

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

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In re : Chapter 11  
Dana Corporation, *et al.*, :  
Debtors. : Case No. 06-10354 (BRL)  
: (Jointly Administered)  
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**DECLARATION OF RICHARD B. PRIORY IN SUPPORT OF THE MOTION OF  
DEBTOR DANA CORPORATION, PURSUANT TO SECTIONS 363, 365 AND 105 OF  
THE BANKRUPTCY CODE, FOR AN ORDER AUTHORIZING DANA  
CORPORATION TO (A) ENTER INTO EMPLOYMENT AGREEMENTS WITH  
MICHAEL J. BURNS, ITS PRESIDENT AND CHIEF EXECUTIVE OFFICER, AND  
FIVE KEY EXECUTIVES OF HIS CORE MANAGEMENT TEAM, AND (B) ASSUME  
CERTAIN CHANGE OF CONTROL AGREEMENTS, AS AMENDED**

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Richard B. Priory hereby declares pursuant to section 1746 of title 28 of the  
United States Code:

1. I am the Presiding Director of the Board of Directors of Dana Corporation (“Dana,” and together with the above-captioned debtors and debtors in possession, the “Debtors”) and the Chairman of Dana’s Compensation Committee. From 1997 through 2003, I was the Chairman of the Board of Directors and Chief Executive Officer of Duke Energy Corporation.

2. I submit this Declaration in support of Dana’s Motion, Pursuant to Sections 363, 365 and 105 of the Bankruptcy Code, for an Order Authorizing Dana to (a) Enter into Employment Agreements with Michael J. Burns, its President and Chief Executive Officer, and Five Key Executives of His Core Management Team, and (b) Assume Certain Change of Control Agreements, As Amended.

3. In March 2004, the Board of Directors hired Mr. Burns as Dana's Chief Executive Officer. Mr. Burns had previously been President of General Motors Europe, a \$25 billion division of General Motors Corporation based in Zurich, Switzerland. Under Mr. Burns' leadership, Dana undertook a comprehensive review of, and moved to restructure, its operations to focus on its core businesses. Mr. Burns also decided that Dana had to achieve a global repositioning of its manufacturing process, including its supply chain and cost containment functions, to best serve its customers.

4. A key component in the restructuring undertaken by Mr. Burns was the review of Dana's management structure and management personnel. In 2004 and 2005, Mr. Burns recruited three key executives to join the core group leading the operating management team: Messrs. Miller, Stone and Stanage. In addition, Mr. Burns retained Mr. DeBacker as General Counsel and promoted Mr. Goettel to lead a second business line on a worldwide basis and to head Dana's European operations. Together with Mr. Hiltz, whose appointment as Dana's Chief Financial Officer was approved by the Court on March 29, 2006, Mr. Burns and these five executives (the "Executives") are the Debtors' core management team.

5. Dana's Board is cognizant of the fact that, during the chapter 11 process, Mr. Burns' core management team will be called upon to negotiate with multiple constituencies of the Debtors including bondholders, labor, retirees, vendors and equityholders. The Board acknowledges that each of these constituencies has, and will continue to have, at times, conflicting interests and agendas for the reorganized Dana. A conversion of substantial liabilities into equity as part of Dana's plan of reorganization is likely and there is little doubt that there will be new constituents on the board of the reorganized Dana.

6. For these reasons, the Board has determined that Dana needs the assurance that it will have its executive team in place to work, independently, through this difficult and demanding restructuring effort and that the management team will be sufficiently protected so that its members can dedicate themselves to the objectives of maximizing values for all the Debtors' competing constituents, as well as providing for a transition period for any successor board of directors.

7. To achieve these objectives without unduly imposing upon the choices that may be made by the reorganized Dana, Dana has sought the assistance of Mercer Human Resources Consulting ("Mercer"), its outside expert on executive compensation. As Presiding Director and Chairman of Dana's Compensation Committee, I have carefully considered the advice of Mercer as well as the advice of the Compensation Committee's independent consultant, Mr. Frederic Cook. The Compensation Committee has questioned these experts extensively, focusing on Dana's industry and chapter 11 peer groups.

8. In addition, while to some extent there is scarce precedent for large complex chapter 11 cases following the adoption and effectiveness of the 2005 amendments to the Bankruptcy Code pursuant to the Bankruptcy Abuse Prevention and Consumer Protection Act ("BAPCPA"), Dana has the recent market experience of recruiting, or promoting, each of Mr. Burns and the Executives. Dana thus has a very real point of comparison and first hand knowledge of what was important to these senior executives in accepting the challenge of their executive positions when not confronted with the demands of restructuring the Debtors in chapter 11. Hence the Compensation Committee has asked the experts to take into account Dana's peer group and chapter 11 cases commenced after BAPCPA, as well as to look to earlier chapter 11 cases in terms of the need for executive contracts and the techniques used to assure

constituents that management was working for the best interests of the estate and all of its constituents.

9. The Compensation Committee set as objectives: (a) assuring Dana of an effective management team; (b) taking into account the prepetition arrangements negotiated with each of the senior executives, (c) providing to each of these key executives sufficient certainty and security that they can effectively pursue their management objectives without fear of retribution or concern over their immediate futures, (d) providing transition services to any successor board of directors, and (e) demonstrating that the proffered contracts are within the range of reasonableness for industry peers and similar chapter 11 debtors.

10. Based on Mercer's advice and its own market experience, the Compensation Committee believes that the 2-year term of the proposed executive employment agreements combined with the completion bonus and the continuation of the senior executives annual bonuses assures Mr. Burns' and the executives' independence, while providing them with necessary protections, in their critical negotiations with all the Debtors' constituents during the chapter 11 cases, thus placing them in a position to do the best for the benefit of the Debtors and all their stakeholders.

11. Mercer has also determined that if Mr. Burns' compensation package is not modified, his compensation would be reduced by 49% from 2005 target levels, and that if the prepetition long-term incentive programs are not replaced, the aggregate total compensation package of the six senior executives would be reduced by 40% compared to 2005 target levels. Similarly, if no change is made, the aggregate total compensation of the six senior executives will be 65% below the market median for Dana's industry peer group. When compared to

similar large chapter 11 debtors, the aggregate total compensation of Mr. Burns and the Executives will be 40% below the market median if no change is made.

12. Moreover, a substantial portion of total compensation of Mr. Burns and the Executives rests, in significant part, on the Debtors' successful emergence from chapter 11. As established by Mercer, granting a completion bonus is consistent with the actions of other chapter 11 debtors and draws the total compensation of Mr. Burns and the Executives within the range of competitive practice, although lower than the median.

13. Accordingly, the Compensation Committee and the Board of Directors believe that providing the Agreements to Mr. Burns and the Executives is necessary, fair, responsible and reasonable under the circumstances. Assuming the Debtors emerge within two years of the bankruptcy filing, the Mercer analysis shows that the compensation offered is within the range of competitive practice when measured against that offered by Dana's comparators.

I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct.

Dated: June 28, 2006

By: /s/ Richard B. Priory  
Richard B. Priory  
Presiding Director of the Board of  
Directors of Dana Corporation  
Chairman of Compensation Committee