

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

FORM 10-Q

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

For the Quarterly Period Ended June 30, 1998

Commission
File Number 1-1063

Dana Corporation

(Exact Name of Registrant as Specified in its Charter)

Virginia

34-4361040

(State or other jurisdiction
of incorporation or organization)

(IRS Employer
Identification Number)

4500 Dorr Street, Toledo, Ohio

43615

(Address of Principal Executive Offices)

(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 X No
--- ---

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

Class	Outstanding at June 30, 1998
-----	-----
Common stock, \$1 par value	105,840,154

DANA CORPORATION AND CONSOLIDATED SUBSIDIARIES
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PART I. FINANCIAL INFORMATION

ITEM 1. DANA CORPORATION

CONDENSED BALANCE SHEET (Unaudited)

(in Millions)

Assets	December 31, 1997	June 30, 1998
Cash and Cash Equivalents	\$ 394.3	\$ 145.9
Accounts Receivable		
Trade	1,030.6	1,297.0
Other	132.3	187.2
Inventories		
Raw Materials	252.9	302.8
Work in Process and Finished Goods	656.9	749.5
Lease Financing	1,330.1	1,455.9
Investments and Other Assets	1,276.8	1,344.0
Property, Plant and Equipment	3,911.3	4,081.7
Less: Accumulated Depreciation	1,866.5	1,814.8
	-----	-----
Total Assets	\$ 7,118.7	\$ 7,749.2
	=====	=====
Liabilities and Shareholders' Equity		
Accounts Payable and Other Liabilities	\$ 1,518.4	\$ 1,801.3
Short-Term Debt	504.2	636.9
Long-Term Debt	2,178.3	2,244.6
Deferred Employee Benefits	1,062.5	1,062.0
Minority Interest	154.1	151.4
Shareholders' Equity	1,701.2	1,853.0
	-----	-----
Total Liabilities and Shareholders' Equity	\$ 7,118.7	\$ 7,749.2
	=====	=====

ITEM 1. (Continued)

DANA CORPORATION

STATEMENT OF INCOME (Unaudited)

(in Millions Except Per Share Amounts)

	Three Months Ended June 30		Six Months Ended June 30	
	1997	1998	1997	1998
Net Sales	\$ 2,140.8	\$ 2,340.3	\$ 4,256.1	\$ 4,690.5
Revenue from Lease Financing and Other Income	75.5	64.5	211.4	128.7
	2,216.3	2,404.8	4,467.5	4,819.2
Costs and Expenses				
Cost of Sales	1,816.2	1,970.3	3,611.5	3,955.3
Selling, General and Administrative Expenses	187.6	196.8	380.6	395.9
Restructuring and Rationalization Charges	8.9	--	34.9	--
Interest Expense	49.7	56.2	97.9	113.8
	2,062.4	2,223.3	4,124.9	4,465.0
Income Before Income Taxes	153.9	181.5	342.6	354.2
Estimated Taxes on Income	(60.7)	(70.6)	(157.3)	(142.0)
Minority Interest	(6.2)	(6.0)	(11.8)	(9.3)
Equity in Earnings of Affiliates	6.8	11.1	12.9	20.7
Net Income	\$ 93.8	\$ 116.0	\$ 186.4	\$ 223.6
Net Income Per Common Share - Basic	\$.90	\$ 1.10	\$ 1.80	\$ 2.12
Diluted	\$.89	\$ 1.08	\$ 1.78	\$ 2.08
Dividends Declared and Paid per Common Share	\$.25	\$.29	\$.50	\$.56
Average Number of Shares Outstanding - For Basic	103.8	105.6	103.8	105.6
For Diluted	104.9	107.4	104.9	107.4

DANA CORPORATION
CONDENSED STATEMENT OF CASH FLOWS (Unaudited)
(in Millions)

	Six Months Ended June 30	
	1997	1998
Net Income	\$ 186.4	\$ 223.6
Depreciation and Amortization	168.7	181.8
Gain on Sale of Dana Distribution Europe	(45.0)	--
Working Capital Change and Other	(45.5)	(99.5)
	264.6	305.9
Net Cash Flows from Operating Activities	264.6	305.9
Purchases of Property, Plant and Equipment	(169.4)	(232.0)
Purchases of Assets to be Leased	(236.7)	(317.7)
Payments Received on Leases and Loans	158.0	162.8
Acquisitions	(475.8)	(353.7)
Divestitures	152.0	58.5
Other	(0.1)	(14.0)
	(572.0)	(696.1)
Net Cash Flows-Investing Activities	(572.0)	(696.1)
Net Change in Short-Term Debt	(95.9)	51.0
Proceeds from Long-Term Debt	700.3	388.7
Payments on Long-Term Debt	(300.2)	(250.7)
Dividends Paid	(51.9)	(59.2)
Other	7.1	12.0
	259.4	141.8
Net Cash Flows-Financing Activities	259.4	141.8
Net Change in Cash and Cash Equivalents	(48.0)	(248.4)
Cash and Cash Equivalents-beginning of period	227.8	394.3
	\$ 179.8	\$ 145.9
Cash and Cash Equivalents-end of period	\$ 179.8	\$ 145.9

NOTES TO CONDENSED FINANCIAL STATEMENTS

(in Millions Except Per Share Amounts)

1. In the opinion of management, all normal recurring adjustments necessary to a fair presentation of results for the unaudited interim periods have been included.
2. In February 1997, Dana acquired the assets of Clark-Hurth Components, a worldwide manufacturer of off-highway vehicle and equipment components, and the Sealed Power worldwide piston ring and cylinder liner operations and assets of SPX Corporation. In January 1998, the acquisition of the heavy axle and brake business of Eaton Corporation was completed. In April 1998, the Company acquired 98 percent of the share capital of Nakata S.A. Industria e Comercio of Sao Paulo, Brazil. These acquisitions have been accounted for as purchases and their results of operations have been included since the dates of acquisition. Goodwill relating to the acquisitions is included in Investments and Other Assets.
3. In March 1997, Dana completed the sale of its warehouse distribution operations in the U.K., the Netherlands and Portugal to U.K.-based Partco Group plc for L 103 (U.S. \$164) resulting in an after-tax gain of \$45 (44 cents per share). In February 1998, Dana completed the sale of its hydraulic brake hose facilities in Columbia City, Ind., and Garching, Germany, to CF Gomma, S.p.A., of Passirano, Italy. In May 1998, Dana completed the sale of its hydraulic cylinder business to Hyco International, Inc. of Atlanta, Ga.
4. The Company initiated a rationalization plan at its Perfect Circle Europe operations resulting in a charge of \$36 (35 cents per share) in the first quarter of 1997.
5. Statement of Financial Accounting Standards (SFAS) No. 128, "Earnings Per Share," is effective for periods ending after December 15, 1997. Accordingly, basic and diluted income per share have been computed in accordance with this statement. Following is a reconciliation of average shares for purposes of calculating basic and diluted net income per share.

	Three and Six Months Ended June 30	
	1997	1998
Weighted average common shares outstanding	103.8	105.6
Plus: Incremental shares from assumed conversion of -		
Deferred compensation units	.4	.5
Stock options	.7	1.3
Total potentially dilutive securities	1.1	1.8
Adjusted average common shares outstanding	104.9	107.4

Notes to Consolidated Financial Statements

(in Millions)

6. SFAS No. 130, "Reporting Comprehensive Income," is effective for fiscal years beginning after December 15, 1997. The statement requires, among other things, the reporting of total comprehensive income in condensed financial statements of interim periods. Comprehensive income includes net income and components of other comprehensive income, such as foreign currency translation adjustments and minimum pension liability adjustments. Dana's total comprehensive earnings were as follows:

	Three Months Ended		Six Months Ended	
	June 30		June 30	
	1997	1998	1997	1998
Net Income	\$ 93.8	\$ 116.0	\$ 186.4	\$ 223.6
Other Comprehensive Income/(Loss)				
Deferred translation gain/(loss)	(16.1)	(11.9)	(16.4)	(24.5)
Total comprehensive income	\$ 77.7	\$ 104.1	\$ 170.0	\$ 199.1

7. In the first quarter of 1998, Dana sold \$350 of new senior unsecured notes consisting of \$150 of 6.5% notes due March 15, 2008 and \$200 of 7.0% notes due March 15, 2028. Proceeds from the issues were used to pay down existing short- and medium-term debt.

8. Restructuring and rationalization charges of \$162 were recorded in 1997. An accrued liability of \$123 remained at December 31, 1997. During the first six months of 1998, \$31 was charged against the liability, consisting of cash payments of \$14 (\$12 related to severance pay and benefits and \$2 related to closed facilities) and non-cash charges of \$17 (\$3 related to writing down inventory at closed facilities and \$14 related to impaired assets and investment in operations that were closed or sold). The remaining estimated cash outlays of \$74 (\$42 in 1998, \$16 in 1999, and \$16 thereafter) generally represent employee separation costs for the approximately 630 workers affected by these activities. The balance of the accrual is non-cash and will be utilized to write down the affected assets. Dana's liquidity and cash flows will not be materially impacted by these actions. Dana's operations over the long term are expected to benefit from these realignment strategies.

Notes to Consolidated Financial Statements

(in Millions)

9. In July 1998, the Company completed its acquisition of Echlin Inc., a global producer of parts for the automotive aftermarket. Dana is exchanging 0.9293 shares of its common stock for each share of Echlin common stock outstanding on the effective date of the merger. The following is unaudited pro forma combined financial information as of December 31, 1997 and June 30, 1997 and for the three-month and six-month periods ended June 30, 1998. There were no material intercompany transactions.

	December 31, 1997		June 30, 1998	
	-----		-----	
Total Assets	\$ 9,479.6		\$ 10,065.0	
	=====		=====	
Total Liabilities	\$ 6,834.3		\$ 7,227.8	
Total Equity	2,645.3		2,837.2	
	-----		-----	
Total Liabilities and Equity	\$ 9,479.6		\$ 10,065.0	
	=====		=====	
	Three Months Ended		Six Months Ended	
	-----		-----	
	June 30		June 30	
	-----		-----	
	1997	1998	1997	1998
	----	----	----	----
Net Sales	\$ 3,089.7	\$ 3,236.6	\$ 6,085.9	\$ 6,469.4
	=====	=====	=====	=====
Net Income	\$ 127.1	\$ 160.2	\$ 249.0	\$ 300.7
	=====	=====	=====	=====

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF

 FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Liquidity and Capital Resources

(in Millions)

Net cash provided by operating activities amounted to \$306 for the six months ended June 30, 1998, compared with \$265 in 1997. The increase was attributable to higher operating net income and depreciation and amortization expenses in 1998, partially offset by increased working capital requirements.

 CASH FLOWS FROM OPERATIONS
 FOR SIX MONTHS ENDED JUNE 30

1996	\$ 287
1997	265
1998	306

Net cash flows used for investing activities were \$696 through six months of 1998 primarily due to acquisitions and net capital expenditures. In 1998 Dana acquired Eaton Corporation's heavy axle and brake business, the remaining 40% interest in Simesc, its Brazilian structural components manufacturing company, and 98% of the share capital of Brazilian suspension components producer Nakata. Dana also divested the Weatherhead brake hose operations and the hydraulic cylinder business. In the first six months of 1997, Dana acquired the assets of Clark-Hurth Components and the piston ring and cylinder liner operations of SPX Corporation. The Company sold its European warehouse distribution operations in March 1997.

 CAPITAL EXPENDITURES

	SIX MONTHS ENDED JUNE 30	YEAR ENDED DECEMBER 31
1996	\$161	\$ 357
1997	169	426
1998	232	430 *

*Projected

Capital expenditures were \$63 higher than in the first six months of 1997 to support the Company's growth initiatives and continued manufacturing process improvements. The Company currently anticipates capital spending for the full year to be slightly above the 1997 level.

Net purchases of leased assets (purchases less principal payments received on leases and loans) were \$155 in the first six months 1998, an increase of \$76 over 1997.

Financing activities provided net cash of \$142 in the first six months of 1998. In the first quarter, Dana sold \$350 of new senior unsecured notes consisting of \$150 of 6.5% notes due March 15, 2008 and \$200 of 7.0% notes due March 15, 2028. Proceeds from the issues were used to pay down existing short- and medium-term debt.

In January, Standard & Poor's Corporation increased Dana's corporate credit and senior debt ratings to "A-" from "BBB+." The ratings of Dana Credit Corporation (DCC), Dana's wholly-owned leasing subsidiary, were also raised to "A-."

Cash dividends paid in the first six months of 1998 were \$59 compared to \$52 last year. In the second quarter Dana's Board of Directors approved a 7% increase in the dividend to an annualized rate of \$1.16 per share. The increased dividend was paid to shareholders on June 15, 1998.

Liquidity and Capital Resources

(in Millions)

Dana utilizes short-term committed and uncommitted bank lines for the issuance of commercial paper and bank direct borrowings. Dana (excluding DCC) had committed and uncommitted borrowing lines of credit totaling \$1,047 at June 30, 1998, while DCC's lines were \$861. Dana's strong cash flows from operations, together with its worldwide credit facilities, are expected to provide adequate liquidity to meet the Company's debt service obligations, projected capital expenditures and working capital requirements for the balance of 1998.

Dana's management and legal counsel have reviewed the legal proceedings to which the Company and its subsidiaries were parties as of June 30, 1998 (including, among others, those involving product liability claims and alleged violations of environmental laws) and concluded that neither the liabilities that may result from these legal proceedings nor the cash flows related to such liabilities are reasonably likely to have a material adverse effect on the Company's liquidity, financial condition or results of operations. The Company estimates its contingent environmental and product liabilities based upon the most probable method of remediation or outcome considering currently enacted laws and regulations and existing technology. Measurement of liabilities is made on an undiscounted basis and excludes the effects of inflation. In those cases where there is a range of equally probable remediation methods or outcomes, the Company accrues at the lower end of the range. At June 30, 1998, the Company had accrued \$46 for product liability costs (products) and \$52 for environmental liability costs (environmental), compared to \$50 for products and \$55 for environmental at December 31, 1997. The difference between the Company's minimum and maximum estimates for contingent liabilities, while not considered material, was \$15 for products and \$4 for environmental at June 30, 1998, compared to \$15 for products and \$1 for environmental at December 31, 1997. At June 30, 1998, the Company had recorded (as assets) probable recoveries from insurance or third parties in the amounts of \$24 for products and \$6 for environmental, compared to \$29 for products and \$10 for environmental at December 31, 1997.

Restructuring and Rationalization Expenses

Restructuring and rationalization charges of \$162 were recorded in 1997. An accrued liability of \$123 remained at December 31, 1997. During the first six months of 1998, \$31 was charged against the liability, consisting of cash payments of \$14 (\$12 related to severance pay and benefits and \$2 related to closed facilities) and non-cash charges of \$17 (\$3 related to writing down inventory at closed facilities and \$14 related to impaired assets and investment in operations that were closed or sold). The remaining estimated cash outlays of \$74 (\$42 in 1998, \$16 in 1999, and \$16 thereafter) generally represent employee separation costs for the approximately 630 workers affected by these activities. The balance of the accrual is non-cash and will be utilized to write down the affected assets. Dana's liquidity and cash flows will not be materially impacted by these actions. Dana's operations over the long term are expected to benefit from these realignment strategies.

Liquidity and Capital Resources

(in Million)

Impact of the Year 2000

Dana, including those operations that were acquired as a result of the merger of Echlin with a Dana subsidiary in July 1998, has implemented a program for reviewing its products and its critical information technology (IT) and non-IT systems (including those which interface with major customers, suppliers and other third parties) to identify and develop remediation plans for those products and systems with elements which may not function properly when processing dates or data for the Year 2000. The program is under the leadership of the Company's Global Year 2000 Readiness Team, which includes Year 2000 Project Managers for each of Dana's Strategic Business Units and geographic regions. PricewaterhouseCoopers LLP is assisting the Company in this review.

While Dana's various operations are at different stages of Year 2000 readiness, the Company expects to complete a review of its products during the third quarter of 1998. Upon completion of this review, product remediation, testing and contingency plans will be developed, if appropriate.

Dana has also substantially completed a company-wide inventory and assessment of its IT and non-IT systems (including business, operating and factory floor systems) and is now working on remediation plans for its internal systems. Those plans are expected to be finalized by the end of the third quarter of 1998. They will include repair, replacement, upgrading, and retirement of specific systems and components. Priorities will be based on the Company's business risk assessment. Dana expects to complete the systems remediation activities by the end of the first quarter of 1999 and the post-remediation testing by the end of the second quarter and to develop contingency plans (if needed) before the end of the year.

In addition, Dana is presently reviewing its production and non-production supplier base to identify critical suppliers and assess their Year 2000 readiness and is developing a process to assess the readiness of its major customers and other third parties with whom it does business. It expects to complete both assessments during the first half of 1999 and to finalize any necessary contingency plans before the end of the year.

