ARVINMERITOR INC
Form 10-K/A
November 20, 2009

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K/A
(Amendment No. 1)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the Fiscal Year Ended September 27, 2009
Commission file number 1-15983

ARVINMERITOR, INC.
(Exact name of registrant as specified in its charter)

Indiana	**38-3354643**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
2135 West Maple Road **Troy, Michigan**	**48084-7186**
(Address of principal executive offices)	**(Zip Code)**

Registrant's telephone number, including area code: (248) 435-1000

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

Title of each class	Name of each exchange on which registered
Common Stock, $1 Par Value (including the associated Preferred Share Purchase Rights)	New York Stock Exchange

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT: None

Indicate by check mark whether the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes [ ] No [X]

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes [ ] No [X]

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 [X] No [ ]

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Registration

S-T during the preceding twelve months (or for such shorter period that the registrant was required to submit and post such files).

Yes [ ] No [ ]

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. [X]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of “accelerated filer and large accelerated filer” in Rule 12b-2 of the Exchange Act.

Large accelerated filer	o	Accelerated filer	x
Non-accelerated filer	o (Do not check if a smaller reporting company)	Smaller reporting company	o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes [ ] No [X]

The aggregate market value of the registrant’s voting and non-voting common equity held by non-affiliates of the registrant on March 27, 2009 (the last business day of the most recently completed second fiscal quarter) was approximately $83,586,199 million.

74,269,521 shares of the registrant’s Common Stock, par value $1 per share, were outstanding on November 2, 2009.

DOCUMENTS INCORPORATED BY REFERENCE

None

Explanatory Note

ArvinMeritor, Inc. (“ArvinMeritor” or the “Company”) is filing this amendment to Form 10-K for the fiscal year ended September 27, 2009, which was filed with the Securities and Exchange Commission on November 19, 2009 (the “2009 Form 10-K”). The “Reports of Independent Registered Public Accounting Firm,” which appear on pages 58 and 112 of the 2009 Form 10-K, did not include the conformed signature of Deloitte & Touche LLP. At the time of the November 19, 2009 filing of the Form 10-K with the Securities and Exchange Commission, ArvinMeritor was in possession of manually-signed copies of the audit opinions, but the signature in typed form was inadvertently omitted from the electronic version. The sole purpose of this amendment is to file the “Reports of Independent Registered Public Accounting Firm” which include the signatures in typed form.

Except for the amendment described above and the updated consents of Deloitte & Touche LLP and Bates White LLC filed as Exhibits 23-d and 23-e, respectively, this Form 10-K/A does not modify or update other disclosures in, or exhibits to, ArvinMeritor’s 2009 Form 10-K. For convenience and ease of reference, this amendment sets forth the complete text of “Item 8 — Financial Statements and Supplementary Data”, “Item 9A — Controls and Procedures”, “Item 15- Exhibits and Financial Statement Schedules” from the 2009 Form 10-K in their entirety with the applicable changes (described above) and updated certifications of our Chief Executive Officer and Chief Financial Officer. The financial statements included within this amendment have not changed since the filing of the Company’s original Annual Report on Form 10-K.

Item 8. Financial Statements and Supplementary Data.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareowners of ArvinMeritor, Inc.
Troy, Michigan

We have audited the accompanying consolidated balance sheets of ArvinMeritor, Inc. and subsidiaries (the Company) as of September 27, 2009 and September 28, 2008 and the related consolidated statements of operations, shareowners equity (deficit) and comprehensive loss, and cash flows for each of the three years in the period ended September 27, 2009. Our audits also included the consolidated financial statement schedule listed in the Index at Item 15(a)(2). These consolidated financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on the consolidated financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of the Company as of September 27, 2009 and September 28, 2008, and the results of their operations and their cash flows for each of the three years in the period ended September 27, 2009, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such consolidated financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

As discussed in Note 2 to the consolidated financial statements, on September 29, 2008, the Company changed the measurement date of its defined benefit plan assets and liabilities to coincide with its year end. Also on September 30, 2007, the Company began to recognize the funded status of its defined benefit pension and postretirement plans in its consolidated balance sheet.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of September 27, 2009, based on the criteria established in *Internal ControlIntegrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated November 18, 2009 expressed an unqualified opinion on the Company's internal control over financial reporting.

/s/ DELOITTE & TOUCHE LLP
DELOITTE & TOUCHE LLP
Detroit, Michigan
November 18, 2009

ARVINMERITOR, INC.
CONSOLIDATED STATEMENT OF OPERATIONS
(In millions, except per share amounts)

	Year Ended September 30,		
	2009	**2008**	**2007**
Sales	$ 4,108	$ 6,390	$ 5,720
Cost of sales	(3,804)	(5,828)	(5,323)
GROSS MARGIN	304	562	397
Selling, general and administrative	(290)	(415)	(356)
Restructuring costs	(80)	(9)	(62)
Asset impairment charges	(153)		

Goodwill impairment charge	(70)		
Other operating expense, net	(1)	(3)	(1)
OPERATING INCOME (LOSS)	(290)	135	(22)
Equity in earnings of affiliates	15	38	34
Interest expense, net	(86)	(80)	(109)
INCOME (LOSS) BEFORE INCOME TAXES	(361)	93	(97)
Benefit (provision) for income taxes	(707)	(197)	13
Minority interest	(9)	(11)	(9)
LOSS FROM CONTINUING OPERATIONS	(1,077)	(115)	(93)
INCOME (LOSS) FROM DISCONTINUED OPERATIONS, net of tax	(135)	14	(126)
NET LOSS	$ (1,212)	$ (101)	$ (219)
BASIC EARNINGS (LOSS) PER SHARE			
Continuing operations	$ (14.86)	$ (1.60)	$ (1.32)
Discontinued operations	(1.86)	0.20	(1.79)
Basic loss per share	$ (16.72)	$ (1.40)	$ (3.11)
DILUTED EARNINGS (LOSS) PER SHARE			
Continuing operations	$ (14.86)	$ (1.60)	$ (1.32)
Discontinued operations	(1.86)	0.20	(1.79)
Diluted loss per share	$ (16.72)	$ (1.40)	$ (3.11)
Basic average common shares outstanding	72.5	72.1	70.5
Diluted average common shares outstanding	72.5	72.1	70.5

See Notes to Consolidated Financial Statements. Amounts for prior periods have been recasted for discontinued operations.

59

ARVINMERITOR, INC.
CONSOLIDATED BALANCE SHEET
(In millions)

	September 30,	
	2009	**2008**
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 95	$ 497
Receivables, trade and other, net	694	1,114
Inventories	374	623
Other current assets	97	218
Assets of discontinued operations	56	
TOTAL CURRENT ASSETS	1,316	2,452
NET PROPERTY	445	775
GOODWILL	438	522
OTHER ASSETS	309	925
TOTAL ASSETS	$ 2,508	$ 4,674
LIABILITIES AND SHAREOWNERS' EQUITY (DEFICIT)		
CURRENT LIABILITIES:		

	2009	2008
Short-term debt	$ 97	$ 240
Accounts payable	674	1,287
Other current liabilities	411	610
Liabilities of discontinued operations	107	
TOTAL CURRENT LIABILITIES	1,289	2,137
LONG-TERM DEBT	1,080	1,063
RETIREMENT BENEFITS	1,077	690
OTHER LIABILITIES	310	247
MINORITY INTERESTS	29	75
SHAREOWNERS EQUITY (DEFICIT):		
Common stock (September 30, 2009 and 2008, 74.0 and 73.8 shares issued and outstanding, respectively)	72	72
Additional paid-in capital	632	625
Accumulated deficit	(1,247)	(7)
Treasury stock (September 30, 2009 and 2008, 0.1 shares)		(3)
Accumulated other comprehensive loss	(734)	(225)
TOTAL SHAREOWNERS EQUITY (DEFICIT)	(1,277)	462
TOTAL LIABILITIES AND SHAREOWNERS EQUITY (DEFICIT)	$ 2,508	$ 4,674

See Notes to Consolidated Financial Statements.

60

ARVINMERITOR, INC.
CONSOLIDATED STATEMENT OF CASH FLOWS
(In millions)

	Year Ended September 30,		
	2009	**2008**	**2007**
OPERATING ACTIVITIES			
CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES (see Note 26)	$ (295)	$ 163	$ 36
INVESTING ACTIVITIES			
Capital expenditures	(111)	(138)	(86)
Acquisitions of businesses and investments, net of cash acquired		(60)	(2)
Proceeds from disposition of property and businesses	4	9	14
Proceeds from investments and sale of marketable securities	6	5	5
Net investing cash flows used for continuing operations	(101)	(184)	(69)
Net investing cash flows provided by discontinued operations	115	24	165
CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	14	(160)	96
FINANCING ACTIVITIES			
Borrowings (payments) on prior accounts receivable securitization program	(111)	111	(40)
Borrowings on new accounts receivable securitization program	83		
Borrowings on revolving credit facility, net	28		
Proceeds from issuance of convertible notes and term loan			200
Repayment of notes and term loan	(83)	(5)	(249)
Borrowings (payments) on lines of credit and other	(9)	13	(4)
Net change in debt	(92)	119	(93)
Cash dividends	(8)	(29)	(29)
Debt issuance and extinguishment costs		(6)	(10)
Proceeds from exercise of stock options			28
Other financing activities			(1)

Net financing cash flows provided by (used for) continuing operations	(100)	84	(105)
Net financing cash flows provided by (used for) discontinued operations	(6)	13	7
CASH PROVIDED BY (USED FOR) FINANCING ACTIVITIES	(106)	97	(98)
EFFECT OF CURRENCY EXCHANGE RATES ON CASH AND CASH EQUIVALENTS	(15)	(12)	25
CHANGE IN CASH AND CASH EQUIVALENTS	(402)	88	59
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	497	409	350
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 95	$ 497	$ 409

See Notes to Consolidated Financial Statements. Amounts for prior periods have been recasted for discontinued operations.

61

ARVINMERITOR, INC.
CONSOLIDATED STATEMENTS OF SHAREOWNERS' EQUITY (DEFICIT)
AND COMPREHENSIVE LOSS
(In millions, except per share amounts)

	Year Ended September 30,		
	2009	**2008**	**2007**
COMMON STOCK			
Beginning balance	$ 72	$ 72	$ 71
Exercise of stock options	—	—	1
Ending balance	72	72	72
ADDITIONAL PAID-IN CAPITAL			
Beginning balance	625	618	587
Equity based compensation expense	10	7	13
Exercise of stock options	—	—	18
Issuance of restricted stock	(3)	—	—
Ending balance	632	625	618
RETAINED EARNINGS (ACCUMULATED DEFICIT)			
Beginning balance	(7)	128	376
Net loss	(1,212)	(101)	(219)
Cash dividends (per share $0.10: 2009; $0.40: 2008 and 2007)	(8)	(29)	(29)
Adjustment upon adoption of income tax guidance	—	(5)	—
Adjustment upon adoption of retirement benefits guidance	(20)	—	—
Ending balance	(1,247)	(7)	128
TREASURY STOCK			
Beginning balance	(3)	(3)	(11)
Exercise of stock options	—	—	9
Issuance of restricted stock	3	—	—
Other	—	—	(1)
Ending balance	—	(3)	(3)
ACCUMULATED OTHER COMPREHENSIVE LOSS			
Beginning balance	(225)	(272)	(79)
Foreign currency translation adjustments	(63)	(13)	36
Minimum pension liability adjustment, net of tax of $52	—	—	126
Adjustments upon adoption of retirement benefits guidance, net of tax of $0 and $193 in fiscal years 2009 and 2007, respectively	9	—	(357)
Employee benefit related adjustments, net of tax of $2 and $44 in fiscal years 2009 and 2008, respectively	(465)	71	—

Unrealized gains (losses)	10	(11)	2
Ending balance	(734)	(225)	(272)
TOTAL SHAREOWNERS’ EQUITY (DEFICIT)	$ (1,277)	$ 462	$ 543
COMPREHENSIVE LOSS			
Net loss	$ (1,212)	$ (101)	$ (219)
Foreign currency translation adjustments	(63)	(13)	36
Minimum pension liability adjustment, net of tax	—	—	126
Adjustments upon adoption of retirement benefits guidance, net of tax	9	—	—
Employee benefit related adjustments, net of tax	(465)	71	—
Unrealized gains (losses)	10	(11)	2
TOTAL COMPREHENSIVE LOSS	$ (1,721)	$ (54)	$ (55)

See Notes to Consolidated Financial Statements.

ARVINMERITOR, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION

ArvinMeritor, Inc. (the "company" or "ArvinMeritor"), headquartered in Troy, Michigan, is a premier global supplier of a broad range of integrated systems, modules and components to original equipment manufacturers (“OEMs”) and the aftermarket for the commercial vehicle, transportation and industrial sectors. The company serves commercial truck, trailer, off-highway, military, bus and coach and other industrial OEMs and certain aftermarkets, and light vehicle OEMs. The consolidated financial statements are those of the company and its consolidated subsidiaries.

Certain businesses are reported in discontinued operations in the consolidated statement of operations, statement of cash flows and related notes for all periods presented. Additional information regarding discontinued operations is discussed in Note 3.

The company’s fiscal year ends on the Sunday nearest September 30. The 2009, 2008 and 2007 fiscal years ended on September 27, 2009, September 28, 2008, and September 30, 2007. All year and quarter references relate to the company’s fiscal year and fiscal quarters, unless otherwise stated. For ease of presentation, September 30 is used consistently throughout this report to represent the fiscal year end.

Cash flow in fiscal year 2009 was negatively affected by decreased earnings due to lower sales and will continue to be negatively impacted due to continued lowered production and the current volatility in the financial markets, which could affect certain of the company’s customers or vendors. The company saw its usage of the revolving credit facility throughout the first six months of the fiscal year increase significantly to meet working capital requirements, including reductions in accounts receivable factoring programs. However, stronger cash flow, improved regional cash efficiencies and the sale of certain light vehicle businesses allowed the company to reduce usage of the revolver, including letters of credit, by $300 million at fiscal year end as compared to second quarter end. At September 30, 2009, the company had $95 million in cash and cash equivalents and an undrawn amount of $611 million under the revolving credit facility. Availability under the revolving credit facility is subject to a senior secured debt to EBITDA ratio covenant, as defined in the agreement, which will likely limit borrowings under the agreement as of each quarter end. As long as the company is in compliance with this covenant as of the quarter end, it has full availability under the revolving credit facility every other day during the quarter. The company was in compliance with this covenant as of September 30, 2009.

The company’s future liquidity is subject to a number of factors, including access to adequate funding under its senior secured credit facility, vehicle production schedules and customer demand and access to other borrowing arrangements such as factoring or securitization facilities. Even taking into account these and other factors, and with the assumption that the current trends in the commercial vehicle and automotive industries continue, management expects to have sufficient liquidity to fund the company's operating requirements through the term of the existing revolving credit facility in June 2011. Accordingly, the accompanying financial statements have been prepared on a going concern basis.

The company has evaluated subsequent events through November 18, 2009, the date that the consolidated financial statements were issued. The subsequent events include the completion of the sale of the company's 57 percent interest in Meritor Suspension Systems Company on October 30, 2009. In connection with the sale of the company's interest in MSSC, the company provided certain indemnifications to the buyer for its share of obligations related to taxes, pension funding shortfall, environmental and other contingencies, and certain accounts receivable and inventories. The company's exposure under these indemnities is approximately $24 million. See Note 3 for additional disclosures related to this matter.

2. SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America (U.S.) (GAAP) requires the use of estimates and assumptions related to the reporting of assets, liabilities, revenues, expenses and related disclosures. Actual results could differ from these estimates. Significant estimates and assumptions were used to value goodwill and other long-lived assets, including impairment charges (see Notes 3, 4 and 5), costs associated with the company's restructuring actions (see Note 5), product warranty liabilities (see Note 14), long-term incentive compensation plan obligations (see Note 19), retiree medical and pension obligations (see Notes 20 and 21), income taxes (see Note 22), and contingencies including asbestos and environmental matters (see Note 23).

Consolidation and Joint Ventures

The consolidated financial statements include the accounts of the company and those subsidiaries in which the company has control. All significant intercompany balances and transactions are eliminated in consolidation. The balance sheet and results of operations of controlled subsidiaries where ownership is greater than 50 percent, but less than 100 percent, are included in the consolidated financial statements and are offset by a related minority interest expense and liability recorded for the minority interest ownership. Investments in affiliates that are not controlled or majority-owned are reported using the equity method of accounting (see Note 13).

Foreign Currency

Local currencies are generally considered the functional currencies for operations outside the U.S. For operations reporting in local currencies, assets and liabilities are translated at year-end exchange rates with cumulative currency translation adjustments included as a component of Accumulated Other Comprehensive Loss in the consolidated balance sheet. Income and expense items are translated at average rates of exchange during the year.

Impairment of Long-Lived Assets

Long-lived assets, excluding goodwill, to be held and used are reviewed for impairment whenever adverse events or changes in circumstances indicate a possible impairment. An impairment loss is recognized when a long-lived asset's carrying value exceeds the fair value. If business conditions or other factors cause the operating results and cash flows to decline, the company may be required to record impairment charges at that time (see Note 11).

Long-lived assets held for sale are recorded at the lower of their carrying amount or estimated fair value less cost to sell.

Discontinued Operations

A business component that either has been disposed of or is classified as held for sale is reported as discontinued operations if the cash flows of the component have been or will be eliminated from the ongoing operations of the company and the company will no longer have any significant continuing involvement in the business component. The results of discontinued operations are aggregated and presented separately in the consolidated statement of operations and consolidated statement of cash flows. Assets and liabilities of the discontinued operations, if included in the disposal group, are aggregated and reported separately as assets and liabilities of discontinued operations in the consolidated balance sheet (see Note 3).

Revenue Recognition

Revenues are recognized upon shipment of product and transfer of ownership to the customer. Provisions for customer sales allowances and incentives are recorded as a reduction of sales at the time of product shipment. The company recognizes pass-through sales for certain of its OEM customers. These pass-through sales occur when, at the direction of the OEM customers, the company purchases components from suppliers, uses them in the company s manufacturing process, and sells them as part of a completed system.

Allowance for Doubtful Accounts

An allowance for uncollectible trade receivables is recorded when accounts are deemed uncollectible based on consideration of write-off history, aging analysis, and any specific, known troubled accounts.

Earnings per Share

Basic earnings (loss) per share is calculated using the weighted average number of shares outstanding during each year. The diluted earnings (loss) per share calculation includes the impact of dilutive common stock options, restricted stock, performance share awards and convertible securities, if applicable. Basic and diluted average common shares outstanding at September 30, 2009, 2008 and 2007 are 72.5 million, 72.1 million and 70.5 million, respectively.

The potential effects of restricted stock and stock options were excluded from the diluted earnings per share calculation for the fiscal years ended September 30, 2009, 2008 and 2007 because their inclusion in a net loss period would reduce the net loss per share. Therefore, at September 30, 2009, 2008, and 2007, options to purchase 1.7 million, 2.1 million and 2.4 million shares of common stock, respectively, were excluded from the computation of diluted earnings per share. In addition, 1.3 million, 1.5 million and 0.8 million shares of restricted stock were excluded from the computation of diluted earnings per share at September 30, 2009, 2008 and 2007. The company s convertible senior unsecured notes are excluded from the computation of diluted earnings per share, as the company s average stock price during the quarter is less than the conversion price.

Other

Other significant accounting policies are included in the related notes, specifically, inventories (Note 9), customer reimbursable tooling and engineering (Note 10), property and depreciation (Note 11), capitalized software (Note 12), product warranties (Note 14), financial instruments (Note 17), equity based compensation (Note 19), retirement medical plans (Note 20), retirement pension plans (Note 21), income taxes (Note 22) and environmental and asbestos-related liabilities (Note 23).

New accounting standards to be implemented:

On October 1, 2008, the company partially adopted as required, FASB Accounting Standards Codification (ASC) Topic 820, "Fair Value Measurements and Disclosures" which provides a definition of fair value, establishes a framework for measuring fair value and requires expanded disclosures about fair value measurements (see "*Accounting standards implemented in fiscal year 2009*" below). In February 2008, the FASB approved additional guidance on this matter that permits companies to partially defer the effective date of Topic 820 for one year for non-financial assets and non-financial liabilities that are recognized or disclosed at fair value in the financial statements on a nonrecurring basis. The additional guidance does not permit companies to defer recognition and disclosure requirements for financial assets and financial liabilities or for non-financial assets and non-financial liabilities that are remeasured at least annually. The company has elected to defer the adoption of Topic 820 with respect to certain non-financial assets and liabilities as permitted. The adoption of the guidance with respect to certain non-financial assets and liabilities is not expected to have any significant effect on the company's financial statements.

In December 2007, the FASB issued consolidation guidance that establishes accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. The guidance clarifies that a noncontrolling interest in a subsidiary should be reported as equity in the consolidated financial statements. The guidance also changes the way the consolidated income statement is presented by requiring consolidated net income to be reported at amounts that include the amounts attributable to both the parent and the noncontrolling interest. It also requires disclosure, on the face of the consolidated statement of income, of the amounts of consolidated net income attributable to the parent and to the noncontrolling interest. The statement also requires that a parent recognize a gain or loss in net income when a subsidiary is deconsolidated. If a parent retains a noncontrolling equity investment in the former subsidiary, that investment is measured at its fair value. This guidance is effective for the company for its fiscal year beginning October 1, 2009 and, as required, will be applied prospectively, except for the presentation and disclosure requirements, which will be applied retrospectively for all periods presented. The company will modify the presentation and disclosure of noncontrolling interests in accordance with the requirement of the statement. The adoption of this consolidation guidance is not expected to have any other significant effect on the company's financial statements.

In May 2008, the FASB issued guidance contained in ASC Topic 470-20, "Debt with Conversion and Other Option" which applies to all convertible debt instruments that have a "net settlement feature", which means that such convertible debt instruments, by their terms, may be settled either wholly or partially in cash upon conversion. This topic requires issuers of convertible debt instruments that may be settled wholly or partially in cash upon conversion to separately account for the liability and equity components in a manner reflective of the issuers' nonconvertible debt borrowing rate. Topic 470-20 is effective for financial statements issued for fiscal years beginning after December 15, 2008 and interim periods within those fiscal years. Early adoption is not permitted and retroactive application to all periods presented is required. The company's accounting for its outstanding $300 million and $200 million convertible notes due in fiscal years 2026 and 2027, respectively (see Note 16), will be impacted by this guidance. Upon adoption, the company will account for the debt and equity components of these convertible notes separately and expects to recognize an equity component of the convertible notes in the range of $150 million to $200 million. The equity component will be amortized as non-cash interest expense over the term of the respective convertible notes using the effective interest method.

