ARVINMERITOR INC
Form 10-K
November 19, 2009

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the Fiscal Year Ended 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

PART I

Item 1. *Business*.

Overview

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. Our principal products are axles, undercarriages, drivelines, brakes and braking systems, and roofs and door systems.

ArvinMeritor was incorporated in Indiana in 2000 in connection with the merger of Meritor Automotive, Inc. ("Meritor") and Arvin Industries, Inc. ("Arvin"). As used in this Annual Report on Form 10-K, the terms "company," "ArvinMeritor," "we," "us" and "our" include ArvinMeritor, its consolidated subsidiaries and its predecessors unless the context indicates otherwise.

ArvinMeritor serves a broad range of customers worldwide, including medium- and heavy-duty truck OEMs, specialty vehicle manufacturers, certain aftermarkets, trailer producers and light vehicle OEMs. Our total sales from continuing operations in fiscal year 2009 were $4.1 billion. Our ten largest customers accounted for approximately 59 percent of fiscal year 2009 sales from continuing operations. Sales from operations outside the United States (U.S.) accounted for approximately 61 percent of total sales from continuing operations in fiscal year 2009. Our continuing operations also participated in 9 unconsolidated joint ventures, which we accounted for under the equity method of accounting and that generated revenues of approximately $929 million in fiscal year 2009.

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

Whenever an item in this Annual Report on Form 10-K refers to information under specific captions in Item 7. *Managements Discussion and Analysis of Financial Condition and Results of Operations* or Item 8. *Financial Statements and Supplementary Data*, the information is incorporated in that item by reference.

References in this Annual Report on Form 10-K to our belief that we are a leading supplier or the world's leading supplier, and other similar statements as to our relative market position are based principally on calculations we have made. These calculations are based on information we have collected, including company and industry sales data obtained from internal and available external sources as well as our estimates. In addition to such quantitative data, our statements are based on other competitive factors such as our technological capabilities, our engineering, research and development efforts, and our innovative solutions as well as the quality of our products and services, in each case relative to that of our competitors in the markets we address.

Corporate Transformation Activity

After significant strategic review, we announced in 2008 our intention to separate our Light Vehicle Systems (LVS) and Commercial Vehicle Systems (CVS) businesses. We believe our decision to move away from LVS was a good one. LVS is subject to high competition, oversupply, intensely competitive end markets and financially troubled customers. With limited resources and cash to invest we decided to concentrate on our commercial vehicle and industrial business, which should allow keener focus on more attractive, targeted investments with potentially higher margins. In 2009, we made substantial progress in the transformation of our company through the sale of many of our LVS businesses, with only the Body Systems business and a relatively minor portion of our Chassis business remaining in our light vehicle segment.

We are continuing to strategically evaluate all options with respect to divesting our Body Systems business, including a sale of the entire business, multiple sales of portions of the business, shut downs of portions of the business or a combination of partial sales and shut downs. We expect that the divestiture process will extend until the end of 2010 or beyond. There are significant risks and uncertainties (as well as potentially substantial costs) inherent in any options we may pursue. See Item 1A. *Risk Factors* for information on risks associated with the planned divestiture.

Our fiscal year 2009 divestiture activity included the following:

- Wheels. On September 21, 2009, we completed the sale of our Wheels business formerly a division of LVS to Iochpe-Maxion S.A., a Brazilian producer of wheels and frames for commercial vehicles, railway freight cars and castings. The gross purchase price was approximately $180 million. Net proceeds after certain taxes and adjustments for working capital and net debt were $166 million (net of cash on hand of $3 million), which were used to reduce outstanding balances on our revolving credit facility.

- Chassis. In 2009, we completed, or entered into letters of intent to complete, the sale of substantially all of our Chassis businesses, formerly a part of LVS. The status of our Chassis businesses is as follows.

  - *Gabriel de Venezuela*. On June 5, 2009, we sold our 51 percent interest in Gabriel de Venezuela to our joint venture partner. Gabriel de Venezuela, a consolidated subsidiary prior to the divestiture, supplies shock absorbers, struts, exhaust systems and suspension modules to light vehicle customers, primarily in Venezuela and Colombia.

  - *Gabriel Ride Control Products North America*. During fiscal year 2009, we completed the sale of our Gabriel Ride Control Products North America (Gabriel Ride Control) business to Ride Control, LLC, a wholly owned subsidiary of OpenGate Capital, a private equity firm. Gabriel Ride Control supplies 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 and related aftermarket industries.

- *Meritor Suspension Systems Company.* On June 24, 2009, the company entered into a binding letter of intent to sell its 57 percent interest in Meritor Suspension Systems Company (MSSC), a joint venture that manufactures and sells automotive coil springs, torsion bars and stabilizer bars in North America, to our joint venture partner, a subsidiary of Mitsubishi Steel Mfg. Co., LTD. We completed the transaction on October 30, 2009 for a purchase price of $13 million, which included a cash dividend of $12 million received by the company in the third quarter of fiscal year 2009.

Remaining Chassis Businesses. Our remaining Chassis businesses are primarily composed of module assembly operations in the United States and certain European operations. Module assembly operations in the United States are expected to continue through the term of existing supply contracts ending in March 2010 and December 2011 at which time operations are expected to cease or be transitioned to other suppliers. Our remaining European Chassis operations include a facility in Bonneval, France that makes ride control parts (shock absorbers) for aftermarket sales in Europe and one in Leicester, England that makes and distributes gas springs for sale to automotive customers and industrial applications. Sales from our remaining Chassis businesses were $106 million in fiscal year 2009.

See Note 3 of the Notes to Consolidated Financial Statements under Item 8. *Financial Statements and Supplementary Data* below for further information with respect to changes in continuing and discontinued operations.

Our Business

As a result of the divestitures described above, LVS now consists primarily of the Body Systems business. 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 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 suspensions for off-highway, military, construction, bus and coach, fire and emergency, and other industrial applications. This segment also includes all of our 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.

- The **LVS** segment includes our Body Systems business, which supplies roof and door systems for passenger cars to OEMs, and our remaining Chassis businesses.

We refer to our three segments other than LVS as, collectively, our Core Business.

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The financial statements and financial information included in this 10-K have been restated to reflect our change in reporting segments as well as to reflect the divestiture activity discussed above. See Note 24 of the Notes to Consolidated Financial Statements under Item 8. *Financial Statements and Supplementary Data* for financial information by segment for continuing operations for each of the three years ended September 30, 2009, including information on sales and assets by geographic area. The heading "Products" below includes information on certain product sales for each of the three fiscal years ended September 30, 2009.

Business Strategies

We are currently a global supplier of a broad range of integrated systems, modules and components to OEMs and the aftermarket for the commercial vehicle, transportation and industrial sectors, and we believe we have developed market positions as a leader in many of the markets we serve. The recent unprecedented challenges in the credit markets, deterioration in the commercial vehicle and automotive markets and a worldwide recession have forced us to sharpen our business and operating strategies to align to these new business conditions and to better position our company for the future. We are working to enhance our leadership positions in our Core Business, capitalize on our existing customer, product and geographic strengths, and increase sales, earnings and shareowner returns by growing the businesses that offer more attractive returns.

There are several significant factors and trends occurring in the commercial vehicle, transportation and industrial sectors that present both opportunities and challenges to industry suppliers, and which have a significant influence on our business strategies. These factors and trends include:

- severely weakened financial condition of OEMs and suppliers and sharply reduced volumes;
- emissions, safety and related regulations affecting the trucking and transportation industries;
- the cyclicality of these industries, including the effects of new emissions and other regulations for commercial vehicles on vehicle sales and production;
- consolidation and globalization of OEMs and their suppliers;
- evaluation by OEMs of their outsourcing strategies given capacity and other market conditions;
- pricing pressures from OEMs that could negatively impact suppliers' earnings even when sales volumes begin to increase;
- fluctuations in the cost of raw materials, primarily steel and oil;
- rapid market growth in developing countries;
- increased demand for modules and systems (as opposed to components) by OEMs; and
- an increasing emphasis on engineering and technology focused on improving vehicle fuel efficiency and safety.

Our specific business strategies are influenced by these industry factors and trends as well as by the recent global economic and financial crisis and are focused on leveraging our resources to continue to develop and produce competitive product offerings. We believe the following Core Business strategies will allow us to maintain a balanced portfolio of commercial truck, industrial and aftermarket businesses covering key global markets. See Item 1A. Risk Factors below for information on certain risks that could have an impact on our business, financial condition or results of operations in the future.

Financial and Operational Excellence

Managing the Cycle. The industries in which we operate have been characterized historically by periodic fluctuations in overall demand for medium- and heavy-duty trucks, and other vehicles for which we supply products, resulting in corresponding fluctuations in demand for our products. The lengths and timing of the cyclical nature of the vehicle industry cannot be predicted with certainty. In response, we are focused on utilizing flexible manufacturing processes and plant footprints to take advantage of industry upturns and effectively manage industry downturns. In addition, we expect to balance the on-highway commercial vehicle cycles with complementary business lines, including aftermarket, military, construction and industrial supply. To effectively manage the cyclical nature of our Core Business, we are also focused on cost management and maintaining sufficient balance sheet flexibility.

Drive a Continuous Improvement Culture. The company implemented Performance Plus, a long-term profit improvement and cost reduction initiative, in fiscal year 2007 to improve operational performance and increase cash flow, earnings and shareowner value. The actions and programs that are part of the Performance Plus initiatives include delivering cost improvements by focusing on operational excellence (materials; manufacturing;

and overhead) and enhancing revenue by focusing on commercial excellence (engineering, research and development; product strategy and growth; and aftermarket).

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In fiscal year 2007, as part of Performance Plus, we implemented the ArvinMeritor Production System ("APS"), a lean manufacturing initiative that guides our pursuit of operational excellence. APS integrates several of our previous performance improvement initiatives into a set of actions that focus on improving systems, processes, behaviors and capabilities. Throughout our company, continuous improvement teams work to achieve significant cost savings, increase productivity and efficiency, improve design and quality, streamline operations and improve workplace safety. Maintaining a continuous improvement culture is important to our business operations and to maintaining and improving our operating results.

We expect the lower cost base that we have established through the above disciplined approach to serve us well not only through the current difficult environment but also during an economic recovery in the future.

Profitable Growth

Focus on Organic Growth in Our Core Business While Reviewing Strategic Opportunities. Our goal is to grow businesses that offer attractive returns and are core to our operations as well as to diversify over geographic and product lines to adjacent markets. We have identified the areas of our Core Business that we believe have the most potential for leveraging into other industries, products, markets and technologies, and we are focusing our resources on these areas. As we pursue additional growth opportunities, we intend to maintain or grow our market share with our commercial vehicle OEM customers by providing high quality products and services at competitive pricing. We also continue to review and evaluate on an ongoing basis all of our existing businesses to determine whether we need to modify, restructure, sell or otherwise discontinue any one of the businesses.

We intend to focus on growing product categories that offer favorable margins, such as the commercial vehicle aftermarket (CVA), with a focus on low customer transaction costs, remanufacturing, off-highway and military. We also intend to expand the CVA product portfolio geographically (into South America, China and India). In fiscal year 2008, we acquired Mascot Truck Parts Ltd ("Mascot") and Trucktechnic SA ("Trucktechnic"). Mascot remanufactures transmissions, drive axles, steering gears and drivelines in North America. Trucktechnic is a supplier of remanufactured brake calipers, components and testing equipment primarily to European markets.

We also intend to continue to concentrate on military design innovation which has been a strong and profitable business for us. In addition, we are focused on growing our off-highway business. We plan to re-enter and increase off-highway market share in North America and Europe over the next 5 years, continue to grow in South America and expand our leadership position in Asia Pacific. Additionally, we are looking to leverage adjacent off-highway products to better serve our customers with a complete off-highway drive systems solution.

Longer term we intend to explore other industrial opportunities to apply our commercial, engineering, and manufacturing capabilities to new markets and product lines, perhaps totally separate from the traditional vehicle market applications.

We believe that commercial suppliers continue to consolidate into larger, more efficient and more capable companies and collaborate with each other in an effort to better serve the global needs of OEM customers by being where these customers need them. We regularly evaluate various strategic and business development opportunities, including licensing agreements, marketing arrangements, joint ventures, acquisitions and dispositions. We remain committed to selectively pursuing alliances and acquisitions that would allow us to leverage our capabilities, gain access to new customers and technologies, expand our global presence, enter complementary product market segments and implement our business strategies.

Strengthen our Presence in Emerging Global Markets. Geographic expansion to meet the global sourcing needs of customers and to enter new markets is an important element of our growth strategy. We currently have wholly-owned operations and regional joint ventures in South America, a market that has recently experienced significant growth. We also have joint ventures and wholly-owned subsidiaries in China, India and Turkey and participate in programs to support customers as they establish and expand operations in those markets.

We plan to continue to grow and expand globally, with a keen focus on South America and Asia Pacific (primarily China and India) because we believe these regions offer the greatest growth potential. Sales in these regions represented approximately 19 percent, 19 percent and 15 percent of total sales from continuing operations in fiscal years 2009, 2008 and 2007, respectively. We are also positioning the company in other growing markets, such as Eastern Europe.

In 2009, we signed a strategic partnership with Yutong Group Co., Ltd., the largest producer of high-end buses and coaches in the China market, to supply drivetrain components for buses and coaches in China. As part of ArvinMeritors partnership with Yutong, ArvinMeritor and Yutong will also sell and distribute standard aftermarket service kits for its products. In addition to supplying premium non-drive and drive axles to Yutong, ArvinMeritor manufactures differential carriers and brake calipers at its facility in Wuxi, China, for application on Yutong's axles utilizing local suppliers to meet the needs of customers in the China market. The final product is assembled at Yutong's plant in Zhenzhou, China.

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Product and Technology Focus

Deliver High Quality Products for All Markets we Serve. We believe the quality of our core product lines and our ability to service our products through our aftermarket capabilities give us a competitive advantage. A key part of delivering high quality products is delivering service through the entire life cycle of the product. We continue to invest in new product development as we seek to keep our core product lines continually refreshed and in step with evolving market requirements and continue to grow our complimentary product lines. Building upon the strength of these core technologies, we intend to expand our presence globally, and continue our growth in complementary product lines, such as the critical military vehicle and off-highway markets. Our strategy involves diversifying on a geographic and product line basis through the aftermarket, off- and on-highway and added adjacencies that we will explore. Through implementation of our technology roadmap, complementary technologies such as electronics, controls and mechatronics are expected to be applied to traditional product lines to provide enhanced performance and expanded vehicle content.

Leverage Our Technology to Address Mobility, Safety and Environmental Provisions. In our opinion, another industry trend is the increasing amount of equipment required for changes in environmental and safety-related regulatory provisions. OEMs select suppliers based not only on the cost and quality of their products, but also on their ability to meet stringent environmental and safety requirements and to service and support the customer after the sale. We use our technological and market expertise to anticipate trends and to develop and engineer products that aim to address mobility, safety and environmental concerns.

To address safety, we have implemented a strategy of focusing on products and technologies that enhance overall vehicle braking performance. As part of this strategy, we are focusing on the integration of braking and stability products and suspension products as well as the development of electronic control capabilities. Through MeritorWabco, our joint venture with WABCO Holdings, Inc. ("WABCO"), we offer electronic braking systems that integrate anti-lock braking systems technology, automatic traction control, collision avoidance systems and other key vehicle control system components to improve braking performance and meet all required stopping distances for commercial vehicles.

In addition, we have developed a hybrid diesel-electric drivetrain for Class 8 line-haul trucks. This concept project, as further discussed below, has potential for environmental and economic benefits to heavy-duty truck customers in the future, including significant improvements in fuel efficiency. We are also working on a commercial pick-up and delivery truck program using an alternative battery-powered drivetrain that reduces emissions and fossil fuel consumption.

Nurture Emerging Next-Generation Products. We plan to continue to invest in advanced technologies that address customer needs by improving fuel efficiency and driver/vehicle safety. Examples of these advanced technologies being developed include:

- **The Hybrid Class 8 Line-haul Powertrain Concept.** ArvinMeritor delivered a concept hybrid drivetrain system to Walmart Transportation in January 2009. Although this product is a concept system only and at this juncture we have no orders or contracts to produce it, we intend to pursue this area in the future.

While most hybrid systems today are best suited for start-stop applications, our concept hybrid drivetrain is specifically designed for linehaul, over-the-road trucks, the largest segment of the commercial vehicle population and the greatest consumer of diesel fuel on the road. Our concept hybrid drivetrain, the Meritor Multi-Mode Hybrid Powertrain, combines both mechanical and electrical drive systems. Under 48 miles-per-hour, vehicle propulsion is delivered entirely through an electric motor with power from lithium ion batteries. These batteries are recharged through regenerative braking and/or an engine-driven generator. As the vehicle approaches highway speed, the drivetrain phases to a diesel-powered system with the electric motor providing power, only as required, allowing for total system optimization. The key differentiation of this system is its ability for zero-emission mode over a wide range of vehicle driving conditions. This allows the truck to operate in places where emissions are restricted, like a port or urban area. Additionally, the batteries provide continuous power for hotel loads during an overnight rest period, eliminating the need for engine idling or other redundant anti-idling systems. Electrification of accessories such as the air or AC compressors provides further efficiency benefits. Additional benefits have been demonstrated in noise, handling and smoother acceleration. The Meritor concept hybrid drivetrain in the Walmart tractor was developed by ArvinMeritor as project leader and in collaboration with Navistar and Cummins and is comprised of a proprietary motor/generator unit, high capacity lithium ion batteries, as well as the overall power-management system.

- **ArvinMeritor's Smart Systems Technology**. ArvinMeritor's Smart Systems technology roadmap focuses on improving vehicle system performance through the integration and application of electronics, controls and materials.

- **Meritor Lubrication Management System** (MLMS). MLMS adjusts the axle lubricant level according to vehicle operating conditions. It is estimated that linehaul vehicles spend up to 90% of their operation at highway speeds. Under these conditions, when oil churning losses are most significant, the lube level is automatically reduced, with an attendant reduction in viscous drag. By reducing oil churning during high speed operation, axle efficiency is improved by up to 1%, with a corresponding reduction in fuel consumption.

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Products

ArvinMeritor designs, develops, manufactures, markets, distributes, sells, services and supports a broad range of products for use in the transportation and industrial sectors. In addition to sales of original equipment systems and components, we provide our original equipment, aftermarket and remanufactured products to vehicle OEMs and their dealers (who in turn sell to motor carriers and commercial vehicle users of all sizes), independent distributors, and other end-users in certain aftermarkets.

The following chart sets forth, for each of the three fiscal years with the most recent ended September 30, 2009, information about product sales for products comprising more than 10% of consolidated revenue in any of those years. A narrative description of our principal products follows the chart.

Product Sales:

	Fiscal Year Ended September 30,		
	2009	2008	2007
CORE BUSINESS:			
Axles, Undercarriage and Drivelines	55%	57%	54%
Brakes and Braking Systems	19%	17%	19%
Other	1%	1%	1%
Total Core Business:	75%	75%	74%
LVS:			
Roofs and Door Systems	23%	22%	21%
Other	2%	3%	5%
Total LVS Business:	25%	25%	26%
Total:	100%	100%	100%

Core Business

The three segments included in our Core Business manufacture and supply the products set forth and described below.

Axles, Undercarriage & Drivelines

We believe we are one of the world's leading independent suppliers of axles for medium- and heavy-duty commercial vehicles, with axle manufacturing facilities located in North America, South America, Europe and the Asia/Pacific regions. Our extensive truck axle product line includes a wide range of front steer axles and rear drive axles, aluminum carriers to reduce weight and pressurized filtered lubrication systems for longer life. Our front steer and rear drive axles can be equipped with our cam, wedge or air disc brakes, automatic slack adjusters, anti-lock braking systems (ABS), vehicle stability control systems and complete wheel-end equipment.

We supply heavy-duty axles in certain global regions, for use in numerous off-highway vehicle applications, including construction, material handling, and mining. We also supply axles for use in medium- and heavy-duty military tactical wheeled vehicles, principally in North America. These products are designed to tolerate extremely high tonnage and operate under extreme geographical and climate conditions. In addition, we have other off-highway vehicle products that are currently in development for certain other regions. We supply axles for use in buses, coaches and recreational vehicles, fire trucks and other specialty vehicles in North America, Asia-Pacific and Europe, and believe we are the leading supplier of bus and coach axles in North America.

We believe we are one of the world's leading manufacturers of heavy-duty trailer axles, with a leadership position in North America. Our trailer axles are available in more than 40 models in capacities from 20,000 to 30,000 pounds for virtually all heavy trailer applications and are available with our broad range of brake products, including drum brakes, disc brakes, anti-lock and trailer stability control systems, and ABS.

We supply universal joints and driveline components, including our Permalube universal joint and RPL Permalube driveline, which are low maintenance, permanently lubricated designs used often in the high mileage on-highway market. We supply drivelines in a variety of global regions, for use in numerous on- and off-highway vehicle applications, including construction, material handling, mining, agriculture and forestry. We supply ABS transfer cases and drivelines for use in medium- and heavy-duty military tactical wheeled vehicles, principally in North America. We also supply transfer cases for use in specialty vehicles in North America. Anti-lock brakes and stability control systems are also used in military vehicles and specialty vehicles. In addition, we supply trailer air suspension systems and products in Europe with an increasing market presence in North America. We also supply suspensions for use in buses, coaches and recreational vehicles, fire trucks and other specialty vehicles in North America and Europe, and supply advanced suspension modules for use in medium- and heavy-duty military tactical wheeled vehicles, principally in North America.

