DANA HOLDING CORP
Form 10-K
March 14, 2008

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

Form 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Fiscal Year Ended December 31, 2007

Commission file number 1-1063

Dana Holding Corporation
(Exact name of registrant as specified in its charter)
Successor registrant to Dana Corporation

Delaware	**26-1531856**
(State or other jurisdiction of incorporation or organization)	*(IRS Employer Identification No.)*
4500 Dorr Street, Toledo, Ohio	**43615**
(Address of principal executive offices)	*(Zip Code)*

Registrant s telephone number, including area code:
(419) 535-4500

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, par value $0.01 per share	New York Stock Exchange

Securities registered pursuant to section 12(g) of the Act:
None
(Title of Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes o No þ

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes o No þ

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K þ

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

On June 30, 2007, the last business day of the most recently completed second fiscal quarter, the aggregate market value of the common stock held by non-affiliates of the predecessor registrant was approximately $315,000,000 based on the average high and low trading prices of such common stock on the OTC Bulletin Board.

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Section 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

On January 31, 2008, the predecessor registrant s common stock, par value $1.00 per share, was cancelled and the registrant initiated the process of issuing 100,000,000 shares of common stock, par value $0.01 per share. There were 97,971,791 shares of registrant s common stock outstanding at March 3, 2008.

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PART I

(Dollars in millions, except per share amounts)

Item 1. *Business*

General

Dana Holding Corporation (Dana), a global company incorporated in Delaware in 2007, is headquartered in Toledo, Ohio. We are a leading supplier of axle, driveshaft, structural, sealing and thermal products for global vehicle manufacturers. Our people design and manufacture products for every major vehicle producer in the world. We employ approximately 35,000 people in 26 countries and we operate 113 major facilities worldwide.

As a result of Dana Corporation s emergence from bankruptcy under Chapter 11 of the United States Bankruptcy Code (the Bankruptcy Code) on January 31, 2008 (the Effective Date), 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 bankruptcy, 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.

Emergence from Reorganization Proceedings

Background Prior Dana and forty of its wholly-owned subsidiaries (collectively, the Debtors) operated their businesses as debtors-in-possession under Chapter 11 of the Bankruptcy Code from March 3, 2006 (the Filing Date) until emergence from bankruptcy on January 31, 2008. The Debtors Chapter 11 cases (collectively, the Bankruptcy Cases) were consolidated in the United States Bankruptcy Court for the Southern District of New York (the Bankruptcy Court) under the caption *In re Dana Corporation, et al.*, Case No. 06-10354 (BRL). Neither Dana Credit Corporation (DCC) and its subsidiaries nor any of our non-U.S. affiliates were Debtors.

On December 26, 2007, the Bankruptcy Court entered an order (the Confirmation Order) confirming the Third Amended Joint Plan of Reorganization of Debtors and Debtors-in-Possession (as modified, the Plan) and, on the Effective Date, the Plan was consummated and we emerged from bankruptcy.

As provided in the Plan and the Confirmation Order, asbestos personal injury claims were reinstated, and holders of such claims may continue to assert them. Certain other specific categories of claims against the Debtors (primarily worker s compensation and inter-company liabilities to non-Debtors) were retained and are being discharged in the normal course of business.

Settlement obligations relating to non-pension retiree benefits for retirees and union employees and long-term disability (LTD) benefits for union claimants were satisfied with cash payments of $788 to non-Dana sponsored Voluntary Employee Benefit Associations (VEBAs) established for the benefit of the retirees and union employees, including the LTD claimants. Additionally, we paid DCC $49, the remaining amount due to DCC noteholders, thereby settling DCC s general unsecured claim of $325 against the Debtors. DCC, in turn, used these funds to repay the noteholders in full. Administrative claims, priority tax claims and other classes of allowed claims of $222 were satisfied by payment of cash at emergence, or will be satisfied with cash payments as soon thereafter as practical.

Except as specifically provided in the Plan, the distributions under the Plan were in exchange for, and in complete satisfaction, discharge and release of, all claims and third-party ownership interests in the Debtors arising on or before the Effective Date, including any interest accrued on such claims from and after the Filing Date.

