UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 60657 / September 11, 2009

ACCOUNTING AND AUDITING ENFORCEMENT
Release No. 3048 / September 11, 2009

ADMINISTRATIVE PROCEEDING
File No. 3-13614

In the Matter of **DANA HOLDING CORPORATION (as successor registrant to DANA CORPORATION),** **Respondent.**	**ORDER INSTITUTING CEASE-AND-DESIST PROCEEDINGS PURSUANT TO SECTION 21C OF THE SECURITIES EXCHANGE ACT OF 1934, MAKING FINDINGS, AND IMPOSING A CEASE-AND-DESIST ORDER**

I.

The Securities and Exchange Commission ("Commission") deems it appropriate that cease-and-desist proceedings be, and hereby are, instituted pursuant to Section 21C of the Securities Exchange Act of 1934 ("Exchange Act"), against Dana Holding Corporation (as successor registrant to Dana Corporation) ("Dana Holding" or "Respondent").

II.

In anticipation of the institution of these proceedings, Respondent has submitted an Offer of Settlement (the "Offer") which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission's jurisdiction over it and the subject matter of these proceedings, which are admitted, Respondent consents to the entry of this Order Instituting Cease-and-Desist Proceedings Pursuant to Section 21C of the Securities Exchange Act of 1934, Making Findings, and Imposing a Cease-and-Desist Order ("Order"), as set forth below.

III.

On the basis of this Order and Respondent's Offer, the Commission finds[1] that:

RESPONDENT

1. Prior to filing a voluntary petition for reorganization relief under Chapter 11 of the U.S. Bankruptcy Code on March 3, 2006, Dana Corporation was a Virginia corporation headquartered in Toledo, Ohio, that manufactured and supplied automotive parts and systems to vehicle manufacturers worldwide. Before bankruptcy, Dana Corporation's shares were registered under Section 12(b) of the Exchange Act and traded on the New York Stock Exchange. Trading of Dana Corporation's shares was suspended on March 3, 2006. The Commission granted the New York Stock Exchange's application to de-list Dana Corporation from the Exchange in April 2006. After being delisted, Dana Corporation's shares were deemed registered under Section 12(g) of the Exchange Act and traded on the Over-the Counter Bulletin Board. On or about February 1, 2008, upon its emergence from Chapter 11, a new holding company, Dana Holding Corporation assumed substantially all of the business and assets of Dana Corporation and the common stock of Dana Holding, which was registered under Section 12(b) of the Exchange Act, began trading on the New York Stock Exchange.

SUMMARY

2. From 2004 through mid-2005, contrary to Generally Accepted Accounting Principles ("GAAP"), Dana Corporation improperly recognized revenue or income on several transactions and delayed recording expenses in the appropriate period. Dana Corporation thus filed materially false and misleading periodic reports with the Commission for the fiscal year 2004 and the first two quarters of 2005. In total, Dana Corporation materially overstated its earnings before interest and taxes ("EBIT") by $88 million, or 73.9% of restated EBIT. This equates to an overstatement of $43 million or 39.8% of restated net income, as previously reported in Dana Corporation's Form 10-K/A and Forms 10-Q/A filed in December 2005.

3. During this period, former Dana Corporation employees of Commercial Vehicle Systems ("CVS"), a subdivision of one of Dana Corporation's two main business units, the Heavy Vehicle Technologies and Systems Group ("HVTSG"), engaged in a fraudulent scheme with former Dana Corporation employees of HVTSG to inflate CVS's financial results. As a result, Dana Corporation's financial statements were misstated, in part because the company: (1) recognized income on transactions where assets were never transferred or risk of ownership never passed, (2) recognized revenue for price increases on parts sales without agreement from the customers for the price increases, (3) improperly deferred the recognition of steel surcharge expenses, and (4) recorded other improper accounting entries, including decreasing debts owed to suppliers without any contractual support or agreement from the suppliers and recording entries

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[1] The findings herein are made pursuant to Respondent's Offer of Settlement and are not binding on any other person or entity in this or any other proceeding.

that increased income without any basis or supporting documentation. Dana Corporation overstated its EBIT by $31.6 million due to the fraud.

4. In addition to the fraud, Dana Corporation's financial statements from 2004 through the first two quarters of 2005 contained accounting errors amounting to $56.4 million. Dana Corporation failed to maintain accurate books and records. Dana Corporation also had materially deficient internal accounting controls that significantly contributed to the accounting irregularities and errors. As a result, Dana Corporation filed materially false and misleading periodic filings with the Commission for fiscal year 2004 and the first two quarters of 2005. In December 2005, Dana Corporation issued a Form 10-K/A and Forms 10-Q/A amending those filings.