Through a joint venture, we develop, manufacture and sell truck suspensions, trailer axles and suspensions and related wheel-end products in the South American market. We believe this joint venture has a number one product position in suspension and trailer axles in the South American market.

Brakes and Braking Systems

We believe we are a leading independent supplier of air brakes to medium- and heavy-duty commercial vehicle manufacturers in North America and Europe. In Brazil, one of the largest truck and trailer markets in the world, we believe that our 49%-owned joint venture with Randon S. A. Vehiculos e Implementos is a leading supplier of brakes and brake-related products.

Through manufacturing facilities located in North America, Asia-Pacific and Europe, we manufacture a broad range of foundation air brakes, as well as automatic slack adjusters for brake systems. Our foundation air brake products include cam drum brakes, which offer improved lining life and tractor/trailer interchangeability; air disc brakes, which provide fade resistant braking for demanding applications; wedge drum brakes, which are lightweight and provide automatic internal wear adjustment; hydraulic brakes; and wheel-end components such as hubs, drums and rotors.

Our brakes and brake system components are used in medium- and heavy-duty military tactical wheeled vehicles, principally in North America. We also supply brakes for use in buses, coaches and recreational vehicles, fire trucks and other specialty vehicles in North America and Europe, and we are the leading supplier of bus and coach brakes in North America, and also supply brakes for buses and coaches in Asia-Pacific.

U.S. Federal regulations require that new medium- and heavy-duty vehicles sold in the United States be equipped with ABS. We believe that our 50%-owned joint venture with WABCO is a leading supplier of ABS and a supplier of other electronic and pneumatic control systems (such as stability control and collision avoidance systems) for North American heavy-duty commercial vehicles. The joint venture also supplies hydraulic ABS to the North American medium-duty truck market and produces stability control and collision mitigation systems for tractors and trailers, which are designed to help maintain vehicle stability and aid in reducing tractor-trailer rollovers and other incidents.

Other Products

We sell the following products through our aftermarket distribution channels: brake shoes and friction materials; automatic slack adjusters; drive axles, gears and trailer axles; clutches; driveline components; U-joints, yokes and shafts; wheel-end hubs and drums; hydraulic brakes and components; ABS and stability control systems; suspension parts, shock absorbers and air springs; and air brakes, air systems, air dryers and compressors.

Light Vehicle Systems

Roofs and Door Systems

Our Body Systems business supplies sunroofs and roof systems products, including panoramic roof modules, tilt and slide sunroof modules and complete roof systems, for use in passenger cars, light trucks and sport utility vehicles. Our roof systems manufacturing facilities are located in Europe, China and North America. Body Systems also supplies integrated door modules and systems, including manual and power window regulators and access control systems and components such as modular and integrated door latches, actuators, trunk and hood latches and fuel flap locking devices. Our power and manual door system products utilize numerous technologies, including our own electric motors with electronic function capabilities such as anti-squeeze technologies. We manufacture door system components at plants primarily in Europe, China and North America.

Other products

We assemble upper and complete corner modules as well as front and rear cross vehicle suspension modules in the United States. We also make shock absorbers for aftermarket sales in Europe and make and distribute gas springs for sale to automotive customers and industrial applications.

Through our 57% owned joint venture, MSSC, which we sold on October 30, 2009, we supplied products used in suspension systems for passenger cars, light trucks and sport utility vehicles in North America. Our suspension system products, which were manufactured at facilities in the United States and Canada, included coil springs, stabilizer bars and torsion bars.

Customers; Sales and Marketing

ArvinMeritor has numerous customers worldwide and has developed long-standing business relationships with many of these customers. Our ten largest customers accounted for approximately 59% of our total sales from continuing operations in fiscal year 2009. Sales to AB Volvo and Navistar International Corporation represented approximately 15 percent and 10 percent of our sales in fiscal year 2009. No other customer accounted for 10% or more of our total sales in fiscal year 2009.

Core Business OEMs

In North America, we design, engineer, market and sell products principally to OEMs, dealers and distributors. While our North American sales are typically direct to the OEMs, our ultimate commercial truck customers include trucking and transportation fleets. Fleet customers may specify our components and integrated systems for installation in the vehicles they purchase from OEMs. We employ what we refer to as a push-pull marketing strategy. We push for being the standard product at the OEM. At the same time, our district field managers then call on fleets and OEM dealers to pull-through our components on specific truck purchases. For all other markets, we specifically design, engineer, market and sell products principally to OEMs for their market specific needs or product specifications.

For certain large OEM customers, our supply arrangements are generally negotiated on a long-term contract basis for a multi-year period that may require us to provide annual cost reductions (through price reductions or other cost benefits for the OEMs). If we are unable to generate sufficient cost savings in the future to offset such price reductions, our gross margins will be adversely affected. Sales to other OEMs are typically made through open order releases or purchase orders at market based prices which do not require the purchase of a minimum number of products. The customer typically has the right to cancel or delay these orders on reasonable notice. We generally compete for new business from OEMs, both at the beginning of the development of new vehicles and upon the redesign of existing vehicles.

We have established leading positions in many of the markets we serve as a global supplier of a broad range of drivetrain systems, modules and components. Based on available industry data and internal company estimates, our market leading positions include independent truck drive axles in North America, Europe, South America and India, truck drivelines in North America, truck air brakes in North America and Europe and military wheeled vehicle drivetrain, suspension and brakes in North America.

Our global customer portfolio includes companies such as AB Volvo, Navistar International Corp., Daimler AG, BAE Systems, Iveco and PACCAR, Inc.

Core Business Aftermarket

We market and sell truck, trailer, off-highway and other products principally to, and service such products principally for, OEMs, their parts marketing operations, their dealers and other independent distributors and service garages within the aftermarket industry. Our product sales are generated through long-term agreements with certain of our OEM customers, distribution agreements and through sales to independent dealers and distributors. Sales to other OEMs are typically made through open order releases or purchase orders at market based prices which do not require the purchase of a minimum number of products. The customer typically has the right to cancel or delay these orders on reasonable notice.

Our product offerings allow us to service all stages of our customers vehicle ownership lifecycle. In North America, we stock and distribute hundreds of parts from top national brands to our customers or what we refer to as our all makes strategy. Also, as part of our growth strategy, we employ what believe to be world class remanufacturing processes that allow us to offer highly engineered genuine remanufactured components to our customers in North America and Europe. Our district field managers call on our OEM and independent customers to market our full product line capabilities on a regular basis to seek to ensure that we satisfy our customers needs. Our aftermarket business sells products under the following brand names: Meritor; Meritor Wabco; Euclid; Trucktechnic; and Mascot Truck Parts.

Based on available industry data and internal company estimates, our North America aftermarket business has the market leadership position for the products in which we participate.

Light Vehicle Systems

We sell products principally to OEMs. New platform development awards generally begin two to four years prior to start-up of production. We market our products and new technologies directly to the OEMs. Consistent with industry practice, we make most of our sales to OEMs through open order releases or purchase orders, which do not require the purchase of a minimum number of products and typically may be cancelled by the customer on reasonable notice without penalty. However, given the cost and complexity of the tooling required to produce vehicle parts, once awarded, it is typically very difficult and costly for the OEM to switch suppliers. We also sell products to certain customers under long-term arrangements that require us to provide annual cost reductions to our customers (through price reductions or other cost benefits for the OEMs). If we are unable to generate sufficient cost savings in the future to offset such price reductions, our gross margins will be adversely affected.

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The majority of our light vehicle sales are generated through customers that are concentrated in Europe although we still have a strong customer base that has operations around the globe. Our customers include Volkswagen AG, Ford Motor Company, Renault-Nissan BV, Peugeot S.A., General Motors Corporation, Bayerische Motoren Werke AG and Chrysler Group LLC.

Competition

We compete worldwide with a number of North American and international providers of components and systems, some of which are owned by or associated with some of our customers. The principal competitive factors are price, quality, service, product performance, design and engineering capabilities, new product innovation and timely delivery. In addition, certain OEMs manufacture their own components that compete with the types of products we supply.

Our major competitors for axles are Dana Holding Corp. and, in certain markets, OEMs that manufacture axles for use in their own products. Emerging competitors for axles include Daimler Truck North America's Axle Alliance Company and Han de, Ankai. Our major competitors for brakes are Haldex, WABCO, Brembo, Bendix/Knorr Bremse and, in certain markets, OEMs that manufacture brakes for use in their own products. Our major competitors for industrial applications are ZF, MAN, AxleTech International, Marmon-Herrington, Dana Holding Corp., Knorr, Kessler & Co., Carraro, NAF, Sisu and, in certain markets, OEMs that manufacture industrial products for use in their own vehicles. Our major competitors for trailer applications are Hendrickson, BPW and SAF-Holland. Our major competitors for light vehicle roof systems are Webasto, Inalfa and Aisin and for light vehicle door and access control systems are Brose, Intier, Kiekert AG, Mitsui, Valeo, Aisin and Grupo Antolin.

See Item 1A. *Risk Factors* for information on certain risks associated with our competitive environment.

Raw Materials and Suppliers

We concentrate our purchases of certain raw materials and parts over a limited number of suppliers, some of which are located in developing countries and some of which have been adversely affected by weakening economic conditions. We are dependent upon our suppliers' ability to meet performance and quality specifications and delivery schedules. The inability of a supplier to meet these requirements, the loss of a significant supplier, or any labor issues or work stoppages at a significant supplier, could have an adverse effect on our ability to meet our customer's delivery requirements.

Although the cost of our core products is susceptible to changes in overall steel commodity prices, including ingredients used for various grades of steel, we generally structure our major steel supplier and customer contracts to absorb and pass on normal market fluctuations in steel prices with minimal impact on our operating results. In 2008, there was a sudden and extraordinary surge in the price of steel, energy and other commodities. In response, we pursued incremental recovery of, in some cases, monthly increases in such costs through surcharges or other pricing arrangements with our entire affected customer base in order to mitigate the impact on our operating margins. The price of steel has stabilized during fiscal year 2009. However, significant future volatility in the commodity markets — including a global shortage of scrap steel, a rapid escalation in the price of critical raw materials such as iron ore, coking coal and metal alloys, and higher fuel and energy costs — may require us to continue this practice of monthly increases through surcharges or pricing arrangements until these costs stabilize. In addition, if supplies are inadequate for our needs, or if prices remain at current levels or increase and we are unable to either pass these prices to our customer base or otherwise mitigate the costs, our operating results could be further adversely affected.

We continuously work to address these competitive challenges by reducing costs, improving productivity and, as needed, restructuring operations. We have developed a supplier risk management process under which we conduct an initial supplier risk assessment for all major suppliers and an intensive assessment of high-risk suppliers. On an ongoing basis, we monitor third party financial statements, conduct surveys through supplier questionnaires and do site visits. We are proactive in managing our supplier relationships to avoid supply disruptions and evaluate potential options, including dual sourcing and exit strategy. Our process employs well-defined trigger points that cause us to take aggressive actions and then monitor the progress closely.

Divestitures and Restructuring

As described above, our business strategies are focused on enhancing our market position by continuously evaluating the competitive differentiation of our product portfolio, focusing on our strengths and core competencies, and growing the businesses that offer the most attractive returns. Implementing these strategies involves various types of strategic initiatives.

Divestitures.

As part of our strategy to refocus our business and dedicate our resources to our core capabilities, we regularly review the prospects of our existing businesses to determine whether any of them should be modified, restructured, sold or otherwise discontinued. In an effort to execute our long-term strategy to transform our company away from the light vehicle business to focus on the commercial vehicle and industrial business, we completed the following initiatives since the beginning of fiscal year 2007 (see Note 3 of the Notes to Consolidated Financial Statements under Item 8. *Financial Statements and Supplementary Data* below):

- In fiscal years 2006 and 2007, we completed the sale of a significant part of our Light Vehicle Aftermarket (LVA) businesses.
- In fiscal year 2007, we sold our Emissions Technologies (ET) business to EMCON Technologies Holdings Limited, a private equity affiliate of JPMorgan Securities, Inc.
- In fiscal year 2007, we sold our European light vehicle aftermarket exhaust and filters operations to Klarius Group Limited. This transaction completed the sale of our LVA businesses (except for the North American aftermarket ride control business, which as described below we sold in fiscal year 2009).
- In fiscal year 2009, we completed the sale of our 51 percent interest in Gabriel de Venezuela to our joint venture partner.
- In fiscal year 2009, we completed the sale of our Gabriel Ride Control Products North America business.
- In fiscal year 2009, we entered into a binding letter of intent to sell our 57 percent interest in MSSC to the joint venture partner, a subsidiary of Mitsubishi Steel Mfg. Co., LTD. The sale was completed on October 30, 2010.
- In fiscal year 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.

Restructuring.

Performance Plus: The company implemented Performance Plus, a long-term profit improvement and cost reduction initiative, in fiscal year 2007. As part of this program, we identified significant restructuring actions intended to improve our global footprint and cost competitiveness by eliminating up to 2,800 positions in North America and Europe and consolidating and combining certain global facilities, with costs to be incurred over several years. In our continuing operations, we recorded restructuring costs of $36 million, $9 million and $62 million in fiscal years 2009, 2008 and 2007, respectively, related to these actions. These costs include $76 million primarily for estimated employee severance benefits, $14 million of asset impairment charges associated with certain facility closures and $17 million of other shutdown costs.

As part of Performance Plus, in fiscal year 2009, we closed our Commercial Truck manufacturing facility in Tilbury, Ontario, Canada (Tilbury). We recognized restructuring costs of approximately $30 million in fiscal year 2009 associated with this closure for estimated employee severance benefits, including pension termination benefits under the terms of the Tilbury retirement plans and certain asset impairment charges. We expect a significant portion of the cash payments associated with this closure to be incurred in fiscal years 2010 through 2012. In fiscal year 2009, the company also announced the closure of its Commercial Truck facility in Carrollton, Kentucky (Carrollton) and recognized approximately $2 million of restructuring costs. We expect to close this facility in the first quarter of fiscal year 2010.

In addition, we announced in fiscal year 2009 the closure of our coil spring operations in Milton, Ontario, Canada (Milton), which is part of MSSC. Costs associated with this closure were $16 million, primarily for employee severance and pension termination benefits, and are included in loss from discontinued operations in the consolidated statement of operations. We completed the sale of our interest in MSSC in the first quarter of fiscal year 2010. Accordingly, these restructuring liabilities were assumed by the purchaser.

Fiscal Year 2009 Actions: In addition to Performance Plus, in fiscal 2009, we began implementing a number of immediate restructuring and cost reduction actions in response to a significant decline in global market conditions. These actions include:

- Temporary or permanent workforce reductions of approximately 3,000 employees, including full-time, contract and temporary workers;
- Plant level furlough programs, including government supported programs;
- Extended shutdowns at all plants;
- Temporary pay reductions for salaried employees in North America and, on a voluntary basis, from around the world, which was achieved through base salary adjustments and/or curtailed production schedules;

- Temporary suspension of the matching contribution for the U.S. 401(k) plan;
- Temporary suspension of fiscal year 2009 merit increases for all global employees; and
- Temporary reduction of Board of Directors annual compensation by 10 percent.

The majority of these actions have been completed. We have recognized in our continuing operations approximately $44 million of restructuring costs in connection with these actions for severance and related benefits, of which $36 million was paid in fiscal year 2009.

In fiscal year 2009, our Core Business achieved an estimated $195 million in savings related to these significant actions. We estimate approximately $48 million of these savings are related to temporary cost reduction measures associated with the suspension of annual variable incentive compensation, 401(k) employer matching contributions and salary reductions. In addition, approximately $50 million of these savings are related to variable labor which would be expected to increase as market volumes recover.

In addition, we continue to focus on improving cash flow by maintaining tight controls on global inventory, pursuing working capital improvements, reducing capital spending and significantly reducing discretionary spending.

See Note 5 of the Notes to Consolidated Financial Statements under Item 8. *Financial Statements and Supplementary Data* below for further information on our restructuring actions.

See Item 1A. *Risk Factors* for information on certain risks associated with strategic initiatives.

Joint Ventures

As the industries in which we operate have become more globalized, joint ventures and other cooperative arrangements have become an important element of our business strategies. These strategic alliances provide for sales, product design, development and manufacturing in certain product and geographic areas. As of September 30, 2009, our Core Business participated in the following non-consolidated joint ventures:

	Key Products	Country
Meritor WABCO Vehicle Control Systems	Antilock braking and air systems	U.S.
Master Sistemas Automotivos Limitada	Braking systems	Brazil
Suspensys Sistemas Automotivos Ltda.	Suspensions, axles, hubs and drums	Brazil
Sistemas Automotrices de Mexico S.A. de C.V.	Axles, drivelines and brakes	Mexico
Ege Fren Sanayii ve Ticaret A.S.	Braking systems	Turkey
Automotive Axles Limited	Rear drive axle assemblies	India

Our LVS segment participates in three non-consolidated joint ventures. Aggregate sales of our non-consolidated joint ventures were $929 million, $1,484 million and $1,182 million in fiscal years 2009, 2008 and 2007, respectively.

In accordance with accounting principles generally accepted in the United States, our consolidated financial statements include the operating results of those joint ventures in which we have control. For additional information of our unconsolidated joint ventures and percentage ownership thereof see Note 13 of the Notes to Consolidated Financial Statements under Item 8. *Financial Statements and Supplementary Data* below.

Research and Development

We have significant research, development, engineering and product design capabilities. We spent $103 million in fiscal year 2009, $122 million in fiscal year 2008 and $116 million in fiscal year 2007 on company-sponsored research, development and engineering. We employ professional engineers and scientists globally, and have additional engineering capabilities through contract arrangements in low-cost countries. We also have advanced technical centers in North America, Europe and Asia-Pacific (primarily in India and China). We recently opened a new technical center in Bangalore, India.

Patents and Trademarks

We own or license many United States and foreign patents and patent applications in our engineering and manufacturing operations and other activities. While in the aggregate these patents and licenses are considered important to the operation of our businesses, management does not consider them of such importance that the loss or termination of any one of them would materially affect a business segment or ArvinMeritor as a whole.

Our registered trademarks ArvinMeritor® and Meritor® are important to our business. Other significant trademarks owned by us include Euclid™, Mascot and TRUCKTECHNIC for aftermarket products.

Substantially all of our intellectual property is subject to a first priority perfected security interest securing our obligations to the lenders under our credit facility. See Note 16 of the Notes to Consolidated Financial Statements under Item 8. *Financial Statements and Supplementary Data* below.

Employees

At September 30, 2009, we had approximately 13,200 full-time employees. At that date, 686 employees in the United States and Canada were covered by collective bargaining agreements and most of our facilities outside of the United States and Canada were unionized. We believe our relationship with unionized employees is satisfactory.

Our collective bargaining agreement with the Canadian Auto Workers (CAW) at our CVS brakes facility in Ontario, Canada, expired on June 3, 2006. On June 4, 2006, we announced that, after lengthy negotiations, a new tentative agreement with the CAW had not yet been reached and, as a result, we had suspended operations at the facility. On June 12, 2006, we reached a tentative agreement with the CAW, which was subsequently ratified on June 14, 2006, and resumed operations. As a result of this work stoppage, we experienced temporary manufacturing inefficiencies and incurred certain costs in order to return to normal production. Other than the foregoing, no significant work stoppages have occurred in the past five years.

Environmental Matters

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 our operations. We record 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, we record a liability for our allocable share of costs related to our involvement with the site, as well as an allocable share of costs related to insolvent parties or unidentified shares. At environmental sites in which we are the only potentially responsible party, we record a liability for the total estimated costs of remediation before consideration of recovery from insurers or other third parties.

We have been designated as a potentially responsible party at eight Superfund sites, excluding sites as to which our records disclose no involvement or as to which our liability has been finally determined. In addition to Superfund sites, various other lawsuits, claims and proceedings have been asserted against us, alleging violations of federal, state and local environmental protection requirements or seeking remediation of alleged environmental impairments, principally at previously disposed-of properties. We have established reserves for these liabilities when they are considered to be probable and reasonably estimable. See Note 23 of the Notes to Consolidated Financial Statements under Item 8. *Financial Statements and Supplementary Data* below for information as to our estimates of the total reasonably possible costs we could incur and the amounts recorded as a liability as of September 30, 2009, and as to changes in environmental accruals during fiscal year 2009.

The process of estimating environmental liabilities is complex and dependent on physical and scientific data at the site, uncertainties as to remedies and technologies to be used, and the outcome of discussions with regulatory agencies. The actual amount of costs or damages for which we may be held responsible could materially exceed our current estimates because of uncertainties, including the financial condition of other potentially responsible parties, the success of the remediation and other factors that make it difficult to predict actual costs accurately. However, based on management's assessment, after consulting with Vernon G. Baker, II, Esq., ArvinMeritor's General Counsel, and with outside advisors who specialize in environmental matters, and subject to the difficulties inherent in estimating these future costs, we believe that our 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 our 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 remedy could significantly change our estimates. Management cannot assess the possible effect of compliance with future requirements.

