DANA HOLDING CORP
Form 10-Q
November 03, 2009

Table of Contents

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549
Form 10-Q

Quarterly Report Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934
For the quarterly period ended: September 30, 2009
Commission File Number: 1-1063
Dana Holding Corporation
(Exact name of registrant as specified in its charter)

Delaware	26-1531856
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification Number)
3939 Technology Drive, Maumee, OH	43537
(Address of principal executive offices)	(Zip Code)

(419) 887-3000

(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 þ No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes o No o

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

Large accelerated filer o	Accelerated filer þ	Non-accelerated filer o	Smaller reporting company o

(Do not check if a smaller reporting company)

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

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY
PROCEEDINGS DURING THE PRECEDING FIVE YEARS:

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes þ No o

APPLICABLE ONLY TO CORPORATE ISSUERS:

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 October 28, 2009
Common stock, $0.01 par value	139,247,408

DANA HOLDING CORPORATION FORM 10-Q
FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2009
TABLE OF CONTENTS

		10-Q Pages
Table of Contents		2
PART I FINANCIAL INFORMATION		
Item 1	Financial Statements	
	Consolidated Statement of Operations (Unaudited)	3
	Consolidated Balance Sheet (Unaudited)	4
	Consolidated Statement of Cash Flows (Unaudited)	5
	Notes to Consolidated Financial Statements (Unaudited)	6
Item 2	Management s Discussion and Analysis of Financial Condition and Results of Operations	33
Item 3	Quantitative and Qualitative Disclosures About Market Risk	50
Item 4	Controls and Procedures	50
PART II OTHER INFORMATION		
Item 1	Legal Proceedings	50
Item 1A	Risk Factors	51
Item 6	Exhibits	51
Signatures		52

Exhibit Index
EX-10.1
EX-31.1
EX-31.2
EX-32

Table of Contents

PART I FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS
Dana Holding Corporation
Consolidated Statement of Operations (Unaudited)
(In millions except per share amounts)

			Dana		Prior Dana
	Three Months Ended		Nine Months Ended	Eight Months Ended	One Month Ended
	September 30,		September 30,	September 30,	January 31,
	2009	2008	2009	2008	2008
Net sales	$ 1,329	$ 1,929	$ 3,735	$ 5,823	$ 751
Costs and expenses					
Cost of sales	1,247	1,881	3,598	5,572	702
Selling, general and administrative expenses	73	87	217	236	34
Amortization of intangibles	18	18	53	49	
Realignment charges, net	14	16	93	61	12
Impairment of goodwill		105		180	
Impairment of intangible assets		3	6	10	
Other income, net	10	2	100	54	8
Income (loss) from continuing operations before interest, reorganization items and income taxes	(13)	(179)	(132)	(231)	11
Interest expense	36	37	108	99	8
Reorganization items		1	(2)	22	98
Fresh start accounting adjustments					1,009
Income (loss) from continuing operations before income taxes	(49)	(217)	(238)	(352)	914
Income tax benefit (expense)	9	(24)	39	(56)	(199)
Equity in earnings of affiliates	2	(13)	(2)	(10)	2
Income (loss) from continuing operations	(38)	(254)	(201)	(418)	717
Loss from discontinued operations		(1)		(4)	(6)
Net income (loss)	(38)	(255)	(201)	(422)	711
Less: Noncontrolling interests net income (loss)		1	(6)	6	2
Net income (loss) attributable to the parent company	(38)	(256)	(195)	(428)	709
	8	8	24	21	

Preferred stock dividend requirements										
Net income (loss) available to common stockholders	$	(46)	$	(264)	$	(219)	$	(449)	$	709
Income (loss) per share from continuing operations attributable to parent company stockholders:										
Basic	$	(0.45)	$	(2.64)	$	(2.17)	$	(4.45)	$	4.77
Diluted	$	(0.45)	$	(2.64)	$	(2.17)	$	(4.45)	$	4.75
Loss per share from discontinued operations attributable to parent company stockholders:										
Basic	$	-	$	(0.02)	$	-	$	(0.04)	$	(0.04)
Diluted	$	-	$	(0.02)	$	-	$	(0.04)	$	(0.04)
Net income (loss) per share attributable to parent company stockholders:										
Basic	$	(0.45)	$	(2.66)	$	(2.17)	$	(4.49)	$	4.73
Diluted	$	(0.45)	$	(2.66)	$	(2.17)	$	(4.49)	$	4.71
Average common shares outstanding										
Basic		101		100		100		100		150
Diluted		101		100		100		100		150

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

3

Table of Contents

Dana Holding Corporation
Consolidated Balance Sheet (Unaudited)
(In millions except share and per share amounts)

	September 30, 2009	December 31, 2008
Assets		
Current assets		
Cash and cash equivalents	$ 814	$ 777
Accounts receivable		
Trade, less allowance for doubtful accounts of $19 in 2009 and $23 in 2008	800	827
Other	158	170
Inventories		
Raw materials	309	394
Work in process and finished goods	370	521
Other current assets	75	58
Total current assets	2,526	2,747
Goodwill	113	108
Intangibles	508	569
Investments and other assets	242	207
Investments in affiliates	135	135
Property, plant and equipment, net	1,738	1,841
Total assets	$ 5,262	$ 5,607
Liabilities and equity		
Current liabilities		
Notes payable, including current portion of long-term debt	$ 30	$ 70
Accounts payable	643	824
Accrued payroll and employee benefits	122	120
Accrued realignment costs	30	65
Taxes on income	65	93
Other accrued liabilities	276	274
Total current liabilities	1,166	1,446
Long-term debt	966	1,181
Deferred employee benefits and other non-current liabilities	867	845
Commitments and contingencies (Note 17)		
Total liabilities	2,999	3,472
Parent company stockholders equity		
Preferred stock, 50,000,000 shares authorized		

Series A, $0.01 par value, 2,500,000 issued and outstanding	242	242
Series B, $0.01 par value, 5,400,000 issued and outstanding	529	529
Common stock, $0.01 par value, 450,000,000 authorized, 134,164,308 issued and outstanding	1	1
Additional paid-in capital	2,545	2,321
Accumulated deficit	(925)	(706)
Accumulated other comprehensive loss	(228)	(359)
Total parent company stockholders equity	2,164	2,028
Noncontrolling interests	99	107
Total equity	2,263	2,135
Total liabilities and equity	$ 5,262	$ 5,607

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

4

Table of Contents

Dana Holding Corporation
Consolidated Statement of Cash Flows (Unaudited)
(In millions)

	Dana		Prior Dana
	Nine Months Ended September 30, 2009	Eight Months Ended September 30, 2008	One Month Ended January 31, 2008
Cash flows operating activities			
Net income (loss)	$ (201)	$ (422)	$ 711
Depreciation	231	194	23
Amortization of intangibles	64	60	
Amortization of inventory valuation		49	
Amortization of deferred financing charges and original issue discount	27	17	
Impairment of goodwill and other intangible assets	6	190	
Deferred income taxes	(31)	(18)	191
Gain on extinguishment of debt	(35)		
Reorganization:			
Reorganization items net of cash payments	(4)	(24)	79
Payment of claims		(100)	
Payments to VEBAs		(733)	(55)
Gain on settlement of liabilities subject to compromise			(27)
Fresh start adjustments			(1,009)
Pension contributions in excess of expense	(5)	(32)	
Change in working capital	49	(152)	(61)
Other, net	(13)	38	26
Net cash flows provided by (used in) operating activities	88	(933)	(122)
Cash flows investing activities			
Purchases of property, plant and equipment	(74)	(148)	(16)
Proceeds from sale of businesses and assets	3		5
Change in restricted cash			93
Other			(5)
Net cash flows provided by (used in) investing activities	(71)	(148)	77
Cash flows financing activities			
Net change in short-term debt	(36)	(74)	(18)
Advance received on corporate facility sale	11		
Proceeds from Exit Facility debt		80	1,350
Deferred financing payments	(1)	(2)	(40)
Proceeds from long-term debt	5		

