

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

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In re : Chapter 11
 :
Dana Corporation, *et al.*, : Case No. 06-10354 (BRL)
 :
Debtors. : (Jointly Administered)
 :
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**ORDER, PURSUANT TO SECTION 105(a) OF THE BANKRUPTCY
CODE AND BANKRUPTCY RULES 7042 AND 9014: (I) BIFURCATING
CONSIDERATION OF ISSUES RELATING TO RECLAMATION
CLAIMS; (II) ESTABLISHING A BRIEFING SCHEDULE FOR CONSIDERATION OF
CERTAIN COMMON ISSUES; AND (III) GRANTING CERTAIN RELATED RELIEF**

This matter coming before the Court on the Motion of Debtors and Debtors in Possession, Pursuant to Section 105(a) of the Bankruptcy Code and Bankruptcy Rules 7042 and 9014: (I) Bifurcating Consideration of Issues Relating to Reclamation Claims; (II) Establishing a Briefing Schedule for Consideration of Certain Common Issues; and (III) Granting Certain Related Relief (the "Motion"),¹ filed by the debtors and debtors in possession in the above-captioned cases (collectively, the "Debtors"); responses to the Motion having been filed by certain holders of Remaining Reclamation Claims (collectively, the "Procedures Objections"); the Debtors having filed an omnibus reply to the Procedures Objections (the "Reply");² the Court having reviewed the Motion, the Procedures Objections and the Reply and having considered the statements of counsel with respect to the Motion at a hearing before the Court (the "Hearing"); and the Court having found that (a) the Court has jurisdiction over this matter pursuant to 28 U.S.C. §§ 157 and 1334, (b) this is a core proceeding pursuant to 28 U.S.C. § 157(b), (c) notice of the Motion and the Hearing was sufficient under the circumstances and (d) in light

¹ Capitalized terms not otherwise defined herein shall have the meanings given to them in the Motion.

² The Procedures Objections are identified in Exhibit A to the Reply.

of the circumstances, the requirements of Local Bankruptcy Rule 9013-1(b) that a separate memorandum of law be filed in support of the Motion is waived; and the Court having determined that the legal and factual bases set forth in the Motion and the Reply and at the Hearing establish just cause for the relief granted herein;

IT IS HEREBY ORDERED THAT:

1. The Motion is GRANTED on the terms and conditions set forth herein, and the Procedures Objections are OVERRULED to the extent inconsistent herewith.
2. This Court's consideration of the Prior Lien Defense to the Remaining Reclamation Claims shall be bifurcated from the consideration of the Fact-Intensive Defenses or any other issues relating to the Remaining Reclamation Claims, pursuant to Bankruptcy Rule 7042(b). Any and all litigation (including discovery) related to the Fact-Intensive Defenses shall be stayed and postponed until after the Court (a) has ruled on the applicability of the Debtors' Prior Lien Defense to the Remaining Reclamation Claims and (b) has conducted the Scheduling Conferences described in paragraph 8 below.
3. A hearing with respect to the Prior Lien Defense (the "Prior Lien Defense Hearing") shall be conducted by the Court on February 28, 2007 at 10:00 a.m., Eastern Time. The Prior Lien Defense Hearing may be adjourned, among other things, to accommodate any extensions of the briefing and discovery schedules, as described below.
4. The following schedule shall govern discovery relating to the litigation of the Prior Lien Defense:
 - ?? Parties seeking to obtain discovery from the Debtors must serve requests for written discovery (the "Discovery Requests") on the Debtors so that such requests is actually received by counsel to the Debtors no later than **November 13, 2006 at 4:00 p.m.**, Eastern Time.
 - ?? The Debtors must file any objections to any such discovery (collectively, the "Discovery Objections") with the Court no later than **December 1, 2006 at 4:00 p.m.**, Eastern Time.

