify Dana if the results of any independent audit or other report of Service Provider's or any Service Provider Agent's operations relating to the Services, except to the extent that any such report deals with Service Provider's costing structures (in which event information about Service Provider's cost structure will be redacted), indicate (or Service Provider otherwise becomes aware) that any failure by Service Provider to comply with its obligations under this Agreement (i) has impacted or reasonably could impact the maintenance of Dana's financial integrity or internal controls, the accuracy of Dana's financial, accounting or human resource records and reports; or (ii) has had, or reasonably could have, any other material adverse impact on the applicable Services or the impacted business operations of Dana and (2) promptly take corrective action to rectify (a) any error identified in any such report that could reasonably be expected to have an adverse impact on the Services and (b) any control deficiencies identified in the report.
- (B) Service Provider will have performed, and provide to Dana by December 31 of each year a copy of, a SAS 70 Type II audit on Service Provider's common controls (Encompasses Service Provider's internal control environment in support of services provided across clients, including Dana, serviced in a location and includes those items identified by Service Provider on a yearly basis to the Service Provider's independent public accountants as common controls that require testing. Service Provider will provide timely (e.g., 30 days) notification to Dana of any material changes in the common controls from those reported previously.) performed by the Service Provider's independent public accountants on the Service Provider's primary facilities where this type of audit is being

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performed for itself or other clients and which are utilized by Service Provider for the provision of the Services. *** The SAS 70 Type II audit will be performed in accordance with Statement of Auditing Standards (SAS) 70 "Services Organizations" as amended by SAS 88 "Services Organizations and Reporting on Consistency" and as otherwise consistent with U.S. GAAP and Statements of Auditing Standards on the control procedures used by Service Provider in the performance of the Services. ***

17.4 Record Retention. Service Provider will comply with Dana's record retention policies in effect from time to time during the Term as communicated in writing to Service Provider, and provide Dana access upon request to the records, documents and other information required to meet Dana's audit rights under this Agreement. Dana will notify Service Provider of changes in its record retention policies so that Service Provider can make any necessary changes to the Policies and Procedures Manual in accordance with the Change Control Procedures.

17.5 Facilities. Service Provider will provide to Dana Auditors, on Service Provider's premises (or, if the audit is being performed of a Service Provider Agent, the Service Provider Agent's premises if necessary), space, office furnishings (including lockable cabinets), telephone and facsimile services, utilities and office-related equipment and duplicating services as such Dana Auditors may reasonably require to perform the audits described in this Article.

17.6 General.

- (A) In performing audits, Dana will endeavor to avoid unnecessary disruption of Service Provider's operations and unnecessary interference with Service Provider's ability to perform the Services in accordance with the Service Levels.
- (B) Following any audit, Dana's will conduct (in the case of an internal audit), or request the Dana Auditors to conduct, an exit conference with Service Provider to obtain factual concurrence with issues identified in the review.
- (C) Dana will provide Service Provider with notice at least seventy-two (72) hours prior to any operational or financial audit by Dana or the Dana Auditors; provided that such notice will be waived if waiver is required by Law.
- (D) Prior to receiving access to Service Provider Proprietary Information, the Dana Auditors (other than government auditors and examiners) will execute a confidentiality agreement substantially in the form attached hereto as Schedule 13 (Form of Confidentiality Agreement).

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ARTICLE 18. RELATIONSHIP MANAGEMENT

- 18.1 Governance Guidelines and Principles. Governance of the Parties' relationship under this Agreement will follow the guidelines and principles set forth in Schedule 4 (Governance), as such guidelines and principles are amended or supplemented by the Parties from time to time during the Term.
- 18.2 Responsibilities. Each of Dana and Service Provider will make management decisions in a timely manner and perform its responsibilities set forth in this Agreement.
- 18.3 Dana Appointments. Dana will appoint:
- (A) a Dana Relationship Manager to manage the operation of this Agreement, in accordance with its terms, for Dana. Wherever Dana's approval is required under this Agreement, Dana will only give that approval through the Dana Relationship Manager or a duly authorized delegate of the Dana Relationship Manager, except as contemplated by this Article or Schedule 4 (Governance). Service Provider agrees that it will not rely on the apparent or ostensible authority of any other Dana personnel in relation to this Agreement, except as contemplated by this Article or Schedule 4 (Governance); and
 - (B) a Dana Operational Executive to manage day-to-day operations.
- 18.4 Service Provider Appointments. Service Provider will appoint:
- (A) a Service Provider Relationship Manager to manage the operation of this Agreement, in accordance with its terms, for Service Provider. Wherever Service Provider's approval is required under this Agreement, Service Provider will only give that approval through Service Provider Relationship Manager or a duly authorized delegate of Service Provider Relationship Manager, except as contemplated by this Article or Schedule 4 (Governance). Dana agrees that it will not rely on the apparent or ostensible authority of any other Project Staff in relation to this Agreement, except as contemplated by this Article or Schedule 4 (Governance). Service Provider will ensure that the Service Provider Relationship Manager is the single point of contact for Dana for the purposes of this Agreement, has the authority and will be given the responsibility to perform for Service Provider each of the tasks referred to in Section 18.5 and is a full-time employee of Service Provider; and
 - (B) a Service Provider Operational Executive to manage day-to-day operations.
- 18.5 Role of Relationship Managers. The Relationship Managers (A) will meet at times as set forth in Schedule 4 (Governance) or as otherwise agreed by the Parties, (B) will review and discuss reports submitted by Service Provider, proposed changes to the Services or any part of this Agreement, any audit or Benchmarking exercises, the status of individual existing or planned Projects and financial performance, (C) as contemplated by Schedule 4 (Governance), will prepare a monthly executive summary report for Dana and Service Provider reviewing Service Provider's performance of the Services, (D) may raise any

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issues of concern or interest relating to this Agreement and (E) will work in good faith to resolve any issues of concern in accordance with the procedures as set forth in Schedule 4 (Governance) and, if they are unable to resolve any issue, refer the matter to senior management for resolution in accordance with Section 18.7.

18.6 Senior Executives. At Dana's discretion, the GM, Global HR BTO of Service Provider will meet with Dana's VP, Human Resources to do any of the following:

- (A) formally review this Agreement and discuss high level relationship and performance issues; and
- (B) discuss the achievement of Dana's business objectives and how Service Provider is assisting Dana to achieve those objectives.

18.7 Escalation Procedure for Relationship Issues. The Parties will follow the escalation procedure set forth in Schedule 4 (Governance) to resolve any issues concerning this Agreement.

18.8 Executive Level Meeting.

(A) Dana may convene a meeting, at Dana's offices, with the VP, Global Industrial Sector — BTO of Service Provider upon the occurrence of the following events (an "Executive Level Meeting"):

- (1) the customer satisfaction surveys described in Section 6.10 are below the minimum acceptable level to be set forth in Schedule 5 (Service Levels and Performance Credits); or
- (2) Service Provider fails to meet any single Service Level for any three months out of any rolling six-month period.

(B) Any Executive Level Meeting will take place within 48 hours after notice by Dana to Service Provider that it is invoking this subsection.

18.9 Quarterly Budgeting. Within 90 days after the Effective Date and annually thereafter, Service Provider will assist Dana in developing Dana's annual and quarterly financial objectives and budgets.

18.10 Aligning Project Staff with Dana Objectives. A key performance measurement in determining the incentive compensation for each of the Key Personnel, including the Service Provider Relationship Manager and the Service Provider Operational Executive, will be based upon mutually agreed alignment with, and achievement of, increased Dana satisfaction with Service Provider's performance of the Services as such satisfaction will be determined in accordance with Section 6.10.

18.11 Continuity of Services. Service Provider acknowledges that the timely and complete performance of its obligations under this Agreement is critical to the business and operations of Dana. Accordingly, in the event of a dispute between Dana and Service

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Provider, subject to Dana's compliance with Section 15.8, Service Provider will not interrupt its provision of Services to Dana, refuse to perform any obligations related to termination, disable any Equipment or Software used to provide Services or engage in any act or omission that prevents, impedes or reduces in any way the provision of Services or Dana's ability to conduct its business, unless and until this Agreement expires or is terminated in accordance with its terms or until such action has been authorized by the final and non-appealable judgment of a court of competent jurisdiction.

ARTICLE 19. CONTRACT MANAGEMENT

- 19.1 Policies and Procedures Manual. No less than 30 days prior to each Transformation Date for each Phased Service Component Service Provider will create and deliver to Dana a draft of the policies and procedures that apply to the Phased Service Component (collectively, the "Policies and Procedures Manual"). The final Policies and Procedure Manual will be delivered no later than 30 days after the Transformation Date. The content of the Policies and Procedures Manual will be as outlined in Schedule 9 (Outline of Policies and Procedures Manual). Service Provider will periodically prepare and provide to Dana updates to such Policies and Procedures Manual to reflect any changes in the procedures described therein as soon as practicable after such changes are made; provided that any changes to the form and scope of the Policies and Procedures Manual will be agreed upon by Dana and Service Provider in accordance with the Change Control Procedures. Service Provider will update the Policies and Procedures Manual to address changes required by the addition of New Services.
- 19.2 Change Control Procedures. The Parties will comply with the Change Control Procedures set forth in Schedule 4 (Governance). Any change in the manner in which Services are provided will be subject to the Change Control Procedures.