In June 2008, the FASB issued earnings per share guidance which addresses whether instruments granted in share-based payment transactions are participating securities prior to vesting and, therefore, need to be included in the earnings allocation in computing earnings per share under the two-class method. The guidance affects entities that accrue dividends on share-based payment awards during the awards' service period when the dividends do not need to be returned if the employees forfeit the award. This guidance is effective for fiscal years beginning after December 15, 2008, and interim periods within those years, with early application not permitted. The company does not expect this guidance to have a significant impact on its consolidated financial statements.

In December 2008, the FASB issued guidance on defined benefit plans that requires new disclosures on investment policies and strategies, categories of plan assets, fair value measurements of plan assets, and significant concentrations of risk, and is effective for fiscal years ending after December 15, 2009, with earlier application permitted. The impact of this guidance will be reflected in the company's consolidated financial statements upon adoption.

In June 2009, the FASB issued guidance on accounting for transfer of financial assets, which guidance changes the requirements for recognizing the transfer of financial assets and requires additional disclosures about a transferor□s continuing involvement in transferred financial assets. The guidance also eliminates the concept of a □qualifying special purpose entity□ when assessing transfers of financial instruments. This guidance is effective for the first annual reporting period that begins after November 15, 2009 and for interim periods beginning in the first annual reporting period and periods thereafter. The company is currently evaluating the impact, if any, of the new requirements on its consolidated financial statements.

In June 2009, the FASB issued guidance for the consolidation of variable interest entities (VIEs) to address the elimination of the concept of a qualifying special purpose entity. This guidance replaces the quantitative-based risks and rewards calculation for determining which enterprise has a controlling financial interest in a variable interest entity with an approach focused on identifying which enterprise has the power to direct the activities of variable interest entity, and the obligation to absorb losses of the entity or the right to receive benefits from the entity.

Additionally, the new guidance requires any enterprise that holds a variable interest in a variable interest entity to provide enhanced disclosures that will provide users of financial statements with more transparent information about an enterprise□s involvement in a variable interest entity. This guidance is effective for the first annual reporting periods beginning after November 15, 2009, for interim periods within that first annual reporting period, and for interim and annual reporting periods thereafter. The company is currently assessing what impact, if any, that this guidance will have on its financial position, results of operations and cash flows.

Accounting standards implemented in fiscal year 2009:

In September 2006, the FASB issued guidance pertaining to retirement benefits. The recognition requirements of this guidance related to the funded status of defined benefit pension plans and other postretirement benefit plans were adopted by the company as of September 30, 2007. The guidance also requires that companies measure the funded status of their defined benefit pension plans and other postretirement benefit plans as of the balance sheet date. The company elected to adopt the measurement date provisions at October 1, 2008. Prior to adopting these provisions, the company used a measurement date of June 30 for its defined benefit and other postretirement benefit plans. Using the □one-measurement□ approach, the impact of adopting the measurement date provisions as of October 1, 2008 was an increase to accumulated deficit of $20 million ($20 million after-tax), representing the net periodic benefit cost for the period between the measurement date utilized in fiscal year 2008 and the beginning of fiscal year 2009, which previously would have been expensed in the first quarter of fiscal year 2009 on a delayed basis.

On October 1, 2008, the company partially adopted as required, FASB ASC Topic 820 □Fair Value Measurements and Disclosures□ which provides a definition of fair value, establishes a framework for measuring fair value and requires expanded disclosures about fair value measurements. The company adopted the measurement and disclosure requirements of this topic relating to its financial assets and financial liabilities which are measured on a recurring basis (at least annually). The adoption of Topic 820 did not have a material impact on the company□s fair value measurements.

Topic 820 defines fair value as the price that would be received for an asset or paid to transfer a liability (an exit price) in the principal most advantageous market for the asset or liability in an orderly transaction between market participants. The topic establishes a fair value hierarchy, which prioritizes the inputs used in measuring fair value into the following levels:

Level 1 □ Quoted prices in active markets for identical assets or liabilities.

Level 2 □ Inputs, other than quoted prices in active markets, that are observable either directly or indirectly.

Level 3 □ Unobservable inputs based on the entity□s own assumptions.

The company's financial assets and liabilities recognized at fair value on a recurring basis at September 30, 2009 were not significant. Refer to Note 17 for additional information on fair value measurements.

In October 2008, the FASB issued additional guidance related to fair value measurements and disclosures which clarifies the application of FASB ASC Topic 820 and key considerations in determining the fair value of a financial asset when the market for that financial asset is not active. This additional guidance is effective upon issuance, including prior periods for which financial statements have not been issued. The issuance of this guidance did not have any impact on the company's results of operations or financial position.

In April 2009, the FASB issued supplementary guidance pertaining to fair value measurements and disclosures which provides additional guidance for estimating fair value when the market activity for an asset or liability has declined significantly. This guidance is effective for interim and annual periods ending after June 15, 2009. There were no adjustments to the company's estimates of fair value for assets and liabilities measured at fair value upon adoption of this guidance.

On January 1, 2009, the company adopted, as required, the FASB's additional guidance on derivatives and hedging which requires expanded disclosures about derivative and hedging activities. This guidance has the same scope as previous guidance, however it changes the disclosure requirements for derivative instruments and hedging activities. Enhanced disclosures are required about (a) how and why an entity uses derivative instruments, (b) how derivative instruments and related hedged items are accounted for and (c) how derivative instruments and related hedged items affect an entity's financial position, financial performance and cash flows. The adoption of this guidance did not have a material effect on the company's financial statements other than providing certain enhanced disclosures. Refer to Note 17 for additional disclosures on derivative instruments and hedging activities.

In May 2009, the FASB issued guidance on subsequent events which requires the disclosure of the date through which an entity has evaluated subsequent events and whether that date represents the date the financial statements were issued or were available to be issued. This guidance is effective for interim or annual financial periods ending after June 15, 2009, and is to be applied prospectively. The company adopted this guidance effective June 30, 2009 (see Note 1). The company has added appropriate disclosure in its consolidated financial statements consistent with the requirements of this guidance.

In June 2009, the FASB issued guidance which establishes the FASB Accounting Standards Codification ("Codification") as the source of authoritative U.S. generally accepted accounting principles to be applied to nongovernmental entities and rules and interpretive releases of the SEC as authoritative GAAP for SEC registrants. This guidance is effective for financial statements issued for interim and annual periods ending after September 15, 2009 and supersedes all then-existing non-SEC accounting and reporting standards. All of the content in the Codification carries the same level of authority and all non-grandfathered non-SEC accounting literature not included in the codification is deemed nonauthoritative. The adoption of the codification did not have a significant effect on the company's consolidated financial statements or disclosures.

3. DISCONTINUED OPERATIONS

Results of the discontinued operations are summarized as follows (in millions):

	Year Ended September 30,		
	2009	**2008**	**2007**
Sales	$ 509	$ 784	$ 3,058
Net loss on sales of businesses	$ (10)	$ (16)	$ (200)
Long-lived asset impairment charges	(56)	—	—
Charge for indemnity obligation (see Note 23)	(28)	—	—
Restructuring costs	(21)	(11)	(3)

Other		—	12
Operating income (loss), net	(2)	57	49
Income (loss) before income taxes	(117)	30	(142)
Benefit (provision) for income taxes	(15)	(12)	22
Minority interest	(3)	(4)	(6)
Income (loss) from discontinued operations	$ (135)	$ 14	$ (126)

In conjunction with the company’s long-term strategic objective to focus on supplying the commercial vehicle on- and off-highway markets for original equipment manufacturers, aftermarket and industrial customers, the company previously announced its intent to divest the Light Vehicle Systems (LVS) business groups in their entirety. However, in light of the unprecedented challenges in the credit markets and the volume weakness in the automotive industry, it was determined that in the current financial environment the appropriate value could not be captured by divesting the business as a whole. The company has completed the following divestiture related activities, associated with its LVS segment, all of which are included in results of discontinued operations.

Wheels

In September 2009, we completed the sale of our Wheels business to Iochpe-Maxion S.A., a Brazilian producer of wheels and frames for commercial vehicles, railway freight cars and castings, and affiliates. The gross purchase price was $180 million. Net proceeds after taxes and adjustments for working capital and net debt were $166 million (net of cash on hand of $3 million). The agreement also requires certain true-up payments for working capital and other miscellaneous adjustments, on a post-closing basis. The company recognized a pre-tax gain on sale of approximately $50 million ($36 million after-tax), which is included in the results of discontinued operations in the consolidated statement of operations.

Gabriel de Venezuela

The company’s former consolidated subsidiary, Gabriel de Venezuela, supplied shock absorbers, struts, exhaust systems and suspension modules to light vehicle industry customers, primarily in Venezuela and Colombia. On June 5, 2009, the company sold its 51 percent interest in Gabriel de Venezuela to its joint venture partner. The company recognized a pre-tax loss on sale of approximately $23 million ($23 million after-tax) in the third quarter of fiscal year 2009. Charges associated with the sale of Gabriel de Venezuela are included in the results of discontinued operations in the consolidated statement of operations. In conjunction with the sale, $18 million of cash was retained by the joint venture and the company received dividends of approximately $1 million from the joint venture. The company was also released from its guarantees of approximately $11 million of letters of credit.

Gabriel Ride Control Products North America

The company’s Gabriel Ride Control Products North America (Gabriel Ride Control) business supplied motion control products, shock absorbers, struts, ministruts and corner modules, as well as other automotive parts to the passenger car, light truck and sport utility vehicle aftermarket industries. During fiscal year 2009, the company completed the sale of Gabriel Ride Control to Ride Control, LLC, a wholly owned subsidiary of OpenGate Capital, a private equity firm. The company recognized a pre-tax loss on sale of approximately $42 million ($42 million after-tax).

In the first quarter of fiscal year 2009, the company recognized a $19 million ($14 million after-tax) non-cash impairment charge associated with the long-lived assets of this business (see Note 5). Charges associated with the sale of Gabriel Ride Control are included in the results of discontinued operations in the consolidated statement of operations.

In connection with the sale, the company provided funding of $9 million to Ride Control, LLC. The terms of the sale agreement requires a purchase price adjustment based upon closing working capital. Settlement of the working capital purchase price adjustment is subject to negotiations and is expected to occur in the first quarter of fiscal year 2010. Included in receivables, trade and other, net, in the consolidated balance sheet is $7 million based upon management's best estimate of this adjustment. The agreement also contains arrangements for royalties and other items which are not expected to materially impact the company in the future.

Meritor Suspension Systems Company (MSSC)

On June 24, 2009, the company entered into a binding letter of intent to sell its 57 percent interest in MSSC, a joint venture that manufactures and sells automotive coil springs, torsion bars and stabilizer bars in North America, to the joint venture partner, a subsidiary of Mitsubishi Steel Mfg. Co., LTD (MSM). The sale of the company's interest in MSSC was completed on October 30, 2009 (see Note 1) for a purchase price of $13 million, which included a cash dividend of $12 million received by the company in fiscal year 2009. The company also recorded a dividend payable of $9 million to the minority partner as of September 30,2009. The dividend payable was recognized by ArvinMeritor as a charge to earnings and is included in loss from discontinued operations in the consolidated statement of operations.

In fiscal year 2009, the company announced the closure of its coil spring operations in Milton, Ontario, Canada (Milton), which is part of MSSC. In connection with the planned closure of Milton, the company recognized approximately $16 million of employee severance and pension termination benefits (see Note 5), which are included in loss from discontinued operations in the consolidated statement of operations. Also in the fiscal year 2009, the company recognized a $31 million non-cash impairment charge associated with the long-lived assets of MSSC (see Note 11) and an approximately $4 million non-cash income tax charge related to a valuation allowance recorded against deferred tax assets of MSSC that are no longer expected to be realized. These non-cash charges are included in loss from discontinued operations in the consolidated statement of operations.

The $9 million dividend payable and the minority interest partner's share of losses were not recognized as part of minority interest in the consolidated statement of operations because prior to these transactions the minority interest's equity in MSSC had been reduced to zero and the minority interest has no contractual obligation to fund the dividend and its share of losses.

Assets of MSSC are included in assets of discontinued operations in the consolidated balance sheet and primarily consist of current assets of $34 million, fixed assets of $13 million and other long term assets. Liabilities of MSSC included in liabilities of discontinued operations in the consolidated balance sheet primarily consist of short-term debt, accounts payable, restructuring reserves and approximately $69 million of accrued pension and post retirement benefits. Short-term debt relates to a $6 million, 6.5-percent loan with the minority partner and matures in March 2010 (see Note 16). Upon completion of the sale on October 30, 2009, all assets and liabilities of MSSC were transferred to the buyer.

Other businesses included in discontinued operations are as follows:

Emissions Technologies

The company's Emissions Technologies (ET) business supplied exhaust systems and exhaust system components, including mufflers, exhaust pipes, catalytic converters, diesel particulate filters and exhaust manifolds, primarily to original equipment manufacturers. On May 17, 2007, the company sold its ET business to EMCON Technologies Holdings Limited (EMCON), a private equity affiliate of J.P. Morgan Securities Inc. Total consideration was $310 million, including cash, a $20 million note and the assumption of certain liabilities, and adjustments for working capital and other items (see below). The company recognized a pre-tax loss on sale of approximately $180 million ($146 million after-tax) in fiscal year 2007. The loss on sale included a $115 million ($90 million after-tax) non-cash impairment charge recorded in the second quarter of fiscal year 2007 to record ET at estimated fair value based upon the preliminary terms of the sale agreement. During fiscal year 2009 and 2008, the company recognized approximately $5 million of pre-tax income and $13 million of pre-tax costs, respectively, related to the sale of the ET business. These items primarily related to revised estimates for certain pre-sale liabilities retained by the company and are included in net loss on sales of businesses in the above table. The ET business and any charges associated with the sale of ET are reported in discontinued operations in the consolidated statement of operations, statement of cash flows and related notes for all periods presented.

Gross amounts due from EMCON were $1 million and $18 million at September 30, 2009 and 2008, respectively, and are included in receivables, trade and other, net in the consolidated balance sheet. Gross amounts due to EMCON were $3 million and $50 million at September 30, 2009 and 2008, respectively, and are included in other current liabilities (see Note 14). The amounts due from (to) EMCON primarily relate to amounts received (paid), or expected to be received (paid) by EMCON associated with certain assets and liabilities of ET that were retained by the company.

During fiscal year 2008, the company received the final working capital adjustment of $28 million, which was based upon closing working capital at the time of sale of ET. In addition, pre-sale funding obligations, which were recorded as a receivable from EMCON and an offsetting payable in the consolidated balance sheet at September 30, 2007, were settled in fiscal year 2008.

As of the May 17, 2007 closing date, assets and liabilities of certain businesses were not legally transferred to EMCON due to delays in certain procedures required to be completed by the buyer. Pursuant to the sale agreement, legal ownership was to be transferred upon receipt by the buyer of required licenses and establishment of appropriate entities to receive the transferred assets. Sale values were fixed and EMCON assumed operational control of the businesses as of the May 17, 2007 closing date. The steps required to complete the legal transfer were considered perfunctory by the company and the company recorded these assets and liabilities as sold and excluded them from the consolidated balance sheet effective on May 17, 2007. Consideration for these assets and assumed liabilities was deposited in an escrow account by EMCON. The legal transfer of these operations was completed and related proceeds were received by the company in fiscal year 2008.

Light Vehicle Aftermarket

In October 2004, the company announced plans to divest its Light Vehicle Aftermarket (LVA) businesses. This plan was part of the companys long-term strategy to focus on core competencies and support its global light vehicle systems OEM customers and its commercial vehicle systems OEM and aftermarket customers. LVA supplied exhaust, ride control, motion control and filter products, as well as other automotive parts to the passenger car, light truck and sport utility vehicle aftermarket. As of September 30, 2007, the company had completed the sale of its LVA filters, exhaust and motion control businesses, and its Gabriel South Africa ride control business. These businesses represented a significant portion of the companys combined LVA business and are reported as discontinued operations in the consolidated statement of operations for all periods presented.

In July 2007, the company completed the sale of LVA Europe. Cash proceeds from the sale were $9 million, resulting in a net pre-tax loss on sale of $12 million ($12 million after-tax). Based on the contemplated sale value, a non-cash impairment charge of $8 million was recorded in the third quarter of fiscal year 2007. The loss on sale and the impairment charge are recorded in loss from discontinued operations in the consolidated statement of operations.

4. GOODWILL

In accordance with FASB ASC Topic 350-20, Intangibles Goodwill and Other, goodwill is reviewed for impairment annually during the fourth quarter of the fiscal year or more frequently if certain indicators arise. If business conditions or other factors cause the operating results and cash flows of the reporting unit to decline, the company may be required to record impairment charges for goodwill at that time. The goodwill impairment review is a two-step process. Step one consists of a comparison of the fair value of a reporting unit with its carrying amount. An impairment loss may be recognized if the review indicates that the carrying value of a reporting unit exceeds its fair value. Estimates of fair value are primarily determined by using discounted cash flows and market multiples on earnings. If the carrying amount of a reporting unit exceeds its fair value, step two requires the fair value of the reporting unit to be allocated to the underlying assets and liabilities of that reporting unit, resulting in an implied fair value of goodwill. If the carrying amount of the goodwill of the reporting unit exceeds the implied fair value, an impairment charge is recorded equal to the excess.

The impairment review is highly judgmental and involves the use of significant estimates and assumptions. These estimates and assumptions have a significant impact on the amount of any impairment charge recorded. Discounted cash flow methods are dependent upon assumptions of future sales trends, market conditions and cash flows of each reporting unit over several years. Actual cash flows in the future may differ significantly from those previously forecasted. Other significant assumptions include growth rates and the discount rate applicable to future cash flows.

During the first quarter of fiscal year 2009, both light and commercial vehicle industries experienced significant declines in overall economic conditions including tightening credit markets, stock market declines and significant reductions in current and forecasted production volumes for light and commercial vehicles. This, along with other factors, led to a significant decline in the companys market capitalization subsequent to September 30, 2008. As a result, the company completed an impairment review of goodwill balances during the first quarter of fiscal year 2009 for each of its reporting units, which were Commercial Vehicle Systems (CVS) and LVS, at that time.

Step one of the companys first quarter goodwill impairment review indicated that the carrying value of the LVS reporting unit significantly exceeded its estimated fair value. As a result of the step two goodwill impairment analysis, the company recorded a $70 million non-cash impairment charge in the first quarter of fiscal year 2009 to write-off the entire goodwill balance of its LVS reporting unit. The fair value of this reporting unit was estimated using earnings multiples and other available information, including indicated values from recent attempts to divest certain businesses. The companys step one impairment review of goodwill associated with its CVS reporting unit did not indicate that an impairment existed as of December 31, 2008.

In connection with the changes in the companys segment reporting (see Note 24) and reporting unit structure during the fourth quarter of fiscal year 2009, the company conducted a valuation to determine the assignment of goodwill to the new reporting units based on their estimated relative fair values. Following the allocation of goodwill to the new reporting units, the company performed a goodwill impairment review. Step one of this impairment review did not indicate an impairment in the carrying value of goodwill for any of the reporting units. A summary of the changes in the carrying value of goodwill and allocation of goodwill balances to the new reporting units are presented below (in millions):

	Commercial Truck	Industrial	Aftermarket & Trailer	CVS	LVS	Total
Balance at September 30, 2007	$	$	$	$ 449	$ 71	$ 520
Foreign currency translation				(11)		(11)
Acquisitions (see Note 6)				13		13
Balance at September 30, 2008				451	71	522
Impairment charge					(70)	(70)
Other, primarily foreign currency translation				(13)	(1)	(14)
Allocation to new reporting units	154	109	175	(438)		
Balance at September 30, 2009	$ 154	$ 109	$ 175	$	$	$ 438

5. RESTRUCTURING COSTS

At September 30, 2009 and 2008, $28 million and $30 million, respectively, of restructuring reserves primarily related to unpaid employee termination benefits remained in the consolidated balance sheet. Asset impairment charges relate to manufacturing facilities that will be closed or sold and machinery and equipment that became idle and obsolete as a result of the facility closures. The following table summarizes changes in restructuring reserves (in millions).

	Employee Termination Benefits	Asset Impairment	Plant Shutdown & Other	Total
Balance at September 30, 2006	$ 40	$ —	$ —	$ 40
Activity during the period:				
Charges to continuing operations, net of reversals	54	8	—	62
Charges to discontinued operations, net of reversals (1)	3	—	—	3
Asset write-offs	—	(8)	—	(8)
Cash payments	(30)	—	—	(30)
Other (2)	(8)	—	—	(8)
Balance at September 30, 2007	59	—	—	59
Activity during the period:				
Charges to continuing operations, net of reversals	7	1	1	9
Charges to discontinued operations, net of reversals(1)	9	2	—	11
Asset write-offs	—	(3)	—	(3)
Cash payments	(35)	—	(1)	(36)
Other (2)	(10)	—	—	(10)
Balance at September 30, 2008	30	—	—	30
Activity during the period:				
Charges to continuing operations, net of reversals	58	5	17	80
Charges to discontinued operations, net of reversals(1)	12	1	8	21
Asset write-offs	—	(6)	—	(6)
Retirement plan curtailment charges (see Note 21) (3)	—	—	(24)	(24)
Reclassifications to liabilities of discontinued operations	(8)	—	—	(8)
Cash payments	(52)	—	(1)	(53)
Other (2)	(12)	—	—	(12)
Balance at September 30, 2009	$ 28	$ —	$ —	$ 28

(1) Charges to discontinued operations reserves are included in discontinued operations in the consolidated statement of operations.

(2) Includes $12 million, $8 million and $12 million of payments associated with discontinued operations included in restructuring reserves at September 30, 2009, 2008 and 2007, respectively.

(3) Retirement plan curtailment charges relate to pension termination benefits of $16 million and $8 million associated with the closure Tilbury and Milton, respectively. These amounts are included in retirement benefits and liabilities of discontinued operations in the consolidated balance sheet.