- ?? The Court shall conduct a hearing (the "Discovery Hearing") on **December 19, 2006 at 10:00 a.m., Eastern Time**, to consider any Discovery Objections and any other scheduling issues related thereto.
- ?? Unless otherwise directed by the Court at the Discovery Hearing, the Debtors must serve by **January 10, 2007 at 4:00 p.m., Eastern Time** (the "Discovery Deadline"), their responses to any Discovery Requests with respect to which (a) the Debtors did not file a Discovery Objection or (b) the Court directs the Debtors to respond to at the Discovery Hearing.
- ?? If the Court concludes at the Discovery Hearing that collateral valuation is a disputed issue relevant to the Prior Lien Defense, the Prior Lien Defense Hearing may be adjourned upon the request of the Debtors or the Creditors' Committee or pursuant to a further order of the Court.
- 5. The following Briefing Schedule shall govern the litigation of the Prior

Lien Defense:

- ?? The Initial Brief in support of the Prior Lien Defense to the Remaining Reclamation Claims shall be filed by the Debtors with the Court and served on all necessary parties no later than **October 23, 2006 at 4:00 p.m., Eastern Time**. In their Initial Brief, the Debtors shall set forth the facts upon which they are relying upon in support of the Prior Lien Defense.
- ?? All Responsive Briefs must be filed with the Court by Objecting Claimants that wish to file further papers in response to the Initial Brief and served on all necessary parties no later than **January 26, 2007 at 4:00 p.m., Eastern Time** (the "Response Deadline").
- ?? Any Reply Brief must be filed by the Debtors with the Court and served on all necessary parties no later than **February 16, 2007 at 4:00 p.m., Eastern Time** (the "Reply Deadline").
- ?? If the Discovery Deadline is extended by the Court or the Prior Lien Defense Hearing is adjourned at the Discovery Hearing or otherwise before the Response Deadline and the Reply Deadline, the Response Deadline and the Reply Deadline will be adjusted accordingly.

6. The ruling of the Court regarding the Prior Lien Defense shall be generally applicable to all Objecting Claimants, regardless of whether a particular Objecting Claimant files a Responsive Brief; *provided, however*, that nothing in such ruling shall prejudice the rights of the Official Committee of Unsecured Creditors or the Ad Hoc Noteholders' Committee to

challenge the prepetition liens of the Debtors' prepetition lenders, all of which are preserved in full, consistent with the terms of (a) the final order approving the Debtors' postpetition financing facility, entered on March 29, 2006 (Docket No. 721), (b) the Second Stipulation and Order Among the Debtors, the Receivables Facility Agents, the Official Committee of Unsecured Creditors and the Ad Hoc Noteholders' Committee Extending the Challenge Period Set Forth in the Final Order Authorizing Postpetition Secured Financing, entered on September 29, 2006 (Docket No. 3703), and (c) the Second Stipulation and Order Among the Debtors, the Pre-Petition Agent, the Credit Card Issuers, the Official Committee of Unsecured Creditors and the Ad Hoc Noteholders' Committee Extending the Challenge Period Set Forth in the Final Order Authorizing Postpetition Secured Financing, entered on September 25, 2006 (Docket No. 3646).

7. Any ruling by the Court on the Prior Lien Defense or on any matter relating to reclamation claims shall not effect the right or entitlement of any party to assert or obtain the allowance of a claim with a priority under section 503(b)(9) of the Bankruptcy Code. The prior order of the Court establishing bar dates for filing such claims (Docket No. 2073), however, shall continue to apply to such claims.

8. If, at or after the Prior Lien Defense Hearing, the Court determines that the Prior Lien Defense asserted by the Debtors is not applicable to the Remaining Reclamation Claims (or does not render the Reclamation Claims valueless), an initial Scheduling Conference shall be promptly scheduled for each Remaining Reclamation Claim that has not otherwise been resolved by the parties at which the Court shall (a) establish the parameters for the separate litigation of such claim (including by establishing discovery guidelines for the Fact-Specific Defenses, pretrial hearing dates, necessary briefing schedules and an evidentiary hearing date) and (b) schedule any further necessary scheduling conferences.

Dated: New York, New York
October 13, 2006

/s/ Burton R. Lifland
UNITED STATES BANKRUPTCY JUDGE