ARTICLE 20. PROPRIETARY RIGHTS

20.1 Dana Software and Dana Tools.

- (A) As between the Parties, Dana is the exclusive owner of the Dana Proprietary Software and the Dana Proprietary Tools and Service Provider will have no rights or interests in the Dana Proprietary Software or the Dana Proprietary Tools except as set forth in this Agreement.
- (B) Dana hereby grants to Service Provider, during the Term and the Termination Assistance Period and solely to provide the Services, a non-exclusive, non-transferable, limited right to have access to and (1) Use (and as required to provide the Services, to maintain, modify, enhance or create derivative works of) the Dana Proprietary Software and the Dana Proprietary Tools, (2) Use (and as required to provide the Services, to maintain, modify, enhance or create derivative works of) the Dana Third Party Software and the Dana Third Party Tools, to the extent permissible under the applicable third-party agreements, and (3) Use (and as required to provide the Services, to maintain, modify, enhance or create derivative works of) any Related Documentation in Dana's possession on or after

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the Commencement Date, to the extent permissible under the applicable third-party agreements. Schedule 16 (Software and Tools) sets forth the Dana Software and the Dana Tools that Service Provider will use to provide the Services as of the Commencement Date. Service Provider may sublicense, to the extent permissible under the applicable third-party agreements, to Service Provider Agents the right to have access to and Use (and as required to provide the Services, to maintain, modify, enhance or create derivative works of) the Dana Software and the Dana Tools solely to provide those Services that such Service Provider Agents are responsible for providing.

20.2 Service Provider Software and Tools.

- (A) As between the Parties, Service Provider is the exclusive owner of the Service Provider Proprietary Software and the Service Provider Proprietary Tools and the Dana Group will have no rights or interests in the Service Provider Proprietary Software or the Service Provider Proprietary Tools except as set forth in this Agreement. Schedule 16 (Software and Tools) sets forth the Service Provider Software and Service Provider Tools that Service Provider anticipates Service Provider will use to provide the Services as of the Effective Date.
- (B) During the Term and during the Termination Assistance Period, Service Provider will provide the Dana Group with such access to the Service Provider Software and the Service Provider Tools as necessary or appropriate to enable the Dana Group Companies to receive the benefit of the Services.
- (C) Service Provider will grant to the Dana Group Companies, effective upon the End Date, to the extent necessary for Dana to achieve continuity of Service delivery:
 - (1) a global, perpetual, non-exclusive, non-transferable (except to Affiliates of Dana or under a Restructure or Change in Control of Dana) license to Use, and sublicense, and to permit a third party to Use solely in connection with providing services to the Dana Group, the commercially available Service Provider Proprietary Software and Service Provider Proprietary Tools, on Service Provider's customary terms but without payment of any one-time licensing fees; and
 - (2) a global, perpetual, non-exclusive, non-transferable (except to Affiliates of Dana or under a Restructure or Change in Control of Dana), fully paid-up license to Use, solely in connection with providing services to the Dana Group, Service Provider Proprietary Software and Service Provider Proprietary Tools that are not commercially available, on an AS-IS basis.
- (D) Service Provider will grant to the Dana Group Companies, effective upon the End Date, to the extent necessary for Dana to achieve continuity of Service delivery, a perpetual, non-exclusive license for Dana and its designees to Use the Service Provider Third Party Software and Service Provider Third Party Tools then being used to provide Services at no additional charge to Dana (other than the recurring

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license or maintenance fees then being paid to the supplier of such Software or Tools by Service Provider). The license set forth in this subsection (D) will not apply to any Service Provider Third Party Software or Service Provider Third Party Tools to the extent Dana has consented under subsection (E) below to the use of such Software and Tools in providing Services after notice from Service Provider that Service Provider cannot procure sufficient rights from the supplier to grant the foregoing license.

(E) Before employing any third-party products in providing the Services, other than the Service Provider Third Party Software and Service Provider Third Party Tools identified in Schedule 16 (Software and Tools), Service Provider will to the extent necessary for Dana to achieve continuity of Service delivery (1) obtain sufficient rights from the supplier to grant the licenses set forth in subsection (D) above; and (2) verify that Dana and its designees, for the purpose of providing services to Dana, have the right to purchase ongoing maintenance and support for such products on commercially reasonable terms. To the extent that Service Provider is unable to obtain such rights, Service Provider will only introduce such third-party products for use in providing the Services with Dana's prior written consent as to the specific product to be introduced.

20.3 Work Product. Work Product will be owned by Dana. Dana will have all right, title and interest, including worldwide ownership of copyrights, in and to the Work Product and all copies made from them. Service Provider hereby irrevocably assigns, transfers and conveys, and will cause Service Provider Agents to assign, transfer and convey, to Dana without further consideration all of its and their right, title and interest in and to such Work Product, including all rights of copyright, in and to such materials. Service Provider acknowledges, and will cause Service Provider Agents to acknowledge, that Dana and the successors and permitted assigns of Dana may obtain and hold in their own name any intellectual property rights in and to such Work Product. Service Provider agrees to execute, and will cause Service Provider Agents to execute, any documents or take any other actions as may reasonably be necessary, or as Dana may reasonably request, to perfect Dana's ownership of any such Work Product. In the case of Work Product constituting Software, Service Provider will deliver to Dana a complete copy of the Software source code. With respect to each disclosure, Service Provider will indicate any features or concepts that it believes to be new or different. Service Provider retains a global, perpetual, irrevocable and non-exclusive license to Use, modify and create derivative works of Code Fragments contained in a Work Product. A "Code Fragment" means a sub-routine or immaterial portion of its source code (determined in relation to the functionality of the Work Product as a whole). Service Provider will not combine Code Fragments to create a product functionally equivalent to the Work Product containing such Code Fragments.

20.4 Interface Information. During the Term of this Agreement, Service Provider will provide Dana with appropriate interface information to enable Dana to develop or replace any Software used to provide the Services that is not commercially available. After the termination or expiration of this Agreement, Service Provider will provide Dana with appropriate interface information available from Service Provider to enable Dana to

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develop or replace any Service Provider Software if necessary for Dana to exercise any of the rights granted to it under this Agreement.

- 20.5 Residual Information. Nothing contained in this Agreement will restrict either Party from using Residual Information; provided that the use does not (1) infringe or misappropriate any patents or copyrights of the other Party or any third parties, (2) disclose any Confidential Information that identifies or may be used to identify the other Party to any third parties or (3) ***.

ARTICLE 21. DATA

- 21.1 Ownership of Dana Data. All Dana Data is, or will be, and will remain the property of Dana. Without Dana's approval (in its sole discretion), Dana Data will not be (A) used by Service Provider or Service Provider Agents other than in connection with providing the Services, (B) disclosed, sold, assigned, leased or otherwise provided to third parties by Service Provider or Service Provider Agents or (C) commercially exploited by or on behalf of Service Provider or Service Provider Agents. Service Provider hereby irrevocably assigns, transfers and conveys, and will cause Service Provider Agents to assign, transfer and convey, to Dana without further consideration all of its and their right, title and interest in and to Dana Data. Upon request by Dana, Service Provider will execute and deliver, and will cause Service Provider Agents to execute and deliver, any documents that may be necessary or desirable under any Law to preserve, or enable Dana to enforce, its rights with respect to Dana Data.

- 21.2 Return of Data. Upon request by Dana at any time during the Term and upon expiration or termination of this Agreement, Service Provider will (A) promptly return to Dana, in the format and on the media reasonably requested by Dana, all or any part of Dana Data and (B) erase or destroy all or any part of Dana Data in Service Provider's possession, in each case to the extent so requested by Dana and as permitted by applicable Law.

ARTICLE 22. CONFIDENTIALITY

- 22.1 Use and Disclosure. All Confidential Information relating to a Party will be held in confidence by the other Party to the same extent and with at least the same degree of care as such Party protects its own confidential or proprietary information of like kind and import, but in no event using less than a reasonable degree of care or that which is required by law. Neither Party will disclose, duplicate, publish, release, transfer or otherwise make available Confidential Information of the other Party in any form to, or for the use or benefit of, any person or entity without the other Party's consent. Each Party will, however, be permitted to disclose relevant aspects of the other Party's Confidential Information to its officers, agents, subcontractors and employees to the extent that such disclosure is reasonably necessary for the performance of its duties and obligations or the exercise of its rights under this Agreement and such disclosure is not prohibited by applicable Law. Each Party will establish commercially reasonable controls

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to ensure that Confidential Information is not disclosed contrary to the provisions of this Agreement or any applicable Laws. To the extent that any duties and responsibilities under this Agreement are delegated to an Agent, the delegating Party will ensure that such Agent adheres to the requirements of this Section.

22.2 Required Disclosure. If either Party or an agent of either Party is requested or required by any Governmental Authority, whether by oral question, interrogatories, requests for information or documents, subpoenas, civil investigation or similar process, to disclose any of the Confidential Information of the other Party, such Party will, to the extent permitted, provide the other Party with prompt notice of such requests so that the other Party may seek an appropriate protective order or similar relief or, if appropriate, waive compliance with the provisions of this Article. Such Party will use all commercially reasonable efforts to obtain, or assist the other Party in obtaining, such a protective order or relief.

