

IMPACT OF SOX ON THE AUTOMOBILE INDUSTRY
Adverse Section 404 Reports
For Companies with Years Ended in 2006
As of July 6, 2007

The following is a copy of the seven adverse reports that were issued from companies in the Automobile industry with years ended in 2006. These were all of the accelerated filers in the Automobile industry with adverse Sarbanes-Oxley Section 404 management self assessments. This information was gathered using the online research tool called Audit Analytics an Ives Group, Inc company.

The following is a summary of the **material internal control weaknesses** reported in the seven adverse Section 404 Self Assessments:

Internal Controls - Accounting documentation, policy and/or procedures	7
Internal Controls - Material and/or numerous auditor /YE adjustments	7
Internal Controls - Untimely or inadequate account reconciliations	4
Internal Controls - Accounting personnel resources, competency/training	3
Internal Controls - Restatement or nonreliance of company filings	3
Internal Controls - Ethical or compliance issues with personnel	2
Internal Controls - Non-routine transaction control issues	2
Internal Controls - Journal entry control issues	1
Internal Controls - Segregations of duties/ design of controls (personnel)	1
Internal Controls - Senior management competency, tone, reliability issues	1

The following is a summary of the **material accounting weaknesses** reported in the seven adverse Section 404 Self Assessments. Section 404 is not just about internal control issues, but also about misapplication of financial accounting and reporting issues:

Accounting - Inventory, vendor and cost of sales issues	3
Accounting - Liabilities, payables, reserves and accrual est failures	3
Accounting - PPE , intangible or fixed asset (value/diminution) issues	3
Accounting - Revenue recognition issues	3
Accounting - Tax expense/benefit/deferral/other (FAS 109) issues	3
Accounting - Accounts/loans receivable, investments & cash issues	2
Accounting - Expense recording (payroll, SG&A) issues	2
Accounting - Acquisition, merger, disposal or reorganization issues	1
Accounting - Capitalization of expenditures issues	1
Accounting - Consolidation, (Fin46r/Off BS) & foreign curr transl issues	1
Accounting - Depreciation, depletion or amortization issues	1
Accounting - Financial derivatives/hedging (FAS 133) acctg issues	1
Accounting - Foreign, related party, affiliated and/or subsid issues	1
Accounting - Intercompany/Investment w/ sub/affil issues	1
Accounting - Lease, FAS 5, legal, contingency & commit issues	1
Accounting - Lease, leasehold & FAS 13 (9B) (subcategory) issues	1



CSK AUTO CORP

10-K 2006 Management - Internal Control Assessment

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act and for the assessment of the effectiveness of internal control over financial reporting. The Company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. The Company's internal control over financial reporting includes those policies and procedures that: (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (iii) provide reasonable assurance regarding prevention, or timely detection, of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. Under the supervision and with the participation of current management, including our current Chief Executive Officer and current Chief Financial Officer, we conducted an assessment of the effectiveness of the Company's internal control over financial reporting as of January 29, 2006. In making this assessment, management used the criteria set forth in the framework established by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") entitled "Internal Control-Integrated Framework." Management excluded Murray's Inc. from its assessment of internal control over financial reporting as of January 29, 2006 because Murray's was acquired by the Company on December 19, 2005 and accounted for as a purchase business combination during the year ended January 29, 2006. Murray's assets constituted approximately 6.8% of the Company's total assets at January 29, 2006. For the year ended January 29, 2006, Murray's represented approximately 1.4% of the Company's net sales. A "material weakness" is a control deficiency, or combination of control deficiencies, that results in more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected. A "control deficiency" exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. Management identified the following material weaknesses in the Company's internal control over financial reporting as of January 29, 2006: 1) Control Environment: The Company did not maintain an effective control environment based on the criteria established in the COSO framework. The Company failed to design controls to prevent or detect instances of inappropriate override of, or interference with, existing policies, procedures and internal controls. The Company did not establish and maintain a proper tone as to internal control over financial reporting. More specifically, senior management failed to emphasize, through consistent communication and behavior, the importance of internal control over financial reporting and adherence to the Company's code of business conduct and ethics, which, among other things,