International Operations

We believe our international operations provide us with geographical diversity and help us to weather the cyclical nature of our business. Approximately 62 percent of our total assets as of September 30, 2009 and 61 percent of fiscal year 2009 sales from continuing operations were outside the U.S.. See Note 24 of the Notes to Consolidated Financial Statements under Item 8. *Financial Statements and Supplementary Data* below for financial information by geographic area for the three fiscal years ended September 30, 2009.

Our international operations are subject to a number of risks inherent in operating abroad (see Item 1A. *Risk Factors* below). There can be no assurance that these risks will not have a material adverse impact on our ability to increase or maintain our foreign sales or on our financial condition or results of operations.

Our operations are also exposed to global market risks, including foreign currency exchange rate risk related to our transactions denominated in currencies other than the U.S. dollar. We have implemented a foreign currency cash flow hedging program to help reduce the company's exposure to changes in exchange rates. We use foreign currency forward contracts to manage the company's 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. The contracts generally mature within twelve months. It is our policy not to enter into derivative financial instruments for speculative purposes and, therefore, we hold no derivative instruments for trading purposes. See Item 7A. *Quantitative and Qualitative Disclosures About Market Risk* and Note 17 of the Notes to Consolidated Financial Statements under Item 8. *Financial Statements and Supplementary Data* below.

Seasonality; Cyclicality

We may experience seasonal variations in the demand for our products, to the extent OEM vehicle production fluctuates. Historically, for all of our operations (except our aftermarket business), demand has been somewhat lower in the quarters ended September 30 and December 31, when OEM plants may close during model changeovers and vacation and holiday periods.

In addition, the industries in which we operate have been characterized historically by periodic fluctuations in overall demand for trucks, trailers, passenger cars and other specialty vehicles for which we supply products, resulting in corresponding fluctuations in demand for our products. Production and sales of the vehicles for which we supply products generally depend on economic conditions and a variety of other factors that are outside of our control, including freight tonnage, customer spending and preferences, labor relations and regulatory requirements. See Item 1A. Risk Factors below. Cycles in the major vehicle industry markets of North America and Europe are not necessarily concurrent or related. It is part of our strategy to continue to seek to expand our operations globally to help mitigate the effect of periodic fluctuations in demand of the vehicle industry in one or more particular countries.

In fiscal year 2009, we believe the substantial uncertainty and significant deterioration in the worldwide credit markets, the global economic downturn and the current climate in the U.S. and other economies have, as shown in the below table, impacted the demand for the products of our customers. Many of our customers have experienced sharp declines in production and sales volumes, which started in November 2008 and have continued through September 2009.

The following table sets forth estimated vehicle production in principal markets we serve for the last five fiscal years based on available industry sources and management's estimates:

	Year Ended September 30,				
	2009	**2008**	**2007**	**2006**	**2005**
Estimated Commercial Vehicle Production (in thousands):					
North America, Heavy-Duty Trucks	128	194	246	352	324
North America, Medium-Duty Trucks	74	122	176	216	208
United States and Canada, Trailers	93	176	275	312	327
Western Europe, Heavy- and Medium-Duty Trucks	247	562	480	439	421
South America, Heavy- and Medium- Duty Trucks	118	161	127	107	112
Estimated Light Vehicle Production (in millions):					
North America	8.5	13.7	15.1	15.7	15.6
South America	3.4	4.0	3.3	3.0	2.7
Western Europe (including Czech Republic)	12.1	15.5	16.5	16.4	16.4
Asia/Pacific	25.8	29.6	26.7	24.8	22.7

Available Information

We make available free of charge through our web site (www.arvinmeritor.com) our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, all amendments to those reports, and other filings we make with the Securities and Exchange Commission (SEC), as soon as reasonably practicable after they are filed.

Cautionary Statement

This Annual Report on Form 10-K contains statements relating to future results of the company (including certain projections and business trends) that are forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995. Forward-looking statements are typically identified by words or phrases such as believe, expect, anticipate, estimate, should, are likely to be, will and similar expressions. There are r uncertainties as well as potential substantial costs relating to the companys announced plans to divest the body systems business of LVS and any of the strategic options under which to pursue such divestiture. In the case of any sale of all or a portion of the business, these risks and uncertainties include the timing and certainty of completion of any sale, the terms upon which any purchase and sale agreement may be entered into (including potential substantial costs) and whether closing conditions (some of which may not be within the companys control) will be met. In the case of any shut down of portions of the business, these risks and uncertainties include the amount of substantial severance and other payments as well as the length of time we will continue to have to operate the business, which is likely to be longer than in a sale scenario. There is also a risk of loss of customers of this business due to the uncertainty as to the future of this business. In addition, actual results may differ materially from those projected as a result of substantial costs, certain risks and uncertainties, including but not limited to global economic and market cycles and conditions, including the recent global economic crisis; the demand for commercial, specialty and light vehicles for which the company supplies products; availability and sharply rising costs of raw materials, including steel; risks inherent in operating abroad (including foreign currency exchange rates and potential disruption of production and supply due to terrorist attacks or acts of aggression); whether our liquidity will be affected by declining vehicle production volumes in the future; OEM program delays; demand for and market acceptance of new and existing products; successful development of new products; reliance on major OEM customers; labor relations of the company, its suppliers and customers, including potential disruptions in supply of parts to our facilities or demand for our products due to work stoppages; the financial condition of the companys suppliers and customers, including potential bankruptcies; possible adverse effects of any future suspension of normal trade credit terms by our suppliers; potential difficulties competing with companies that have avoided their existing contracts in bankruptcy and reorganization proceedings; successful integration of acquired or merged businesses; the ability to achieve the expected annual savings and synergies from past and future business combinations and the ability to achieve the expected benefits of restructuring actions; success and timing of potential divestitures; potential impairment of long-lived assets, including goodwill; potential adjustment of the value of deferred tax assets; competitive product and pricing pressures; the amount of the companys debt; the ability of the company to continue to comply with covenants in its financing agreements; the ability of the company to access capital markets; credit ratings of the companys debt; the outcome of existing and any future legal proceedings, including any litigation with respect to environmental or asbestos-related matters; the outcome of actual and potential product liability, warranty and recall claims; rising costs of pension and other postretirement benefits; and possible changes in accounting rules; as well as other substantial costs, risks and uncertainties, including but not limited to those detailed herein and from time to time in other filings of the company with the SEC. See also the following portions of this Annual Report on Form 10-K: Item 1. *Business*, Customers; Sales and Marketing; Competition; Raw Materials and Supplies; Strategic Initiatives; Employee Environmental Matters; International Operations; and Seasonality; Cyclicality; Item 1A. *Risk Factors*; Item 3. *Legal Proceedings*; and Item 7. *Managements Discussion and Analysis of Financial Condition and Results of Operations*. These forward-looking statements are made only as of the date hereof, and the company undertakes no obligation to update or revise the forward-looking statements, whether as a result of new information, future events or otherwise, except as otherwise required by law.

Item 1A. *Risk Factors.*

Our business, financial condition and results of operations can be impacted by a number of risks, including those described below and elsewhere in this Annual Report on Form 10-K, any one of which could cause our actual results to vary materially from recent results or from anticipated future results. Any of these individual risks could materially and adversely affect our business, financial condition and results of operations. This effect could be compounded if multiple risks were to occur.

The disposition of our remaining LVS businesses could involve substantial costs and be subject to risks and uncertainties.

Our light vehicle Body Systems business has incurred significant recent operating losses and, until recent quarters, negative cash flows. There can be no assurances that there will not be future operating losses or negative cash flows. In addition, this business has from time-to-time incurred significant warranty charges and there can be no certainty that additional warranty charges in the future will not be significant.

It is our intent to divest our Body Systems business in the most economically advantageous way possible. We have commenced a strategic evaluation of available options to divest this business, which include a sale of the entire business, multiple sales of portions of the business, shut downs of portions of the business or a combination of partial sales and shut downs. We expect that the divestiture process could extend until the end of 2010 or beyond. There are significant risks and uncertainties inherent in any options we may pursue. Risks involved in any sale process include the timing and certainty of completion of any transaction and the terms upon which any sale agreement with respect to all or any portion of the business may be entered into. Risks involved in any shut down include the substantial severance and other payments we will be required to make in connection therewith. Shut downs will also likely result in our operating the business for a lengthier period. Potential cash costs to sell or shut down all or portions of the business may be substantial and could be in excess of $100 million. In addition, there is the potential to lose new or replacement customer awards due to the uncertainty as to the future of the business.

Until the closing of any sale or the completion of any shut down, we will be responsible for the operation of this business. Therefore, it is possible that an extended process could result in continued significant operating losses and cash requirements for which we would be responsible. We will continue to evaluate and weigh the costs (which may include significant restructuring costs) to carry the business against any substantial costs to dispose or shut down various pieces of the business and intend to make the most economically advantageous decisions with respect to this business. Accordingly, because we are still evaluating and will be weighing our possible options, we are unable to estimate with further specificity the costs associated with divesting or shutting down this business.

Continued production and sales volume declines in the commercial and automotive vehicle markets may adversely affect our results of operations, our ability to fund our liquidity requirements and our ability to meet our long-term commitments.

The substantial uncertainty and significant deterioration in the worldwide credit markets, the global economic downturn and the current climate in the U.S. and other economies have severely diminished demand for our customers products. As a result, commercial and automotive production and sales volumes have declined significantly in most markets and continue to adversely affect the amount of cash flows generated from operations for meeting the needs of our business. We believe volumes will continue to be at depressed levels and that the impact of these lower volumes will continue to impact our business in fiscal year 2010. Our cash and liquidity needs have been impacted by the level, variability and timing of our customers worldwide vehicle production and other factors outside of our control.

The financial and economic environment has also made it difficult in the short-term to accomplish our goal of becoming a commercial vehicle and industrial business and has left us with servicing the cash outflows of certain of our light vehicle businesses, which have been substantial. In addition, our high levels of fixed costs can make it difficult to adjust our cost base to the extent necessary, or to make such adjustments on a timely basis, and the continued volume declines can result in non-cash impairment charges as the value of certain long-lived assets is reduced. As a result, our financial condition and results of operations have been and would be expected to continue to be adversely affected during periods of prolonged declining production and sales volumes in the commercial and automotive vehicle markets.

The negative impact on our financial condition and results of operations from continued volume declines could also have negative effects on our liquidity. If cash flows are not available from our operations, we may be required to rely on the banking and credit markets to meet our financial commitments and short-term liquidity needs; however, we cannot predict whether that funding will be available or will be available on commercially reasonable terms. In addition, as a consequence of reduced sales, levels of receivables decline, which leads to a decline in funding available under our U.S. receivables facility or under our European factoring arrangements.

We operate in an industry that is cyclical and that has periodically experienced significant year-to-year fluctuations in demand for vehicles; we also experience seasonal variations in demand for our products.

The industries in which we operate have been characterized historically by periodic fluctuations in overall demand for medium- and heavy-duty trucks, passenger cars and other vehicles for which we supply products, resulting in corresponding fluctuations in demand for our products. The length and timing of the cyclical nature of the vehicle industry cannot be predicted with certainty.

Production and sales of the vehicles for which we supply products generally depend on economic conditions and a variety of other factors that are outside our control, including customer spending and preferences, labor relations and regulatory requirements. In particular, demand for our Commercial Truck segment products can be affected by a pre-buy before the effective date of new regulatory requirements, such as changes in emissions standards. Historically, implementation of new, more stringent, emissions standards (like the kind that is scheduled for 2010 in the U.S.), has increased heavy-duty truck demand in the U.S. market prior to the effective date of the new regulations, and correspondingly decreased this demand after the new standards are implemented. However, it is uncertain as to whether this trend will continue and any expected increase in the heavy-duty truck demand prior to the effective date of new emissions standards may be offset by the current instability in the financial markets and resulting economic contraction in the U.S. and worldwide markets.

Sales from the aftermarket portion of our Core Business depend on overall levels of truck ton miles and gross domestic product (GDP) and may be influenced by times of slower economic growth or economic contraction based on the average age of commercial truck fleets.

We may also experience seasonal variations in the demand for our LVS and other products to the extent that vehicle production fluctuates. Historically, for our Core Business (other than the aftermarket) and LVS, demand has been somewhat lower in the quarters ended September 30 and December 31, when OEM plants may close during model changeovers and vacation and holiday periods.

We may be at risk in an upturn of not being able to meet demand.

In the anticipated upturn of the cyclical cycle when demand increases from what has recently been a historical low for production, we may have difficulty in meeting this demand if it occurs rapidly or is extreme. This difficulty may include not having sufficient manpower or working capital to meet the needs of our customers or relying on other suppliers who may not be able to respond quickly to a changed environment when demand increases rapidly.

Disruptions in the financial markets are adversely impacting the availability and cost of credit which could negatively affect our business.

Disruptions in the financial markets, including the bankruptcy, insolvency or restructuring of certain financial institutions, and the lack of liquidity generally continue to impact the availability and cost of incremental credit for many companies and may adversely affect the availability of credit already arranged. These disruptions also continue to adversely affect the U.S. and world economy, further negatively impacting consumer spending patterns in the transportation and industrial sectors. In addition, as our customers and suppliers respond to rapidly changing consumer preferences, they may require access to additional capital. If that capital is not available or its cost is prohibitively high, their business would be negatively impacted which could result in further restructuring or even reorganization under bankruptcy laws. Any such negative impact, in turn, could negatively affect our business either through loss of sales to any of our customers so affected or through inability to meet our commitments (or inability to meet them without excess expense) because of loss of supplies from any of our suppliers so affected. There are no assurances that government responses to these disruptions will restore consumer confidence or improve the liquidity of the financial markets.

In addition, disruptions in the capital and credit markets, as have been experienced during 2008 and 2009, could adversely affect our ability to draw on our revolving credit facility. Our access to funds under that credit facility is dependent on the ability of the banks that are parties to the facility to meet their funding commitments. Those banks may not be able to meet their funding commitments to us if they experience shortages of capital and liquidity or if they experience excessive volumes of borrowing requests from ArvinMeritor and other borrowers within a short period of time. Due to the bankruptcy of Lehman Brothers, for example, $34 million of the commitments on our revolving credit facility are unavailable. Longer term disruptions in the capital and credit markets as a result of uncertainty, changing or increased regulation, reduced alternatives, or failures of significant financial institutions could adversely affect our access to liquidity needed for our business. Any disruption could require us to take measures to conserve cash until the markets stabilize or until alternative credit arrangements or other funding for our business needs can be arranged.

Continued fluctuation in the prices of raw materials and transportation costs has adversely affected our business and, together with other factors, will continue to pose challenges to our financial results.

Prices of raw materials, primarily steel and oil, for our manufacturing needs and costs of transportation continued to increase sharply and to have a negative impact on our operating income in fiscal year 2007 and 2008. In 2008, we pursued recovery of, in some cases, monthly increases in such costs through surcharges or other pricing arrangements with our entire affected customer base in order to mitigate the impact on our operating margins. The price of steel stabilized during fiscal year 2009. However, there was a delayed effect of the decrease, and the price of steel continues to challenge our industry. If we are unable to pass price increases on to our customer base or otherwise mitigate the costs, our operating income could continue to be adversely affected.

Raw material price fluctuation, together with the volatility of the commodity markets will continue to pose challenges to our financial results.

We depend on large OEM customers, and loss of sales to these customers could have an adverse impact on our business.

We are dependent upon large OEM customers with substantial bargaining power with respect to price and other commercial terms in our Core Business as well as in LVS. Loss of all or a substantial portion of sales to any of our large volume customers for whatever reason (including, but not limited to, loss of market share by these customers, loss of contracts, insolvency of such customers, reduced or delayed customer requirements, plant shutdowns, strikes or other work stoppages affecting production by such customers), or continued reduction of prices to these customers, could have a significant adverse effect on our financial results. There can be no assurance that we will not lose all or a portion of sales to our large volume customers, or that we will be able to offset continued reduction of prices to these customers with reductions in our costs.

During fiscal year 2009, sales to AB Volvo and Navistar International Corporation represented approximately 15 percent and 10 percent of our sales from continuing operations. No other customer accounted for 10% or more of our total sales from continuing operations in fiscal year 2009. For fiscal year 2009, our three largest customers were AB Volvo, Navistar International and Volkswagen. The terms of several of our North American agreements with AB Volvo ended in May 2009 and we are currently in the process of negotiating new agreements. During this period, we are continuing to supply AB Volvo, with all parties generally operating under the terms that are expected to be set forth in the new agreements. A failure to enter into new agreements or the inclusion of less favorable terms in the new agreements could adversely affect our business and results of operations.

The level of our sales to large OEM customers, including the realization of future sales from awarded business, is inherently subject to a number of risks and uncertainties, including the number of vehicles that these OEM customers actually produce and sell. Several of our significant customers have major union contracts that expire periodically and are subject to renegotiation. Any strikes or other actions that affect our customers' production during this process would also affect our sales. Further, to the extent that the financial condition, including bankruptcy or market share of any of our largest customers deteriorates or their sales otherwise continue to decline, our financial position and results of operations could be adversely affected. In addition, our customers generally have the right to replace us with another supplier at any time for a variety of reasons. Accordingly, we may not in fact realize all of the future sales represented by our awarded business. Any failure to realize these sales could have a material adverse effect on our financial condition and results of operations.

Escalating price pressures from customers may adversely affect our business.

Pricing pressure by OEMs is a characteristic of the automotive and, to a lesser extent, commercial vehicle industry. Virtually all OEMs have aggressive price reduction initiatives and objectives each year with their suppliers, and such actions are expected to continue in the future. Accordingly, we must be able to reduce our operating costs in order to maintain our current margins. Price reductions have impacted our margins and may do so in the future. There can be no assurance that we will be able to avoid future customer price reductions or offset future customer price reductions through improved operating efficiencies, new manufacturing processes, sourcing alternatives or other cost reduction initiatives.

We operate in a highly competitive industry.

Each of ArvinMeritor's businesses operates in a highly competitive environment. We compete worldwide with a number of North American and international providers of components and systems, some of which are owned by or associated with some of our customers. Some of these competitors are larger and have greater financial resources or have established stronger relationships with significant customers. In addition, certain OEMs manufacture products for their own use that compete with the types of products we supply, and any future increase in this activity could displace ArvinMeritors sales.

Many companies in our industry have undertaken substantial changes in contractual obligations to current and former employees, primarily with respect to pensions and other postretirement benefits. The bankruptcy or insolvency of a major competitor could result in that company's eliminating or reducing some or all of these obligations, which could give that competitor a cost advantage over us.

Exchange rate fluctuations could adversely affect our financial condition and results of operations.

As a result of our substantial international operations, we are exposed to foreign currency risks that arise from our normal business operations, including in connection with our transactions that are denominated in foreign currencies. While we employ financial instruments to hedge certain of our foreign currency exchange risks relating to these transactions, our efforts to manage these risks may not be successful.

In addition, we translate sales and other results denominated in foreign currencies into U.S. dollars for purposes of our consolidated financial statements. As a result, appreciation of the U.S. dollar against these foreign currencies generally will have a negative impact on our reported revenues and operating income while depreciation of the U.S. dollar against these foreign currencies will generally have a positive effect on reported revenues and operating income. For fiscal years 2008 and 2007, our reported financial results have benefited from depreciation of the U.S. dollar against foreign currencies. During fiscal year 2009, our reported financial results have been adversely affected by appreciation of the U.S. dollar against foreign currencies. We do not hedge against our foreign currency exposure related to translations to U.S. dollars of our financial results denominated in foreign currencies.

A disruption in supply of raw materials or parts could impact our production and increase our costs.

Some of our significant suppliers have experienced a weakening financial condition in recent years that resulted, for some companies, in filing for protection under the bankruptcy laws. In addition, some of our significant suppliers are located in developing countries. We are dependent upon the ability of our suppliers to meet performance and quality specifications and delivery schedules. The inability of a supplier to meet these requirements, the loss of a significant supplier, or any labor issues or work stoppages at a significant supplier, could disrupt the supply of raw materials and parts to our facilities and could have an adverse effect on us.

Work stoppages or similar difficulties could significantly disrupt our operations.

A work stoppage at one or more of our manufacturing facilities could have material adverse effects on our business. In addition, if a significant customer were to experience a work stoppage, that customer could halt or limit purchases of our products, which could result in shutting down the related manufacturing facilities. Also, a significant disruption in the supply of a key component due to a work stoppage at one of our suppliers could result in shutting down manufacturing facilities, which could have a material adverse effect on our business.

Our international operations are subject to a number of risks.

We have a significant amount of facilities and operations outside the United States, including investments and joint ventures in developing countries. During fiscal 2009, approximately 61 percent of our sales were generated outside of the United States. Our strategy to grow in emerging markets may put us at risk due to the risks inherent in operating in such markets. In particular, we have grown, and intend as part of our strategy to continue to grow, in the emerging markets of China, India and Brazil. Our international operations are subject to a number of risks inherent in operating abroad, including, but not limited to:

- risks with respect to currency exchange rate fluctuations (as more fully discussed above);
- local economic and political conditions;
- disruptions of capital and trading markets;
- possible terrorist attacks or acts of aggression that could affect vehicle production or the availability of raw materials or supplies;
- restrictive governmental actions (such as restrictions on transfer of funds and trade protection measures, including export duties and quotas and customs duties and tariffs);
- changes in legal or regulatory requirements;
- import or export licensing requirements;
- limitations on the repatriation of funds;
- high inflationary conditions;
- difficulty in obtaining distribution and support;
- nationalization;
- the laws and policies of the United States affecting trade, foreign investment and loans;
- the ability to attract and retain qualified personnel;
- tax laws; and
- labor disruptions.