Repayment of long-term debt	(197)	(11)	
Proceeds from issuance of common stock	217		
Dividends paid to preferred stockholders		(18)	
Dividends paid to noncontrolling interests	(5)	(6)	
Repayment of debtor-in-possession facility			(900)
Payment of DCC Medium Term Notes			(136)
Original issue discount payment			(114)
Issuance of Series A and Series B preferred stock			771
Other	(1)	1	(1)
Net cash flows provided by (used in) financing activities	(7)	(30)	912
Net increase (decrease) in cash and cash equivalents	10	(1,111)	867
Cash and cash equivalents beginning of period	777	2,147	1,271
Effect of exchange rate changes on cash balances	27	(29)	5
Net change in cash of discontinued operations			4
Cash and cash equivalents end of period	$ 814	$ 1,007	$ 2,147

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

Table of Contents

Dana Holding Corporation
Index to Notes to the Consolidated
Financial Statements

1. Organization and Summary of Significant Accounting Policies
2. Emergence from Chapter 11
3. Reorganization Items
4. Discontinued Operations
5. Realignment of Operations
6. Inventories
7. Goodwill, Other Intangible Assets and Long-lived Assets
8. Capital Stock
9. Earnings Per Share
10. Incentive and Stock Compensation
11. Pension and Postretirement Benefit Plans
12. Comprehensive Income (Loss)
13. Cash Deposits
14. Liquidity and Financing Agreements
15. Fair Value Measurements
16. Risk Management and Derivatives
17. Commitments and Contingencies
18. Warranty Obligations
19. Income Taxes
20. Other Income, Net
21. Segments

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

Note 1. Organization and Summary of Significant Accounting Policies

General

As a result of Dana Corporation s emergence from Chapter 11 of the United States Bankruptcy Code (Chapter 11) on January 31, 2008 (the Effective Date), Dana Holding Corporation (Dana) is the successor registrant to Dana Corporation (Prior Dana) pursuant to Rule 12g-3 under the Securities Exchange Act of 1934. The terms Dana, we, our and us, when used in this report with respect to the period prior to Dana Corporation s emergence from Chapter 11, are references to Prior Dana and, when used with respect to the period commencing after Dana Corporation s emergence, are references to Dana. These references include the subsidiaries of Prior Dana or Dana, as the case may be, unless otherwise indicated or the context requires otherwise.

In the opinion of management, the accompanying unaudited consolidated financial statements contain all adjustments (which include normal recurring adjustments) necessary to present fairly the financial position, results of operations and cash flows for the periods presented. Certain information and footnote disclosures included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) have been condensed or omitted pursuant to the rules and regulations of the United States Securities and Exchange Commission (SEC). These financial statements should be read in conjunction with our Annual Report on Form 10-K (Form 10-K) for the year ended December 31, 2008 and our Form 8-K filed September 2, 2009 to report updated financial statements and other affected financial information for retrospective adjustments resulting from certain accounting changes in 2009. Financial results for interim periods are not necessarily indicative of anticipated results for the entire year. The results of operations for the three- and nine-month periods ended September 30, 2009 are not necessarily indicative of results for our 2009 fiscal year because of seasonal variations and other factors.

This report includes the results of the 2008 implementation of the Third Amended Joint Plan of Reorganization of Debtors and Debtors in Possession as modified (the Plan) and the effects of the adoption of fresh start accounting. In accordance with GAAP, historical financial statements of Prior Dana are presented separately from Dana results. The implementation of the Plan and the application of fresh start accounting result in financial statements that are not comparable to financial statements in periods prior to emergence.

Summary of Significant Accounting Policies

Basis of Presentation Our financial statements include all subsidiaries in which we have the ability to control operating and financial policies and are consolidated in conformity with GAAP. All significant intercompany balances and transactions have been eliminated in consolidation. Affiliated companies (20% to 50% ownership) are recorded in the statements using the equity method of accounting. Certain prior period amounts have been reclassified to conform to the current year presentation.

Dana and forty of its wholly-owned subsidiaries (collectively, the Debtors) reorganized under Chapter 11 of the United States Bankruptcy Code from March 3, 2006 (the Filing Date) through the Effective Date. The financial statements for periods subsequent to the filing of a Chapter 11 petition distinguish transactions and events that are directly associated with the reorganization and related restructuring of our business from the ongoing operations of the business.

Effective February 1, 2008, we adopted fresh start accounting. Pursuant to the Plan, all outstanding securities of Prior Dana were cancelled and new securities were issued. In addition, fresh start accounting required that our assets and liabilities be stated at fair value upon our emergence from Chapter 11.

On January 1, 2009, we reorganized our operating segments into a new management structure and modified the calculation of segment earnings before interest, taxes, depreciation and amortization (EBITDA), our segment measure of profitability (see Note 21). The Light Axle and Driveshaft segments were combined into the Light Vehicle Driveline (LVD) segment with certain operations from these former segments moving to our Commercial Vehicle and Off-Highway segments. Prior period amounts have been revised to conform to the current year s presentation.

Change in Accounting Principle Our inventories are valued at the lower of cost or market. On January 1, 2009, we changed the method of determining the cost basis of inventories for our U.S. operations from the last-in, first-out (LIFO) basis to the first-in, first-out (FIFO) basis. See Note 6 for additional information regarding this change. Our non-U.S. operations continue to determine cost using an average or a FIFO cost basis.

Recently Adopted Accounting Standards

In December 2007, the Financial Accounting Standards Board (FASB) issued guidance regarding noncontrolling interests in consolidated financial statements. This requirement changes the accounting for and reporting of minority interests (noncontrolling interests) in consolidated financial statements, became effective January 1, 2009 and clarifies that a noncontrolling interest in a subsidiary is an ownership interest in the consolidated entity that should be reported as equity in the consolidated financial statements. We adopted this standard effective January 1, 2009. The presentation and disclosure requirements of this standard are applied retrospectively for all periods presented. See Note 12 for a reconciliation of the beginning and ending carrying amount of equity attributable to the parent company and to noncontrolling interests.

On January 1, 2009, we adopted FASB guidance related to disclosures about derivative instruments and hedging activities. This guidance provides for enhanced disclosures about how and why an entity uses derivative instruments, how derivative instruments and the related hedged items are accounted for and how derivative instruments and the related hedged items affect an entity s financial position, financial performance and cash flows. The adoption of this guidance did not have an impact on our consolidated financial position or results of operations. For additional information, see Note 16.

In April 2009, the FASB issued new Staff Positions all of which impact the accounting and disclosure related to certain financial instruments. This guidance covers the determination of fair value when the volume and level of activity for the asset or liability have significantly decreased and provides additional guidance for estimating fair value for transactions that are not orderly. It also covers recognition and presentation of other-than-temporary impairments and amends the guidance for debt securities to make the guidance more operational. The new guidance requires interim disclosures about fair value of financial instruments and expands disclosures about the fair value of financial instruments. This guidance became effective for the second quarter of 2009. Adoption did not have an impact on our consolidated financial position or results of operations. Our valuations with respect to nonfinancial assets and nonfinancial liabilities that are measured at fair value in the financial statements on a non-recurring basis include market data or assumptions that we believe market participants would use in pricing an asset or liability. Our valuation techniques include a combination of observable and unobservable inputs. For additional information see Notes 7 and 15.

In May 2009, the FASB issued guidance that requires companies to recognize in the financial statements the effects of subsequent events that provide additional evidence about conditions that existed at the date of the balance sheet including the estimates inherent in the process of preparing financial statements. Subsequent events that provide evidence about conditions that did not exist at the balance sheet date but arose before the financial statements are issued are required to be disclosed if significant. We have properly considered subsequent events through November 3, 2009, the date of this Form 10-Q filing and the date of issuance of the financial statements.

In June 2009, the FASB issued pronouncements regarding the FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles. This guidance identifies the FASB Accounting Standards Codification as the authoritative source of GAAP. Rules and interpretive releases of the SEC under federal securities laws are also sources of authoritative GAAP for SEC registrants. This guidance is effective for financial statements issued for interim and annual periods ending after September 15, 2009. The adoption of this guidance did not have an impact on our consolidated financial statements.

Recent Accounting Pronouncements

In December 2008, the FASB issued a Staff Position regarding employers disclosures about postretirement benefit plan assets. This guidance expands disclosures about the types of assets and associated risks in an employer s defined benefit pension or other postretirement plan. An employer will also be required to disclose information about the valuation of plan assets similar to that required under guidance related to fair value measurements. These disclosures include the level within the fair value hierarchy in which fair value measurements of plan assets fall, information about the inputs and valuation techniques used to measure the fair value of plan assets and the effect of fair value measurements using significant unobservable inputs on changes in plan assets for the period. The new disclosures are required to be included in financial statements for years ending after December 15, 2009.