FACTS

The Fraudulent Scheme to Overstate Earnings at CVS

5. The fraudulent misstatements in the financial results for CVS were ultimately incorporated into the financial statements for HVTSG and Dana Corporation. HVTSG's financial results and Dana Corporation's consolidated financial information were disclosed to the investing public in Dana Corporation's Form 10-K, Forms 10-Q, Forms 8-K and S-4 filings for 2004 through the second quarter of 2005. During this period, Dana Corporation overstated its EBIT by approximately $31.6 million or 26.5% because of the fraud at CVS, described below.

Improper Revenue Recognition of Price Increases

6. In the first and second quarter of 2005, Dana Corporation improperly recognized price increases for parts without any written agreement from two significant customers. When Dana Corporation accrued revenue for these price increases, employees were still negotiating the price increases with these customers. No written agreement was ever finalized, and no invoices for the amounts accrued were sent to the customers. Before revenue can be recognized, GAAP requires that persuasive evidence of an arrangement exists and that collectability be reasonably assured. *See* Staff Accounting Bulletin ("SAB") No. 104, *Revenue Recognition in Financial Statements*, Topic 13.A.1., citing Statement of Financial Accounting Concepts ("SFAC") 5, *Recognition and Measurement in Financial Statements of Business Enterprises*, ¶¶ 83 and 84. Thus, contrary to GAAP, Dana Corporation's EBIT was overstated by a total of $2 million and $8.6 million in the first and second quarter of 2005, respectively, when Dana Corporation recorded these price accruals without customer agreement.

Failure to Expense Steel Surcharge Costs

7. In 2004 and 2005, steel suppliers typically passed on the higher cost of steel to Dana Corporation in the form of steel surcharges, which were separately invoiced. During that time, former employees of CVS and HVTSG improperly delayed expensing the cost of steel surcharges by: (1) instructing HVTSG's purchasing department to request that suppliers delay sending steel surcharge invoices; (2) rejecting valid steel surcharge invoices and failing to record those expenses; and (3) expensing the base cost of steel at the time of the receipt of steel, but

delaying the recognition of the steel surcharge costs for three to four months. Expenses were not booked in conformity with GAAP because they were not recorded as they were incurred. *See* SFAC 6, *Elements of Financial Statements*, ¶80; SFAC 5, ¶85. Thus, because Dana Corporation's expenses were understated, its EBIT was overstated by $350,000 in 2004, and by $2.8 million and $4 million, in the first and second quarters of 2005, respectively.

Improper Recording of Income from Sales Transactions

8. In 2004, employees of CVS and HVTSG negotiated several transactions with a Kentucky supplier of automotive parts ("Kentucky Supplier") that resulted in improper recording of income. The first transaction took place at the end of the first quarter of 2004, at which time an agreement was signed which provided for the Kentucky Supplier's purchase of spare parts from Dana Corporation. Some of the spare parts purportedly sold to the Kentucky Supplier were to be used with equipment that the Kentucky Supplier did not yet own, but supposedly was to be acquired from Dana Corporation in the future. The signed agreement specifically provided, among other things, that: (1) the spare parts would remain at Dana Corporation's facilities pending the actual sale of equipment to the Kentucky Supplier; and (2) Dana Corporation would insure and assume the risk of loss on the spare parts while the parts were at Dana Corporation's facilities. Inclusion of these provisions in the agreement precluded the recording of income under GAAP. According to GAAP, income cannot be recorded if the goods are not delivered and risk of loss does not pass from the seller to the buyer. *See* SAB No. 104, Topic 13.A.1., citing SFAC 5, ¶¶ 83 and 84. Because income could not be recorded under GAAP, Dana Corporation overstated its EBIT in the first quarter of 2004 by $573,000.

9. In the second quarter of 2004, Dana Corporation agreed to sell its plant located in Toluca, Mexico to the Kentucky Supplier. Dana Corporation agreed to partially leaseback the Toluca plant. Dana Corporation recorded a $5 million gain on the sale and leaseback of Toluca. According to Statement of Financial Accounting Standards ("SFAS") No. 28, "any profits up to the amount of the present value of the leaseback rentals must be deferred and amortized" in a sale involving a leaseback provision over the life of the agreement. SFAS No. 28, *Accounting for Sales with Leasebacks*, ¶¶3 and 15. Contrary to GAAP, Dana Corporation improperly recorded the entire $5 million from the Kentucky Supplier as income, overstating its EBIT in the second quarter of 2004 by $2.8 million (the amount relating to the leaseback).