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Organization In connection with the formation of a new holding company, we formed a new legal organization aligned with how our businesses are managed operationally. Except as described below, all operating assets and related undischarged liabilities of Prior Dana were transferred to new legal entities within the new holding company structure. Certain other assets and liabilities, including those associated with asbestos personal injury claims, were retained in Prior Dana, which was then merged into Dana Companies, LLC, a consolidated wholly owned subsidiary of Dana. The assets of Dana Companies, LLC include insurance rights relating to coverage against these liabilities and other assets sufficient to satisfy its liabilities. Dana Companies, LLC will continue to process asbestos personal injury claims in the normal course of business and will continue to pay such claims in cash. Dana Companies, LLC will be separately managed, and will have an independent board member. The independent board member is required to approve certain transactions including dividends or other transfers of $1 or more of value to Dana. We expect our involvement with Dana Companies, LLC will be limited to service agreements for certain administrative activities. See Contingencies discussion in Item 7 for a discussion of our asbestos liabilities.

Common Stock Pursuant to the Plan, all of the issued and outstanding shares of Prior Dana common stock, par value $1.00 per share, and any other outstanding equity securities of Prior Dana, including all options and warrants, were cancelled. On the Effective Date, we began the process of issuing 100 million shares of Dana common stock, par value $0.01 per share, including approximately 70 million shares for allowed unsecured nonpriority claims, approximately 28 million additional shares deposited to a reserve for disputed unsecured nonpriority claims in Class 5B under the Plan, approximately 1 million shares for payment of post-emergence bonuses to union employees and approximately 1 million shares to pay bonuses to non-union hourly and salaried non-management employees. The terms and conditions governing these distributions are set forth in the Plan and Confirmation Order. The charge to earnings for these bonuses was recorded as of the Effective Date.

Preferred Stock Pursuant to the Plan, we issued 2,500,000 shares of 4.0% Series A Preferred Stock, par value $0.01 per share (the Series A Preferred) and 5,400,000 shares of 4.0% Series B Preferred Stock, par value $0.01 per share (the Series B Preferred) on the Effective Date. The Series A Preferred was sold to Centerbridge Partners, L.P. and certain of its affiliates (Centerbridge) for $250, less a commitment fee of $3 and expense reimbursement of $5, resulting in net proceeds of $242. The Series B Preferred was sold to certain qualified investors (as described in the Plan) for $540, less a commitment fee of $11, resulting in net proceeds of $529.

In accordance with the terms of the preferred stock, all of the shares of preferred stock are, at the holder s option, convertible into a number of fully paid and non-assessable shares of new common stock. The price at which each share of preferred stock will be convertible into common stock is 83% of its distributable market equity value per share, provided the ownership percentage held following the hypothetical conversion of all preferred stock falls within a range defined in the Restated Certificate of Incorporation. The distributable market equity value is the per share value of the common stock determined by calculating the volume-weighted average trading price of such common stock on the New York Stock Exchange for the 22 trading days beginning on February 1, 2008 (the first trading day after the Effective Date) but disregarding the days with the highest and lowest volume-weighted average sale prices during such period. The 20-day volume-weighted average trading price was $11.60.

The range of ownership is a function of our net debt plus the value of our minority interests as of the Effective Date. If the amount of our net debt plus the value of our minority interests as of the Effective Date is $525, then 36.3% would be the upper end of the range of ownership. Since the conversion of all preferred stock at 83% of the $11.60 would result in more than 36.3% of our fully diluted common stock being issued to the holders of preferred stock, the conversion price would be the price at which the preferred stock is convertible into 36.3% of our total common stock assuming conversion of all preferred stock. The upper end of the range is subject to adjustment, as provided in the Restated Certificate of Incorporation, to the extent that our net debt plus the value of our minority interests as of the Effective Date is an amount other than $525. The initial conversion price is also subject to certain adjustments as set forth in the Restated Certificate of Incorporation.