There can be no assurance that these risks will not have a material adverse impact on our ability to increase or maintain our foreign sales or on our financial condition or results of operations.

Our sales in the military vehicle market are subject to continued appropriations by Congress and reduced funding for defense procurement could result in terminated or delayed contracts with our customers who sell to the U.S. Government and adversely affect our ability to maintain our sales and results of operations.

We have significant sales to U.S. Government contractors in the military vehicle market. Future sales from orders placed under our existing contracts with U.S. Government contractors are reliant on the continuing availability of Congressional appropriations. We and other companies that sell products to the U.S. defense establishment have benefited from an upward trend in overall U.S. defense spending in the last few years. Future defense budgets and appropriations for the military vehicles that our products supply may be affected by possibly differing priorities of the current Administration, including budgeting constraints stemming from the economic recovery and stimulus programs. Reductions in appropriations for these military vehicles, unless offset by other programs and opportunities, could adversely affect our ability to maintain our sales and results of operations.

Our working capital requirements may negatively affect our liquidity and capital resources.

Our working capital requirements can vary significantly, depending in part on the level, variability and timing of our customers' worldwide vehicle production and the payment terms with our customers and suppliers. Our cash flow has been affected by increased working capital requirements driven in part by our expansion efforts in South America and Asia-Pacific, higher receivable balances in non-US operations and lower accounts payable balances reflecting more normalized levels. If our working capital needs exceed our cash flows from operations, we would look to our cash balances and availability for borrowings under our borrowing arrangements to satisfy those needs, as well as potential sources of additional capital, which may not be available on satisfactory terms and in adequate amounts.

Our liquidity, including our access to capital markets and financing, could be constrained by limitations in the overall credit market, our credit ratings, our ability to comply with financial covenants in our debt instruments, and our suppliers suspending normal trade credit terms on our purchases.

Upon expiration of our current revolving credit facility in June 2011, we will require a new or renegotiated facility (which may be smaller and have less favorable terms than our current facility) or other financing arrangements. Our ability to access additional capital in the long-term will depend on availability of capital markets and pricing on commercially reasonable terms as well as our credit profile at the time we are seeking funds, and there is no guarantee that we will be able to access additional capital. In 2009, our credit rating decreased and we saw a significant decline in our stock price.

Standard & Poor's current corporate credit rating and senior secured credit rating for our company is CCC+ and B-, respectively. Moody's Investors Service corporate credit rating and senior secured credit rating for our company is Caa1 and B1, respectively. There are a number of factors, including our ability to achieve the intended benefits from restructuring and other strategic activities on a timely basis, that could result in further lowering of our credit ratings. The rating agencies' opinions about our creditworthiness may also be affected by their views of industry conditions generally, including their views concerning the financial condition of our major OEM customers. If the credit rating agencies perceive further weakening in the industry, they could lower our ratings. Further declines in our ratings could reduce our access to capital markets, further increase our borrowing costs and result in lower trading prices for our securities.

Our liquidity could also be adversely impacted if our suppliers were to suspend normal trade credit terms and require payment in advance or payment on delivery of purchases. If this were to occur, we would be dependent on other sources of financing to bridge the additional period between payment of our suppliers and receipt of payments from our customers.

A violation of the financial covenant in our senior secured credit facility could result in a default thereunder and could lead to an acceleration of our obligations under this facility and, potentially, other indebtedness.

Our ability to borrow under our existing financing arrangements depends on our compliance with covenants in the related agreements, and on our performance against covenants in our bank credit facility that require compliance with certain financial ratios as of the end of each fiscal quarter. To the extent that we are unable to maintain compliance with these requirements or to perform against the financial ratio covenants, due to one or more of the various risk factors discussed herein or otherwise, our ability to borrow, and our liquidity, would be adversely impacted.

Our availability under our revolving credit facility is subject to a senior secured debt to EBITDA ratio covenant, as defined in the agreement, which may limit our borrowings under the agreement as of each quarter end. Under the terms of this covenant, this senior secured debt to EBITDA ratio has to be no greater than 2.00 to 1 on the last day of the quarter. If an amendment or waiver is needed and not obtained, we would be in violation of that covenant and the lenders would have the right to accelerate the obligations upon the vote of the lenders holding at least 51% of outstanding loans thereunder. A default under the senior secured credit facility could also constitute a default under our outstanding convertible notes as well as our U.S. receivables facility and could result in the acceleration of these obligations. In addition, a default under our senior secured credit facility could result in a cross-default or the acceleration of our payment obligations under other financing agreements. If our obligations under our senior secured credit facility and other financing arrangements are accelerated as described above, our assets and cash flow may be insufficient to fully repay these obligations, and the lenders under our senior secured credit facility could institute foreclosure proceedings against our assets.

Our strategic initiatives may be unsuccessful, may take longer than anticipated, or may result in unanticipated costs.

The success and timing of any future divestitures (including, without limitation, our LVS Body Systems business) and acquisitions will depend on a variety of factors, many of which are not within our control. If we engage in acquisitions, we may finance these transactions by issuing additional debt or equity securities. The additional debt from any such acquisitions, if consummated, could increase our debt to capitalization ratio. In addition, the ultimate benefit of any acquisition would depend on our ability to successfully integrate the acquired entity or assets into our existing business and to achieve any projected synergies. There is no assurance that the total costs and total cash costs associated with any current and future restructuring will not exceed our estimates, or that we will be able to achieve the intended benefits of these restructurings.

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We are exposed to environmental, health and safety and product liabilities.

Our business is subject to liabilities with respect to environmental and health and safety matters. In addition, we are required to comply with federal, state, local and foreign laws and regulations governing the protection of the environment and health and safety, and we could be held liable for damages arising out of human exposure to hazardous substances or other environmental or natural resource damages. Environmental health and safety laws and regulations are complex, change frequently and tend to be increasingly stringent. As a result, our future costs to comply with such laws may increase significantly. There is also an inherent risk of exposure to warranty and product liability claims, as well as product recalls, in the commercial and automotive vehicle industry if our products fail to perform to specifications or are alleged to cause property damage, injury or death.

With respect to environmental liabilities, we have been designated as a potentially responsible party at eight Superfund sites (excluding sites as to which our records disclose no involvement or as to which our liability has been finally determined). In addition to the Superfund sites, various other lawsuits, claims and proceedings have been asserted against us alleging violations of federal, state and local and foreign environmental protection requirements or seeking remediation of alleged environmental impairments. We have established reserves for these liabilities when we determine that the company has a probable obligation and we can reasonably estimate it, but the process of estimating environmental liabilities is complex and dependent on evolving physical and scientific data at the site, uncertainties as to remedies and technologies to be used, and the outcome of discussions with regulatory agencies. The actual amount of costs or damages for which we may be held responsible could materially exceed our current estimates because of these and other uncertainties which make it difficult to predict actual costs accurately. In future periods, new laws and regulations, changes in remediation plans, advances in technology and additional information about the ultimate clean-up remedy could significantly change our estimates and have a material impact on our financial position and results of operations. Management cannot assess the possible effect of compliance with future requirements.

We are exposed to asbestos litigation liability.

One of our subsidiaries, Maremont Corporation, manufactured friction products containing asbestos from 1953 through 1977, when it sold its friction product business. We 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. We, along with many other companies, have also been named as a defendant in lawsuits alleging personal injury as a result of exposure to asbestos used in certain components of products of Rockwell International Corporation (now Rockwell Automation, Inc., and referred to as "Rockwell"). Liability for these claims was transferred to us at the time of the spin-off of Rockwell's automotive business to Meritor in 1997.

The uncertainties of asbestos claim litigation, the outcome of litigation with insurance companies regarding the scope of coverage and the long-term solvency of our insurance carriers make it difficult to predict accurately the ultimate resolution of asbestos claims. The possibility of adverse rulings or new legislation affecting asbestos claim litigation or the settlement process increases that uncertainty. Although we have established reserves to address asbestos liability and corresponding receivables for recoveries from our insurance carriers, if our 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 asbestos-related claims, and the effect on us, could differ materially from our current estimates and, therefore, could have a material impact on our financial position and results of operations.

We are exposed to the rising cost of pension and other postretirement benefits.

The commercial and automotive vehicle industry, like other industries, continues to be impacted by the rising cost of pension and other postretirement benefits. In estimating our expected obligations under our pension and postretirement benefit plans, we make certain assumptions as to economic and demographic factors, such as discount rates, investment returns and health care cost trends. If actual experience as to these factors is worse than our assumptions, our obligations could increase. Due to the worldwide recession and its effect on our pension liabilities and related investments, our pension plans are underfunded by $517 million as of September 30, 2009. As a result of this underfunding, we may be required to increase our contributions to these plans.

Impairment in the carrying value of long-lived assets and goodwill could negatively affect our operating results and financial condition.

We have a significant amount of long-lived assets and goodwill on our consolidated balance sheet. Under generally accepted accounting principles, long-lived assets, excluding goodwill, are required to be reviewed for impairment whenever adverse events or changes in circumstances indicate a possible impairment. If business conditions or other factors cause our operating results and cash flows to decline, we may be required to record non-cash impairment charges. Goodwill must be evaluated for impairment at least annually. If the carrying value of our reporting units exceeds their current fair value as determined based on the discounted future cash flows of the related business, the goodwill is considered impaired and is reduced to fair value via a non-cash charge to earnings. Events and conditions that could result in impairment in the value of our long-lived assets and goodwill include changes in the industries in which we operate, particularly the impact of the current downturn in the global economy, as well as competition and advances in technology, adverse changes in the regulatory environment, or other factors leading to reduction in expected long-term sales or operating results. If the value of long-lived assets or goodwill is impaired, our earnings and financial condition could be adversely affected.

The value of our deferred tax assets could become impaired, which could materially and adversely affect our results of operations and financial condition.

In accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 740 Income Taxes, each quarter we determine the probability of the realization of deferred tax assets, using significant judgments and estimates with respect to, among other things, historical operating results, expectations of future earnings and tax planning strategies. If we determine in the future that there is not sufficient positive evidence to support the valuation of these assets, due to the risk factors described herein or other factors, we may be required to adjust the valuation allowance to reduce our deferred tax assets. Such a reduction could result in material non-cash expenses in the period in which the valuation allowance is adjusted and could have a material adverse effect on our results of operations and financial condition.

Our overall effective tax rate is equal to our total tax expense as a percentage of our total earnings before tax. However, tax expenses and benefits are determined separately for each tax paying component (an individual entity) or group of entities that is consolidated for tax purposes in each jurisdiction. Losses in certain jurisdictions which have valuation allowances against their deferred tax assets provide no current financial statement tax benefit unless required under the intra-period allocation requirements of ASC Topic 740. As a result, changes in the mix of projected earnings between jurisdictions, among other factors, could have a significant impact on our overall effective tax rate.

Our unrecognized tax benefits recorded in accordance with FASB ASC Topic 740 could significantly change.

FASB ASC Topic 740, Income Taxes, defines the confidence level that a tax position must meet in order to be recognized in the financial statements. This topic requires that the tax effects of a position be recognized only if it is "more-likely-than-not" to be sustained based solely on its technical merits as of the reporting date. The more-likely-than-not threshold represents a positive assertion by management that a company is entitled to the economic benefits of a tax position. If a tax position is not considered more-likely-than-not to be sustained based solely on its technical merits, no benefits of the position are to be recognized. Moreover, the more-likely-than-not threshold must continue to be met in each reporting period to support continued recognition of a benefit. In the event that the more-likely-than-not threshold is not met, we would be required to change the relevant tax position which could have an adverse effect on our results of operations and financial condition.

Restriction on use of tax attributes from tax law ownership change

Section 382 of the U.S. Internal Revenue Code of 1986, as amended, limits the ability of a corporation that undergoes an ownership change to use its tax attributes, such as net operating losses and tax credits. In general, an ownership change occurs if five percent shareholders (applying certain look-through rules) of an issuers outstanding common stock, collectively, increase their ownership percentage by more than fifty percentage points within any three year period over such shareholders lowest percentage ownership during this period. If we were to issue new shares of stock, such new shares could contribute to such an ownership change under U.S. tax law. Moreover, not every event that could contribute to such an ownership change is within our control. If an ownership change under Section 382 were to occur, our ability to utilize tax attributes in the future may be limited.

Assertions against us or our customers relating to intellectual property rights could materially impact our business.

Our industry is characterized by companies that hold large numbers of patents and other intellectual property rights and that vigorously pursue, protect and enforce intellectual property rights. From time to time, third parties may assert against us and our customers and distributors their patent and other intellectual property rights to technologies that are important to our business.

Claims that our products or technology infringe third-party intellectual property rights, regardless of their merit or resolution, are frequently costly to defend or settle and divert the efforts and attention of our management and technical personnel. In addition, many of our supply agreements require us to indemnify our customers and distributors from third-party infringement claims, which have in the past and may in the future require that we defend those claims and might require that we pay damages in the case of adverse rulings. Claims of this sort also could harm our relationships with our customers and might deter future customers from doing business with us. We do not know whether we will prevail in these proceedings given the complex technical issues and inherent uncertainties in intellectual property litigation. If any pending or future proceedings result in an adverse outcome, we could be required to:

- cease the manufacture, use or sale of the infringing products or technology;
- pay substantial damages for infringement;
- expend significant resources to develop non-infringing products or technology;
- license technology from the third-party claiming infringement, which license may not be available on commercially reasonable terms, or at all;
- enter into cross-licenses with our competitors, which could weaken our overall intellectual property portfolio;
- lose the opportunity to license our technology to others or to collect royalty payments based upon successful protection and assertion of our intellectual property against others;

- pay substantial damages to our customers or end users to discontinue use or replace infringing technology with non-infringing technology; or
- relinquish rights associated with one or more of our patent claims, if our claims are held invalid or otherwise unenforceable.

Any of the foregoing results could have a material adverse effect on our business, financial condition and results of operations.

We utilize a significant amount of intellectual property in our business. If we are unable to protect our intellectual property, our business could be adversely affected.

Our success depends in part upon our ability to protect our intellectual property. To accomplish this, we rely on a combination of intellectual property rights, including patents, trademarks and trade secrets, as well as customary contractual protections with our customers, distributors, employees and consultants, and through security measures to protect our trade secrets. We cannot guarantee that:

- any of our present or future patents will not lapse or be invalidated, circumvented, challenged, abandoned or, in the case of third-party patents licensed or sub-licensed to us, be licensed to others;
- our intellectual property rights will provide competitive advantages to us;
- rights previously granted by third parties to intellectual property rights licensed or assigned to us, will not hamper our ability to assert our intellectual property rights against potential competitors or hinder the settlement of currently pending or future disputes;
- any of our pending or future patent applications will be issued or have the coverage originally sought;
- our intellectual property rights will be enforced in jurisdictions where competition may be intense or where legal protection may be weak; or
- any of the trademarks, trade secrets or other intellectual property rights that we presently employ in our business will not lapse or be invalidated, circumvented, challenged, abandoned or licensed to others.

In addition, we may not receive competitive advantages from the rights granted under our patents and other intellectual property rights. Our competitors may develop technologies that are similar or superior to our proprietary technologies, duplicate our proprietary technologies, or design around the patents we own or license. Our existing and future patents may be circumvented, blocked, licensed to others, or challenged as to inventorship, ownership, scope, validity or enforceability. Effective intellectual property protection may be unavailable or more limited in one or more relevant jurisdictions relative to those protections available in the United States, or may not be applied for in one or more relevant jurisdictions. If we pursue litigation to assert our intellectual property rights, an adverse decision in any of these legal actions could limit our ability to assert our intellectual property rights, limit the value of our technology or otherwise negatively impact our business, financial condition and results of operations.

We are a party to a number of patent and intellectual property license agreements. Some of these license agreements require us to make one-time or periodic payments. We may need to obtain additional licenses or renew existing license agreements in the future. We are unable to predict whether these license agreements can be obtained or renewed on acceptable terms.

Item 1B. ***Unresolved Staff Comments.***

None.

Item 2. ***Properties.***

At September 30, 2009, our operating segments and our majority owned and minority owned joint ventures had the following facilities in the United States, Europe, South America, Canada, Mexico, Australia, South Africa and the Asia/Pacific region. For purposes of these numbers, multiple facilities in one geographic location are counted as one facility.

	Manufacturing Facilities	Engineering Facilities, Sales Offices, Warehouses and Service Centers
Commercial Truck	19	11
Industrial	10	3
Aftermarket & Trailer	10	11
LVS	29	9
Other	3	7
	71	41

These facilities had an aggregate floor space of approximately 15 million square feet, substantially all of which is in use. We owned approximately 71% and leased approximately 29% of this floor space. Substantially all of our owned domestic plants and equipment are subject to liens securing our obligations under our revolving credit facility with a group of banks (see Note 16 of the Notes to Consolidated Financial Statements under Item 8. *Financial Statements and Supplementary Data*). In the opinion of management, our properties have been well maintained, are in sound operating condition and contain all equipment and facilities necessary to operate at present levels.

A summary of floor space of these facilities at September 30, 2009, is as follows:

	Owned Facilities					Leased Facilities			
Location	**LVS**	**Commercial Truck**	**Aftermarket & Trailers**	**Industrial**	**Other**	**LVS**	**Commercial Truck**	**Aftermarket & Trailers**	**Industrial**
United States	266,050	1,237,763	432,037	1,013,528	630,756	292,850	487,723	470,327	7,500
Canada	217,233	196,000	—	—	452,000	—	—	307,174	—
Europe	611,732	2,185,581	656,661	—	—	824,662	92,141	112,826	—
Asia/Pacific	232,625	—	—	470,805	—	352,985	21,284	—	797,201
Latin America	15,855	1,605,400	38,913	—	—	45,213	400,000	33,207	—
Total	1,343,495	5,224,744	1,127,611	1,484,333	1,082,756	1,515,710	1,001,148	923,534	804,701

Item 3. ***Legal Proceedings***

1. See Note 20 of the Notes to Consolidated Financial Statements under Item 8. *Financial Statements and Supplementary Data* for information with respect to three class action lawsuits filed against the company as a result of modifications made to its retiree medical benefits.

2. See Note 23 of the Notes to Consolidated Financial Statements under Item 8. *Financial Statements and Supplementary Data* for information with respect to litigation related to alleged asbestos-related liabilities.

3. See Item 1. *Business*, "Environmental Matters" for information relating to environmental proceedings.

4. On October 5, 2006, ZF Meritor LLC, a joint venture between an ArvinMeritor subsidiary and ZF Friedrichshafen AG, filed a lawsuit against Eaton Corporation in the United States District Court for the District of Delaware, alleging that Eaton had engaged in exclusionary, anticompetitive conduct in the markets for heavy-duty truck transmissions, in violation of the U.S. antitrust laws. The plaintiffs seek an injunction prohibiting Eaton from engaging in such anticompetitive conduct and monetary damages. On October 8, 2009, the jury found that Eaton engaged in exclusionary and anticompetitive conduct in the sale and marketing of heavy-duty truck transmissions. This ruling completed the initial phase of the trial in which the jury was asked to determine whether or not Eaton was liable for the alleged violations. Given the jury's finding that Eaton did engage in anticompetitive conduct, the

parties are expected to now proceed to the damages phase of the legal process through a separate trial. Eaton has indicated publicly that it intends to move to set aside the jury verdict and/or appeal the liability decision.

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5. 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.

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

Item 4. *Submission of Matters to a Vote of Security Holders.*

There were no matters submitted to a vote of security holders during the fourth quarter of fiscal year 2009.

Item 4A. *Executive Officers of the Registrant*.

The name, age, positions and offices held with ArvinMeritor and principal occupations and employment during the past five years of each of our executive officers as of November 6, 2009, are as follows:

Charles G. McClure, Jr., 56 — Chairman of the Board, Chief Executive Officer and President since August 2004. Chief Executive Officer of Federal-Mogul Corporation (automotive component supplier) from July 2003 to July 2004; and President and Chief Operating Officer of Federal-Mogul Corporation from January 2001 to July 2003.

Vernon G. Baker, II, 56 — Senior Vice President and General Counsel since July 2000.

Timothy E. Bowes, 46 — Vice President and President, Industrial, since November 6, 2009; Vice President and Managing Director, Asia Pacific since 2008; Vice President, Sales, Marketing & Product Strategy from 2007 — 2008; and General Manager, Specialty Sales & Service from 2005 — 2007. Prior to that he was Vice President, Sales, Hilite International.

Jeffrey A. Craig, 49 — Senior Vice President and Chief Financial Officer since January 2009 and Acting Controller from May 2008 to January 2009. Senior Vice President and Controller from July 2007 to May 2008. Vice President and Controller of ArvinMeritor from May 2006 to July 2007; and President and Chief Executive Officer, Commercial Finance, of General Motors Acceptance Corporation (automotive and commercial finance, mortgage, real estate and insurance businesses) from 2001 to May 2006.

Linda M. Cummins, 62 - Senior Vice President, Communications, since July 2000.