10. Finally, in the last half of 2004, CVS improperly recognized income based on upfront payments for an agreement to purchase equipment which was never delivered to the Kentucky Supplier. The written agreement stated that if Dana Corporation did not sell or deliver the equipment, Dana Corporation was liable to repay the upfront payment. GAAP requires that gains shall be realized or realizable and earned before it may be recognized. Those conditions are usually met by the time the product is delivered. *See* SAB No. 104, Topic 13.A.1., citing SFAC 5, *¶¶* 83 and 84. The gain from a non-refundable, upfront payment should be deferred if the goods, assets, or services contracted for have not been delivered. *See id*. The Kentucky Supplier paid a total of $3.3 million in September and December 2004 for the equipment, and Dana Corporation booked all of that as income instead of delaying recognition until the equipment was transferred as

required by GAAP. Thus, these improper accounting entries had the effect of overstating Dana Corporation's EBIT by $3.3 million.

Other Improper Accounting Entries

11. From late 2004 through the first quarter of 2005, CVS issued debit memoranda ("debit memos") to suppliers without their agreement or any contractual basis thus causing Dana Corporation to improperly increase its profits. Debit memos were invoices that were issued to its suppliers to reduce an outstanding payable amount and corresponding expense. If the supplier agreed to the issuance of the debit memo, Dana Corporation could properly reduce the payable amount and its inventory cost. However, in many instances during this timeframe, the suppliers who received the debit memos from CVS disputed them. Without supplier agreement or a contractual basis, Dana Corporation either improperly reduced its obligation to pay these liabilities or improperly recorded an increase in its receivables. As a result, Dana Corporation overstated its EBIT by $3.9 million from the last quarter of 2004 through 2005.

12. In addition, Dana Corporation's publicly reported financial results were inflated by a number of entries, some of which were made at the end of the month or quarter, which had no documentation or contractual basis. For example, in at least two instances in the first quarter of 2005, income was inappropriately recognized based solely on letters of intent to sell parts. Based on all of these improper entries, Dana Corporation's EBIT was overstated by $500,000 in 2004 and $3.1 million and $1.6 million the first and second quarter of 2005, respectively.

Other Accounting Errors at Dana Corporation

13. Dana Corporation also overstated its EBIT by approximately $56.4 million based on accounting errors from 2004 through the first two quarters of 2005.

14. Errors at Dana Corporation's CVS Division amounted to EBIT of $13.9 million. Those errors included approximately $4.1 million relating to the accounting for one of Dana Corporation's joint ventures; and approximately $9.8 million of errors in various reserve and expense accounts at CVS.

15. The largest error throughout all of Dana Corporation's divisions involved a $19 million EBIT overstatement relating to Dana Corporation's LIFO inventory reserve. Dana Corporation was required to increase its LIFO inventory reserve to correct its LIFO calculation. Erroneous information had been provided to Dana Corporation's corporate accounting department from many plants at various divisions regarding the costs for steel surcharges. During 2004, the plants were instructed to use a separate account to record surcharges in order to better track those costs and its recovery from customers. However, most plants submitted reports of their inventory costs to corporate accounting without including steel surcharge costs. Corporate accounting, in relying upon the erroneous information received from the plants, miscalculated Dana Corporation's LIFO inventory reserve.

16. The remaining errors in EBIT in the amount of $23.5 million were spread throughout Dana Corporation's divisions, including: (1) approximately $6.8 million in errors involving accounts at Dana Corporation's foreign facilities; (2) approximately $3.7 million in errors relating the accounting for assets and/or plants sold; and (3) approximately $13 million in errors in several of Dana Corporation's reserve and expense accounts.

Dana Corporation's Internal Controls Weaknesses

17. Dana Corporation's deficient system of internal controls contributed to the restatement of its financial statements for the first two quarters of fiscal year 2005, fiscal year 2004 and prior years. As identified by Dana Corporation in its Form 10-K/A filed on December 30, 2005, Dana Corporation had five material weaknesses in the design and operation of its internal controls: (1) Dana Corporation did not maintain an effective control environment at CVS; (2) the financial and accounting organization was not adequate to support the Dana Corporation's financial accounting and reporting needs; (3) Dana Corporation did not maintain effective controls over the completeness and accuracy of certain revenue and expense accruals; (4) Dana Corporation did not maintain effective controls over reconciliations of certain financial statement accounts; and (5) Dana Corporation did not maintain effective control over the valuation of certain inventory and the related cost of goods sold accounts.

18. Dana Corporation failed to maintain adequate internal controls at CVS sufficient to prevent and detect the improper accounting entries recorded, and thereby allowed the wrongdoing set forth above to occur, undetected. In particular, Dana Corporation failed to segregate duties concerning journal entries made at CVS. The inadequate controls at Dana Corporation left the CVS controller with the sole responsibility of directing the recording of journal entries, reviewing the entries, and ensuring that they were made in accordance with GAAP. Dana Corporation did not ensure that the HVTSG controller adequately reviewed the entries made by the CVS controller in order to verify the accuracy and propriety of the financial information. In addition, Dana Corporation relied upon the controllers for CVS and HVTSG to self-report any issues to corporate accounting.