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Shares of Series A Preferred having an aggregate liquidation preference of not more than $125 and the Series B Preferred will be convertible at any time at the option of the applicable holder on or after July 31, 2008. The remaining shares of Series A Preferred will be convertible after January 31, 2011. In addition, in the event that the common stock s per share closing sale price exceeds 140% of the conversion price divided by 0.83 for at least 20 consecutive trading days beginning on or after January 31, 2013, we will be able to force conversion of all, but not less than all, of the preferred stock. The price at which the preferred stock is convertible will be subject to adjustment in certain customary circumstances, including as a result of stock splits and combinations, dividends and distributions and issuances of common stock or common stock derivatives at a price below the preferred stock conversion price in effect at that time.

Dividends on the preferred stock are payable in cash at a rate of 4% per annum on a quarterly basis. If at any time we fail to pay the equivalent of six quarterly dividends on the preferred stock, the holders of the preferred stock, voting separately as a single class, will be entitled to elect two additional directors to our Board of Directors. However, so long as Centerbridge owns Series A Preferred having an aggregate liquidation preference of at least $125, this provision will not be applicable.

In connection with the issuance of the preferred stock, we entered into two registration rights agreements: one with Centerbridge and the other with the purchasers of Series B Preferred, and we also entered into a shareholders agreement. Under the terms of these agreements and our Restated Certificate of Incorporation, Centerbridge was granted representation on our Board of Directors and certain approval rights related to the management of our business. See Note 11 to the financial statements in Item 8 for additional information.

Financing at Emergence On the Effective Date, Dana, as Borrower, and certain of our domestic subsidiaries, as guarantors, entered into an exit financing facility (the Exit Facility) with Citicorp USA, Inc., Lehman Brothers Inc. and Barclays Capital. The Exit Facility consists of a Term Facility Credit and Guarantee Agreement in the total aggregate amount of $1,430 (the Term Facility) and a $650 Revolving Credit and Guaranty Agreement (the Revolving Facility). The Term Facility was fully drawn in borrowings of $1,350 on the Effective Date and $80 on February 1, 2008. There were no borrowings under the Revolving Facility, but $200 was utilized for existing letters of credit. Net proceeds from the Exit Facility were $1,276 after $114 of original issue discount and $40 of customary issuance costs and fees. The net proceeds were used to repay the Senior Secured Superpriority Debtor-in-Possession Credit Agreement (DIP Credit Agreement), make other payments required upon exit from bankruptcy and provide liquidity to fund working capital and other general corporate purposes. See Financing Activities in Item 7 and Note 16 to the financial statements in Item 8 for the terms and conditions of the Exit Facility.

Fresh Start Accounting As required by accounting principles generally accepted in the United States (GAAP), we adopted fresh start accounting effective February 1, 2008 following the guidance of SOP 90-7. The financial statements for the periods ended December 31, 2007 and prior 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. See Note 23 to the financial statements in Item 8 for an unaudited pro-forma presentation of the impact of emergence from reorganization and fresh start accounting on our financial position at December 31, 2007. The actual impact at emergence on January 31, 2008 will be reported in our Form 10-Q for the first quarter of 2008. For additional explanation of the impact of reorganization under the Plan and the application of fresh start accounting see Emergence from Reorganization Proceedings in Item 7 and Notes 1 and 23 to the financial statements in Item 8.

Overview of our Business

Markets

We serve three primary markets:

Automotive market In the light vehicle market, we design and manufacture light axles, driveshafts, structural products, sealing products, thermal products and related service parts for passenger cars

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and light trucks including pick-up trucks, sport utility vehicles (SUVs), vans and crossover utility vehicles (CUVs).

Commercial vehicle market In the commercial vehicle market, we sell, design and manufacture axles, driveshafts, chassis and suspension modules, ride controls and related modules and systems, engine sealing products, thermal products, and related service parts for medium- and heavy-duty trucks, buses and other commercial vehicles.

Off-Highway market In the off-highway market, we sell, design and manufacture axles, transaxles, driveshafts, suspension components, transmissions, electronic controls, related modules and systems, sealing products, thermal products, and related service parts for construction machinery and leisure/utility vehicles and outdoor power, agricultural, mining, forestry and material handling equipment and a variety of non-vehicular, industrial applications.