In June 2009, the FASB issued guidance regarding accounting for transfers of financial assets. The guidance seeks to improve the relevance and comparability of the information that a reporting entity provides in its financial statements about a transfer of financial assets; the effects of a transfer on its financial position, financial performance and cash flows; and a transferor s continuing involvement, if any, in transferred financial assets. The guidance eliminates the concept of a qualifying special-purpose entity, creates more stringent conditions for reporting a transfer of a portion of a financial asset as a sale, clarifies other sale-accounting criteria and changes the initial measurement of a transferor s interest in transferred financial assets. The guidance is effective January 1, 2010. We are currently evaluating the impact, if any, that this adoption will have on our consolidated financial statements.

In June 2009, the FASB issued additional guidance related to Variable Interest Entities (VIEs) and the determination of whether an entity is a VIE. Companies are required to perform an analysis to determine whether the enterprise s variable interest or interests give it a controlling financial interest in a VIE. The guidance requires ongoing assessments of whether an enterprise is the primary beneficiary of a VIE, requires enhanced disclosures and eliminates the scope exclusion for qualifying special-purpose entities. The guidance is effective for fiscal years beginning after November 15, 2009. We are currently evaluating the impact, if any, that the adoption of this guidance will have on our consolidated financial statements.

Note 2. Emergence from Chapter 11

Claims Resolution On the Effective Date, the Plan was consummated and we emerged from Chapter 11. As provided in the Plan, we issued and set aside approximately 28 million shares of Dana common stock (valued in reorganization at $640) for future distribution to holders of allowed unsecured nonpriority claims in Class 5B under the Plan. These shares are being distributed as the disputed and unliquidated claims are resolved. The claim amount related to the 28 million shares for disputed and unliquidated claims was estimated not to exceed $700. Since emergence, we have issued 23 million of the 28 million shares for allowed claims (valued in reorganization at $539), increasing the total shares issued to 94 million (valued in reorganization at $2,167) for unsecured claims of approximately $2,249. The corresponding decrease in the disputed claims reserve leaves 5 million shares (valued in reorganization at $102). The remaining disputed and unliquidated claims total approximately $96. To the extent that these remaining claims are settled for less than the 5 million remaining shares, additional incremental distributions will be made to the holders of the previously allowed general unsecured claims in Class 5B.

Fresh Start Accounting As required by GAAP, we adopted fresh start accounting effective February 1, 2008. The financial statements for the periods ended prior to January 31, 2008 do not include the effect of any changes in our capital structure or changes in the fair value of assets and liabilities as a result of fresh start accounting. Our reorganized consolidated balance sheet as of January 31, 2008 and the related disclosures are included in Note 2 of the notes to our consolidated financial statements included in our Form 10-K for the year ended December 31, 2008.

Note 3. Reorganization Items

Professional advisory fees and other costs directly associated with our reorganization were reported separately as reorganization items. Post-emergence professional fees relate to claim settlements, plan implementation and other transition costs attributable to the reorganization. Reorganization items of Prior Dana include provisions and adjustments to record the carrying value of certain pre-petition liabilities at their estimated allowable claim amounts, as well as the costs incurred by non-Debtor companies as a result of the Debtors Chapter 11 proceedings.

The reorganization items in the consolidated statement of operations consisted of the following items:

	Dana				Prior Dana
	Three Months Ended September 30,		Nine Months Ended September 30,	Eight Months Ended September 30,	One Month Ended January 31,
	2009	2008	2009	2008	2008
Professional fees	$ 1	$ 3	$ 1	$ 17	$ 27
Employee emergence bonus					47
Foreign tax costs due to reorganization					33
Other	(1)	(2)	(3)	5	19
Interest income					(1)
Total reorganization items		1	(2)	22	125
Gain on settlement of liabilities subject to compromise					(27)
Reorganization items, net	$ -	$ 1	$ (2)	$ 22	$ 98

During the second quarter of 2009, we reduced our vacation benefit liabilities by $5 to correct the amount accrued in 2008 as union agreements arising from our reorganization activities were being ratified. We recorded $3 as a reorganization item benefit consistent with the original expense recognition. This adjustment is not material to the current year or to the prior periods to which they relate.

The gain on settlement of liabilities subject to compromise resulted from the satisfaction of these liabilities at emergence through issuance of Dana common stock or cash payments. The $125 of reorganization items for the one month ended January 31, 2008 included $104 of costs incurred as a direct consequence of emergence from Chapter 11. These costs included an accrual of $47 for stock bonuses for certain union and non-union employees, transfer taxes and other tax charges to effectuate the emergence and new legal organization, success fee obligations to certain professional advisors and other parties contributing to the Chapter 11 reorganization and other costs relating directly to emergence.

Note 4. Discontinued Operations

In 2005, the Board of Directors of Prior Dana approved the divestiture of our engine hard parts, fluid products and pump products operations and we reported these businesses as discontinued operations through the dates of divestiture. The divestiture of these discontinued operations was substantially completed during 2007 with the remaining pump products business divested in the first quarter of 2008. Prior Dana incurred a loss from discontinued

operations of $6 in the month ended January 31, 2008 including a post closing adjustment of $5 and Dana incurred a loss of $4 in the eight months ended September 30, 2008.

Table of Contents

Note 5. Realignment of Operations

Realignment of our manufacturing operations was an essential component of our Chapter 11 reorganization plans and remains a primary focus of management. We continue to eliminate excess capacity by closing and consolidating facilities and repositioning operations in lower cost facilities or those with excess capacity and focusing on reducing and realigning overhead costs.

Realignment expense includes costs associated with previously announced actions as well as programs initiated during 2009. These actions include various employee reduction programs, manufacturing footprint optimization programs and other realignment activities across our global businesses, including the transfer of certain U.S. LVD and Commercial Vehicle manufacturing operations to Mexico.

In January 2008, we announced the closure of our Barrie, Ontario Commercial Vehicle facility. Realignment expense in January 2008 included severance and other costs associated with the termination of approximately 160 employees and costs incurred to transfer the manufacturing operations to certain facilities in Mexico.

In the third quarter of 2008, we entered into an agreement to sell our corporate headquarters. The book value in excess of sale proceeds was recognized as accelerated depreciation and recorded as realignment expense from the date we entered the agreement through the closing of the agreement in February 2009. Under the terms of the agreement, we received proceeds of $11 and we were entitled to occupy the facility rent-free through January 2010 while absorbing the customary occupancy-related costs. Due to the conditions under which we continued to occupy the facility, the sale proceeds were deferred and initially classified as a liability. Based upon our intent to exit the facility during the third quarter of 2009, we recognized the sale of the facility in June 2009. Headquarters personnel were relocated to other facilities in the Toledo, Ohio area during the third quarter of 2009.

In response to increased economic and market challenges during the second half of 2008, particularly lower production volumes, we initiated cost reduction actions and continued to execute such plans in 2009. In 2008, we reduced our global workforce by approximately 6,000 employees, including approximately 5,000 in North America.

The adverse economic conditions first experienced in 2008 continued into 2009, prompting further cost reduction actions. We have reduced our headcount during 2009 from 29,000 at the end of 2008 to 23,000 at the end of the third quarter. These workforce reductions and other actions resulted in a net charge of $6 for severance and other benefit costs for the three-month period ended September 30, 2009 and $69 for the first nine months of 2009. Our 2009 cost reduction actions included the announced closures of the Mississauga, Ontario facility in our Thermal business; the McKenzie, Tennessee and Calatayud, Spain facilities in our Sealing business and the Beamsville, Ontario facility supporting our Commercial Vehicle business.

Realignment charges during the three months and nine months ended September 30, 2009 also included $8 and $24 of long-lived asset impairments and exit costs incurred for transfers of production activities among facilities and previously announced facility closures.

The following tables show the realignment charges and related payments and adjustments recorded during the three months and nine months ended September 30, 2009.