22.3 Unauthorized Acts. Without limiting either Party's rights as to a breach of this Article, each Party will:

- (A) promptly notify the other Party of any unauthorized possession, use or knowledge, or attempt thereof, of the other Party's Confidential Information by any person or entity that may become known to such Party;
- (B) promptly furnish to the other Party full details of the unauthorized possession, use or knowledge, or attempt thereof, and assist the other Party in investigating or preventing the recurrence of any unauthorized possession, use or knowledge, or attempt thereof, of Confidential Information;
- (C) cooperate with the other Party in any litigation and investigation against third parties deemed necessary by the other Party to protect its proprietary rights to the extent such litigation or investigation relates to the Services; and
- (D) promptly use its best efforts to prevent a recurrence of any such unauthorized possession, use or knowledge, or attempt thereof, of Confidential Information.

Each Party will bear the cost it incurs as a result of compliance with this Section.

22.4 Return of Confidential Information. Upon request at expiration or termination of this Agreement, each Party will (A) promptly return to the other Party all of the Confidential Information of the other Party and (B) erase or destroy all of the Confidential Information of the other Party in its possession, except, with respect to Dana, such Confidential Information of Service Provider contained in the Service Provider Software or the Service Provider Tools licensed to the Dana Group Companies after such expiration or termination.

22.5 Business Associate Agreement. Service Provider may be considered a "Business Associate" of Dana as defined in the HIPAA privacy and security standards. The Parties agree to execute the business associate agreement attached as Schedule 17 (Business Associate Agreement) on or before the Effective Date, to apply to the extent Service

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Provider is a Business Associate. The Parties further agree to revise the business associate agreement from time to time to reflect changes necessary (as reasonably determined by Dana) to maintain compliance with applicable HIPAA privacy and security requirements.

22.6 Data Protection Laws.

- (A) Dana retains sole authority for determining and approving the purposes of Service Provider's processing of Dana Data, and Dana is responsible for obtaining all necessary consents in order to transfer data to, and to have such data processed by, Service Provider and Service Provider Agents for processing by them in accordance with this Agreement. It is the intention of the Parties that Dana and the applicable Dana Affiliates are the data controllers, and Service Provider and the Service Provider Agents are the data processors.
- (B) Service Provider and each Service Provider Agent shall comply with the following obligations in respect of any Dana Data transferred to Service Provider or the Service Provider Agent under this Agreement:
 - (1) Service Provider or the Service Provider Agent shall process Dana Data only for the purpose of providing the Services.
 - (2) Service Provider and each Service Provider Agent shall:
 - (a) to the extent required of Service Provider or Service Provider Agent under applicable data protection Laws, maintain at all times a valid, up to date notification/registration covering all of processing of personal data contained in the Dana Data;
 - (b) take the agreed-upon operational and technical security measures, as approved by Dana, to ensure that the Dana Data is secure from unauthorized access or disclosure and take all other operational and technical security measures required of Service Provider or Service Provider Agent by applicable Law;
 - (c) not transfer to nor direct any person to process any Dana Data without the specific prior written approval of Dana;
 - (d) ensure that the Dana Data is only accessible to employees of Service Provider and Service Provider Agent employees (and authorized subcontractors), who reasonably need such access for the purpose of providing the Services;
 - (e) ensure that Dana Data received from Dana or a Dana Affiliate in the European Economic Area is only processed in accordance with the Policies and Procedures Manual, including any geographical restrictions on the processing of such Data;

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- (f) inform Dana immediately if Service Provider or a Service Provider Agent receives any inquiry from any governmental official charged with the enforcement of data protection Laws relating to the provision of the Services; and
- (g) timely provide to Dana reasonable support in responding to any request for information from a data subject in accordance with the requirements of applicable data protection Laws and, to the extent required under applicable Law, Service Provider and Service Provider Agent will timely respond to any such request.

As used in this Section 22.6, the terms “process”, “data controller”, “data processor” and “data subject” shall have the meanings given to them in the 1995 EU Privacy Directive. The Parties will enter into data protection agreements to the extent necessary to comply with applicable Laws.

ARTICLE 23. REPRESENTATIONS AND WARRANTIES

23.1 By Dana. Dana represents and warrants that as of the Effective Date:

- (A) it is a corporation duly incorporated, validly existing and in good standing under the Laws of the Commonwealth of Virginia;
- (B) Dana has all requisite corporate power and authority to execute, deliver and perform its obligations under this Agreement;
- (C) the execution, delivery and performance of this Agreement by Dana (1) has been duly authorized by Dana and (2) will not conflict with, result in a breach of or constitute a default under any other agreement to which Dana is a party or by which Dana is bound;
- (D) Dana is duly licensed, authorized or qualified to do business and is in good standing in every jurisdiction in which a license, authorization or qualification is required for the ownership or leasing of its assets or the transaction of business of the character transacted by it, except where the failure to be so licensed, authorized or qualified would not have a material adverse effect on Dana’s ability to fulfill its obligations under this Agreement;
- (E) Dana is in compliance with all Laws applicable to Dana, and has obtained all applicable permits and licenses required of Dana, in connection with its obligations under this Agreement; and
- (F) there is no outstanding litigation, arbitrated matter or other dispute to which Dana is a party that, if decided unfavorably to Dana, would reasonably be expected to have a material adverse effect on Service Provider’s or Dana’s ability to fulfill their respective obligations under this Agreement.

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23.2 By Service Provider. Service Provider represents and warrants that as of the Effective Date:

- (A) Service Provider is a corporation duly incorporated, validly existing and in good standing under the Laws of the State of New York;
- (B) Service Provider has all requisite corporate power and authority to execute, deliver and perform its obligations under this Agreement;
- (C) the execution, delivery and performance of this Agreement by Service Provider (1) has been duly authorized by Service Provider and (2) will not conflict with, result in a breach of or constitute a default under any other agreement to which Service Provider is a party or by which Service Provider is bound;
- (D) Service Provider is duly licensed, authorized or qualified to do business and is in good standing in every jurisdiction in which a license, authorization or qualification is required for the ownership or leasing of its assets or the transaction of business of the character transacted by it, except where the failure to be so licensed, authorized or qualified would not have a material adverse effect on Service Provider's ability to fulfill its obligations under this Agreement;
- (E) Service Provider is in compliance with all Laws applicable to Service Provider, and has obtained all applicable permits and licenses required of Service Provider, in connection with its obligations under this Agreement;
- (F) the Service Provider Proprietary Software, the Service Provider Proprietary Tools and the Service Provider Equipment do not infringe upon or misappropriate the proprietary rights of any third party;
- (G) there is no claim or proceeding pending or, to Service Provider's knowledge, threatened alleging that any of the Service Provider Proprietary Software, the Service Provider Proprietary Tools or the Service Provider Equipment infringes or misappropriates the proprietary rights of any third party which would reasonably be expected to have a material adverse effect on Service Provider's ability to fulfill its obligations under this Agreement;
- (H) to Service Provider's knowledge, there is no claim or proceeding pending or threatened alleging that any of the Service Provider Third Party Software or the Service Provider Third Party Tools identified in Schedule 16 (Software and Tools) infringes or misappropriates the proprietary rights of any third party which would reasonably be expected to have a material adverse effect on Service Provider's ability to fulfill its obligations under this Agreement;
- (I) there is no outstanding litigation, arbitrated matter or other dispute to which Service Provider is a party that, if decided unfavorably to Service Provider, would reasonably be expected to have a material adverse effect on Dana's or Service Provider's ability to fulfill their respective obligations under this Agreement;

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- (J) there is no code in the Service Provider Proprietary Software or the Service Provider Proprietary Tools that would have the effect of disabling or otherwise shutting down all or any portion of the Services or any such Software or Tools;
- (K) to Service Provider's knowledge, there is no code in the Service Provider Third Party Software or the Service Provider Third Party Tools that would have the effect of disabling or otherwise shutting down all or any portion of the Services or any such Software or Tools;
- (L) each Deliverable provided under this Agreement (including Work Product) will be free from material errors in operation and performance, comply with applicable documentation and specifications in all material respects and provide the functions and features, and operate in the manner, described in the Schedule, Work Order or other document applicable to such Deliverable for 12 months after installation, testing and acceptance, or such other period as may be specified in the Schedule, Work Order or other document applicable to such Deliverable;
- (M) the Services and any Deliverables provided by Service Provider under this Agreement are and will be capable of supporting the Euro as a main or additional currency; and
- (N) Service Provider has not violated any applicable Law, or any Dana policies of which Service Provider has been given notice, regarding the offering of unlawful inducements in connection with this Agreement.

23.3 **DISCLAIMER.** EXCEPT AS SPECIFIED IN SECTION 23.1 or SECTION 23.2, NEITHER DANA NOR SERVICE PROVIDER MAKES ANY OTHER WARRANTIES AND EACH EXPLICITLY DISCLAIMS ALL OTHER WARRANTIES, EXPRESS OR IMPLIED, INCLUDING THE IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE.

ARTICLE 24. ADDITIONAL COVENANTS

24.1 By Dana. Dana covenants and agrees with Service Provider that during the Term and the Termination Assistance Period:

- (A) Dana will comply with all Laws applicable to its performance of the responsibilities set forth in Schedule 8 (Dana Operational Responsibilities and Resources) and otherwise to Dana in connection with its obligations under this Agreement.
- (B) Except as otherwise provided in this Agreement, Dana will obtain all applicable permits and licenses, including the Dana Governmental Approvals and the Dana Consents, required of Dana in connection with its obligations under this Agreement.