We have two primary business units: the Automotive Systems Group (ASG), which sells products mostly into the automotive market, and the Heavy Vehicle Technologies and Systems Group (HVTSG), which sells products to the commercial vehicle and off-highway markets. ASG is organized into individual operating segments specializing in product lines, while HVTSG is organized to serve specific markets.

Segments

Senior management and our Board review our operations in seven operating segments under the two primary business units.

ASG operates with five segments: Light Axle Products (Axle), Driveshaft Products (Driveshaft), Sealing Products (Sealing), Thermal Products (Thermal) and Structural Products (Structures). ASG reported sales of $5,934 in 2007, with Ford Motor Company (Ford), General Motors Corp. (GM) and Toyota Motor Corporation (Toyota) among its largest customers. At December 31, 2007, ASG employed 27,000 people and had 86 facilities in 21 countries.

HVTSG is comprised of two operating segments: Commercial Vehicle and Off-Highway, each of which focuses on specific markets. HVTSG generated sales of $2,784 in 2007. In 2007, the largest Commercial Vehicle customers were PACCAR Inc (PACCAR), Navistar International Inc (Navistar), Daimler AG (Daimler), Ford, MAN Nutzfahrzeuge Group, GM Truck, Blue Diamond Truck, S de RL de CV, Crane Carrier Corporation and Oshkosh Corporation. The largest Off-Highway customers included Deere & Company, AGCO Corporation and the Manitou Group. At December 31, 2007, HVTSG employed 7,000 people and had 21 facilities in 10 countries.

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The operating segments of our ASG and HVTSG business units provide the core products shown below.

Business Unit	Segment	Products	Market
ASG	Axle	Front and rear axles, differentials, torque couplings, and modular assemblies	Light vehicle
ASG	Driveshaft*	Driveshafts	Light and commercial vehicle
ASG	Sealing	Gaskets, cover modules, heat shields, and engine sealing systems	Light and commercial vehicle and off-highway
ASG	Thermal	Cooling and heat transfer products	Light and commercial vehicle and off-highway
ASG	Structures	Frames, cradles, and side rails	Light and commercial vehicle
HVTSG	Commercial Vehicle	Axles, driveshafts*, steering shafts, suspensions, tire management systems	Commercial vehicle
HVTSG	Off-Highway	Axles, transaxles, driveshafts* and end-fittings, transmissions, torque converters, and electronic controls	Off-highway

* The Driveshaft segment of ASG supplies product directly to original equipment commercial vehicle customers. It also supplies our Commercial Vehicle and Off-Highway segments with these components for original equipment off-highway customers and replacement part customers in both the commercial vehicle and off-highway markets.

Divestitures

In October 2005, our Board of Directors approved the divestiture of three businesses (engine hard parts, fluid products and pump products). These businesses employed approximately 9,100 people in 44 operations worldwide with annual revenues exceeding $1,200 in 2006. These businesses are presented in our financial statements as discontinued operations through the dates of divestiture.

We have substantially completed these approved divestitures and have also sold other investments and businesses since 2005. All of these activities are summarized below.

In January 2007, we sold our trailer axle business manufacturing assets for $28 in cash and recorded an after-tax gain of $14.

In March 2007:

We sold our engine hard parts business to MAHLE GmbH (MAHLE) and received cash proceeds of $98, of which $10 remains escrowed pending satisfaction of certain indemnification obligations. We recorded an after-tax loss of $42 in the first quarter of 2007 in connection with this sale and an after-tax loss of $3 in the second quarter related to a South American operation.

We sold our 30% equity interest in GETRAG Getriebe-und Zahnradfabrik Hermann Hagenmeyer GmbH & Cie KG (GETRAG) to our joint venture partner, an affiliate of GETRAG, for $207 in cash. An impairment charge of $58 had been recorded in the fourth quarter of 2006 to adjust this equity investment to fair value and an additional charge of $2 after tax was recorded in the first quarter of 2007 based on the value of the investment at the time of closing.

In July and August 2007, we completed the sale of our fluid products hose and tubing business to Orhan Holding A.S. and certain of its affiliates. Aggregate cash proceeds of $84 were received from these transactions, and an aggregate after-tax gain of $32 was recorded in the third quarter in connection with the sale of this business. A final purchase price adjustment is pending on this sale.