James D. Donlon, III, 63 — Executive Vice President since May 2008. Executive Vice President and Chief Financial Officer from July 2007 to May 2008. Senior Vice President and Chief Financial Officer of ArvinMeritor from April 2005 to July 2007; Senior Vice President and Chief Financial Officer of Kmart Corporation (retailer) from January 2004 to March 2005; and Senior Vice President and Controller of the Chrysler Division of DaimlerChrysler AG (automotive) from 2001 to 2003.

Mary A. Lehmann, 50 Senior Vice President, Strategic Initiatives, since July 2009 and Treasurer from July 2007 to July 2009. Vice President and Treasurer of ArvinMeritor from January 2006 to July 2007; Assistant Treasurer of ArvinMeritor from 2004 to January 2006; and Director, Affiliate Financing, of Ford Motor Company (automotive) from 2001 to 2004.

Joseph L. Mejaly, 46 Vice President and President, Aftermarket & Trailer since November 6, 2009; Vice President and General Manager, Commercial Vehicle Aftermarket from 2005 2009; Director, Customer Support from 2001 2005.

Barbara G. Novak, 47 Vice President and Secretary since January 2008 and appointed as an executive officer in January 2009. Senior Counsel, Securities of TRW Automotive Holdings Corp. (automotive) from 2002 to 2007.

Carsten J. Reinhardt, 42 Senior Vice President and Chief Operating Officer since November 6, 2009, Senior Vice President and President, Commercial Vehicle Systems from September 2006 to November 2009. Chief Executive Officer and President of Detroit Diesel Corporation (a subsidiary of DaimlerChrysler AG) from March 2003 to September 2006; and General Manager and Vice President-Operations for Western Star Trucks (a subsidiary of DaimlerChrysler AG) from March 2001 to March 2003.

There are no family relationships, as defined in Item 401 of Regulation S-K, between any of the above executive officers and any director, executive officer or person nominated to become a director or executive officer. No officer of ArvinMeritor was selected pursuant to any arrangement or understanding between him or her and any person other than ArvinMeritor. All executive officers are elected annually.

PART II

Item 5. *Market for Registrants Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities*

ArvinMeritor's common stock, par value $1 per share (Common Stock), is listed on the New York Stock Exchange (NYSE) and trades under the symbol "ARM." On November 2, 2009, there were 23,611 shareowners of record of ArvinMeritor's Common Stock.

The high and low sale prices per share of ArvinMeritor Common Stock for each quarter of fiscal years 2009 and 2008 were as follows:

	Fiscal Year 2009		Fiscal Year 2008	
Quarter Ended	**High**	**Low**	**High**	**Low**
December 31	$ 13.70	$ 2.21	$ 17.60	$ 9.17
March 31	3.99	0.32	14.24	9.08
June 30	4.42	0.65	17.40	12.11
September 30	9.29	3.14	18.11	9.99

Quarterly cash dividends in the amount of $0.10 per share were declared and paid in each quarter of the fiscal year 2008 and in the first quarter of fiscal year 2009. This dividend was suspended in February of 2009. Our payment of cash dividends and the amount of the dividend are subject to review and change at the discretion of our Board of Directors.

See Item 12. *Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters* for information on securities authorized for issuance under equity compensation plans.

Issuer repurchases

The independent trustee of our 401(k) plans purchases shares in the open market to fund investments by employees in our common stock, one of the investment options available under such plans, and any matching contributions in company stock we provide under certain of such plans. In addition, our stock incentive plans permit payment of an option exercise price by means of cashless exercise through a broker and permit the satisfaction of the minimum statutory tax obligations upon exercise of options and the vesting of restricted stock units through stock withholding. However, the company does not believe such purchases or transactions are issuer repurchases for the purposes of this Item 5 of this Report on Form 10-K. In addition, our stock incentive plans also permit the satisfaction of tax obligations upon the vesting of restricted stock through stock withholding. There were 9,531 shares so withheld in the fourth quarter of fiscal year 2009.

Period	(a) Total Number of Shares Purchases [1]	(b) Average Price Paid Per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
07/01/09 — 07/31/09	5,681	$ 5.20	N/A	N/A
08/01/09 — 08/31/09	—	—	N/A	N/A
09/01/09 — 09/30/09	3,850	$ 8.94	N/A	N/A
Total	9,531	$ 6.71	N/A	N/A

(1) Shares of restricted stock were withheld by ArvinMeritor, upon vesting of restricted stock, to satisfy tax withholding requirements.

Shareowner Return Performance Presentation

The line graph below compares the cumulative total shareowner return on an investment in ArvinMeritor's common stock against the cumulative total return of the S&P 500 and a peer group of companies for the period from September 30, 2004 to September 30, 2009, assuming a fixed investment of $100 at the respective closing prices on the last day of each fiscal year and reinvestment of all cash dividends.

Comparison of Total Return
Common Stock, S&P 500 Index[1] and Peer Group Index[2]

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*
Among ArvinMeritor, Inc., The S&P 500 Index
And A Peer Group

1 Standard & Poor's 500 Market Index.

2 We believe that a peer group of representative independent automotive suppliers of approximately comparable size and products to ArvinMeritor is appropriate for comparing shareowner return. The peer group consists of BorgWarner, Inc., Cummins Inc., Dana Holding Corp., Delphi Corporation, Eaton Corporation, Johnson Controls, Inc., Lear Corporation, Superior Industries International, Inc., Tenneco, Inc. and Visteon Corporation. This peer group is the same as the group utilized in the performance chart in the Annual Report on Form 10-K for the fiscal year ended September 30, 2008.

The information included under the heading "Shareowner Return Performance Presentation" is not to be treated as "soliciting material" or as "filed" with the SEC, and is not incorporated by reference into any filing by the company under the Securities Act of 1933 or the Securities Exchange Act of 1934 that is made on, before or after the date of filing of this Annual Report on Form 10-K.

Item 6. *Selected Financial Data.*

The following sets forth selected consolidated financial data. The data should be read in conjunction with the information included under Item 7. *Management's Discussion and Analysis of Financial Condition and Results of Operations* and Item 8. *Financial Statements and Supplementary Data* below.

	Year Ended September 30,				
	2009	**2008**	**2007**	**2006**	**2005**
SUMMARY OF OPERATIONS					
Commercial Truck	$ 1,566	$ 2,922	$ 2,621	$ 2,764	$ 2,641
Industrial	888	1,117	854	697	582
Aftermarket & Trailer	954	1,183	1,090	1,092	1,106
Light Vehicle Systems	1,033	1,571	1,515	1,518	1,625
Intersegment Sales	(333)	(403)	(360)	(374)	(357)
Total Continuing Operations	$ 4,108	$ 6,390	$ 5,720	$ 5,697	$ 5,597
Operating Income (Loss)	$ (290)	$ 135	$ (22)	$ 104	$ 111
Income (Loss) Before Income Taxes	(361)	93	(97)	6	15
Income (Loss) from Continuing Operations	$ (1,077)	$ (115)	$ (93)	$ 70	$ 27
Income (Loss) from Discontinued Operations	(135)	14	(126)	(245)	(15)
Net Income (Loss)	$ (1,212)	$ (101)	$ (219)	$ (175)	$ 12
BASIC EARNINGS (LOSS) PER SHARE					
Continuing Operations	$ (14.86)	$ (1.60)	$ (1.32)	$ 1.01	$ 0.39
Discontinued Operations	(1.86)	0.20	(1.79)	(3.53)	(0.22)
Basic Earnings (Loss) per Share	$ (16.72)	$ (1.40)	$ (3.11)	$ (2.52)	$ 0.17
DILUTED EARNINGS (LOSS) PER SHARE					
Continuing Operations	$ (14.86)	$ (1.60)	$ (1.32)	$ 1.00	$ 0.39
Discontinued Operations	(1.86)	0.20	(1.79)	(3.49)	(0.22)
Diluted Earnings (Loss) per Share	$ (16.72)	$ (1.40)	$ (3.11)	$ (2.49)	$ 0.17
Cash Dividends per Share	$ 0.10	$ 0.40	$ 0.40	$ 0.40	$ 0.40
FINANCIAL POSITION AT SEPTEMBER 30					
Total Assets	$ 2,508	$ 4,674	$ 4,789	$ 5,508	$ 5,872
Short-term Debt	97	240	18	56	136
Long-term Debt	1,080	1,063	1,130	1,174	1,436

Income (loss) from continuing operations in the selected financial data information presented above includes the following items specific to the period of occurrence (in millions):

	Year Ended September 30,				
	2009	**2008**	**2007**	**2006**	**2005**
Pretax items:					
Restructuring costs	$ (80)	$ (9)	$ (62)	$ (17)	$ (45)
Asset impairment charges	(223)	—	—	—	—
LVS separation costs	(9)	(19)	—	—	—
Gain on divestitures of business	—	—	1	14	—
Environmental remediation charges	(1)	(3)	(2)	(8)	(7)
After tax items:					
Non-cash charge on repatriated earnings	—	(137)	—	—	—
Deferred tax asset valuation allowance	(676)	(46)	—	—	(25)

Income (loss) from discontinued operations in the selected financial data information presented above includes the following items specific to the period of occurrence (in millions):

	Year Ended September 30,				
	2009	2008	2007	2006	2005
Pretax items:					
Gain (loss) on divestitures of businesses, net	$ (10)	$ (16)	$ (200)	$ 28	$ 7
Restructuring costs	(21)	(11)	(3)	(16)	(74)
Long-lived assets and goodwill impairment (charges) reversals	(56)	—	12	(332)	(43)
Charge for indemnity obligation	(28)	—	—	—	—

Item 7. *Management's Discussion and Analysis of Financial Conditions and Results of Operations.*

Overview

ArvinMeritor, Inc., 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 original equipment manufacturers. ArvinMeritor common stock is traded on the New York Stock Exchange under the ticker symbol ARM.

Fiscal year 2009 was extremely difficult for us and the industries in which we participate. We believe that the substantial uncertainty and significant deterioration in the worldwide credit markets, the global economic downturn and the current climate in the U.S. and other economies have impacted the demand for the products of our customers as highlighted in the production volumes summarized below. Many of our customers have experienced sharp declines in production and sales volumes, which started in November 2008 and have continued through September 2009 and are expected to continue at reduced levels in the near term with recovery varying by region. These decreases in production and sales volumes had a significant impact on our revenues and operating results in the fiscal year ended September 30, 2009 and will continue to negatively impact our revenue and operating results until production levels return to historically normal levels. Our business was adversely affected in fiscal year 2009 by decreased volumes in all major markets with most of the declines occurring in North America and Europe.

The following table reflects estimated commercial vehicle and automotive production volumes for selected original equipment (OE) markets for the fiscal year ended September 30, 2009 and 2008 based on available sources and management's estimates.

	Year Ended September 30,				
	2009	2008	2007	2006	2005
Estimated Commercial Vehicle production (in thousands):					
North America, Heavy-Duty Trucks	128	194	246	352	324
North America, Medium-Duty Trucks	74	122	176	216	208
United States and Canada, Trailers	93	176	275	312	327
Western Europe, Heavy- and Medium-Duty Trucks	247	562	480	439	421
South America, Heavy- and Medium- Duty Trucks	118	161	127	107	112
Estimated Light Vehicle production (in millions):					
North America	8.5	13.7	15.1	15.7	15.6
South America	3.4	4.0	3.3	3.0	2.7
Western Europe (including Czech Republic)	12.1	15.6	16.5	16.4	16.4
Asia/Pacific	25.8	29.6	26.7	24.8	22.7

In addition, our business continues to address a number of challenging industry-wide issues including the following:

- Weakened financial condition of original equipment manufacturers and suppliers;
- Disruptions in the financial markets and its impact on the availability and cost of credit;
- Excess capacity;
- Consolidation and globalization of OEMs and their suppliers;
- Fluctuating costs for steel and other raw materials;
- Higher energy and transportation costs;
- OE pricing pressures;
- Pension and retiree medical health care costs; and
- Currency exchange rate volatility.

We continue to implement and execute our long-term profit improvement and cost reduction initiative called "Performance Plus", which was launched in fiscal year 2007. In addition, we further responded to the weakness in global business conditions in fiscal year 2009 by aggressively lowering our "break-even" point through comprehensive restructuring and cost-reduction initiatives as discussed below. We continue to focus on improving cash flow by maintaining tight controls on global inventory, pursuing working capital improvements, reducing capital spending and significantly reducing discretionary spending. These initiatives were crucial to our success in fiscal year 2009 in weathering the global recession and preparing for future economic recovery. During this recessionary period we were able to complete the divestitures of certain businesses as discussed below and execute the other actions needed to enable us to meet covenants in our senior secured credit facility, and thus retain our availability of that facility. In September 2009, in anticipation of the expiration of our existing U.S. accounts receivable securitization arrangement, we entered into a new, two-year U.S. receivables financing arrangement. We also renewed significant factoring lines. We intend to remain focused on ensuring access to adequate liquidity throughout this challenging business climate and to fund future growth.

While we have been unable to fully offset recent market declines, we are focused on actions to improve our market share and diversification strategies to help offset the decline. These strategies are also expected to position us well as markets recover. We expect the lower cost base that we have established through the above disciplined approach to cost reductions to serve us well not only through the current difficult environment but also during an economic recovery in the future.

Cost Reduction Initiatives and Restructuring Actions

Since October 2008, we have implemented a number of immediate restructuring and cost reduction initiatives aimed at mitigating current market conditions. These actions include:

- Temporary or permanent workforce reductions of approximately 3,000 employees, including full-time, contract and temporary workers;
- Plant level furlough programs, including government supported programs;
- Extended shutdowns at all plants;
- Temporary pay reductions for salaried employees, which were achieved through temporary base salary adjustments and/or curtailed production schedules;
- Temporary suspension of the matching contribution for the U.S. 401(k) plan;

- Temporary suspension of fiscal year 2009 merit increases for all employees; and
- Temporary reduction of Board of Directors annual compensation by 10 percent.

The majority of these actions have already been completed. We have recognized in our continuing operations approximately $44 million of restructuring costs in connection with these actions for severance and related benefits, of which $36 million was paid in fiscal year 2009.

In fiscal year 2009, our Core Business achieved an estimated $195 million in savings related to these significant actions. We estimate approximately $48 million of these savings are related to temporary cost reduction measures associated with the suspension of annual variable incentive compensation, 401(k) employer matching contributions and salary reductions. In addition, approximately $50 million of these savings are related to variable labor which would be expected to increase as market volumes recover.

As part of Performance Plus, in fiscal year 2009, we closed our commercial vehicle manufacturing facility in Tilbury, Ontario, Canada (Tilbury). We recognized restructuring costs of approximately $30 million in the second quarter of fiscal year 2009 associated with the Tilbury closure for estimated employee severance benefits, including pension termination benefits under the terms of the Tilbury retirement plans and certain asset impairment charges. We expect a significant portion of the cash payments associated with this closure to be incurred in fiscal years 2010 through 2012. In the third fiscal quarter of 2009, the company announced the closure of its commercial vehicle facility in Carrollton, Kentucky and recognized approximately $2 million of restructuring costs. This facility is expected to close in the first quarter of fiscal year 2010.

Divestiture Activity

After significant strategic review, we announced in 2008 our intention to separate our Commercial Vehicle Systems (CVS) and Light Vehicle Systems (LVS) businesses. We subsequently attempted to complete the separation through a spin-off of the LVS business via a tax-free distribution to ArvinMeritor stockholders. During fiscal years 2009 and 2008, we incurred approximately $19 million and $9 million of costs, respectively, associated with these spin-off related activities, which are included in selling, general and administrative expenses in the consolidated statement of operations included in the Consolidated Financial Statements under Item 1. *Financial Statements and Supplementary Data.* The unprecedented challenges in the credit markets, deterioration in the automotive markets and other factors prompted us to investigate other alternatives for the separation, including a potential sale of all or portions of the LVS business. In the second quarter of fiscal year 2009, we announced our intention to reorganize the LVS business into separate product lines consisting of Body Systems, Chassis and Wheels, with the intention to pursue exit strategies as market and other conditions support such actions. In the third quarter of fiscal year 2009, we completed (or entered into agreements to complete) the sale of most of the Chassis businesses, as discussed below. In September 2009, we completed the sale of the Wheels business, also discussed below. The results of operations and cash flows of these businesses are presented in discontinued operations in the consolidated statements of operations and consolidated statement of cash flows and prior periods have been recasted to reflect this presentation. The Body Systems business is included in our continuing operations. We are continuing to strategically evaluate all options with respect to divesting our Body Systems business, including a sale of the entire business, multiple sales of portions of the business, shut downs of portions of the business or a combination of partial sales and shut downs. We expect that the divestiture process will extend until the end of 2010 or beyond. There are significant risks, uncertainties and costs inherent in any options we may pursue, including the terms upon which any sale agreement with respect to any portion of the business may be entered into (including potential substantial costs) and the amount of any exit costs. See Item 1A. *Risk Factors*.

In September 2009, we completed the sale of the 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.

In fiscal year 2009, with respect to the LVS Chassis businesses, we accomplished the following:

- completed the sale of our 51 percent interest in Gabriel de Venezuela to the joint venture partner;
- completed the sale of our Gabriel Ride Control Products North America business;
- entered into a binding letter of intent to sell our 57 percent interest in Meritor Suspension Systems Company (MSSC) to the joint venture partner, a subsidiary of Mitsubishi Steel Mfg. Co., LTD (MSM). We completed the sale of our interest in MSSC on October 30, 2009.

These transactions largely complete the divestiture of our Chassis businesses. The remaining Chassis businesses primarily represent our suspension module assembly business which is expected to run-off over the next two years as various vehicle programs come to a conclusion. Sales from our remaining Chassis businesses were approximately $106 million in fiscal year 2009.

Change of Reporting Segments

As a result of the Chassis and Wheels divestitures described above, LVS now consists primarily of our 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 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 and drivelines and suspension for off-highway, military, construction, bus and coach, fire and emergency, and other industrial applications. This segment also includes all of our business 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 our Body Systems business, which supplies roof and door systems for passenger cars to OEMs, and our 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 our revised reporting segments.

Liquidity

Our cash and liquidity needs have been impacted by the level, variability and timing of our customers' worldwide vehicle production and other factors outside of our control. In addition, although our long term strategy is to become primarily a commercial vehicle and industrial company, the financial and economic environment has made this difficult to accomplish in its entirety in the short term and has left us with servicing the cash outflows of certain of our light vehicle businesses, which have been substantial. The divestiture of several of our light vehicle Chassis businesses, in addition to restructuring actions and other cost reductions taken during the fiscal year, are expected to limit the cash outflow of our LVS businesses going forward. However the cash needs of the remaining LVS businesses could be significant while we continue to operate these businesses. In addition, potential cash costs to sell or shut down all or portions of our Body Systems business may be substantial dependent on the timing and specific actions to complete this process.

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 our customers or vendors. We saw our 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 LVS businesses allowed us 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, we had $95 million in cash and cash equivalents and an undrawn amount of $611 million under the revolving credit facility. Our 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 our borrowings under the agreement as of each quarter end. As long as we are in compliance with this covenant as of the quarter end, we have full availability under the revolving credit facility every other day during the quarter. We were in compliance with this covenant as of September 30, 2009.

Our future liquidity is subject to a number of factors, including access to adequate funding under our 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 our operating requirements through the term of our existing revolving credit facility in June 2011.

Other significant factors that could affect our results and liquidity in fiscal year 2010 include:

- Volatility in financial markets around the world;
- Timing and extent of recovery of the production and sales volumes in commercial and light vehicle markets around the world;
- A significant further deterioration or slow down in economic activity in the key markets we operate;
- Further lower volume of orders from key customers;
- The financial strength of our suppliers and customers, including potential bankruptcies;
- Higher than planned price reductions to our customers;
- Volatility in price and availability of steel and other commodities;
- Any unplanned extended shutdowns or production interruptions by us, our customers or our suppliers;
- Our ability to successfully complete the separation of our light vehicle businesses from our commercial vehicle business, with respect to our Body Systems business;
- The impact of our recent divestitures;
- Additional restructuring actions and the timing and recognition of restructuring charges;
- Higher than planned warranty expenses, including the outcome of known or potential recall campaigns;
- Our ability to implement planned productivity and cost reduction initiatives;
- Significant contract awards or losses of existing contracts;
- The impact of currency fluctuations on sales and operating income; and
- The impact of any new accounting rules.

NON-GAAP MEASURES

In addition to the results reported in accordance with accounting principles generally accepted in the United States (GAAP), we have provided information regarding segment EBITDA. Segment EBITDA is defined as income (loss) from continuing operations before interest, income taxes, depreciation and amortization and loss on sale of receivables. We use segment EBITDA as the primary basis to evaluate the performance of each of our reportable segments. For a reconciliation of segment EBITDA to income (loss) from continuing operations see Results of Operations below.

Management believes segment EBITDA is a meaningful measure of performance as it is commonly utilized by management and investors to analyze operating performance and entity valuation. Management, the investment community and banking institutions routinely use segment EBITDA, together with other measures, to measure operating performance in our industry. Further, management uses segment EBITDA for planning and forecasting future periods.

Segment EBITDA should not be considered a substitute for the reported results prepared in accordance with GAAP and should not be considered as an alternative to net income as an indicator of our operating performance or to cash flows as a measure of liquidity. Segment EBITDA, as determined and presented by the company, may not be comparable to related or similarly titled measures reported by other companies.

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Results of Operations

The following is a summary of our financial results for the last three fiscal years.