resulted in information being withheld from, and improper explanations and inadequate supporting documentation being provided to, the Company's Audit Committee, its Board of Directors, its internal auditors and independent registered public accountants. In addition, certain members of senior management created an environment that discouraged employees from raising accounting related concerns and suppressed accounting related inquiries that were made. The material weakness in the Company's control environment discussed above permitted or contributed to the following additional material weaknesses and the material weakness described at 2) below: a) Accounting for Inventory — The Company's lack of effective controls did not prevent or detect the inappropriate override of established procedures regarding the adjustment of inventories for the results of annual physical inventory counts at each of the Company's distribution centers, warehouses and stores. In addition, the Company's lack of effective controls did not prevent or detect inappropriate and inaccurate accumulations of inventory balances in in-transit accounts (i.e., store returns to warehouses, distribution centers and return centers; and to vendors), which was known or should have been known to several members of the Finance organization. The lack of effective controls permitted (i) errors in inventory balances to be inappropriately systematically amortized to cost of sales in improper periods; (ii) instances where improper adjustments were made to certain product costs within the perpetual inventory system that, together with improper journal entries to the general ledger, resulted in the overstatement of inventory and cost of sales being recognized in incorrect periods; and (iii) the inappropriate capitalization of inventory overheads (purchasing, warehousing and distribution costs) and vendor allowance receivables. Additionally, Company personnel did not properly oversee the processes for accounting for inventory warranties and did not establish adequate accrued liabilities for warranty returns from customers.

b) Accounting for Vendor Allowances — The Company's lack of effective controls did not detect or prevent the inappropriate override of established procedures related to: (i) the review and approval process for initial vendor allowance agreements; (ii) the monitoring of modifications to existing vendor allowance agreements; and (iii) the accuracy of recording of various vendor allowance transactions, including applicable cash collections and estimates. Furthermore, as a result of the lack of a sufficient complement of personnel with the requisite level of accounting knowledge, experience and training in GAAP, as discussed in 2) below, the Company did not identify that provisions in certain agreements were required to be accounted for differently. The investigation revealed that improper debits were issued and applied to accounts payable for amounts the Company was not entitled to receive. These amounts were subsequently repaid to those vendors through direct cash payments, the foregoing of future cash discounts, the acceptance of increased prices on future purchases and paybacks through the warranty account. This material weakness resulted in errors in vendor allowance receivables, inventory, accounts payable and costs of sales accounts. c) Accounting for Certain Accrued Expenses — The Company's lack of effective controls did not prevent or detect the inappropriate override of established procedures to adjust workers' compensation liabilities to amounts determined by independent actuaries. Errors in timing of incentive compensation accruals resulted from inadvertent misapplication of GAAP as well as the lack of effective controls which permitted override of established procedures. In addition, the Company identified improper and unsupported journal entries to the general ledger that resulted in the misstatement of certain accrued expense accounts and related operating and administrative expenses. This material weakness resulted in errors in certain accrued expenses and related operating and administrative expenses, including workers' compensation liabilities and incentive compensation costs. d) Accounting for Store Fixtures and Supplies — The Company's lack of effective controls did not prevent or detect the override of established procedures for periodic physical inspections and usability evaluations of store fixtures held for future use in a warehouse. Specifically, the Company did not detect that certain of these assets were impaired or did not exist and that, as a result, their recorded cost was overstated. In addition, the Company's controls failed to detect an inappropriate accumulation of costs related to store fixtures and supplies in general ledger accounts and the Company's