In August 2007, we and certain of our affiliates executed an axle agreement and related transaction documents providing for a series of transactions relating to our rights and obligations under two joint ventures with GETRAG and certain of its affiliates. These agreements provided for relief from non-compete provisions in various agreements restricting our ability to participate in certain markets for axle products other than through participation in the joint ventures; the grant of a call option to GETRAG to acquire our ownership interests in the two joint ventures for a purchase price of $75; our payment to GETRAG of $11 under certain conditions; the withdrawal, with prejudice, of bankruptcy claims aggregating approximately $66 filed by GETRAG and one of the joint venture entities relating to our alleged breach of certain non-compete provisions; the amendment, assumption, rejection and/or termination of certain other agreements between the parties; and the grant of certain mutual releases by us and various other parties. In connection with these agreements, $11 was recorded as liabilities subject to compromise and as a charge to other income, net in the second quarter of 2007 based on the determination that the liability was probable. In October, 2007, these agreements were approved by the Bankruptcy Court and became effective. The $11 liability was reclassified to other current liabilities at December 31, 2007.

In September 2007, we completed the sale of our coupled fluid products business to Coupled Products Acquisition LLC by having the buyer assume certain liabilities ($18) of the business at closing. We recorded an after-tax loss of $23 in the third quarter in connection with the sale of this business. A final purchase price adjustment is pending on this sale.

We completed the sale of a portion of the pump products business in October 2007, generating proceeds of $7 and a nominal after-tax gain which was recorded in the fourth quarter.

In January 2008, we completed the sale of the remaining assets of the pump products business to Melling Tool Company, generating proceeds of $5 and an after-tax loss of $1 that will be recorded in the first quarter of 2008.

Dana Credit Corporation

We historically had been a provider of lease financing services in selected markets through our wholly-owned subsidiary, DCC. However, in 2001, we determined that the sale of DCC s businesses would enable us to more sharply focus on our core businesses. Over the last six years, DCC has sold significant portions of its asset portfolio and has recorded asset impairments, reducing its portfolio from $2,200 in December 2001 to $7 at the end of 2007. In September 2006, we adopted a plan of liquidation providing for the disposition of substantially all of DCC s assets over an 18- to 24-month period and, in December 2006, DCC signed a forbearance agreement with its noteholders which allowed DCC to sell its remaining asset portfolio and use the proceeds to pay the forbearing noteholders a pro rata share of the cash generated. On the Effective Date, and pursuant to the Plan, we paid DCC $49, the remaining amount due to DCC noteholders, thereby settling DCC s general unsecured claim of $325 against the Debtors.

Presentation of Divested Businesses in the Financial Statements

The engine hard parts, fluid products and pump products businesses have been presented in the financial statements as discontinued operations. The trailer axle business and DCC did not meet the requirements for treatment as discontinued operations, and their results have been included with continuing operations. Substantially all of these operations have been sold as of December 31, 2007. See Note 5 to the financial statements in Item 8 for additional information on discontinued operations.

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Geographic

We maintain administrative organizations in four regions North America, Europe, South America and Asia Pacific to facilitate financial and statutory reporting and tax compliance on a worldwide basis and to support our business units. Our operations are located in the following countries:

North America	Europe		South America	Asia Pacific
Canada	Austria	Italy	Argentina	Australia
Mexico	Belguim	Spain	Brazil	China
United States	France	Sweden	Colombia	India
	Germany	Switzerland	South Africa	Japan
	Hungary	United Kingdom	Uruguay	South Korea
			Venezuela	Taiwan
				Thailand

Our international subsidiaries and affiliates manufacture and sell products similar to those we produce in the U.S. Our operations outside the U.S. may be subject to a greater risk of changing political, economic and social environments, changing governmental laws and regulations, currency revaluations and market fluctuations than our domestic operations. See the discussion of additional risk factors in Item 1A.

Non-U.S. sales comprised $4,721 of our 2007 consolidated sales of $8,721. Non-U.S. net income for 2007 was $10 while on a consolidated basis there was a net loss of $551. Non-U.S. net income includes $12 of equity in earnings of international affiliates. A summary of sales and long-lived assets by region can be found in Note 22 to the financial statements in Item 8.