	Year Ended September 30,		
	2009	2008	2007
	(in millions, except per share amounts)		
Sales:			
Commercial Truck	$ 1,566	$ 2,922	$ 2,621
Industrial	888	1,117	854
Aftermarket & Trailer	954	1,183	1,090
Light Vehicle Systems	1,033	1,571	1,515
Intersegment Sales	(333)	(403)	(360)
SALES	$ 4,108	$ 6,390	$ 5,720
SEGMENT EBITDA:			
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)
INCOME (LOSS) FROM DISCONTINUED OPERATIONS, net of tax	(135)	14	(126)
NET LOSS	$ (1,212)	$ (101)	$ (219)
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)
DILUTED AVERAGE COMMON SHARES OUTSTANDING	72.5	72.1	70.5

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(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 year 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.

2009 Compared to 2008

Sales

The following table reflects total company and business segment sales for fiscal years 2009 and 2008. The reconciliation is intended to reflect the trend in business segment sales and to illustrate the impact that changes in foreign currency exchange rates, volumes and other factors had on sales (in millions). Business segment sales include intersegment sales.

					Dollar Change Due To	
	2009	2008	Dollar Change	% Change	Currency	Volume / Other
Sales:						
Commercial Truck	$ 1,566	$ 2,922	$ (1,356)	(46)%	$ (204)	$ (1,152)
Industrial	888	1,117	(229)	(21)%	(16)	(213)
Aftermarket & Trailer	954	1,183	(229)	(19)%	(57)	(172)
Light Vehicle Systems	1,033	1,571	(538)	(34)%	(100)	(438)
Intersegment Sales	(333)	(403)	70	17%	54	16
TOTAL SALES	$ 4,108	$ 6,390	$ (2,282)	(36)%	$ (323)	$ (1,959)

Commercial Truck sales were $1,566 million in fiscal year 2009, down 46 percent from fiscal year 2008. The effect of foreign currency translation decreased sales by $204 million. Excluding the effects of foreign currency, sales decreased by $1,152 million or 39 percent, primarily due to significantly lower OE production volumes in substantially all of the markets in which we participate. European heavy- and medium-duty truck production volumes decreased 56 percent compared to the prior year. Production volumes in the North American Class 8 commercial vehicle truck markets were lower by 34 percent compared to the prior year. Production volumes in South America were lower by 27 percent compared to the prior year.

Industrial sales were $888 million in fiscal year 2009, down 21 percent from fiscal year 2008. The effect of foreign currency translation decreased sales by $16 million. The decrease in sales is primarily due to lower sales in the Asia- Pacific region, which decreased approximately 47 percent from the prior year, primarily in India.

Aftermarket & Trailer sales were $954 million in fiscal year 2009, down 19 percent from fiscal year 2008. The effect of foreign currency translation decreased sales by $57 million. The decrease in sales is primarily due to lower sales of products for trailer applications, which decreased approximately 59 percent from the prior year. Sales of our aftermarket products were only down approximately three percent as higher sales of military service parts and growth in our remanufacturing businesses partially offset the decline in our aftermarket replacement products.

Light Vehicle Systems sales were $1,033 million in fiscal year 2009, down from $1,571 million in fiscal year 2008. The effect of foreign currency translation decreased sales by $100 million. Excluding the impact of foreign currency translation, sales decreased by $438 million or 28 percent compared to the prior year. We believe that the substantial uncertainty and significant deterioration in the worldwide credit markets, the global economic downturn and the current climate in the U.S. and other economies impacted the demand for light vehicles in the fiscal year. As a result, light vehicle production in most regions has declined significantly compared to the prior year. We expect production volumes in North America and Western Europe to remain at historically low levels into fiscal year 2010.

Also contributing to the decrease in sales are lower pass-through sales, which decreased by $56 million in fiscal year 2009 compared to the prior year. Pass-through sales are products sold to our customers where we acquire certain components and assemble them into the final product. These pass-through sales carry minimal margins, as we have little engineering or manufacturing responsibility.

Cost of Sales and Gross Profit

Cost of sales primarily represents materials, labor and overhead production costs associated with the company's products and production facilities. Cost of sales for the fiscal year ended September 30, 2009 was $3,804 million compared to $5,828 million in the prior year, representing a decrease of 35 percent. The decrease in costs of sales is primarily due to the significantly reduced sales volumes discussed above.

Total cost of sales were approximately 93 percent of sales for the twelve months ended September 30, 2009 compared to approximately 91 percent for the prior year. The increase on a percentage basis is primarily due to fixed production costs, such as depreciation and certain overhead costs, which do not decrease at the same rate as sales.

The following table summarizes significant factors contributing to the changes in costs of sales compared to the prior year (in millions):

		Cost of Sales
Fiscal year ended September 30, 2008	$	5,828
Volumes and mix		(1,465)
Foreign exchange		(369)
Depreciation expense		(39)
Research, development and engineering costs		(19)
Other cost reductions, net		(132)
Fiscal year ended September 30, 2009	$	3,804

Changes in the components of cost of sales year over year are summarized as follows:

Lower material costs	$	(1,498)
Lower labor and overhead costs		(488)
Other		(38)
Total decrease in costs of sales	$	(2,024)

Material costs represent the majority of our cost of sales and include raw materials, composed primarily of steel and purchased components. Material costs decreased by approximately $1.5 billion compared to the prior year, primarily as a result of lower sales volumes. Material costs for much of fiscal year 2009 were negatively impacted by higher average steel prices, partially offset by improvements in material performance compared to the prior year. Steel indexes saw a rapid increase beginning in the second quarter of fiscal year 2008 and remained at relatively higher levels through the first three quarters of fiscal year 2009. More recently, steel indexes have declined to normalized levels. Recovery practices with customers are generally consistent with index movements in steel prices.

Labor and overhead costs decreased by $488 million compared to the prior year. The decrease was primarily due to the lower sales volumes. Other factors favorably impacting labor and overhead costs are savings associated with the company's restructuring actions, continuous improvement and rationalization of operations, salaried pay reductions as well as government assistance in certain European jurisdictions. Depreciation expense was lower by $39 million compared to the prior year primarily due to the non-cash asset impairment charges recorded in our LVS segment in the first quarter of fiscal year 2009.

As a result of the above, gross profit for the fiscal year ended September 30, 2009 was $304 million compared to $562 million in the same period last year. Gross margins declined to 7 percent for the fiscal year ended September 30, 2009 compared to 9 percent last year.

Other Income Statement Items

Selling, general and administrative expenses for fiscal years 2009 and 2008 are summarized as follows (in millions):

	2009		**2008**		**Increase (Decrease)**	
SG&A	Amount	% of sales	Amount	% of sales		
LVS separation costs	$ (9)	(0.2)%	$ (19)	(0.3)%	$ (10)	(0.1)pts
Loss on sale of receivables	(7)	(0.2)%	(22)	(0.3)%	(15)	(0.1)pts
Short- and long-term variable compensation	10	0.2%	(51)	(0.8)%	(61)	(1.0)pts
All other SG&A	(284)	(6.9)%	(323)	(5.1)%	(39)	1.8pts
Total SG&A	$ (290)	(7.1)%	$ (415)	(6.5)%	$ (125)	0.6pts

LVS separation costs are third-party transaction costs incurred in connection with the previously planned spin-off of the LVS business. Loss on sale of receivables decreased as the amount of receivables we sold during the current fiscal year were significantly lower than the prior year due to a decrease in our sales. Based on the current year financial results, we have eliminated substantially all variable incentive compensation pay for the current fiscal year. All other SG&A represents normal selling, general and administrative expenses. The decrease in all other SG&A compared to the prior year is a result of savings associated with various restructuring and other cost reduction initiatives, including reduced discretionary spending, salaried payroll reductions, suspension of matching contribution to the 401(k) plan and significant headcount reductions.

Asset and goodwill impairment charges for fiscal year 2009 were $153 million and $70 million, respectively. The non-cash impairment charges were recorded in the first quarter of fiscal year 2009 and primarily relate to our LVS segment. In the first fiscal quarter, management determined that certain asset impairment reviews were required due to declines in overall economic conditions, including significant reductions in current and forecasted production volumes for light and commercial vehicles.

Operating loss for fiscal year 2009 was $290 million, compared to operating income of $135 million in fiscal year 2008. The decrease in operating income in fiscal year 2009 is due to $223 million of asset impairment charges and $80 million of restructuring costs ($9 million in the prior year) recognized during fiscal year 2009 as well as the significant decrease in sales volumes during the current year compared to prior year.

Equity in earnings of affiliates was $15 million in fiscal year 2009, compared to $38 million in the prior year. The decrease is due to lower earnings primarily from our commercial vehicle affiliates in Brazil, the United States and India. Profitability of these joint ventures was impacted by lower commercial vehicle production volumes in each of the affiliate's respective regions.

Interest expense, net was $86 million and $80 million in fiscal years 2009 and 2008, respectively. Unfavorably impacting interest expense in fiscal year 2009 were higher borrowings under our revolving credit facility. During the current fiscal year, we borrowed, on average, significantly higher amounts from our revolving credit facility to fund our operations compared to the prior year. We had $28 million outstanding on our revolving credit facility at September 30, 2009. There was no balance outstanding at September 30, 2008. Included in interest expense, net for the prior year were charges of $3 million related to a debt extinguishment in the first quarter of fiscal year 2008. These charges included legal and other professional fees, unamortized debt issuance costs and premiums paid to repurchase and pay down debt.

The **provision for income taxes** was $707 million in fiscal year 2009 compared to $197 million in fiscal year 2008. The current year tax provision includes non-cash income tax charges of $676 million related to establishing valuation allowances on certain previously recognized deferred tax assets, primarily in the U.S. and France, as well as other countries. Valuation allowances will generally be required on an ongoing basis in these countries until the company can establish historical and projected earnings in these tax jurisdictions to support recognition of tax assets. For countries with ongoing valuation allowances, we are unable to recognize any income tax benefit associated with fiscal year 2009. As a result, income tax expense recognized in fiscal year 2009 is primarily associated with taxable income in jurisdictions in which we have not previously recorded valuation allowances against deferred tax assets. Accordingly ongoing effective income tax rate will continue to be highly volatile depending on our mix of earnings.

The prior year tax provision was impacted by non-cash income tax charges of $137 million related to the repatriation of certain foreign subsidiary earnings in the U.S. and $46 million related to recording valuation allowances on certain foreign deferred tax assets.

Loss from continuing operations for fiscal year 2009 was $1,077 million, or $14.86 per diluted share, compared to $115 million, or $1.60 per diluted share in fiscal year 2008. The reasons for the significant loss in the current year are discussed above.

Loss from discontinued operations for fiscal year 2009 was $135 million, compared to income of $14 million in the prior year. Significant items included in results from discontinued operations in fiscal year 2009 and 2008 include the following:

	Year Ended September 30,	
	2009	**2008**
Net loss on sale of businesses	$ (10)	$ (16)
Asset impairment charges	(56)	
Charge for indemnity obligation	(28)	
Restructuring costs	(21)	(11)
Operating income (loss), net	(2)	57
Income (loss) before income taxes	(117)	30
Minority interest	(3)	(4)
Provision for income taxes	(15)	(12)
Income (loss) from discontinued operations	$ (135)	$ 14

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Net loss on sale of businesses: During fiscal year 2009 we sold our LVS Wheels business and recognized a $50 million pre-tax gain on the sale. Also in fiscal year 2009, we sold our 51 percent interest in Gabriel de Venezuela and our Gabriel North America Ride Control business. We recognized pre-tax losses on these sales of $23 million and $42 million, respectively. In fiscal year 2009 and 2008 we recorded approximately $5 million of pre-tax income and $16 million of additional pre-tax costs, respectively, primarily associated with the sale of our Emissions Technologies (ET) and Light Vehicle Aftermarket (LVA) businesses, including final adjustments related to changes in estimates for certain assets and liabilities.

Asset impairment charges: During fiscal year 2009 we recognized pre-tax non-cash impairment charges of $56 million associated with certain long-lived assets of the light vehicle Chassis businesses included in discontinued operations.

Charge for indemnity obligation: In December 2005, we guaranteed a third partys 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 ArvinMeritor prior to it being acquired by the company. The wholly-owned subsidiary, which was part of our LVA business, was sold by us 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 us to recognize our obligations under the guarantee. Accordingly, we 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 our best estimate of the future obligation under the guarantee.

Restructuring costs: During fiscal year 2009 we recognized $21 million of restructuring costs primarily associated with the closure of the coil spring operations in Milton, Ontario, Canada (Milton), which is part of MSSC. These costs primarily relate to employee severance and pension termination benefits. Restructuring charges in fiscal year 2008 primarily relate to employee severance benefits associated with certain plant closures.

Segment EBITDA and EBITDA Margins

The following table reflects segment EBITDA and EBITDA margins for fiscal years 2009 and 2008 (dollars in millions).

	Segment EBITDA				Segment EBITDA Margins		
	2009	**2008**	**$ Change**	**% Change**	**2009**	**2008**	**Change**
Commercial Truck	$ (98)	$ 117	$ (215)	(184)%	(6.3)%	4.0%	(10.3)pts
Industrial	124	128	(4)	(3)%	14.0%	11.5%	2.5pts
Aftermarket & Trailer	88	110	(22)	(20)%	9.2%	9.3%	(0.1)pts
LVS	(281)	5	(286)	(5720)%	(27.2)%	0.3%	(27.5)pts
Segment EBITDA	$ (167)	$ 360	$ (527)	(146)%	(4.1)%	5.6%	(9.7)pts

Significant items impacting year over year segment EBITDA include the following:

	Commercial Truck	**Industrial**	**Aftermarket & Trailer**	**LVS**	**TOTAL**
Segment EBITDAYear ended September 30, 2008	$ 117	$ 128	$ 110	$ 5	$ 360
Asset impairment charges	(8)			(209)	(217)
Increased restructuring costs	(53)	(2)	(1)	(10)	(66)
Lower earnings from unconsolidated affiliates	(15)	(4)	(3)	(1)	(23)
Lower (higher) warranty costs	16	1	7	(11)	13
Lower pension and retiree medical costs	14	3	4	4	25
LVS stand-alone costs				(9)	(9)
Prior year benefit for change in employee vacation policy	(7)	(1)	(2)	(2)	(12)
Prior year change for contingency reserve				14	14
Volume, performance and other, net of cost reductions	(162)	(1)	(27)	(62)	(252)
Segment EBITDA Year ended September 30, 2009	$ (98)	$ 124	$ 88	$ (281)	$ (167)

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

	Commercial Truck		**Industrial**		**Aftermarket & Trailer**		**LVS**		**Total**	
	2009	**2008**	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**	**2009**	**20**
Performance Plus actions	$ 32	$	$	$	$	$	$ 4	$ 12	$ 36	$ 1
Fiscal year 2009 actions (reduction in workforce)	20		2		1		15		38	
Total	52		2		1		19	12	74	1
Adjustments and reversals		(1)						(3)		(
Total restructuring costs [(1)]	$ 52	$ (1)	$ 2	$	$ 1	$	$ 19	$ 9	$ 74	$

(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.

Commercial Truck EBITDA was negative $98 million in fiscal year 2009, down $215 million compared to the prior year. The impact of lower commercial truck production volumes in all regions adversely impacted EBITDA in fiscal year 2009. Improvements in material and manufacturing performance partially offset the decrease in EBITDA resulting from lower commercial truck production volumes. Included in EBITDA for fiscal year 2009 are restructuring costs of $52 million. Total restructuring costs include $31 million for estimated employee severance benefits, $17 million primarily related to pension termination benefits and $4 million for asset impairment charges. Charges were primarily associated with the closure of our brakes plant in Tilbury, Canada as well as reductions in force implemented globally in fiscal year 2009. Separately, EBITDA results for the current year include $8 million of asset impairment charges associated with obsolete production equipment resulting from reduced production of our Carrollton, Tennessee facility.

Industrial EBITDA was $124 million in fiscal year 2009, down $4 million compared to the prior year. Despite a decrease in sales in our Industrial segment of 21 percent, EBITDA margin increased to 14.0 percent from 11.5 percent a year ago. The increase in EBITDA margin is primarily due to improved military sales.

Aftermarket & Trailer EBITDA was $88 million in fiscal year 2009, down $22 million compared to the prior year. EBITDA margin decreased to 9.2 percent from 9.3 percent a year ago. The impact on EBITDA of significantly lower sales of products for trailer applications was substantially offset by higher sales of military service parts.

LVS EBITDA was negative $281 million in fiscal year 2009, compared to EBITDA of $5 million in the prior year. Included in EBITDA in the current fiscal year are non-cash impairment charges of $209 million, of which $139 million relates to certain fixed assets and $70 million relates to goodwill. In the first quarter of fiscal year 2009, management determined an impairment review of goodwill and certain long-lived assets was required due to recent declines in overall economic conditions including tightening credit markets and significant reductions in current and forecasted production volumes for light vehicles. These events contributed to a significant decline in the fair value of our LVS business and related long-lived assets.

The impact of lower light vehicle production volumes in all regions along with higher material costs, primarily steel, also significantly impacted LVS EBITDA. Included in EBITDA for fiscal year 2009 are restructuring costs of $19 million, compared to $9 million in the prior year. Restructuring costs for fiscal year 2009 primarily relate to reductions in force actions implemented globally. The reductions in force primarily related to the elimination of the LVS corporate divisional structure. LVS's segment EBITDA was also unfavorably impacted in fiscal year 2009 by $9 million of costs incurred to prepare LVS to be a stand alone business. These costs were related to certain information technology investments and headcount and were incurred in the first six months of the fiscal year 2009. The prior year segment EBITDA included a $14 million charge related to recording an additional contingency reserve for a legal and commercial dispute with a customer and a favorable impact of $2 million related to a change in our employee vacation policy.

2008 Compared to 2007

Sales

The following table reflects total company and geographical business segment sales for fiscal years 2008 and 2007. The reconciliation is intended to reflect the trend in business segment sales and to illustrate the impact that changes in foreign currency exchange rates, volumes and other factors had on sales (in millions). Business segment sales include intersegment sales.

					Dollar Change Due To	
	2008	2007	Dollar Change	% Change	Currency	Volume / Other
Sales:						

Commercial Truck	$ 2,922	$ 2,621	$ 301	11.5%	$ 261	$ 40
Industrial	1,117	854	263	30.8%	41	222
Aftermarket & Trailer	1,183	1,090	93	8.5%	53	40
Light Vehicle Systems	1,571	1,515	56	3.7%	196	(140)
Intersegment Sales	(403)	(360)	(43)	(11.9)%	(72)	29
TOTAL SALES	$ 6,390	$ 5,720	$ 670	11.7%	$ 479	$ 191

Commercial Truck sales were $2,922 million in fiscal year 2008, up 12 percent from fiscal year 2007. The effect of foreign currency translation increased sales by $261 million. Higher sales reflect strong heavy- and medium-duty truck markets in all regions except North America. Volumes in the North American heavy-duty commercial vehicle truck markets (commonly referred to as Class 8) were lower in fiscal year 2008 primarily due to pre-buy activity during the first quarter of fiscal year 2007 associated with the adoption of new emissions standards in calendar year 2007 and general economic conditions currently affecting truck tonnage volume. Compared to fiscal year 2007, production volumes in North America for Class 8 trucks decreased approximately 22 percent. Continued sales strength in Europe throughout fiscal year 2008 reflected strong heavy- and medium-duty truck volumes in this region. Western European truck volumes increased 17 percent versus 2007. South America truck volumes increased during fiscal year 2008 by 24 percent.

Industrial sales were $1,117 million in fiscal year 2008, up 31 percent from fiscal year 2007. The increase primarily reflects higher sales of our military products primarily associated with the Mine Resistant Ambush Protection program during 2008. In addition, sales in China and other Asia Pacific areas increased approximately $125 million or 33 percent.

Aftermarket & Trailer sales were $1,183 million in fiscal year 2008, up 8 percent from fiscal year 2007. The effect of foreign currency translation increased sales by $53 million. The increase in sales is primarily due to growth of our aftermarket products, including our remanufacturing business. The acquisitions of Mascot and Trucktechnic in fiscal year 2008 increased sales by $31 million.

Light Vehicle Systems (LVS) sales were $1,571 million in fiscal year 2008, up from $1,515 million in fiscal year 2007. The effect of foreign currency translation increased sales by $196 million. Excluding the impact of foreign currency translation, sales decreased by $140 million or 9 percent compared to the prior year. Sales in North America decreased primarily due to lower sales in our suspension modules business, including lower pass-through sales, which were approximately $167 million in fiscal year 2008, compared to approximately $209 million in fiscal year 2007. These pass-through sales carry minimal margins, as we have little engineering or manufacturing responsibility. The closure of our door module facility in Brussels, Belgium in fiscal year 2007 unfavorably impacted sales by $36 million when compared to the prior year. Strong sales volumes in the Asia Pacific and South American regions partially offset lower volumes in North America.

Cost of Sales and Gross Profit

Cost of sales for the fiscal year ended September 30, 2008 was $5,828 million compared to $5,323 million in the prior year, representing an increase of 9 percent. The increase in costs of sales is primarily due to the increased sales volumes discussed above and the impact of foreign currency translation due to the weakening of the U.S. dollar in fiscal year 2008. Total cost of sales were approximately 91 percent of sales for the fiscal year ended September 30, 2008 compared to approximately 93 percent a year ago.