24.2 By Service Provider. Service Provider covenants and agrees with Dana that during the Term and the Termination Assistance Period:

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- (A) Service Provider will comply with all Laws applicable to its provision of the Services and otherwise to Service Provider in connection with its obligations under this Agreement; provided that Service Provider will not be liable under this subsection (A):
- (1) for a violation of Law during the Transformation Period, caused by Service Provider's performing any Service in the same manner in which the Service was performed by Dana before the Commencement Date for the applicable Phased Service Component, unless another manner of performing the Service is specified in Schedule 2 (Statement of Work) or expressly requested by Dana (but Service Provider will promptly notify Dana of any such non-compliance identified by Service Provider and Service Provider will take affirmative steps, in accordance with the terms of this Agreement, to remedy such non-compliance on an expedited basis);
 - (2) for a violation of Law caused by Service Provider's complying with any Dana Compliance Directive; or
 - (3) for a violation of Law by Dana in performing its retained responsibilities of Schedule 2 (Statement of Work) or violation of Laws by Dana in the operation of Dana's business.

For purposes of this subsection (A), "Dana Compliance Directive" means written instructions to Service Provider regarding compliance with any Law, and any changes to the Services required to maintain or achieve such compliance. Dana may issue Dana Compliance Directives from time to time on its own initiative and, in any event, will issue a Dana Compliance Directive within 30 days after receiving Service Provider's written request for a Dana Compliance Directive as to how one or more specific responsibilities, tasks, procedures or processes should be carried out or modified in order to comply with applicable Law. In such request, Service Provider shall include a reasonable level of detail regarding available alternatives and Service Provider's recommended course of action and reasons therefor.

- (B) If any change in Law prevents Service Provider from performing its obligations under this Agreement, Service Provider will develop and, upon Dana's approval, implement a suitable workaround until such time as Service Provider can implement appropriate changes to the Services or otherwise perform its obligations under this Agreement without such workaround. Service Provider will implement any workarounds or changes to the Services required by a change in Law at no additional charge to Dana, if the workaround or change (1) is required as a consequence of the outsourced nature of the Services, and is generally applicable to Service Provider's other customers, (2) would result in no net cost to Service Provider due to cost savings from implementing the change or (3) can be implemented using the resources then being used to provide the Services without adversely affecting its ability to provide the Services and meet the Service Levels. If the workaround or change will require the payment of additional Fees, then

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Dana may terminate the affected portion of the Services without observing the cure period otherwise required by Section 25.4 and the Parties will negotiate and implement an equitable reduction in the Fees.

- (C) Service Provider will obtain all applicable permits and licenses, including the Service Provider Governmental Approvals and the Service Provider Consents, required of Service Provider in connection with its obligations under this Agreement.
- (D) Without limiting any other Service Provider obligations, in providing the Services Service Provider will comply at all times with all applicable terms and conditions of Dana's collective bargaining agreements and other agreements affecting Dana's labor relations as they are communicated in writing to Service Provider to the extent that Service Provider received such communication prior to implementing the Services.
- (E) If any Deliverable fails to perform in accordance with the warranties set forth in this Agreement, a Work Order, a New Service Schedule or other applicable document, Service Provider will correct any non-conformance of a Deliverable (and redeliver such corrected Deliverable) as soon as possible using appropriate resources which will not be charged to Dana and with no material adverse impact on the performance of other Services.
- (F) Service Provider (1) will not intentionally code or introduce any virus or similar items into the Dana Software, the Retained Systems, the Work Product or the Service Provider Systems and (2) will use commercially reasonable efforts to screen the Dana Software, the Work Product and the Service Provider Systems for the purpose of avoiding the coding or introduction of any virus or similar items into the Dana Software, the Work Product and the Service Provider Systems. If a virus or similar item is found to have been introduced into the Dana Software, the Retained Systems, the Work Product or the Service Provider Systems, Service Provider will assist Dana in reducing the effects of the virus or similar item and, if the virus or similar item causes a loss of operational efficiency or loss of data or creates a security risk, will assist Dana to the same extent to mitigate and restore such losses and mitigate such risk.
- (G) Without the consent of Dana, Service Provider will not insert into (1) the Dana Software or the Retained Systems, (2) the Work Product, (3) the Service Provider Software or the Service Provider Tools that Dana has the right to access or Use or (4) the Software or Tools used to provide the Services any code that would have the effect of disabling or otherwise shutting down all or any portion of the Services, any such Software or Tools or the Retained Systems.
- (H) With respect to any disabling code that may be part of (a) the Service Provider Software or the Service Provider Tools that Dana has the right to access or Use or (b) the Software or Tools used to provide the Services, Service Provider will not

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invoke such disabling code at any time during the Term or the Termination Assistance Period without Dana's consent.

- (I) Service Provider will maintain Equipment and Software used to provide the Services so that they operate in accordance with their specifications, including (1) maintaining Equipment in good operating condition, subject to normal wear and tear, (2) undertaking repairs and preventive maintenance on Equipment in accordance with the applicable Equipment manufacturer's recommendations and (3) performing Software maintenance in accordance with the applicable Software vendor's documentation and recommendations.
- (J) Service Provider will perform the Services and develop the Deliverables with promptness, diligence and in a workmanlike manner, in accordance with the practices and professional standards used in well-managed operations providing services similar to the Services.
- (K) Service Provider will use adequate numbers of qualified individuals with suitable training, education, experience and skill to perform the Services.

24.3 Changes in Laws. Each Party will use reasonable efforts to promptly advise the other Party of any changes in Laws of which such Party becomes aware that affect the performance and/or receipt of Services under this Agreement. This Section 24.3 does not impose on either Party an affirmative obligation of inquiry or relieve either Party of its obligations hereunder.

ARTICLE 25. TERMINATION

- 25.1 Termination for Convenience. Effective as of any time after the Effective Date, Dana may terminate this Agreement for convenience by giving Service Provider at least *** days' notice of such termination, provided that prior to the first Commencement Date, only *** day's notice of termination need be given.
- 25.2 Termination for Change in Control of Dana. In the event of a Change in Control of Dana, Dana may, by giving Service Provider at least *** days' notice of such termination, terminate this Agreement in its sole discretion, provided that such notice must be given within *** days after the Change in Control occurs.
- 25.3 Termination for Change in Control of Service Provider. In the event of a Change in Control of Service Provider, Dana may, by giving Service Provider at least *** days' notice of such termination, terminate this Agreement in its sole discretion if Dana reasonably believes the new ownership would negatively impact Dana's reputation in the marketplace or the Change in Control involves a Dana Competitor, provided that such notice must be given within *** days after the Change in Control occurs.
- 25.4 Termination by Dana for Cause. If Service Provider (1) materially breaches any of its material duties or obligations under this Agreement and fails to cure such breach within the Default Cure Period, (2) materially breaches any of its material duties or obligations under this Agreement and the breach is not reasonably susceptible to cure within the

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Default Cure Period or (3) commits numerous breaches of its duties or obligations under this Agreement that in the aggregate are material, then Dana may, by giving notice to Service Provider, terminate this entire Agreement or the Services affected by the breach effective as of the termination date specified in the notice of termination. If Dana terminates only the Services affected by the breach under this Section 25.4, the Fees will be equitably adjusted to reflect those Services that are not terminated.

- 25.5 Termination for Failure to Complete Transformation. If (i) Service Provider has not successfully completed the Transformation of the first two Phased Service Components by ***, or (ii) Service Provider has not successfully completed the Transformation of all of the Phased Service Components by ***, then Dana may, by giving notice to Service Provider, terminate, as of the termination date specified in the notice of termination, this Agreement or, at Dana's option, the uncompleted Phased Service Components.
- 25.6 Service Level Termination Event. If Service Provider falls below *** of the Minimum Service Level as defined in Schedule 5 (Service Levels and Performance Credits) for ***, then Dana may, by giving notice to Service Provider, terminate this Agreement as of the termination date specified in the notice of termination.
- 25.7 Termination for Failure to Provide Adequate Assurance of Due Performance. Dana may terminate this Agreement by giving *** days' notice to Service Provider if Dana has reasonable grounds to determine that Service Provider may fail to perform its material obligations under this Agreement and Service Provider cannot provide Dana with adequate assurance as to Service Provider's ability to perform its obligations under this Agreement consistently and in a sustained manner within such *** day period.
- 25.8 Termination by Service Provider for Cause. Service Provider may terminate this Agreement, effective as of a date specified in a written notice of termination, if and only if Dana breaches its duty to pay undisputed Fees, or to escrow any disputed Fees as required by Section 15.8, and fails to cure the breach within *** days following its receipt of Service Provider's notice of termination.
- 25.9 Termination for Insolvency Event. Either Party may, by giving notice to the other Party, terminate this Agreement upon the occurrence of an Insolvency Event affecting the other Party.
- 25.10 Termination for Failure to Maintain Adequate Controls. Without limiting Dana's termination rights under Section 25.4, in the event Service Provider fails to provide annually a current unqualified Type II report as required in Section 17.3(B), ***.