19. Dana Corporation failed to maintain a proper system of internal controls and reporting structure sufficient to detect and prevent errors and accounting irregularities. Accounting personnel at Dana Corporation reported directly to the operations managers, not to accounting supervisors responsible for determining that the accounting was properly recorded in accordance with GAAP. This reporting structure allowed, for example, the CVS manager to threaten to fire the CVS controller if profit goals were not met. In addition, the lack of qualifications of accounting personnel at Dana Corporation contributed to the deficiencies in its internal controls.

20. Dana Corporation also had insufficient internal controls to prevent and detect improper revenue and expense accruals. For example, employees at CVS and HVTSG failed to follow controls which required the existence of a written agreement for price increases before significant accruals were entered. Invoices were similarly not expensed at the time incurred because employees circumvented controls requiring the same. Dana Corporation had insufficient

internal controls procedures to ensure adequate review of these significant revenue and expense accruals.

21. Lastly, Dana Corporation lacked effective controls over its inventory and cost of goods sold accounts. Dana Corporation's miscalculation of its LIFO inventory reserve resulted, in part, from corporate accounting's failure to properly instruct the plants to include the surcharge amounts in reporting the steel costs for the LIFO calculation, and to independently verify whether the steel surcharges in the separate accounts were included.

Dana Corporation's Restatement

22. As a result of the fraudulent entries and accounting errors discussed above, Dana Corporation's financial statements in its annual report on Form 10-K for 2004 and its quarterly reports on Forms 10-Q for the first two quarters of 2005 were materially inaccurate. On December 30, 2005, Dana Corporation filed a Form 10-K/A that restated its consolidated financial statements for fiscal year 2004 and Forms 10-Q/A for the first two quarters of 2005. The table below shows that in Dana Corporation's original financial statements, Dana Corporation's EBIT was $77 million for fiscal year 2004 and $130 million for the first two quarters of 2005. In its restated financial statements, Dana Corporation's EBIT was reduced by $44 million for fiscal year 2004 and $44 million for the first two quarters of 2005, resulting in a total reduction of $88 million in EBIT. This equates to an overstatement of $43 million or 39.8% of restated net income, as previously reported in Dana Corporation's Forms 10-K/A and 10-Q/A filed in December 2005.

(All dollar amounts in millions)	**Yr. Ended 2004**	**Qtr. Ended 3/31/05**	**Qtr. Ended 6/30/05**	**Total**
Dana Reported EBIT	77.0	38.0	92.0	207.0
Dana Restated EBIT	33.0	24.0	62.0	119.0
Total EBIT Overstatement	44.0	14.0	30.0	88.0
Overstatement as % of Restated EBIT	133.3%	58.3%	48.4%	73.9%

VIOLATIONS

23. As a result of the conduct described above, Dana Corporation violated Section 13(a) of the Exchange Act and Rules 12b-20, 13a-1, 13a-11 and 13a-13 thereunder, which require every issuer of a security registered pursuant to Section 12 of the Exchange Act file with the Commission information, documents, and annual, quarterly and current reports as the Commission may require, and mandate that periodic reports contain such further material information as may be necessary to make the required statements not misleading. Dana Corporation filed inaccurate periodic reports with the Commission that misstated material facts concerning its financial performance due to Dana Corporation's improper accounting for its revenue, expenses and income.

24. As a result of the conduct described above, Dana Corporation violated Section 13(b)(2)(A) of the Exchange Act, which requires reporting companies to make and keep books, records, and accounts which, in reasonable detail, accurately and fairly reflect their transactions

and dispositions of their assets. Because Dana Corporation improperly recognized revenue or income and deferred expenses, its books, records and accounts did not, in reasonable detail, accurately reflect its transactions and dispositions of assets.

25. Lastly, as a result of the conduct described above, Dana Corporation violated Section 13(b)(2)(B) of the Exchange Act, which requires all reporting companies to devise and maintain a system of internal accounting controls sufficient to provide reasonable assurances that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP. Dana Corporation's internal controls were not sufficient to prevent the recording of numerous and widespread improper accounting entries described above. Thus, its internal accounting controls were not sufficient to reasonably assure that its transactions were recorded as necessary and its financial statements prepared in accordance with GAAP.

RESPONDENT'S REMEDIAL EFFORTS

In determining to accept the Offer, the Commission considered remedial acts promptly undertaken by Respondent and cooperation afforded the Commission staff.

IV.

In view of the foregoing, the Commission deems it appropriate to impose the sanctions agreed to in Respondent's Offer.

Accordingly, it is hereby ORDERED that:

Pursuant to Section 21C of the Exchange Act, Respondent Dana Holding cease and desist from committing or causing any violations and any future violations of Sections 13(a), 13(b)(2)(A), and 13(b)(2)(B) of the Exchange Act and Rules 12b-20, 13a-1, 13a-11, and 13a-13 thereunder.

By the Commission.

Elizabeth M. Murphy
Secretary