Customer Dependence

We have thousands of customers around the world and have developed long-standing business relationships with many of them. Our ASG segments are largely dependent on light vehicle Original Equipment Manufacturers (OEM) customers, while our HVTSG segments have a broader and more geographically diverse customer base, including machinery and equipment manufacturers in addition to medium- and heavy-duty vehicle OEM customers.

Ford was the only individual customer accounting for 10% or more of our consolidated sales in 2007. As a percentage of total sales from continuing operations, our sales to Ford were approximately 23% in 2007 and 2006 and 26% in 2005, and our sales to GM were approximately 7% in 2007, 10% in 2006 and 11% in 2005.

In 2007, Toyota became our third largest customer. As a percentage of total sales from continuing operations, our sales to Toyota were 6% in 2007, 5% in 2006 and 4% in 2005. In 2006, PACCAR and Navistar were our third and fourth largest customers. PACCAR, Navistar, Chrysler LLC (Chrysler), Daimler and Nissan Motor Company Ltd. (Nissan), collectively accounted for approximately 19% of our revenues in 2007, 23% in 2006 and 21% in 2005.

Loss of all or a substantial portion of our sales to Ford, GM, Toyota or other large volume customers would have a significant adverse effect on our financial results until such lost sales volume could be replaced and there is no assurance that any such lost volume would be replaced. We continue to work to diversify our customer base and geographic footprint.

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Products

The mix of sales by product for the last three years is as follows:

	Percentage of Consolidated Sales		
	2007	2006	2005
ASG			
Axle	30.1%	25.9%	28.0%
Driveshaft	13.8	13.6	13.1
Sealing	8.3	8.0	7.7
Thermal	3.3	3.3	3.6
Structures	12.3	13.8	14.9
Other	0.3	0.9	1.7
Total ASG	68.1	65.5	69.0
HVTSG			
Axle	22.7	23.4	23.5
Driveshaft	4.4	2.2	3.4
Other	4.8	8.6	3.8
Total HVTSG	31.9	34.2	30.7
Other Operations		0.3	0.3
TOTAL	100.0%	100.0%	100.0%

See Note 22, Segment, Geographical Areas and Major Customer Information, in Item 8 for additional segment information including revenues from external customers, segment profitability, capital spending, depreciation and amortization and total assets.

Sources and Availability of Raw Materials

We use a variety of raw materials in the production of our products, including steel and products containing steel, stainless steel, forgings, castings and bearings. Other commodity purchases include aluminum, brass, copper and plastics. Prior to 2005, operating units purchased most of the raw materials they required from suppliers located within their local geographic regions. The process was changed by combining and centralizing our purchases to give us greater leverage with our suppliers in order to manage and reduce our production costs. These materials are usually available from multiple qualified sources in quantities sufficient for our needs. However, some of our operations remain dependent on single sources for certain raw materials.

While our suppliers have generally been able to support our needs, our operations may experience shortages and delays in the supply of raw material from time to time, due to strong demand, capacity limitations and other problems experienced by the suppliers. A significant or prolonged shortage of critical components from any of our suppliers could adversely impact our ability to meet our production schedules and to deliver our products to our customers in a timely manner.

High steel and other raw material costs, primarily resulting from limited capacity and high demand, had a major adverse effect on our results of operations in recent years, as discussed in Management s Discussion and Analysis of Financial Condition and Results of Operations in Item 7.

Our bankruptcy created supplier concerns over non-payment for pre-petition goods and services and other uncertainties. To date, this has not had a significant effect on our ability to negotiate new contracts and terms with our suppliers on an ongoing basis.

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Seasonality

Our businesses are generally not seasonal. However, our sales are closely related to the production schedules of our OEM customers and, historically, those schedules have been weakest in the third quarter of the year due to a large number of model year change-overs that occur during this period. Additionally, third-quarter production schedules in Europe are typically impacted by the summer holiday schedules and fourth quarter production by year end holidays.