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25.11 Other Terminations. In addition to the provisions of this Article, this Agreement or the applicable portions of the Services under this Agreement may be terminated as provided in Section 13.3, Section 15.11 and subsection (B) of Section 24.2.

ARTICLE 26. TERMINATION FEES

26.1 Termination Fees. If Dana terminates this Agreement, Service Provider will be entitled to such fee (“Termination Fee”) as determined in accordance with Schedule 6 (Fees). Except for the Termination Fee or as set forth in Schedule 6 (Fees), no fee or other compensation will be payable by Dana in connection with any expiration or termination of this Agreement (in its entirety or as to selected Services), any change in Service volumes under Section 3.3 or any insourcing or resourcing of Services under Section 3.5.

ARTICLE 27. TERMINATION ASSISTANCE

27.1 Termination Assistance Services.

(A) No less than 30 days prior to each Transformation Milestone, Service Provider will provide to Dana for its approval a draft plan for the disengagement and transfer of that Transformation Milestone upon the expiration, termination, insourcing or resourcing of such Services (including any terminations resulting from the Dana’s divestiture of an entity, business unit or assets), (collectively, the “Disengagement Plan”). Once approved, the document will be the Disengagement Plan for such Services. The Disengagement Plan will, as reasonably foreseeable:

- (1) specify Key Personnel and other resources that will be used to perform Termination Assistance Services;
- (2) provide an estimate of incremental Fees for the additional resources required to provide the Termination Assistance Services;
- (3) specify substantially all activities necessary to carry out the Termination Assistance Services as efficiently as reasonably possible;
- (4) specify such training and documentation reasonably required for Dana to understand and operate the Software and Tools used by Service Provider to provide the Services, including (a) configuration data for such Software and Tools and (b) scripts and customizations of such Software and Tools; and

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- (5) set out a timetable and process for effecting Termination Assistance Services that will enable Dana to have completed disengagement as quickly as reasonably possible without materially disrupting the quality of the Services and without limiting Service Provider's obligation to meet the Service Levels during the Termination Assistance Period.
- (B) Service Provider will keep the Disengagement Plan up to date during the Term by updating the Disengagement Plan, from time to time, as necessary to take into account changes to the Services and New Services and submitting such updates to Dana for approval. Upon approval such updates will be incorporated into the Disengagement Plan.
- (C) Upon the expiration or termination of this Agreement or Service Provider ceasing to provide the Services for any reason, or the insourcing or resourcing of Services under this Agreement, Service Provider will provide the Termination Assistance Services in accordance with the Disengagement Plan. Termination Assistance Services constituting the continuance of existing Services that do not specifically relate to such expiration, termination, insourcing or resourcing will be performed during the Termination Assistance Period at the same rates as during the Term. Termination Assistance Services that relate specifically to the expiration, termination, insourcing or resourcing, and that cannot be provided by Key Personnel or other existing resources without unreasonably risking, in Dana's opinion, adverse impact to Service Provider's ability to provide the Services, will be provided at the applicable rates set forth therefor in Schedule 6 (Fees) or, if the applicable rates are not set forth in Schedule 6 (Fees), at Service Provider's rates in effect for such services immediately before the expiration, termination, insourcing or resourcing. Dana's determination to accept risks of adverse impact will relieve Service Provider from any consequences of such adverse impact.
- (D) The quality and level of performance of the applicable Services during the Termination Assistance Period will not be degraded as compared to the quality and level of performance of such Services before such Termination Assistance Period. Without limiting the foregoing, during the Termination Assistance Period, Service Provider will (1) provide to Dana and potential successors designated by Dana such information as Dana may reasonably request relating to the number and respective functions of the members of the Project Staff performing Services, (2) not make any material changes to the level of Service and (3) not reassign Service Provider's employees or contractors away from performance of functions under this Agreement (until Dana has had an opportunity to meet with and attempt to hire such personnel as described in Section 27.3 and except to the extent otherwise mutually agreed by the Parties in order to mitigate Termination Fees).
- (E) After the expiration of the Termination Assistance Period, Service Provider will (1) answer questions from Dana regarding the terminated, insourced or resourced Services on an "as needed" basis at Service Provider's then-standard billing rates and (2) deliver to Dana any remaining Dana-owned reports and documentation

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27.2 Exit Rights. Upon the later of (A) the expiration or termination of this Agreement and (B) the last day of any Termination Assistance Period (the "End Date"):

- (A) The rights granted to Service Provider and Service Provider Agents in Section 20.1 will immediately terminate and Service Provider will, and, to the extent Dana does not possess a current copy of the Dana Software, will cause Service Provider Agents to (1) deliver to Dana, at no cost to Dana, a current copy of the Dana Software in the form in use as of the End Date and (ii) destroy or erase all other copies of the Dana Software in Service Provider's or Service Provider Agents' possession. Service Provider will, upon Dana's request, certify to Dana that all such copies have been destroyed or erased.
- (B) Upon Dana's request, Service Provider will sell to Dana or its designee, free and clear of all liens, security interests or other encumbrances, at the then current fair market value any Equipment owned by Service Provider and being used by Service Provider or Service Provider Agents primarily to perform the Services as of the End Date.
- (C) Service Provider will, and will cause Service Provider Agents to, deliver to Dana a copy of all Work Product, in the form in use as of the End Date.
- (D) Upon Dana's request, Service Provider will, and will cause Service Provider Agents to, transfer or assign to Dana or its designee, on terms and conditions acceptable to all applicable parties, any agreements with third parties for the leasing of Equipment, licensing of Software, maintenance services, disaster recovery services or other third-party products or services, being used by Service Provider or Service Provider Agents primarily to provide the Services as of the End Date (including any Assigned Agreements), and Dana will assume the ongoing obligations under such agreements that relate to periods after the End Date.
- (E) As to Service Provider Software and Service Provider Tools to be licensed to Dana as provided in subsections (C) and (D) of Section 20.2, Service Provider will deliver to Dana a copy of the Service Provider Software and Service Provider Tools, in the form in use as of the End Date.

27.3 Right to Hire Project Staff.

- (A) Upon the delivery of a notice of intent to terminate or not renew this Agreement, or upon an insourcing of part of the Services, as to the then current members of the Project Staff providing the affected Services under this Agreement (each an "Affected Project Staff Member"), Service Provider will, to the extent not prohibited by applicable Law, (1) provide Dana with the name of each Affected Project Staff Member and a description of job responsibilities, (2) provide Dana and its designees, at their option, reasonable access, in a manner agreed upon by

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the Parties to minimize any interference with Service Provider's ability to provide the Services and conduct its business, to such Affected Project Staff Members and (3) allow Dana to meet with, solicit and hire, in a manner agreed upon by the Parties to minimize any interference with Service Provider's ability to conduct its business, such Affected Project Staff Members as of the End Date.

(B) Service Provider will waive any restrictions that may prevent any Affected Project Staff Member from being hired by Dana or its designees under this Section.

27.4 Termination Assistance upon Change in Services Volumes or Insourcing or Resourcing. If there is (1) a change in Service volumes under Section 3.3, (2) an insourcing or resourcing under Section 3.5, (3) any termination of Services under this Agreement under subsection (D) of Section 6.7, (4) any termination of Services under this Agreement under Section 13.3 or (5) any termination of Services under this Agreement under subsection (B) of Section 24.2, then Section 27.2 and Section 27.3 will apply only in relation to those resources and other items referred to in Section 27.2 ("Affected Resources"), and those Affected Project Staff Members, that are associated with the Services to be changed, insourced, resourced or terminated. As soon as practicable after Dana exercises any such right, Service Provider will notify Dana if any such Affected Resources, or any such Affected Project Staff Members, are necessary for the provision of the remaining Services and cannot be duplicated; whereupon Dana and Service Provider will agree upon an appropriate allocation of such Affected Resources and Affected Project Staff Members.

27.5 Injunctive Relief. Without limiting the foregoing, Service Provider acknowledges and agrees that Dana may be irreparably harmed if Service Provider were to fail or threaten not to provide Dana with Termination Assistance Services, and that Dana may proceed directly to court in any such case without observing any cure period otherwise applicable under this Agreement.