Dana (excluding Echlin) has spent approximately \$13 on its Year 2000 activities to date, of which \$10 has been charged to expense and \$3 has been capitalized. Based on the work performed to date and on current information and plans, Dana (excluding Echlin) anticipates that it will incur additional future costs of \$41 in addressing Year 2000 issues, of which \$29 will be charged to expense and \$12 will be capitalized. While not included in Dana's results of operations through June 30, 1998, Echlin has spent \$18 on Year 2000 activities, with \$4 charged to expense and \$14 capitalized, and anticipates future costs of \$47, with \$34 to be charged to expense and \$13 to be capitalized.

Liquidity and Capital Resources

(in Million)

Impact of the Year 2000

Since the Company is still in the assessment phase of its Year 2000 program and since the outcome of the program is subject to a number of risks and uncertainties (some of which, such as the availability of qualified computer personnel and the Year 2000 responses of third parties, are beyond Dana's control), there can be no assurances that Dana will not incur material remediation costs beyond the above anticipated future costs, or that Dana's business, financial condition, or results of operations will not be significantly impacted if Year 2000 problems with its products or systems, or those of other parties with whom it does business, are not resolved in a timely manner.

ITEM 2. (Continued)

Results of Operations (Second Quarter 1998 vs Second Quarter 1997)

(in Millions)

Worldwide sales for the second quarter of \$2,340 exceeded 1997 second quarter sales by \$199 or 9%. Sales of companies acquired, net of divestitures, amounted to \$79 of the increase. On a comparable basis sales increased \$120 or 6% during the quarter with price changes having a minimal effect. Dana's U.S. sales increased \$157 or 10% over 1997 (\$110 or 7% excluding the effect of acquisitions and divestitures). U.S. sales in the second quarter were adversely affected by work stoppages at General Motors (GM) in 1998 and at both GM and Chrysler in 1997. Sales from Dana's international operations increased \$42 or 7% over 1997, with the impact of acquisitions, net of divestitures, equaling \$32 or 5%. Changes in foreign currency exchange rates since the second quarter of 1997 served to reduce second quarter 1998 sales by approximately \$35.

SECOND QUARTER SALES

	1997	1998	% CHANGE
U.S.	\$1,538	\$1,695	10
International	603	645	7
Total	\$2,141	\$2,340	9

U.S. sales of light truck components to original equipment (OE) manufacturers increased 9% over 1997, with acquisitions having little impact. U.S. sales of heavy truck OE components rose 59% over last year (16% with acquisitions, net of divestitures). Worldwide sales to manufacturers of off-highway vehicles increased 1% (flat excluding acquisitions) and passenger car OE sales grew 2% (1% excluding acquisitions).

SECOND QUARTER SALES BY REGION

REGION	1997	1998	% CHANGE
North America	\$1,630	\$1,817	11
Europe	292	294	1
South America	168	187	11
Asia Pacific	51	42	(18)

North American sales increased 11% in the second quarter, with acquisitions, net of divestitures, accounting for 3% of the increase. Excluding the net effect of acquisitions and divestitures, sales in Europe and South America were flat. Asia Pacific sales were down during the quarter reflecting continued financial difficulty in the region.

Dana's worldwide distribution business declined 4% in the second quarter led by an 8% decline in off-highway/industrial distribution sales. U.S. distribution sales declined 1%; international distribution sales decreased 10% reflecting the exchange rate impact of a stronger U.S. dollar. Worldwide automotive distribution sales were down 1%, with no impact from acquisitions and divestitures. Truck parts distribution sales fell 2%, with a negligible impact from acquisitions/divestitures.

Revenue from lease financing and other income decreased \$11 in the second quarter of 1998. Lease-related revenue increased \$7 or 15% in 1998 corresponding to a 17% increase in average lease financing assets. Other income recorded in 1997 included \$13 from the sale of an investment in a leveraged lease by DCC and interest income in 1998 was \$7 less than in the second quarter of last year.

Dana's gross margin for the second quarter was 15.8%, compared to 14.7% in 1997. Gross margin in 1997 was adversely affected by a charge of \$9 to cost of sales related to the Berwick, Pa. plant closing. Excluding the 1997 charge, Dana's gross margin improved .6% in 1998.

Results of Operations (Second Quarter 1998 vs Second Quarter 1997)

(in Millions)

Selling, general and administrative expenses (SG&A) increased \$9 in 1998. The net impact of acquisitions and divestitures increased SG&A by \$3 in the second quarter. DCC generated higher expenses during the quarter due to start-up and development costs associated with new programs and expansion. The ratio of SG&A expense to sales improved from 8.8% in 1997 to 8.4% in 1998.

Dana's operating margin for the second quarter of 1998 was 7.4% compared to 6.0% in 1997. Excluding the Berwick charge to cost of sales recorded in 1997, Dana's operating margin improved 1.0% in 1998.

Interest expense was \$7 higher than in 1997 due to higher average debt levels related to acquisitions.

Dana's second quarter effective tax rate was 39% in 1998 and 1997.

Equity in earnings of affiliates was higher in 1998 by \$4, primarily due to higher earnings of the Company's affiliates in Mexico and South America.

The Company reported record second quarter earnings of \$116, a \$22 or 24% increase over 1997. The earnings for 1997 included an after-tax charge of \$5 for the Berwick, Pa. plant closing. Earnings in the second quarter of 1998 and 1997 were both negatively impacted by work stoppages.

Results of Operations (Six Months 1998 vs Six Months 1997)

Dana's worldwide sales of \$4,691 in the first six months were \$435 or 10% higher than the same period last year. Sales of companies acquired, net of divestitures, amounted to \$175 of the increase. Excluding such activities, sales increased \$260 or 6% with price changes having a minimal effect. Dana's U.S. sales increased \$383 or 12% over 1997 (\$241 or 8% excluding the effect of acquisitions and divestitures). U.S. sales in the second quarter were adversely affected by work stoppages at GM in 1998 and at both GM and Chrysler in 1997. Sales from Dana's international operations increased \$52 or 4% over 1997, with the impact of acquisitions, net of divestitures, equaling \$33 or 3%. The impact of changes in foreign currency exchange rates decreased 1998 sales by approximately \$82.

(in Millions)

SALES FOR SIX MONTHS ENDED JUNE 30

	1997	1998	% CHANGE
U.S.	\$3,066	\$3,449	12
International	1,190	1,242	4
Total	\$4,256	\$4,691	10

U.S. sales of light truck components to OE manufacturers increased 8% over Dana's strong performance in 1997, with acquisitions having little impact. U.S. sales of heavy truck OE components rose 69% over last year (20% with acquisitions, net of divestitures). Worldwide sales to manufacturers of off-highway vehicles increased 10%, primarily from acquisitions. Passenger car OE sales grew 2%, with little impact from acquisitions, net of divestitures.

ITEM 2. (Continued)

Results of Operations (Six Months 1998 vs Six Months 1997)

(in Millions)

 SALES BY REGION FOR SIX MONTHS ENDED
 JUNE 30

REGION	1997	1998	% CHANGE
North America	\$3,247	\$3,680	13
Europe	610	585	(4)
South America	303	341	13
Asia Pacific	96	85	(11)

North American sales increased 13% in the first six months of 1998, with acquisitions, net of divestitures, accounting for 5% of the increase. Excluding the net effect of acquisitions and divestitures, sales in South America increased 2% while Europe and Asia Pacific sales were down 1% and 10%, respectively. OE sales increased 11% in Europe and 3% in Asia Pacific with both regions being impacted by sluggish distribution sales.

Dana's worldwide distribution business declined 6% in the first six months of 1998. U.S. distribution sales declined 1%; international distribution sales decreased 16% due to the exchange rate impact of a stronger U.S. dollar and the disposition of the European warehouse distribution business in March 1997. Worldwide automotive distribution sales were down 10%, all of which resulted from acquisitions and divestitures. Off-highway/industrial distribution sales decreased 2% and truck parts distribution sales fell 4%; excluding the impact of acquisitions, net of divestitures, these sales declined 4% and 2%, respectively.

Revenue from lease financing and other income decreased \$83 in 1998. Other income recorded in 1997 included \$76 relating to the divestiture of the European warehouse distribution operations and \$13 from the sale of an investment in a leveraged lease by DCC. Lease-related revenue increased \$12 or 13% in 1998 corresponding to a 16% increase in average lease financing assets.

Dana's gross margin for the first six months of 1998 was 15.7%, compared to 14.3% in 1997. Charges to cost of sales in 1997 included \$26 relating to the rationalization plan at the Company's Perfect Circle Europe operations in France and \$9 associated with the cost of closing the Berwick, Pa. plant. Excluding the charges in 1997, Dana's gross margin improved .6%.

SG&A expenses increased \$15 in 1998, the effect of higher start-up and development costs associated with new leasing programs and expansion of the lease portfolio. The ratio of SG&A expense to sales improved from 8.9% in 1997 to 8.4% in 1998.

Dana's operating margin for the six-month period was 7.2% compared to 5.4% in 1997. Excluding the previously explained charges to cost of sales recorded in 1997, Dana's operating margin improved 1.0% in 1998.

Interest expense was \$16 higher than in 1997 due to higher average debt levels related to acquisitions.

Dana's effective tax rate for the first half of 1998 was 40% compared to 46% for 1997's first six months. The effective rate in 1997 was higher due to providing valuation reserves for tax benefits previously recorded in France and for tax benefits associated with the expenses recorded for the rationalization plan at Dana's Perfect Circle Europe operations.

ITEM 2. (Continued)

Results of Operations (Six Months 1998 vs Six Months 1997)

(in Millions)

Minority interest in net income of consolidated subsidiaries decreased \$3, primarily due to the lower earnings of Albarus S.A. (a Brazilian subsidiary) and its majority-owned subsidiaries.

Equity in earnings of affiliates was higher in 1998 by \$8, primarily due to losses no longer being recorded for Korea Spicer Corporation, which was sold in November of 1997, as well as higher earnings of the Company's Mexican affiliates and DCC's leasing affiliates.

The Company reported record profit of \$224, an increase of \$37 or 20% from 1997. Earnings per diluted share increased 17% over the first six months of 1997. The Company's 1998 earnings included a \$3 after-tax gain on the sale of its hydraulic brake hose business. The earnings for 1997 included a \$45 after-tax gain on the sale of the European warehouse operations and charges of \$36 for the rationalization plan of the Perfect Circle Europe operations and \$5 for the Berwick, Pa. plant closing.

Dana's component sales to producers of light truck and sport utility vehicles continued strong in the first six months of 1998 as the popularity of these vehicles remained steady. Second-half demand for light truck and sport utility vehicles is anticipated to remain strong; however, the GM work stoppage has reduced the demand for Dana products and will adversely affect Dana's sales and profits in the third quarter. The impact on Dana's second-half results will depend on GM's ability to recoup lost production resulting from the work stoppage. Sales to the medium and heavy truck markets should continue significantly above last year due to the integration of the Eaton axle operations and higher North American truck production levels.

Forward Looking Information

Any forward-looking statements contained in this report represent management's current expectations based on present information and current assumptions. Such statements are indicated by words such as "anticipates," "expects," "believes," "intends," "plans," and similar expressions. Forward-looking statements are inherently subject to risks and uncertainties. Actual results could differ materially from those which are anticipated or projected due to a number of factors. These factors include changes in business relationships with the Company's major customers, work stoppages at major customers, competitive pressures on sales and pricing, increases in production or material costs that cannot be recouped in product pricing, factors affecting the ability of the Company and/or third parties with whom it does business to resolve Year 2000 problems in a timely manner, and changes in global economic and market conditions.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

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

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

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

The following are the results of voting by stockholders present or represented at the Special Meeting of Dana's stockholders on June 30, 1998:

The stockholders approved Proposal 1 to issue shares of the Company's common stock in connection with the merger of Echo Acquisition Corp. (a wholly-owned subsidiary of the Company) with and into Echlin Inc. There were 76,633,836 shares voted in favor, 950,767 shares voted against, and 479,479 shares abstaining.

The stockholders approved Proposal 2 to amend the Company's Restated Articles of Incorporation to increase the number of shares of the common stock authorized to be issued from 240 million to 350 million shares. There were 81,707,900 shares voted in favor, 2,255,735 shares voted against, and 293,872 shares abstaining.

The stockholders approved Proposal 3 to adjourn the Special Meeting to permit further solicitation of proxies in the event that there were insufficient votes at the time of the meeting to approve Proposal 1. There were 57,549,542 shares voted in favor, 20,138,943 shares voted against, and 375,598 shares abstaining.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K.

a). The exhibits listed in the "Exhibit Index" are filed as a part of this report.

b). Reports on Form 8-K

The Company filed a Form 8-K on July 9, 1998, reporting the completion of the merger of Echo Acquisition Corp., a wholly-owned subsidiary of the Company, with and into Echlin Inc., with Echlin surviving the merger as a wholly-owned subsidiary of Dana.

SIGNATURE

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 hereunto duly authorized.

DANA CORPORATION

Date: August 14, 1998

/s/ John S. Simpson

John S. Simpson
Chief Financial Officer

EXHIBIT INDEX

No. -----	Description -----	Method of Filing -----
3-A	Restated Articles of Incorporation, effective July 2, 1998	Filed with this Report
3-B	Restated By-Laws, effective July 20, 1998	Filed with this Report
4-A	Specimen Single Denomination Stock Certificate	Filed by reference to Exhibit 4-B to Registrant' s Registration Statement No. 333-18403 filed December 20, 1996
4-B	Rights Agreement, dated as of April 25, 1996, between Registrant and ChemicalMellon Shareholder Services, L.L.C., Rights Agent	Filed by reference to Exhibit 1 to Registrant's Form 8-A filed May 1, 1996
4-C	Indenture for Senior Securities between Dana Corporation and Citibank, N.A., Trustee, dated as of December 15, 1997	Filed by reference to Exhibit 4-B of Registrant's Registration Statement No. 333-42239 filed December 15, 1997
4-D	First Supplemental Indenture between Dana Corporation, as Issuer, and Citibank, N.A., Trustee, dated as of March 11, 1998	Filed by reference to Exhibit 4-B-1 to Registrant's Report on Form 8-K dated March 12, 1998
4-E	Form of 6.50% Notes due March 15, 2008 and 7.00% Notes due March 15, 2028	Included in Exhibit 4-D and filed by reference to Exhibit 4-C-1 to Registrant's Report on Form 8-K dated March 12, 1998
10-F	Excess Benefits Plan, restated as of December 8, 1997	Filed with this Report
10-H	Directors Retirement Plan, restated as of December 8, 1997	Filed with this Report
10-K	Supplemental Benefits Plan, restated as of April 20, 1998	Filed with this Report
27	Financial Data Schedule	Filed with this Report

Effective July 2, 1998

RESTATED ARTICLES OF INCORPORATION
OF
DANA CORPORATION

FIRST: The name of the corporation is DANA CORPORATION (hereinafter referred to as the "Corporation").

SECOND: The purposes for which the Corporation is formed are to manufacture and deal in metal and other products. The Corporation may engage in any other business except a business that is required to be stated in these articles.

THIRD: The maximum number of shares of stock that may be issued by the Corporation shall be 350,000,000 shares of Common Stock of the par value of \$1.00 per share and 5,000,000 shares of Preferred Stock, without par value.

1. Shares of Preferred Stock may be divided into and issued in one or more series, each series to be so designated as to distinguish the shares thereof from the shares of all other series and classes; authority is hereby expressly vested in the Board of Directors to divide any or all of the Preferred Stock into series and, within the limitations prescribed by law and by this Article, to fix and determine the following relative rights and preferences, as to which there may be variations between different series:
 - (a) the number of shares constituting such series and the designation of such series which shall be such as to distinguish the shares thereof from the shares of all other series and classes;
 - (b) the rate of dividend, the time of payment and, if cumulative, the dates from which dividends shall be cumulative, and the extent of participation rights, if any;
 - (c) any right to vote with holders of shares of any other series or class and any right to vote as a class, either generally or as a condition to specified corporation action;
 - (d) in the event the shares of the series are to be redeemable, the price at and the terms and conditions on which shares may be redeemed;
 - (e) the amount payable upon shares in event of involuntary liquidation;
 - (f) the amount payable upon shares in event of voluntary liquidation;
 - (g) any sinking fund provisions for the redemption or purchase of shares; and
 - (h) the terms and conditions on which shares may be converted, if the shares of any series are issued with the privilege of conversion.

The shares of all series of Preferred Stock shall be identical except as, within the limitations set forth above in this Section 1, shall have been fixed and determined by the Board of Directors prior to the issuance thereof.