	Employee Termination Benefits	Long-Lived Asset Impairment	Exit Costs	Total
Balance at June 30, 2009	$ 35	$ -	$ 4	$ 39
Activity during the period:				
Charged to realignment	9	5	3	17
Adjustments of accruals	(3)			(3)
Non-cash write-off		(5)		(5)
Cash payments	(16)		(3)	(19)
Currency impact	1			1
Balance at September 30, 2009	$ 26	$ -	$ 4	$ 30
Balance at December 31, 2008	$ 55	$ -	$ 10	$ 65
Activity during the period:				
Charged to realignment	75	12	17	104
Adjustments of accruals	(6)		(5)	(11)
Non-cash write-off		(12)		(12)
Cash payments	(100)		(18)	(118)
Currency impact	2			2
Balance at September 30, 2009	$ 26	$ -	$ 4	$ 30

At September 30, 2009, $30 of realignment accruals remained in accrued liabilities, including $26 related to continuing benefits and the reduction of approximately 900 employees to be completed over the next year and $4 for lease continuation and other exit costs. The estimated cash expenditures related to these liabilities are projected to approximate $12 in 2009 and $18 thereafter. In addition to the $30 accrued at September 30, 2009, we estimate that another $14 will be expensed in the future to complete previously announced initiatives.

The following table provides project-to-date and estimated future expenses for completion of our pending realignment initiatives for our business segments.

	Expense Recognized			Future
	Prior to 2009	Year-to-Date 2009	Total to Date	Cost to Complete
LVD	$ 89	$ 28	$ 117	$ 8
Structures	37	7	44	2
Sealing	3	15	18	2
Thermal		7	7	
Off-Highway	2	2	4	
Commercial Vehicle	31	25	56	2
Other	17	9	26	
Total continuing operations	$ 179	$ 93	$ 272	$ 14

The remaining cost to complete includes estimated noncontractual separation payments, lease continuation costs, equipment transfers and other costs which are required to be recognized as closures are finalized or as incurred during the closure.

Table of Contents

Note 6. Inventories

On January 1, 2009, we changed the method of determining the cost of inventories for our U.S. operations from the LIFO basis to the FIFO basis. Our non-U.S. operations continue to determine cost using the average or FIFO cost method. We believe the change is preferable as the FIFO method discloses the current value of inventories on the consolidated balance sheet, provides greater uniformity across our operations and enhances our comparability with peers.

We applied the change in accounting method by adjusting the 2008 financial statements for the periods subsequent to our emergence from Chapter 11 on January 31, 2008. As a result of applying fresh start accounting, inventory values at January 31, 2008 had been adjusted to their acquired value which resulted in the LIFO basis equaling the FIFO basis at that date. At December 31, 2008, our FIFO basis exceeded our LIFO basis by $14. The change in accounting from the LIFO to FIFO method for 2008 was recorded as a reduction to cost of sales, resulting in a $14 benefit to operating income from continuing operations for the eleven months ended December 31, 2008. The accounting adjustment to a FIFO basis decreased cost of sales by $15 for the three months ended September 30, 2008 and by $7 for the eight months ended September 30, 2008. The $7 consists of a charge to cost of sales of $34 to amortize the valuation step-up recorded at January 31, 2008 in connection with fresh start accounting offset by $41 of reversal of the LIFO provision that had been recorded in that eight-month period. The eight-month credit of $7 and the reversal of additional credit LIFO reserves of $7 recorded in the fourth quarter of 2008 result in the net benefit of $14 for the eleven months ended December 31, 2008. There is no net effect on income tax expense due to the valuation allowances on U.S. deferred tax assets.

The impacts of this change in costing on the consolidated statement of operations for the three months ended September 30, 2009 and 2008 are presented in the following table:

	2009			2008		
	Three Months Ended September 30, 2009 (LIFO)	Difference Between LIFO and FIFO	As Reported Three Months Ended September 30, 2009 (FIFO)	As Reported Three Months Ended September 30, 2008 (LIFO)	Adjustments to Change from LIFO to FIFO	As Adjusted Three Months Ended September 30, 2008 (FIFO)
Cost of sales	$1,243	$ 4	$ 1,247	$1,896	$ (15)	$ 1,881
Income (loss) from continuing operations before interest, reorganization items and income taxes	(9)	(4)	(13)	(194)	15	(179)
Income (loss) from continuing operations before income taxes	(45)	(4)	(49)	(232)	15	(217)
Income (loss) from continuing operations	(34)	(4)	(38)	(269)	15	(254)
Net income (loss)	(34)	(4)	(38)	(270)	15	(255)
Net income (loss) attibutable to the parent company	(34)	(4)	(38)	(271)	15	(256)
	(42)	(4)	(46)	(279)	15	(264)

Net income (loss) available to common stockholders						
Loss per share from continuing operations attributable to parent company stockholders:						
Basic	$ (0.41)	$ (0.04)	$ (0.45)	$ (2.78)	$ 0.14	$ (2.64)
Diluted	$ (0.41)	$ (0.04)	$ (0.45)	$ (2.78)	$ 0.14	$ (2.64)
Net income (loss) per share attributabe to parent company stockholders:						
Basic	$ (0.41)	$ (0.04)	$ (0.45)	$ (2.79)	$ 0.13	$ (2.66)
Diluted	$ (0.41)	$ (0.04)	$ (0.45)	$ (2.79)	$ 0.13	$ (2.66)

Note: The as reported amounts for 2008 are presented after giving effect to the adjustments made to modify the reporting of noncontrolling interests.

Table of Contents

The impacts of this change in costing on the consolidated statement of operations for the nine months ended September 30, 2009 and the eight months ended September 30, 2008 are presented in the following table:

	2009			2008		
	Nine Months Ended September 30, 2009 (LIFO)	Difference Between LIFO and FIFO	As Reported Nine Months Ended September 30, 2009 (FIFO)	As Reported Eight Months Ended September 30, 2008 (LIFO)	Adjustments to Change from LIFO to FIFO	As Adjusted Eight Months Ended September 30, 2008 (FIFO)
Cost of sales	$3,582	$ 16	$ 3,598	$5,579	$ (7)	$ 5,572
Income (loss) from continuing operations before interest, reorganization items and income taxes	(116)	(16)	(132)	(238)	7	(231)
Income (loss) from continuing operations before income taxes	(222)	(16)	(238)	(359)	7	(352)
Income (loss) from continuing operations	(185)	(16)	(201)	(425)	7	(418)
Net income (loss)	(185)	(16)	(201)	(429)	7	(422)
Net income (loss) attributable to the parent company	(179)	(16)	(195)	(435)	7	(428)
Net income (loss) available to common stockholders	(203)	(16)	(219)	(456)	7	(449)
Income (loss) per share from continuing operations attributable to parent company stockholders:						
Basic	$ (2.01)	$ (0.16)	$ (2.17)	$ (4.52)	$ 0.07	$ (4.45)
Diluted	$ (2.01)	$ (0.16)	$ (2.17)	$ (4.52)	$ 0.07	$ (4.45)
Net income (loss) per share attributabe to parent company stockholders:						
Basic	$ (2.01)	$ (0.16)	$ (2.17)	$ (4.56)	$ 0.07	$ (4.49)
Diluted	$ (2.01)	$ (0.16)	$ (2.17)	$ (4.56)	$ 0.07	$ (4.49)

Note: The as reported amounts for 2008 are presented after giving effect to the adjustments made to modify the reporting of noncontrolling interests.

The impacts of this change on reported balances at December 31, 2008 and September 30, 2009 are as follows:

		2009 Difference			2008 Adjustments	
	September 30, 2009 (LIFO)	Between LIFO and FIFO	As Reported September 30, 2009 (FIFO)	As Reported December 31, 2008 (LIFO)	to Change from LIFO to FIFO	As Adjusted December 31, 2008 (FIFO)
Inventories	$ 681	$ (2)	$ 679	$ 901	$ 14	$ 915
Total current assets	2,528	(2)	2,526	2,733	14	2,747
Total assets	5,264	(2)	5,262	5,593	14	5,607
Accumulated deficit	(923)	(2)	(925)	(720)	14	(706)
Total parent company stockholders equity	2,166	(2)	2,164	2,014	14	2,028
Total equity	2,265	(2)	2,263	2,121	14	2,135
Total liabilities and equity	5,264	(2)	5,262	5,593	14	5,607

Note: The as reported amounts for 2008 are presented after giving effect to the adjustments made to modify the reporting of noncontrolling interests.