Restructuring costs included in our business segment results during fiscal years 2009, 2008 and 2007 are as follows (in millions):

	Commercial Truck	Industrial	Aftermarket & Trailer	LVS	Total
Fiscal year 2009:					
Performance Plus actions	$ 32	$ —	$ —	$ 4	$ 36
Fiscal year 2009 actions (reduction in workforce)	20	2	1	15	38
Total restructuring costs	$ 52	$ 2	$ 1	$ 19	$ 74

Fiscal year 2008:					
Performance Plus actions	$ —	$ —	$ —	$ 12	$ 12
Adjustments and reversals	(1)	—	—	(3)	(4)
Total restructuring costs	$ (1)	$ —	$ —	$ 9	$ 8
Fiscal year 2007:					
Performance Plus actions	$ 6	$ 1	$ 3	$ 47	$ 57
Adjustments and reversals	—	—	—	(1)	(1)
Total restructuring costs	$ 6	$ 1	$ 3	$ 46	$ 56

---

(1) Total segment restructuring costs do not include those recorded in unallocated corporate costs. These costs were $6 million in fiscal year 2009 and $1 million in fiscal year 2008, primarily related to employee termination benefits and $6 million in fiscal year 2007, primarily related to asset impairment charges.

Fiscal Year 2009 Actions: During fiscal year 2009, the company approved certain restructuring actions in response to a significant decline in global market conditions. These actions primarily related to the reduction of approximately 2,850 salaried, hourly and temporary positions worldwide. The company recorded restructuring costs of $44 million associated with these actions during fiscal year 2009. Many of these actions were completed in fiscal year 2009 with the remainder to be completed during fiscal year 2010.

Performance Plus: During fiscal year 2007, the company launched a long-term profit improvement and cost reduction initiative called “Performance Plus.” As part of this program, the company identified significant restructuring actions which would eliminate up to 2,800 positions in North America and Europe and consolidate and combine certain global facilities. The company’s Commercial Truck and LVS businesses recorded $32 million and $4 million, respectively, of costs associated with this restructuring program during fiscal year 2009. During fiscal year 2009, the company closed its Commercial Truck brakes plant in Tilbury, Ontario, Canada (Tilbury). Costs associated with the Tilbury closure included $10 million for estimated employee severance benefits, $16 million primarily associated with pension termination benefits (see Note 21) and $4 million associated with certain asset impairment charges. Also in fiscal year 2009, the company announced the closure of its Commercial Truck facility in Carrollton, Kentucky (Carrollton) and recognized approximately $2 million of restructuring costs. The company expects to complete this closure in the first quarter of fiscal year 2010.

Also in the second quarter of fiscal year 2009, the company announced the closure of its coil spring operations in Milton, Ontario, Canada (Milton), which is part of MSSC. As previously disclosed, costs associated with the Milton closure are included in loss from discontinued operations in the consolidated statement of operations and restructuring reserves are included in liabilities of discontinued operations in the consolidated balance sheet (see Note 3).

Cumulative restructuring costs recorded for this program, including amounts reported in discontinued operations, are $140 million as of September 30, 2009 and primarily relate to employee termination costs of $80 million, $16 million associated with pension termination benefits, asset impairment charges of $17 million and other shutdown costs of $27 million. Remaining costs of this restructuring program will be incurred over the next several years.

Adjustments and Reversals: In fiscal years 2008 and 2007, the company reversed $4 million and $1 million of restructuring costs, respectively, related to previously recorded employee severance benefits. Adjustments and reversals relate to changes in original facts and circumstances that result in revised estimates of the ultimate liability. Such circumstances would include the sale of a business, new labor arrangements and other similar matters that develop subsequent to the original determinations.

6. ACQUISITIONS

On December 19, 2007, the company's Aftermarket & Trailer segment acquired Mascot Truck Parts Ltd (Mascot) for a cash purchase price of $19 million. Mascot remanufactures transmissions, drive axles, steering gears and drivelines. On July 2, 2008, the company's Aftermarket & Trailer segment acquired Trucktechnic SA (Trucktechnic) based in Leige, Belgium for a cash purchase price of €11 million ($17 million). Trucktechnic is a supplier of remanufactured heavy-duty commercial vehicle parts including air valves, air compressors, disc brakes, steering pumps and related repair kits. These acquisitions did not have a material impact on the company's consolidated financial position or results of operations for fiscal year 2008.

On October 4, 2004, the company formed two joint ventures in France with AB Volvo to manufacture and distribute axles. The company acquired its 51-percent interest for a purchase price of €19 million ($25 million). The company had an option to purchase and AB Volvo had an option to require the company to purchase the remaining 49-percent interest in one of the joint ventures beginning in the first quarter of fiscal year 2008 for €16 million ($23 million) plus interest at EURIBOR rates, plus a margin. In December 2007, this option was exercised and the related liability was settled. The option to purchase the minority interest was essentially a financing arrangement, as the minority shareholder did not participate in any profits or losses of the joint venture. Therefore, no minority interest was recognized in prior periods for the 49-percent interest in this joint venture.

7. ACCOUNTS RECEIVABLE SECURITIZATION AND FACTORING

Off-balance sheet arrangements

The company participates in an arrangement to sell trade receivables through certain of its European subsidiaries. Under the arrangement, the company can sell, at any point in time, up to €125 million of eligible trade receivables. The receivables under this program are sold at face value and are excluded from the company's consolidated balance sheet. The company continues to perform collection and administrative functions related to these receivables. Costs associated with this securitization arrangement were $3 million, $8 million and $4 million in fiscal years 2009, 2008 and 2007, respectively, and are included in operating income (loss) in the consolidated statement of operations. The gross amount of proceeds received from the sale of receivables under this arrangement was $297 million and $609 million for fiscal years 2009 and 2008, respectively. The company's retained interest in receivables sold was $6 million and $16 million at September 30, 2009 and 2008, respectively. The company had utilized, net of retained interests, €38 million ($56 million) and €114 million ($167 million) of this accounts receivable securitization facility as of September 30, 2009 and 2008, respectively.

In addition, several of the company's subsidiaries, primarily in Europe, factor eligible accounts receivable with financial institutions. Certain receivables are factored without recourse to the company and are excluded from accounts receivable in the consolidated balance sheet. The amount of factored receivables excluded from accounts receivable was $37 million and $243 million at September 30, 2009 and 2008, respectively. Costs associated with these factoring arrangements were $4 million, $14 million and $5 million in the fiscal years ended September 30, 2009, 2008 and 2007, respectively, and are included in operating income (loss) in the consolidated statement of operations.

On-balance sheet arrangements

Since 2005 the company participated in a U.S. accounts receivable securitization program to enhance financial flexibility and lower interest costs. In September 2009, in anticipation of the expiration of the existing facility, the company entered into a new, two year $125 million U.S. receivables financing arrangement which is provided on a committed basis by a syndicate of financial institutions led by GMAC Commercial Finance LLC and expires in September 2011. Under this program, the company sells substantially all of the trade receivables of certain U.S. subsidiaries to ArvinMeritor Receivables Corporation (ARC), a wholly-owned, special purpose subsidiary. The maximum borrowing capacity under this program is $125 million. ARC funds these purchases with borrowings under a loan agreement with participating lenders. Amounts outstanding under this agreement are collateralized by eligible receivables purchased by ARC and are reported as short-term debt in the consolidated balance sheet. At September 30, 2009, $83 million was outstanding under this program. Borrowings under this arrangement are collateralized by approximately $133 million of receivables held at ARC at September 30, 2009. This program does not have specific financial covenants, however it does have a cross-default provision to the company's revolving credit facility agreement. At September 30, 2008, $111 million was outstanding under the prior facility. No amount was outstanding under the prior facility at September 30, 2009.

ARVINMERITOR, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

8. OTHER OPERATING INCOME (EXPENSE), net

Other income (expense) is comprised of the following (in millions):

	Year Ended September 30,		
	2009	2008	2007
Gain on divestitures and other	$ —	$ —	$ 1
Environmental remediation costs (see Note 23)	(1)	(3)	(2)
Other expense, net	$ (1)	$ (3)	$ (1)

9. INVENTORIES

Inventories are stated at the lower of cost (using FIFO or average methods) or market (determined on the basis of estimated realizable values) and are summarized as follows (in millions):

	September 30,	
	2009	2008
Finished goods	$ 149	$ 237
Work in process	54	102
Raw materials, parts and supplies	171	284
Total	$ 374	$ 623

10. OTHER CURRENT ASSETS

Other current assets are summarized as follows (in millions):

	September 30,	
	2009	2008
Current deferred income tax assets (see Note 22)	$ 19	$ 110
Customer reimbursable tooling and engineering	30	27
Asbestos-related recoveries (see Note 23)	8	8
Deposits and collateral	7	19
Prepaid income taxes	20	31
Investment in debt defeasance trust	—	6
Prepaid and other	13	17
Other current assets	$ 97	$ 218

Costs incurred for tooling and engineering, principally for light vehicle products, for which customer reimbursement is contractually guaranteed, are classified as customer reimbursable tooling and engineering. These costs are billed to the customer based on the terms of the contract. Provisions for losses are provided at the time management expects costs to exceed anticipated customer reimbursements.

11. NET PROPERTY AND IMPAIRMENTS OF LONG-LIVED ASSETS

Property is stated at cost. Depreciation of property is based on estimated useful lives, generally using the straight-line method. Estimated useful lives for buildings and improvements range from 10 to 50 years and estimated useful lives for machinery and equipment range from 3 to 20 years. Significant betterments are capitalized, and disposed or replaced property is written off. Maintenance and repairs are charged to expense period. Company-owned tooling is classified as property and depreciated over the shorter of its expected life or the life of the related vehicle platform, generally not to exceed three years.

In accordance with the FASB guidance on property, plant and equipment, the company reviews the carrying value of long-lived assets, excluding goodwill, to be held and used, for impairment whenever events or changes in circumstances indicate a possible impairment. An impairment loss is recognized when a long-lived asset's carrying value is not recoverable and exceeds estimated fair value.

At December 31, 2008, management determined certain impairment reviews were required due to declines in overall economic conditions including tightening credit markets, stock market declines and significant reductions in current and forecasted production volumes for light and commercial vehicles. As a result, the company recognized pre-tax, non-cash impairment charges of $209 million in the first quarter of fiscal year 2009, primarily related to the LVS segment. A portion of this non-cash charge relates to businesses presented in discontinued operations and accordingly, $56 million is included in loss from discontinued operations in the consolidated statement of operations (see Note 3). The estimated fair value of long-lived assets was calculated based on probability weighted cash flows taking into account current expectations for asset utilization and life expectancy. In addition, liquidation values were considered where appropriate, as well as indicated values from divestiture activities.

The following table describes the significant components of long-lived asset impairments recorded in continuing operations during the first quarter of fiscal year 2009.

	Commercial Truck	Industrial	Aftermarket & Trailer	LVS	Total
Land and buildings	$ 5	$	$	$ 34	$ 39
Other (primarily machinery and equipment)	3			105	108
Total assets impaired [(1)]	$ 8	$	$	$ 139	$ 147

(1) The company also recognized $6 million of non-cash impairment charges associated with certain corporate long-lived assets.

Net property at September 30, 2009 and 2008 is summarized as follows (in millions):

	September 30, 2009	2008
Property at cost:		
Land and land improvements	$ 46	$ 66
Buildings	254	368
Machinery and equipment	913	1,567
Company-owned tooling	163	231
Construction in progress	38	139
Total	1,414	2,371
Less accumulated depreciation	(969)	(1,596)
Net property	$ 445	$ 775

12. OTHER ASSETS

Other assets are summarized as follows (in millions):

	September 30,	
	2009	2008
Non-current deferred income tax assets (see Note 22)	$ 27	$ 530
Investments in non-consolidated joint ventures (see Note 13)	125	134
Assets for uncertain tax positions (see Note 22)	11	34
Long-term receivables (see Note 15)		45
Prepaid pension costs (see Note 21)	9	25
Unamortized debt issuance costs (see Note 16)	27	29
Capitalized software costs, net	21	25
Asbestos-related recoveries (see Note 23)	47	44
Note receivable due from EMCON, net of discount	16	13
Other	26	46
Other assets	$ 309	$ 925

The long-term receivable of $45 million at September 30, 2008 was related to certain Canadian income tax payments made by the company on behalf of Rockwell Automation, Inc. (Rockwell). Prior to the spin-off of the automotive business to Meritor (a predecessor of the company) from Rockwell International (now Rockwell Automation, Inc.) in fiscal year 1997, a Tax Allocation Agreement was signed between Rockwell and Meritor. Subsequent to the spin-off, the Canadian Revenue Agency (CRA) began performing a Canadian Tax audit over certain of the companys financing activities. As a result, the CRA issued tax reassessments to ArvinMeritor, for which Rockwell was liable under the Tax Allocation Agreement. ArvinMeritor appealed the reassessments on behalf of Rockwell. Between fiscal years 2004 and 2008, Rockwell transferred funds to ArvinMeritor to cover the required tax payments while the appeal was pending. At that time, ArvinMeritor recorded a long-term receivable and corresponding liability (see Note 15) for these funds in the companys consolidated balance sheet. During fiscal year 2009, the appeal was resolved and a majority of the long-term receivable and liability were settled.

74

ARVINMERITOR, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The note receivable due from EMCON bears interest at a rate of 4 percent per annum and is payable in June 2012 or earlier upon a change in control. EMCON may prepay the note at any time. The company recorded the note, net of a $6 million and $8 million discount at September 30, 2009 and 2008, respectively, to reflect the difference between the stated rate per the agreement of 4 percent and the effective interest rate of approximately 9 percent. This discount is being amortized over the term of the note as interest income.

In accordance with FASB ASC Topic 350-40, costs relating to internally developed or purchased software in the preliminary project stage and the post-implementation stage are expensed as incurred. Costs in the application development stage that meet the criteria for capitalization are capitalized and amortized using the straight-line basis over the estimated economic useful life of the software.

13. INVESTMENTS IN NON-CONSOLIDATED JOINT VENTURES

The companys non-consolidated joint ventures and related direct ownership interest at September 30, 2009 are as follows:

Meritor WABCO Vehicle Control Systems	50%
Master Sistemas Automotivos Limitada	49%
Suspensys Sistemas Automotivos Ltda. (1)	24%
Sistemas Automotrices de Mexico S.A. de C.V.	50%
Ege Fren Sanayii ve Ticaret A.S.	49%
Automotive Axles Limited	36%
Shanghai ArvinMeritor Automotive Parts Co. Ltd	50%
PHA Door Systems	49%
TRW Gabriel	49%

(1) Total direct and indirect ownership interest of 50 percent.

The company’s investments in non-consolidated joint ventures are as follows (in millions):

	September 30,	
	2009	2008
Commercial Truck	$ 88	$ 98
Industrial	13	14
Aftermarket & Trailer	20	19
Light Vehicle Systems	4	3
Total investments in non-consolidated joint ventures	$ 125	$ 134

The company’s equity in earnings of non-consolidated joint ventures is as follows (in millions):

	Year Ended September 30,		
	2009	2008	2007
Commercial Truck	$ 8	$ 23	$ 26
Industrial	1	5	4
Aftermarket & Trailer	6	9	5
Light Vehicle Systems	—	1	(1)
Total equity in earnings of affiliates	$ 15	$ 38	$ 34

The summarized financial information presented below represents the combined accounts of the company’s non-consolidated joint ventures (in millions):

	September 30,	
	2009	2008
Current assets	$ 347	$ 452
Non-current assets	227	204
Total assets	$ 574	$ 656
Current liabilities	$ 186	$ 239
Non-current liabilities	100	117
Total liabilities	$ 286	$ 356

	Year Ended September 30,		
	2009	2008	2007
Sales	$ 929	$ 1,484	$ 1,182
Gross profit	119	145	113
Net income	46	101	84

Dividends received from the company's non-consolidated joint ventures were $25 million in fiscal year 2009, $20 million in fiscal year 2008 and $22 million in fiscal year 2007.

The company had sales to its non-consolidated joint ventures of approximately $21 million, $29 million and $14 million in fiscal years 2009, 2008 and 2007, respectively. The company had purchases from its non-consolidated joint ventures of approximately $503 million, $616 million and $347 million in fiscal years 2009, 2008 and 2007, respectively. Additionally, the company leases space and provides certain administrative and technical services to various non-consolidated joint ventures. The company collected $2 million, $1 million and $2 million for such leases and services during fiscal years 2009, 2008 and 2007, respectively.

Amounts due from the company's non-consolidated joint ventures were $17 million and $19 million at September 30, 2009 and 2008, respectively, and are included in Receivables, trade and other, net. Amounts due to the company's non-consolidated joint ventures were $49 million and $70 million at September 30, 2009 and 2008, respectively and are included in Accounts payable.

14. OTHER CURRENT LIABILITIES

Other current liabilities are summarized as follows (in millions):

	September 30,	
	2009	2008
Compensation and benefits	$ 144	$ 239
Due to EMCON (see Note 3)	3	50
Income taxes	18	35
Taxes other than income taxes	44	54
Product warranties	58	58
Restructuring (see Note 5)	28	30
Foreign currency hedge contracts (see Note 17)	3	16
Reserve for commercial dispute	—	25
Asbestos-related liabilities (see Note 23)	16	15
Interest	6	7
Indemnity obligations — current portion (see Note 23)	9	—
Other	82	81
Other current liabilities	$ 411	$ 610

In fiscal year 2006, a light vehicle systems customer of the company initiated a field service campaign related in part to a product of the company, which covered approximately 750,000 vehicles. The customer filed suit against the company seeking reimbursement of costs associated with the field service campaign as well as other warranty costs. In fiscal year 2006, the company recorded a contingency reserve of approximately $11 million related to this matter. In fiscal year 2008, the company recognized an additional charge of approximately $14 million. During the fourth quarter of fiscal year 2008, the company reached final settlement with the customer for $25 million.

The company's commercial vehicle segments record estimated product warranty costs at the time of shipment of products to customers. Warranty reserves are primarily based on factors that include past claims experience, sales history, product manufacturing and engineering changes and industry developments. Liabilities for product recall campaigns are recorded at the time the company's obligation is known and can be reasonably estimated. Product warranties, including recall campaigns, not expected to be paid within one year are recorded as a non-current liability.

The company's LVS segment records estimated product warranty liabilities based on individual customer or warranty-sharing agreements. Product warranties are recorded for known warranty issues when amounts can be reasonably estimated.

A summary of the changes in product warranties is as follows (in millions):

	2009	2008
Total product warranties - beginning of year	$ 102	$ 103
Accruals for product warranties	62	72
Payments	(43)	(70)
Change in estimates and other	(12)	(3)
Total product warranties — end of year	109	102
Less: non-current product warranties (see Note 15)	(51)	(44)
Product warranties current	$ 58	$ 58

15. OTHER LIABILITIES

Other liabilities are summarized as follows (in millions):

	September 30, 2009	September 30, 2008
Asbestos-related liabilities (see Note 23)	$ 61	$ 54
Non-current deferred income tax liabilities (see Note 22)	73	4
Liabilities for uncertain tax positions (see Note 22)	64	52
Product warranties (see Note 14)	51	44
Environmental (see Note 23)	10	10
Indemnity obligations (see Note 23)	19	—
Long-term payable (see Note 12)	—	45
Other	32	38
Other liabilities	$ 310	$ 247

16. LONG-TERM DEBT

Long-Term Debt, net of discounts where applicable, is summarized as follows (in millions):

	September 30, 2009	September 30, 2008
7-1/8 percent notes due 2009	$ —	$ 6
6.8 percent notes due 2009	—	77
8-3/4 percent notes due 2012	276	276
8-1/8 percent notes due 2015	251	251
4.625 percent convertible notes due 2026[1]	300	300
4.0 percent convertible notes due 2027[1]	200	200
Revolving credit facility, expiring June 2011	28	—

Accounts receivable securitization, expiring September 2011 (see Note 7)	83	111
Lines of credit and other	16	52
Unamortized gain on swap unwind	23	30
Subtotal	1,177	1,303
Less: current maturities	(97)	(240)
Long-term debt	$ 1,080	$ 1,063

(1) The 4.625 percent and 4.0 percent convertible notes contain a put and call feature, which allows for earlier redemption beginning in 2016 and 2019, respectively (see *Convertible Securities* below).

77

ARVINMERITOR, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Debt Securities

In February and March 2009, the company repaid the $77 million outstanding 6.8 percent notes and the $6 million outstanding 7-1/8 percent notes, respectively. Both notes were repaid in full upon maturity and no gain or loss on debt extinguishment was recognized for either transaction.

Revolving Credit Facility

The company has a $700 million revolving credit facility, which matures in June 2011. Due to the bankruptcy of Lehman Brothers in 2008, $34 million of these commitments are currently unavailable. The remaining amount of availability under this facility is dependent upon various factors, including principally performance against certain financial covenants. These financial covenants are based on (i) the ratio of the companys senior secured indebtedness to EBITDA and (ii) the amount of annual capital expenditures. The company is required to maintain a total senior secured-debt-to-EBITDA ratio, as defined in the agreement, no greater than 2.0 to 1 on the last day of any fiscal quarter. At September 30, 2009, the company was in compliance with all covenants with a ratio of approximately 0.57x for the senior secured debt to EBITDA covenant.

The revolving credit facility includes a $150 million limit on the issuance of letters of credit. At September 30, 2009 and 2008, approximately $27 million and $38 million of letters of credit were issued, respectively. The company had an additional $5 million and $13 million outstanding at September 30, 2009 and 2008, respectively, on letters of credit available through other facilities.

Borrowings under the revolving credit facility are collateralized by $491 million of the companys assets, primarily consisting of eligible domestic U.S. accounts receivable, inventory, plant, property and equipment, intellectual property and the companys investment in all or a portion of certain of its wholly-owned subsidiaries.

Borrowings under the revolving credit facility are subject to interest based on quoted LIBOR rates plus a margin, and a commitment fee on undrawn amounts, both of which are based upon the companys current credit rating for the senior secured facility. At September 30, 2009, the margin over the LIBOR rate was 275 basis points, and the commitment fee was 50 basis points.

The company amended this revolving credit facility in December 2007 and recognized a $3 million loss on debt extinguishment associated with the write-off of debt issuance costs. This loss on debt extinguishment is recorded in interest expense, net in the consolidated statement of operations.