overstatement of supplies on hand in each store. This material weakness resulted in errors in its store fixtures (fixed assets) and supplies accounts (other current assets) and related operating and administrative expenses. 2) Resources, and Policies and Procedures to Ensure Proper and Consistent Application of GAAP: The Company did not maintain effective controls over the application of GAAP. Specifically the Company failed to have a sufficient complement of personnel with a level of accounting knowledge, experience and training in the application of GAAP commensurate with the Company's financial reporting requirements. This material weakness in the Company's resources and policies contributed to the following additional material weaknesses: a) Accounting for Leases — The Company did not maintain effective controls over the completeness and accuracy of its accounting for lease related fixed assets and debt, related operating and administrative expenses and interest expense, and financial statement disclosures. Specifically, the Company did not detect that a vehicle master leasing arrangement was not properly evaluated under GAAP. b) Allowance for Sales Returns — The Company did not maintain effective controls over the completeness of its allowance for sales returns and the related net sales, cost of sales, accrued liabilities and other current assets accounts. Specifically, the Company did not detect that it had inappropriately excluded an estimate for certain returns that were incorrectly classified as warranty and core returns in the Company's methodology for determining an allowance for sales returns. c) Accounting for Certain Accrued Expenses — The Company did not maintain effective controls over the completeness, valuation and reporting in the proper period of certain of its accrued expense accounts and related operating and administrative expenses. The Company identified numerous instances of errors in accrual accounts, including transactions not accounted for in accordance with GAAP, that were attributable to the Company's lack of a sufficient complement of experienced personnel and written accounting policies and procedures in certain areas. Each of the aforementioned material weaknesses resulted in adjustments to the Company's fiscal 2005 consolidated financial statements and the restatement of our fiscal 2004 and 2003 financial statements and financial statements for each of the first three quarters of fiscal 2005 and for each of the quarters in fiscal 2004. The effect of restatement adjustments applicable to periods prior to fiscal 2003 was reflected as an adjustment to the balance of retained earnings as of the end of fiscal 2002. In addition, each of these above material weaknesses could result in a material misstatement of the Company's interim or annual consolidated financial statements and disclosures that would not be prevented or detected. Management has concluded that due to the aforementioned material weaknesses, the Company did not maintain effective internal control over financial reporting as of January 29, 2006 based on criteria established in "Internal Control — Integrated Framework" issued by COSO. Management's assessment of the effectiveness of the Company's internal control over financial reporting as of January 29, 2006 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which appears under Item 8 of this Annual Report.

GENERAL MOTORS CORP

10-K 2006 Management - Internal Control Assessment

Management's Report on Internal Control over Financial Reporting Management is responsible for establishing and maintaining effective internal control over financial reporting of the Corporation. This system is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. The Corporation's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Corporation; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Corporation are being made only in accordance with authorizations of

management and directors of the Corporation; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Corporation's assets that could have a material effect on the financial statements. A material weakness is a significant deficiency, or combination of significant deficiencies, that results in there being a more than remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected. In its assessment of the effectiveness of internal control over financial reporting as of December 31, 2006, the Corporation determined that there were control deficiencies that constituted material weaknesses, as described below. 1. The Corporation lacked the technical expertise and processes to ensure compliance with SFAS No. 109, Accounting for Income Taxes, and did not maintain adequate controls with respect to (a) timely tax account reconciliations and analyses, (b) coordination and communication between Corporate Accounting and Tax Staffs, and (c) timely review and analysis of corporate journals recorded in the consolidation process. This material weakness resulted in a restatement of prior financial statements, as described in Note 2 to the Consolidated Financial Statements, and, if not remediated, has the potential to cause a material misstatement in the future. 2. The Corporation in certain instances lacked the technical expertise and did not maintain adequate procedures to ensure that the accounting for derivative financial instruments under SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities, was appropriate. Procedures relating to hedging transactions in certain instances did not operate effectively to (a) properly evaluate hedge accounting treatment (b) meet the documentation requirements of SFAS No. 133, (c) adequately assess and measure hedge effectiveness on a quarterly basis, and (d) establish the appropriate communication and coordination between relevant GM departments involved in complex financial transactions. This material weakness resulted in a restatement of prior financial statements, as described in Note 2 to the Consolidated Financial Statements and, if not remediated, has the potential to cause a material misstatement in the future. 3. The Corporation did not maintain a sufficient complement of personnel with an appropriate level of technical accounting knowledge, experience, and training in the application of generally accepted accounting principles commensurate with the Corporation's complex financial accounting and reporting requirements and low materiality thresholds. This was evidenced by a significant number of out-of-period adjustment noted during the year-end closing process. This material weakness contributed to the restatement of prior financial statements, as described in Note 2 to the Consolidated Financial Statements and, if not remediated, has the potential to cause a material misstatement in the future. 4. Due to the previously reported material weaknesses, as evidenced by the significant number and magnitude of out-of-period adjustments identified during the year-end closing process and the resulting restatements related to deferred taxes and hedging activities, management has concluded that the controls over the period-end financial reporting process were not operating effectively. Specifically, controls were not effective to ensure that significant non-routine transactions, accounting estimates, and other adjustments were appropriately reviewed, analyzed, and monitored on a timely basis. A material weakness in the period-end financial reporting process could result in the Corporation not being able to meet its regulatory filing deadlines and, if not remediated, has the potential to cause a material misstatement or to miss a filing deadline in the future. Management performed an assessment of the effectiveness of the Corporation's internal control over financial reporting as of December 31, 2006, utilizing the criteria described in the "Internal Control — Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). The objective of this assessment was to determine whether the Corporation's internal control over financial reporting was effective as of December 31, 2006. Based on our assessment, and because of the material weaknesses described above, management has concluded that our internal control over financial reporting was not effective as of December 31, 2006. Management's assessment of the effectiveness of the Corporation's internal control over financial reporting has been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report which is included herein.