2. The holders of shares of Preferred Stock of each series shall be entitled to receive, when and as declared payable by the Board of Directors, dividends at the dividend rate fixed by the Board of Directors for such series and not exceeding such rate except to the extent of any participation right. Dividends, if cumulative and in arrears, shall not bear interest. No dividends shall be declared or paid on or set apart for the Common Stock or for stock of any other class hereafter created ranking junior to the Preferred Stock in respect of dividends or assets (hereinafter called Junior Stock) unless and until (i) full dividends on the outstanding Preferred Stock at the dividend rate or rates therefor, together with the full additional amount required by any participation right, shall have been paid or declared and set apart for payment with respect to all past dividend periods, to the extent that the holders of the Preferred Stock are entitled to dividends with respect to any particular past dividend period, and the current dividend period, and (ii) all mandatory sinking fund payments that shall have become due in respect of any series of the Preferred Stock shall have been made. Unless full dividends with respect to all past dividend periods on the outstanding Preferred Stock at the dividend rate or rates therefor, to the extent that holders of the Preferred Stock are entitled to dividends with respect to any particular past dividend period, together with the full additional amount required by any participation right, shall have been paid or declared and set apart for payment and all mandatory sinking fund payments that shall have become due in respect of any series of the Preferred Stock shall have been made, no distributions shall be made to the holders of the Preferred Stock of any series unless distributions are made to the holders of the Preferred Stock of all series then outstanding in proportion to the aggregate amounts of the deficiencies in payments due to the respective series, and all payments shall be applied, first, to dividends accrued and in arrears, next, to any amount required by any participation right, and, finally, to mandatory sinking fund payments. The terms "current dividend period" and "past dividend period" mean, if two or more series of Preferred Stock having different dividend periods are at the time outstanding, the current dividend period or any past dividend period, as the case may be, with respect to each such series.
3. In the event of any liquidation, dissolution, or winding up of the Corporation, the holders of the Preferred Stock of each series shall be entitled to receive, for each share thereof, the fixed liquidation price for such series, plus, in case such liquidation, dissolution or winding up shall have been voluntary, the fixed liquidation premium for such series, if any, together in all cases with a sum equal to all dividends accrued or in arrears thereon and the full additional amount required by any participation right, before any distribution of the assets shall be made to holders of the Common Stock or Junior Stock; but the holders of the Preferred Stock shall be entitled to no further participation in such distribution. If, upon any such liquidation, dissolution or winding up, the assets distributable among the holders of the Preferred Stock shall be sufficient to permit the payment of the full preferential amounts aforesaid, then such assets shall be distributed among the holders of the Preferred Stock then outstanding ratably in proportion to the full preferential amounts to which they are respectively entitled. For the purposes of this Section 3, the expression "dividends accrued or in arrears" means, in respect of each share of the Preferred Stock of any series at a

particular time, an amount equal to the product of the rate of dividend per annum applicable to the shares of such series multiplied by the number of years and any fractional part of a year that shall have elapsed from the date when dividends on such shares become cumulative to the particular time in question less the total amount of dividends actually paid on the shares of such series or declared and set apart for payment thereon; provided, however, that, if the dividends on such shares shall not be fully cumulative, such expression shall mean the dividends, if any, cumulative in respect of such shares for the period stated in the Articles of Serial Designation creating such shares less all dividends paid in or with respect to such period.

4. Except as the right to vote generally or as a class may be conferred upon holders of outstanding shares of Preferred Stock by law or by any Articles of Serial Designation issued with respect to any series thereof, holders of issued and outstanding shares of Common Stock shall have the exclusive right to vote on the Election of Directors and on all other matters submitted to a vote of stockholders. Such holders of Common Stock shall be entitled to one vote for each share of Common Stock held by them. Subject to the prior rights and preferences of the holders of Preferred Stock as set forth in these Articles and in any Articles of Serial Designation issued with respect to any series of Preferred Stock, the holders of outstanding shares of Common Stock shall be entitled to receive dividends, if, when and as declared by the Board of Directors out of funds legally available for payment thereof, and to receive in pro rata distribution the assets of the Corporation remaining after payment of all liabilities and all preferential amounts to which the holders of shares at the time outstanding of all classes of stock having prior rights thereto shall be entitled upon voluntary or involuntary liquidation of the Corporation.
5. No holder of any stock of the Corporation of any class now or hereafter authorized shall, as such, have any preemptive right to acquire any shares of any stock of the Corporation, of any class now or hereafter authorized, or any securities convertible into stock of the Corporation, or any warrants, rights or options granted by the Corporation for the purchase of any such shares or securities.
6. Series A Junior Preferred Stock:
 - A. Designation and Amount. The shares of such series shall be designated as a "Series A Junior Participating Preferred Stock" (the "Junior Preferred Stock") and the number of shares constituting such series shall be 1,000,000. Such number of shares may be increased or decreased by resolution of the Board of Directors; provided, that no decrease shall reduce the number of shares of Junior Preferred Stock to a number less than the number of shares then outstanding plus the number of shares issuable upon exercise of outstanding rights, options or warrants or upon conversion of outstanding securities issued by the Corporation. All shares removed from the Junior Preferred Stock by any such decrease become authorized but unissued shares of Preferred Stock and may be reissued as part of a new series of Preferred Stock subject to the restrictions and conditions set forth herein.
 - B. Dividends and Distributions.

- (i) Subject to the prior and superior rights of the holders of any shares of any series of Preferred Stock ranking prior and superior to the shares of Junior Preferred Stock with respect to dividends, the holders of shares of Junior Preferred Stock, in preference to the holders of the Common Stock and of any other junior stock, shall be entitled to receive, when, as and if declared by the Board of Directors out of funds legally available for the purpose, quarterly dividends payable on the first day of March, June, September and December in each year (each such date being referred to herein as a "Quarterly Dividend Payment Date"), commencing on the first Quarterly Dividend Payment Date after the first issuance of a share or fraction of a share of Junior Preferred Stock, in an amount per share (rounded to the nearest cent) equal to the greater of (a) \$10.00 (payable in cash) or (b) subject to the provision for adjustment hereinafter set forth, 100 times the aggregate per share amount of all cash dividends, and 100 times the aggregate per share amount (payable in kind) of all non-cash dividends or other distributions, other than a dividend payable in shares of Common Stock or a subdivision of the outstanding shares of Common Stock (by reclassification or otherwise), declared on the Common Stock since the immediately preceding Quarterly Dividend Payment Date or, with respect to the first Quarterly Dividend Payment Date, since the first issuance of any share or fraction of a share of Preferred Stock. In the event the Corporation shall at any time after the date hereof declare or pay any dividend on Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the amount to which holders of shares of Junior Preferred Stock were entitled immediately prior to such event under clause (b) of the preceding sentence shall be adjusted by multiplying such amount by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.
- (ii) The Corporation shall not declare and set aside for payment a dividend or distribution on the Common Stock (other than a dividend payment in shares of Common Stock) until it shall declare and set aside for payment a dividend or distribution on the Junior Preferred Stock as provided in paragraph (i) of this Section. In the event no dividend or distribution shall have been declared on the Common Stock during the period between any Quarterly Dividend Payment Date and the next subsequent Quarterly Dividend Payment Date, a dividend of \$10.00 per share on the Junior Preferred Stock shall nevertheless be payable on such subsequent Quarterly Dividend Payment Date.

- (iii) Dividends shall begin to accrue and be cumulative on outstanding shares of Junior Preferred Stock from the Quarterly Dividend Payment Date next preceding the date of issue of such shares of Junior Preferred Stock, unless the date of issue of such shares is prior to the record date for the first Quarterly Dividend Payment Date, in which case dividends on such shares shall begin to accrue from the date of issue of such shares, or unless the date of issue is a Quarterly Dividend Payment Date or is a date after the record date for the determination of holders of shares of Junior Preferred Stock entitled to receive a quarterly dividend and before such Quarterly Dividend Payment Date, in either of which events such dividends shall begin to accrue and be cumulative from such Quarterly Dividend Payment Date. Accrued but unpaid dividends shall not bear interest. Dividends paid on the shares of Junior Preferred Stock in an amount less than the total amount of such dividends at the time accrued and payable on such shares shall be allocated pro rate on a share-by-share basis among all such shares at the time outstanding. The Board of Directors may fix a record date for the determination of holders of shares of Junior Preferred Stock entitled to receive payment of a dividend or distribution declared thereon, which record date shall be not more than 60 days prior to the date fixed for the payment thereof.

- C. Voting Rights. The holders of shares of Junior Preferred Stock shall have the following voting rights:
- (i) Subject to the provision for adjustment hereinafter set forth, each share of Junior Preferred Stock shall entitle the holder thereof to 100 votes on all matters submitted to a vote of the stockholders of the Corporation. In the event the Corporation shall at any time declare or pay any dividend on Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the number of votes per share to which holders of shares of Junior Preferred Stock were entitled immediately prior to such event shall be adjusted by multiplying such number by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.
- (ii) Except as otherwise provided herein or by law, the holders of shares of Junior Preferred Stock and the holders of Shares of Common Stock and any other capital stock of the Corporation having general voting rights shall vote together as one voting group on all matters submitted to a vote of stockholders of the Corporation.
- (iii) The Articles of Incorporation of the Corporation shall not be amended in any manner which would materially alter or change

the powers, preferences or special rights of the Junior Preferred Stock so as to affect them adversely without the affirmative vote of the holders of at least two-thirds of the outstanding shares of Junior Preferred Stock, voting together as a single voting group.

- (iv) Except as set forth herein or as otherwise provided by law or by the Articles of Incorporation, holders of Junior Preferred Stock shall have no voting rights.

D. Certain Restrictions.

- (i) Whenever quarterly dividends or other dividends or distributions payable on the Junior Preferred Stock as provided in Section (b) of this Paragraph 6 are in arrears, thereafter and until all accrued and unpaid dividends and distributions, whether or not declared, on shares of Junior Preferred Stock outstanding shall have been paid in full, the Corporation shall not:
 - (a) declare or pay, or set apart for payment, dividends on, make any other distributions on, or redeem or purchase or otherwise acquire for consideration any shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Junior Preferred Stock;
 - (b) declare or pay dividends on or make any other distributions on any shares of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Junior Preferred Stock, except dividends paid ratably on the Junior Preferred Stock and all such parity stock on which dividends are payable or in arrears in proportion to the aggregate amounts of the deficiencies in payments due to the respective series;
 - (c) purchase or otherwise acquire for consideration any shares of Junior Preferred Stock, or any shares of Stock ranking on a parity with the Junior Preferred Stock, except in accordance with a purchase offer made in writing or by publication (as determined by the Board of Directors) to all holders of such shares upon such terms as the Board of Directors, after consideration of the respective annual dividend rates and other relative rights and preferences of the respective series and classes, shall determine in good faith will result in fair and equitable treatment among the respective series or classes.
- (ii) The Corporation shall not permit any subsidiary of the Corporation to purchase or otherwise acquire for consideration any shares of stock of the Corporation unless the Corporation could, under paragraph (i) of this Section D purchase or otherwise acquire such shares at such time and in such manner.

E. Reacquired Shares. Any shares of Junior Preferred Stock purchased or otherwise acquired by the Corporation in any manner whatsoever shall be

retired and cancelled promptly after the acquisition thereof. All such shares shall upon their cancellation become authorized but unissued shares of Preferred Stock and may be reissued as part of a new series of Preferred Stock, subject to the conditions and restrictions on issuance set forth herein.

- F. Liquidation, Dissolution or Winding Up. Upon any voluntary or involuntary liquidation, dissolution or winding up of the Corporation, no distribution shall be made (1) to the holders of shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Junior Preferred Stock unless, prior thereto, the holders of shares of Junior Preferred Stock shall have received an amount equal to accrued and unpaid dividends and distribution thereon, whether or not declared, to the date of such payment plus an amount equal to the greater of (a) \$100 per share and (b) an aggregate amount per share, subject to the provision for adjustment hereinafter set forth, equal to 100 times the aggregate amount to be distributed per share to holders of Common Stock, or (2) to the holders of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Junior Preferred Stock, except distributions made ratably on the Junior Preferred Stock and all other such parity stock in proportion to the full preferential amounts to which the holders of all such shares are entitled upon such liquidation, dissolution or winding up. In the event the Corporation shall at any time declare or pay any dividend on Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the aggregate amount to which holders of shares of Junior Preferred Stock were entitled immediately prior to such event under the provision in clause (1) of the preceding sentence shall be adjusted by multiplying such amount by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.
- G. Consolidation, Merger, etc. In case the Corporation shall enter into any consolidation, merger, share exchange, combination or other transaction in which the shares of Common Stock are exchanged for or changed into other stock or securities, cash and/or any other property, then in any such case the shares of Junior Preferred Stock shall at the same time be similarly exchanged or changed in an amount per share (subject to the provision for adjustment thereafter set forth) equal to 100 times the aggregate amount of stock, securities, cash and/or any other property (payable in kind), as the case may be, into which or for which each share of Common Stock is changed or exchanged. In the event the Corporation shall at any time declare or pay any dividend on Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise) into a greater or lesser number of shares of Common Stock, then, in each such case the amount set forth in the preceding sentence with respect to the exchange or change of shares of Junior Preferred Stock shall be adjusted by multiplying such amount by a

fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common stock that were outstanding immediately prior to such event.

- H. Redemption; Repurchase. The outstanding shares of Junior Preferred Stock may be redeemed at the option of the Board of Directors, in whole, but not in part, at any time, or from time to time, at a cash price per share equal to (i) the greater of (a) \$100 or (b) subject to the provision for adjustment hereinafter set forth, the product of 100 times the Current Market Price, as such term is hereinafter defined, of the Common Stock, plus (ii) all dividends which on the redemption date have accrued on the shares to be redeemed and have not been paid or declared and a sum sufficient for the payment thereof set apart, without interest. The Corporation may, from time to time and to the extent allowed by law, purchase or otherwise acquire shares of Junior Preferred Stock provided, however, that if and whenever any quarterly dividend shall have accrued on the Junior Preferred Stock which has not been paid or declared and a sum sufficient for the payment thereof set apart, the Corporation may not purchase or otherwise acquire any shares of Junior Preferred Stock unless all shares of such stock at the time outstanding are so purchased or otherwise acquired. In the event the Corporation shall at any time after July 25, 1986 pay any dividend on Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the amount to which holders of shares of Junior Preferred Stock were entitled immediately prior to such event under subsection (i) of the preceding sentence shall be adjusted by multiplying such amount by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

The "Current Market Price" shall be deemed to be the average of the daily closing prices per share of the Common Stock for the thirty (30) consecutive Trading Days (as such term is hereinafter defined) immediately prior to the day before the redemption date; provided, however, that in the event that the Current Market Price per share of the Common Stock is determined during a period following the announcement by the Corporation of (A) a dividend or distribution on such Common Stock payable in shares of such Common Stock or securities convertible into shares of such Common Stock, or (B) any subdivision, combination or reclassification of such Common Stock, and prior to the expiration of the requisite thirty (30) Trading-Day period, as set forth above, after the ex-dividend date for such dividend or distribution, or the record date for such dividend or distribution, or the record date for such subdivision, combination or reclassification, then, and in each such case, the Current Market Price shall be properly adjusted to take into account ex-dividend trading. The closing price for each day shall be the last sale price, regular way, or, in case no such sale takes place on such day, the average of the closing bid and asked prices,

regular way, in either case as reported in the principal consolidated transaction reporting system with respect to securities listed or admitted to trading on the New York Stock Exchange or, if the shares of Common Stock are not listed or admitted to trading on the New York Stock Exchange, as reported in the principal consolidated transaction reporting system with respect to securities listed on the principal national securities exchange on which the shares of Common Stock are listed or admitted to trading or, if the shares of Common Stock are not listed or admitted to trading on any national securities exchange, the average of the last quoted high bid and low asked prices in the over-the-counter market, as reported by the National Association of Securities Dealers, Inc. Automated Quotations System ("NASDAQ") or such other system then in use, or, if on any such date the shares of Common Stock are not quoted by any such organization, the average of the closing bid and asked prices as furnished by a professional market maker making a market in the Common Stock selected by the Board of Directors of the Company. If on any such date no market maker is making a market in the Common Stock, the fair value of such shares on such date as determined in good faith by the Board of Directors of the Company shall be used. The term "Trading Day" shall mean a day on which the principal national securities exchange on which the shares of Common Stock are listed or admitted to trading is open for the transaction of business or, if the shares of the Common Stock are not listed or admitted to trading on any national securities exchange, a business day.

- I. Fractional Shares. The Junior Preferred Stock may be issued in fractions of a share which shall entitle the holder, in proportion to such holder's fractional shares, to exercise voting rights, receive dividends, participate in distributions and to have the benefit of all other rights of holders of shares of Junior Preferred Stock.
- J. Rank. Nothing herein contained shall preclude the Board of Directors from creating or authorizing any class or series of Preferred Stock ranking on a parity with or prior to the Junior Preferred Stock as to the payment of dividends or the distribution of assets.

FOURTH: No contract or other transaction between the Corporation and any other corporation, in the absence of fraud, shall be affected or invalidated by the fact that any one or more of the directors of the Corporation is or are interested in, or is a director or officer or are directors or officers of, such other corporation, and any director or directors, individually or jointly, may be a party or parties to, or may be interested in, any such contract or transaction of the Corporation or in which the Corporation is interested and no contract, act or transaction of the Corporation with any person or persons, firm or corporation in the absence of fraud shall be affected or invalidated by the fact that any director or directors of the Corporation is a party, or are parties to or interested in such contract, act or transaction, or in any way connected with such person or persons, firm or corporation, and each person and every person who may become a director of the Corporation is hereby relieved from any liability that might otherwise exist from thus contracting with the Corporation for the benefit of himself or any firm, association or corporation in which he may be in anywise interested.