Changes in the components of cost of sales year over year are summarized as follows:

Higher material costs	$ 317
Higher labor and overhead costs	163
Other	25
Total decrease in costs of sales	$ 505

Material represents the majority of our cost of sales and includes raw materials, composed primarily of steel and purchased components. Material costs for much of fiscal year 2008 were negatively impacted by higher average steel prices, partially offset by improvements in material performance compared to the prior year. Steel indexes saw a rapid increase beginning in the second quarter of fiscal year 2008 and remained at relatively higher levels through the remainder of fiscal year 2008. Pricing recovery practices with customers are generally consistent with index movements in steel prices.

Labor and overhead costs increased by $163 million compared to the prior year. The increase was primarily due to the higher sales volumes and foreign currency translation. The impact of higher sales volumes and foreign currency exchange rates on labor and overhead costs was partially offset by savings associated with the company's restructuring actions, continuous improvement and rationalization of operations.

Gross profit for the fiscal year ended September 30, 2008 was $562 million compared to $397 million in the same period last year. Gross margins increased to 9 percent for the fiscal year ended September 30, 2008 compared to 7 percent last year. The increase in gross margin is primarily attributable to the higher sales volumes, partially offset by the factors discussed above.

Other Income Statement Items

Selling, general and administrative expenses for fiscal years 2008 and 2007 are summarized as follows (in millions):

	2008		**2007**		**Increase (Decrease)**	
SG&A	Amount	% of sales	Amount	% of sales		
LVS separation costs	$ (19)	0.3%	$ —	—%	$ 19	0.3pts
Loss on sale of receivables	(22)	0.3%	(9)	0.2%	13	0.1pts
All other SG&A	(374)	5.9%	(347)	6.0%	27	(0.1)pts
Total SG&A	$ (415)	6.5%	$ (356)	6.2%	$ 59	0.3pts

LVS separation costs are third-party transaction costs incurred in connection with the previously planned spin-off of the LVS business. Loss on sale of receivables increased as the amount of receivables we sold during the current fiscal year were significantly higher than the prior year due to an increase in our sales. All other SG&A represents normal selling, general and administrative expenses. The increase in fiscal year 2008 primarily relates to higher labor costs (primarily due to higher variable incentive compensation costs in view of improved financial performance compared to targets) and marketing investments in our commercial vehicle aftermarket business. These increases were partially offset by a corresponding decrease in costs associated with our Performance Plus program compared to fiscal year 2007. Costs associated with our Performance Plus program decreased during fiscal year 2008 as most of the activities under this program were transferred to the respective business units. Savings generated by the program are primarily recorded in cost of sales in the consolidated statement of operations and are reflected in the segment EBITDA results previously discussed.

Operating income for fiscal year 2008 was $135 million, an increase of $157 million compared to fiscal year 2007. Operating margin was 2.1 percent, up from negative 0.4 percent in 2007.

Interest expense, net was $80 million, compared to $109 million in the prior year. The decrease in interest expense is primarily due to refinancing activities in recent years, which replaced higher interest rate debt with lower rate debt. Interest expense reductions also reflect increased use of off-balance sheet accounts receivable factoring programs during fiscal year 2008. The cost of these factoring programs is included within selling, general and administrative expenses discussed above. Also included in interest expense, net are net losses on debt extinguishments of $3 million and $6 million in the fiscal years 2008 and 2007, respectively. These losses include legal and other professional fees, unamortized debt issuance costs and premiums paid to repurchase and pay down debt.

The **provision for income taxes** in fiscal year 2008 was $197 million, representing a 212 percent effective tax rate, compared to a benefit of $13 million, or 13 percent effective tax rate, in the prior year. Included in the current year tax provision are non-cash income tax charges of $183 million of which $137 million related to the repatriation of certain foreign subsidiary earnings to the U.S. and $46 million related to recording valuation allowances on certain foreign deferred tax assets. During the fourth quarter of fiscal year 2008, the company made a strategic decision to repatriate earnings of certain foreign subsidiaries in the form of dividends. The repatriation provides the company with additional flexibility to reallocate funds to other operations as necessary based on working capital requirements and at the same time the ability to utilize deferred tax assets in the U.S., resulting in no additional cash tax expense. These non-cash income tax charges were partially offset in fiscal year 2008 by $12 million of net favorable tax items related to the conclusion and settlement of certain tax audits and expiration of the statute of limitations. Also impacting income tax expense in fiscal year 2008 are higher pre-tax earnings. The prior year tax provision was favorably impacted by increased earnings from foreign subsidiaries whose tax rates are less than the statutory rate and the favorable impact of enacted tax rate changes in certain foreign jurisdictions.

Loss from continuing operations for fiscal year 2008 was $115 million, or $1.60 per diluted share, compared to $93 million, or $1.32 per diluted share in fiscal year 2007. The increase in loss is primarily attributable to the higher income tax provision discussed above, partially offset by higher pre-tax earnings.

Income (loss) from discontinued operations was $14 million in fiscal year 2008 compared to a loss of $126 million in fiscal year 2007. Significant items included in results from discontinued operations in fiscal years 2008 and 2007 include the following:

	Year Ended September 30,	
	2008	**2007**
Loss on sale of businesses	$ (16)	$ (200)
Restructuring costs	(11)	(3)
Other		12
Operating income, net	57	49
Income (loss) before income taxes	30	(142)
Minority interest	(4)	(6)
Benefit (provision) for income taxes	(12)	22
Income (loss) from discontinued operations	$ 14	$ (126)

Loss on sale of businesses: In fiscal year 2008 we recorded additional expenses of approximately $16 million, net, primarily associated with the sale of our ET and LVA businesses, including final adjustments related to changes in estimates for certain retained assets and liabilities.

In fiscal year 2007 we sold our ET business and recognized a $180 million pre-tax loss on the sale. This loss on sale includes 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 sale agreement. Also included in loss on sale of disposed businesses is a $20 million pre-tax loss on sale of our LVA European exhaust and filters business. The loss on sale includes an $8 million after-tax non-cash impairment charge recorded in the third quarter of fiscal year 2007 to record this business at estimated fair value.

Restructuring costs: We recorded restructuring costs in fiscal year 2008 and 2007 of $11 million and $3 million, respectively, primarily related to employee severance benefits associated with our Performance Plus program. Restructuring costs in fiscal year 2007 also include a reversal of $9 million of restructuring costs in ET related to employee severance benefits. Due to the sale of ET, it was determined that payment of these severance benefits was no longer probable.

Other: Included in loss from discontinued operations in fiscal year 2007 is a $12 million benefit related to the reversal of certain impairment reserves in the light vehicle aftermarket ride control business presented within continuing operations in fiscal year 2007 (this business was presented in discontinued operations prior to fiscal year 2007). This reversal is related to a $34 million impairment reserve recognized in fiscal year 2005 to record this business at its estimated fair value when it was classified as held for sale. At September 30, 2005, $11 million of the total impairment reserve was allocated to a portion of the long-lived assets and $23 million was considered a reserve for the estimated loss on sale. Subsequent to September 2005, an additional $7 million of this reserve was allocated to long-lived assets whose fair value had further deteriorated. Therefore, at March 31, 2007, the reserve for the estimated loss on sale had decreased to $16 million. As a result of the decision to retain the light vehicle aftermarket ride control business, the reserve for the loss on sale was no longer required and $12 million was reversed. The remaining portion of this reserve was not reversed and was allocated to reserves associated with certain current assets that were impaired as of March 31, 2007. This business was sold in fiscal year 2009 and its results of operations are included in discontinued operations for all periods.

Segment EBITDA and EBITDA Margins

The following table reflects segment EBITDA and EBITDA margins for fiscal years 2008 and 2007 (dollars in millions).

	Segment EBITDA				Segment EBITDA Margins		
	2008	**2007**	**$ Change**	**% Change**	**2008**	**2007**	**Change**
Commercial Truck	$ 117	$ 16	$ 101	631%	4.0%	0.6%	3.4pts
Industrial	128	93	35	38%	11.5%	10.9%	0.6pts
Aftermarket & Trailer	110	113	(3)	(3)%	9.3%	10.4%	(1.1)pts
LVS	5	(43)	48	112%	0.3%	(2.8)%	3.1pts
Segment EBITDA	$ 360	$ 179	$ 181	101%	5.6%	3.1%	2.5pts

Significant items impacting year over year segment EBITDA include the following:

	Commercial Truck	**Industrial**	**Aftermarket & Trailer**	**LVS**	**TOTAL**
Segment EBITDA—Year ended September 30, 2007	$ 16	$ 93	$ 113	$ (43)	$ 179
Impact of prior year product disruptions and work stoppages settlement, net	4	—	—	—	4
Lower restructuring costs	7	1	3	37	48
Charges for legal and commercial dispute	—	—	—	(14)	(14)
Impact of change in employee vacation policy	7	1	2	2	12
Volume, pricing, performance and other, net	83	33	(8)	23	131
Segment EBITDA — Year ended September 30, 2008	$ 117	$ 128	$ 110	$ 5	$ 360

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

	Commercial Truck		**Industrial**		**Aftermarket & Trailer**		**LVS**		**Total**	
	2008	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**
Performance Plus actions	$ —	$ 6	$ —	$ 1	$ —	$ 3	$ 12	$ 47	$ 12	$ 57
Adjustments and reversals	(1)	—	—	—	—	—	(3)	(1)	(4)	(1)
Total restructuring costs [(1)]	$ (1)	$ 6	$ —	$ 1	$ —	$ 3	$ 9	$ 46	$ 8	$ 56

[(1)] Total segment restructuring costs do not include those recorded in unallocated corporate costs. These costs were $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.

Commercial Truck EBITDA was $117 million in fiscal year 2008, up $101 million compared to the prior year. EBITDA margin increased to 4.0 percent from 0.6 percent a year ago. Higher commercial truck volumes in all regions, except North America, along with improved pricing, material and manufacturing performance contributed to the increase in EBITDA in fiscal year 2008. EBITDA in fiscal year 2007 was unfavorably impacted by $13 million due to production interruptions and higher costs at a European axle facility and the simultaneous launch of a new axle product line and the implementation of a new ERP system. This impact was partially offset by a $9 million favorable settlement of claims relating to a 2006 labor disruption.

Industrial EBITDA was $128 million in fiscal year 2008, up $35 million compared to the prior year. EBITDA margin increased to 11.5 percent from 10.9 percent a year ago. The increase in EBITDA is primarily attributable to the higher sales.

Aftermarket & Trailer EBITDA was $110 million in fiscal year 2008, down $3 million compared to the prior year. EBITDA margin decreased to 9.3 percent from 10.4 percent a year ago.

LVS EBITDA was $5 million in fiscal year 2008, compared to EBITDA of negative $43 million in the prior year. Included in EBITDA for fiscal year 2008 are restructuring costs of $9 million ($46 million in fiscal year 2007). The restructuring costs are part of our Performance Plus program and primarily relate to employee severance costs and asset impairment charges for certain planned facility closures. During fiscal year 2008, LVS realized certain savings related to prior restructuring and other cost reduction actions, which are reflected in "volume, pricing performance and other, net" in the above table. These savings were partially offset by the lower sales volumes and a $14 million charge related to recording an additional contingency reserve for a legal and commercial dispute with a customer which has been settled as of September 30, 2008.

Non-Consolidated Joint Ventures

At September 30, 2009, our continuing operations included investments in 9 joint ventures that were not majority-owned or controlled and were accounted for under the equity method of accounting. Our investments in non-consolidated joint ventures totaled $125 million and $134 million at September 30, 2009 and 2008, respectively.

These strategic alliances provide for sales, product design, development and manufacturing in certain product and geographic areas. Aggregate sales of our non-consolidated joint ventures were $929 million, $1,484 million and $1,182 million in fiscal years 2009, 2008 and 2007, respectively.

Our equity in the earnings of affiliates was $15 million, $38 million and $34 million in fiscal years 2009, 2008 and 2007, respectively. We received cash dividends from our affiliates of $25 million, $20 million and $22 million in fiscal years 2009, 2008 and 2007, respectively.

For more information about our non-consolidated joint ventures, see Note 13 of the Notes to Consolidated Financial Statements.

Financial Condition

Cash Flows (in millions)

	Fiscal Year Ended September 30,		
	2009	**2008**	**2007**
OPERATING CASH FLOWS			
Loss from continuing operations	$ (1,077)	$ (115)	$ (93)
Depreciation and amortization	81	120	111
Asset impairment charges	223	—	—
Deferred income tax expense (benefit)	671	106	(47)
Pension and retiree medical expense	74	99	121
Pension and retiree medical contributions	(100)	(77)	(193)
Restructuring costs, net of payments	27	(27)	32

Proceeds from termination of interest rate swaps		28	
Decrease (increase) in working capital	78	(166)	13
Changes in sale of receivables	(275)	120	108
Other	19	92	(37)
Cash flows provided by (used for) continuing operations	(279)	180	15
Cash flows provided by (used for) discontinued operations	(16)	(17)	21
Cash flows provided by (used for) operating activities	$ (295)	$ 163	$ 36

Cash used for operating activities for fiscal year 2009 was $295 million (of which there was a use of $440 million in the first six months of fiscal year 2009), compared to cash provided by operating activities of $163 million in fiscal year 2008. The deterioration in cash flow in fiscal year 2009 is primarily attributable to lower earnings and certain working capital usage, driven by the reduction in off-balance sheet accounts receivable factoring and securitization balances, during the period. Changes in working capital balances (accounts receivable, inventories, accounts payable, and other current assets and liabilities) were in line with the overall sales volume reductions compared to the prior year. However, cash flows generated by working capital during 2009 were more than offset by reductions in accounts receivable securitization and factoring programs. In addition, investments in inventory remained at higher levels relative to current sales volumes due to volatility in customer order and production schedules.

Also unfavorably impacting current year cash flows were higher pension and retiree medical contributions, primarily related to a $28 million payment for the settlement of a retiree medical lawsuit, and a $25 million payment associated with a previously announced settlement of a commercial matter with a customer, both of which payments were made in our first quarter of fiscal year 2009.

Cash flows used for discontinued operations primarily relate to the operating cash flows of the light vehicle Chassis businesses included in discontinued operations, and certain payments associated with retained liabilities from the 2007 sale of our ET business, net of related cash collections.

The increase in cash flow in fiscal year 2008, compared to fiscal year 2007, is primarily attributable to higher cash earnings and lower pension and retiree medical contributions of $116 million, partially offset by higher utilization of cash by discontinued operations of $38 million. These increases were also offset by an increased level of working capital requirements compared to the prior year. Working capital levels reflect both an increase in inventory and receivable balances in non-US operations and a decrease in accounts payable balances in 2008. However, we were able to balance the increased requirements for working capital through operational improvements, cash collection efforts and higher utilization of our accounts receivables securitization and factoring programs. The lower accounts payable balance was due to paying at a more expeditious rate than previous practice. We have worked with our suppliers towards reaching payment term practices that meet supplier needs as well as create less volatility in the company's working capital needs. Operating cash flows in fiscal year 2008 include proceeds of $28 million from the termination of our interest rate swaps.

	Fiscal Year Ended September 30,		
	2009	**2008**	**2007**
INVESTING CASH FLOWS			
Capital expenditures	$ (111)	$ (138)	$ (86)
Acquisitions of businesses and investments, net of cash acquired		(60)	(2)
Other investing cash flows	10	14	19
Net cash provided by discontinued operations	115	24	165
CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	$ 14	$ (160)	$ 96

Cash provided by investing activities was $14 million in fiscal year 2009, compared to cash used of $160 million in fiscal year 2008 and cash provided of $96 million in fiscal year 2007. In fiscal year 2008, we used $60 million primarily to fund the acquisitions of Mascot and Trucktechnic and fund the deferred purchase obligation with AB Volvo. In fiscal year 2007, we received $19 million from the sale of selected assets, including marketable securities.

Capital expenditures decreased to $111 million in fiscal year 2009 from $138 million in fiscal year 2008. Fiscal year 2008 capital expenditures reflect increased investments in certain regions to address overall capacity constraints impacting our businesses, including the addition of two new facilities in our commercial vehicle business. In addition to capital investments, we continue to leverage our global supply base and affiliate partners where practical to maximize asset utilization.

Cash flow provided by discontinued operations was $115 million in fiscal year 2009 compared to $24 million in fiscal year 2008. Included in cash flows from discontinued operations in fiscal year 2009 are net proceeds of $166 million from the sale of our Wheels business. This was partially offset by a cash outflow of $18 million associated with the sale of our interest in our Gabriel de Venezuela joint venture. The cash flows in fiscal year 2008 primarily include delayed proceeds from the sale of our ET business. In fiscal year 2008, we received $28 million associated with the final working capital purchase price adjustment and $20 million associated with amounts held in escrow in connection with the delayed legal closings of certain ET businesses. We also received proceeds of $12 million in fiscal year 2008 from the sale of certain retained properties of our sold ET and LVA businesses. In fiscal year 2007 we received $218 million in net proceeds from the sale of ET and approximately $9 million of proceeds from the sale of our LVA European exhaust and filters businesses. Discontinued operations used $23 million for capital expenditures in fiscal year 2009 compared to $34 million in fiscal year 2008 and $63 million in fiscal year 2007.

	Fiscal Year September 30,		
	2009	**2008**	**2007**
FINANCING CASH FLOWS			
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 cash provided by (used for) discontinued operations	(6)	13	7
CASH PROVIDED BY (USED FOR) FINANCING ACTIVITIES	$ (106)	$ 97	$ (98)

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Cash used for financing activities was $106 million in fiscal year 2009 compared to cash provided of $97 million in fiscal year 2008. In February and March 2009, we repaid our $77 million outstanding 6.8 percent notes and our $6 million outstanding 7-1/8 percent notes, respectively, upon their respective maturity dates. In fiscal year 2009, our primary source of cash flow from financing activities was borrowings on our U.S. accounts receivable securitization program, of which $83 million was utilized as of September 30, 2009 and borrowings on our revolving credit facility. Additional information on our revolving credit facility and our accounts receivable securitization and factoring programs is provided in the Liquidity section below. In fiscal year 2008, our primary source of cash flow from financing activities was borrowings on our U.S. accounts receivable securitization program, of which $111 million was utilized as of September 30, 2008.

In February 2007, we issued $200 million of 4.00 percent convertible senior unsecured notes due 2027. Net proceeds from the issuance of these notes were used along with available cash to retire outstanding debt, including our $170 million outstanding Term Loan B under our senior secured credit facility and $39 million of our 9.5 percent subordinated debentures due 2027. We incurred $10 million of cash costs, including premiums paid, related to these transactions. In fiscal year 2007, we purchased, at a premium, $35 million of our outstanding 8-3/4 percent notes.

We paid dividends of $8 million in fiscal year 2009, $29 million in fiscal year 2008 and $29 million in fiscal year 2007. In fiscal year 2007, proceeds of $28 million were received from the exercise of stock options. In February 2009, the Board of Directors suspended the company's quarterly dividend until further notice.

Contractual Obligations

As of September 30, 2009 we are contractually obligated to make payments as follows (in millions):

	Total	2010	2011	2012	2013-2014	There-after
Total debt [1]	$1,154	$ 97	$ 30	$276	$ —	$ 751
Operating leases	111	24	20	16	26	25
Interest payments on long-term debt	548	67	67	52	85	277
Total	$1,813	$ 188	$ 117	$344	$111	$ 1,053

(1) Excludes the unamortized gain on swap unwind of $23 million.

We also sponsor defined benefit pension plans that cover most of our U.S. employees and certain non-U.S. employees. Our funding practice 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. Management expects funding for our retirement pension plans of approximately $51 million in fiscal year 2010.

We also sponsor retirement medical plans that cover the majority of our 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. Management expects retiree medical plan benefit payments of approximately $49 million in each of fiscal years 2010 through 2014.

The table above does not reflect net unrecognized tax benefits of $45 million due to the high degree of uncertainty regarding the future cash outflows associated with these amounts. Refer to Note 22 in the Consolidated Financial Statements for additional discussion of unrecognized tax benefits.

Not included in the above table is a $28 million liability recorded in fiscal year 2009 related to a guarantee of a third party's obligation to reimburse another party for payment of health and prescription drug benefits to a group of retired employees. We expect approximately $9 million of this obligation to be paid in fiscal year 2010 with the remaining amount paid over the remaining life of the retirees.

Liquidity

Our outstanding debt, net of discounts where applicable, is summarized as follows (in millions). For a detailed discussion of terms and conditions related to this debt, see Note 16 in the Notes to Consolidated Financial Statements.

	September 30, 2009	September 30, 2008
Fixed-rate debt securities	$ 527	$ 610
Fixed-rate convertible notes	500	500
Revolving credit facility	28	—
Borrowings under U.S. accounts receivable securitization program	83	111
Lines of credit and other	39	82
Total debt	$ 1,177	$ 1,303

Overview Our principal operating and capital requirements are for working capital needs, capital expenditure requirements, debt service requirements and funding of restructuring and product development programs. We expect fiscal year 2010 capital expenditures for our business segments, including LVS, to be in the range of $90 million to $110 million. In addition, we expect restructuring cash costs to be approximately $25 million in fiscal year 2010. These cash costs relate to the $28 million of restructuring liabilities recorded at September 30, 2009 in the consolidated balance sheet.