ARTICLE 28. INDEMNITIES

28.1 Indemnities by Dana. Dana will indemnify Service Provider and its Affiliates against, and defend and hold Service Provider and its Affiliates harmless from and against, any Losses suffered, incurred or sustained by Service Provider or its Affiliates or to which Service Provider or its Affiliates becomes subject, resulting from, arising out of or relating to any third party claim:

(A) that the Dana Software or Dana Tools infringe upon or misappropriate the proprietary or other rights of any third party; provided that Dana will not have any indemnity obligation under this subsection (A) to the extent any infringement or misappropriation relates to:

(1) any item of Dana Third Party Software or Dana Third Party Tool that, with Service Provider's specific prior written consent, is excluded from indemnification under this subsection (A);

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- (2) modifications made or authorized by Service Provider or a Service Provider Agent, without the approval of Dana;
 - (3) Service Provider's use of the Dana Software or Dana Tools in combination with products or services not furnished or approved by Dana and not contemplated by this Agreement;
 - (4) a breach of the Dana Consents by Service Provider; or
 - (5) the failure of Service Provider to use corrections or modifications provided by Dana on a timely basis.
- (B) based on the violation of a Law for the protection of persons or members of a protected class or category of persons by Dana or Dana Agents, including unlawful discrimination;
- (C) relating to personal injury, bodily injury, death or property loss or damage caused by the acts or omissions of Dana or Dana Agents (and Dana hereby waives, as to the defense of Service Provider, any immunity defense it may have to such claim under Laws related to workers' compensation or employee injuries);
- (D) any employment actions resulting from misrepresentations, oral or written, made by Dana or Dana Agents to Affected Employees or other Dana employees that were not authorized by Service Provider;
- (E) any action taken by Dana with respect to the Affected Employees, including any claims arising from Dana's decisions, acts or omissions relating to screening, interviewing, hiring, assignment, evaluation, compensation, termination and/or transfer;
- (F) relating to any amounts, including taxes, interest and penalties, assessed against Service Provider that are the obligation of Dana under Article 16;
- (G) for government penalties and fines resulting from Dana's breach of its covenants in Section 24.1;
- (H) relating to (1) any duties or obligations of Dana or Dana Agents with respect to one another, (2) liability under any Assigned Agreement based on acts or omissions of Dana or Dana Agents before the applicable Assigned Agreement Effective Date and (3) liability under any Managed Agreement based on acts or omissions of Dana or Dana Agents for which Dana is not entitled to indemnification under clause (3) of subsection (H) of Section 28.2.
- (I) by a Non-US Employee (as defined in Schedule 18 (Human Resources)) or a non-US Governmental Authority to the extent the claim arises from a breach of Dana's responsibilities, or constitutes a liability for which Dana has agreed to be responsible, under the terms of Schedule 18 (Human Resources);

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- (J) relating to Dana's failure to obtain, maintain or comply with the Dana Consents and the Dana Governmental Approvals or to comply with the Service Provider Consents;
- (K) relating to use by Dana of any Service Provider Third Party Software or Service Provider Third Party Tools outside of the licenses granted in Article 20; or
- (L) resulting from a disclosure of Service Provider's Confidential Information due to Dana's breach of Section 22.1.

Dana will indemnify Service Provider against any costs and expenses incurred in connection with the enforcement of this Section.

28.2 Indemnities by Service Provider. Service Provider will indemnify Dana and its Affiliates against, and defend and hold Dana and its Affiliates harmless from and against, any Losses suffered, incurred or sustained by Dana or its Affiliates or to which Dana or its Affiliates become subject, resulting from, arising out of or relating to any third party claim:

- (A) that the Services, the Deliverables, the Work Product, the Service Provider Software, the Service Provider Tools, the Service Provider Equipment, any enhancements or modifications to the Dana Software performed by Service Provider or Service Provider Agents or any other resources or items provided to Dana by Service Provider or Service Provider Agents infringe upon or misappropriate the proprietary or other rights of any third party; provided that Service Provider will not have any indemnity obligation under this subsection (A) to the extent any infringement or misappropriation relates to:
 - (1) any item of Service Provider Third Party Software or Service Provider Third Party Tool that, with Dana's specific prior written consent, is excluded from indemnification under this subsection (A);
 - (2) modifications made by Dana or a Dana Agent (other than Service Provider and Service Provider Agents), without the approval of Service Provider;
 - (3) Dana's use of any such materials in combination with products or services not furnished or approved by Service Provider and not contemplated by this Agreement;
 - (4) a breach of the Service Provider Consents by Dana;
 - (5) the failure of Dana to use corrections or modifications provided by Service Provider on a timely basis; or
 - (6) the infringement results from Service Provider's adherence to Dana's directions or procedures.

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- (B) based on the violation of a Law for the protection of persons or members of a protected class or category of persons by Service Provider or Service Provider Agents, including unlawful discrimination;
- (C) relating to personal injury, bodily injury, death or property loss or damage caused by the acts or omissions of Service Provider or Service Provider Agents (and Service Provider hereby waives, as to the defense of Dana, any immunity defense it may have to such claim under Laws related to workers' compensation or employee injuries);
- (D) relating to accrued employee benefits expressly assumed by Service Provider;
- (E) relating to any employment actions resulting from misrepresentations, oral or written, made by Service Provider or Service Provider Agents to Affected Employees or other Dana employees that were not authorized by Dana;
- (F) relating to any action taken by Service Provider with respect to the Affected Employees, including any claims arising from Service Provider's decisions, acts or omissions relating to screening, interviewing, hiring, assignment, evaluation, compensation, termination and/or transfer;
- (G) relating to any other aspect of the Project Staff's employment relationship with Service Provider or the termination of the employment relationship with Service Provider (including claims for breach of an express or implied contract of employment);
- (H) relating to (1) any duties or obligations of Service Provider or Service Provider Agents with respect to one another, (2) liability under any Assigned Agreement based on acts or omissions of Service Provider or Service Provider Agents on or after the applicable Assigned Agreement Effective Date and (3) liability under any Managed Agreement based on acts or omissions of Service Provider or Service Provider Agents on or after the applicable Managed Agreement Effective Date that constitute a breach or default of Service Provider's obligations under Article 9;
- (I) relating to Service Provider's failure to obtain, maintain or comply with the Service Provider Consents and the Service Provider Governmental Approvals or to comply with the Dana Consents;
- (J) by any of Service Provider's partners or subcontractors arising from or in connection with their provision of Services;
- (K) resulting from a disclosure of Dana's Confidential Information due to Service Provider's breach of Section 10.3 or Section 22.1;
- (L) relating to any amounts, including taxes, interest and penalties, assessed against Dana that are the obligation of Service Provider under Article 16;

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- (M) relating to use by Service Provider of any Dana Third Party Software or Dana Third Party Tools outside the scope of the licenses granted in Article 20;
- (N) for government penalties and fines resulting from Service Provider's breach of its covenants in Section 24.2;
- (O) by a Non-US Employee (as defined in Schedule 18 (Human Resources)) or a non-US Governmental Authority to the extent the claim arises from a breach of Service Provider's responsibilities, or constitutes a liability for which Service Provider has agreed to be responsible, under the terms of Schedule 18 (Human Resources); or
- (P) based on the processing or transfer of Dana Data in violation of Service Provider's or a Service Provider Agent's obligations under the terms of Section 22.6 or a Local Country Agreement.

Service Provider will indemnify Dana against any costs and expenses incurred in connection with the enforcement of this Section.

- 28.3 Indemnification Procedures. If any third-party claim is commenced against a Party entitled to indemnification under Section 28.1 or Section 28.2 (the "Indemnified Party"), notice thereof will be given to the Party that is obligated to provide indemnification (the "Indemnifying Party") as promptly as practicable. If, after such notice, the Indemnifying Party will acknowledge that this Agreement applies with respect to such claim, then the Indemnifying Party will be entitled, if it so elects, in a notice promptly delivered to the Indemnified Party, but in no event less than 10 days before the date on which a response to such claim is due, to immediately take control of the defense and investigation of such claim and to employ and engage attorneys reasonably acceptable to the Indemnified Party to handle and defend the same, at the Indemnifying Party's sole cost and expense. The Indemnified Party will cooperate, at the cost of the Indemnifying Party, in all reasonable respects with the Indemnifying Party and its attorneys in the investigation, trial and defense of such claim and any appeal arising therefrom; provided that the Indemnified Party may, at its own cost and expense, participate, through its attorneys or otherwise, in such investigation, trial and defense of such claim and any appeal arising therefrom. No settlement of a claim that involves a remedy other than the payment of money by the Indemnifying Party will be entered into without the consent of the Indemnified Party. After notice by the Indemnifying Party to the Indemnified Party of its election to assume full control of the defense of any such claim, the Indemnifying Party will not be liable to the Indemnified Party for any legal expenses incurred thereafter by such Indemnified Party in connection with the defense of that claim. If the Indemnifying Party does not assume full control over the defense of a claim subject to such defense as provided in this Section, the Indemnifying Party may participate in such defense, at its sole cost and expense, and the Indemnified Party will have the right to defend the claim in such manner as it may deem appropriate, at the cost and expense of the Indemnifying Party.
- 28.4 Injunctions Affecting Services. If any product or service provided by Service Provider and used by Service Provider to provide the Services becomes, or in Service Provider's

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reasonable opinion is likely to become, the subject of an infringement or misappropriation claim or proceeding, then Service Provider will promptly notify Dana of such claim or proceeding and, at Service Provider's expense (1) secure the royalty-free right to continue using the product or service or (2) replace or modify the product or service to make it non-infringing, provided that any such replacement or modification will not degrade the performance or quality of the affected component of the Services in any material way. If neither (1) nor (2) is available to Service Provider, Service Provider will remove the product or service from the Services and the Fees will be equitably adjusted to adequately reflect such removal. If any product or service provided by Dana and used by Service Provider to provide the Services becomes, or in Dana's reasonable opinion is likely to become, the subject of an infringement or misappropriation claim or proceeding, then Dana will promptly notify Service Provider of such claim or proceeding, and unless and until Dana secures the right to continue using the product or service, or replaces or modifies the product or service to make it non-infringing, Service Provider will be relieved of the Services that require the enjoined product or service, without affecting Dana's payment obligations.

ARTICLE 29. DAMAGES

29.1 Direct Damages. Each Party will be liable to the other Party for any direct damages arising out of or relating to such Party's performance or failure to perform under this Agreement; provided that the liability of a Party to the other Party, whether based on an action or claim in contract, equity, negligence, tort or otherwise, will not in the aggregate exceed ***.

