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

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In re	: Chapter 11
Dana Corporation, <i>et al.</i> ,	: Case No. 06-10354 (BRL)
Debtors.	: (Jointly Administered)
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**SECOND SUPPLEMENT TO MOTION OF DEBTOR DANA  
CORPORATION, PURSUANT TO SECTIONS 363, 365 AND 105  
OF THE BANKRUPTCY CODE, FOR AN ORDER AUTHORIZING  
DANA CORPORATION TO ENTER INTO EMPLOYMENT AGREEMENTS  
WITH MICHAEL J. BURNS, ITS PRESIDENT AND CHIEF EXECUTIVE  
OFFICER, AND FIVE KEY EXECUTIVES OF HIS CORE MANAGEMENT TEAM**

1. On June 29, 2006, Dana Corporation ("Dana"), one of the above-captioned debtors and debtors in possession (collectively, the "Debtors") filed (a) the Motion of Debtor Dana Corporation, Pursuant to Sections 363, 365 and 105 of the Bankruptcy Code, for an Order Authorizing Dana Corporation to (A) Enter Into Employment Agreements with Michael J. Burns, Its President and Chief Executive Officer, and Five Key Executives of His Core Management Team, and (B) Assume Certain Change of Control Agreements, As Amended (D.I. 1601) (the "Motion") and (b) the Declarations of Richard B. Priory (Docket No. 1602) (the "Priory Declaration") and John Dempsey (Docket No. 1603) (the "Dempsey Declaration") in support of the Motion.<sup>1</sup> A hearing on the Motion is scheduled for September 5, 2006 at 11:00 a.m.

2. On August 4, 2006, Dana filed (a) a supplement to the Motion (Docket No. 2696) and (b) a supplement to the Priory Declaration (Docket No. 2697) in support the Motion, as supplemented. On August 10, 2006 and August 14, 2006, Dana filed supplements to the Dempsey Declaration (Docket Nos. 2810 and 2931, respectively) in support of the Motion, as supplemented.<sup>2</sup>

3. By the Motion, as supplemented, Dana seeks an order pursuant to sections 363(b), 365 and 105(a) of the Bankruptcy Code (a) authorizing it to enter into employment agreements with Michael J. Burns, its President, Chairman of the Board of Directors and Chief Executive Officer and the following five senior executives of Mr. Burns' core management team: Messrs. Miller, Stone, Stanage, DeBacker and Goettel (collectively with Mr. Burns, the "Senior Executives") and their proposed employment agreements, the "Executive Agreements" and

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<sup>1</sup> Capitalized terms not defined herein have the meanings given to them in the Motion.

<sup>2</sup> The supplements to and in support of the Motion, identified as Docket Nos. 2696, 2697, 2810 and 2931, are collectively referred to herein as the "Supplements."

together with the Burns Agreement, the "Original Agreements"; and (b) determining that, on a postpetition basis, the term "insider," as defined in section 101(31) of the Bankruptcy Code, only applies to (i) with respect to the Debtors' current employees, the Senior Executives or their successors and (ii) any person who serves as a director of a Debtor at the time of inquiry.

4. The various supplements filed in support of the Motion were the result of ongoing discussions with the Official Committee of Unsecured Creditors and other parties in interest regarding concerns relating to certain terms of the Original Agreements. Based on these discussions and Dana's continuing review of the Original Agreements, Dana made certain modifications to the Original Agreements (as modified, the "Modified Agreements") as discussed in the Supplements. Both prior and subsequent to the filing of the Supplements, various objections and responses to the Motion were filed (collectively, the "Objections").

5. As part of its ongoing efforts to resolve the Objections, Dana has agreed to further revise the Modified Agreements (collectively, the "Revised Agreements"), as described below:

<b>Term of Revised Agreements</b>	Terminates upon the effective date of plan of reorganization (the " <u>Effective Date</u> ") or consummation of a sale, as a going concern, of all or substantially all the assets of the Debtors in one or a series of transactions (" <u>Emergence</u> ").
<b>Long Term Incentive Bonus</b>	<p>Each of the Senior Executives shall have the opportunity to earn the Long Term Incentive Bonus. There shall be a fixed component (the "<u>Fixed Component</u>") and a variable component (the "<u>Variable Component</u>") to the Long Term Incentive Bonus.</p> <p>The Fixed Component shall be subject to achieving the milestones and meeting the vesting requirements set forth herein and payable only upon Emergence or the Effective</p>