Certain of the companys subsidiaries, as defined in the credit agreement, irrevocably and unconditionally guarantee amounts outstanding under the amended revolving credit facility. Similar subsidiary guarantees are provided for the benefit of the holders of the publicly-held notes outstanding under the companys indentures (see Note 27).

Investment in Debt Defeasance Trust

The company had $6 million of U.S. government securities in an irrevocable trust, for the sole purpose of funding payments of principal and interest through the stated maturity on the $6 million of outstanding 7-1/8 percent notes due March 2009, in order to defease certain covenants under the associated indenture. As these securities were restricted and could only be withdrawn and used for payments of the principal and interest on the aforementioned notes, the assets of the trust were recorded in Other Current Assets (see Note 10) in the consolidated balance sheet. As this debt matured during the second quarter of fiscal year 2009, it was repaid with the securities in the trust.

Convertible Securities

In February 2007, the company issued $200 million of 4.00 percent convertible senior unsecured notes due 2027 (the 2007 convertible notes). In March 2006, the company issued $300 million of 4.625 percent convertible senior unsecured notes due 2026 (the 2006 convertible notes). The 2007 convertible notes bear cash interest at a rate of 4.00 percent per annum from the date of issuance through February 15, 2019, payable semi-annually in arrears on February 15 and August 15 of each year. After February 15, 2019, the principal amount of the notes will be subject to accretion at a rate that provides holders with an aggregate annual yield to maturity of 4.00 percent. The 2006 convertible notes bear cash interest at a rate of 4.625 percent per annum from the date of issuance through March 1, 2016, payable semi-annually in arrears on March 1 and September 1 of each year. After March 1, 2016, the principal amount of the notes will be subject to accretion at a rate that provides holders with an aggregate annual yield to maturity of 4.625 percent.

Conversion Features convertible securities

The 2007 convertible notes are convertible into shares of the company's common stock at an initial conversion rate, subject to adjustment, equivalent to 37.4111 shares of common stock per $1,000 initial principal amount of notes, which represents an initial conversion price of approximately $26.73 per share. If converted, the accreted principal amount will be settled in cash and the remainder of the company's conversion obligation, if any, in excess of such accreted principal amount will be settled in cash, shares of common stock, or a combination thereof, at the company's election. Holders may convert their notes at any time on or after February 15, 2025. The maximum number of shares of common stock the 2007 convertible notes are convertible into is approximately 7 million.

The 2006 convertible notes are convertible into shares of the company's common stock at an initial conversion rate, subject to adjustment, equivalent to 47.6667 shares of common stock per $1,000 initial principal amount of notes, which represents an initial conversion price of approximately $20.98 per share. If converted, the accreted principal amount will be settled in cash and the remainder of the company's conversion obligation, if any, in excess of such accreted principal amount will be settled in cash, shares of common stock, or a combination thereof, at the company's election. Holders may convert their notes at any time on or after March 1, 2024. The maximum number of shares of common stock the 2006 convertible notes are convertible into is approximately 14 million.

Prior to February 15, 2025 (2007 convertible notes) and March 1, 2024 (2006 convertible notes), holders may convert their notes only under the following circumstances:

- during any calendar quarter, if the closing price of the company's common stock for 20 or more trading days in a period of 30 consecutive trading days ending on the last trading day of the immediately preceding calendar quarter exceeds 120 percent of the applicable conversion price;
- during the five business day period after any five consecutive trading day period in which the average trading price per $1,000 initial principal amount of notes is equal to or less than 97 percent of the average conversion value of the notes during such five consecutive trading day period;
- upon the occurrence of specified corporate transactions, including, without limitation, a Change of Control and Termination of Trading (as defined therein); or
- if the notes are called by the company for redemption.

Redemption Features convertible securities

On or after February 15, 2019, the company may redeem the 2007 convertible notes, in whole or in part, for cash at a redemption price equal to 100 percent of the accreted principal amount plus any accrued and unpaid interest. On each of February 15, 2019 and 2022, or upon certain fundamental changes (which include a Change of Control and Termination of Trading, as defined therein), holders may require the company to purchase all or a portion of their 2007 convertible notes at a purchase price in cash equal to 100 percent of the accreted principal amount plus any accrued and unpaid interest.

On or after March 1, 2016, the company may redeem the 2006 convertible notes, in whole or in part, for cash at a redemption price equal to 100 percent of the accreted principal amount plus any accrued and unpaid interest. On each of March 1, 2016, 2018, 2020, 2022 and 2024, or upon certain fundamental changes, holders may require the company to purchase all or a portion of their 2006 convertible notes at a purchase price in cash equal to 100 percent of the accreted principal amount plus any accrued and unpaid interest.

The 2007 and 2006 convertible notes are fully and unconditionally guaranteed by certain subsidiaries of the company that currently guarantee the companys obligations under its senior secured credit facility and other publicly-held notes (see Senior Secured Credit Facilities above).

Accounts Receivable Securitization

Since 2005 the company participated in a U.S. accounts receivable securitization program to enhance financial flexibility and lower interest costs (see Note 7). In September 2009, in anticipation of the expiration of the existing facility, the company entered into a new, two year $125 million U.S. receivables financing arrangement which is provided on a committed basis by a syndicate of financial institutions led by GMAC Commercial Finance LLC and expires in September 2011. The weighted average interest rate on borrowings under this arrangement was approximately 7.50% percent at September 30, 2009. Amounts outstanding under this agreement are reported as short-term debt in the consolidated balance sheet and are collateralized by $133 million of eligible receivables purchased and held by ARC at September 30, 2009. This program does not have specific financial covenants, however it does have a cross-default provision to the companys revolving credit facility agreement. At September 30, 2008, $111 million was outstanding under the prior facility. No amount was outstanding under the prior facility at September 30, 2009.

Related Parties

MSSC has a $6 million, 6.5-percent loan with its minority partner. This loan matures in March 2010. In June 2009, the company entered into a binding letter of intent to sell its interest in MSSC. Accordingly, at September 30, 2009, this loan is included in liabilities of discontinued operations in the consolidated balance sheet (see Note 3). On October 30, 2009, the company completed the sale of MSSC (see Note 1) and as a result this loan was assumed by the buyer upon closing of the sale transaction.

Interest Rate Swap Agreements

In January 2008, the company terminated all of its interest rate swap agreements and received proceeds from these terminations, including interest received, of $28 million. The unamortized fair value adjustment of the notes associated with these and previous interest rate swap terminations was $23 million and $30 million at September 30, 2009 and 2008, respectively. The fair value adjustment of the notes is classified as long-term debt in the consolidated balance sheet and is amortized to earnings as a reduction of interest expense over the remaining term of the debt.

Leases

The company has various operating leasing arrangements. Future minimum lease payments under these operating leases are $24 million in 2010, $20 million in 2011, $16 million in 2012, $14 million in 2013, $12 million in 2014 and $25 million thereafter.

17. FINANCIAL INSTRUMENTS

The companys financial instruments include cash and cash equivalents, short-term debt, long-term debt and foreign exchange forward contracts. The company uses derivatives for hedging and non-trading purposes in order to manage its foreign exchange rate exposures.

Foreign Exchange Contracts

The companys operations are exposed to global market risks, including the effect of changes in foreign currency exchange rates. The company has a foreign currency cash flow hedging program to reduce the companys exposure to changes in exchange rates. The company uses foreign currency forward contracts to manage the companys exposures arising from foreign currency exchange risk. Gains and losses on the underlying foreign currency exposures are partially offset with gains and losses on the foreign currency forward contracts.

Under this program, the company has designated the foreign exchange contracts (the contracts) as cash flow hedges of underlying forecasted foreign currency purchases and sales. The effective portion of changes in the fair value of the contracts is recorded in Accumulated Other Comprehensive Loss (AOCL) in the consolidated balance sheet and is recognized in operating income when the underlying forecasted transaction impacts earnings. The fair values of derivative instruments are presented on a gross basis as the company does not have any derivative contracts which are subject to master netting arrangements. The company did not have any hedges that required the posting of collateral as of September 30, 2009.

The companys foreign exchange contracts generally mature within twelve months. At September 30, 2009 and 2008, the company had outstanding contracts with notional amounts of $89 million and $422 million, respectively. These notional values consist primarily of contracts for the European euro, British pound sterling and Swedish krona, and are stated in U.S. dollar equivalents at spot exchange rates at the respective dates.

Fair values of derivative instruments in the consolidated balance sheet at September 30, 2009 are $3 million and are included in other current liabilities (see Note 14). The effect of derivative instruments on comprehensive income (loss) for the twelve months ended September 30, 2009 is as follows (in millions):

	Location of Gain (Loss)	Amount of Gain (Loss)
Amount of gain (loss) recognized in AOCL (effective portion)	AOCL	$ (15)
Amount of loss reclassified from AOCL into income (effective portion)	Cost of sales	$ (20)
Amount of gain (loss) recognized in income on derivatives not designated as hedging instruments and on discontinuance of cash flow hedges	Cost of sales	$ (3)

At September 30, 2009 and 2008, there was a loss of $2 million and $10 million, respectively, recorded in AOCL. The company expects to reclassify the loss at September 30, 2009 from AOCL to operating income during the next twelve months as the forecasted hedged transactions are recognized in earnings.

The company classifies the cash flows associated with the contracts in cash flows from operating activities in the consolidated statement of cash flows. This is consistent with the classification of the cash flows associated with the underlying hedged item.

Fair Value

Fair values of financial instruments are summarized as follows (in millions):

	September 30, 2009		September 30, 2008	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Cash and cash equivalents	$ 95	$ 95	$ 497	$ 497
Foreign exchange contracts - asset			4	4
Investment in debt defeasance trust			6	6
Foreign exchange contracts - liability	3	3	16	16
Short-term debt	97	97	240	240
Long-term debt	1,080	885	1,063	882

Cash and cash equivalents All highly liquid investments purchased with an original maturity of three months or less are considered to be cash equivalents. The carrying value approximates fair value because of the short maturity of these instruments.

Foreign exchange forward contracts The company uses foreign exchange forward purchase and sale contracts with terms of two years or less to hedge its exposure to changes in foreign currency exchange rates. The fair value of foreign exchange forward contracts is based on a model which incorporates observable inputs including quoted spot rates, forward exchange rates and discounted future expected cash flows utilizing market interest rates with similar quality and maturity characteristics.

Short-term debt and long-term debt Fair values are based on interest rates that would be currently available to the company for issuance of similar types of debt instruments with similar terms and remaining maturities.

18. SHAREOWNERS EQUITY

Common Stock

The company is authorized to issue 500 million shares of Common Stock, with a par value of $1 per share, and 30 million shares of Preferred Stock, without par value, of which two million shares are designated as Series A Junior Participating Preferred Stock (Junior Preferred Stock). Under the Company Rights Plan, a Preferred Share Purchase Right (Right) is attached to each share of Common Stock pursuant to which the holder may, in certain takeover-related circumstances, become entitled to purchase from the company 1/100th of a share of Junior Preferred Stock at a price of $100, subject to adjustment. Also, in certain takeover-related circumstances, each Right (other than those held by an acquiring person) will be exercisable for shares of Common Stock or stock of the acquiring person having a market value of twice the exercise price. In certain events, the company may exchange each Right for one share of Common Stock or 1/100th of a share of Junior Preferred Stock. The Rights will expire on July 7, 2010, unless earlier exchanged or redeemed at a redemption price of $0.01 per Right. Until a Right is exercised, the holder, as such, will have no voting, dividend or other rights as a shareowner of the company.

The company has reserved approximately 4.5 million shares of Common Stock in connection with its 1997 and 2007 Long-Term Incentives Plans (LTIPs), 2004 Directors Stock Plan, Incentive Compensation Plan, 1998 and 1988 Stock Benefit Plans (the "Existing Plans"), and Employee Stock Benefit Plan for grants of non-qualified stock options, incentive stock options, stock appreciation rights, restricted stock, performance shares, restricted share units and stock awards to key employees and directors. At September 30, 2009, there were 0.6 million shares available for future grants under these plans.

The company accounts for treasury stock at cost. There were no purchases of treasury stock in fiscal years 2009 and 2008. Treasury stock of $1 million was purchased in fiscal year 2007.

Accumulated Other Comprehensive Loss

The components of Accumulated Other Comprehensive Loss as reported in the Consolidated Balance Sheet and Statement of Shareowners' Equity are as follows:

	Foreign Currency Translation	Employee Benefit Related Adjustments	Unrealized Gains (Losses)
Balance at September 30, 2006	$ 179	$ (257)	$ (
2007 adjustment	169	126	
Impact of sale of businesses on foreign currency translation adjustment	(133)	—	
Adjustment upon adoption of retirement benefits guidance, net of tax of $193	—	(357)	
Deferred gain on cash flow hedges	—	—	
Balance at September 30, 2007	215	(488)	
2008 adjustment	(13)	71	
Deferred loss on cash flow hedges	—	—	(1
Balance at September 30, 2008	202	(417)	(1
2009 adjustment	(53)	(465)	
Impact of sale of businesses on foreign currency translation adjustment	(10)	—	
Adjustment upon adoption of retirement benefits guidance	—	9	
Deferred loss on cash flow hedges	—	—	
Unrealized gain on investment	—	—	
Balance at September 30, 2009	$ 139	$ (873)	$

19. EQUITY BASED COMPENSATION

Stock Options

Under the company's incentive plans, stock options are granted at prices equal to the fair value on the date of grant and have a maximum term of 10 years. Stock options vest over a three year period from the date of grant. The company granted 300,000 stock options in fiscal year 2008. No stock options were granted during fiscal years 2009 and 2007.

Information related to stock options is as follows (shares in thousands, exercise price and remaining contractual term represent weighted averages and aggregate intrinsic values in millions):

	Shares	Exercise Price	Remaining Contractual Life (years)	Aggregate Intrinsic Value
Outstanding — beginning of year	2,085	$ 18.29		
Granted	—	—		

Exercised	—	—		
Cancelled or expired	(331)	21.63		
Outstanding — end of year	1,754	$ 17.66	3.8	—
Exercisable — end of year	1,554	$ 18.28	3.1	—

ARVINMERITOR, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following table provides additional information about outstanding stock options at September 30, 2009 (shares in thousands, exercise price represents a weighted average):

	Outstanding			Exercisable	
	Shares	Remaining Contractual Life (years)	Exercise Price	Shares	Exercise Price
$12.00 to $16.00	525	6.1	$ 13.79	325	$ 14.42
$16.01 to $21.00	1,159	2.9	19.06	1,159	19.06
$21.01 to $26.00	70	1.2	23.52	70	23.52
	1,754			1,554	

Compensation expense is recognized for the non-vested portion of previously issued stock options. Compensation expense associated with the expensing of stock options was not significant in fiscal year 2009 and 2008. The company recorded compensation expense of $1 million in fiscal years 2007, associated with the expensing of stock options. No options were exercised in fiscal year 2009. The total intrinsic value of options exercised in fiscal years 2008 and 2007 was less than $1 million and $9 million, respectively.

The weighted average fair value of options granted in fiscal year 2008 was $4.70 per share. The fair value of the options was estimated on the date of grant using the Black-Scholes pricing model and the following assumptions:

	2008
Average risk-free interest rate	3.6%
Expected dividend yield	3.1%
Expected volatility	46.1%
Expected life (years)	6.5

Restricted Stock, Restricted Units, Performance Shares and Performance Share Units

The company has granted shares of restricted stock, performance shares and restricted and performance share units to certain employees and non-employee members of the Board of Directors in accordance with the Existing Plans. The company measures the grant price fair value of these stock based awards at the market price of the company’s common stock as of the date of the grant. Employee awards typically vest over three years and are subject to continued employment by the employee. Performance shares and share units are also subject to satisfaction of certain conditions related to the company’s financial performance. Compensation cost associated with stock based awards is recognized ratably over the vesting period. Cash dividends on the restricted stock are reinvested in additional shares of common stock during the vesting period.

In fiscal years 2009, 2008 and 2007, the company granted 2,507,700, 1,311,156 and 964,200 shares of stock based awards, respectively. The grant date fair value of these shares was $2.84, $11.46 and $17.51 for shares granted in fiscal years 2009, 2008 and 2007, respectively.

The companys nonvested restricted shares and share units as of September 30, 2009, and the activity during fiscal year 2009 are summarized as follows (shares in thousands):

Nonvested Shares	Number of Shares	Weighted-Average Grant-Date Fair Value
Nonvested - beginning of year	1,198	$ 12.70
Granted	2,508	2.84
Vested	(1,324)	7.12
Forfeited	(541)	9.69
Nonvested - end of year	1,841	4.17

As of September 30, 2009, there was $8 million of total unrecognized compensation costs related to nonvested equity compensation arrangements. These costs are expected to be recognized over a weighted average period of 1 year. Total compensation expense recognized for restricted stock, restricted share units, performance shares and performance share units was $10 million in fiscal year 2009, $7 million in fiscal year 2008 and $12 million in fiscal year 2007.

20. RETIREMENT MEDICAL PLANS

The company has retirement medical plans that cover the majority of its U.S. and certain non-U.S. employees, including certain employees of divested businesses, and provide for medical payments to eligible employees and dependents upon retirement. These plans are unfunded. The company adopted the recognition and disclosure provisions of the FASBs retirement benefits guidance as of September 30, 2007 and the measurement date provisions as of October 1, 2008 (see Note 2).

The company approved amendments to certain retiree medical plans in fiscal years 2002 and 2004. The cumulative effect of these amendments was a reduction in the accumulated postretirement benefit obligation (APBO) of $293 million, which was being amortized as a reduction of retiree medical expense over the average remaining service period of approximately 12 years. These plan amendments have been challenged in three separate class action lawsuits that have been filed in the United States District Court for the Eastern District of Michigan (District Court). The lawsuits allege that the changes breach the terms of various collective bargaining agreements entered into with the United Auto Workers (the UAW lawsuit) and the United Steel Workers (the USW lawsuit) at facilities that have either been closed or sold. The complaints also allege a companion claim under the Employee Retirement Income Security Act of 1974 (ERISA) essentially restating the alleged collective bargaining breach claims and seeking to bring them under ERISA. Plaintiffs sought injunctive relief requiring the company to provide lifetime retiree health care benefits under the applicable collective bargaining agreements.

On December 22, 2005, the District Court issued an order granting a motion by the UAW for a preliminary injunction. The order enjoined the company from implementing the changes to retiree health benefits that had been scheduled to become effective on January 1, 2006, and ordered the company to reinstate and resume paying the full cost of health benefits for the UAW retirees at the levels existing prior to the changes approved in 2002 and 2004. On August 17, 2006, the District Court denied a motion by the company and the other defendants for summary judgment; granted a motion by the UAW for summary judgment; and granted the UAWs request to make the terms of the preliminary injunction permanent (the injunction). Due to the uncertainty related to the ongoing lawsuits and because the injunction has the impact of at least temporarily changing the benefits provided under the existing postretirement medical plans, the company has accounted for the injunction as a rescission of the 2002 and 2004 plan amendments that modified UAW retiree healthcare benefits. The company recalculated the APBO as of December 22, 2005, which resulted in an increase in the APBO of $168 million. The increase in APBO will offset the remaining unamortized negative prior service cost of the 2002 and 2004 plan amendments and will increase retiree medical expense over the average remaining service period associated with the original plan amendments of approximately 10 years. In addition, the increase in APBO resulted in higher interest cost, a component of retiree medical expense. The company began recording the impact of the injunction in March 2006. In addition, the injunction ordered the defendants to reimburse the plaintiffs for out-of-pocket expenses incurred since the date of the earlier benefit modifications. The company has recorded a $5 million reserve at September 30, 2009 and 2008 as the best estimate of its liability for these retroactive benefits. The company continues to believe it has meritorious defenses to these actions and has appealed the District Court's order to the U.S. Court of Appeals for the Sixth Circuit. The ultimate outcome of the UAW lawsuit may result in future plan amendments. The impact of any future plan amendments cannot be currently estimated.

On November 12, 2008, the company settled the USW lawsuit with the United Steel Workers with respect to certain retiree medical plan amendments for approximately $28 million. This settlement was paid in November 2008 and increased the accumulated postretirement benefit obligation (APBO) by approximately $23 million. The increase in APBO has been reflected in the company's September 30, 2009 actuarial valuation as an increase in actuarial losses and will be amortized into periodic retiree medical expense over an average expected remaining service life of approximately ten years.

The company's retiree medical obligations are measured as of September 30, 2009 and June 30, 2008 and 2007. The following are the assumptions used in the measurement of the APBO and retiree medical expense:

	2009	2008	2007
Discount rate	5.60%	6.90%	6.30%
Health care cost trend rate (weighted average)	7.85%	7.60%	9.00%
Ultimate health care trend rate	5.00%	5.00%	5.00%
Year ultimate rate is reached	2021	2021	2015

The assumptions noted above are used to calculate the APBO for each fiscal year end and retiree medical expense for the subsequent fiscal year.

The discount rate is used to calculate the present value of the APBO. This rate is determined based on high-quality fixed income investments that match the duration of expected retiree medical benefits. The company has used the corporate AA/Aa bond rate for this assumption. The health care cost trend rate represents the company's expected annual rates of change in the cost of health care benefits. The trend rate noted above represents a projection of health care costs as of the measurement date through 2021, at which time the health care trend rate is projected to be 5 percent. The company's projection for fiscal year 2010 is an increase in health care costs of 7.85 percent.

The APBO as of the September 30, 2009 and June 30, 2008 measurement dates are summarized as follows (in millions):

	2009	2008
Retirees	$ 598	$ 521
Employees eligible to retire	14	15
Employees not eligible to retire	21	38
Total	$ 633	$ 574

The following reconciles the change in APBO and the amounts included in the consolidated balance sheet for the 15 month period and 12 month period ended September 30, 2009 and June 30, 2008, respectively (in millions):

	2009	2008
APBO — beginning of year	$ 574	$ 576
Service cost [(1)]	3	3
Interest cost [(1)]	46	35
Participant contributions	3	3
Plan amendments	(9)	—
Actuarial losses	114	7
Curtailments (see Note 21)	(5)	—
Termination benefits	2	—
Settlements	(28)	—
Foreign currency rate changes	(4)	2
Benefit payments	(63)	(52)
APBO — end of year	633	574
Benefit payments made during the fourth quarter	—	(11)
Other [(2)]	5	5
Retiree medical liability	$ 638	$ 568

(1) The change in APBO for fiscal year 2009 includes $1 million in service cost and $9 million in interest cost resulting from the change in the measurement date from June to September to coincide with the company s fiscal year end.