29.2 Consequential Damages.

(A) ***

(B) Notwithstanding the foregoing, the following damages are agreed to be included within direct damages and not excluded by this Section 29.2: ***.

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29.3 Exceptions.

(A) ***

(1) ***

(2) ***

(3) ***

(B) ***

(1) ***

(C) ***

(1) ***

(2) ***

(D) ***

29.4 ***

(A) ***

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- (B) ***
- (C) ***
- (D) ***

29.5 Injunctive Relief. A Party may seek immediate injunctive relief for a breach of this Agreement by the other Party if the breach would result in irreparable harm to the Party for which monetary damages would provide an inadequate remedy. A Party filing a pleading seeking immediate injunctive relief that is not awarded in substantial part will pay all reasonable costs and attorneys' fees of the other Party.

ARTICLE 30. INSURANCE

30.1 Insurance. Except as specifically provided otherwise in this Agreement, Service Provider will obtain and maintain at its own expense, and require Service Provider Agents to obtain and maintain at their own expense or Service Provider's expense, insurance of the type and in the minimum amounts set forth below, with reputable carriers satisfactory to Dana:

- (A) for U.S. citizens and foreign nationals working in the U.S. or its territories and entitled to state workers' compensation insurance or benefits, statutory workers' compensation in accordance with all state and local requirements, including employers' liability, with limits not less than ***;
- (B) for foreign nationals working outside the U.S. or its territories, or working in the U.S. or its territories but not entitled to workers' compensation insurance or benefits, employee injury insurance or benefits usual, customary and/or required in the country in which such foreign national is employed or domiciled, whichever is applicable, which insurance or benefit may be provided through a non-U.S. government sponsored program or social welfare program or private insurance, as is usual, customary and/or required in the employee's country of employment or domicile, whichever is applicable;
- (C) commercial general liability insurance for an insured amount of not less than *** per occurrence and *** aggregate;
- (D) automobile liability insurance covering use of all owned, non-owned and hired automobiles for bodily injury, property damage, with a minimum combined single limit per accident of *** or the minimum limit required by Law, whichever limit is greater;

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- (E) professional errors and omissions liability insurance covering loss (other than bodily injury or property damage) which may result from any rendering or failure to render any professional services under this Agreement subject to the terms and conditions of the policy, with a minimum limit of *** per occurrence and *** in aggregate. Certificate will state policy limits are in effect in full force;
- (F) fidelity bond/crime insurance, naming Dana as a loss payee, ***;
- (G) all risk property coverage, including flood and earthquake and business interruption insurance, covering property and operations of Service Provider or property in its care, custody or control; and
- (H) umbrella and/or excess liability coverage, applying over the employer's liability, commercial general liability and automobile liability, in minimum amounts of *** per occurrence and *** in the aggregate. This layer may be self insured.

The above coverages will apply on a worldwide basis regardless of where the event that creates the liability occurs or where the suit or claim for the liability is brought. The above coverages, meaning (C) and (D) only, will be written or endorsed so that they are primary coverages and not excess or contributory to any coverages maintained by Dana. Service Provider's obligations under this Section will in no way limit or diminish its indemnification obligations, or liability for claims covered, under the terms of this Agreement.

30.2 Period of Insurance. Service Provider will take out and maintain the insurance policies referred to in Section 30.1 for the following periods:

- (A) ***
- (B) ***

For any coverage written on a claims made basis, the retrospective date must be no later than the Effective Date of this Agreement.

30.3 Insurance Documentation. For all insurance required under Section 30.1, Service Provider will, on the Effective Date and prior to each coverage renewal date, or upon Dana's request from time to time, furnish to Dana certificates of insurance or other

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appropriate documentation (including evidence of renewal of insurance) evidencing all coverages referenced in Section 30.1 and naming Dana as an additional insured with regard to the commercial general liability coverage as respects bodily injury or property damage resulting from the Project Staff's act or omissions. In the event of cancellation, non-renewal or material alteration, Service Provider shall cause its insurers to endeavor to provide 30 days' prior written notice to Dana. With regard to the coverages referenced in Section 30.1.(E) and 30.1.(F), Service Provider will provide Dana as much notice as is reasonably possible under the circumstances prior to any cancellation, non-renewal or material alteration. Such cancellation or material alteration will not relieve Service Provider of its continuing obligation to maintain insurance coverage in accordance with this Article. With regard to the Professional Errors and Omissions Liability insurance, on the Effective Date and prior to each coverage renewal date, or upon Dana's request from time to time, Service Provider will provide a written certification from its insurance broker that the coverage maintained by Service Provider covers all Services under this Agreement, subject to the terms and conditions of the policy, and that the limits are in full force and effect. If Service Provider or its broker cannot provide such written certification, then Service Provider will provide (i) a written statement that the limits are in full force and effect, (ii) a written summary of the coverage provided by either the Service Provider or the Service Provider's insurance broker detailing the terms and conditions including the covered and excluded perils, as previously provided and (iii) a written statement, if there are any changes that need to be made to the summary provided by the Service Provider. Otherwise Parties understand this summary is still current to the best of Service Provider's knowledge.

- 30.4 **Risk of Loss.** Subject to the terms of this Agreement, each Party is responsible for the risk of loss of, or damage to, any property of the other that is caused by the acts or omissions of such Party.
- 30.5 **Deductibles or Self Insurance.** Unless Service Provider maintains an investment grade credit rating by Moody's Investors Services, the foregoing coverages may not be changed to increase any deductibles or other self insurance provisions in excess of the respective amounts in existence on the Effective Date

ARTICLE 31. MISCELLANEOUS PROVISIONS

- 31.1 **Assignment.** Neither Party will, without the consent of the other Party, assign this Agreement or otherwise transfer its rights or obligations under this Agreement; provided that Dana may assign or otherwise transfer its rights and obligations under this Agreement to any Affiliate of Dana, to an entity that acquires all or substantially all of Dana's assets or Dana's successor by way of merger or acquisition. The consent of a Party to any assignment of this Agreement will not constitute such Party's consent to further assignment. This Agreement will be binding on the Parties and their respective successors and permitted assigns. Any assignment in contravention of this subsection will be void.
- 31.2 **Notices.** Except as otherwise specified in this Agreement, all notices, requests, consents, approvals, agreements, authorizations, acknowledgements, waivers and other

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communications required or permitted under this Agreement will be in writing and will be deemed given when sent by telecopy to the telecopy number specified below or delivered by hand to the address specified below. A copy of any such notice will also be sent by express air mail on the date such notice is transmitted by telecopy to the address specified below:

In the case of Dana:

Dana Corporation
4500 Dorr Street
Toledo, Ohio 43615
Attention: Vice President, Human Resources
Telecopy No.: 419-535-4790

With a copy to:

Dana Corporation
4500 Dorr Street
Toledo, Ohio 43615
Attention: General Counsel
Telecopy No.: 419-535-4790

In the case of Service Provider:

IBM Corporation
Rt. 100, Bldg. 2
Somers, NY 10589
Attention: VP, BTO Industrial
Telecopy No.: (914) 766-2500

With a copy to:

IBM Corporation
Rt. 100, Bldg. 2
Somers, NY 10589
Attention: Associate General Counsel
Telecopy No.: (914) 766-4344

Either Party may change its address or telecopy number for notification purposes by giving the other Party 15 days' notice of the new address or telecopy number and the date upon which it will become effective.

- 31.3 Counterparts. This Agreement may be executed in any number of counterparts, each of which will be deemed an original, but all of which taken together will constitute one single agreement between the Parties.
- 31.4 Relationship. The Parties intend to create an independent contractor relationship and nothing contained in this Agreement will be construed to make either Dana or Service Provider partners, joint venturers, principals, agents or employees of the other. No officer, director, employee, agent, affiliate or contractor retained by Service Provider to perform work on Dana's behalf under this Agreement will be deemed to be an employee,

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agent or contractor of Dana. Neither Party will have any right, power or authority, express or implied, to bind the other.

- 31.5 Consents, Approvals and Requests. Except as specifically set forth in this Agreement, all consents and approvals to be given by either Party under this Agreement will not be unreasonably withheld or delayed and each Party will make only reasonable requests under this Agreement.
- 31.6 Waivers. No delay or omission by either Party to exercise any right or power it has under this Agreement will impair or be construed as a waiver of such right or power. A waiver by any Party of any breach or covenant will not be construed to be a waiver of any succeeding breach or any other covenant. All waivers must be signed by the Party waiving its rights.
- 31.7 Remedies Cumulative. No right or remedy herein conferred upon or reserved to either Party is intended to be exclusive of any other right or remedy, and each right and remedy will be cumulative and in addition to any other right or remedy under this Agreement, or under applicable Law, whether now or hereafter existing.
- 31.8 Amendments. No change or addition to any provision of this Agreement will be valid unless in writing and signed by an authorized representative of each of the Parties.
- 31.9 Survival. The terms of Sections 6.7(C), 6.8(D), 12.2(D) and (E), 14.2(G), 15.3 (as to outstanding Fees), 15.10, , 17.2, 17.3(B), 17.4, 27.1(C), (D) and (E), 27.2(A) and (D), 27.3, 30.2, 31.7, 31.9, 31.10, 31.11 and 31.12; Articles 16, 20, 22, 26, 28, 29 and 32; and the notice requirements for reassignment of Key Personnel set forth in Schedule 18 (Human Resources) will survive the expiration or termination of this Agreement.
- 31.10 Third Party Beneficiaries. Each Party intends that this Agreement will not benefit, or create any right or cause of action in or on behalf of, any person or entity other than the Parties.
- 31.11 Covenant of Further Assurances. Subsequent to the execution and delivery of this Agreement and without any additional consideration, each of Dana and Service Provider will execute and deliver any further legal instruments and perform any acts that are or may become necessary to effectuate the purposes of this Agreement.
- 31.12 Negotiated Terms. The Parties agree that the terms and conditions of this Agreement are the result of negotiations between the Parties and that this Agreement will not be construed in favor of or against any Party by reason of the extent to which any Party or its professional advisors participated in the preparation of this Agreement.
- 31.13 Export. Dana and Service Provider will not knowingly export or re-export any personal computer system, part, technical data or sub-elements under this Agreement, directly or indirectly, to any destinations prohibited by the United States Government. The term "technical data" in this context, means such data as is defined as technical data by applicable United States export regulations.