	<p>Date.</p> <p>The Variable Component shall be subject to achieving the target and meeting the vesting requirements set forth herein and payable only after Emergence or the Effective Date.</p> <p>One-half of the Fixed Component shall be payable in cash on the Effective Date or Emergence, with the remainder of the Long Term Incentive Bonus, whether Fixed or Variable Component, payable in stock of reorganized Dana, net of tax withholdings, six months after the Effective Date or Emergence, using then prevailing market prices.</p> <p>If any Senior Executive is terminated without good cause or, in the case of Mr. Burns, leaves for good reason ("<u>Departure</u>"), reorganized Dana will purchase his bonus stock at the market price prevailing on the date of his Departure.</p> <p>If upon the Effective Date, Emergence or subsequent date of payment there is no stock of the reorganized Dana issued, then the entire amount of the Long Term Bonus shall be paid in cash on such Effective Date or Emergence.</p> <p>If upon Emergence or the Effective Date, the estimate of Adjusted Total Enterprise Value (as defined below), before adjustments for or consideration of relief, if any, under sections 1113/1114 of the Bankruptcy Code, as established at the hearing on confirmation of a plan of reorganization, is less than \$750 million,<sup>3</sup> no Long Term Incentive shall be payable (unless such threshold is later established six months' after Emergence or Effective Date, in which case it shall be payable).</p>
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It is assumed that the Debtors will emerge from chapter 11 with approximately \$1 billion in secured exit financing, such that a \$750 million recovery to unsecured creditors requires a \$1.750 billion Adjusted Total Enterprise Value, which, in turn, requires an EBITDAR of \$350 million (using a 5x multiple), representing a \$133 million (or 61%) improvement over the Debtors' 2005 EBITDAR of \$217 million.

	<p>If any Senior Executive is terminated for cause or leaves voluntarily ("<u>Voluntary Termination</u>"), such Senior Executive shall forfeit all Long Term Incentive, except to the extent it was earned and accrued prior to such Voluntary Termination.</p>
<b>Fixed Component of Long Term Incentive</b>	<p>Mr. Burns \$4 million  Mr. Miller \$1.125 million  Mr. Stanage \$800,000  Mr. Stone \$800,000  Mr. Goettel \$800,000  Mr. DeBacker \$800,000</p>
<b>Milestones for Earning Fixed Component of Long Term Incentive</b>	<p>One third of the Fixed Component shall be earned and accrue on each of the following dates</p> <p>--the date that Dana presents to the official committees appointed in these chapter 11 cases (collectively, the "<u>Official Committees</u>") its long-term business plan ( the "<u>Business Plan Date</u>")</p> <p>--the date a disclosure statement is filed; provided that it is filed on or before 9/30/07 (the "<u>Disclosure Statement Date</u>"); and</p> <p>--the date that a plan of reorganization is confirmed or a sale of all or substantially all of the assets of the Debtors is approved; provided that it is confirmed or approved on or before 3/31/08 (the "<u>Confirmation Date</u>")</p> <p>Each of the Disclosure Statement Date and the Confirmation Date are subject to extension by the Bankruptcy Court for cause shown after notice and a hearing or with the consent of the Official Committees.</p>
<b>Vesting of Fixed Component of Long Term Incentive</b>	<p>In the event of a Departure by a Senior Executive prior to the Effective Date or Emergence, such Senior Executive shall on the Effective Date or Emergence be paid the earned and accrued Fixed Component, plus</p>