We generally fund our operating and capital needs primarily with cash on hand, our various accounts receivable securitization and factoring arrangements and availability under our revolving credit facility. Cash in excess of local operating needs is generally used to reduce amounts outstanding under our revolving credit facility. Upon expiration of our current revolving facility in June 2011, we will require a new or renegotiated facility (which may be smaller and have less favorable terms than our current facility) or other financing arrangements. Our ability to access additional capital in the long-term will depend on availability of capital markets and pricing on commercially reasonable terms as well as our credit profile at the time we are seeking funds. In 2009, our credit rating decreased and we saw a significant decline in our stock price. We continuously evaluate our capital structure to ensure the most appropriate and optimal structure and may, from time to time, retire, exchange or redeem outstanding indebtedness, issue new equity or enter into new lending arrangements if conditions warrant.

Sources of liquidity as of September 30, 2009, in addition to cash on hand, are as follows:

	Total Facility Size	Unused as of 9/30/09	Current Expiration
On-balance sheet arrangements:			
Revolving credit facility	$ 666	$ 611	June 2011
Committed US securitization	125	42	September 2011
Total on-balance sheet arrangements	791	653	
Off-balance sheet arrangements:			
Committed receivable factoring programs	367	295	October 2010
Other uncommitted factoring facilities	159	138	Various
Total off-balance sheet arrangements	526	433	
Total available sources	$ 1,317	$ 1,086	

Cash and Liquidity Needs Our cash and liquidity needs have been impacted by the level, variability and timing of our customers worldwide vehicle production and other factors outside of our control. In addition, although our long term strategy is to become primarily a commercial vehicle and industrial company, the financial and economic environment has made this difficult to accomplish in its entirety in the short term and has left us with servicing the cash outflows of certain of our light vehicle businesses, which have been substantial. The divestiture in the third quarter of several of our light vehicle Chassis businesses, in addition to restructuring actions and other cost reductions taken during the fiscal year, are expected to limit the cash outflow of our remaining LVS businesses going forward. However the cash needs of the remaining LVS businesses could be significant while we continue to operate these businesses. In addition, potential cash costs to sell or shut down all or portions of our Body Systems business may be substantial dependent on the timing and specific actions to complete this process.

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 our customers or vendors. We saw our usage of the revolving credit facility throughout the first six months of the fiscal year increase significantly to meet working capital and other operational needs. However, stronger cash flow, improved regional cash efficiencies and the sale of certain LVS businesses, allowed us 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, we had $95 million in cash and cash equivalents and an undrawn amount of $611 million under the revolving credit facility. Our 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 our borrowings under the agreement as of each quarter end. As long as we are in compliance with this covenant as of the quarter end, we have full availability under the revolving credit facility every other day during the quarter. We were in compliance with this covenant as of September 30, 2009.

Future Covenant Compliance Our future liquidity is subject to a number of factors, including access to adequate funding under our 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 our operating requirements through the term of our existing revolving credit facility.

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Although we believe we will have sufficient liquidity, if amendments or waivers are needed due to unforeseen negative trends or developments, we would negotiate with the lenders under these facilities and believe we will receive such an amendment or waiver if required. However, there can be no assurances as to whether any such amendment or waiver may be obtained or, if obtained, whether the terms and restrictions of such amendment or waiver will be as favorable as current arrangements. Any amendment or waiver will contain commercial terms consistent with the current market which would likely include higher interest rates and an upfront amendment fee. If such amendments or waivers are needed and are not obtained, the lenders under these facilities could accelerate our obligations, which, through cross defaults, could allow acceleration of obligations under certain of our other debt arrangements, including our outstanding convertible notes and our U.S. accounts receivable securitization program.

Revolving Credit Facility We have a $700 million revolving secured credit facility that matures in June 2011. Due to the bankruptcy of Lehman Brothers in fiscal year 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. At September 30, 2009, $28 million was outstanding under this facility. No amount was outstanding at September 30, 2008. The $700 million revolving credit facility includes $150 million of availability for the issuance of letters of credit. At September 30, 2009 and September 30, 2008, approximately $27 million and $38 million letters of credit were issued, respectively.

In October and December 2007, we amended the revolving credit facility to modify certain financial covenants. Under the terms of the December amendment, the borrowing capacity of the credit facility was reduced to $700 million from $900 million. The amended facility replaced the existing financial covenants with new financial covenants based on (i) the ratio of the company's senior secured indebtedness (consisting principally of amounts outstanding under the revolving credit facility) 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, we were in compliance with the above noted covenants with a ratio of approximately 0.57x for the senior secured debt to EBITDA covenant. Certain of the company's subsidiaries, as defined in the credit agreement, irrevocably and unconditionally guarantee amounts outstanding under the revolving credit facility.

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 company's current credit rating for the senior secured facilities. At September 30, 2009, the margin over the LIBOR rate was 275 basis points, and the commitment fee was 50 basis points. Although a majority of our revolving credit loans are LIBOR based, overnight revolving credit loans are at the prime rate plus a margin of 175 basis points.

Accounts Receivable Securitization and Factoring As of September 30, 2009, we participate in accounts receivable factoring and securitization programs with total amounts utilized of approximately $176 million of which $155 million were attributable to committed facilities by established banks. At September 30, 2009, of the total $176 million utilized, $93 million relates to off-balance sheet securitization and factoring arrangements (see "Off-Balance Sheet Arrangements"). In addition, $83 million was attributable to our U.S. securitization facility, which is provided on a committed basis by a syndicate of financial institutions led by GMAC Commercial Finance LLC and expires in September 2011.

U.S. Securitization Program: Since 2005 we 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, we entered into a new, two year $125 million U.S. receivables financing arrangement with a syndicate of financial institutions led by GMAC Commercial Finance LLC. Under this program, we sell 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 subject to adequate eligible accounts receivable. 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 our revolving credit facility agreement.

Credit Ratings — Standard & Poor's corporate credit rating and senior secured credit rating for our company is CCC+ and B-, respectively. Moody's Investors Service corporate credit rating and senior secured credit rating for our company is Caa1 and B1, respectively. Any further lowering of our credit ratings could increase our cost of future borrowings and could reduce our access to capital markets and result in lower trading prices for our securities.

Off-Balance Sheet Arrangements

Accounts Receivable Securitization and Factoring Arrangements — We participate in accounts receivable factoring programs with total amounts utilized at September 30, 2009, of approximately $93 million, of which $56 million and $16 million were attributable to a Swedish securitization facility and a French factoring facility, respectively, both of which involve the securitization or sale of Volvo AB accounts receivables. These programs are described in more detail below.

Swedish Securitization Facility: In March 2006, we entered into a European arrangement to sell trade receivables through one of our European subsidiaries. Under this arrangement, we can sell up to, at any point in time, €125 million of eligible trade receivables. Effective October 2009 the facility size was reduced to €90 million. The receivables under this program are sold at face value and excluded from the consolidated balance sheet. We 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 September 30, 2008, respectively.

French Factoring Facility: In November 2007, we entered into an arrangement to sell trade receivables through one of our French subsidiaries. Under this arrangement, we can sell up to, at any point in time, €125 million of eligible trade receivables. The receivables under this program are sold at face value and excluded from the consolidated balance sheet. We had utilized €10 million ($16 million) and €96 million ($141 million) of this accounts receivable securitization facility as of September 30, 2009 and September 30, 2008, respectively.

Both of the above facilities are backed by 364-day liquidity commitments from Nordea Bank which were renewed through October 2010. The commitments are subject to standard terms and conditions for these types of arrangements (including, in the case of the French commitment, a sole discretion clause whereby the bank retains the right to not purchase receivables, which to our knowledge has never been invoked).

In addition, several of our subsidiaries, primarily in Europe, factor eligible accounts receivables with financial institutions. The amount of factored receivables was $21 million and $102 million at September 30, 2009 and September 30, 2008, respectively.

Contingencies

Contingencies related to environmental, asbestos and other matters are discussed in Note 23 of the Notes to Consolidated Financial Statements.

Critical Accounting Policies

Critical accounting policies are those that are most important to the portrayal of the company's financial condition and results of operations. These policies require management's most difficult, subjective or complex judgments in the preparation of the financial statements and accompanying notes. Management makes estimates and assumptions about the effect of matters that are inherently uncertain, relating to the reporting of assets, liabilities, revenues, expenses and the disclosure of contingent assets and liabilities. Our most critical accounting policies are discussed below.

Pensions Our pension obligations are determined annually on an actuarial basis and were measured as of September 30, 2009 and June 30, 2008. The U.S. plans include a qualified and non-qualified pension plan. Significant non-U.S. plans are located in the United Kingdom, Canada and Germany. The following are the significant assumptions used in the measurement of the projected benefit obligation (PBO) and net periodic pension expense:

	2009		20	
	U.S.	**Non-U.S.**	**U.S.**	
Assumptions as of September 30, 2009 and June 30, 2008:				
Discount rate	5.70%	3.00% 6.25%	7.10%	3.
Assumed return on plan assets	8.50%	3.00% 8.00%	8.50%	3.
Rate of compensation increase	3.75%	2.00% 3.50%	3.75%	2.

The **discount rate** is used to calculate the present value of the PBO. The rate is determined based 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 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.

These assumptions reflect our historical experience and our best judgments regarding future expectations. The effects of the indicated increase and decrease in selected assumptions, assuming no changes in benefit levels and no amortization of gains or losses for the plans in 2009, are shown below (in millions):

	Effect on All Plans September 30, 2009		
	Percentage Point Change	**Increase (Decrease) in PBO**	**Increase (Decrease) in Pension Expense**
Assumption:			
Discount rate	-0.5 pts	$ 129	$ 10
	+0.5 pts	(117)	(10)
Assumed return on plan assets	-1.0 pts	NA	15
	+1.0 pts	NA	(15)

NA Not Applicable

In September 2006, the FASB issued guidance related to retirement benefits which requires an entity to recognize the funded status of its defined benefit pension plans and other postretirement benefit plans, such as a retiree health care plan, on the balance sheet and to recognize changes in the funded status that arise during the period but are not recognized as components of net periodic benefit cost, within other comprehensive income, net of income taxes. This guidance was effective for the company as of September 30, 2007. The initial adoption of the guidance resulted in a reduction in shareowners equity of $357 million. This reduction is net of taxes of $193 million and is recorded in Accumulated Other Comprehensive Loss in the Consolidated Statement of Shareowners Equity. 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. We have elected to adopt the measurement date provisions of this retirement benefit guidance at October 1, 2008. Those provisions require the measurement date for plan assets and liabilities to coincide with the sponsor s year end. Using the one-measurement approach, the impact of adopting the measurement date provisions as of October 1, 2008, is an increase to accumulated deficit of approximately $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.

Accounting guidance applicable to pensions does not require immediate recognition of the effects of a deviation between actual and assumed experience and the revision of an estimate. This approach allows the favorable and unfavorable effects that fall within an acceptable range to be netted and disclosed as an unrecognized gain or loss in the footnotes. Based on the September 30, 2009 and June 30, 2008 measurement dates, we had an unrecognized loss of $762 million and $381 million, respectively, at September 30, 2009 and 2008. A portion of this loss was recognized into earnings in fiscal year 2009.

In recognition of the long-term nature of the liabilities of the pension plans, we have targeted an asset allocation strategy designed 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 asset allocation for the U.S. plan is targeted at 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.

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 both actively and passively 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 as of September 30, 2009.

Based on current assumptions, the fiscal year 2010 pension expense is estimated to be approximately $35 million.

Retiree Medical We have retirement medical plans that cover the majority of our U.S. and certain non-U.S. employees and provide for medical payments to eligible employees and dependents upon retirement. Our retiree medical obligations were measured as of September 30, 2009 and June 30, 2008.

The following are the significant assumptions used in the measurement of the accumulated postretirement benefit obligation (APBO):

	2009	**2008**
Assumptions as of September 30, 2009 and June 30, 2008:		
Discount rate	5.60%	6.90%
Health care cost trend rate (weighted average)	7.85%	7.60%
Ultimate health care trend rate	5.00%	5.00%
Year ultimate rate is reached	2021	2021

The **discount rate** is the rate used to calculate the present value of the APBO. The rate is determined based on high-quality fixed income investments that match the duration of expected benefit payments. We 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 forward projection of health care costs as of the measurement date. Our projection for fiscal year 2010 is an increase in health care costs of 7.85 percent. For measurement purposes, the annual increase in health care costs was assumed to decrease gradually to 5.0 percent by fiscal year 2021 and remain at that level thereafter.

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

Based on current assumption, fiscal year 2010 retiree medical expense is estimated to be approximately $57 million.

Product Warranties — Our Core Business segments record estimated product warranty costs at the time of shipment of products to customers. 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.

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

Significant factors and information used by management when estimating product warranty liabilities include:

- Past claims experience;
- Sales history;
- Product manufacturing and industry developments; and
- Recoveries from third parties, where applicable.

Asbestos — Maremont Corporation ("Maremont") — 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. Although Maremont has been named in these cases, very few cases allege actual injury and, 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.

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, we expect legal defense costs to continue at higher levels than when we participated in the CCR, we believe our litigation strategy has reduced the average indemnity cost per claim.

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. 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 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 occur in the future.

Bates White provided an estimate of the reasonably possible range of Maremont's 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.

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 declines 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 Maremont's 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 Maremont's prior experience; and

- The ultimate indemnity cost of resolving nonmalignant claims with plaintiff's 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.

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 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 our financial position and results of operations.

Asbestos 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 us, together with many other companies, as defendants.

We do 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, we nevertheless believe we have 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. We defend these cases vigorously. Historically, ArvinMeritor has been dismissed from the vast majority of similar claims filed in the past with no payment to claimants.

We also engage 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 us 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 $16 million liability for defense and indemnity costs associated with these claims at September 30, 2009, and 2008. The accrual estimates are based on historical data and certain assumptions with respect to events that 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 and future 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 our financial condition and results of operations.

Environmental We record 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, we record a liability for our allocable share of costs related to our involvement with the site, as well as an allocable share of costs related to insolvent parties or unidentified shares. At environmental sites in which we are the only potentially responsible party, a liability is recorded for the total estimated costs of remediation before consideration of recovery from insurers or other third parties. The ultimate cost with respect to our environmental obligations could significantly exceed the costs we have recorded as liabilities and therefore could have a material impact on our financial condition and results of operations.

Significant factors considered by management when estimating environmental reserves include:

- Evaluations of current law and existing technologies;
- The outcome of discussions with regulatory agencies;
- Pysical and scientific data at the site;
- Government requirements and legal standards; and
- Proposed remedies and technologies.

Goodwill Goodwill is reviewed for impairment annually or more frequently if certain indicators arise. If business conditions or other factors cause the operating results and cash flows of a reporting unit to decline, we 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.

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 the long-lived assets carrying value exceeds the fair value. If business conditions or other factors cause the operating results and cash flows to decline, we may be required to record impairment charges at that time. Long-lived assets held for sale are recorded at the lower of their carrying amount or fair value less cost to sell. Significant judgments and estimates used by management when evaluating long-lived assets for impairment include:

- An assessment as to whether an adverse event or circumstance has triggered the need for an impairment review;
- Undiscounted future cash flows generated by the asset; and
- Probability and estimated future cash flows associated with alternative courses of action that are being considered to recover the carrying amount of a long-lived asset.

Income Taxes Deferred income tax assets and liabilities are recognized for the future tax consequences attributable to differences between financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. If it is more likely than not that the deferred tax asset will be realized, no valuation allowance is recorded. Management judgment is required in determining the companys provision for income taxes, deferred tax assets and liabilities and the valuation allowance recorded against the companys net deferred tax assets. The valuation allowance would need to be adjusted in the event future taxable income is materially different than amounts estimated. Significant judgments, estimates and factors considered by management in its determination of the probability of the realization of deferred tax assets include:

- Historical operating results;
- Expectations of future earnings;
- Tax planning strategies; and
- The extended period of time over which retirement medical and pension liabilities will be paid.

In fiscal year 2009, the company recorded a non-cash 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 including France, Germany, Italy, and Sweden and certain other countries. 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 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 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.

During the fourth quarter of fiscal year 2008, we recognized a non-cash income tax charge of approximately $137 million related to repatriation of earnings of certain foreign subsidiaries of the company to the U.S. These actions have decreased the amount of our deferred tax assets in the U.S.

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.

New Accounting Pronouncements

New accounting standards to be implemented:

On October 1, 2008, we partially adopted as required, Financial Accounting Standards Board (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. We have elected to defer the adoption of Topic 820 with respect to certain non-financial assets and liabilities as permitted. We do not expect that the adoption of the guidance with respect to non-financial assets and liabilities will have any significant effect on our 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 our 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. We 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 our 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 accounting for our outstanding $300 million and $200 million convertible notes due in fiscal years 2026 and 2027, respectively, will be impacted by this guidance. Upon adoption, we will account for the debt and equity components of these convertible notes separately and expect 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. We do not expect this guidance to have a significant impact on our 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. We will reflect the impact of this guidance in our 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. We are currently evaluating the impact, if any, of the new requirements on our 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. We are currently assessing what impact, if any, that this guidance will have on our 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. We adopted the recognition requirements of this guidance related to the funded status of defined benefit pension plans and other postretirement benefit plans 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. We elected to adopt the measurement date provisions at October 1, 2008. Prior to adopting these provisions, we used a measurement date of June 30 for our 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, we 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. We adopted the measurement and disclosure requirements of this topic relating to our 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 our 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.

Our financial assets and liabilities recognized at fair value on a recurring basis at September 30, 2009 were not significant.

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 our 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 our estimates of fair value for assets and liabilities measured at fair value upon adoption of this guidance.

On January 1, 2009, we 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 our financial statements other than providing certain enhanced disclosures.

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. We adopted this guidance effective June 30, 2009 and added appropriate disclosure in our 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 our consolidated financial statements or disclosures.

International Operations

Approximately 62 percent of the company’s total assets, excluding assets of discontinued operations, as of September 30, 2009, and 61 percent of fiscal 2009 sales from continuing operations were outside the U.S. Management believes that international operations have significantly benefited the financial performance of the company. However, our international operations are subject to a number of risks inherent in operating abroad. There can be no assurance that these risks will not have a material adverse impact on our ability to increase or maintain our foreign sales or on our financial condition or results of operations.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to certain global market risks, including foreign currency exchange risk and interest rate risk associated with our debt.

Foreign currency exchange risk is the possibility that our financial results could be better or worse than planned because of changes in foreign currency exchange rates. Accordingly, we use foreign currency forward contracts to minimize the earnings 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 cash flow hedging program, we have designated the foreign currency contracts (the contracts) as cash flow hedges of underlying foreign currency forecasted 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 statement of shareowners’ equity and is recognized in operating income when the underlying forecasted transaction impacts earnings. The contracts generally mature within 12 months.

Interest rate risk relates to the gain/increase or loss/decrease we could incur in our debt balances and interest expense. To manage this risk, we enter into interest rate swaps from time to time to economically convert portions of our fixed-rate debt into floating rate exposure, ensuring that the sensitivity of the economic value of debt falls within our corporate risk tolerances. We had no outstanding interest rate swaps at September 30, 2009. It is our policy not to enter into derivative instruments for speculative purposes, and therefore, we hold no derivative instruments for trading purposes.

Included below is a sensitivity analyses to measure the potential gain (loss) in the fair value of financial instruments with exposure to market risk. The model assumes a 10% hypothetical change (increase or decrease) in exchange rates and instantaneous, parallel shifts of 50 basis points in interest rates.

Market Risk	**Assuming a 10% Increase in Rates**	**Assuming a 10% Decrease in Rates**	**Favorable / (Unfavorable) Impact on**
Foreign Currency Sensitivity:			
Forward contracts in USD[1]	$	$	Fair Value
Foreign currency denominated debt	1.6	(1.6)	Fair Value
Forward contracts in EUR[1]	(8.9)	8.9	Fair Value

	Assuming a 50 BPS Increase in Rates	**Assuming a 50 BPS Decrease in Rates**	**Favorable / (Unfavorable) Impact on**
Interest Rate Sensitivity:			
Debt - fixed rate	$ (25.3)	$ 26.8	Fair Value
Debt - variable rate[2]	(0.6)	0.6	Cash Flow

(1) Includes only the risk related to the derivative instruments and does not include the risk related to the underlying exposure. The analysis assumes overall derivative instruments and debt levels remain unchanged for each hypothetical scenario.

(2) Includes domestic and foreign debt.

At September 30, 2009 a 10% decrease in quoted currency exchange rates would result in no change in forward contracts in USD, a potential loss of approximately $1.6 million in foreign currency denominated debt and a potential gain of approximately $8.9 million in forward contracts in EUR.

At September 30, 2009 the fair value of debt outstanding was approximately $982 million. A 50 basis points decrease in quoted interest rates would result in favorable impacts of $26.8 million and $0.6 million in fixed rate debt and variable rate debt, respectively.

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 Control—Integrated 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.

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.

ARVINMERITOR, INC.
CONSOLIDATED BALANCE SHEET
(In millions)

	September 30, 2009	September 30, 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:		
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.

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.

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.

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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.

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

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 enterprises 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 companys 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 entitys own assumptions.

The companys 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 companys 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 companys 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 company's 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 company's 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 company's 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 company's 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 company’s step one impairment review of goodwill associated with its CVS reporting unit did not indicate that an impairment existed as of December 31, 2008.

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In connection with the changes in the company’s 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.

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(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