TENNECO INC

10-K 2006 Management - Internal Control Assessment

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING Management of Tenneco Inc. is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934). Management's internal control system is designed to provide reasonable assurance regarding the preparation and fair presentation of published financial statements. All internal control systems, no matter how well designed, have inherent limitations, including the possibility of human error or circumvention or overriding of controls. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation and may not prevent or detect misstatements in financial reporting. Further, due to changing conditions and adherence to established policies and controls, internal control effectiveness may vary over time. Management assessed the company's effectiveness of internal controls over financial reporting. In making this assessment, it used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in Internal Control-Integrated Framework. Based on our assessment we believe that the company's internal control over financial reporting was not effective as a result of the material weakness related to accounting for income taxes as of December 31, 2006. A material weakness is a control deficiency, or combination of control deficiencies, that results in more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected. Management identified a material weakness in our internal control over financial reporting as of December 31, 2006, related to our accounting for income taxes including income taxes payable, deferred income tax assets and liabilities and the related income tax provision. Specifically, we did not maintain effective controls over the accuracy and completeness of the components of the income tax provision calculation and related deferred income taxes and income taxes payable, and over the monitoring of the differences between the income tax basis and the financial reporting basis of assets and liabilities to effectively reconcile the differences to the reported deferred income tax balances. This control deficiency resulted in adjustments to the tax accounts for our financial statements as of December 31, 2006. While the errors identified largely offset each other, our internal controls did not operate effectively to detect errors that could have been, individually or in the aggregate, material. Management's assessment of the effectiveness of our internal control over financial reporting as of December 31, 2006 has been audited by Deloitte & Touche LLP, our independent registered public accounting firm, as stated in their report, which is included herein. March 1, 2007

DELPHI CORP

10-K 2006 Management - Internal Control Assessment

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING Under the supervision and with the participation of our management, including our Chief Executive Officer (the "CEO") and Chief Financial Officer (the "CFO"), we have evaluated the effectiveness of design and operation of our disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) as of the end of the period covered by this report. Based on this evaluation, our CEO and CFO concluded that our disclosure controls and procedures were not effective as of December 31, 2006. The basis for this determination was that, as discussed below, we have identified material weaknesses in our internal control over financial reporting, which we view as an integral part of our disclosure controls and procedures. Management is responsible for establishing

and maintaining adequate internal control over financial reporting. Internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15(d)-15(f)) includes those policies and procedures that: (a) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (b) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles in the United States of America ("U.S. GAAP"), and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (c) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements. Management assessed our internal control over financial reporting as of December 31, 2006, the end of our fiscal year. Management based its assessment on the criteria set forth in the Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. A material weakness is a control deficiency, or combination of control deficiencies, that result in more than a remote likelihood that a material misstatement of annual or interim financial statements will not be prevented or detected. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risks that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. Management's 2006 assessment identified the following material weaknesses. Ongoing remediation plans to address these material weaknesses are described below in the section "Ongoing Remediation Activities" of Item 9A.

"Controls and Procedures".