Table of Contents

The impacts of this change on operating cash flow for the nine months ended September 30, 2009 and the eight months ended September 30, 2008 are as follows:

	2009			2008		
	Nine Months Ended September 30, 2009 (LIFO)	Adjustments to Change from LIFO to FIFO	As Reported Nine Months Ended September 30, 2009 (FIFO)	As Reported Eight Months Ended September 30, 2008 (LIFO)	Adjustments to Change from LIFO to FIFO	As Adjusted Eight Months Ended September 30, 2008 (FIFO)
Net income (loss)	$ (185)	$ (16)	$ (201)	$ (429)	$ 7	$ (422)
Amortization of inventory valuation				15	34	49
Change in working capital	33	16	49	(111)	(41)	(152)

Note: The as reported amounts for 2008 are presented after giving effect to the adjustments made to modify the reporting of noncontrolling interests.

During the third quarter of 2009, we reduced inventory and charged cost of sales for $6 to correct an overstatement of inventory related to full absorption costing that arose in 2008. The $6 charge is not included in segment EBITDA, as full absorption adjustments are recorded at the corporate level. This adjustment was not considered material to the current period or the prior periods to which it related. The correction of full absorption costing also required the reclassification of $5 from cost of sales to selling, general and administrative expenses in each of the first two quarters of 2009. Year-to-date cost of sales has been reduced and selling, general and administrative expenses increased by $10 in the financial statements for the nine months ended September 30, 2009 to correct the classification of these costs. The impact on classification of costs in prior periods was not considered material.

Note 7. Goodwill, Other Intangible Assets and Long-lived Assets

Goodwill We test goodwill for impairment on an annual basis unless conditions arise that warrant an interim review. The annual impairment tests are performed as of October 31. In assessing the recoverability of goodwill estimates of fair value are based upon consideration of various valuation methodologies, including projected future cash flows and multiples of current earnings. If these estimates or related projections change in the future, we may be required to record goodwill impairment charges.

During the second quarter of 2009, our assessment of the effects of the pace of the market recovery on our forecast for the remainder of the year and for future periods led us to conclude that the related reduction in cash flows projected for those periods comprised a triggering event. As a result, we evaluated our Off-Highway goodwill and indefinite-lived intangible assets of all of our segments to test for impairment using the fair value methodology described in Note 2 of the notes to our consolidated financial statements in our Form 8-K filed September 2, 2009 as modified by the fair value guidance discussed under recently adopted accounting standards in Note 1 above.

For the Off-Highway goodwill evaluation we used the average of a discounted cash flow (DCF) valuation and comparable company multiple valuation. We utilized a discount rate of 12.9% for the DCF analysis and an EBITDA multiple of 7.7 based on comparable companies in similar markets. The updated fair value of the Off-Highway segment supported the carrying value of the net assets of this business at June 30, 2009 and, accordingly, no impairment charge was recorded in the second quarter of 2009.

No triggering events were identified in the third quarter of 2009. However, market conditions or operational execution impacting any of the key assumptions underlying our estimated cash flows could result in future goodwill impairment. Our remaining goodwill relates to the Off-Highway segment and increased from $108 at December 31, 2008 to $113 at September 30, 2009 due to foreign currency translation.

Table of Contents

Other Intangible Assets Intangible assets include core technology, trademarks and trade names and customer relationships. Core technology includes the proprietary know-how and expertise that is inherent in our products and manufacturing processes. Trademarks and trade names include our trade names related to product lines and the related trademarks including Dana®,
Spicer ® and others. Customer relationships include the established relationships with our customers and the related ability of these customers to continue to generate future recurring revenue and income.

Customer contracts and developed technology have finite lives while substantially all of the trademarks and trade names have indefinite lives. Definite-lived intangible assets are amortized over their useful lives using the straight-line method of amortization and are periodically reviewed for impairment indicators. Indefinite-lived intangible assets are reviewed for impairment annually or more frequently if impairment indicators exist.

Due to the second-quarter 2009 assessment of our forecasted results noted above, we performed impairment testing on our indefinite-lived intangible assets as of June 30, 2009 and determined that the fair value of trademarks and trade names had declined below the carrying value. These valuations resulted in impairments of $4 in our Commercial Vehicle segment and $2 in our Off-Highway segment in the second quarter of 2009 which we reported as impairment of intangible assets.

We utilized an income approach, the relief from royalty method, for the valuation of the fair value of our trademarks and trade names. This approach is consistent with the fair value guidance discussed under Recently Adopted Accounting Standards in Note 1 above. Four trade names/trademarks are identified as intangible assets: Dana®, Spicer ®, Victor-Reinz® and Long®. The fair value of trademarks and trade names is included in the fair value disclosure in Note 15.

The following table summarizes the components of other intangible assets at September 30, 2009:

	Weighted Average Useful Life (years)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Amortizable intangible assets:				
Core technology	7	$ 99	$ (26)	$ 73
Trademarks and trade names	17	4		4
Customer relationships	8	487	(120)	367
Non-amortizable intangible assets:				
Trademarks and trade names		64		64
		$ 654	$ (146)	$ 508

The net carrying amounts of intangible assets attributable to each of our operating segments at September 30, 2009 were as follows: LVD $24, Sealing $40, Thermal $19, Structures $47, Commercial Vehicle $202 and Off-Highway $176.

Amortization expense related to intangible assets was $22 and $64 for the three months and nine months ended September 30, 2009. Year-to-date amortization of core technology of $11 was charged to cost of sales and $53 of amortization of trademarks and trade names and customer relationships was charged to amortization of intangibles.

Estimated aggregate pre-tax amortization expense related to intangible assets for the remainder of 2009 and each of the next five years is as follows: remainder of 2009 $19, 2010 $74, 2011 $72, 2012 $72, 2013 $72 and 2014 $69. Actual amounts may differ from these estimates due to such factors as currency translation, customer turnover, impairments, additional intangible asset acquisitions and other events.

Long-lived Assets Based on the second-quarter assessment of our forecasted results noted above, we evaluated our long-lived assets in each segment for impairment. We reviewed the recoverability of these assets by comparing the carrying amount of the assets to the projected undiscounted future net cash flows expected to be generated. These assessments supported the carrying values of the long-lived assets at the end of the second quarter of 2009; however, deterioration of market conditions or operational execution impacting any of the key assumptions underlying our estimated cash flows could result in future long-lived asset impairment.

Note 8. Capital Stock

Series A and Series B Preferred Stock Dividends on the preferred stock have been accrued from the issue date at a rate of 4% per annum and are payable in cash on a quarterly basis as approved by the Board of Directors. The payment of preferred dividends was suspended in November 2008 under the terms of our amended Term Facility and may resume when our total leverage ratio as of the end of the previous fiscal quarter is less than or equal to 3.25:1.00. See Note 14 for additional information on the amended Term Facility. Preferred dividends accrued but not paid at September 30, 2009 were $34.

Common Stock At September 30, 2009, we had issued 134,198,885 shares of our common stock and we held less than $1 in treasury stock (34,577 shares at an average cost per share of $6.31).

On September 29, 2009, we completed an underwritten offering of 34 million shares of common stock at $6.75 per share, generating proceeds of $217, net of underwriting commissions and related offering expenses (see Note 14). On October 5, 2009, we completed the sale of an additional 5 million shares, generating net proceeds of $33.

Note 9. Earnings Per Share

The following table reconciles the weighted-average number of shares used in the basic earnings per share calculations to the weighted-average number of shares used to compute diluted earnings per share (in millions of shares):

	Dana				Prior Dana
	Three Months Ended September 30,		Nine Months Ended September 30,	Eight Months Ended September 30,	One Month Ended January 31,
	2009	2008	2009	2008	2008
Weighted-average number of shares outstanding - basic	100.9	100.1	100.4	100.1	149.9
Employee compensation-related shares, including stock options					0.5
Weighted-average number of shares outstanding - diluted	100.9	100.1	100.4	100.1	150.4

Basic earnings (loss) per share is calculated by dividing the net income (loss) attributable to parent company stockholders, less preferred stock dividend requirements, by the weighted-average number of common shares outstanding. The outstanding common shares computation excludes any shares held in treasury.

In September 2009, we issued an additional 34 million shares in a common stock offering (see Note 14). The terms of our Series A and Series B convertible preferred stock allow for adjustments to the conversion price when dilution occurs (based on a formula set forth in our Restated Certificate of Incorporation). The preferred stock conversion price changed from $13.19 to $12.06 at September 30, 2009 as a result of the common stock issued in September 2009 and our preferred shares would have converted into approximately 65.5 million shares of common stock at September 30, 2009. The additional issuance of common stock in October 2009 lowered the preferred stock conversion price to $11.93 which would result in the conversion of our preferred shares into approximately 66.2 million shares of

common stock.