FIFTH: Unless otherwise changed by the By-Laws, the number of the directors shall be ten.

SIXTH:

1. In this Article:

"applicant" means the person seeking indemnification pursuant to this Article.

"expenses" includes counsel fees.

"liability" means the obligation to pay a judgment, settlement, penalty, fine, including any excise tax assessed with respect to an employee benefit plan, or reasonable expenses incurred with respect to a proceeding.

"party" includes an individual who was, is, or is threatened to be made a named defendant or respondent in a proceeding.

"proceeding" means any threatened, pending, or completed action, suit, or proceeding, whether civil, criminal, administrative or investigative and whether formal or informal.

2. In any proceeding brought by a shareholder of the Corporation in the right of the Corporation or brought by or on behalf of shareholders of the Corporation, no director or officer of the Corporation shall be liable to the Corporation or its shareholders for monetary damages in excess of \$50,000.00 with respect to any transaction, occurrence or course of conduct, whether prior or subsequent to the effective date of this Article, except for liability resulting from such person's having engaged in willful misconduct or a knowing violation of the criminal law or any federal or state securities law.
3. The Corporation shall indemnify any person who was or is a party to any proceeding, including a proceeding brought by a shareholder in the right of the Corporation or brought by or on behalf of shareholders of the Corporation, by reason of the fact that he is or was a director or officer of the Corporation against any liability incurred by him in connection with such proceeding unless he engaged in willful misconduct or a knowing violation of the criminal law.
4. The provisions of this Article shall be applicable to all proceedings commenced on or after the effective date hereof, arising from any act or omission, whether occurring before or after such effective date. The effective date of this Article shall be the date on which the State Corporation Commission of the Commonwealth of Virginia issues a Certificate of Amendment with respect hereto. No amendment or repeal of this Article shall have any effect on the rights provided under this Article with respect to any act or omission occurring prior to such amendment or repeal. The Corporation shall promptly take all such actions, and make all such determinations, as shall be necessary or appropriate to comply with its obligation to make any indemnity under this Article and shall promptly pay or reimburse all reasonable expenses, including attorneys' fees, incurred by any such director, officer, employee or agent in connection with such actions and determinations or proceedings of any kind arising therefrom.

5. The termination of any proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not of itself create a presumption that the applicant did not meet the standard of conduct described in Section 2 or 3 of this Article.
6. Any indemnification under Section 3 of this Article (unless ordered by a court) shall be made by the Corporation in accordance with the procedures set forth in Section 13.1-701 of the Virginia Stock Corporation Act as in effect from time to time, except that in the event there has been a change in the composition of a majority of the Board of Directors after the date of (i) the alleged act or omission or (ii) commencement of a continuing act or omission with respect to which indemnification is claimed, any determination as to indemnification and advancement of expenses with respect to any claim for indemnification made pursuant to this Article shall be made exclusively by special legal counsel agreed upon by the Board of Directors and the applicant. If the Board of Directors and the applicant are unable to agree upon such special legal counsel, the Board of Directors and the applicant each shall select a nominee, and the nominees shall select such special legal counsel.
7. (a) The Corporation shall pay for or reimburse the reasonable expenses incurred by any applicant who is a party to a proceeding in advance of final disposition of the proceeding or the making of any determination under Section 3 if the applicant furnishes the Corporation:
 - (i) a written statement of his good faith belief that he has met the standard of conduct described in Section 3; and
 - (ii) a written undertaking, executed personally or on his behalf, to repay the advance if it is ultimately determined that he did not meet such standard of conduct.

(b) The undertaking required by paragraph (ii) of subsection (a) of this section shall be an unlimited general obligation of the applicant but need not be secured and may be accepted without reference to financial ability to make repayment.

(c) Authorizations of payments under this section shall be made in accordance with the procedure specified in Section 6.
8. The Board of Directors is hereby empowered, by majority vote of a quorum consisting of disinterested Directors, to cause the Corporation to indemnify, or to agree in advance to indemnify, by Bylaw provision or agreement any person who was, is or may become a party to any proceeding, by reason of the fact that he is or was an employee or agent of the Corporation, or is or was serving at the request of the Corporation as director, officer, employee or agent of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise, to the same extent as if such person were specified as one to whom indemnification is granted in Section 3. The provisions of Sections 4 through 7 of this Article shall be applicable to any indemnification provided hereafter pursuant to this Section 8.

9. Every reference herein to directors, officers, employees or agents shall include former directors, officers, employees and agents and their respective heirs, executors and administrators. The indemnification hereby provided and provided hereafter pursuant to the power hereby conferred by this Article on the Board of Directors shall not be exclusive of any other rights to which any person may be entitled, including any right under policies of insurance that may be purchased and maintained by the Corporation or others, with respect to claims, issues or matters in relation to which the Corporation would not have the power to indemnify such person under the provisions of this Article. Such rights shall not prevent or restrict the power of the Corporation to make or provide for any further indemnity, or provisions for determining entitlement to indemnity, pursuant to one or more indemnification agreements, bylaws, or other arrangements (including, without limitation, creation of trust funds or security interests funded by letters of credit or other means) approved by the Board of Directors (whether or not any of the directors of the Corporation shall be a party to or beneficiary of any such agreements, bylaws or arrangements); provided, however, that any provision of such agreements, bylaws or other arrangements shall not be effective if and to the extent that it is determined to be contrary to this Article or applicable laws of the Commonwealth of Virginia.
10. Each provision of this Article shall be severable, and an adverse determination as to any such provision shall in no way affect the validity of any other provision.

SEVENTH: Except as expressly otherwise required in these Articles of Incorporation, an amendment or restatement of these Articles that requires shareholder approval shall be approved by a majority of the votes entitled to be cast by each voting group that is entitled to vote on the matter.

Adopted July 20, 1998

BY-LAWS OF DANA CORPORATION

ARTICLE I. EFFECTIVE DATE

SECTION 1.1. EFFECTIVE DATE. These By-Laws are adopted by the Board of Directors (the "Board") of Dana Corporation ("Dana") on and effective July 20, 1998.

ARTICLE II. OFFICES

SECTION 2.1. REGISTERED OFFICE. Dana's registered office shall be located at Riverfront Plaza, East Tower, 951 East Byrd Street, Richmond, Virginia 23219.

SECTION 2.2. BUSINESS OFFICE. Dana's principal business office shall be located at 4500 Dorr Street, Toledo, Ohio 43615, with a mailing address of P.O. Box 1000, Toledo, Ohio 43697.

ARTICLE III. SHAREHOLDER MEETINGS

SECTION 3.1. ANNUAL MEETINGS. Unless the Board fixes a different date, the annual meeting of shareholders of Dana to elect directors and to transact other business (if any) shall be held on the first Wednesday of April each year, at the time and place designated by the Board in the notice of meeting. The Board may postpone or cancel any annual meeting at any time prior to the designated meeting date and time by means of (i) a press release reported by the Dow Jones News, Associated Press or a comparable national news service, or (ii) a document filed with the Securities and Exchange Commission ("SEC") (in either case, a "Public Announcement").

SECTION 3.2. SPECIAL MEETINGS. Special meetings of shareholders may be called by the Board, the Chairman of the Board (the "Chairman"), or the President, to elect directors and/or transact such other business as is described in the notice of meeting, at the date, time and place designated therein. Notice of special meetings shall be given to shareholders in accordance with the Virginia Stock Corporation Act ("Virginia Law"). The Board may postpone or cancel any special meeting at any time prior to the designated meeting date and time by means of a Public Announcement.

SECTION 3.3. SHAREHOLDER NOMINATIONS AND PROPOSALS. In submitting nominations for persons to be elected as directors of Dana or proposals for other business to be presented at any shareholder meeting, shareholders shall comply with the following procedures and such other requirements as are imposed by Virginia Law and the Securities Exchange Act of 1934, as amended (the "Exchange Act"):

a. DELIVERY. Shareholder notices shall be addressed and delivered to the Secretary at Dana's principal business office.

b. TIMELINESS.

i. ANNUAL MEETINGS. Shareholder notices of nominations to be voted on at any annual meeting must be delivered not later than the close of business on the 90th day prior to such meeting, and notices of proposals to be voted on must be delivered in compliance with the timeliness provisions of SEC Rule 14a-8(a)(3)(i) or any rule hereafter adopted in its place as though such rules applied to the proposals, whether or not they actually do so.

ii. SPECIAL MEETINGS. Shareholder notices of nominations or of proposals to be voted on at any special meeting must be delivered (i) not earlier than the close of business on the 90th day prior to such meeting and (ii) not later than the close of business on the later of the 70th day prior to the date of the special meeting or the 3rd day following the date on which Dana first makes a Public Announcement of the date of the meeting.

iii. ADJOURNMENTS AND POSTPONEMENTS. A Public Announcement of an adjournment or postponement of an annual or special meeting shall not commence a new time period for the giving of shareholder notices.

c. CONTENTS. Shareholder notices shall contain the names and addresses (as they appear on the records of Dana's transfer agent) of the shareholder(s) and all beneficial owners on whose behalf the nomination or proposal is made, and the class and number of Dana shares which are owned of record and beneficially by the shareholder(s) and the beneficial owners. The notice shall also contain, as applicable, (i) the information about director-nominees which is required to be disclosed in solicitations of proxies for the election of directors in an election contest or otherwise pursuant to Regulation 14A under the Exchange Act and Rule 14a-11 thereunder, or any rules hereafter adopted in their place (including such person's written consent to being named in the proxy as a nominee and to serving as a director if elected), and (ii) a brief description of any other proposed business, the reason for presenting such business at the meeting, and any material interests which the shareholder(s) and the beneficial owners have in such business.

SECTION 3.4. CONDUCT OF MEETINGS.

SECTION 3.4.1. CHAIRMAN AND PROCEDURES. Shareholder meetings shall be chaired by the Chairman of the Board or by such person as he or she may designate. The chairman of the meeting shall determine and announce the rules of procedure for the meeting and shall rule on all procedural questions during the meeting.

SECTION 3.4.2. PROPER NOMINATIONS AND BUSINESS. Nominations for directors and other proposals shall be deemed properly brought before a shareholder meeting only when brought in accordance with Virginia Law and this Article III. The chairman of the meeting shall determine whether each nomination or proposal has been properly brought and shall declare that any improperly brought nomination or proposal be disregarded.

SECTION 3.4.3. ADJOURNMENTS. The chairman of any shareholder meeting, or the holders of a majority of the shares represented at the meeting (whether or not constituting a quorum), may adjourn the meeting from time to time. No further notice need be given if the adjournment is for a period not exceeding 120 days and the new date, time and place are announced at the adjourned meeting. Otherwise, notice shall be given in accordance with Virginia Law.

ARTICLE IV. BOARD OF DIRECTORS

SECTION 4.1. AUTHORITY. The business and affairs of Dana shall be managed under the direction of the Board, and all of Dana's corporate powers shall be exercised by or pursuant to the Board's authority.

SECTION 4.2. NUMBER AND TERM OF DIRECTORS. The number of directors of Dana shall be eleven. Each director shall hold office until the next annual meeting of shareholders and the election and qualification of his or her successor, or until his or her earlier retirement, resignation, or removal.

SECTION 4.3. MEETINGS AND NOTICE.

SECTION 4.3.1. REGULAR MEETINGS. The Board shall hold regular meetings at such dates, times and places as it may determine from time to time, and no notice thereof need be given other than such determination. However, if the date, time or place of any regular meeting is changed, notice of the change shall be given to all directors by means of (i) a written notice mailed at least 5 calendar days before the meeting, (ii) a written notice delivered in person, by recognized national courier service, or by telecopy at least 1 business day before the meeting, or (iii) by telephone notification given at least 12 hours before the meeting.

SECTION 4.3.2. SPECIAL MEETINGS. The Board or the Chairman may call a special meeting of the Board at any date, time and place by causing the Secretary to give notice thereof to each director in the manner provided in Section 4.3.1. Neither the purpose of the meeting nor the business to be transacted need be specified in the notice of meeting, except for proposed amendments to these By-Laws.

SECTION 4.3.3. TELEPHONIC MEETINGS. Members of the Board may participate in any Board meeting by means of conference telephone or similar communications equipment by means of which all meeting participants can hear each other, and such participation shall constitute presence in person at such meeting.

SECTION 4.3.4. WAIVER OF NOTICE. A director may waive any notice of meeting required under Virginia Law, Dana's Articles of Incorporation ("Dana's Articles") or these By-Laws, before or after the date and time set out in the notice, by signed written waiver submitted to the Secretary and filed with the minutes of the meeting. A director's attendance or participation at any meeting shall constitute a waiver of notice unless the director objects, at the beginning of the meeting or promptly upon his or her arrival, to holding the meeting or transacting business at the meeting, and thereafter does not vote on or assent to actions taken at the meeting.

SECTION 4.4. ACTION WITHOUT A MEETING. Any action required or permitted to be taken at a Board meeting may be taken without a meeting if the action is taken by all members of the Board. The action shall be evidenced by one or more written consents, signed by each director either before or after the action is taken. The action shall be effective when the last director signs his or her consent unless the consent specifies a different effective date, in which event the action taken will be effective as of the date specified therein provided that the consent states the date of execution by each director.

SECTION 4.5. QUORUM, BOARD ACTION. A majority of the directors shall constitute a quorum of the Board. If a quorum is present when a vote is taken, the affirmative vote of the majority of directors present shall constitute the act of the Board; provided, that the authorization, approval or ratification of any transaction in which a director has a direct or indirect personal interest shall also be subject to the provisions of Virginia Law.

SECTION 4.6. RESIGNATIONS. A director may resign at any time by giving written notice to the Board, the Chairman, the President or the Secretary. Unless otherwise specified in the notice, the resignation shall take effect upon delivery and without Board action. A director's resignation shall not affect any contractual rights and obligations of Dana or the director, except as specified in any particular contract.

SECTION 4.7. VACANCIES. The Board shall fill all vacancies, including those resulting from an increase in the number of directors, by majority vote of the remaining directors, whether or not such number constitutes a quorum.

ARTICLE V. BOARD COMMITTEES

SECTION 5.1. ESTABLISHMENT OF COMMITTEES. The Board may, by amendment to the By-Laws, establish and dissolve Board Committees and establish and change the authority of such Committees; provided, that each Committee shall consist of two or more directors (who shall serve thereon at the Board's pleasure) and shall have a chairman who is designated by the Board. Each Committee shall exercise such of the Board's powers as are authorized by the Board, subject to any limitations imposed by Virginia Law. The Board may, from time to time and without amendment to the By-Laws, change the membership or chairmanship of any Board Committee and fill any vacancies thereon or designate another director to act in the place of any Committee member who is absent or disqualified from voting at any meeting of the Committee.

SECTION 5.2. STANDING COMMITTEES. The Board shall have the following Standing Committees:

A. ADVISORY COMMITTEE. The Advisory Committee shall make recommendations to the Board on matters relating to the qualifications of directors; the selection of nominees for election as directors at annual shareholder meetings and in filling Board vacancies; the selection and retention of elected officers and management succession; the cash and non-cash compensation of directors; the structure of the Board's Committees; the schedule and agenda for meetings of the Board and its Committees; the criteria for assessing the performance of the Board, its Committees, and the individual directors; and other Board governance matters. When the Board is not in session and when the Advisory Committee is convened by and meeting with the Chairman of the Board for such purpose, the Advisory Committee shall serve as an "executive committee" of the Board and shall have the full authority of the Board under Virginia Law.

B. AUDIT COMMITTEE. The Audit Committee shall periodically meet with Dana's financial and accounting management and independent auditors and accountants to review Dana's audit plans, financial reporting, internal controls, and significant issues relating to Dana's contingent liabilities, taxes and insurance programs. The Audit Committee shall provide oversight for Dana's audit programs and shall make recommendations to the Board on matters relating to the selection and retention of the independent auditors. The members of the Audit Committee shall not be employees of Dana.

C. COMPENSATION COMMITTEE. The Compensation Committee shall make recommendations to the Board on matters relating to base salaries and other cash and non-cash compensation for senior management under those Dana executive benefit plans in effect from time to time which the Committee interprets and administers. The Compensation Committee shall maintain familiarity with generally accepted national and international compensation practices and may consult with such compensation consultants as it deems appropriate. In making its recommendations, the Compensation Committee shall endeavor to maintain the compensation of Dana's senior management at levels appropriate for Dana's size and business, the responsibilities and performance of the individuals, and Dana's performance. The members of the Compensation Committee shall qualify as "outside directors" under Internal Revenue Service Regulation Section 1.162-27 and shall not be employees of Dana.

D. FINANCE COMMITTEE. The Finance Committee shall review Dana's financial condition, liquidity (including aggregate corporate borrowings) and results of operations, and shall recommend to the Board appropriate courses of action with respect to Dana's financial performance and capital structure. Within parameters established with the Board, the Finance Committee shall review and approve management's recommendations on matters relating to major corporate actions (including fixed capital expenditures; acquisitions, investments, and divestitures; working capital programs; and issuances of equity and debt securities) and shall present such recommendations to the Board.