- **Contract Administration** — We failed to design and implement adequate policies and controls over the contract administration process in the areas of customer contracts and commercial arrangements to provide reasonable assurance that material contracts are adequately analyzed to determine the accounting implications, or to capture, analyze, and record the accounting impact of amendments to such contracts. As a result, it is possible that material misstatements related to accounts receivable, accounts payable, revenues, cost of goods sold, or selling, general and administrative and related disclosures could occur and not be prevented or detected.
- **Inventory Accounting Adjustments** — Our controls over inventory did not operate effectively at the North American operations of one of our operating segments. Specifically, controls (1) to determine that adjustments to inventory costs or quantities related to annual physical inventories are made in the appropriate period; and (2) to timely capture, analyze and record inventory manufacturing variances that may arise between standard and actual manufacturing cost did not operate with sufficient timeliness and precision to enable recognition of material adjustments to inventory balances in the proper period. As a result, it is possible that material misstatements related to the carrying value of inventories, cost of goods sold and related disclosures could occur and not be prevented or detected.
- **Fixed Assets and Special Tools Accounting** — Our controls over fixed assets and special tools accounting did not operate effectively. Specifically, controls over (1) the accumulation of appropriate costs and timely transfer of completed construction-work-in-progress and tooling projects to the fixed assets and special tools subsidiary ledgers and related accounts; (2) the proper amortization of special tools, pursuant to U.S. GAAP and corporate guidelines; and (3) the timely recording of disposals and interplant transfers related to fixed assets and special tools; did not operate effectively. As a result, it is possible that material misstatements related to fixed assets, depreciation and amortization expense and related disclosures could occur and not be prevented or detected.

- **Demographic Data** — We did not maintain adequate controls over records of employee and retiree demographic information used in determining certain employee benefits liabilities. As a result, it is possible that material misstatements related to pension and other postemployment benefits liabilities, related costs and relevant disclosures could occur and not be prevented or

detected.

Management has discussed the material weaknesses described above and related corrective actions with the Company's Audit Committee. Our independent registered public accounting firm, Ernst & Young LLP ("Ernst & Young"), has audited management's assessment of our internal control over financial reporting. Ernst & Young has issued an attestation report, which follows this report which is included under Item 8. Financial Statements and Supplementary Data — Report of Independent Registered Public Accounting Firm.

HLI OPERATING CO INC

10-K 2006 Management - Internal Control Assessment

Management's Annual Report on Internal Control over Financial Reporting.

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as such term is defined in Exchange Act Rule 13a-15(f). Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. Under the supervision and with the participation of our management, including the Chief Executive Officer and Chief Financial Officer, we conducted an assessment of the effectiveness of our internal control over financial reporting as of January 31, 2006. This assessment identified a material weakness in internal control over financial reporting related to ineffective reconciliation procedures associated with income tax accounting matters. A material weakness is defined as a significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected. As a result of this deficiency in our internal control over financial reporting, management did not detect errors in the accounting for income tax amounts in a timely manner as of and for the year ended January 31, 2006. Specifically, errors were detected that resulted in an adjustment of current and deferred income tax expense, deferred tax assets and liabilities, as well as intra-period allocation of income tax among continuing operations, discontinued operations, and other comprehensive income. These errors were corrected, and the corrections are reflected in the audited consolidated financial statements as of and for the year ended January 31, 2006. In making our assessment of internal control over financial reporting, management used the criteria established in the framework Internal Control — Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission. Because of the material weakness described above, we concluded that our internal control over financial reporting was not effective as of January 31, 2006. Our assessment of the effectiveness of our internal control over financial reporting as of January 31, 2006 has been audited by KPMG LLP, an independent registered public accounting firm, as stated in their report included herein.

QUANTUM FUEL SYSTEMS TECHNOLOGIES WORLDWIDE INC

10-K 2006 Management - Internal Control Assessment

Management's Report on Internal Control Over Financial Reporting

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Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Our internal control over financial reporting is a process designed under the supervision of our principal executive and principal financial officer to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with accounting principles generally accepted in the United States.

Our internal control over financial reporting includes policies and procedures that:

- Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect transactions and dispositions of our assets;
- Provide reasonable assurance that our transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. generally accepted accounting principles;
- Provide reasonable assurances that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and
- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

Table of Contents Under the supervision and with the participation of our management, including the Chief Executive Officer and Chief Financial Officer, we evaluated the effectiveness of the design and operation of our internal control over financial reporting based on the framework in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that the our internal control over financial reporting was not effective as of April 30, 2006. As defined by the Public Company Accounting Oversight Board ("PCAOB") Auditing Standard No. 2, a material weakness is a significant control deficiency or a combination of significant control deficiencies, that results in there being more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected. The material weakness as of April 30, 2006 was that the Company did not have the internal resources necessary to apply the numerous complex accounting standards to non-routine transactions in a timely manner. This material weakness resulted in late period adjustments and delays in the preparation of financial statements and filings.