Table of Contents

The share count for diluted earnings (loss) per share is computed on the basis of the weighted-average number of common shares outstanding plus the effects of dilutive common stock equivalents (CSEs) outstanding during the period. CSEs, which are securities that may entitle the holder to obtain common stock, include outstanding stock options, restricted stock unit awards, performance share awards and preferred stock. When the average price of the common stock during the period exceeds the exercise price of a stock option, the options are considered potentially dilutive CSEs. To the extent these CSEs are anti-dilutive they are excluded from the calculation of diluted earnings per share. Also, when there is a loss from continuing operations, potentially dilutive shares are excluded from the computation of earnings per share as their effect would be anti-dilutive due to the loss.

We excluded 4.1 million and 4.2 million of CSEs from the table above for the quarters ended September 30, 2009 and 2008 and we excluded 5.9 million and 2.0 million of CSEs for the nine months ended September 30, 2009 and eight months ended September 30, 2008 as the effect of including them would have been anti-dilutive. In addition, we excluded CSEs that satisfied the definition of potentially dilutive shares of 4.0 million, zero, 1.3 million and 0.1 million for these same periods due to the dilutive effect of the loss from continuing operations for these periods. Conversion of the preferred stock was also not included in the share count for diluted earnings per share due to the loss from continuing operations.

The calculation of earnings per share is based on the following income (loss) attributable to the parent company stockholders:

	Dana				Prior Dana
	Three Months Ended September 30,		Nine Months Ended September 30,	Eight Months Ended September 30,	One Month Ended January 31,
	2009	2008	2009	2008	2008
Income (loss) from continuing operations	$ (38)	$ (255)	$ (195)	$ (424)	$ 715
Loss from discontinued operations		(1)		(4)	(6)
Net income (loss)	$ (38)	$ (256)	$ (195)	$ (428)	$ 709

Earnings for income (loss) per share from continuing operations attributable to parent company stockholders and net income (loss) attributable to parent company stockholders include the charge for the preferred stock dividend requirement. Earnings per share information reported by Prior Dana is not comparable to earnings per share information reported by Dana because all existing equity interests of Prior Dana were eliminated upon the consummation of the Plan.

Note 10. Incentive and Stock Compensation

Our Board of Directors granted approximately 4.3 million stock options, 0.6 million stock appreciation rights (SARs) and 0.3 million restricted stock units (RSUs) during the first nine months of 2009 under the 2008 Omnibus Incentive Plan. The weighted-average exercise price and fair value at grant date per share of both the options and SARs issued during the period were $0.80 and $0.48. The weighted-average grant-date fair value per share of the RSUs was $1.32. The expected term was estimated using the simplified method as historical data was not sufficient to provide a reasonable estimate. Stock options related to 0.4 million shares were forfeited in the first nine months of 2009.

Table of Contents

We estimated fair values for options and SARs granted during the period using the following key assumptions as part of the Black-Scholes option pricing model:

	Weighted-Average of Assumptions
Expected term (in years)	6.00
Risk-free interest rate	2.16%
Expected volatility	63.05%

We recognized stock compensation expense of $4 and $2 for the three months ended September 30, 2009 and 2008 and recognized $8 and $4 during the nine months ended September 30, 2009 and eight months ended September 30, 2008 and no expense in the one month ended January 31, 2008. As of September 30, 2009, unearned compensation cost related to the unvested portion of all stock based awards granted was approximately $11 and is expected to be recognized over vesting periods averaging from 0.2 to 1.2 years.

Note 11. Pension and Postretirement Benefit Plans

We have a number of defined contribution and defined benefit, qualified and nonqualified, pension plans for certain employees. Other postretirement benefit plans (OPEB), including medical and life insurance, are provided for certain employees upon retirement.

The components of net periodic benefit costs (credits) were as follows:

	Pension Benefits Dana Three Months Ended September 30,				Other Benefits Dana Non-U.S. Three Months Ended September 30,	
	2009		2008			
	U.S.	Non-U.S.	U.S.	Non-U.S.	2009	2008
Service cost	$ -	$ 2	$ -	$ 2	$ -	$ -
Interest cost	27	5	27	6	2	1
Expected return on plan assets	(29)	(3)	(33)	(3)		
Net periodic benefit cost (credit)	(2)	4	(6)	5	2	1
Curtailment loss			2			
Net periodic benefit cost (credit) after curtailment costs	$ (2)	$ 4	$ (4)	$ 5	$ 2	$ 1

There were no net periodic other benefit costs in the U.S. for the three months ended September 30, 2009 and 2008. Our other postretirement benefit costs for all U.S. employees and retirees were eliminated at emergence.

	Pension Benefits					
	Dana				Prior Dana	
	Nine Months Ended September 30, 2009		Eight Months Ended September 30, 2008		One Month Ended January 31, 2008	
	U.S.	Non-U.S.	U.S.	Non-U.S.	U.S.	Non-U.S.
Service cost	$ -	$ 5	$ -	$ 6	$ 1	$ 1
Interest cost	82	14	73	17	9	2
	(87)	(7)	(92)	(11)	(12)	(2)

Expected return on plan assets						
Recognized net actuarial loss					2	
Net periodic benefit cost (credit)	(5)	12	(19)	12		1
Curtailment loss			2			
Settlement gain				(12)		
Termination cost			7			
Net periodic benefit cost (credit) after curtailments, settlements and termination costs	$ (5)	$ 12	$ (10)	$ -	$ -	$ 1

Table of Contents

	Other Benefits			
	Dana Non-U.S.		Prior Dana	
	Nine Months Ended September 30,	Eight Months	One Month Ended January 31, 2008	
	2009	2008	U.S.	Non-U.S.
Service cost	$ -	$ 1	$ -	$ -
Interest cost	5	4	5	1
Amortization of prior service cost			(3)	
Recognized net actuarial loss			3	
Net periodic benefit cost	5	5	5	1
Curtailment gain	(1)		(61)	
Net periodic benefit cost (credit) after curtailments	$ 4	$ 5	$ (56)	$ 1

There were no net periodic other benefit costs in the U.S. for the nine months ended September 30, 2009 and the eight months ended September 30, 2008. Our other postretirement benefit costs for all U.S. employees and retirees were eliminated at emergence.

Our workforce reduction actions in the U.S. reached a level by the third quarter of 2009 that required a remeasurement of one of our pension plans. The remeasurement of the affected pension plan at August 31, 2009 reduced the reported fair value of plan assets, net, by $2 with a net charge to other comprehensive income (OCI) of $2. The related curtailment cost was less than $1 and was included in realignment charges.

In the second quarter of 2009, we recorded less than $1 in pension curtailment gains related to our workforce reduction actions. The affected pension plans were remeasured at May 31, 2009. The remeasurement reduced the reported fair value of plan assets by less than $1 and increased the reported defined benefit obligations by $1 with a net charge to OCI of $1. As a result of the terminations, settlement actions reduced the benefit obligations by $4 and also reduced the fair value of plan assets by $4. We also recorded $1 in postretirement healthcare curtailment gains related to our workforce reduction actions. The affected plans were remeasured at May 31, 2009. The remeasurement increased the postretirement healthcare obligation by $4 with a charge to OCI of $4.

During the first quarter of 2009, we settled a portion of the Canadian retiree pension benefit obligations by purchasing non-participating annuity contracts to cover vested benefits. This action necessitated a remeasurement of the assets and liabilities of the affected plans as of February 28, 2009. The discount rate used for remeasurement was 6.39%. As a result of the annuity purchases, we reduced the benefit obligation by $43 and also reduced the fair value of plan assets by $43. We recorded the related settlement loss of less than $1 in cost of sales.

In 2008, employee acceptances of early retirement incentives in the U.S. generated pension plan special termination costs of $7 in the second quarter which were included in realignment charges as well as curtailment losses of $2 which were charged against OCI. Similar incentives in the U.S. generated curtailment losses of $2 in the third quarter which were included in realignment charges. The affected pension plans were remeasured at June 30, 2008 and again at August 31, 2008. The remeasurement at June 30, 2008 increased net assets by $3 and reduced the net defined benefit obligations by $32 with a credit to OCI of $35. The remeasurement at August 31, 2008 increased net assets by $2 and increased the net defined benefit obligations by $72 with a charge to OCI for $70.