Backlog

Our products are not sold on a backlog basis since most orders may be rescheduled or modified by our customers at any time. Our product sales are dependent upon the number of vehicles that our customers actually produce as well as the timing of such production. A substantial amount of the new business we are awarded by OEMs is granted well in advance of a program launch. These awards typically extend through the life of the given program. We estimate future revenues from new business on the projected volume under these programs. See New Business in Item 7 for additional explanations related to new business awarded.

Competition

Within each of our markets, we compete with a variety of independent suppliers and distributors, as well as with the in-house operations of certain OEMs. We compete primarily on the basis of price, product quality, technology, delivery and service.

Automotive Systems Group

The Automotive Systems Group consists of five product groups: Axle; Driveshaft; Structural; Thermal and Sealing Products. It is one of the leading independent suppliers serving the light vehicle and other related markets around the world.

In the Axle and Driveshaft segments, our principal competitors include ZF Friedrichshafen AG, GKN plc (GKN Driveline), American Axle & Manufacturing (American Axle), Magna International Inc. (Magna) and the in-house operations of Chrysler and Ford. The sector is also attracting new competitors from Asia who are entering both of these product lines through acquisition of OEM non-core operations. For example, Wanxiang of China has recently acquired Visteon Corporation s (Visteon) driveshaft manufacturing facilities in the USA.

The Structures segment produces vehicle frames and cradles and its primary competitors are Magna, Press Kogyo Co., Ltd., Metalsa S. de R. L., Tower Automotive Inc. and Martinrea International Inc.

In Sealing, we are also one of the world s leading independent suppliers with a product portfolio including gaskets, seals, cover modules and thermal/acoustic shields. Our primary global competitors in this segment are ElringKlinger AG, Federal-Mogul Corporation and Freudenberg NOK Group.

The Thermal Products Group produces heat exchangers, valves and small radiators for a wide variety of vehicle cooling applications. Competitors in the Thermal segment include Behr GmbH & Co. KG, Stuttgart, Modine Manufacturing Company, Valeo Group and Denso Corporation.

Heavy Vehicle Technologies and Systems Group

We are one of the primary independent suppliers of axles, driveshafts and other products for both the medium- and heavy-truck markets, as well as various specialty and off-highway segments, and we also specialize in the manufacture of off-highway transmissions.

Our primary competitors in North America are ArvinMeritor, Inc. (ArvinMeritor) and American Axle in the medium- and heavy-truck markets. Major competitors in Europe in both the heavy-truck and off-highway markets include Carraro S.p.A. (Carraro), ZF Group, Klein Products Inc. (Klein) and certain OEMs vertically integrated operations.

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Patents and Trademarks

Our proprietary axle, driveshaft, structural, sealing and thermal product lines have strong identities in the markets we serve. Throughout these product lines, we manufacture and sell our products under a number of patents that have been obtained over a period of years and expire at various times. We consider each of these patents to be of value and aggressively protect our rights throughout the world against infringement. We are involved with many product lines, and the loss or expiration of any particular patent would not materially affect our sales and profits.

We own or have licensed numerous trademarks that are registered in many countries, enabling us to market our products worldwide. For example, our Spicer®, Victor Reinz®, Parish® and Long® trademarks are widely recognized in their market segments.

Research and Development

From our introduction of the automotive universal joint in 1904, we have been focused on technological innovation. Our objective is to be an essential partner to our customers and remain highly focused on offering superior product quality, technologically advanced products, world-class service and competitive prices. To enhance quality and reduce costs, we use statistical process control, cellular manufacturing, flexible regional production and assembly, global sourcing and extensive employee training.

We engage in ongoing engineering, research and development activities to improve the reliability, performance and cost-effectiveness of our existing products and to design and develop innovative products that meet customer requirements for new applications. We are integrating related operations to create a more innovative environment, speed product development, maximize efficiency and improve communication and information sharing among our research and development operations. At December 31, 2007, ASG had five major technical centers and HVTSG had one. Our engineering, research and development and quality control costs were $189 in 2007, $221 in 2006 and $275 in 2005.

