In August 2001, we completed the private placement of $575 and €200 of 10-year unsecured senior notes. We used the proceeds from these notes, along with a portion of the proceeds from divestitures, to further reduce borrowings under Dana's revolving credit facilities and satisfy maturities of existing medium-term debt, thereby extending the overall maturity of our outstanding debt.

In December 2001, we entered into a new 364-day revolving credit facility with a group of banks and amended our existing long-term facility, which matures on November 15, 2005. The 364-day facility provides for a maximum borrowing capacity of $250 while the long-term facility has a borrowing capacity of $500. The interest rates under these facilities equal LIBOR or the prime rate, plus a spread that varies depending on our credit ratings. The 364-day facility provides each participating bank the option to terminate its commitment on April 30, 2002 unless we receive net cash proceeds of at least $200 by April 1, 2002 from the issuance of debt in the capital markets or equity interests, or the sale of assets. If the net cash proceeds generated by these activities through December 18, 2002 exceed $200, the maximum borrowing capacity under the 364-day facility will be reduced by 50% of the excess. Both facilities require us to maintain specified financial ratios as of the end of each quarter, including the ratio of net senior debt to tangible net worth; the ratio of earnings before interest, taxes and depreciation and amortization (EBITDA) less capital spend to interest expense; and the ratio of net senior debt to EBITDA. For purposes of these ratios, tangible net worth excludes deferred currency translation adjustments, the 2001 minimum pension liability adjustment and intangible assets, and EBITDA excludes cash restructuring charges incurred from the fourth quarter of 2001 through the first quarter of 2003, to a maximum of $500, equity earnings, minority interest and certain other non-cash items. The ratio calculations are based on Dana's consolidated financial statements with DCC accounted for on the equity basis.

Because our financial performance is impacted by various economic, financial and industry factors, we cannot say with certainty whether we will satisfy these covenants in the future. Noncompliance with these covenants would constitute an event of default, allowing the lenders to accelerate the repayment of any borrowings outstanding under the related arrangement. While no assurance can be given, we believe that we would be able to successfully negotiate amended covenants or obtain waivers if an event of default were imminent; however, we might be required to provide collateral to the lenders or make other financial concessions. Default under either of these facilities or any of our significant note agreements may result in defaults under our other debt instruments. Our business, results of operations and financial condition may be adversely affected if we were unable to successfully negotiate amended covenants or obtain waivers on acceptable terms.

Committed and uncommitted bank lines enable us to make direct bank borrowings. Excluding DCC, we had committed and uncommitted borrowing lines of $1,148 at December 31, 2001. This amount includes our revolving credit facilities, of which $250 matures in December 2002 and $500 matures in November 2005. We also have a total capacity of $400 under the accounts receivable securitization program. Accordingly, we have a total short-term borrowing capability of $1,548, of which $1,105 was available at the end of 2001. In addition, DCC had credit lines of $559 at December 31, 2001, including two revolving credit facilities with an aggregate maximum borrowing capacity of $463. One facility matures in June 2002 and has a maximum borrowing capacity of $213. The other facility matures in June 2004 and has a maximum borrowing capacity of $250. The interest rates under these facilities equal LIBOR or the prime rate, plus a spread that varies depending on DCC's credit ratings. At December 31, 2001, approximately $231 was outstanding under the DCC lines, including $195 under the revolving credit facilities.

Based on our rolling forecast, we expect our cash flows from operations, combined with these credit facilities and the accounts receivable securitization program, to provide sufficient liquidity to fund our debt service obligations, projected working capital requirements, restructuring obligations and capital spending for a period that includes the next twelve months.

Hedging Activities – We utilize derivative financial instruments, to a limited extent, to hedge principally against the effects of fluctuations of foreign currency exchange rates and interest rate movements (see Notes 1, 7 and 16 to the financial statements). To accomplish these purposes, we use forward contracts to hedge against foreign currency movements and interest rate swaps to hedge against interest rate fluctuations and to balance the mix of fixed and variable rate debt. We do not use derivative instruments for trading purposes. Our policy requires that our business units involve our Treasury staff in the execution of all derivative contracts.

At December 31, 2001, we had a number of open forward contracts to hedge against certain anticipated net purchase and sale commitments. These contracts are for a short duration and none extend beyond 2002. The aggregate fair value of these contracts is a favorable amount less than $1. These contracts have been valued by independent financial institutions using the exchange spot rate on December 31, 2001, plus or minus quoted forward basis points to determine a settlement value for each contract.

In order to provide a better balance of fixed and variable rate debt, we have interest rate swap agreements in place to effectively convert the fixed interest rate on our 9% dollar and euro denominated notes to variable rates. These swap contracts have been designated as hedges and the impact of the change in their value is offset by an equal and opposite change in the carrying value of the notes. Under the contracts, we receive a fixed rate of interest of 9% on notional amounts of $575 and €200 and we pay a variable rate based on either the LIBOR, plus a spread, or the EURIBOR, plus a spread, respectively. The swap contracts expire in August 2011, which coincides with the term of the notes. DCC also has several interest rate swap contracts that have an aggregate notional amount of $95. Unlike the swap agreements hedging the 9% notes, the DCC swap contracts call for DCC to receive a variable amount of interest, based on prevailing short term market rates, and pay a fixed amount that averages 7.13%. DCC's swaps expire in 2002 ($50) and 2003 ($45). The fair value of all interest rate swaps at December 31, 2001 is reflected as a $6 liability in the balance sheet. The fair values of these swaps, by year of maturity, are net credits of $1 in 2002, $3 in 2003 through 2004 and $2 beyond 2006. The fair values of all swaps were determined by obtaining pricing estimates from independent financial institutions.

Cash Obligations – Under various agreements, we are obligated to make future cash payments in fixed amounts. These include payments under our long-term debt agreements, rent payments required under operating lease agreements, firm commitments made to acquire equipment and other fixed assets and purchases of certain raw materials. With the exception of payments required under our long-term debt and operating lease agreements, we do not have fixed cash payment obligations beyond 2003.

The following table summarizes our fixed cash obligations over various future periods.