Also during the second quarter of 2008, we settled a substantial portion of the Canadian retiree pension benefit obligations by purchasing non-participating annuity contracts to cover vested benefits. This action necessitated a remeasurement of the assets and liabilities of the affected plans as of May 31, 2008. The discount rate used for remeasurement was 5.50%. As a result of the annuity purchases, we reduced the benefit obligation by $114 and also reduced the fair value of plan assets by $114. We recorded the related settlement gain of $12 as a reduction to cost of sales.

Our postretirement healthcare obligations for all U.S. employees and retirees were eliminated upon emergence. We contributed an aggregate of approximately $733 in cash on February 1, 2008 (which is net of amounts incurred and paid for non-pension retiree benefits, long-term disability and related healthcare claims of retirees between July 1, 2007 and January 31, 2008) to union-administered Voluntary Employee Benefit Associations (VEBAs). As a result of the changes in our U.S. other postretirement benefits that became effective on January 31, 2008 with our emergence from Chapter 11, we recognized a portion of the previously unrecognized prior service credits as a curtailment gain of $61 due to the negative plan amendment and reported it as a component of the gain on settlement of liabilities subject to compromise as of January 31, 2008. The gain was calculated based on the current estimate of the future working lifetime attributable to those participants who will not receive benefits following the estimated exhaustion of funds. The calculation used current plan assumptions and current levels of plan benefits. In connection with the recognition of our obligations to the VEBAs at emergence, the accumulated postretirement benefit obligation (APBO) was reset to an amount equal to the VEBA payments, resulting in a reduction of $278 with an offsetting credit to accumulated other comprehensive loss.

Note 12. Comprehensive Income (Loss)

Comprehensive income (loss) includes our net income (loss) and components of OCI such as currency translation adjustments that are charged or credited directly to equity.

The components of our total comprehensive income (loss) were as follows:

	Dana				Prior Dana
	Three Months Ended September 30,		Nine Months Ended September 30,	Eight Months Ended September 30,	One Month Ended January 31,
Parent company:	2009	2008	2009	2008	2008
Net income (loss) attributable to parent company	$ (38)	$ (256)	$ (195)	$ (428)	$ 709
Other comprehensive income (loss):					
Currency translation	54	(185)	110	(108)	3
Postretirement healthcare plan amendments					278
Immediate recognition of prior service credit due to curtailment					(61)
Pension plan settlements				(9)	
Pension plan curtailments				(2)	
Benefit plan actuarial loss, net	(2)	(68)	(17)	(20)	(140)
Reclassification to net income (loss) of benefit plan amortization					2
Income tax provision	(14)	26	(23)		
Unrealized investment gains (losses) and other	42	(10)	61	(23)	(6)

Total other comprehensive income (loss)	80	(237)	131	(162)	76
Comprehensive income (loss) attributable to the parent company	$ 42	$ (493)	$ (64)	$ (590)	$ 785
Noncontrolling interests:					
Noncontrolling interest net income (loss)	$ -	$ 1	$ (6)	$ 6	$ 2
Other comprehensive income (loss):					
Currency translation	2	(5)	3	(4)	(21)
Other					3
Total other comprehensive income (loss)	2	(5)	3	(4)	(18)
Noncontrolling interest comprehensive income (loss)	$ 2	$ (4)	$ (3)	$ 2	$ (16)
Total	$ 44	$ (497)	$ (67)	$ (588)	$ 769

Table of Contents

The reported OCI for the nine months ended September 30, 2009 included $66 attributable to our U.S. operations, before considering the effect of income taxes, primarily as a result of unrealized investment gains. As a result of reporting pre-tax income in OCI and a pre-tax loss from continuing operations, we charged tax expense of $23 to OCI during the first nine months of 2009 to recognize the income tax expense associated with the components of OCI. An income tax benefit of $18 was recorded in continuing operations to recognize the portion of the $23 earned through September 30, 2009 even though valuation allowances have been established against deferred tax assets. See Note 19 for a more detailed explanation of the accounting for income taxes.

The reported OCI for the eight months ended September 30, 2008 attributable to our U.S. operations was a loss before considering the effect of income taxes. The same accounting provision explained in the preceding paragraph increased OCI for the three months ended September 30, 2008 as the $26 of income tax charged in the second quarter of 2008 was reversed, resulting in no impact for the eight months ended September 30, 2008.

The following table reconciles the beginning and ending balances of equity between Dana equity and noncontrolling interest equity for the periods ended September 30, 2009 and 2008, after adjusting the 2008 amounts to record the change from the LIFO to FIFO method of accounting for inventories (see Note 6).

	Dana Equity	Noncontrolling Interests	Total Equity
Balance, December 31, 2007	$ (782)	$ 95	$ (687)
Comprehensive income (loss)	785	(16)	769
Dividends paid		(1)	(1)
Stock issued	3,039		3,039
Fresh start adjustments	(3)	34	31
Balance, January 31, 2008	3,039	112	3,151
Comprehensive income (loss)	(590)	2	(588)
Preferred stock dividends	(21)		(21)
Employee emergence bonus	46		46
Stock compensation	5		5
Additional investment		2	2
Dividends paid		(6)	(6)
Balance, September 30, 2008	$ 2,479	$ 110	$ 2,589
Balance, December 31, 2008	$ 2,028	$ 107	$ 2,135
Comprehensive loss	(64)	(3)	(67)
Preferred stock dividends	(24)		(24)
Share issuance	217		217
Stock compensation	7		7
Dividends paid		(5)	(5)
Balance, September 30, 2009	$ 2,164	$ 99	$ 2,263

Table of Contents

Note 13. Cash Deposits

Cash deposits are maintained to provide credit enhancement for certain agreements and are reported as part of cash and cash equivalents. For most of these deposits, the cash may be withdrawn if comparable security is provided in the form of letters of credit. Accordingly, these deposits are not considered to be restricted.

	U.S.	Non-U.S.	Total
Cash and cash equivalents	$ 400	$ 310	$ 710
Cash and cash equivalents held as deposits	10	20	30
Cash and cash equivalents held at less than wholly-owned subsidiaries	1	73	74
Balance at September 30, 2009	$ 411	$ 403	$ 814

A portion of the non-U.S. cash and cash equivalents is utilized for working capital and other operating purposes. Several countries have local regulatory requirements that significantly restrict the ability of our operations to repatriate this cash. Beyond these restrictions, there are practical limitations on repatriation of cash from certain countries because of the resulting tax withholdings.

Note 14. Liquidity and Financing Agreements

Liquidity

Common Stock Offering and Debt Reduction In September 2009, we completed a common stock offering for 34 million shares at a price per share of $6.75, generating net proceeds of $217. The provisions of our term facility required that a minimum of 50% of the net proceeds of the equity offering be used to repay outstanding principal of our term loan. As a result of previous debt repurchases, approximately 10% of the outstanding principal amount of the term loan is held by a wholly-owned non-U.S. subsidiary of Dana. Accordingly, $11 of the $109 term loan repayment made to the lenders was received by this wholly-owned non-U.S. subsidiary and $98 was used to repay outstanding principal of our term loan held by third parties.

The September 2009 equity offering provided the underwriters with an over-allotment option to purchase an additional 5 million shares. The purchase of these additional shares was completed on October 5, 2009, generating net proceeds of $33. Of these proceeds, $15 was used to repay third party debt principal.

Additional debt reduction occurred in August 2009 when the wholly-owned non-U.S. subsidiary of Dana paid $12 to repurchase $15 of principal outstanding under our term facility.

Risks and Uncertainties There continue to be numerous risks and uncertainties relating to the global economy and our industry that could materially affect our future financial performance and liquidity. Among the potential outcomes, these risks and uncertainties could result in decreased sales, limited access to credit, rising costs, increased global competition, customer or supplier bankruptcies, delays in customer payments and acceleration of supplier payments, growing inventories and our failure to meet debt covenants.

Our sales forecast is significantly influenced by various external factors beyond our control, including customer bankruptcies and overall economic market conditions. Achieving our current forecast is also dependent upon a number of internal factors such as our ability to execute our remaining cost reduction plans, to operate effectively within the reduced cost structure and to realize our projected pricing improvements. The previous uncertainty surrounding the potential effects associated with Chapter 11 filings by Chrysler and GM has dissipated. Both companies entered Chapter 11 during the second quarter of 2009, and have subsequently emerged as new companies. In connection with their emergence, contracts for substantially all of our significant programs were assumed by the new companies, and we received full consideration from them of all amounts due. We were in compliance with our debt covenants at September 30, 2009, and based on our current forecast assumptions, we expect to be able to satisfy our debt covenants during the next twelve months. As indicated in the Trends in Our Markets section in Item 2 below, we are beginning to see signs of stabilization and improvements in certain markets, thereby reducing the risk associated with further reductions to sales.