(2) The company recorded a $5 million reserve for retiree medical liabilities at September 30, 2009 and 2008 as its best estimate for retroactive benefits related to the previously mentioned injunction.

Actuarial losses relate to changes in the discount rate and earlier than expected retirements due to certain plant closings and restructuring actions. In accordance with FASB ASC Topic 715, “Compensation — Retirement Benefits”, a portion of the actuarial losses is not subject to amortization. The actuarial losses that are subject to amortization are generally amortized over the average expected remaining service life, which is approximately 12 years. Union plan amendments are generally amortized over the contract period, or three years.

The Medicare Prescription Drug Improvement and Modernization Act of 2003 provides for a federal subsidy to sponsors of retiree health care benefit plans that provide a benefit at least actuarially equivalent to the benefit established by the law. The company provides retiree medical benefits for certain plans that exceed the value of the benefits that are provided by the Medicare Part D plan. Therefore, management concluded that these plans are at least actuarially equivalent to the Medicare Part D plan and the company is eligible for the federal subsidy. The impact of the subsidy was reflected as a reduction in the fiscal year 2009 and 2008 retiree medical expense of $6 million and $7 million, respectively.

The retiree medical liability is included in the consolidated balance sheet as follows (in millions):

	September 30,	
	2009	2008
Current — included in compensation and benefits	$ 50	$ 48
Long-term — included in retirement benefits	588	520
Retiree medical liability	$ 638	$ 568

ARVINMERITOR, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Amounts recorded in accumulated other comprehensive loss, net of tax, not yet recognized in net periodic retiree medical expense as of September 30 are as follows (in millions):

	2009

Net actuarial loss	$ 285
Prior service benefit	(33)
Amounts recorded in accumulated other comprehensive loss	$ 252

The net actuarial loss and prior service benefit that is estimated to be amortized from accumulated other comprehensive loss in shareowners equity (deficit) into net periodic retiree medical expense in 2010 are $37 million and $9 million, respectively.

The components of retiree medical expense are as follows (in millions):

	2009	2008	2007
Service cost	$ 2	$ 3	$ 3
Interest cost	37	35	37
Amortization of			
Prior service benefit	(9)	(7)	(8)
Actuarial gains and losses	27	27	25
Termination benefits [1]	2		
Retiree medical expense total company	59	58	57
Less: Retiree medical expense of discontinued operations	5	5	5
Retiree medical expense included in continuing operations	$ 54	$ 53	$ 52

(1) In 2009, the company recorded termination benefits of $2 million associated with the announced closure of its Commercial Truck brakes plant in Tilbury, Ontario. This expense is included in restructuring costs (see Note 5) in the consolidated statement of operations.

A one-percentage point change in the assumed health care cost trend rate for all years to, and including, the ultimate rate would have the following effects (in millions):

	2009	2008
Effect on total service and interest cost		
1% Increase	$ 4	$ 4
1% Decrease	(4)	(4)
Effect on APBO		
1% Increase	65	59
1% Decrease	(56)	(50)

The company expects future benefit payments as follows (in millions):

	Gross Benefit Payments	Gross Medicare Part D Receipts
Fiscal 2010	$ 49	$ 3
Fiscal 2011	49	3
Fiscal 2012	49	3
Fiscal 2013	49	4
Fiscal 2014	49	4
Fiscal 2015 2019	238	21

21. RETIREMENT PENSION PLANS

The company sponsors defined benefit pension plans that cover most of its U.S. employees and certain non-U.S. employees. Pension benefits for salaried employees are based on years of credited service and compensation. Pension benefits for hourly employees are based on years of service and specified benefit amounts. The company's funding policy provides that annual contributions to the pension trusts will be at least equal to the minimum amounts required by ERISA in the U.S. and the actuarial recommendations or statutory requirements in other countries. The company adopted the recognition and disclosure provisions of FASB's retirement benefit guidance as of September 30, 2007 and the measurement date provisions as of October 1, 2008 (see Note 2).

On February 24, 2009, the company announced the closure of its commercial truck brakes plant in Tilbury, Ontario, Canada. All salaried and hourly employees at this facility participate in both a salaried or hourly pension plan and a retiree medical plan. The expected closure of this facility triggered plan curtailments requiring the remeasurement of each plan. The measurement date of these valuations was February 28, 2009. The FASB's retirement benefits guidance requires a plan curtailment loss to be recognized in earnings when it is probable that a curtailment will occur and the effects are reasonably estimable. Including pension termination benefits of approximately $14 million required to be paid under the terms of the plans, the company recognized plan curtailment losses of approximately $16 million, which include $2 million of retiree medical benefits, recorded in restructuring costs (see Note 5) in the consolidated statement of operations.

On March 5, 2009, the company announced its plans to close its coil spring operations in Milton, Ontario, Canada, which is part of MSSC. As noted in Note 3, the company signed a binding letter of intent to sell its 57 percent interest in MSSC and MSSC is presented as held for sale and included in discontinued operations at September 30, 2009. The company recognized an $8 million curtailment charge, primarily related to pension termination benefits, which is included in loss from discontinued operations in the consolidated statement of operations.

In April 2007, the company announced a freeze of its defined benefit pension plan for salaried and non-represented employees in the United States, effective January 1, 2008. The change affected approximately 3,800 employees including certain employees who will continue to accrue benefits for an additional transition period, ending June 30, 2011. After these freeze dates, the company will instead make additional contributions to its defined contribution savings plan on behalf of the affected employees. The amount of the savings plan contribution will be based on a percentage of the employee's pay, with the contribution percentage increasing as the employee ages. These changes do not affect current retirees or represented employees. The company began recording the impact of the plan freeze in the fourth quarter of fiscal year 2007.

Certain of the company's non-U.S. subsidiaries provide limited non-pension benefits to retirees in addition to government-sponsored programs. The cost of these programs is not significant to the company. Most retirees outside the U.S. are covered by government-sponsored and administered programs.

The company's pension obligations were measured as of September 30, 2009 and June 30, 2008 and 2007. The U.S. plans include a qualified and non-qualified pension plan. The non-U.S. plans include plans primarily in the United Kingdom, Canada, Germany and Switzerland.

The following are the assumptions used in the measurement of the projected benefit obligation (PBO) and net periodic pension expense:

	U.S. Plans		
	2009	**2008**	**2007**
Discount Rate	5.70%	7.10%	6.35%
Assumed return on plan assets	8.50%	8.50%	8.50%
Rate of compensation increase	3.75%	3.75%	3.75%

Non-U.S. Plans

	2009	2008	2007
Discount Rate	3.00% — 6.25%	3.50% — 6.75%	5.25% — 6.00%
Assumed return on plan assets	3.00% — 8.00%	3.00% — 8.00%	8.00% — 8.00%
Rate of compensation increase	2.00% — 3.50%	2.00% — 5.00%	2.50% — 4.25%

The assumptions noted above are used to calculate the PBO reported in each fiscal year and net periodic pension expense for the subsequent fiscal year.

The discount rate is used to calculate the present value of the PBO. The rate used reflects a rate of return on high-quality fixed income investments that match the duration of expected benefit payments. The company uses a portfolio of long-term corporate AA/Aa bonds that match the duration of the expected benefit payments to establish the discount rate for this assumption.

The assumed return on plan assets is used to determine net periodic pension expense. The rate of return assumptions are based on projected long-term market returns for the various asset classes in which the plans are invested, weighted by the target asset allocations. An incremental amount for active plan asset management, where appropriate, is included in the rate of return assumption. The return assumption is reviewed annually.

The rate of compensation increase represents the long-term assumption for expected increases to salaries for pay-related plans. The accompanying disclosures include pension obligations associated with businesses classified as discontinued operations.

The following table reconciles the change in the PBO, the change in plan assets and amounts included in the consolidated balance sheet for the 15 month period and 12 month period ended September 30, 2009 and June 30, 2008, respectively (in millions):

	2009			2008		
	U.S.	Non-U.S.	Total	U.S.	Non-U.S.	Total
PBO — beginning of year	$ 883	$ 771	$ 1,654	$ 953	$ 878	$ 1,831
Service cost (1)	8	14	22	11	17	28
Interest cost (1)	76	52	128	59	48	107
Participant contributions	—	2	2	—	2	2
Actuarial loss (gain)	157	80	237	(81)	(56)	(137)
Curtailments	—	—	—	—	(3)	(3)
Termination benefits	—	22	22	—	—	—
Benefit payments	(77)	(63)	(140)	(59)	(50)	(109)
Foreign currency rate changes	—	(72)	(72)	—	(65)	(65)
PBO — end of year	1,047	806	1,853	883	771	1,654
Change in plan assets						
Fair value of assets — beginning of year	841	698	1,539	843	807	1,650
Actual return on plan assets	(44)	25	(19)	53	(26)	27
Employer contributions	6	26	32	4	32	36
Participant contributions	—	2	2	—	2	2
Curtailments	—	—	—	—	2	2
Benefit payments	(77)	(63)	(140)	(59)	(50)	(109)
Foreign currency rate changes	—	(78)	(78)	—	(69)	(69)
Fair value of assets — end of year	726	610	1,336	841	698	1,539
Funded status	(321)	(196)	(517)	(42)	(73)	(115)
Contributions made in the fourth quarter	—	—	—	1	4	5
Net amount recognized	$ (321)	$ (196)	$ (517)	$ (41)	$ (69)	$ (110)

(1) The change in PBO for fiscal year 2009 includes $4 million in service cost and $26 million in interest cost resulting from the change in the measurement date from June to September to coincide with the company's year end.

Amounts included in the consolidated balance sheet at September 30 are comprised of the following (in millions):

	2009			2008		
	U.S.	Non-U.S.	Total	U.S.	Non-U.S.	Total
Noncurrent assets	$ —	$ 9	$ 9	$ —	$ 25	$ 25
Current liabilities	(5)	(3)	(8)	(4)	(3)	(7)
Noncurrent liabilities	(316)	(202)	(518)	(37)	(91)	(128)
Net amount recognized	$ (321)	$ (196)	$ (517)	$ (41)	$ (69)	$ (110)

Amounts recorded in accumulated other comprehensive loss, net of tax, not yet recognized in net periodic pension expense as of September 30, 2009 are as follows (in millions):

	U.S.	Non-U.S.	Total
Net actuarial loss	$ 373	$ 253	$ 626
Prior service cost (benefit)	—	(5)	(5)
Amounts recorded in accumulated other comprehensive loss	$ 373	$ 248	$ 621

The net actuarial loss and prior service benefit that are estimated to be amortized from accumulated other comprehensive loss into net periodic pension expense in fiscal year 2010 are $40 million and less than $1 million, respectively.

In recognition of the long-term nature of the liabilities of the pension plans, the company has targeted an asset allocation strategy that intends to promote asset growth while maintaining an acceptable level of risk over the long-term. Asset-liability studies are performed periodically to validate the continued appropriateness of these asset allocation targets. The target asset allocation ranges for the U.S. plan are 50–70 percent equity investments, 20–40 percent fixed income investments and 5–15 percent alternative investments. The target asset allocation ranges for the non-U.S. plans are 55–85 percent equity investments, 15–40 percent fixed income investments and 0–5 percent real estate and alternative investments. The asset class mix and the percentage of securities in any asset class or market may vary as the risk/return characteristics of either individual market or asset classes vary over time.

88

ARVINMERITOR, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The investment strategies for the pension plans are designed to achieve an appropriate diversification of investments as well as safety and security of the principal invested. Assets invested are allocated to certain global sub-asset categories within prescribed ranges in order to promote international diversification across security type, issuer type, investment style, industry group and economic sector. Assets of the plans are actively managed. Policy limits are placed on the percentage of plan assets that can be invested in a security of any single issuer and minimum credit quality standards are established for debt securities. ArvinMeritor securities did not comprise any of the value of our worldwide pension assets during 2009 and 2008.

The weighted average asset allocation for the U.S. and non-U.S. pension plans are as follows:

	2009		2008	
	U.S.	**Non-U.S.**	**U.S.**	**Non-U.S.**
Equity investments	51.9%	56.7%	55.5%	61.4%
Fixed income investments	37.8%	40.7%	32.5%	35.3%
Real estate	0.0%	2.1%	0.5%	3.3%
Other	10.3%	0.5%	11.5%	0.0%
Total	100.0%	100.0%	100.0%	100.0%

The non-current portion of the pension liability is included in Retirement Benefits in the consolidated balance sheet as follows (in millions):

	September 30,	
	2009	**2008**
Pension liability	$ 498(1)	$ 128
Retiree medical liability — long term (see Note 20)	540(1)	520
Other	39	42
Total retirement benefits	$ 1,077	$ 690

(1) The table above excludes pension and retiree medical liabilities of $20 million and $48 million, respectively, recorded in discontinued operations in the consolidated balance sheet.

In accordance with FASB guidance, the PBO, accumulated benefit obligation (ABO) and fair value of plan assets is required to be disclosed for all plans where the ABO is in excess of plan assets. The difference between the PBO and ABO is that the PBO includes projected compensation increases.

Additional information is as follows (in millions):

	2009			2008		
	ABO Exceeds Assets	**Assets Exceeds ABO**	**Total**	**ABO Exceeds Assets**	**Assets Exceeds ABO**	**Total**
PBO	$ 1,840	$ 13	$ 1,853	$ 217	$ 1,437	$ 1,654
ABO	1,814	9	1,823	210	1,387	1,597
Plan Assets	1,318	18	1,336	65	1,474	1,539

The components of net periodic pension expense are as follows (in millions):

	2009	2008	2007
Service cost	$ 18	$ 28	$ 37
Interest cost	102	107	101
Assumed rate of return on plan assets	(116)	(123)	(110)
Amortization of —			
Prior service cost (1)	—	2	(14)
Transition asset	—	—	(1)
Actuarial losses	19	33	43
Special termination benefits (2)	21	—	—
Net periodic pension expense — total company	44	47	56
Less: Net periodic pension expense of discontinued operations	8	1	(13)
Net periodic pension expense included in continuing operations	$ 36	$ 46	$ 69

ARVINMERITOR, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(1) The company recorded a reduction in pension expense of $15 million in the third quarter of fiscal year 2007 to fully amortize negative prior service cost as a result of a pension curtailment triggered by the sale if its ET business. This reduction in pension expense was included in the loss on the sale of ET and recorded in discontinued operations in the consolidated statement of operations.

(2) In 2009, the company recorded pension termination benefits of $14 million and $7 million associated with the announced closure of its Commercial Truck brakes plant in Tilbury and its coil spring operations in Milton, Ontario, respectively. The expense associated with the Tilbury plant closure is included in restructuring costs (see Note 5) in the consolidated statement of operations. The charge related to the Milton plant closure is recorded in discontinued operations in the consolidated statement of operations.

Information about the expected cash flows for the U.S. and non-U.S. pension plans is as follows (in millions):

	U.S.	Non U.S.	Total
Expected employer contributions:			
Fiscal 2010	$ 13	$ 38	$ 51
Expected benefit payments:			
Fiscal 2010	62	41	103
Fiscal 2011	62	42	104
Fiscal 2012	62	43	105
Fiscal 2013	63	52	115
Fiscal 2014	64	53	117
Fiscal 2015-2019	341	250	591

The company also sponsors certain defined contribution savings plans for eligible employees. Expense related to these plans, including company matching contributions, was $3 million, $11 million and $9 million for fiscal years 2009, 2008 and 2007, respectively.

22. INCOME TAXES

The income tax provisions were calculated based upon the following components of income (loss) before income taxes (in millions):

	2009	2008	2007
U.S. income (loss)	$ (169)	$ 9	$ (74)
Foreign income (loss)	(192)	84	(23)
Total	$ (361)	$ 93	$ (97)

The components of the benefit (provision) for income taxes are summarized as follows (in millions):

	2009	2008	2007
Current tax benefit (expense):			
U.S.	$ 3	$ (10)	$ (1)
Foreign	(40)	(79)	(32)
State and local	1	(2)	(1)
Total current tax expense	(36)	(91)	(34)
Deferred tax benefit (expense):			

U.S.	(591)	(95)	50
Foreign	(81)	(13)	(7)
State and local	1	2	4
Total deferred tax benefit (expense)	(671)	(106)	47
Income tax benefit (expense)	$ (707)	$ (197)	$ 13

The deferred tax expense or benefit represents tax effects of current year deductions or items of income that will be recognized in future periods for tax purposes. The deferred tax benefit in fiscal year 2007 primarily represents the tax benefit of current year net operating losses and tax credits carried forward. The deferred tax expense in fiscal years 2009 and 2008, primarily represents the future taxes on repatriation of foreign earnings and establishment of valuation allowances.

Net current and non-current deferred income tax assets (liabilities) included in the consolidated balance sheet consist of the tax effects of temporary differences related to the following (in millions):

	September 30,	
	2009	**2008**
Accrued compensation and benefits	$ 40	$ 58
Accrued product warranties	10	10
Inventory costs	11	11
Receivables	12	14
Accrued retirement medical costs	205	175
Pensions	176	36
Property	32	—
Loss and credit carryforwards	875	651
Investment basis difference	—	71
Other	38	89
Sub-total	1,399	1,115
Less: Valuation allowances	(1,218)	(271)
Deferred income taxes - asset	$ 181	$ 844
Taxes on undistributed income	$ (145)	$ (153)
Property	—	(7)
Intangible assets	(64)	(52)
Other	(2)	—
Deferred income taxes - liability	$ (211)	$ (212)
Net deferred income tax assets (liabilities)	$ (30)	$ 632

Net current and non-current deferred income tax assets (liabilities) are included in the consolidated balance sheet as follows (in millions):

	September 30,	
	2009	**2008**
Other current assets (see Note 10)	$ 19	$ 110
Other current liabilities (see Note 14)	(3)	(4)
Net current deferred income taxes — asset	16	106
Other assets (see Note 12)	27	530
Other liabilities (see Note 15)	(73)	(4)

Net non-current deferred income taxes asset (liability)	$ (46)	$ 526

In fiscal year 2009, the company recorded a charge of $676 million, of which $665 million was recorded in the first fiscal quarter, to establish valuation allowances against its U.S. net deferred tax assets and the net deferred tax assets of its 100% owned subsidiaries in France, Germany, Italy, and Sweden and certain other countries. In accordance with FASBs income tax guidance, the company evaluates the deferred income taxes quarterly to determine if valuation allowances are required. The guidance requires that companies assess whether valuation allowances should be established against their deferred tax assets based on the consideration of all available evidence using a more-likely-than-not standard. In making such judgments, significant weight is given to evidence that can be objectively verified. As previously disclosed in the fiscal year 2008 Form 10-K, the company had determined in prior periods that a valuation allowance was not necessary for the deferred tax assets in the U.S based on several factors including: (a) numerous restructuring initiatives the company undertook in fiscal years 2007 and 2008, generating significant savings in future periods; (b) the expected recovery of the commercial vehicle market; (c) the implementation of a major cost reduction and value creation program to generate additional improvements in earnings in future periods and (d) the repatriation of foreign earnings, which would generate significant taxable income in fiscal year 2009 and reduce future net interest expense in the U.S.

The company believes that these valuation allowances are now required due to events and developments that occurred during the first quarter of fiscal year 2009. In conducting the first quarter 2009 analysis, the company utilized a consistent approach which considers its three-year historical cumulative income (loss) including an assessment of the degree to which any losses were driven by items that are unusual in nature and incurred in order to achieve profitability in the future. In addition, the company reviewed changes in near-term market conditions and any other factors arising during the period which may impact future operating results. Both positive and negative evidence were considered in the analysis. Significant negative evidence exists due to the ongoing deterioration of the global markets. The analysis for the first quarter of fiscal year 2009 showed a three-year historical cumulative loss in the U.S., France, Germany, Italy, and Sweden. The losses continue to exist even after adjusting the results to remove unusual items and charges, which is considered a significant factor in the analysis as it is objectively verifiable and therefore, significant negative evidence. In addition, the recent global market deterioration reduced the expected impact of tax planning strategies that were included in our analysis. Accordingly, based on a three year historical cumulative loss, combined with significant and inherent uncertainty as to the timing of when the company would be able to generate the necessary level of earnings to recover its deferred tax assets in the U.S., France, Germany, Italy, and Sweden, the company concluded that valuation allowances were required.

Income tax expense (benefit) is allocated between continuing operations, discontinued operations and other comprehensive income (OCI). Such allocation is applied by tax jurisdiction, and in periods in which there is a pre-tax loss from continuing operations and pre-tax income in another category, such as discontinued operations or OCI, income tax expense is first allocated to the other sources of income, with a related benefit recorded in continuing operations.

The expiration periods for $875 million of deferred tax assets related to net operating losses and tax credit carryforwards are as follows: $13 million between fiscal years 2010 and 2014; $138 million between fiscal years 2015 and 2024; $449 million between fiscal years 2025 and 2029; and $275 million can be carried forward indefinitely. The company has provided valuation allowances on these deferred tax assets of approximately $13 million, $138 million, $441 million and $273 million, respectively. Realization of deferred tax assets representing net operating loss carryforwards for which a valuation allowance has not been provided is dependent on generating sufficient taxable income prior to expiration of the loss carryforwards. Although realization is not assured, management believes it is more likely than not that all of such deferred tax assets will be realized. The amount of the deferred tax assets considered realizable, however, could be reduced in the near term if the company is unable to generate sufficient future taxable income during the carryforward period.

The companys benefit (provision) for income taxes was different from the benefit (provision) for income taxes at the U.S. statutory rate for the reasons set forth below (in millions):

	2009	2008	2007
Benefit (expense) for income taxes at statutory tax rate of 35%	$ 126	$ (33)	$ 34
State and local income taxes	2	1	3
Taxes on foreign income	(8)	33	20
Tax audit settlements	—	12	—
Recognition of basis differences	—	—	7
Goodwill impairment	(27)	—	—
Benefit (tax) on undistributed foreign earnings	(3)	(137)	11
Valuation allowances	(797)	(70)	(60)
Other	—	(3)	(2)
Income tax benefit (expense)	$ (707)	$ (197)	$ 13

In fiscal year 2008 the company completed various tax audits of the company’s income tax returns and certain statutes of limitations expired. As a result, the company reduced its accrual for uncertain tax positions by $12 million.