E. FUNDS COMMITTEE. The Funds Committee shall review the structure and allocation of assets in Dana's pension and other employee benefit funds and the performance of the fund managers, to assure that the funds are managed in compliance with applicable laws and regulations. In performing these advisory functions, the Funds Committee shall refrain from making specific investment recommendations. The Funds Committee shall review and approve management's recommendations on matters relating to the selection and retention of the investment managers.

SECTION 5.3. COMMITTEE MEETINGS AND PROCEDURES. Each Committee shall hold regular meetings at such dates, times and places as it may determine from time to time, and no notice thereof need be given other than such determination. Sections 4.3 through 4.5, which govern meetings, notices and waivers of notice, actions without meeting, and quorum and voting requirements for the Board and the directors, shall also apply to the Committees and their members. Each Committee shall keep written records of its proceedings and shall report such proceedings to the Board from time to time as the Board may require.

SECTION 5.4. RESIGNATIONS. A Committee member may resign at any time by giving written notice to the Chairman of the Board. Unless otherwise specified in the notice, the resignation shall take effect upon delivery and without Board action.

ARTICLE VI. OFFICERS

SECTION 6.1. OFFICES AND ELECTION. The Board shall elect the following officers annually at the first Board meeting following the annual shareholders meeting: the Chairman (who shall be a member of the Board), the Chief Executive Officer, the Chief Operating Officer, the President, the President-Dana international, the Chief Financial Officer, the Treasurer, the Secretary, and such Executive Vice Presidents, Vice Presidents, Assistant Treasurers and Assistant Secretaries as it deems appropriate. Any person may simultaneously hold more than one office. Each officer shall hold office until the election and qualification of his or her successor, or until his or her earlier resignation or removal. Election as an officer shall not, of itself, create any contractual rights in the officer or in Dana, including, without limitation, any rights in the officer for compensation beyond his or her term of office.

SECTION 6.2. REMOVALS AND RESIGNATIONS. Officers shall serve at the pleasure of the Board and may be removed from office by the Board at any time. An officer may resign at any time by giving written notice to the Chairman or the Secretary. Unless otherwise specified in the notice, the resignation shall take effect upon delivery and without Board action. An officer's resignation shall not affect any contractual rights and obligations of Dana or the officer, except as specified in any particular contract.

SECTION 6.3. DUTIES OF OFFICERS. The officers shall perform the following duties and any others which are assigned by the Board from time to time, are required by Virginia Law, or are commonly incident to their offices:

A. CHAIRMAN OF THE BOARD. The Chairman shall provide leadership to the Board in discharging its functions; shall preside at all meetings of the Board; shall act as a liaison between the Board and Dana's management; and, with the Chief Executive Officer, shall represent Dana to the shareholders, investors and other external groups. If the Chairman is absent or incapacitated, the Chairman of the Advisory Committee shall have his or her powers and duties.

B. CHIEF EXECUTIVE OFFICER. The Chief Executive Officer shall be Dana's principal executive officer, with responsibility for the general management of Dana's business affairs. The Chief Executive Officer shall develop and recommend to the Board long-term strategies for Dana, annual business plans and budgets to support those strategies, and plans for management development and succession that will provide Dana with an effective management team. He or she shall serve as Dana's chief spokesperson to internal and external groups. If the Chief Executive Officer is absent or incapacitated, the President shall have his or her powers and duties.

C. CHIEF OPERATING OFFICER. The Chief Operating Officer shall oversee the management of Dana's day-to-day business in a manner consistent with Dana's financial and operating goals and objectives, continuous improvement in Dana's products and services, and the achievement and maintenance of satisfactory competitive positions within Dana's industries.

PRESIDENT. The President shall have such duties as are assigned by the Chief Executive Officer. If the President is absent or incapacitated, the Chairman shall have his or her powers and duties.

E. PRESIDENT-DANA INTERNATIONAL. The President-Dana International shall have such duties as are assigned by the Chairman.

F. CHIEF FINANCIAL OFFICER. The Chief Financial Officer shall be responsible for the overall management of Dana's financial affairs.

G. EXECUTIVE VICE PRESIDENTS AND VICE PRESIDENTS. The Executive Vice Presidents and the Vice Presidents shall have such duties as are assigned by the Chairman.

H. TREASURER. The Treasurer shall have charge and custody of Dana's funds and securities and shall receive monies due and payable to Dana from all sources and deposit such monies in banks, trust companies, and depositories as authorized by the Board. If the Treasurer is absent or incapacitated and has not previously designated in writing another person or persons to have his or her powers and duties, any Assistant Treasurer shall have such powers and duties.

I. SECRETARY. The Secretary shall prepare and maintain minutes of all meetings of the Board and of Dana's shareholders; shall assure that notices required by these By-Laws, Dana's Articles, Virginia Law or the Exchange Act are duly given; shall be custodian of Dana's seal (if any) and affix it as required; shall authenticate Dana's records as required; shall keep or cause to be kept a register of the shareholders' names and addresses as furnished by them; and shall have general charge of Dana's stock transfer books. If the Secretary is absent or incapacitated and has not previously designated in writing another person or persons to have his or her powers and duties, any Assistant Secretary shall have such powers and duties.

J. ASSISTANT TREASURERS AND ASSISTANT SECRETARIES. The Assistant Treasurers and Assistant Secretaries shall have such duties as are assigned by the Treasurer and the Secretary, respectively.

SECTION 6.4. CONTRACTS AND INSTRUMENTS. Except as limited in Section 6.5 with respect to Dana's guarantees of the indebtedness of subsidiaries, affiliates and third parties, each of the Chairman, the Chief Executive Officer, the Chief Operating Officer, the President, the President-Dana International, the Chief Financial Officer, any Executive Vice President, any Vice President, and the Treasurer shall have the power to enter into, sign (manually or through facsimile), execute, and deliver contracts (including, without limitation, bonds, deeds and mortgages) and other instruments evidencing Dana's rights and obligations on behalf of and in the name of Dana. Except as otherwise provided by law, any of these officers may delegate the foregoing powers to any other officer, employee or attorney-in-fact of Dana by written special power of attorney.

SECTION 6.5. GUARANTEES OF INDEBTEDNESS.

SECTION 6.5.1. DEBT OF WHOLLY OWNED SUBSIDIARIES. Within any limitations set by the Board on total outstanding guarantees for Dana subsidiaries, each of the Chairman, the Chief Executive Officer, the Chief Operating Officer, the President, the Chief Financial Officer, and the

Treasurer shall have the power to approve guarantees by Dana of the indebtedness of direct and indirect wholly owned Dana subsidiaries.

SECTION 6.5.2. DEBT OF NON-WHOLLY OWNED SUBSIDIARIES, AFFILIATES, AND OTHER ENTITIES. Each of the Chairman, the Chief Executive Officer, the Chief Operating Officer, the President, the Chief Financial Officer, and the Treasurer shall have the power to approve guarantees by Dana of the indebtedness of non-wholly owned Dana subsidiaries, Dana affiliates and third party entities; provided, that the aggregate amount of such guarantees made by these officers collectively between Board meetings may not exceed \$10 million and that all such guarantees in the aggregate may not exceed any limitations set by the Board on total outstanding guarantees for Dana subsidiaries.

SECTION 6.6. STOCK CERTIFICATES. The Chairman, the President, and the Secretary shall each have the power to sign (manually or through facsimile) certificates for shares of Dana stock which the Board has authorized for issuance.

SECTION 6.7. SECURITIES OF OTHER ENTITIES. With respect to securities issued by another entity which are beneficially owned by Dana, each of the Chairman, the Chief Executive Officer, the Chief Operating Officer, the President, the President-Dana International, the Chief Financial Officer, any Executive Vice President, any Vice President, the Treasurer, and the Secretary shall have the power to attend any meeting of security holders of the entity and vote thereat; to execute in the name and on behalf of Dana such written proxies, consents, waivers or other instruments as they deem necessary or proper to exercise Dana's rights as a security holder of the entity; and otherwise to exercise all powers to which Dana is entitled as the beneficial owner of the securities. Except as otherwise provided by law, any of these officers may delegate any of the foregoing powers to any other officer, employee or attorney-in-fact of Dana by written special power of attorney.

ARTICLE VII. INDEMNIFICATION

SECTION 7.1. INDEMNIFICATION. Dana shall indemnify any of the following persons who was, is or may become a party to any "proceeding" (as such term is defined in Section 1 of Article SIXTH of Dana's Articles) to the same extent as if such person were specified as one to whom indemnification is granted in Section 3 of the foregoing Article SIXTH: (i) any Dana director, officer or employee who was, is, or may become a party to the proceeding by reason of the fact that he or she is or was serving at Dana's request as a director, officer, employee or agent of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise, and (ii) any Dana employee who was, is, or may become a party to the proceeding by reason of the fact that he or she is or was an employee of Dana. In all cases, the provisions of Sections 4 through 7 of the foregoing Article SIXTH shall apply to the indemnification granted hereunder.

ARTICLE VIII. DANA STOCK

SECTION 8.1. LOST CERTIFICATES. A shareholder claiming that any certificate for Dana stock has been lost or destroyed shall furnish the Secretary with an affidavit stating the facts relating to such loss or destruction. The shareholder shall be entitled to have a new certificate issued in the place of the certificate which is claimed to be lost or destroyed if (i) the affidavit is satisfactory to the Secretary, and (ii) if requested by the Secretary, the shareholder gives a bond (in form and amount satisfactory to the Secretary) to protect Dana and other persons from any liability or expense that might be incurred upon the issue of a new certificate by reason of the original certificate remaining outstanding.

SECTION 8.2. RIGHTS AGREEMENT. Any restrictions which are deemed to be imposed on the transfer of Dana securities by the Rights Agreement dated as of April 25, 1996, between Dana and Chemical Mellon Shareholder Services, L.L.C., or by any successor or replacement rights plan or agreement, are hereby authorized.

SECTION 8.3. CONTROL SHARE ACQUISITIONS. Article 14.1 of the Virginia Stock Corporation Act shall not apply to the acquisition of shares of Dana's common stock.

ARTICLE IX. AMENDMENT

SECTION 9.1. AMENDMENT. The Board, by resolution, or the shareholders may amend or repeal these By-Laws, subject to any limitations imposed by Dana's Articles and Virginia Law.

December 8, 1997

DANA CORPORATION EXCESS BENEFITS PLAN

ARTICLE I
DEFINITIONS

1.1. "Benefit Payment Period" means the one of the following that applies to the particular Employee or Recipient:

(a) For an Employee or Recipient who is receiving payments for the remainder of a term certain period, Benefit Payment Period means the remainder of such term certain period.

(b) For an Employee or Recipient who is receiving payments for his or her remaining lifetime, the Benefit Payment Period is the Life Expectancy of the Employee or Recipient.

(c) For an Employee or Recipient who is receiving payments for his or her remaining lifetime plus payments for the lifetime of a Contingent Annuitant, the Benefit Payment Period is the Life Expectancy of the Employee or Recipient plus an additional period to reflect the Life Expectancy of the Contingent Annuitant after the death of the Employee or Recipient.

1.2. "Board" means the Board of Directors of the Company.

1.3. "Change in Control" means the occurrence of the event set forth in any one of the following paragraphs:

- (a) any Person is or becomes the Beneficial Owner, directly or indirectly, of securities of the Company (not including in the securities Beneficially Owned by such Person any securities acquired directly from the Company or its Affiliates) representing 20% or more of the combined voting power of the Company's then outstanding securities, excluding any Person who becomes such a Beneficial Owner in connection with a transaction described in clause (1) of paragraph (c) below; or
- (b) the following individuals cease for any reason to constitute a majority of the number of directors then serving: individuals who, on December 8, 1997, constitute the Board of Directors of the Company ("Board") and any new director whose appointment or election by the Board or nomination for election by the Company's stockholders was approved or recommended by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors on December 8, 1997 or whose appointment, election or nomination for election was previously so

approved or recommended. For purposes of the preceding sentence, any director whose initial assumption of office is in connection with an actual or threatened election contest relating to the election of directors of the Company, shall not be counted; or

- (c) there is consummated a merger of the Company or any direct or indirect Subsidiary of the Company with any other corporation, or a statutory share exchange of the Company's voting securities, other than (1) a merger or statutory share exchange which would result in the voting securities of the Company outstanding immediately prior to such merger continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or any parent thereof) at least 50% of the combined voting power of the securities of the Company or such surviving entity or any parent thereof outstanding immediately after such merger or consolidation, or (2) a merger or statutory share exchange effected to implement a recapitalization of the Company (or similar transaction) in which no Person is or becomes the Beneficial Owner, directly or indirectly, of securities of the Company (not including in the securities Beneficially Owned by such Person any securities acquired directly from the Company or its Affiliates) representing 20% or more of the combined voting power of the Company's then outstanding securities; or
- (d) the stockholders of the Company approve a plan of complete liquidation or dissolution of the Company or there is consummated an agreement for the sale or disposition by the Company of all or substantially all of the Company's assets, other than a sale or disposition by the Company of all or substantially all of the Company's assets to an entity, at least 50% of the combined voting power of the voting securities of which are owned by stockholders of the Company in substantially the same proportions as their ownership of the Company immediately prior to such sale.

For purposes of this "Change in Control" definition, the following terms shall have the following meanings:

"Affiliate" shall mean a corporation or other entity which is not a Subsidiary and which directly, or indirectly, through one or more intermediaries, controls, or is controlled by, or is under common control with, the Company. For the purpose of this definition, the terms "control", "controls" and "controlled" mean the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a corporation or other entity, whether through the ownership of voting securities, by contract, or otherwise.

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

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

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

"Subsidiary" shall mean a corporation or other entity, of which 50% or more of the voting securities or other equity interests is owned directly, or indirectly through one or more intermediaries, by the Company.

1.4. "Code" means the Internal Revenue Code of 1986, as amended, or as it may be amended from time to time.

1.5. "Company" means Dana Corporation, a corporation organized under the laws of the Commonwealth of Virginia.

1.6. "Contingent Annuitant" means the person designated to receive retirement benefits under this Plan following the death of the Employee or a Recipient.

1.7. "Deferred Awards" means deferred awards, earned under the Dana Corporation Additional Compensation Plan on account of long- or short-term award periods

(a) ending on or after January 1, 1988, except as provided in paragraph (b), below, and

(b) ending either before January 1, 1988, or on or after January 1, 1988, solely for purposes of determining the amount of the Employee's benefit under Section 5 of Part I of Appendix E of the Retirement Plan.

1.8. "Effective Date" means September 1, 1988.

1.9. "Employee" means an individual who is a participant (including a retired participant) in a funded, defined benefit pension plan maintained by the Company, or any successor plan that may be adopted or substituted for such plan if, and only if,

(a) the individual's benefits under such defined benefit plan are limited by reason of the provisions of such plan that are designed to comply with the limitations imposed by Section 401(a)(17) or Section 415 of the Code; and/or

(b) the individual is actively employed by the Company on or after September 1, 1988, and the individual's benefits under such defined benefit plan are limited by reason of the fact that Deferred Awards are not recognized as earnings for purposes of determining the individual's benefits under such defined benefit plan.

1.10. "Life Expectancy" means the expected remaining lifetime based on the Mortality Table and the age at the nearest birthday of the Employee or Recipient at the date the Lump Sum Payment is made. If a joint and contingent survivor annuity has been elected, then Life Expectancy shall reflect the joint Life Expectancies of the Employee or Recipient and Contingent Annuitant.

1.11. "Lump Sum Payment" shall be determined as set forth in paragraph (c) of Section 4.7 of the Plan.

1.12. "Mortality Table" shall mean the Unisex Pension 1984 Mortality Table set forward one year in age (or such other pensioner annuity mortality table as the Company with the written consent of the Employee or Recipient shall determine) and the associated Uniform Seniority Table for the determination of joint life expectancies.

1.13. "Net Specified Rate" shall mean the interest rate which will produce income on a tax free basis that equals the income produced by the Specified Rate net of the combined highest rates of Federal, state and local income taxes that are in effect in the jurisdiction of the Employee or Recipient on the date of payment of the Lump Sum Payment.

1.14. "Pension Plan" means the funded, defined benefit pension plan in which an Employee was participating at the time of his termination of employment (or retirement) from the Company.

1.15. "Plan" means the "Dana Corporation Excess Benefits Plan", as set forth herein.

1.16. "Plan Administrator" means the Plan Administrator appointed under the Pension Plan.

1.17. "Retirement Plan" means the Dana Corporation Retirement Plan, as amended from time to time.

1.18. "Specified Rate" shall mean an interest rate equal to 85% of a composite insurance company annuity rate provided by an actuary designated by the Plan Administrator (and provided by such actuary as of the last month of the calendar year next preceding the calendar year in which the distribution is made), subject to the condition that the interest rate in effect for any such year may not differ from the rate in effect for the prior year by more than one-half of one percent, and also subject to the condition that any such rate shall be rounded to the nearest one-tenth of one percent (and if such rate is equidistant between the next highest and next lowest one-tenth of one percent, rounded to the next lowest one-tenth of one percent).

