Notes to Financial Statements

In millions except share and per share amounts

Note 7. Interest Rate Agreements

Under our interest rate swap agreements, we agree to exchange with third parties, at specific intervals, the difference between fixed rate and floating rate interest amounts calculated by reference to an agreed notional amount. Differentials to be paid or received under these agreements are accrued and recognized as adjustments to interest expense. At December 31, 2001, Dana, exclusive of DCC, was committed to receive a rate of 9% on notional amounts of $575 and €200 and to pay variable rates equal to the six-month London interbank offered rate (LIBOR) plus an average of 3.09% (the combined rate was 5.07% at December 31, 2001) on a notional amount of $575 and the six-month Euro interbank offered rate (EURIBOR) plus an average of 3.79% (the combined rate was 7.04% on December 31, 2001) on a notional amount of €200. These agreements were entered in August 2001 in conjunction with the issuance of the 9% notes and expire when the notes mature in 2011. At December 31, 2001, DCC was committed to receive interest rates which change periodically in line with prevailing short-term market rates (the average rate being received at December 31, 2001 was 2.72%) and to pay an average rate of 7.13% which is fixed over the period of the agreements on notional amounts of $95. DCC's notional amounts of interest rate swaps expire as follows: 2002, $50 and 2003, $45.

Note 8. Long-Term Debt

	December 31 2000	**2001**
Indebtedness of Dana, excluding consolidated subsidiaries —		
Unsecured notes payable, fixed rates -		
6.25% notes, due March 1, 2004	$ 250	**$ 250**
6.5% notes, due March 15, 2008	150	**150**
7.0% notes, due March 15, 2028	196	**196**
6.5% notes, due March 1, 2009	349	**349**
7.0% notes, due March 1, 2029	371	**371**
9.0% notes, due August 15, 2011		**575**
9.0% euro notes, due August 15, 2011		**175**
6.92% - 7.04% notes, due 2002	470	**135**
Indebtedness of DCC —		
Unsecured notes payable, variable rates, 2.18% - 5.77%, due 2002 to 2006	220	**182**
Unsecured notes payable, fixed rates, 2.00% - 8.54%, due 2002 to 2011	865	**844**
Nonrecourse notes payable, fixed rates, 6.77% - 12.05%, due 2002 to 2010	108	**79**
Nonrecourse notes payable, variable rate of 5.38%, due 2003		**19**
Indebtedness of other consolidated subsidiaries	89	**129**
Total long-term debt	3,068	**3,454**
Less: Current maturities	419	**446**
	$2,649	**$3,008**

The total maturities of all long-term debt for the five years after 2001 are as follows: 2002, $446; 2003, $152; 2004, $482, 2005, $90 and 2006, $102.

We filed universal shelf registration statements in December 1997 and December 1998 authorizing us to issue debt or equity securities, or a combination thereof, in an aggregate amount not to exceed $1,350. In March 1998, we issued $150 of 6.5% unsecured notes due March 15, 2008 and $200 of 7.0% unsecured notes due March 15, 2028. In March 1999, we issued $250 of 6.25% unsecured notes due March 1, 2004, $350 of 6.5% unsecured notes due March 1, 2009 and $400 of 7.0% unsecured notes due March 1, 2029.

During 2001, Dana issued $575 and €200 of 9% unsecured notes due August 15, 2011. The indenture agreement related to these notes places certain limits on the borrowings, payments and transactions that we might wish to undertake.

During 1999, DCC established a $500 Medium Term Note Program. Notes under the program are offered on terms determined at the time of issuance. At December 31, 2001, notes totaling $500 were outstanding under the program. These notes are general, unsecured obligations of DCC. DCC has agreed that it will not issue any other notes which are secured or senior to notes issued under the program, except as permitted by the program.

Nonrecourse obligations represent debt collateralized by the assignment of contracts and a security interest in the underlying assets. In the event of a default under the nonrecourse debt obligation, the lender's recourse is limited to the collateral with no further recourse against DCC.

Interest paid on short-term and long-term debt was $285 in 1999, $314 in 2000 and $304 in 2001.

Note 9. Stock Option Plans

The Compensation Committee of the Board grants stock options to selected Dana employees under the 1997 Stock Option Plan. The option price is equal to the market price of our common stock at the date of grant. One-fourth of the options granted become exercisable at each of the first four anniversary dates of the grant; options generally expire ten years from the date of grant. Stock appreciation rights may be granted separately or in conjunction with the options.

This is a summary of transactions under the plan in the last three years:

	Number of Shares	Weighted Average Exercise Price
Outstanding at December 31, 1998	8,510,657	$36.43
Granted - 1999	2,333,919	45.50
Exercised - 1999	(569,933)	30.65
Cancelled - 1999	(193,138)	43.24
Outstanding at December 31, 1999	10,081,505	$38.78
Granted - 2000	3,322,750	23.06
Exercised - 2000	(120,857)	17.93
Cancelled - 2000	(420,999)	38.08
Outstanding at December 31, 2000	12,862,399	$34.94
Granted - 2001	2,763,200	25.05
Exercised - 2001	(52,003)	15.97
Cancelled - 2001	(632,643)	35.85
Outstanding at December 31, 2001	14,940,953	$33.14