In fiscal year 2008, a valuation allowance was taken against a United Kingdom (U.K.) deferred tax asset. The company concluded that a tax planning strategy was no longer prudent and feasible and therefore did not meet the criteria for use as a qualifying tax planning strategy in the determination as to whether it was more likely than not that the U.K. deferred tax asset would be utilized. The result was a $42 million tax expense.

In fiscal year 2008, the company reversed its determination on permanent reinvestment for undistributed earnings of certain foreign subsidiaries. This resulted in the establishment of a $137 million deferred tax liability for the basis differences related to these subsidiaries and a charge of $137 million to income tax expense.

For fiscal year 2007, the significant benefit for tax on undistributed foreign earnings was related to the reversal of a deferred tax liability for Mexican and Brazilian subsidiaries due to a planned legal entity restructuring that will allow the basis difference related to the undistributed earnings to reverse without tax cost.

For fiscal years 2009 and 2008, no provision has been made for U.S., state or additional foreign income taxes related to approximately $542 million and $470 million, respectively, of undistributed earnings of foreign subsidiaries that have been or are intended to be permanently reinvested. Quantification of the deferred tax liability, if any, associated with permanently reinvested earnings is not practicable.

Total amount of gross unrecognized tax benefits the company recorded in accordance with FASB ASC Topic 740 as of September 30, 2009 was $104 million, of which $45 million represents the amount, if recognized, would favorably affect the effective income tax rate in future periods.

A reconciliation of the total amounts of unrecognized tax benefits at the beginning and end of the period is as follows (in millions):

	2009	2008
Balance at beginning of the period	$ 131	$ 207
Additions to tax positions recorded during the current year	8	15
Reductions to tax positions recorded in prior years	(35)	(88)
Reductions to tax positions due to lapse of statutory limits	(3)	(3)
Translation, other	3	—
Balance at end of the period	$ 104	$ 131

The company's continuing practice is to recognize interest and penalties on uncertain tax positions in the provision for income taxes in the consolidated statement of operations. At September 30, 2009 and September 30, 2008, the company recorded $6 million and $3 million, respectively, of interest on uncertain tax positions in the consolidated balance sheet. In addition, penalties of $11 million and $12 million were recorded at September 30, 2009 and September 30, 2008, respectively. The impact of tax expense related to interest and penalties is immaterial to periods presented.

The company files tax returns in multiple jurisdictions and is subject to examination by taxing authorities throughout the world. The company's U.S. federal income tax returns for fiscal years 2006 and 2007 are currently under audit. The company's Canadian federal income tax returns for fiscal years 2003 through 2005 are currently under audit. The company's Brazil subsidiary is currently under audit for calendar year 2004. The company's German subsidiary is under audit for fiscal years 2002 through 2006. In addition, the company is under audit in various U.S. state tax jurisdictions for various years. It is reasonably possible that audit settlements, the conclusion of current examinations or the expiration of the statute of limitations in several jurisdictions could significantly change the company's unrecognized tax benefits during the next twelve months. However, quantification of an estimated range cannot be made at this time.

In addition to the audits listed above, the company has open tax years primarily from 1999-2008 with various significant taxing jurisdictions including the United States, Brazil, Canada, France, Germany, Mexico and the U. K. These open years contain matters that could be subject to differing interpretations of applicable tax laws and regulations as they relate to the amount, timing or inclusion of revenue and expenses or the sustainability of income tax credits for a given audit cycle. The company has recorded a tax benefit only for those positions that meet the more likely than not standard.

23. CONTINGENCIES

Environmental

Federal, state and local requirements relating to the discharge of substances into the environment, the disposal of hazardous wastes and other activities affecting the environment have, and will continue to have, an impact on the operations of the company. The process of estimating environmental liabilities is complex and dependent upon evolving physical and scientific data at the sites, uncertainties as to remedies and technologies to be used and the outcome of discussions with regulatory agencies. The company records liabilities for environmental issues in the accounting period in which they are considered to be probable and the cost can be reasonably estimated. At environmental sites in which more than one potentially responsible party has been identified, the company records a liability for its allocable share of costs related to its involvement with the site, as well as an allocable share of costs related to insolvent parties or unidentified shares. At environmental sites in which ArvinMeritor is the only potentially responsible party, the company records a liability for the total probable and estimable costs of remediation before consideration of recovery from insurers or other third parties.

The company has been designated as a potentially responsible party at eight Superfund sites, excluding sites as to which the company's records disclose no involvement or as to which the company's liability has been finally determined. Management estimates the total reasonably possible costs the company could incur for the remediation of Superfund sites at September 30, 2009 to be approximately $20 million, of which $2 million is recorded as a liability. Environmental remediation costs recorded with respect to the Superfund sites were not significant in fiscal years 2009 and 2008 and no expense was recognized in fiscal year 2007.

In addition to the Superfund sites, various other lawsuits, claims and proceedings have been asserted against the company, alleging violations of federal, state and local environmental protection requirements, or seeking remediation of alleged environmental impairments, principally at previously disposed-of properties. For these matters, management has estimated the total reasonably possible costs the company could incur at September 30, 2009 to be approximately $30 million, of which $15 million is recorded as a liability. During fiscal year 2009, the company recorded environmental remediation costs of $3 million with respect to these matters, resulting from revised estimates to remediate these sites.

Included in the company's environmental liabilities are costs for on-going operation, maintenance and monitoring at environmental sites in which remediation has been put into place. This liability is discounted using a discount rate of 5-percent and is approximately $7 million at September 30, 2009. The undiscounted estimate of these costs is approximately $11 million.

Following are the components of the Superfund and non-Superfund environmental reserves (in millions):

	Superfund Sites	Non-Superfund Sites	Total
Balance at September 30, 2008	$ 3	$ 15	$ 18
Payments	(1)	(3)	(4)
Change in cost estimates [(1)]	—	3	3
Balance at September 30, 2009	$ 2	$ 15	$ 17

---

(1) There was $2 million of environmental remediation costs recorded in loss from discontinued operations in the consolidated statement of operations for the fiscal year ended September 30, 2009.

Environmental reserves are included in Other Current Liabilities (see Note 14) and Other Liabilities (see Note 15).

The actual amount of costs or damages for which the company may be held responsible could materially exceed the foregoing estimates because of uncertainties, including the financial condition of other potentially responsible parties, the success of the remediation, discovery of new contamination and other factors that make it difficult to predict actual costs accurately. However, based on management's assessment, after consulting with outside advisors that specialize in environmental matters, and subject to the difficulties inherent in estimating these future costs, the company believes that its expenditures for environmental capital investment and remediation necessary to comply with present regulations governing environmental protection and other expenditures for the resolution of environmental claims will not have a material adverse effect on the company's business, financial condition or results of operations. In addition, in future periods, new laws and regulations, changes in remediation plans, advances in technology and additional information about the ultimate clean-up remedies could significantly change the company's estimates. Management cannot assess the possible effect of compliance with future requirements.

Asset Retirement Obligations

The company has identified conditional asset retirement obligations for which a reasonable estimate of fair value could not be made because the potential settlement dates cannot be determined at this time. Due to the long term, productive nature of the company's manufacturing operations, absent plans or expectations of plans to initiate asset retirement activities, the company was not able to reasonably estimate the settlement date for the related obligations. Therefore, the company has not recognized conditional asset retirement obligations for which there are no plans or expectations of plans to retire the asset.

Asbestos

Maremont Corporation ("Maremont"), a subsidiary of ArvinMeritor, manufactured friction products containing asbestos from 1953 through 1977, when it sold its friction product business. Arvin Industries, Inc., a predecessor of the company, acquired Maremont in 1986. Maremont and many other companies are defendants in suits brought by individuals claiming personal injuries as a result of exposure to asbestos-containing products. Maremont had approximately 26,000 and 35,000 pending asbestos-related claims at September 30, 2009 and 2008, respectively. Although Maremont has been named in these cases, in the cases where actual injury has been alleged, very few claimants have established that a Maremont product caused their injuries. Plaintiffs' lawyers often sue dozens or even hundreds of defendants in individual lawsuits on behalf of hundreds or thousands of claimants, seeking damages against all named defendants irrespective of the disease or injury and irrespective of any causal connection with a particular product. For these reasons, Maremont does not consider the number of claims filed or the damages alleged to be a meaningful factor in determining its asbestos-related liability.

ARVINMERITOR, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Maremonts asbestos-related reserves and corresponding asbestos-related recoveries are summarized as follows (in millions):

	September 30,	
	2009	**2008**
Pending claims	$ 61	$ 53
Asbestos-related insurance recoveries	43	36

A portion of the asbestos-related recoveries and reserves are included in Other Current Assets and Liabilities, with the majority of the amounts recorded in Other Assets and Liabilities (see Notes 10, 12, 14 and 15).

Prior to February 2001, Maremont participated in the Center for Claims Resolution (CCR) and shared with other CCR members in the payment of defense and indemnity costs for asbestos-related claims. The CCR handled the resolution and processing of asbestos claims on behalf of its members until February 2001, when it was reorganized and discontinued negotiating shared settlements. Since the CCR was reorganized in 2001, Maremont has handled asbestos-related claims through its own defense counsel and has taken a more aggressive defensive approach that involves examining the merits of each asbestos-related claim. Although the company expects legal defense costs to continue at higher levels than when it participated in the CCR, the company believes its litigation strategy has reduced the average indemnity cost per claim.

Pending and Future Claims: Maremont engages Bates White LLC (Bates White), a consulting firm with extensive experience estimating costs associated with asbestos litigation, to assist with determining the estimated cost of resolving pending and future asbestos-related claims that have been, and could reasonably be expected to be, filed against Maremont. Bates White prepares these cost estimates on a semi-annual basis in March and September each year. Although it is not possible to estimate the full range of costs because of various uncertainties, Bates White advised Maremont that it would be possible to determine an estimate of a reasonable forecast of the cost of the probable settlement and defense costs of resolving pending and future asbestos-related claims, based on historical data and certain assumptions with respect to events that may occur in the future.

Bates White provided an estimate of the reasonably possible range of Maremonts obligation for asbestos personal injury claims over the next ten years of $58 million to $65 million. After consultation with Bates White, Maremont determined that as of September 30, 2009 the most likely and probable liability for pending and future claims over the next ten years is $58 million. The ultimate cost of resolving pending and future claims is estimated based on the history of claims and expenses for plaintiffs represented by law firms in jurisdictions with an established history with Maremont.

Assumptions: The following assumptions were made by Maremont after consultation with Bates White and are included in their study:

- Pending and future claims were estimated for a ten year period ending in fiscal year 2019. The ten-year assumption is considered appropriate as Maremont has reached certain longer-term agreements with key plaintiff law firms and filings of mesothelioma claims have been relatively stable over the last few years resulting in an improvement in the reliability of future projections over a longer time period;
- Maremont believes that the litigation environment will change significantly beyond ten years and that the reliability of estimates of future probable expenditures in connection with asbestos-related personal injury claims will decline for each year further in the future. As a result, estimating a probable liability beyond ten years is difficult and uncertain;
- The ultimate cost of resolving pending and future claims filed in Madison County, Illinois, a jurisdiction where a substantial amount of Maremonts claims are filed, will decline to reflect average outcomes throughout the United States;

- Defense and processing costs for pending and future claims filed outside of Madison County, Illinois will be at the level consistent with Maremonts prior experience; and
- The ultimate indemnity cost of resolving nonmalignant claims with plaintiffs law firms in jurisdictions without an established history with Maremont cannot be reasonably estimated. Recent changes in tort law and insufficient settlement history make estimating a liability for these nonmalignant claims difficult and uncertain.

Recoveries: Maremont has insurance that reimburses a substantial portion of the costs incurred defending against asbestos-related claims. The coverage also reimburses Maremont for any indemnity paid on those claims. The coverage is provided by several insurance carriers based on insurance agreements in place. Incorporating historical information with respect to buy-outs and settlements of coverage, and excluding any policies in dispute, the insurance receivable related to asbestos-related liabilities is $43 million as of September 30, 2009. The difference between the estimated liability and insurance receivable is primarily related to proceeds received from settled insurance policies. Certain insurance policies have been settled in cash prior to the ultimate settlement of the related asbestos liabilities. Amounts received from insurance settlements generally reduce recorded insurance receivables. Receivables for policies in dispute are not recorded.

The amounts recorded for the asbestos-related reserves and recoveries from insurance companies are based upon assumptions and estimates derived from currently known facts. All such estimates of liabilities and recoveries for asbestos-related claims are subject to considerable uncertainty because such liabilities and recoveries are influenced by variables that are difficult to predict. The future litigation environment for Maremont could change significantly from its past experience, due, for example, to changes in the mix of claims filed against Maremont in terms of plaintiffs law firm, jurisdiction and disease; legislative or regulatory developments; Maremonts approach to defending claims; or payments to plaintiffs from other defendants. Estimated recoveries are influenced by coverage issues among insurers and the continuing solvency of various insurance companies. If the assumptions with respect to the nature of pending and future claims, the cost to resolve claims and the amount of available insurance prove to be incorrect, the actual amount of liability for Maremonts asbestos-related claims, and the effect on the company, could differ materially from current estimates and, therefore, could have a material impact on the companys financial condition and results of operations.

Rockwell ArvinMeritor, along with many other companies, has also been named as a defendant in lawsuits alleging personal injury as a result of exposure to asbestos used in certain components of Rockwell products many years ago. Liability for these claims was transferred to the company at the time of the spin-off of the automotive business to Meritor from Rockwell in 1997. Currently there are thousands of claimants in lawsuits that name the company, together with many other companies, as defendants. However, the company does not consider the number of claims filed or the damages alleged to be a meaningful factor in determining asbestos-related liabilities. A significant portion of the claims do not identify any of Rockwells products or specify which of the claimants, if any, were exposed to asbestos attributable to Rockwells products, and past experience has shown that the vast majority of the claimants will likely never identify any of Rockwells products. For those claimants who do show that they worked with Rockwells products, management nevertheless believes it has meritorious defenses, in substantial part due to the integrity of the products involved and the lack of any impairing medical condition on the part of many claimants. The company defends these cases vigorously. Historically, ArvinMeritor has been dismissed from the vast majority of similar claims filed in the past with no payment to claimants.

The company engages Bates White to assist with determining whether it would be possible to estimate the cost of resolving pending and future Rockwell legacy asbestos-related claims that have been, and could reasonably be expected to be, filed against the company. Although it is not possible to estimate the full range of costs because of various uncertainties, Bates White advised the company that it would be able to determine an estimate of probable defense and indemnity costs which could be incurred to resolve pending and future Rockwell legacy asbestos-related claims. Accordingly, the company has recorded a $16 million liability for defense and indemnity costs associated with these claims at both September 30, 2009 and 2008. The accrual estimates are based on historical data and certain assumptions with respect to events that may occur in the future. The uncertainties of asbestos claim litigation and resolution of the litigation with the insurance companies make it difficult to predict accurately the ultimate resolution of asbestos claims. That uncertainty is increased by the possibility of adverse rulings or new legislation affecting asbestos claim litigation or the settlement process.

Rockwell maintained insurance coverage that management believes covers indemnity and defense costs, over and above self-insurance retentions, for most of these claims. The company has initiated claims against these carriers to enforce the insurance policies. The company expects to recover some portion of defense and indemnity costs it has incurred to date, over and above self-insured retentions, and some portion of the costs for defending asbestos claims going forward. Accordingly, the company has recorded an insurance receivable related to Rockwell legacy asbestos-related liabilities of $12 million and $16 million at September 30, 2009 and 2008, respectively. The decrease in the receivable at September 30, 2009 is primarily related to revised estimates associated with the recovery from insurers of costs incurred to date. If the assumptions with respect to the nature of pending claims, the cost to resolve claims and the amount of available insurance prove to be incorrect, the actual amount of liability for Rockwell asbestos-related claims, and the effect on the company, could differ materially from current estimates and, therefore, could have a material impact on the company's financial condition and results of operations.

Indemnifications

In December 2005, the company guaranteed a third party's obligation to reimburse another party for payment of health and prescription drug benefits to a group of retired employees. The retirees were former employees of a wholly-owned subsidiary of the company prior to it being acquired by the company. The wholly-owned subsidiary, which was part of the company's LVA business, was sold by the company in fiscal year 2006. Prior to May 2009, except as set forth hereinafter, the third party met its obligations to reimburse the other party. In May 2009, the third party filed for bankruptcy protection under Chapter 11 of the U.S. Bankruptcy Code requiring the company to recognize its obligations under the guarantee. Accordingly, the company recorded a $28 million liability in the third quarter of fiscal year 2009, of which approximately $6 million relates to claims not reimbursed by the third party prior to its filing for bankruptcy protection, and $22 million relates to the company's best estimate of its future obligation under the guarantee. This charge is included in loss from discontinued operations in the consolidated statement of operations.

The company has provided indemnifications in conjunction with certain transactions, primarily divestitures. These indemnities address a variety of matters, which may include environmental, tax, asbestos and employment-related matters, and the periods of indemnification vary in duration. The company has been recently notified of a warranty matter associated with our previously divested ET business. Management is currently unable to estimate its range of exposure under such indemnification. The company's maximum obligations under other indemnifications cannot be reasonably estimated. Except for the warranty matter, the company is not aware of any claims or other information that would give rise to material payments under such indemnifications. The company is expected to provide additional indemnifications in connection with the sale of its 57 percent interest in MSSC (see Note 1).

Other

On March 31, 2008, S&E Quick Lube, a filter distributor, filed suit in U.S. District Court for the District of Connecticut alleging that twelve filter manufacturers, including a prior subsidiary of the company, engaged in a conspiracy to fix prices, rig bids and allocate U.S. customers for aftermarket automotive filters. This suit is a purported class action on behalf of direct purchasers of filters from the defendants. Several parallel purported class actions, including on behalf of indirect purchasers of filters, have been filed by other plaintiffs in a variety of jurisdictions in the United States and Canada. On April 16, 2009, the Attorney General of the State of Florida filed a complaint with the U.S. District Court for the Northern District of Illinois based on these same allegations. The company intends to vigorously defend the claims raised in all of these actions. The Antitrust Division of the U.S. Department of Justice (DOJ) is also investigating the allegations raised in these suits. The DOJ has issued subpoenas to certain employees of the defendants, which include the company. The company is fully cooperating with the investigation. The company is unable to estimate a range of exposure, if any, at this time.

Various other lawsuits, claims and proceedings have been or may be instituted or asserted against the company, relating to the conduct of the company's business, including those pertaining to product liability, warranty or recall claims, intellectual property, safety and health, contract and employment matters. Although the outcome of other litigation cannot be predicted with certainty, and some lawsuits, claims or proceedings may be disposed of unfavorably to the company, management believes the disposition of matters that are pending will not have a material adverse effect on the company's business, financial condition or results of operations.

24. BUSINESS SEGMENT INFORMATION

The company defines its operating segments as components of its business where separate financial information is available and is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. The company's chief operating decision maker (CODM) is the Chief Executive Officer.

As a result of the divestitures described in Note 3, LVS now consists primarily of Body Systems' business, composed of roofs and doors products. In order to better reflect the importance of our remaining core CVS businesses and a much smaller LVS business and to reflect the manner in which management reviews information regarding our business, we have revised our reporting segments in the fourth quarter of fiscal year 2009 as follows:

- The **Commercial Truck** segment supplies drivetrain systems and components, including axles drivelines and braking and suspension systems, primarily for medium- and heavy-duty trucks in North America, South America and Europe;
- The **Industrial** segment supplies drivetrain systems including axles, brakes, drivelines and suspension for off-highway, military, construction, bus and coach, fire and emergency and other industrial applications. This segment also includes the company's businesses in Asia Pacific, including all on- and off-highway activities;
- The **Aftermarket & Trailer** segment supplies axles, brakes, drivelines, suspension parts and other replacement and remanufactured parts, including transmissions, to commercial vehicle aftermarket customers. This segment also supplies a wide variety of undercarriage products and systems for trailer applications; and
- The **LVS** segment includes the Body Systems business, which supplies roof and door systems for passenger cars to OEMs and the company's remaining Chassis businesses.

We refer to our three segments other than LVS as, collectively, our "Core Business". All prior period amounts have been recasted to reflect the revised reporting segments.

97

ARVINMERITOR, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The company measures segment operating performance based on earnings before interest, taxes, depreciation and amortization, and loss on sale of receivables (EBITDA). The company uses segment EBITDA as the primary basis for the CODM to evaluate the performance of each of the company's reportable segments.

The accounting policies of the segments are the same as those applied in the Consolidated Financial Statements, except for the use of segment EBITDA. The company may allocate certain common costs, primarily corporate functions, between the segments differently than the company would for stand alone financial information prepared in accordance with GAAP. These allocated costs include expenses for shared services such as information technology, finance, communications, legal and human resources. The company does not allocate interest expense and certain legacy and other corporate costs not directly associated with the segments' EBITDA. In anticipation of the planned separation of the light vehicles business from the company, LVS started building its own corporate functions during the second half of fiscal year 2008 and therefore only a nominal amount of corporate costs has been allocated to LVS.