ARTICLE II PURPOSE OF THE PLAN

2.1. Purpose. This Plan as adopted effective September 1, 1988, is hereby amended effective February 13, 1995 and is intended to continue the excess benefits plan of the Company that had previously been set forth in a Resolution of the Board dated June 9, 1975, as amended and supplemented by Resolutions dated April 14, 1980, February 14, 1983, December 10, 1984, February 16, 1988, and January 29, 1993.

ARTICLE III ELIGIBILITY

3.1. Eligibility. All Employees and beneficiaries of Employees eligible to receive retirement benefits from a funded, defined benefit pension plan sponsored by the Company shall be eligible to receive benefits under this Plan in accordance with Article IV, regardless of when the Employee may have terminated employment or retired (except as otherwise specified by Article IV).

ARTICLE IV BENEFITS

4.1. Basic Benefit.

(a) An Employee who, on or after September 1, 1988, terminates active employment or retires from active employment with the Company shall be entitled to receive a lump sum payment equal to the excess (if any) of:

(i) the total of the lump sum benefits that the Employee would have received from all Company-sponsored, funded, defined benefit pension plans in which he was a participant, determined without regard to the limitations on such benefits imposed by such plans in order to comply with the

limitations imposed by Section 401(a)(17) and Section 415 of the Code and, in the case of an Employee who is actively employed by the Company on or after September 1, 1988, and solely for purposes of the benefits payable from the Retirement Plan (but not for purposes of any benefits payable pursuant to the second paragraph of Section 14 of Part I of Appendix E of the Retirement Plan), determined without regard to the provisions of the Retirement Plan that exclude Deferred Awards under the Dana Corporation Additional Compensation Plan from the definition of earnings under the Retirement Plan, and determined, except as provided in Section 4.1(e) hereof, on the basis of the Mortality Table and 120 percent of the interest rate that would be used (as of January 1 of the calendar year in which the first benefit payment is to be made) by the Pension Benefit Guaranty Corporation with respect to an immediate annuity for purposes of determining the present value of a lump sum distribution on plan termination, over

(ii) the total of the lump sum benefits that he is entitled to receive from such Company-sponsored, funded, defined benefit pension plans, determined on the basis of the assumption that the Employee's benefits under such plans are paid in the form of a lump sum benefit, payable as of the Employee's date of retirement under the Pension Plan and determined, except as provided in Section 4.1(e) hereof, on the basis of the Mortality Table and 120 percent of the interest rate that would be used (as of January 1 of the calendar year in which the first benefit payment is to be made) by the Pension Benefit Guaranty Corporation with respect to an immediate annuity for purposes of determining the present value of a lump sum distribution on plan termination.

(b) Subject to the provisions of Section 4.2 hereof, the benefit payable pursuant to paragraph (a) of this Section 4.1, shall be paid in the form of a lump sum payment, payable as of the Employee's date of retirement under the Pension Plan.

(c) If an Employee eligible for a benefit under the Plan dies before the date as of which such benefit is scheduled to be paid hereunder, a lump sum benefit shall be paid to the Employee's surviving spouse (if any), as of the month (if any) in which the spouse's benefits commence under the Pension Plan. The amount of such benefit shall be a lump sum payment equal to the excess (if any) of:

(i) the total of the lump sum benefits that the spouse would have received from all Company-sponsored, funded, defined benefit pension plans in which the Employee was a participant but for the limitations on benefits imposed by such plans in order to comply with the limitations imposed by Section 401(a)(17) and Section 415 of the Code and, in the case of an Employee who is actively employed by the Company on or after September 1, 1988, and solely for purposes of the benefits payable from the Retirement Plan (but not for purposes of any benefits payable pursuant to the second paragraph of Section 14 of Part I of Appendix E of the Retirement Plan), determined without regard to the provisions of the Retirement Plan that exclude Deferred Awards under the Dana Corporation Additional Compensation Plan from the definition of earnings under the Retirement Plan, and

determined on the basis of the Mortality Table and 120 percent of the interest rate that would be used (as of January 1 of the calendar year in which the first benefit payment is to be made) by the Pension Benefit Guaranty Corporation with respect to an immediate annuity for purposes of determining the present value of a lump sum distribution on plan termination, over

(ii) the total of the lump sum benefits that the spouse is entitled to receive from such Company-sponsored, funded, defined benefit pension plans, determined on the basis of the assumption that the spouse's benefits under such plans are paid in the form of a lump sum benefit and determined on the basis of the Mortality Table and 120 percent of the interest rate that would be used (as of January 1 of the calendar year in which the first benefit payment is to be made) by the Pension Benefit Guaranty Corporation with respect to an immediate annuity for purposes of determining the present value of a lump sum distribution on plan termination.

(d) No benefits shall be paid hereunder with respect to an active Employee who is not married on the date of his death.

(e) Notwithstanding the foregoing provisions of this Section 4.1, if an active Employee retires and receives a benefit under any of the following plan provisions:

(i) Section 3.04D of the Dana Corporation Retirement Income Plan, as amended by the Second Amendment to that Plan;

(ii) Section 3.6D of the Dana Corporation Spicer Axle Salaried Pension Plan, as amended by the First Amendment to that Plan;

(iii) Section 5.1c.v. of the Retirement Plan for Management Employees of Racine Hydraulics Division-Dana Corporation, as amended by the First Amendment to that Plan;

(iv) Section 4.6.5 of the Dana Corporation Weatherhead Division Pension Plan for Salaried Employees, as amended by the First Amendment to that Plan;

(v) Section 4.7.1 of the Dana Corporation Gresen Manufacturing Division Management Pension Plan, as amended by the First Amendment to that Plan; or

(vi) Option E of Section 6.4 of the Tyrone Salaried Pension Plan, as amended by the First Amendment to that Plan,

then the benefits described in Section 4.1(a)(i) and (ii), in respect of the above-described plan benefits, shall be determined on the basis of the mortality rates, interest assumptions and other factors that would be applicable to the form of payment selected by the Employee under such other plan.

(f) Notwithstanding the foregoing provisions of this Section 4.1, benefits under this Plan shall only be based on that portion of an Employee's 1994 and subsequent years' Additional Compensation Plan bonus awards (whether or not deferred) as do not exceed 125% of the base salary paid to the Employee by the Company for the applicable year.

4.2. Form of Benefit Payments. An Employee eligible for a benefit under this Plan shall be entitled to receive his benefit in the form of an immediate lump sum payment. However, upon the written request of the Employee, the Treasurer of the Company may, in his sole discretion, permit such benefit to be paid instead pursuant to an optional form of payment that is used for the payment of the Employee's retirement benefit under the Pension Plan. Any such written request must be filed by the Employee with the Treasurer of the Company on or before the Employee's date of retirement under the Pension Plan. If the Employee is the Treasurer of the Company, the duties of the Treasurer of the Company under this Section 4.2 shall be discharged by the President of the Company. The amount of the benefit payable pursuant to any form of payment under this Plan shall be determined by applying the mortality rates, interest assumptions and other factors prescribed by the Retirement Plan that would be applicable to the form of payment applicable to the Employee under this Plan. Any post-retirement increase in the benefits being paid to an Employee under the Pension Plan shall also be applied on a comparable basis to any monthly supplemental benefits being paid under this Plan.

4.3. Time and Duration of Benefit Payments. Benefits due under the Plan shall be paid in a lump sum, except as otherwise determined by the Treasurer or the President of the Company pursuant to Section 4.2 hereof.

4.4. Benefits Unfunded. The benefits payable under the Plan shall be paid by the Company each year out of its general assets and shall not be funded in any manner. The obligations that the Company incurs under this Plan shall be subject to the claims of the Company's other creditors having priority as to the Company's assets.

4.5. Nonalienability. Except as to withholding of any tax under the laws of the United States or any state or locality, no supplemental benefit payable at any time hereunder shall be subject in any manner to alienation, sale, transfer, assignment, pledge, attachment or other legal process, or encumbrance of any kind. Any attempt to alienate, sell, transfer, assign, pledge or otherwise encumber any such supplemental benefit, whether currently or thereafter payable, shall be void.

4.6. Successors to the Corporation. This Plan shall be binding upon and inure to the benefit of any successor or assign of the Company, including, without limitation, any corporation or corporations acquiring directly or indirectly all or substantially all of the assets of the Company whether by merger, consolidation, sale or otherwise (and such successor or assign shall thereafter be deemed embraced within the term "Company" for the purposes of this Plan).

4.7. Change in Control. Anything hereinabove in this Article IV or elsewhere in this Plan to the contrary notwithstanding:

(a) Lump sum payment. Upon the occurrence of a Change in Control, each Employee and each Employee's spouse or beneficiary following his death who are

receiving benefits under the Plan ("Recipient") shall receive, on account of future payments of any and all benefits due under the Plan, a Lump Sum Payment, so that each such Employee or Recipient will receive substantially the same amount of after-tax income as before the Change in Control, determined as set forth in paragraph (c) of this Section 4.7.

(b) Certain matters following a lump sum payment. An Employee who has received a Lump Sum Payment pursuant to paragraph (a) of this Section 4.7 shall, thereafter (i) while in the employ of the Company, continue to accrue benefits under the Plan, and (ii) be eligible to be paid further benefits under the Plan, after appropriate reduction in respect of the Lump Sum Payment previously received. For purposes of calculating such reduction, the Lump Sum Payment shall be accumulated with interest at the Specified Rate in effect from time to time for the period of time from initial payment date to the next date on which a computation is to be made (i.e., upon Change in Control, retirement, or other termination of employment). It shall then be converted to a straight-life annuity using the current annuity certain factor. The current annuity certain factor will be determined on the Net Specified Rate basis if this benefit payment is being made due to a subsequent Change in Control; otherwise, the Specified Rate shall be used.

(c) Determination of lump sum payment. The Lump Sum Payment referred to in paragraph (a) of this Section 4.7 shall be determined by multiplying the annuity certain factor (for monthly payments at the beginning of each month) based on the Benefit Payment Period and the Net Specified Rate by the monthly benefit (adjusted for assumed future benefit adjustments due to Social Security and Code Section 415 changes in the Pension Plan) to be paid to the Employee or Recipient under the Plan.

4.8. Taxation. Notwithstanding anything in the Plan to the contrary, if the Internal Revenue Service determines that the Employee is subject to Federal income taxation on an amount in respect of any benefit provided by the Plan before the distribution of such amount to him, the Company shall forthwith pay to the Employee all (or the balance) of such amount as is includible in the Employee's Federal gross income and shall correspondingly reduce future payments, if any, of the benefit.

ARTICLE V
AMENDMENT, TERMINATION AND INTERPRETATION

5.1. Amendment and Termination. The Company reserves the right, by action of the Board, to amend, modify or terminate, either retroactively or prospectively, any or all of the provisions of this Plan without the consent of any Employee or beneficiary; provided, however, that no such action on its part shall adversely affect the rights of an Employee and his beneficiaries without the consent of such Employee (or his beneficiaries, if the Employee is deceased) with respect to any benefits accrued prior to the date of such amendment, modification, or termination of the Plan if the Employee has at that time a non-forfeitable right to benefits under a funded, defined benefit pension plan sponsored by the Company.

5.2. Interpretation. The Plan Administrator shall have the power to interpret the Plan and to decide any and all matters arising hereunder; including but not limited to the right to remedy possible ambiguities, inconsistencies or omissions by general rule or particular decision; provided, that all such interpretations and decisions shall be applied in a uniform and nondiscriminatory manner to all Employees similarly situated. In addition, any interpretations and decisions made by the Plan Administrator shall be final, conclusive and binding upon the persons who have or who claim to have any interest in or under the Plan.

December 8, 1997

DANA CORPORATION
DIRECTORS RETIREMENT PLAN

The objective of this Dana Corporation Directors Retirement Plan (hereinafter called "Plan") is to recognize the value of a Director's past service to the Dana Corporation (hereinafter called "Company"), to compensate for the availability of the Director's knowledge and experience as a resource to the Company, and to assist the Company in attracting and retaining new Directors.

To that end, the outside Directors of the Company shall be entitled to receive retirement benefits in the amounts and on the terms and conditions set forth in the following:

1. Except as otherwise provided in Paragraphs 3, 7, and 10 hereof, each outside Director who retires between February 18, 1985 and December 31, 1996 shall, upon his retirement from the Board after attaining age 65, be entitled to receive a monthly retirement payment in the amount hereinafter provided for, payable on the first day of each month commencing with the month following his retirement from the Board and continuing through the month in which his death shall occur, provided that in no event shall the aggregate number of payments exceed the number of months he served as a Director of the Company. For purposes of this Plan, an "outside Director" shall be defined as a Director of the Company who is not an employee of the Company and who is not entitled, either before or after retirement from the Board, to receive employee pension benefits from the Company or from any of its subsidiaries. Notwithstanding anything else in this Plan to the contrary, no benefits shall be payable to or accrued on behalf of a Director under this Plan unless the Director was eligible to receive benefits under this Plan and retired as a Director of the Company between February 18, 1985 and December 31, 1996.

2. The monthly retirement payment shall be in an amount equal to 1/12 of the product of 50% times the annual average of the fees and retainers (exclusive of any fees solely attributable to professional or other consulting services furnished to the Company independently of his service as a Director) payable to the Director by the Company (whether on a current or deferred payment basis) for his services as a member or chairman of the Board or any committee of the Board, including fees for attendance at any meeting of the Board or any committee thereof, during his last three full calendar years of service as a Director. All Plan benefits will be paid in cash.

3. Subject to the provisions of Paragraph 7 below, in order to be entitled to any retirement benefits under the Plan, a Director must not voluntarily terminate (whether by resignation or refusal to stand for re-election) his service as a Director of the Company for any reason (other than illness or other incapacity that ends his active business career), or be involuntarily terminated by reason of any failure of the stockholders to elect or re-elect the Director to the Board, or otherwise, prior to the Annual Shareholders Meeting immediately following his 65th birthday. If a Director voluntarily terminates, or has his service involuntarily terminated, as provided above, he shall not have any right to receive retirement benefits from the Company under this Plan unless the provisions of Paragraph 7 apply. An eligible Director who voluntarily terminates his service as a Director of the Company prior to such Annual

Shareholders Meeting due to illness or other medical incapacity which ends his active business career will be entitled to receive monthly retirement payments in the amount provided by Paragraph 2 above, for the number of months provided in Paragraph 1 above and commencing, however, on the first day of the month in which such Director so terminates his service.

- (a) Pre-Retirement Survivors Benefit. If a Director dies prior to his retirement from the Board, his surviving spouse (if any) shall be entitled to receive a monthly survivors benefit equal to the monthly benefit which would have been payable to the Director had he retired on the day prior to his death. Such monthly survivors benefit shall be paid to the surviving spouse until the month in which her death shall occur, provided that in no event shall the aggregate number of such monthly survivor benefit payments exceed the number of months that the Director served on the Board of the Company. Solely for the purposes of this paragraph, a deceased Director will be deemed to have been eligible to receive a retirement benefit from the Plan even though he may not have obtained age 65 at the time of his death.
- (b) Post-Retirement Survivors Benefit. In lieu of a Director's receiving monthly retirement benefit payments in the form and amount provided in Paragraphs 1 and 2, a Director may elect to receive a reduced benefit for his life, with a provision for a survivor's benefit payable to his spouse following the Director's death. In the event the Director elects to receive his monthly retirement benefit in the form of a post-retirement survivor annuity, he shall be entitled to receive the monthly benefits provided in Paragraph 1 for his life, and following his death, his spouse shall be entitled to receive any monthly retirement payments that remained payable to the Director at the time of his death. Such monthly survivors benefit shall be paid to the spouse until the month in which her death shall occur, provided that in no event shall the aggregate number of monthly benefit payments made to the Director and his spouse exceed the number of months that the Director served on the Board of the Company. The amount of benefits payable to the Director and his spouse pursuant to the election of a post-retirement survivor form of payment shall be determined by applying the mortality rates, interest assumptions and other factors prescribed by the Dana Corporation Retirement Plan that would be applicable to the Director had he elected a post-retirement joint and survivor form of payment under such Retirement Plan.

4. Neither the establishment of, nor the participation or eligibility for participation of any Director in this Plan, shall be construed to confer any right of tenure on the part of any Director or any right of nomination, renomination, election or re-election to the Board of Directors of the Company. The Company shall not incur any liability for any loss of benefits that might result under this Plan from any failure of the stockholders to elect or re-elect any Director to the Board of Directors or any failure of the Board of Directors to nominate any Director for re-election. Benefits payable under the Plan will not be funded by the Company, or be transferable or assignable by a Director, nor shall they be subject to encumbrance, pledge, hypothecation or set-off.

5. So long as he is receiving any retirement payments from the Company, each retired Director agrees that the Company may, in its annual report and other appropriate documents enumerating the Directors of the Company, include the retired Director with appropriate indication of his retired or emeritus status.