The scope of management's assessment of the effectiveness of internal control over financial reporting includes all of our businesses except for the operations acquired during fiscal 2006 of Regency Conversions Inc. and Empire Coach Enterprises, LLC and certain other minor component subsidiaries of our Tecstar Automotive Group reporting segment. Our consolidated sales for the fiscal year ended April 30, 2006 were \$190.0 million, of which Regency Conversions Inc. represented \$10.5 million, Empire Coach Enterprises, LLC represented \$0.8 million. McGladrey & Pullen, LLP, our independent registered public accounting firm, audited management's assessment of the effectiveness of internal control over financial reporting and, based on that audit, issued the report set forth on the following page.

Status of Management's Remedial Action

The Company is implementing remedial controls to address this matter, involving a review of accounting resources and structure of accounting functions.

DANA CORP

10-K 2006 Management - Internal Control Assessment

Management's Report on Internal Control Over Financial Reporting — Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act). A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. GAAP. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and disposition of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and the oversight of the board of directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. Under the supervision of our CEO and CFO, management conducted an assessment of the effectiveness of our internal control over financial reporting as of December 31, 2006, using the criteria set forth in the framework established by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control — Integrated Framework. A material weakness is a control deficiency, or combination of control deficiencies, that results in more than a remote likelihood that a material misstatement of a company's annual or interim financial statements will not be prevented or detected. Management identified the following material weaknesses in our internal control over financial reporting as of December 31, 2006: (1) Our financial and accounting organization was not adequate to support our financial accounting and reporting needs. Specifically, we did not maintain a sufficient complement of personnel with an appropriate level of accounting knowledge, experience with Dana and training in the application of GAAP commensurate with our financial reporting requirements. The lack of a sufficient complement of personnel with an appropriate level of accounting knowledge, experience with Dana and training contributed to the control deficiencies noted in items 2 through 5 below. (2) We did not maintain effective controls over the completeness and accuracy of certain revenue and expense accruals. Specifically, we failed to identify, analyze, and review certain accruals at period end relating to certain accounts receivable, accounts payable, accrued liabilities (including restructuring accruals), revenue, and other direct expenses to ensure that they were accurately, completely and properly recorded. (3) We did not maintain effective controls over reconciliations of certain financial statement accounts. Specifically, our controls over the preparation, review and monitoring of account reconciliations primarily related to certain inventory, accounts payable, accrued expenses and the related income statement accounts were ineffective to ensure that account balances were accurate and supported with appropriate underlying detail, calculations or other documentation. (4) We did not maintain effective controls over the valuation and accuracy of long-lived assets and goodwill. Specifically, we did not maintain effective controls to ensure certain plants maintained effective controls to identify impairment of idle assets in a timely

manner. Further, we did not maintain effective controls to ensure goodwill impairment calculations were accurate and supported with appropriate underlying documentation, including the determination of fair value of reporting units. (5) We did not maintain effective segregation of duties over transaction processes. Specifically, certain personnel with financial transaction initiation and reporting responsibilities had incompatible duties that allowed for the creation, review and processing of certain financial data without adequate independent review and authorization. This control deficiency primarily affects revenue, accounts receivable and accounts payable.