We are developing a number of products that will assist fuel cell manufacturers for vehicular and other applications to make this technology commercially viable in mass production. Specifically, we are applying the expertise from our Sealing segment to develop metallic and composite bipolar plates used in the fuel cell stack. Furthermore, our Thermal segment is applying its heat transfer technology to provide thermal management sub-systems used in the overall fuel cell process.

Employment

Our worldwide employment was approximately 35,000 at December 31, 2007.

Environmental Compliance

We make capital expenditures in the normal course of business as necessary to ensure that our facilities are in compliance with applicable environmental laws and regulations. The cost of environmental compliance has not been, except for settlement of certain environmental matters as part of the bankruptcy proceedings, a material part of capital expenditures and did not have a materially adverse effect on earnings or competitive position in 2007.

In connection with our bankruptcy reorganization we settled certain pre-petition claims related to environmental matters. See Contingencies in Item 7 and the discussion of our emergence in Note 1 to the financial statements in Item 8.

Executive Officers of the Registrant

We have eight executive officers as of March 3, 2008:

John M. Devine, age 63, has been Executive Chairman of our Board since January 2008 and Acting Chief Executive Officer (CEO) since February 2008. Mr. Devine retired from GM in 2006. He was Vice Chairman and Chief Financial Officer of GM during the period from 2001 to 2006. Prior to joining GM,

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Mr. Devine served as Chairman and Chief Executive Officer of Fluid Ventures, LLC. Fluid Ventures, LLC was an internet start-up investment company. Previously, he spent 32 years at Ford, where he last served as Executive Vice President and Chief Financial Officer. Mr. Devine is also a board member of Amerigon Incorporated.

Richard J. Dyer, age 52, has been a Vice President since December 2005 and Chief Accounting Officer since March 2005. He was Director Corporate Accounting from 2002 to 2005 and Manager, Corporate Accounting from 1997 to 2002.

Ralf Goettel, age 41, has served as President of Sealing Products, Dana Europe, and Thermal Products since November 2007. Mr. Goettel was President of Engine Products and Dana Europe from 2005 to 2007 when he assumed the added responsibility of President of Thermal Products. Mr. Goettel joined us in 1993 as an application engineer in the Sealing Products Group.

Kenneth A. Hiltz, age 55, has been our Chief Financial Officer (CFO) since March 2006. He previously served as CFO at Foster Wheeler Ltd., a global provider of engineering services and products, from 2003 to 2004 and as Chief Restructuring Officer and CFO of Hayes Lemmerz International, Inc., a global supplier of automotive and commercial wheels, brakes, powertrain, suspension, structural and other lightweight components, from 2001 to 2003. Mr. Hiltz has been a Managing Director of Alix Partners LLP, a financial advisory firm specializing in performance improvement and corporate turnarounds, since 1993.

Robert H. Marcin, age 62, has been our Chief Administrative Officer since February 2008. Mr. Marcin retired from Visteon, a supplier of automotive systems, modules and components, in 2007. He was Senior Vice President, Leadership Assessment of Visteon from 2005 to 2007. Prior to that, he served as Senior Vice President, Corporate Relations from 2003 to 2005, and was Senior Vice President of Human Resources of Visteon from its formation in January 2000 until 2003.

Paul E. Miller, age 56, has been our Vice President Purchasing since May 2004. He was formerly employed by Delphi Corporation, a global supplier of vehicle electronics, transportation components, integrated systems and modules and other electronic technology, where he was part of Delphi Packard Electric Systems as Business Line Executive, Electrical/Electronic Distribution Systems from 2002 to 2004, and of Delphi Delco Electronics Systems as General Director Sales, Marketing and Service from 2001 to 2002.

Nick L. Stanage, age 49, has been our President Heavy Vehicle Products since December 2005. He joined us in August 2005 as Vice President and General Manager of our Commercial Vehicle Group. He was formerly employed by Honeywell International (a diversified technology and manufacturing leader, serving customers worldwide with aerospace products and services; control technologies for buildings, homes and industry; automotive products; turbochargers; and specialty materials), where he served as Vice President and General Manager of the Engine Systems & Accessories Division during 2005, and in the Customer Products Group as Vice President, Integrated Supply Chain & Technology from 2003 to 2005 and Vice President, Operations from 2001 to 2003.