All segment information has been recasted to reflect the company's current reportable segment structure. Segment information is summarized as follows (in millions):

Commercial	Aftermarket

	Truck	Industrial	& Trailer	LVS	Eliminations	
Fiscal year 2009 Sales:						
External Sales	$ 1,348	$ 778	$ 949	$ 1,033	$ —	$ 4,108
Intersegment Sales	218	110	5	—	(333)	—
Total Sales	$ 1,566	$ 888	$ 954	$ 1,033	$ (333)	$ 4,108
Fiscal year 2008 Sales:						
External Sales	$ 2,637	$ 1,007	$ 1,175	$ 1,571	$ —	$ 6,390
Intersegment Sales	285	110	8	—	(403)	—
Total Sales	$ 2,922	$ 1,117	$ 1,183	$ 1,571	$ (403)	$ 6,390
Fiscal year 2007 Sales:						
External Sales	$ 2,348	$ 779	$ 1,078	$ 1,515	$ —	$ 5,720
Intersegment Sales	273	75	12	—	(360)	—
Total Sales	$ 2,621	$ 854	$ 1,090	$ 1,515	$ (360)	$ 5,720

Segment EBITDA:	2009	2008	2007
Commercial Truck	$ (98)	$ 117	$ 16
Industrial	124	128	93
Aftermarket & Trailer	88	110	113
Light Vehicle Systems	(281)	5	(43)
Segment EBITDA	(167)	360	179
Unallocated legacy and corporate costs (1)	(29)	(56)	(56)
Loss on sale of receivables	(7)	(22)	(9)
Depreciation and amortization	(81)	(120)	(111)
Interest expense, net	(86)	(80)	(109)
Benefit (provision) for income taxes	(707)	(197)	13
Income (loss) from continuing operations	$ (1,077)	$ (115)	$ (93)

(1) Unallocated legacy and corporate costs represent items that are not directly related to our business segments. These costs primarily include pension and retiree medical costs associated with recently sold businesses and other legacy costs for environmental and product liability. Fiscal years 2009 and 2008 unallocated legacy and corporate costs include $9 million and $19 million of costs, respectively, associated with the previously planned spin-off of the LVS business. Also included in unallocated legacy and corporate costs for fiscal years 2008 and 2007 are corporate costs previously allocated to sold businesses of $15 million and $44 million, respectively.

Depreciation and Amortization:	2009	2008	2007
Commercial Truck	$ 53	$ 59	$ 58
Industrial	10	10	8
Aftermarket & Trailer	7	7	7
Light Vehicle Systems	11	44	38
Total depreciation and amortization	$ 81	$ 120	$ 111

Capital Expenditures:	2009	2008	2007
Commercial Truck	$ 68	$ 80	$ 31
Industrial	10	13	15
Aftermarket & Trailer	4	5	8

Light Vehicle Systems	29	40	32
Total capital expenditures	$ 111	$ 138	$ 86

Segment Assets:	2009	2008
Commercial Truck	$ 998	$ 1,409
Industrial	355	322
Aftermarket & Trailer	483	409
Light Vehicle Systems	398	1,072
Commercial Vehicle Systems goodwill(1)		451
Total segment assets	2,234	3,663
Corporate(2)	218	1,011
Discontinued operations	56	
Total assets	$ 2,508	$ 4,674

(1) In fiscal year 2009, the company reorganized its reporting units and allocated CVS goodwill to Commercial Truck, Industrial and Aftermarket & Trailer reporting units. Segment assets at September 30, 2008 do not reflect the allocation of goodwill, therefore, CVS goodwill in 2008 is presented separately.

(2) Corporate assets consist primarily of cash, deferred income taxes and prepaid pension costs. For fiscal years 2009 and 2008, segment assets include $133 million and $212 million, respectively, of receivables sold to ARC under the accounts receivable securitization and factoring agreements (see Note 7).

Sales by geographic area are based on the location of the selling unit. Information on the company's geographic areas is summarized as follows (in millions):

Sales by Geographic Area:

	2009	2008	2007
U.S.	$ 1,616	$ 1,993	$ 2,232
Canada	91	113	95
Mexico	246	314	351
Total North America	1,953	2,420	2,678
Germany	111	216	215
Sweden	204	509	381
France	437	944	733
Other Europe	615	1,063	829
Total Europe	1,367	2,732	2,158
Asia/Pacific	424	667	523
South America, primarily Brazil	364	571	361
Total sales	$ 4,108	$ 6,390	$ 5,720

Assets by Geographic Area (excludes assets of discontinued operations):

	2009	2008
U.S.	$ 943	$ 2,023
Canada	85	283
Mexico	113	220
Total North America	1,141	2,526

Germany	51	99
Sweden	250	349
France	184	283
Other Europe	303	459
Total Europe	788	1,190
Asia/Pacific	303	379
South America, primarily Brazil	220	579
Total	$ 2,452	$ 4,674

Sales to AB Volvo represented approximately 15 percent, 19 percent and 18 percent of the company's sales in each of fiscal years 2009, 2008 and 2007, respectively. Sales to Navistar International Corporation represented approximately 10 percent of the company's sales in fiscal year 2009. Freightliner represented approximately 10 percent of the company's sales in fiscal year 2007. No other customer comprised 10 percent or more of the company's sales in any of the three fiscal years ended September 30, 2009. These sales include pass-through components that are acquired and incorporated into our systems or modules at the customer's request.

25. QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

The following is a condensed summary of the company's unaudited quarterly results of continuing operations for fiscal years 2009 and 2008. Amounts related to prior quarters have been recasted to reflect certain businesses in discontinued operations (see Note 3). Per share amounts are based on the weighted average shares outstanding for that quarter. Earnings per share for the year may not equal the sum of the four fiscal quarters' earnings per share due to changes in basic and diluted shares outstanding.

	2009 Fiscal Quarters (Unaudited)				
	First	**Second**	**Third**	**Fourth**	**2009**
	(In millions, except share related data)				
Sales	$ 1,220	$ 962	$ 942	$ 984	$ 4,108
Cost of sales	(1,145)	(885)	(873)	(901)	(3,804)
Benefit (provision) for income taxes	(662)	9	(11)	(43)	(707)
Loss from continuing operations	(950)	(46)	(32)	(49)	(1,077)
Net loss	(991)	(47)	(162)	(12)	(1,212)
Basic loss per share from continuing operations	$ (13.14)	$ (0.64)	$ (0.44)	$ (0.68)	$ (14.86)
Diluted loss per share from continuing operations	$ (13.14)	$ (0.64)	$ (0.44)	$ (0.68)	$ (14.86)

Provision for income taxes in the fourth quarter includes non-cash income tax charges of $25 million to record valuation allowances related to foreign deferred tax assets and other items. Fourth quarter net loss included $36 million after tax gain on sale of the Wheels business. This amount is reported in discontinued operations in the company's consolidated statement of operations.

The fourth quarter net loss was unfavorably impacted by approximately $10 million of adjustments related to prior periods, of which $7 million is included in loss from continuing operations and $3 million is included in discontinued operations. Management has evaluated the relevant qualitative and quantitative factors related to these adjustments and concluded that had the adjustments been recorded in the appropriate period the impact individually and in the aggregate would not have been material to the fourth quarter or to the previously reported financial information for any prior fiscal year or interim period.

Net loss in the third quarter included an after-tax loss on sale of businesses of $64 million. The loss on sale of businesses was related to the sale of Gabriel Ride Control and the company's 51 percent interest in Gabriel de Venezuela. Loss from continuing operations for the second quarter included $45 million of pre-tax restructuring costs associated with the company's Performance Plus and Fiscal Year 2009 restructuring actions. First quarter loss from continuing operations included $25 million of pre-tax restructuring costs, $223 million of non-cash impairment charges associated with long-lived assets and goodwill balances, primarily in the company's LVS segment and a $665 million non-cash income tax charge to record valuation allowances against certain deferred tax assets. In addition, net loss in the first quarter included long-lived asset impairment charges of $56 million recorded in discontinued operations.

ARVINMERITOR, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

	2008 Fiscal Quarters (Unaudited)				
	First	Second	Third	Fourth	
	(In millions, except share related data)				
Sales	$ 1,476	$ 1,595	$ 1,788	$ 1,531	$
Cost of sales	(1,363)	(1,451)	(1,625)	(1,389)	(
Benefit (provision) for income taxes	(7)	(10)	3	(183)	
Income (loss) from continuing operations	(2)	15	32	(160)	
Net income (loss)	(12)	20	44	(153)	
Basic earnings (loss) per share from continuing operations	$ (0.03)	$ 0.21	$ 0.44	$ (2.22)	$
Diluted earnings (loss) per share from continuing operations	$ (0.03)	$ 0.21	$ 0.44	$ (2.22)	$

Provision for income taxes in the fourth quarter included non-cash income tax charges of $137 million related to repatriation of certain foreign subsidiary earnings to the U.S. and a $46 million non-cash charge to record valuation allowances primarily related to foreign deferred tax assets.

26. OPERATING CASH FLOWS AND OTHER SUPPLEMENTAL FINANCIAL INFORMATION

	Year Ended September		
	2009	2008	
OPERATING ACTIVITIES			
Net loss	$ (1,212)	$ (101)	$
Less: income (loss) from discontinued operations, net of tax	(135)	14	
Loss from continuing operations	(1,077)	(115)	
Adjustments to loss from continuing operations to arrive at cash provided by operating activities:			
Depreciation and amortization	81	120	
Asset impairment charges	223		
Gain on divestitures			
Restructuring costs, net of payments	27	(27)	
Loss on debt extinguishment, net		3	
Deferred income tax expense (benefit)	671	106	
Equity in earnings of affiliates, net of dividends	10	(18)	
Stock compensation expense	10	7	
Provision for doubtful accounts	12	11	
Pension and retiree medical expense	74	99	
Pension and retiree medical contributions and settlements	(100)	(77)	
Proceeds from terminations of interest rate swaps		28	
Changes in off-balance sheet receivable securitization and factoring	(275)	120	
Changes in assets and liabilities, excluding effects of acquisitions, divestitures, foreign currency adjustments and discontinued operations:			
Receivables	503	(47)	
Inventories	103	(40)	
Accounts payable	(395)	(62)	
Other current assets and liabilities	(133)	(17)	
Other assets and liabilities	(13)	89	
Operating cash flows provided by (used for) continuing operations	(279)	180	
Operating cash flows provided by (used for) discontinued operations	(16)	(17)	
CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	$ (295)	$ 163	$

	September 30,		
	2009	2008 (In millions)	2007
Balance sheet data:			
Allowance for doubtful accounts	$ 18	$ 17	$ 23
Statement of operations data:			
Maintenance and repairs expense	46	70	63
Research, development and engineering expense	103	122	116
Depreciation expense	76	116	106
Provision for doubtful accounts	12	11	16
Rental expense	32	27	28
Interest income	5	15	11
Interest expense	(91)	(95)	(120)
Statement of cash flows data:			
Interest payments	93	82	108
Income tax payments, net	33	48	48
Non-cash investing activities - capital asset additions	6	25	3

27. SUPPLEMENTAL GUARANTOR CONDENSED CONSOLIDATING FINANCIAL STATEMENTS

Certain of the company’s wholly-owned subsidiaries, as defined in the credit agreement (the Guarantors) irrevocably and unconditionally guarantee amounts outstanding under the senior secured revolving credit facility. Similar subsidiary guarantees were provided for the benefit of the holders of the publicly-held notes outstanding under the company’s indentures (see Note 16).

In lieu of providing separate audited financial statements for the Guarantors, the company has included the accompanying condensed consolidating financial statements. These condensed consolidating financial statements are presented on the equity method. Under this method, the investments in subsidiaries are recorded at cost and adjusted for the parent’s share of the subsidiary’s cumulative results of operations, capital contributions and distributions and other equity changes. The Guarantor subsidiaries are combined in the condensed consolidating financial statements.

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS
(In millions)

	Fiscal Year Ended September 30, 2009				
	Parent	Guarantors	Non-Guarantors	Elims	Conso
Sales					
External	$ —	$ 1,663	$ 2,445	$ —	$ 4
Subsidiaries	—	96	134	(230)	
Total sales	—	1,759	2,579	(230)	4

Cost of sales	(45)	(1,526)	(2,463)	230	(3
GROSS MARGIN	(45)	233	116	—	
Selling, general and administrative	(76)	(80)	(134)	—	
Restructuring costs	(6)	(17)	(57)	—	
Asset impairment charges	(188)	(99)	64	—	
Other income (expense)	(1)	—	—	—	
OPERATING INCOME (LOSS)	(316)	37	(11)	—	
Equity in earnings of affiliates	—	3	12	—	
Other income (expense), net	112	5	(117)	—	
Interest expense, net and other	(116)	45	(15)	—	
INCOME (LOSS) BEFORE INCOME TAXES	(320)	90	(131)	—	
Provision for income taxes	(470)	(125)	(112)		
Minority interest	—	—	(9)	—	
Equity income from continuing operations of subsidiaries	(287)	(255)	—	542	
LOSS FROM CONTINUING OPERATIONS	(1,077)	(290)	(252)	542	(1
LOSS FROM DISCONTINUED OPERATIONS, net of tax	(135)	(306)	(35)	341	
NET LOSS	$ (1,212)	$ (596)	$ (287)	$ 883	$ (1

ARVINMERITOR, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS
(In millions)

	Fiscal Year Ended September 30, 2008				
	Parent	Guarantors	Non-Guarantors	Elims	Consoli
Sales					
External	$ —	$ 2,107	$ 4,283	$	$ 6,3
Subsidiaries	—	123	90	(213)	
Total sales	—	2,230	4,373	(213)	6,3
Cost of sales	(49)	(1,990)	(4,002)	213	(5,8
GROSS MARGIN	(49)	240	371	—	5
Selling, general and administrative	(110)	(144)	(161)	—	(4
Restructuring costs	—	—	(9)	—	
Other income (expense)	(3)	—	—	—	
OPERATING INCOME (LOSS)	(162)	96	201	—	1
Equity in earnings of affiliates	—	18	20	—	
Other income (expense), net	42	53	(95)	—	
Interest expense, net and other	(83)	10	(7)	—	
INCOME (LOSS) BEFORE INCOME TAXES	(203)	177	119	—	
Provision for income taxes	85	(214)	(68)	—	(1
Minority interest	—	—	(11)	—	
Equity income from continuing operations of subsidiaries	3	8	—	(11)	
INCOME (LOSS) FROM CONTINUING OPERATIONS	(115)	(29)	40	(11)	(1
INCOME (LOSS) FROM DISCONTINUED OPERATIONS, net of tax	14	29	(4)	(25)	
NET INCOME (LOSS)	$ (101)	$ —	$ 36	$ (36)	$ (1

ARVINMERITOR, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS
(In millions)

	Fiscal Year Ended September 30, 2007				
	Parent	Guarantors	Non-Guarantors	Elims	Consoli
Sales					
External	$ —	$ 2,457	$ 3,263	$ —	$ 5,7
Subsidiaries	—	128	104	(232)	
Total sales	—	2,585	3,367	(232)	5,7
Cost of sales	(18)	(2,365)	(3,172)	232	(5,3
GROSS MARGIN	(18)	220	195	—	3
Selling, general and administrative	(115)	(104)	(137)	—	(3
Restructuring costs	(6)	(7)	(49)	—	
Other income (expense)	(1)	(4)	4	—	
OPERATING INCOME (LOSS)	(140)	105	13	—	
Equity in earnings of affiliates	—	24	10	—	
Other income (expense), net	14	23	(37)	—	
Interest expense, net and other	(103)	34	(40)	—	(1
INCOME (LOSS) BEFORE INCOME TAXES	(229)	186	(54)	—	
Benefit (provision) for income taxes	94	(58)	(23)	—	
Minority interest	—	(4)	(5)	—	
Equity income from continuing operations of subsidiaries	42	(53)	—	11	
INCOME (LOSS) FROM CONTINUING OPERATIONS	(93)	71	(82)	11	
INCOME (LOSS) FROM DISCONTINUED OPERATIONS, net of tax	(126)	(82)	(73)	155	(1
NET INCOME (LOSS)	$ (219)	$ (11)	$ (155)	$ 166	$ (2

105

ARVINMERITOR, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

CONDENSED CONSOLIDATING BALANCE SHEET
(In millions)

	September 30, 2009				
	Parent	Guarantors	Non-Guarantors	Elims	Consolidated
CURRENT ASSETS					
Cash and cash equivalents	$ 7	$ 6	$ 82	$ —	$ 95
Receivables, net	11	37	646	—	694
Inventories	—	133	241	—	374
Other current assets	2	13	82	—	97
Assets of discontinued operations	—	—	56	—	56
TOTAL CURRENT ASSETS	20	189	1,107	—	1,316
NET PROPERTY	9	131	305	—	445
GOODWILL	—	275	163	—	438
OTHER ASSETS	46	149	114	—	309

INVESTMENTS IN SUBSIDIARIES	724	133	—	(857)	—
TOTAL ASSETS	$ 799	$ 877	$ 1,689	$ (857)	$ 2,508
CURRENT LIABILITIES					
Short-term debt	$ 2	$ —	$ 95	$ —	$ 97
Accounts payable	44	174	456	—	674
Other current liabilities	111	35	265	—	411
Liabilities of discontinued operations	—	—	107	—	107
TOTAL CURRENT LIABILITIES	157	209	923	—	1,289
LONG-TERM DEBT	1,078	—	2	—	1,080
RETIREMENT BENEFITS	853	—	224	—	1,077
INTERCOMPANY PAYABLE (RECEIVABLE)	(101)	(242)	343	—	—
OTHER LIABILITIES	89	186	35	—	310
MINORITY INTERESTS	—	—	29	—	29
SHAREOWNERS’ EQUITY (DEFICIT)	(1,277)	724	133	(857)	(1,277)
TOTAL LIABILITIES AND SHAREOWNERS’ EQUITY (DEFICIT)	$ 799	$ 877	$ 1,689	$ (857)	$ 2,508

ARVINMERITOR, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

CONDENSED CONSOLIDATING BALANCE SHEET
(In millions)

	September 30, 2008				
	Parent	Guarantors	Non-Guarantors	Elims	Consolidated
CURRENT ASSETS					
Cash and cash equivalents	$ 174	$ 24	$ 299	$ —	$ 497
Receivables, net	(1)	86	1,029	—	1,114
Inventories	—	207	416	—	623
Other current assets	37	68	113	—	218
TOTAL CURRENT ASSETS	210	385	1,857	—	2,452
NET PROPERTY	10	185	580	—	775
GOODWILL	—	345	177	—	522
OTHER ASSETS	484	149	292	—	925
INVESTMENTS IN SUBSIDIARIES	1,516	608	—	(2,124)	—
TOTAL ASSETS	$ 2,220	$ 1,672	$ 2,906	$ (2,124)	$ 4,674
CURRENT LIABILITIES					
Short-term debt	$ 85	$ —	$ 155	$ —	$ 240
Accounts payable	57	275	955	—	1,287
Other current liabilities	99	95	416	—	610
TOTAL CURRENT LIABILITIES	241	370	1,526	—	2,137
LONG-TERM DEBT	1,060	—	3	—	1,063
RETIREMENT BENEFITS	504	—	186	—	690
INTERCOMPANY PAYABLE (RECEIVABLE)	(144)	(419)	563	—	—
OTHER LIABILITIES	97	130	20	—	247
MINORITY INTERESTS	—	—	75	—	75
SHAREOWNERS’ EQUITY	462	1,591	533	(2,124)	462
TOTAL LIABILITIES AND SHAREOWNERS’ EQUITY	$ 2,220	$ 1,672	$ 2,906	$ (2,124)	$ 4,674

107

ARVINMERITOR, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
(In millions)

	Fiscal Year Ended September 30, 2009				
	Parent	Guarantors	Non-Guarantors	Elims	Consolidated
CASH FLOWS PROVIDED BY (USED FOR) OPERATING ACTIVITIES	$ 66	$ 5	$ (366)	$ —	$ (295)
INVESTING ACTIVITIES					
Capital expenditures	(1)	(30)	(80)	—	(111)
Proceeds from investments	6	—	—	—	6
Proceeds from disposition of property and businesses	—	—	4	—	4
Net cash flows provided by discontinued operations	—	7	108	—	115
CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	5	(23)	32		14
FINANCING ACTIVITIES					
Borrowings on revolving credit facility, net	28	—	—	—	28
Payments on prior accounts receivable securitization program	—	—	(111)		(111)
Borrowings on new accounts receivable securitization program	—	—	83	—	83
Repayment of notes and term loan	(83)	—	—	—	(83)
Payments on lines of credit and other	(2)	—	(7)	—	(9)
Net financing cash flows used for discontinued operations	—	—	(6)		(6)
Intercompany advances	(173)	—	173	—	—
Cash dividends	(8)	—	—	—	(8)
CASH PROVIDED BY (USED FOR) FINANCING ACTIVITIES	(238)	—	132	—	(106)
EFFECT OF FOREIGN CURRENCY EXCHANGE RATES ON CASH AND CASH EQUIVALENTS	—	—	(15)	—	(15)
CHANGE IN CASH AND CASH EQUIVALENTS	(167)	(18)	(217)	—	(402)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	174	24	299	—	497
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 7	$ 6	$ 82	$ —	$ 95

108

ARVINMERITOR, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
(In millions)

	Fiscal Year Ended September 30, 2008				
	Parent	Guarantors	Non-Guarantors	Elims	Consolidated

CASH FLOWS PROVIDED BY OPERATING ACTIVITIES	$ 73	$ 41	$ 49	$ —	$ 163
INVESTING ACTIVITIES					
Capital expenditures	(4)	(25)	(109)	—	(138)
Acquisitions of businesses and investments, net of cash acquired	—	—	(60)		(60)
Proceeds from investments	5	—	—	—	5
Proceeds from disposition of property and businesses	7	—	2	—	9
Net cash flows provided by discontinued operations	—	3	21	—	24
CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	8	(22)	(146)	—	(160)
FINANCING ACTIVITIES					
Borrowings on prior accounts receivable securitization program	—	—	111		111
Repayment of notes and term loan	(5)	—	—	—	(5)
Borrowings on lines of credit and other	—	—	13	—	13
Debt issuance and extinguishment costs	(6)	—	—	—	(6)
Intercompany advances	(49)	—	49	—	—
Net financing cash flows provided by discontinued operations	—	—	13		13
Cash dividends	(29)	—	—	—	(29)
CASH PROVIDED BY (USED FOR) FINANCING ACTIVITIES	(89)	—	186	—	97
EFFECT OF FOREIGN CURRENCY EXCHANGE RATES ON CASH AND CASH EQUIVALENTS	—	—	(12)	—	(12)
CHANGE IN CASH AND CASH EQUIVALENTS	(8)	19	77	—	88
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	182	5	222		409
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 174	$ 24	$ 299	$ —	$ 497

ARVINMERITOR, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
(In millions)

	Fiscal Year Ended September 30, 2007				
	Parent	Guarantors	Non-Guarantors	Elims	Consolidated
CASH FLOWS PROVIDED BY (USED FOR) OPERATING ACTIVITIES	$ (28)	$ (123)	$ 187	$ —	$ 36
INVESTING ACTIVITIES					
Capital expenditures	(1)	(25)	(60)	—	(86)
Acquisitions of businesses and investments, net of cash acquired	—	—	(2)		(2)
Proceeds from marketable securities	—	—	5	—	5
Proceeds from disposition of property and businesses	3	—	11	—	14

Net cash flows provided by discontinued operations	—	150	15	—	165
CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	2	125	(31)		96
FINANCING ACTIVITIES					
Borrowings on prior accounts receivable securitization program	—	—	(40)	—	(40)
Repayment of notes and term loan	(249)	—	—	—	(249)
Borrowings on lines of credit and other	1	—	(5)	—	(4)
Debt issuance and extinguishment costs	(10)	—	—	—	(10)
Proceeds from issuance of convertible notes and term loan	200	—	—	—	200
Proceeds from exercise of stock options	28	—	—	—	28
Intercompany advances	171	—	(171)	—	—
Net financing cash flows provided by discontinued operations	—	—	7	—	7
Cash dividends	(29)	—	—	—	(29)
Other financing activities	(1)	—	—	—	(1)
CASH PROVIDED BY (USED FOR) FINANCING ACTIVITIES	111	—	(209)	—	(98)
EFFECT OF FOREIGN CURRENCY EXCHANGE RATES ON CASH AND CASH EQUIVALENTS	—	—	25	—	25
CHANGE IN CASH AND CASH EQUIVALENTS	85	2	(28)	—	59
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	97	3	250	—	350
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 182	$ 5	$ 222	$ —	$ 409

Item 9A. *Controls and Procedures.*

Disclosure Controls and Procedures

As required by Rule 13a-15 under the Securities Exchange Act of 1934 (the "Exchange Act"), management, with the participation of the chief executive officer and chief financial officer, evaluated the effectiveness of our disclosure controls and procedures as of September 30, 2009. Based upon that evaluation, the chief executive officer and the chief financial officer have concluded that, as of September 30, 2009, our disclosure controls and procedures were effective to ensure that information required to be disclosed in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. These disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in the reports we file or submit is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Management Report on Internal Control over Financial Reporting

ArvinMeritor's management is responsible for establishing and maintaining adequate internal control over financial reporting for the company, as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. ArvinMeritor's internal control 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 accounting principles generally accepted in the United States of America.