Each of the control deficiencies described in Items 1 through 3 resulted in the restatement of our annual consolidated financial statements for 2004, each of the interim periods in 2004 and the first and second quarters of 2005 and 2006, as well as certain adjustments, including audit adjustments, to our third quarter 2005 consolidated financial statements. The control deficiency described in 4 above resulted in audit adjustments to the 2005 annual consolidated financial statements. The control deficiency described in 2 above resulted in audit adjustments to the 2006 annual consolidated financial statements. Additionally, each of the control deficiencies described in 1 through 5 above could result in a misstatement in our annual or interim consolidated financial statements that would not be prevented or detected. Management has determined that each of the control deficiencies described in Items 1 through 5 constitutes a material weakness. In conducting our evaluation of the effectiveness of our internal control over financial reporting, management has excluded the Mexican Axle and Driveshaft operations (Dana Mexico Holdings) from its assessment of internal control over financial reporting as of December 31, 2006 because they were acquired by us in purchase business combinations during 2006. Dana Mexico Holdings is a wholly-owned subsidiary whose total assets represent less than 2%, and whose total revenues represent less than 2% of the related consolidated financial statement amounts, as of and for the year ended December 31, 2006. As a result of these material weaknesses, management has concluded that we did not maintain effective internal control over financial reporting as of December 31, 2006, based on criteria established in Internal Control — Integrated Framework issued by the COSO. Management's assessment of the effectiveness of our internal control over financial reporting as of December 31, 2006, has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in its report, which appears in Item 8 of this Annual Report on Form 10-K. Remediation of 2005 Material Weakness — We believe the actions discussed below along with personnel changes have remediated our material weakness in the control environment at the Commercial Vehicle business unit as of December 31 2006. Plan for Remediation of Material Weaknesses — We believe the steps described below, some of which we have already taken as noted herein, together with others that we plan to take, will remediate the material weaknesses which existed at December 31, 2006. Specifically, we believe the actions outlined below will address the material weaknesses. • We are committed to continuing a strong ethical and controls climate and ensuring that any employee concerned with activity believed to be improper will bring his or her concerns to the prompt attention of management, either directly or anonymously through our Ethics and Compliance Helpline. During 2006, we instituted an updated Standards of Business Conduct Online training program. This training program is mandatory and every employee must participate in the training as a condition of their employment with Dana. The training serves to renew our employees' acknowledgment of their commitment to adhere to Dana's Standards of Business Conduct. • We have augmented the GAAP training that is regularly part of our periodic controller conferences, web casts and outside continuing education programs by updating our GAAP training course. We held GAAP training sessions for financial personnel in the fall of 2006 and we will continue this training throughout 2007. Key areas of instruction for 2006 focused on Fixed Assets, Impairment of Long-Lived Assets, Inventory, Revenue Recognition, Contingencies and a general overview of GAAP. The training also included a brief overview of the reporting and other requirements under Chapter 11 of the Bankruptcy Code.

We have taken or plan to take the following additional steps to improve our internal control over financial reporting: • During 2006, we continued to augment the resources in our corporate accounting department, and in 2007 we will continue to add to the department's staff and utilize external resources as appropriate; • Outside of the corporate accounting department, we will continue to add financial personnel as necessary throughout Dana to provide adequate resources with appropriate levels of experience and GAAP knowledge; • Continued emphasis is being placed by senior management in operations and information technology to develop specific remediation plans for all the control deficiencies, concentrating initially on those pertaining to the segregation of duties and other operations-based matters identified as material weaknesses; • We implemented central oversight for certain financial functions, including customer owned tooling and account reconciliations, and plans for additional areas of central oversight to process transactions which require specialized accounting knowledge are underway; • We are currently recruiting to replace the human resource professional assigned in 2006 to focus on the organizational development needs of the Finance group and to track the training and career paths of our finance personnel, reassess the competency requirements for our key financial positions and determine our overall financial staffing needs; • We continued the deployment of the account reconciliation software to additional facilities to allow for the access and review of reconciliations from a central location and will continue our training on and utilization of this tool by our management group; • We enhanced our corporate accounting policies in certain areas, including long-lived assets and goodwill, and will deploy additional policies globally; • As part of the ongoing transformation of our finance function, we will continue to centralize control and responsibility for routine, high-volume accounting activities in shared service centers or with third-party providers; and • We broadened the nature and extent of work that our internal audit department performs by increasing the size of the department and enhancing the competency of its people. However, due to the continued challenges of attracting and maintaining the optimal resources, we outsourced the internal audit services to Ernst & Young beginning in January 2007.

Changes in Internal Control Over Financial Reporting — Our management, with the participation of our CEO and CFO, evaluates any changes in our internal control over financial reporting that occurred during each fiscal quarter that have materially affected, or are reasonably likely to materially affect, such internal control over financial reporting. There was no change in internal control over financial reporting (as defined in Rule 13a-15(f) of the Securities Exchange Act of 1934) that occurred during the fourth quarter of 2006 that materially affected or was reasonably likely to materially affect our internal control over financial reporting: CEO and CFO Certifications — The Certifications of our CEO and CFO, which are attached as Exhibits 31-A and 31-B to this report, include information about our disclosure controls and procedures and internal control over financial reporting. These Certifications should be read in conjunction with the information contained in this Item 9A for a more complete understanding of the matters covered by the Certifications.