Notes to Financial Statements

Dollars in millions

Note 11. Additional Compensation Plans

We have numerous additional compensation plans under which we pay our employees for increased productivity and improved performance. One such plan is our Additional Compensation Plan for certain officers and other key employees. Under this plan, a percentage of the participants' compensation is accrued for additional compensation if we attain certain annual corporate performance goals. The Compensation Committee selects the participants and determines whether to pay the awards immediately in cash or to defer them for payment later in cash, stock or a combination of both. Participants may elect to convert deferred awards to units which are the economic equivalent of shares of Dana common stock. Units are credited with the equivalent of dividends on our common stock and adjusted in value based on the market value of our common stock. Compensation expense was credited $3 in 1999, $7 in 2000 and $1 in 2001 in connection with reductions in the value of deferred units. Awards not converted to units are credited quarterly with interest earned at a rate tied to the prime rate.

Activity related to the plan for the last three years is as follows:

	1999	2000	**2001**
Awarded to participants based on preceding year's performance	$14	$15	**$ 0**
Dividends and interest credited to participants' accounts	4	2	**2**
Charge (credit) to expense	19	(5)	**1**
Shares issued to participants	3,721	5,240	**25,106**

We also have two successive Restricted Stock Plans under which the Compensation Committee grants restricted common shares to certain key employees. The shares are subject to forfeiture until the restrictions lapse or terminate. Generally, the employee must remain employed with us for a specified number of years after the date of grant to receive the shares. Since 1997, participants have been able to convert their restricted stock into restricted stock units under certain conditions. The number of restricted shares converted to restricted units was 200,037 in 1999, 32,736 in 2000 and 27,500 in 2001. The units are payable in unrestricted stock upon retirement or termination of employment.

Grants occurred under the 1989 Restricted Stock Plan through February 1999, at which time the authorization to grant restricted stock under the plan lapsed. There were 20,500 shares granted in 1999 under the 1989 Plan. At December 31, 2001, there were 474,605 shares available for issuance in connection with dividends payable on shares granted under this plan.

Shareholders approved the 1999 Restricted Stock Plan in April 1999 and authorized the issuance of up to 750,000 shares. There were 82,000 shares granted in 1999, 31,200 shares in 2000 and 529,000 shares in 2001 under the 1999 Plan. At December 31, 2001, there were 74,319 shares available for future grants and dividends under the 1999 Plan.

Charges to expense for these plans were $2 in 1999, $2 in 2000 and $3 in 2001.

Note 12. Pension and Other Postretirement Benefits

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

Under the terms of the defined contribution retirement plans, employee and employer contributions may be directed into a number of diverse investments. None of these plans allows for direct investment of contributions in Dana stock.

The following tables provide a reconciliation of the changes in the defined benefit pension plans' and other postretirement plans' benefit obligations and fair value of assets over the two-year period ended December 31, 2001, statements of the funded status and schedules of the net amounts recognized in the balance sheet at December 31, 2000 and 2001:

	Pension Benefits		Other Benefits	
	2000	**2001**	2000	**2001**
Reconciliation of benefit obligation				
Obligation at January 1	$2,425	**$2,477**	$ 1,140	**$ 1,198**
Service cost	76	**66**	16	**14**
Interest cost	168	**172**	79	**91**
Employee contributions	4	**4**	4	**7**
Plan amendments	6	**1**		**4**
Actuarial loss	28	**29**	56	**206**
Benefit payments	(224)	**(196)**	(84)	**(99)**
Settlement, curtailment and terminations	15	**7**	(12)	**(4)**
Acquisitions and divestitures	11	**9**		
Translation adjustments	(32)	**(20)**	(1)	**(2)**
Obligation at December 31	$2,477	**$2,549**	$ 1,198	**$ 1,415**
Reconciliation of fair value of plan assets				
Fair value at January 1	$2,931	**$2,752**		
Actual return on plan assets	49	**(294)**		
Acquisitions and divestitures	(26)	**11**		
Employer contributions	24	**18**		
Employee contributions	4	**4**		
Benefit payments	(198)	**(186)**		
Settlements	(1)	**(4)**		
Translation adjustments	(31)	**(18)**		
Fair value at December 31	$2,752	**$2,283**		
Funded Status				
Balance at December 31	$ 275	**$ (264)**	$(1,198)	**$(1,415)**
Unrecognized transition obligation	(1)	**(1)**		**(19)**
Unrecognized prior service cost	57	**43**	(30)	
Unrecognized (gain) loss	(351)	**229**	321	**512**
Accrued cost	$ (20)	**$ 7**	$ (907)	**$ (922)**
Amounts recognized in the balance sheet consist of:				
Prepaid benefit cost	$ 88	**$ 108**		
Accrued benefit liability	(168)	**(299)**	$ (907)	**$ (922)**
Intangible assets	23	**30**		
Accumulated other comprehensive loss	37	**168**		
Net amount recognized	$ (20)	**$ 7**	$ (907)	**$ (922)**