Financing Agreements

Exit Financing As of September 30, 2009, we had gross borrowings of $1,021 and unamortized original issue discount (OID) of $62 under the amended Term Facility, no borrowings under the Revolving Facility and we had utilized $185 for letters of credit. During the fourth quarter of 2008, one of our lenders failed to honor its 10% share of the funding obligation under the terms of our Revolving Facility and was a defaulting lender. If this lender does not honor its obligation in the future, our availability could be reduced by up to 10%. Based on borrowing base collateral of $363 at September 30, 2009, there was potential availability at that date under the Revolving Facility of $178 after deducting the outstanding letters of credit and assuming no reduction in availability for the defaulting lender.

In connection with our debt reduction actions in the third quarter of 2009, we recorded a net loss on extinguishment of debt of $8 including the premium of $1 on the prepayment of debt in connection with the equity offering. This charge was partially offset by $3 of gain on the August 2009 repurchase of $15 of term loan debt. The net $5 loss on extinguishment of debt is included in other income, net in the third quarter of 2009. We also charged $3 of deferred financing costs to interest expense in connection with the reduction in debt.

During the second quarter of 2009, we used cash of $77 to reduce the principal amount of our term loan by $125, primarily through market purchases. This activity, after considering $8 of related OID, resulted in a $40 gain on extinguishment of debt, which is included in other income, net. Debt issuance costs of $3 were written off as a charge to interest expense during the second quarter of 2009.

Interest Rate Agreements Interest on the amended Term Facility accrues at variable interest rates. Under the amended Term Facility we are required to carry interest rate hedge agreements covering a notional amount of not less than 50% of the aggregate loans outstanding under the amended Term Facility until January 2011. The fair value of these contracts, which cap our interest rate at 10.25% on $704 of debt, was $1 as of September 30, 2009.

European Receivables Loan Facility At September 30, 2009, there were no borrowings under this facility. The $117 of accounts receivable available as collateral under the program at September 30, 2009 would have supported $46 of borrowings at that date.

Covenant Restriction While we had borrowing availability of $224 at September 30, 2009, our additional borrowing capacity under the Revolving Facility and our other credit facilities was limited to $136 based on our financial covenants. Our future borrowing capacity may continue to be constrained by the covenants in our debt agreement.

Table of Contents

General Motors (GM) Supplier Financing Program During the second quarter of 2009, we elected to mitigate our GM accounts receivable exposure by participating in the Automotive Supplier Support Program. GM Supplier Receivables LLC (GMSR), a newly created subsidiary of GM, began to purchase GM receivables from approved GM suppliers in May. The obligations of GMSR related to these purchases are guaranteed by the U.S. Department of the Treasury. As of June 30, 2009, we were owed $11 for the receivables sold to GMSR. Because these sales of receivables did not satisfy the technical requirements for sales of financial assets, we were required to retain the GM receivables, record the $11 receivable from GMSR and recognize a liability shown on our June 30, 2009 balance sheet as financial obligation related to GM supplier program. In the third quarter of 2009, we collected this receivable, discontinued our participation in this program and eliminated the receivable from GMSR and the corresponding financing obligation.

Note 15. Fair Value Measurements

In measuring the fair value of our assets and liabilities, we use market data or assumptions that we believe market participants would use in pricing an asset or liability including assumptions about risk when appropriate. Our valuation techniques include a combination of observable and unobservable inputs.

As of September 30, 2009 and December 31, 2008, our assets and liabilities that are carried at fair value on a recurring and a non-recurring basis include the following:

		Fair Value Measurements Using		
September 30, 2009:	Total	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Trademarks and trade names	$ 64	$ -	$ -	64
Notes receivable	88			88
Interest rate caps	1	1		
Currency forward contracts	1		1	
Total assets	$ 154	$ 1	$ 1	$ 152
Liabilities:				
Currency forward contracts	$ 10	$ -	$ 10	$ -
Total liabilities	$ 10	$ -	$ 10	$ -
December 31, 2008:				
Assets:				
Trademarks and trade names	$ 72	$ -	$ -	$ 72
Notes receivable	20			20
Currency forward contracts	8		8	
Total assets	$ 100	$ -	$ 8	$ 92
Liabilities:				

Currency forward contracts	$	6	$	-	$	6	$	-
Total liabilities	$	6	$	-	$	6	$	-

The fair value of interest rate caps which are measured using Level 1 inputs was less than $1 at December 31, 2008.

Table of Contents

Trademarks and trade names are included in the table above since they were measured at fair value in the second quarter of 2009. These intangibles are measured at fair value on a non-recurring basis if conditions arise that warrant a review and impairment is indicated (see Note 7).

The change in fair value using Level 3 inputs of the notes receivable can be summarized as follows:

	Dana				Prior Dana
	Three Months Ended		Nine Months Ended	Eight Months Ended	One Month Ended
	September 30,		September 30,	September 30,	January 31,
Notes receivable	2009	2008	2009	2008	2008
Beginning of period	$ 45	$ 53	$ 20	$ 62	$ 67
Accretion of value (interest income)	3	2	8	6	1
Unrealized gain (loss) (OCI)	40	(10)	60	(23)	(6)
End of period	$ 88	$ 45	$ 88	$ 45	$ 62

Substantially all of the notes receivable amount consists of one note, due 2019, obtained in connection with a divestiture in 2004. Its carrying amount is adjusted each quarter based on the market value of publicly traded debt of the operating subsidiary of the obligor. We intend to hold this security until it recovers its contractual value, which could be at its scheduled maturity, and we believe that all contractual payments related to this note will be received. Net changes in the values of the other notes receivable are less than $1.

Note 16. Risk Management and Derivatives

The total notional amount of outstanding foreign currency derivatives as of September 30, 2009 was $43, which is primarily comprised of forward exchange contracts denominated in euros, British pounds and Australian dollars.

The fair values of derivative instruments included within the consolidated balance sheet as of September 30, 2009 are $1 of receivables under forward contracts reported as part of other current assets and $10 of payables under forward contacts reported in other accrued liabilities. These derivatives are not designated as hedging instruments. Changes in the fair value of these instruments and any gain or loss realized are reported in other income, net or cost of sales for materials purchases (see Note 15).

Hedges of product costs are recorded in cost of sales when the underlying transaction affects net income. No amounts were designated as hedges during the nine months ended September 30, 2009. We also carry an interest rate cap on a notional value of $704 of our long-term debt. The fair value of this derivative at September 30, 2009 was $1.

Note 17. Commitments and Contingencies

Class Action Lawsuit and Derivative Actions A securities class action entitled *Howard Frank v. Michael J. Burns and Robert C. Richter* was originally filed in October 2005 in the U.S. District Court for the Northern District of Ohio, naming our former Chief Executive Officer, Michael J. Burns, and former Chief Financial Officer, Robert C. Richter, as defendants. In a consolidated complaint filed in August 2006, lead plaintiffs alleged violations of the U.S. securities laws and claimed that the price at which our stock traded at various times between April 2004 and October 2005 was artificially inflated as a result of the defendants alleged wrongdoing. By order dated August 21, 2007, the District Court granted the defendants motion to dismiss the consolidated complaint and entered a judgment closing the case. On November 19, 2008, following briefing and oral argument on the lead plaintiffs appeal, the Sixth Circuit vacated the District Court s judgment of dismissal on the ground that the decision on which it was based misstated the applicable pleading standard. On August 29, 2009, the District Court entered an amended order granting defendants renewed motion to dismiss the consolidated complaint and entered a judgment closing the case. On September 23, 2009, lead plaintiffs filed a notice of appeal of the amended order and the judgment entry.

SEC Investigation In September 2005, we reported that management was investigating accounting matters arising out of incorrect entries related to a customer agreement in our Commercial Vehicle operations, and that the Prior Dana Audit Committee had engaged outside counsel to conduct an independent investigation of these matters as well. Outside counsel informed the SEC of the investigation, which ended in December 2005, the same month that we filed restated financial statements for the first two quarters of 2005 and the years 2002 through 2004. In January 2006, we learn