6. It is intended that this Plan will operate in addition to, and not as a replacement for, the Dana Corporation Directors Deferred Fee Plan, and Directors will still be permitted to defer all or a portion of their fees under the Directors Deferred Fee Plan without in any way reducing the benefits to which they are entitled under this Plan. The establishment and operation of this Plan shall not affect in any way the Directors Deferred Fee Plan, which shall continue in effect in accordance with its terms as if this Plan had never been established.

7. This Plan shall be binding upon and inure to the benefit of the Company and any successor or assign of the Company, including, without limitation, any corporation or corporations acquiring directly or indirectly all or substantially all of the assets of the Company whether by merger, consolidation, sale or otherwise (and such successor or assign shall thereafter be deemed embraced within the term "Company" for the purposes of this Plan); provided that no assignment by the Company of any of its obligations under this Plan shall without the written consent of affected participants release the Company from its obligations hereunder.

(a) Lump Sum Payment. Upon the occurrence of a "change in control of the Company", as hereinafter defined, then each Director, each retired Director, and each spouse of a deceased Director (collectively referred to as "Recipient") shall receive on account of future payments of any and all benefits accrued under the Plan, a Lump Sum Payment, so that each such Recipient will receive substantially the same amount of after-tax income as before the change in control, determined as set forth in subparagraph (c) below of this Paragraph 7. Solely for the purpose of calculating the benefit accrual of active outside Directors under the next preceding sentence, it is to be assumed that the Directors were entitled to, and did, retire under this Plan at the date of the change in control of the Company, with a deferred vested benefit commencing at age 65 for those Directors under age 65 and an immediate retirement annuity for older Directors. Such Lump Sum Payment shall be made irrespective of whether or not the Recipient shall, upon or after such change in control, voluntarily or involuntarily terminate his service as a Director of the Company. The Lump Sum Payment payable to such Recipient in such event shall be based on the annual average of the fees and retainers payable to the Director for his services during his last three full calendar years of service as a Director of the Company prior to the Lump Sum Payment pursuant to this Paragraph. The amount of each Lump Sum Payment shall be governed in all other respects by the provisions of this Plan as in effect on the date of such change in control. No provision of this Paragraph 7 is intended to reduce or duplicate any monthly retirement payment or payments to which any Recipient may be entitled under any provision of this Plan other than this Paragraph 7.

For the purposes of this Paragraph 7, a "change in control of the Company" means the occurrence of the event set forth in any one of the following paragraphs:

- (e) any Person is or becomes the Beneficial Owner, directly or indirectly, of securities of the Company (not including in the securities Beneficially Owned by such Person any securities acquired directly from the Company or its Affiliates) representing 20% or more of the combined voting power of the Company's then outstanding securities, excluding any Person who becomes such a Beneficial Owner in connection with a transaction described in clause (1) of paragraph (iii) below; or
- (f) the following individuals cease for any reason to constitute a majority of the number of directors then serving: individuals who, on December 8,

1997, constitute the Board of Directors of the Company ("Board") and any new director whose appointment or election by the Board or nomination for election by the Company's stockholders was approved or recommended by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors on December 8, 1997 or whose appointment, election or nomination for election was previously so approved or recommended. For purposes of the preceding sentence, any director whose initial assumption of office is in connection with an actual or threatened election contest relating to the election of directors of the Company, shall not be counted; or

- (g) there is consummated a merger of the Company or any direct or indirect Subsidiary of the Company with any other corporation, or a statutory share exchange of the Company's voting securities, other than (1) a merger or statutory share exchange which would result in the voting securities of the Company outstanding immediately prior to such merger continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or any parent thereof) at least 50% of the combined voting power of the securities of the Company or such surviving entity or any parent thereof outstanding immediately after such merger or consolidation, or (2) a merger or statutory share exchange effected to implement a recapitalization of the Company (or similar transaction) in which no Person is or becomes the Beneficial Owner, directly or indirectly, of securities of the Company (not including in the securities Beneficially Owned by such Person any securities acquired directly from the Company or its Affiliates) representing 20% or more of the combined voting power of the Company's then outstanding securities; or
- (h) the stockholders of the Company approve a plan of complete liquidation or dissolution of the Company or there is consummated an agreement for the sale or disposition by the Company of all or substantially all of the Company's assets, other than a sale or disposition by the Company of all or substantially all of the Company's assets to an entity, at least 50% of the combined voting power of the voting securities of which are owned by stockholders of the Company in substantially the same proportions as their ownership of the Company immediately prior to such sale.

For purposes of this "Change in Control" definition, the following terms shall have the following meanings:

"Affiliate" shall mean a corporation or other entity which is not a Subsidiary and which directly, or indirectly, through one or more intermediaries, controls, or is controlled by, or is under common control with, the Company. For the purpose of this definition, the terms "control", "controls" and "controlled" mean the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a corporation or other entity, whether through the ownership of voting securities, by contract, or otherwise.

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

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

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

"Subsidiary" shall mean a corporation or other entity, of which 50% or more of the voting securities or other equity interests is owned directly, or indirectly through one or more intermediaries, by the Company.

(b) Certain Matters Following a Lump Sum Payment. A Director who has received a Lump Sum Payment pursuant to subparagraph (a) of this Paragraph 7 shall, thereafter (i) while serving as a Director of the Company, continue to accrue benefits under the Plan, and (ii) be eligible to be paid further benefits under the Plan, after appropriate reduction in respect of the Lump Sum Payment previously received. For purposes of calculating such reduction, the Lump Sum Payment shall be accumulated with interest at the Specified Rate in effect from time to time for the period of time from initial payment date to the next date on which a computation is to be made (i.e., upon a change of control of the Company, retirement or other termination of employment). It shall then be converted to a straight-life annuity using the current annuity certain factor. The current annuity certain factor will be determined on the Net Specified Rate basis if this benefit payment is being made due to a subsequent change in control of the Company; otherwise, the Specified Rate shall be used.

(c) Determination of Lump Sum Payment. The Lump Sum Payment referred to in subparagraph (a) of this Paragraph 7 shall be determined by multiplying the annuity certain factor (for monthly payments at the beginning of each month) based on the Life Expectancy of the Director (but not longer than the number of months he served as a Director of the Company) and the Net Specified Rate by the monthly benefit to be paid to the Director under the Plan.

(d) Definitions. The following terms shall have the meaning hereinafter set forth:

- (i) "Life Expectancy" shall mean the expected remaining lifetime (to the nearest integer) based on the Mortality Table and the age nearest birthday of the Director at the date the Lump Sum Payment is made.
- (ii) "Lump Sum Payment" shall be determined as set forth in subparagraph (c) above of this Paragraph 7.
- (iii) "Mortality Table" shall mean the UP-1984 Table (or such other pensioner annuity mortality table as the Company with the written consent of the Director shall determine).

- (iv) "Net Specified Rate" shall mean the interest rate which will produce income on a tax free basis that equals the income produced by the Specified Rate net of the combined highest rates of Federal, state and local income taxes that are in effect in the jurisdiction of the Director on the date of payment of the Lump Sum Payment.
- (v) "Specified Rate" shall mean the interest rate for immediate annuities of the Pension Benefit Guaranty Corporation (PBGC) in effect on the date of payment of the Lump Sum Payment as set forth in Appendix B to Part 2619 of 29 Code of Federal Regulations or such successor to such Appendix B as may be in effect on such date.

8. This Plan shall be administered by the Advisory Committee of the Board of Directors. The Advisory Committee of the Board of Directors shall have the power to interpret the Plan and to decide any and all matters arising hereunder; including but not limited to the right to remedy possible ambiguities, inconsistencies or omissions by general rule or particular decision; provided, that all such interpretations and decisions shall be applied in a uniform and nondiscriminatory manner to all participants similarly situated. In addition, any interpretations and decisions made by the Advisory Committee of the Board of Directors shall be final, conclusive and binding upon all persons who have or who claim to have any interest in or under the Plan.

9. The obligation of the Company to make or continue payments under this Plan shall be subject to the condition that the Director or former Director shall not engage, either directly or indirectly, in any activity which is competitive with any activity of the Company, it being understood that in the event of a breach by the Director or former Director of the foregoing condition, the Company shall not be obligated to make any payment or payments hereunder coming due subsequent to the occurrence of such breach. The Advisory Committee of the Board of Directors, upon prior written request of a Director or former Director, may waive the condition specified above with respect to non-competition if, based upon all of the relevant circumstances, in the sole judgment of the Committee, the granting of such waiver is justified.

10. The Company shall have the right, through its Board of Directors, at any time to amend or terminate this Plan, provided that any amendment or termination of the Plan shall be prospective in operation only and shall not adversely affect any rights of any Director to receive retirement payments on account of his service as a Director prior to such time unless he shall expressly consent thereto.

Pursuant to Resolutions of the Board of Directors adopted on February 10, 1997, the Board has terminated the Plan effective December 31, 1996 with respect to any current or future outside Director who was not receiving retirement benefit distributions from the Plan on December 31, 1996. Retired Directors (or their beneficiaries) who are currently receiving distributions from the Plan will continue to be eligible to receive distributions in accordance with the terms of the Plan as in effect on December 30, 1996. The Plan will terminate on December 31, 1996 with respect to Directors who, as of that date, were not currently receiving benefit distributions under the Plan, and such Directors will have no right to receive a benefit from the Plan following their retirement from the Board or other termination of service from the Company.

11. This Dana Corporation Directors Retirement Plan became effective on February 18, 1985, and shall cover retirements from the Board between that date and December 31, 1996.

April 20, 1998

DANA CORPORATION SUPPLEMENTAL BENEFITS PLAN

ARTICLE I
DEFINITIONS

- 1.1. "Benefit Payment Period" means the one of the following that applies to the particular Employee or Recipient:
- (a) For an Employee or Recipient who is receiving payments for the remainder of a term certain period, Benefit Payment Period means the remainder of such term certain period.
 - (b) For an Employee or Recipient who is receiving payments for his or her remaining lifetime, the Benefit Payment Period is the Life Expectancy of the Employee or Recipient.
 - (c) For an Employee or Recipient who is receiving payments for his or her remaining lifetime plus payments for the lifetime of a Contingent Annuitant, the Benefit Payment Period is the Life Expectancy of the Employee or Recipient plus an additional period to reflect the Life Expectancy of the Contingent Annuitant after the death of the Employee or Recipient.
- 1.2. "Board" means the Board of Directors of the Company.
- 1.3. "Change in Control" means the occurrence of the event set forth in any one of the following paragraphs:
- (a) any Person is or becomes the Beneficial Owner, directly or indirectly, of securities of the Company (not including in the securities Beneficially Owned by such Person any securities acquired directly from the Company or its Affiliates) representing 20% or more of the combined voting power of the Company's then outstanding securities, excluding any Person who becomes such a Beneficial Owner in connection with a transaction described in clause (1) of paragraph (c) below; or
 - (b) the following individuals cease for any reason to constitute a majority of the number of directors then serving: individuals who, on December 8, 1997, constitute the Board of Directors of the Company ("Board") and any new director whose appointment or election by the Board or nomination for election by the Company's stockholders was approved or recommended by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors on December 8, 1997 or whose appointment, election or nomination for election was previously so approved or recommended. For purposes of the preceding sentence, any director whose initial assumption of office is in connection with an actual or threatened election contest relating to the election of directors of the Company, shall not be counted; or

- (c) there is consummated a merger of the Company or any direct or indirect Subsidiary of the Company with any other corporation, or a statutory share exchange of the Company's voting securities, other than (1) a merger or statutory share exchange which would result in the voting securities of the Company outstanding immediately prior to such merger continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or any parent thereof) at least 50% of the combined voting power of the securities of the Company or such surviving entity or any parent thereof outstanding immediately after such merger or consolidation, or (2) a merger or statutory share exchange effected to implement a recapitalization of the Company (or similar transaction) in which no Person is or becomes the Beneficial Owner, directly or indirectly, of securities of the Company (not including in the securities Beneficially Owned by such Person any securities acquired directly from the Company or its Affiliates) representing 20% or more of the combined voting power of the Company's then outstanding securities; or
- (d) the stockholders of the Company approve a plan of complete liquidation or dissolution of the Company or there is consummated an agreement for the sale or disposition by the Company of all or substantially all of the Company's assets, other than a sale or disposition by the Company of all or substantially all of the Company's assets to an entity, at least 50% of the combined voting power of the voting securities of which are owned by stockholders of the Company in substantially the same proportions as their ownership of the Company immediately prior to such sale.

For purposes of this "Change in Control" definition, the following terms shall have the following meanings:

"Affiliate" shall mean a corporation or other entity which is not a Subsidiary and which directly, or indirectly, through one or more intermediaries, controls, or is controlled by, or is under common control with, the Company. For the purpose of this definition, the terms "control", "controls" and "controlled" mean the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a corporation or other entity, whether through the ownership of voting securities, by contract, or otherwise.

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

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

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

"Subsidiary" shall mean a corporation or other entity, of which 50% or more of the voting securities or other equity interests is owned directly, or indirectly through one or more intermediaries, by the Company.

1.4. "Code" means the Internal Revenue Code of 1986, as amended, or as it may be amended from time to time.

1.5. "Company" means Dana Corporation, a corporation organized under the laws of the Commonwealth of Virginia.

1.6. "Contingent Annuitant" means the person designated to receive retirement benefits under this Plan following the death of the Employee or a Recipient.

1.7. "Credited Service" means "Credited Service" as that term is defined in the Retirement Income Plan.

1.8. "Effective Date" means September 1, 1988.

1.9. "Employee" means an individual who is a participant (including a retired participant) in a funded, defined benefit pension plan maintained by the Company, or any successor plan that may be adopted or substituted for such plan if, and only if, (a) the individual is actually employed by the Company on September 1, 1988, and (b) the individual is a U.S.-based member of the long-term awards group as of September 1, 1988, under the Dana Corporation Additional Compensation Plan.

1.10. "Excess Plan" means the Dana Corporation Excess Benefits Plan, as amended from time to time.

1.11. "Highest Average Monthly Earnings" means the sum of

- (a) the Employee's basic salary (before any reduction as a result of an election to have his pay reduced in accordance with a "cafeteria plan" or a "cash or deferred arrangement" pursuant to Section 125 or Section 401(k) of the Code), and
- (b) bonuses and incentive payments paid (or that would have been paid, but for a deferral arrangement) to the Employee (provided, however, that with respect to 1994 and subsequent years' bonus awards under the Company's Additional Compensation Plan, only that portion of the Employee's bonus award as does not exceed 125% of his base salary will be considered)

during any 3 calendar years out of the last 10 calendar years of active employment with the Company prior to retirement in which such sum was the highest, divided by 36.

1.12. "Life Expectancy" means the expected remaining lifetime based on the Mortality Table and the age at the nearest birthday of the Employee or Recipient at the date the Lump Sum Payment is made. If a joint and contingent survivor annuity has been elected, then Life Expectancy shall reflect the joint Life Expectancies of the Employee or Recipient and Contingent Annuitant.

1.13. "Lump Sum Payment" shall be determined as set forth in paragraph (c) of Section 4.7 of the Plan.

1.14. "Mortality Table" shall mean the Unisex Pension 1984 Mortality Table set forward one year in age (or such other pensioner annuity mortality table as the Company with the written consent of the Employee or Recipient shall determine) and the associated Uniform Seniority Table for the determination of joint life expectancies.

1.15. "Net Specified Rate" shall mean the interest rate which will produce income on a tax free basis that equals the income produced by the Specified Rate net of the combined highest rates of Federal, state and local income taxes that are in effect in the jurisdiction of the Employee or Recipient on the date of payment of the Lump Sum Payment.

1.16. "Pension Plan" means the funded, defined benefit pension plan in which an Employee was participating at the time of his termination of employment (or retirement) from the Company.

1.17. "Plan" means the "Dana Corporation Supplemental Benefits Plan", as set forth herein.

1.18. "Plan Administrator" means the Plan Administrator appointed under the Pension Plan.

1.19. "Primary Social Security Benefit" means "Primary Social Security Benefit" as that term is defined by the Retirement Income Plan.

1.20. "Retirement Income Plan" means The Dana Corporation Retirement Income Plan, as in effect on June 30, 1988.

1.21. "Specified Rate" means an interest rate equal to 85% of a composite insurance company annuity rate provided by an actuary designated by the Plan Administrator (and provided by such actuary as of the last month of the calendar year next preceding the calendar year in which the distribution is made), subject to the condition that the interest rate in effect for any such year may not differ from the rate in effect for the prior year by more than one-half of one percent, and also subject to the condition that any such rate shall be rounded to the nearest one-tenth of one percent (and if such rate is equidistant between the next highest and next lowest one-tenth of one percent, rounded to the next lowest one-tenth of one percent).

1.22. "Temporary Retirement Benefit" means the benefit described in Section 4.1(b)(i)(B) hereof.

1.23. "Vesting Service" means "Vesting Service" as that term is defined by the Retirement Income Plan.