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- 31.14 Non-Solicitation. Except as permitted under Section 27.3, during the Term neither Party will solicit or hire any individual while that individual is an employee of the other Party. This Section will not restrict the right of either Party to solicit or recruit generally in the media or prohibit either Party from hiring an employee of the other who answers any advertisement or who otherwise voluntarily applies for hire without having been initially solicited or recruited by the hiring Party.
- 31.15 Conflict of Interest. Neither Party will pay any salaries, commissions, fees or make any payments or rebates to any employee of the other Party, or to any designee of such employee, or favor any employee of the other Party, or any designee of such employee, with gifts or entertainment of significant cost or value or with services or goods sold at less than full market value. Obligation under this Section will also be binding upon the Parties respective agents.
- 31.16 Publicity. Neither Party will use the other Party's name or mark, or use language from which the connection of such name or mark may be inferred, without the other Party's prior written consent, in the other Party's sole discretion. Neither Party may make, without the prior written approval of authorized representatives of the other Party, any public disclosures relating to this Agreement, except for internal announcements or disclosures required to meet legal or regulatory requirements that are beyond the reasonable control of the disclosing Party.
- 31.17 Liens. Service Provider will keep all real and personal property of Dana, and the Services, free and clear of all liens or lien claims. If any lien or lien claim is asserted for any reason, Dana may at its sole discretion (1) pay the amount of the lien or lien claim, (2) deduct the amount paid from Fees due to Service Provider and/or (3) require Service Provider to obtain a properly executed release of lien satisfactory to Dana.

ARTICLE 32. CONSTRUCTION

- 32.1 Background. The statement of background and objectives set forth in the introductory portion of this Agreement are intended to be a general introduction to this Agreement and are not intended to expand the scope of the Parties' obligations or to alter the plain meaning of this Agreement's terms and conditions. However, to the extent the terms and conditions of this Agreement do not address a particular circumstance or are otherwise unclear or ambiguous, such terms and conditions are to be interpreted and construed so as to give the fullest possible effect to the goals and objectives set forth in the statement of background and objectives.
- 32.2 Incorporation and References. In this Agreement and the Schedules and Local Country Agreements to this Agreement:
- (A) the Schedules and Local Country Agreements to this Agreement are hereby incorporated into and deemed part of this Agreement and all references to this Agreement will include the Schedules to this Agreement;
 - (B) references to a Schedule, Section or Article will be to such Schedule to, or Section or Article of, this Agreement unless otherwise provided;

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(C) references to any Law means references to such Law in changed or supplemented form or to a newly adopted Law replacing a previous Law; and

(D) references to and mentions of the word “including” or the phrase “e.g.” means “including, without limitation.”

32.3 Headings. The Article and Section headings, Table of Contents and Table of Schedules are for reference and convenience only and will not be considered in the interpretation of this Agreement.

32.4 Severability. If any provision of this Agreement is held by a court of competent jurisdiction to be contrary to Law, then the remaining provisions of this Agreement, if capable of substantial performance, will remain in full force and effect.

32.5 Sole and Exclusive Venue. Each Party irrevocably agrees that any legal action, suit or proceeding brought by it in any way arising out of this Agreement must be brought solely and exclusively in the United States District Court for the Northern District of Ohio or Court of Common Pleas for Lucas County located in Toledo, Ohio and irrevocably accepts and submits to the sole and exclusive jurisdiction of each such court in personam, generally and unconditionally, with respect to any action, suit or proceeding brought by it or against it by the other Party; provided that this Section will not prevent a Party against whom any legal action, suit or proceeding is brought by the other Party in the state courts of the State of Ohio from seeking to remove such legal action, suit or proceeding, under applicable federal Law, to the district court of the United States for the district and division embracing the place where the action is pending in the state courts of the State of Ohio, and if an action is so removed each Party irrevocably accepts and submits to the jurisdiction of that district court. Each Party hereto further irrevocably consents to the service of process from any of such courts by mailing copies thereof by registered or certified mail, postage prepaid, to such Party at its address designated under this Agreement, with such service of process to become effective 30 days after such mailing.

32.6 Section 365(n). All rights and licenses granted under or under this Agreement by Service Provider to the Dana Group Companies are, and will otherwise be deemed to be, for purposes of Section 365(n) of Title 11 of the United States Code, as amended from time to time (the “Bankruptcy Code”), licenses to rights to “intellectual property” as defined under the Bankruptcy Code. The Parties agree that the Dana Group Companies, as licensee of such rights under this Agreement, will retain and may fully exercise all of its rights and remedies available to it under the Bankruptcy Code including Section 365(n) thereof.

32.7 Governing Law.

(A) This Agreement and the rights and obligations of the Parties under this Agreement will be governed by and construed in accordance with the Laws of the State of Ohio, without giving effect to the principles thereof relating to the conflicts of Laws.

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- (B) The Parties agree that, to the extent not expressly permitted by Law, the United Nations Convention on Contracts for the International Sale of Goods 1980, and all international and domestic legislation implementing such Convention, will not apply to this Agreement.
- (C) The Parties further agree that their respective rights and obligations under this Agreement will be solely and exclusively as set forth in this Agreement and that the Uniform Computer Information Transactions Act ("UCITA"), whether enacted in whole or in part by any state or applicable jurisdiction, regardless of how codified, will not apply to this Agreement and is hereby disclaimed. The Parties further agree to amend this Agreement as may be necessary to comply with any mandatory disclaimer language required by UCITA in any applicable jurisdiction.

32.8 Waiver of Jury Trial. The Parties hereby irrevocably waive any right to jury trial with respect to any action relating to this Agreement or the Services.

32.9 Entire Agreement. This Agreement and the Schedules to this Agreement represent the entire agreement between the Parties with respect to its subject matter, and there are no other representations, understandings or agreements between the Parties relative to such subject matter.

32.10 Interpretation Consistent with Law; Conflicts.

- (A) If any provision of this Agreement is subject to an interpretation which would be invalid, illegal, or unenforceable, the remaining provisions of this Agreement will not in any way be affected or impaired, and the invalid, illegal, or unenforceable provision will be interpreted to reflect the Parties' original intent under this Agreement as nearly as possible in accordance with applicable Laws.
- (B) If there is a conflict among the terms in the various documents within this Agreement:
 - (1) to the extent the conflicting provisions can reasonably be interpreted so that such provisions are consistent with each other, such consistent interpretation will prevail; and
 - (2) to the extent this Section 32.10(B) does not resolve such conflict, the following order of precedence will prevail:
 - (a) the provisions of a Local Country Agreement will prevail over a conflicting term in this Agreement with respect to Services performed within the jurisdiction of such Local Country Agreement;
 - (b) this Agreement (exclusive of its Schedules) will prevail over a conflicting term in its Schedules; and

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(c) a Schedule will prevail over a conflicting term in the Exhibits.

Each of Dana and Service Provider has caused this Agreement to be signed and delivered by its duly authorized representative on this 26th day of September, 2007.

DANA CORPORATION

By: /s/ Dean Wilson
Name: Dean Wilson
Title: VP HR Transformation

By: _____
Name: _____
Title: _____

INTERNATIONAL BUSINESS MACHINES CORPORATION

By: /s/ Michael A Paez
Name: Michael A Paez
Title: IBM Project Executive

Certification of Chief Executive Officer

I, Michael J. Burns, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Dana Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 7, 2007

/s/ Michael J. Burns
Michael J. Burns
Chief Executive Officer

Certification of Chief Financial Officer

I, Kenneth A. Hiltz, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Dana Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 7, 2007

/s/ Kenneth A. Hiltz

 Kenneth A. Hiltz
 Chief Financial Officer

Certifications Pursuant to 18 U.S.C. Section 1350

In connection with the Quarterly Report of Dana Corporation (Dana) on Form 10-Q for the three months ended September 30, 2007, as filed with the Securities and Exchange Commission on the date hereof (the Report), each of the undersigned officers of Dana certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to such officer's knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Dana as of the dates and for the periods expressed in the Report.

Date: November 7, 2007

/s/ Michael J. Burns

Michael J. Burns
Chief Executive Officer

/s/ Kenneth A. Hiltz

Kenneth A. Hiltz
Chief Financial Officer