	<p>--in the event the Departure occurs prior to the Business Plan Date, the fraction of one third of the Fixed Component for such Senior Executive equal to (x) the number of calendar days from and including March 3, 2006 (the "<u>Petition Date</u>") to and including the date of such Senior Executive's Departure (the "<u>Entitlement Days</u>") divided by (y) the number of days from and including the Petition Date to and including the Business Plan Date;</p> <p>--in the event the Departure occurs after the Business Plan Date and prior to the Disclosure Statement Date, the fraction of one third of the Fixed Component for such Senior Executive equal to (x) his Entitlement Days divided by (y) the number of days from and including the Petition Date to and including the Disclosure Statement Date; and</p> <p>--in the event the Departure occurs after the Business Plan and Disclosure Statement Dates but prior to the Confirmation Date, the fraction of one third of the Fixed Component for such Senior Executive equal to (x) his Entitlement Days divided by (y) the number of days from and including the Petition Date to and including the Confirmation Date.</p>
<p><b>Variable Component of Long Term Incentive</b></p>	<p>On the Effective Date or Emergence the Senior Executives shall have earned and be entitled to 0.50% of incremental Adjusted Total Enterprise Value above Target, split equally between (i) Burns and (ii) the other five Senior Executives, as determined by the Compensation Committee.</p> <p><b>Adjusted Total Enterprise Value</b> The market value of all equity, debt and other value to be distributed by the reorganized Dana, valuing any reorganization securities six months after Effective Date or Emergence, on account of the aggregate of all unsecured claims and equity interests to be further adjusted as agreed by Dana, the Official Committees and the Ad Hoc Committee of Dana Noteholders to take into account the</p>

	<p>impact of (ii) relief, if any, under sections 1113 and 1114 of the Bankruptcy Code and (ii) asset sales or sales of businesses of Debtors prior to or on the Effective Date or Emergence.</p> <p><b>Target</b> Target is \$1.75 Billion in Adjusted Total Enterprise Value.</p>
<b>Vesting of Variable Component of Long Term Incentive</b>	<p>All six Senior Executives shall begin to accrue the Variable Component, but in the event there is a Departure of a Senior Executive prior to the Effective Date or Emergence, the Senior Executive shall be entitled to a fraction of such Senior Executive's Variable Component equal to (x) his Entitlement Days divided by (y) the number of days from and including the Petition Date through and including the Effective Date or Emergence.</p>
<b>Non-Compete and Other Covenants</b>	<p>As consideration for 12 month non-compete and non-solicitation, non-disclosure and non-disparagement covenants; one year salary plus target bonus paid ratably over 12 month period.</p>
<b>AIP</b>	<p>In 2006, as approved by Compensation Committee, 2007 performance targets to be set by Compensation Committee after consultation with the Official Committees.</p>
<b>SERP and Other Agreements</b>	<p>SERP agreements of Burns, Miller, Stone and Stanage to be assumed on the earlier of Emergence or Departure, provided that (i) the bargained unit defined benefit pension plans of Dana have not been terminated, (ii) to the extent Dana's bargained unit defined benefit pension plans for active employees are frozen, the Senior Executives' SERP benefits will be similarly frozen in order to maintain parity and (iii) the assumption of Mr. Burns' SERP agreement will be further conditioned upon the execution by Mr. Burns of a waiver of monetary damage claims under his prepetition employment agreement in form and substance</p>

	acceptable to Dana and the Official Committees. <sup>4</sup> Otherwise the SERP agreements of Burns, Miller, Stone and Stanage shall be treated as allowed unsecured claims in their vested amount as of the Petition Date with all post petition accruals and credits to be allowed as an administrative claim.
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6. The Revised Agreements are the result of extensive negotiations with the Official Committees and represent Dana's best efforts to resolve the concerns raised by the Objections. In particular, to the extent that any parties in interest had any concerns that the Original Agreements or Modified Agreements were inconsistent with section 503(c) of the Bankruptcy Code, relating to retention and severance payments to insiders (concerns which the Debtors believe are unfounded), the Revised Agreements should place such concerns to rest. The incentives provided by the Revised Agreements are based solely on the Senior Executives' performance of their duties and their achievements and do not provide the Senior Executives with any payments other than on account of the services that such Senior Executives will provide to Dana, to the direct benefit of all of Dana's stakeholders. Accordingly, the terms of the Revised Agreements, like the terms of the Modified Agreements and the Original Agreements, are fair, reasonable, consistent with both industry and chapter 11 standards and address the concerns raised by the Objections. As such, the Motion and the Revised Agreements should be approved.

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<sup>4</sup> The claims being waived (a) would include severance and change of control claims and (b) would not include indemnity and other welfare benefits, unless satisfactorily affirmatively continued in Mr. Burns' Revised Agreement.



Dated: September 4, 2006  
New York, New York

Respectfully submitted,

/s/ Corinne Ball

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