All internal control systems, no matter how well designed, have inherent limitations and 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.

ArvinMeritors management, with the participation of the chief executive officer and chief financial officer, evaluated the effectiveness of its internal control over financial reporting as of September 30, 2009. This evaluation was based on the criteria set forth in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on managements evaluation and the criteria set forth by COSO, ArvinMeritors management concluded that the internal control over financial reporting maintained by the company, as of September 30, 2009, was effective.

Deloitte & Touche LLP, ArvinMeritors independent registered public accounting firm, has issued an attestation report on ArvinMeritors internal control over financial reporting, which follows.

November 18, 2009

111

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareowners of ArvinMeritor, Inc.
Troy, Michigan

We have audited the internal control over financial reporting of ArvinMeritor, Inc. and subsidiaries (the "Company") as of September 27, 2009 based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. 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 dispositions 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 generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and 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 the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of September 27, 2009, based on the criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements and financial statement schedule listed in the Index at Item 15(a)(2) as of and for the year ended September 27, 2009 of the Company and our report dated November 18, 2009 expressed an unqualified opinion on those consolidated financial statements and financial statement schedule and included an explanatory paragraph relating to the Company's change in the measurement date of its defined benefit plan assets and liabilities to coincide with its year end.

/s/ DELOITTE & TOUCHE LLP
DELOITTE & TOUCHE LLP
Detroit, Michigan
November 18, 2009

112

Changes in Internal Control Over Financial Reporting

Management, with the participation of the chief executive officer and chief financial officer, has evaluated any change in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the fiscal quarter ended September 30, 2009, and found no change that has materially affected or is reasonably likely to materially affect our internal control over financial reporting.

113

PART IV

Item 15. *Exhibits and Financial Statement Schedules.*

(a) Financial Statements, Financial Statement Schedules and Exhibits.

(1) Financial Statements (all financial statements listed below are those of the company and its consolidated subsidiaries):

Consolidated Statement of Operations, years ended September 30, 2009, 2008 and 2007.

Consolidated Balance Sheet, September 30, 2009 and 2008.

Consolidated Statement of Cash Flows, years ended September 30, 2009, 2008 and 2007.

Consolidated Statement of Shareowners' Equity, years ended September 30, 2009, 2008 and 2007.

Notes to Consolidated Financial Statements.

Report of Independent Registered Public Accounting Firm.

153

---

(2) Financial Statement Schedule for the years ended September 30, 2009, 2008 and 2007.

Schedules not filed with this Annual Report on Form 10-K are omitted because of the absence of conditions under which they are required or because the information called for is shown in the financial statements or related notes.

(3) Exhibits

3-a	Restated Articles of Incorporation of ArvinMeritor, filed as Exhibit 4.01 to ArvinMeritor’s Registration Statement on Form S-4, as amended (Registration Statement No. 333-36448) ("Form S-4"), is incorporated by reference.
3-b	By-laws of ArvinMeritor, filed as Exhibit 3 to ArvinMeritor's Quarterly Report on Form 10-Q for the quarterly period ended June 29, 2003 (File No. 1-15983), is incorporated by reference.
4-a	Rights Agreement, dated as of July 3, 2000, between ArvinMeritor and The Bank of New York (successor to EquiServeTrust Company, N.A.), as rights agent, filed as Exhibit 4.03 to the Form S-4, is incorporated by reference.
4-b	Indenture, dated as of April 1, 1998, between ArvinMeritor and The Bank of New York Mellon Trust Company (as successor to BNY Midwest Trust Company as successor to The Chase Manhattan Bank), as trustee, filed as Exhibit 4 to Meritor's Registration Statement on Form S-3 (Registration No. 333-49777), is incorporated by reference.
4-b-1	First Supplemental Indenture, dated as of July 7, 2000, to the Indenture, dated as of April 1, 1998, between ArvinMeritor and The Bank of New York Mellon Trust Company (as successor to BNY Midwest Trust Company as successor to The Chase Manhattan Bank), as trustee, filed as Exhibit 4-b-1 to ArvinMeritor's Annual Report on Form 10-K for the fiscal year ended September 30, 2000 (File No. 1-15983) (“2000 Form 10-K”), is incorporated by reference.
4-b-2	Third Supplemental Indenture, dated as of June 23, 2006, to the Indenture, dated as of April 1, 1998, between ArvinMeritor and The Bank of New York Mellon Trust Company (as successor to BNY Midwest Trust Company as successor to The Chase Manhattan Bank), as trustee (including Subsidiary Guaranty dated as of June 23, 2006), filed as Exhibit 4.2 to ArvinMeritor’s Current Report on Form 8-K, dated June 23, 2006 and filed on June 27, 2006 (File No. 1-15983)(“June 23, 2006 Form 8-K”), is incorporated by reference.
4-c	Indenture dated as of July 3, 1990, as supplemented by a First Supplemental Indenture dated as of March 31, 1994, between ArvinMeritor and The Bank of New York Mellon Trust Company (as successor to BNY Midwest Trust Company as successor to Harris Trust and Savings Bank), as trustee, filed as Exhibit 4-4 to Arvin's Registration Statement on Form S-3 (Registration No. 33-53087), is incorporated by reference.
4-c-1	Second Supplemental Indenture, dated as of July 7, 2000, to the Indenture dated as of July 3, 1990, between ArvinMeritor and The Bank of New York Mellon Trust Company (as successor to BNY Midwest Trust Company as successor to Harris Trust and Savings Bank), as trustee, filed as Exhibit 4-c-1 to the 2000 Form 10-K, is incorporated by reference.
4-c-2	Fourth Supplemental Indenture, dated as of June 23, 2006, to the Indenture, dated as of July 3, 1990, between ArvinMeritor and The Bank of New York Mellon Trust Company (as successor to BNY Midwest Trust Company as successor to Harris Trust and Savings Bank), as trustee (including Subsidiary Guaranty dated as of June 23, 2006), filed as Exhibit 4.3 to the June 23, 2006 Form 8-K, is incorporated by reference.
4-d	Indenture, dated as of March 7, 2006, between ArvinMeritor and The Bank of New York Mellon Trust Company (as successor to BNY Midwest Trust Company) as trustee, filed as Exhibit 4.1 to ArvinMeritor’s Current Report on Form 8-K, dated March 7, 2006 and filed on March 9, 2006 (File No. 1-15983), is incorporated by reference.

4-d-1 First Supplemental Indenture, dated as of June 23, 2006, to the Indenture, dated as of March 7, 2006, between ArvinMeritor and The Bank of New York Mellon Trust Company (as successor to BNY Midwest Trust Company) as trustee (including Subsidiary Guaranty dated as of June 23, 2006), filed as Exhibit 4.1 to the June 23, 2006 Form 8-K, is incorporated by reference.

4-e Indenture, dated as of February 8, 2007, between ArvinMeritor and The Bank of New York Trust Company, N.A., as trustee (including form of Subsidiary Guaranty dated as of February 8, 2007), filed as Exhibit 4-a to ArvinMeritor's Quarterly Report on Form 10-Q for the quarterly period ended April 1, 2007 (File No. 1-15983), is incorporated by reference.

10-a Credit Agreement, dated as of June 23, 2006, by and among ArvinMeritor, ArvinMeritor Finance Ireland, the institutions from time to time parties thereto as lenders, JP Morgan Chase Bank, National Association, as Administrative Agent, Citicorp North America, Inc. and UBS Securities LLC, as Syndication Agents, ABN AMRO Bank N.V., BNP Paribas and Lehman Commercial Paper Inc., as Documentation Agents, and J.P. Morgan Securities Inc. and Citigroup Global Markets, as Joint Lead Arrangers and Joint Book Runners, filed as Exhibit 10.1 to the June 23, 2006 Form 8-K, is incorporated by reference.

10-a-1 Subsidiary Guaranty, dated as of June 23, 2006, by and among the subsidiary guarantors and JPMorgan Chase Bank, National Association, as Administrative Agent, for the benefit of itself, the lenders and other holders of guaranteed obligations, filed as Exhibit 10.2 to the June 23, 2006 Form 8-K, is incorporated by reference.

10-a-2 Pledge and Security Agreement, dated as of June 23, 2006, by and among ArvinMeritor, the subsidiaries named therein and JPMorgan Chase Bank, National Association, as Administrative Agent, filed as Exhibit 10.3 to the June 23, 2006 Form 8-K, is incorporated by reference.

10-a-3 Amendment No. 1 to Credit Agreement, dated as of February 23, 2007, among ArvinMeritor, the financial institutions party thereto and JPMorgan Chase Bank, National Association, as Administrative Agent, filed as Exhibit 10 to the Current Report on Form 8-K dated and filed on February 23, 2007 (File No. 1-15983), is incorporated by reference.

10-a-4 Amendment No. 2 to Credit Agreement, dated as of October 2, 2007, among ArvinMeritor, the financial institutions party thereto and JPMorgan Chase Bank, National Association, as Administrative Agent, filed as Exhibit 10 to the Current Report on Form 8-K dated October 2, 2007 and filed on October 3, 2007 (File No. 1-15983), is incorporated by reference.

10-a-5 Amendment No. 3 to Credit Agreement, dated as of October 26, 2007, among ArvinMeritor, the financial institutions party thereto and JPMorgan Chase Bank, National Association, as Administrative Agent, filed as Exhibit 10 to the Current Report on Form 8-K dated October 26, 2007 and filed on October 30, 2007 (File No. 1-15983), is incorporated by reference.

10-a-6 Amendment No. 4 to Credit Agreement, dated as of December 10, 2007, among ArvinMeritor, the financial institutions party thereto and JPMorgan Chase Bank, National Association, as Administrative Agent, filed as Exhibit 10 to the Current Report on Form 8-K filed on December 11, 2007 is incorporated herein by reference.

*10-b-1 1997 Long-Term Incentives Plan, as amended and restated, filed as Exhibit 10 to ArvinMeritor's Current Report on Form 8-K dated and filed on April 20, 2005 (File No. 1-15983), is incorporated by reference.

*10-b-2 Form of Restricted Stock Agreement under the 1997 Long-Term Incentives Plan, filed as Exhibit 10-a-2 to Meritor's Annual Report on Form 10-K for the fiscal year ended September 30, 1997 (File No. 1-13093), is incorporated by reference.

*10-b-3 Form of Option Agreement under the 1997 Long-Term Incentives Plan, filed as Exhibit 10(a) to Meritor's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 1998 (File No. 1-13093), is incorporated by reference.

*10-b-4	Form of Performance Share Agreement under the 1997 Long-Term Incentives Plan, filed as Exhibit 10-b to ArvinMeritors Current Report on Form 8-K, dated December 7, 2004 and filed on December 9, 2004 (File No. 1-15983), is incorporated by reference.
*10-b-5	Description of Performance Goals Established in connection with 2009-2011 Cash Performance Plan under the 1997 Long-Term Incentives Plan, filed as Exhibit 10-a to ArvinMeritors Current Report on Form 8-K, dated December 9, 2008 (File No. 1-15983), is incorporated by reference.
*10-b-6	Description of Performance Goals Established in connection with 2008-2010 Cash Performance Plan under the 2007 Long Term Incentive Plan, filed as Exhibit 10a to the Current Report on Form 8-K filed on December 19, 2007 is incorporated herein by reference.
*10-b-7	Description of Annual Incentive Goals Established for Fiscal year 2010 under the Incentive Compensation Plan, filed as Exhibit 10a to the Current Report on Form 8-K filed on November 12, 2009 is incorporated herein by reference.

---

*10-b-7a	Description of Performance Goals established in connection with 2010-2012 Cash Performance Plan, filed as Exhibit 10-b to Current Report on Form 8-K filed on November 12, 2009 is incorporated herein by reference.
*10-c	2007 Long-Term Incentive Plan, as amended, filed as Exhibit 10-a to ArvinMeritors Quarterly Report on Form 10-Q for the quarterly period ended April 1, 2007 (File No. 1-15983), is incorporated by reference.
*10-c-1	Form of Restricted Stock Agreement under the 2007 Long-Term Incentive Plan, filed as Exhibit 10-c-1 to ArvinMeritors Annual Report on Form 10-K for the fiscal year ended September 30, 2007.
*10-d	Description of Compensation of Non-Employee Directors.#
*10-e	2004 Directors Stock Plan, filed as Exhibit 10-a to ArvinMeritors Quarterly Report on Form 10-Q for the quarterly period ended March 28, 2004 (File No. 1-15983), is incorporated by reference.
*10-e-1	Form of Restricted Share Unit Agreement under the 2004 Directors Stock Plan, filed as Exhibit 10-c-3 to ArvinMeritors Annual Report on Form 10-K for the fiscal year ended October 3, 2004 (File No. 1-15983), is incorporated by reference.
*10-e-2	Form of Restricted Stock Agreement under the 2004 Directors Stock Plan, filed as Exhibit 10-c-4 to ArvinMeritors Annual Report on Form 10-K for the fiscal year ended October 2, 2005 (Filed No. 1-15983), is incorporated by reference.
*10-e-3	Option Agreement under the 2007 Long-Term Incentive Plan between ArvinMeritor and Charles G. McClure filed as Exhibit 10-c to ArvinMeritors Quarterly report on Form 10-Q for the quarterly period ended June 30, 2008 is incorporated herein by reference.
*10-e-4	Restricted Stock Agreement under the 2007 Long-term Incentive Plan between ArvinMeritor and Charles G. McClure filed as Exhibit 10-d to ArvinMeritors Quarterly Report on form 10-Q for the quarterly period ended June 30, 2008 is incorporated herein by reference.
*10-f	Incentive Compensation Plan, as amended and restated as of November 6, 2009.#
*10-f-1	Form of Deferred Share Agreement, filed as Exhibit 10-a to ArvinMeritors Quarterly Report on Form 10-Q for the quarterly period ended January 2, 2005 (File No. 1-15983), is incorporated by reference.
*10-g	Copy of resolution of the Board of Directors of ArvinMeritor, adopted on July 6, 2000, providing for its Deferred Compensation Policy for Non-Employee Directors, filed as Exhibit 10-f to the 2000 Form 10-K, is incorporated by reference.

*10-h Deferred Compensation Plan, filed as Exhibit 10-e-1 to Meritor's Annual Report on Form 10-K for the fiscal year ended September 30, 1998 (File No. 1-13093), is incorporated by reference.

*10-i 1998 Stock Benefit Plan, as amended, filed as Exhibit (d)(2) to ArvinMeritor's Schedule TO, Amendment No. 3 (File No. 5-61023), is incorporated by reference.

*10-j Employee Stock Benefit Plan, as amended, filed as Exhibit (d)(3) to ArvinMeritor’s Schedule TO, Amendment No. 3 (File No. 5-61023), is incorporated by reference.

*10-k 1988 Stock Benefit Plan, as amended, filed as Exhibit 10 to Arvin's Quarterly Report on Form 10-Q for the quarterly period ended July 3, 1988, and as Exhibit 10(E) to Arvin's Quarterly Report on Form 10-Q for the quarterly period ended July 4, 1993 (File No. 1-302), is incorporated by reference.

10-l Loan and Security Agreement dated as of September 8, 2009 among ArvinMeritor Receivables Corporation, ArvinMeritor, Inc., GMAC Commercial Finance LLC, and the Lenders from time to time party thereto (the "Loan Agreement"), dated September 8, 2009 and filed as exhibit 10a to ArvinMeritor’s Current Report on Form 8-K filed on September 10, 2009, is incorporated herein by reference.

10-m Third Amended and Restated Purchase and Sale Agreement dated as of September 8, 2009 (the "Purchase Agreement") among ArvinMeritor Receivables Corporation and Meritor Heavy Vehicle Braking Systems (U.S.A.), Inc. and Meritor Heavy Vehicle Systems LLC, filed as exhibit 10b to ArvinMeritor’s Current Report on Form 8-K, dated September 8, 2009 and filed on September 10, 2009, is incorporated herein by reference.

*10-n Employment agreement between the company and Charles G. McClure, Jr., dated as of September 14, 2009#

*10-o Employment agreement between the company and James D. Donlon, III, filed as Exhibit 10b to ArvinMeritor’s Current Report on Form 8-K, dated September 14, 2009 and filed on September 18, 2009 (File No. 1-15983), is incorporated by reference.

*10-q Employment agreement between ArvinMeritor and Carsten J. Reinhardt, dated as of September 14, 2009.#

*10-r Employment agreement, dated as of September 14, 2009, between ArvinMeritor and Jeffrey A. Craig.#

*10-s Employment agreement, dated as of September 14, 2009, between ArvinMeritor and Vernon Baker.#

*10-t Employment agreement, dated as of September 14, 2009, between ArvinMeritor and Mary Lehmann.#

*10-u Employment agreement, dated as of September 14, 2009, between ArvinMeritor and Lin Cummins.#

*10-v Employment agreement, dated as of September 14, 2009, between ArvinMeritor and Barbara Novak.#

*10-w Form of employment letter between ArvinMeritor and its executives, filed as Exhibit 10-a to ArvinMeritor’s Current Report on Form 8-K, dated September 14, 2009 and filed on September 18, 2009 (File No. 1-15983), is incorporated by reference.

10-x Receivables Purchase Agreement dated November 19, 2007 between ArvinMeritor CVS Axles France and Viking Asset Purchaser and CitiCorp Trustee Company Limited, filed as Exhibit 10-t to ArvinMeritor’s Report on Form 10-K for the fiscal year ended September 30, 2008 is incorporated herein by reference.

10-y Receivables Purchase Agreement dated March 13, 2006 between Meritor HVS AB and Nordic Finance Limited and CitiCorp Trustee Company Limited filed as Exhibit 10-u to ArvinMeritor’s Report on Form 10-K for the fiscal year ended September 30, 2008 is incorporated herein by reference

10-z	Amendment, dated July 25, 2007, to Receivables Purchase Agreement dated March 13, 2006 between Meritor HVS AB and Nordic Finance Limited and CitiCorp Trustee Company Limited filed as Exhibit 10-v to ArvinMeritors Report on Form 10-K for the fiscal year ended September 30, 2008 is incorporated herein by reference.
10-zz	Purchase and Sale Agreement dated August 4, 2009 among ArvinMeritor, Iochpe-Maxion, S.A. and the other parties listed therein, filed as Exhibit 10 to ArvinMeritors Report on Form 10-Q for the Quarter ended June 28, 2009 is incorporated by reference.
12	Computation of ratio of earnings to fixed charges.[#]
21	List of subsidiaries of ArvinMeritor.[#]
23-a	Consent of Vernon G. Baker, II, Esq., Senior Vice President and General Counsel of ArvinMeritor.[#]
23-b	Consent of Deloitte & Touche LLP, independent registered public accounting firm.[#]
23-c	Consent of Bates White LLC.[#]
23-d	Consent of Deloitte & Touch LLP, independent registered public acccounting firm, in connection with Form 10-K/A
23-e	Consent of Bates White LLC
24	Power of Attorney authorizing certain persons to sign this Annual Report on Form 10-K on behalf of certain directors and officers of ArvinMeritor.[#]
31-a	Certification of the Chief Executive Officer pursuant to Rule 13a-14(a) under the Exchange Act.[#]

31-b	Certification of the Chief Financial Officer pursuant to Rule 13a-14(a) under the Exchange Act.[#]
31-c	Certification of the Chief Executive Officer pursuant to Rule 13a-14(a) under the Exchange Act.
31-d	Certification of the Chief Financial Officer pursuant to Rule 13a-14(a) under the Exchange Act.
32-a	Certification of the Chief Executive Officer pursuant to Rule 13a-14(b) under the Exchange Act and 18 U.S.C. Section 1350.[#]
32-b	Certification of the Chief Financial Officer pursuant to Rule 13a-14(b) under the Exchange Act and 18 U.S.C. Section 1350.[#]
32-c	Certification of the Chief Executive Officer pursuant to Rule 13a-14(b) under the Exchange Act and 18 U.S.C. Section 1350.
32-d	Certification of the Chief Financial Officer pursuant to Rule 13a-14(b) under the Exchange Act and 18 U.S.C. Section 1350.

---

* Management contract or compensatory plan or arrangement.

[#] Previously filed with the 2009 Form 10-K, originally filed on November 19, 2009.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ARVINMERITOR, INC.

By: /s/ Jeffrey A. Craig
Jeffrey A. Craig
Senior Vice President and Chief Financial Officer

Date: November 19, 2009