ARTICLE II PURPOSE OF THE PLAN

2.1. Purpose. This Plan is adopted effective September 1, 1988, and amended effective April 20, 1998, and is intended to provide supplemental benefits to Employees and their beneficiaries in addition to any benefits to which such Employees and beneficiaries may be

entitled under other Company-sponsored, funded, defined benefit pension plans and the Excess Plan.

ARTICLE III
ELIGIBILITY

3.1. Eligibility. All Employees and beneficiaries of Employees eligible to receive retirement benefits from a Pension Plan shall be eligible to receive benefits under this Plan in accordance with Article IV, regardless of when the Employee may have terminated employment or retired (except as otherwise specified by Article IV).

ARTICLE IV
BENEFITS

Basic Benefits.

- (a) An Employee who, on or after September 1, 1988, retires from active employment with the Company on or after his 65th birthday, shall be entitled to receive a lump sum benefit that is the actuarial equivalent (determined in accordance with Section 4.2 hereof) of a monthly supplemental benefit equal to the excess (if any) of:
 - (i)(A) 1.6 percent of the Employee's Highest Average Monthly Earnings multiplied by the number of years and fractional parts thereof of his Credited Service at the time of retirement, less
 - (B) 2 percent of the Employee's Primary Social Security Benefit multiplied by the number of years and fractional parts thereof of his Credited Service but not more than 50 percent of the Employee's Primary Social Security Benefit, over
 - (ii) the sum of the monthly benefits he is entitled to receive from all Company-sponsored, funded, defined benefit pension plans, and the Excess Plan, determined in each case on the basis of the assumption that the Employee's benefits under such plans are paid in the form of a single life annuity for the life of the Employee, commencing as of the Employee's date of retirement under the Pension Plan.
- (b) An Employee who, on or after September 1, 1988, retires from employment with the Company on or after his 50th birthday, after completing 10 years of Vesting Service, after the sum of his age and years of Vesting Service, both calculated to the nearest month, equal 70 or more, and before his 65th birthday, shall be entitled to receive a lump sum benefit that is the actuarial equivalent (determined in accordance with Section 4.2 hereof) of a monthly supplemental benefit equal to the excess (if any) of
 - (i) (A) the retirement benefit described in Section 4.01(a)(i) hereof, plus

- (B) a Temporary Retirement Benefit equal to the Employee's Primary Social Security Benefit, reduced, if applicable, by the actual amount of any unreduced Social Security benefit paid to the Employee, payable through the month in which the Employee attains age 62, provided that if the Employee has less than 25 years of Credited Service, the Temporary Retirement Benefit shall be prorated based on the proportion of 25 years of Credited Service that has been credited to the Employee at the time of his retirement; and provided further that
- (C) retirement benefits prescribed by paragraph (A), above, and Temporary Retirement Benefits prescribed by paragraph (B), above, shall not exceed the following limitations:

I. Temporary Retirement Benefits payable to all Employees, and retirement benefits payable to all Employees who participated in the Retirement Income Plan as of December 31, 1983, and who had attained age 45 as of that date, shall not exceed the percentage of such benefits prescribed by the following schedule, based on the Employee's age on the date of retirement:

Age	Percentage
---	-----
64	100%
63	100%
62	100%
61	95%
60	90%
59	85%
58	80%
57	75%
56	70%
55	65%
54	60%
53	55%
52	50%
51	45%
50	40%

II. Retirement benefits payable to all Employees who did not participate in the Retirement Income Plan on December 31, 1983, or who had not attained age 45 as of that date, shall not exceed the percentage of such benefits prescribed by the following schedule, based on the Employee's age on the date of retirement:

Age	Percentage
---	-----
65	100%
64	95%
63	90%
62	85%
61	80%
60	75%
59	70%
58	65%
57	60%
56	55%
55	50%
54	45%
53	40%
52	35%
51	30%
50	25%

over

- (ii) the sum of the monthly benefits he is entitled to receive from all Company-sponsored, funded, defined benefit pension plans and the Excess Plan, determined in each case on the basis of the assumption that the Employee's benefits under such plans are paid in the form of a single life annuity for the life of the Employee, commencing as of the Employee's date of retirement under the Pension Plan.
- (c) Subject to the provisions of Section 4.2 hereof, the benefit payable pursuant to paragraph (a) or (b) of this Section 4.1, shall be paid in the form of a lump sum, payable as of the Employee's date of retirement under the Pension Plan.
- (d) If an Employee dies before the date as of which benefits are scheduled to be paid or to commence hereunder, the Employee's surviving spouse (if any) shall be entitled to receive a lump sum benefit equal to 100 percent of the benefit to which the Employee would have been entitled under paragraph (c), above, if the Employee had retired on the date of his death.
- (e) No benefits shall be paid hereunder with respect to an active Employee who is not married on the date of his death.

4.2. Form of Benefit Payments. An Employee eligible for a benefit under this Plan shall be entitled to receive his benefit in the form of an immediate lump sum payment. However, upon the written request of the Employee, the Treasurer of the Company may, in his sole discretion, permit such benefit to be paid instead, concurrently with any benefit that the Employee is entitled to receive under the Excess Plan, pursuant to an optional form of payment that is used for the payment of the Employee's retirement benefit under the Pension Plan. Any such written request must be filed by the Employee with the Treasurer of the Company on or before the Employee's date of retirement under the Pension Plan. If the Employee is the

Treasurer of the Company, the duties of the Treasurer of the Company under this Section 4.2 shall be discharged by the President of the Company. The amount of the benefit payable pursuant to any form of payment under this Plan shall be determined by applying the mortality assumptions, interest rates, and other factors contained in the Retirement Income Plan that would be applicable to the form of payment payable under this Plan; provided that if a lump sum distribution is made hereunder, the amount of the lump sum distribution shall be equal to the excess of the amount determined under paragraph (a), below, over the amount determined under paragraph (b), below.

- (a) The total lump sum amount that is actuarially equivalent to the monthly supplemental benefit prescribed by Section 4.1(a)(i) or Section 4.1(b)(i), whichever is applicable, calculated using the basis described in subparagraph (i) or (ii), below, whichever produces the larger lump sum amount:
- (i) the lump sum amount calculated on the basis of the "applicable interest rate" (as in effect for the November preceding the calendar year in which the calculation is made) and the "applicable mortality table", both as defined in Section 417(e) of the Code; or
 - (ii) the lump sum amount calculated on the basis of an interest rate equal to 85% of a composite insurance company annuity rate provided by an actuary designated by the Plan Administrator (and provided by such actuary as of the December next preceding the calendar year in which the distribution is made), subject to the condition that the interest rate in effect for any such year may not differ from the rate in effect for the prior year by more than one-half of one percent, and also subject to the condition that any such rate shall be rounded to the nearest one-tenth of one percent (and if such rate is equidistant between the next highest and next lowest one-tenth of one percent, rounded to the next lowest one-tenth of one percent), and on the basis of the applicable mortality assumption for males under the 1971 Group Annuity Mortality Table.
- (b) The total lump sum distribution that he is entitled to receive under all Company-sponsored, funded, defined benefit pension plans and the Excess Plan, determined on the basis of the interest rate and mortality assumptions required by the terms of those plans.

Any post-retirement increase in the benefits being paid to an Employee under the Pension Plan shall also be applied on a comparable basis to any monthly supplemental benefits under this Plan.

4.3. Time and Duration of Benefit Payments. Benefits due under the Plan shall be paid coincident with the payment date of benefits under the Pension Plan, or at such other time or times as the Plan Administrator in his discretion determines. All supplemental benefits payable under this Plan shall cease as of the first day of the month following the Employee's death, except that payments may continue to the Employee's spouse or beneficiary following his death pursuant to an optional form of payment selected under Section 4.2.

4.4 Benefits Unfunded. The benefits payable under the Plan shall be paid by the Company each year out of its general assets and shall not be funded in any manner. The obligations that the Company incurs under this Plan shall be subject to the claims of the Company's other creditors having priority as to the Company's assets.

4.5 No Right to Transfer Interest. The Plan Administrator may recognize the right of an alternate payee named in a domestic relations order to receive all or a portion of an Employee's benefit under this Plan, provided that (i) the domestic relations order would be a "qualified domestic relations order" within the meaning of Section 414(p) of the Code if Section 414(p) were applicable to the Plan; (ii) the domestic relations order does not purport to give the alternate payee any right to assets of the Company or its affiliates; and (iii) the domestic relations order does not purport to give the alternate payee any right to receive payments under the Plan before the Employee is eligible to receive such payments. If the domestic relations order purports to give the alternate payee a share of a benefit to which the Employee currently has a contingent or nonvested right, the alternate payee shall not be entitled to receive any payment from the Plan with respect to the benefit unless the Employee's right to the benefit becomes nonforfeitable. Except as set forth in the preceding two sentences with respect to domestic relations orders, and except as required under applicable federal, state, or local laws concerning the withholding of tax, rights to benefits payable under the Plan are not subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, attachment or other legal process, or encumbrance of any kind. Any attempt to alienate, sell, transfer, assign, pledge, or otherwise encumber any such supplemental benefit, whether currently or thereafter payable, shall be void.

4.6 Successors to the Corporation. This Plan shall be binding upon and inure to the benefit of any successor or assign of the Company, including, without limitation, any corporation or corporations acquiring directly or indirectly all or substantially all of the assets of the Company whether by merger, consolidation, sale or otherwise (and such successor or assign shall thereafter be deemed embraced within the term "Company" for the purposes of this Plan).

4.7 Change in Control. Anything hereinabove in this Article IV or elsewhere in this Plan to the contrary notwithstanding:

- (a) Lump sum payment. Upon the occurrence of a Change in Control, each Employee and each Employee's spouse or beneficiary following his death who are receiving benefits under the Plan ("Recipient") shall receive, on account of future payments of any and all benefits due under the Plan, a Lump Sum Payment, so that each such Employee or Recipient will receive substantially the same amount of after-tax income as before the Change in Control, determined as set forth in paragraph (c) of this Section 4.7.
- (b) Certain matters following a lump sum payment. An Employee who has received a Lump Sum Payment pursuant to paragraph (a) of this Section 4.7 shall, thereafter (i) while in the employ of the Company, continue to accrue benefits under the Plan, and (ii) be eligible to be paid further benefits under the Plan, after appropriate reduction in respect of the Lump Sum Payment previously received. For purposes of calculating such reduction, the Lump Sum Payment shall be accumulated with interest at the Specified Rate in effect from time to time for the period of time from initial payment date to the next date on which a computation is to be made (i.e., upon Change in Control, retirement, or other termination of employment). It shall then be converted to a straight-life annuity using the current annuity certain factor. The current annuity certain factor will be determined on the Net Specified Rate basis if this benefit payment is being made due to a subsequent Change in Control; otherwise, the Specified Rate shall be used.

- (c) Determination of lump sum payment. The Lump Sum Payment referred to in paragraph (a) of this Section 4.7 shall be determined by multiplying the annuity certain factor (for monthly payments at the beginning of each month) based on the Benefit Payment Period and the Net Specified Rate by the monthly benefit (adjusted for assumed future benefit adjustments due to Social Security and Code Section 415 changes in the Pension Plan) to be paid to the Employee or Recipient under the Plan.

4.8. Taxation. Notwithstanding anything in the Plan to the contrary, if the Internal Revenue Service determines that the Participant is subject to Federal income taxation on an amount in respect of any benefit provided by the Plan before the distribution of such amount to him, the Company shall forthwith pay to the Participant all (or the balance) of such amount as is includible in the Participant's Federal gross income and shall correspondingly reduce future payments, if any, of the benefit.

ARTICLE V
AMENDMENT, TERMINATION AND INTERPRETATION

5.1. Amendment and Termination. The Company reserves the right, by action of the Board, to amend, modify or terminate, either retroactively or prospectively, any or all of the provisions of this Plan without the consent of any Employee or beneficiary; provided, however, that no such action on its part shall adversely affect the rights of an Employee and his beneficiaries without the consent of such Employee (or his beneficiaries, if the Employee is deceased) with respect to any benefits accrued prior to the date of such amendment, modification, or termination of the Plan if the Employee has at that time a non-forfeitable right to benefits under a funded, defined benefit pension plan sponsored by the Company.

5.2. Interpretation. The Plan Administrator shall have the power to interpret the Plan and to decide any and all matters arising hereunder; including but not limited to the right to remedy possible ambiguities, inconsistencies or omissions by general rule or particular decision; provided, that all such interpretations and decisions shall be applied in a uniform and nondiscriminatory manner to all Employees similarly situated. In addition, any interpretations and decisions made by the Plan Administrator shall be final, conclusive and binding upon the persons who have or who claim to have any interest in or under the Plan.

DANA CORPORATION SUPPLEMENTAL BENEFITS PLAN
APPENDIX A

A.1 Purpose. The purpose of this Appendix A is to provide supplemental benefits to certain individuals who are not otherwise eligible for benefits under the Plan. Except to the extent that a contrary rule is expressly set forth below, capitalized terms used in Appendix A shall have the meaning set forth in Article I of the Plan, and the benefits provided under Appendix A shall be subject to the administrative provisions set forth in Sections 4.2 through 4.8 of Article IV and Sections 5.1 and 5.2 of Article V (construed as if the term "Employee" in those sections referred to an individual who is eligible for a benefit under this Appendix A).

A.2 Eligibility. An individual is eligible for a supplemental retirement benefit under this Appendix A if the individual meets all of the following criteria on the date of his retirement from the Company and its affiliates (or if he meets the criteria in paragraphs (a) through (c) on the date of a Change in Control, if earlier):

- (a) The individual is not eligible for a supplemental retirement benefit under any provision of the Plan other than this Appendix A.
- (b) The individual has reached his 50th birthday and has completed at least 10 years of Vesting Service; and the sum of the individual's age and years of Vesting Service, both calculated to the nearest month, equals 70 or more.
- (c) The individual is a U.S.-based member of the "A" Group or the "B" Group, as defined by the Compensation Committee of the Board, and is a management employee or a highly-compensated employee.
- (d) The individual retires on or after January 1, 1996 and before January 1, 2010.

A.3 Amount of Benefit. The amount of an individual's supplemental retirement benefit under Appendix A shall be the initial benefit determined under paragraph (a), multiplied by the percentage specified in paragraph (b), and reduced as provided in paragraph (c).

- (a) The individual's initial benefit shall be the normal retirement benefit or early retirement benefit that the individual would have received under the Retirement Income Plan if the provisions of that Plan had remained in effect through the individual's retirement date, with the modification described in the following sentence. For purposes of applying the Retirement Income Plan formula, the individual's "Final Monthly Earnings" shall be the average of his Earnings during the five consecutive calendar years out of the last ten years of his active employment with the Company in which the average was the highest.
- (b) The percentage applied to the individual's initial benefit shall be determined according to the calendar year in which the individual retires, as follows:

Year in Which Individual Retires	Applicable Percentage
1996 - 1999	90%
2000 - 2004	80%
2005 - 2009	70%
After 2009	0%

- (c) The benefit determined under this Section A.3 shall be calculated as a single-life annuity, and shall be reduced by the sum of the monthly benefits that the individual is entitled to receive from any source listed in subparagraph (i), (ii), or (iii), below, determined in each case on the basis of the assumption that the individual's benefits under such sources are paid in the form of a single-life annuity for the life of the individual, commencing as of the individual's date of retirement under the Pension Plan:
- (i) all funded defined benefit pension plans sponsored by the Company and its affiliates; and
 - (ii) all unfunded, nonqualified deferred compensation plans sponsored by the Company and its affiliates (including, but not limited to, the Excess Plan), with the sole exception of the Dana Corporation Additional Compensation Plan; and
 - (iii) any supplemental retirement benefit provided under an employment contract, or under any other contract or agreement, between the individual and the Company or any affiliate.

A.4 Form of Payment.

- (a) An individual shall be entitled to receive his benefit under this Appendix A in the manner provided in Section 4.2 of the Plan. If the individual elects to receive a lump sum payment, however, the lump sum payment shall be calculated as provided in paragraph (b), below, rather than as provided in Section 4.2 of the Plan.
- (b) The single-life annuity determined under paragraphs (a) and (b) of Section A.3 shall be converted to a lump sum present value on the basis of the "applicable interest rate" (as in effect for the November preceding the calendar year in which the calculation is made) and the "applicable mortality table", both as defined in Section 417(e) of the Code. The lump sum determined under the preceding sentence of this Section A.4 shall be reduced by the lump sum present value of all benefits that the individual is entitled to receive from all sources described in paragraph (c) of Section A.3, determined in each case on the basis of the interest rate and mortality assumptions required for lump sum calculations by the terms of those plans or agreements (or, if no such interest rates or mortality assumptions are specified in the plan or agreement, on the basis of the interest rate and mortality assumptions set forth in the first sentence of this paragraph (b)).

A.5 Pre-retirement Death Benefit. Effective March 1, 1998, if an individual dies before his benefit under this Appendix A commences or is paid, the individual's surviving spouse (if any) shall be entitled to receive a lump-sum benefit equal to 100% of the benefit to which the individual would have been entitled under paragraph A.3, above, subject to the reductions described in paragraph A.3(c), as if the individual had retired on the date of his death.

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