UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT

PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended July 3, 2011

Commission File No. 1-15983

MERITOR, 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)

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

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

Yes [X] No [ ]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one)

Large accelerated filer	X	**Accelerated filer**	
Non-accelerated filer		**Smaller reporting company**	

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

Yes ____ **No** X

94,452,314 shares of Common Stock, $1.00 par value, of Meritor, Inc. were outstanding on July 3, 2011.

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PART I. FINANCIAL INFORMATION
ITEM 1. Financial Statements

MERITOR, INC.
CONSOLIDATED STATEMENT OF INCOME
(in millions, except per share amounts)

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2011	2010	2011	2010
	(Unaudited)			
Sales	$ 1,287	$ 966	$ 3,450	$ 2,634
Cost of sales	(1,153)	(849)	(3,094)	(2,331)
GROSS MARGIN	134	117	356	303
Selling, general and administrative	(73)	(77)	(216)	(211)
Restructuring costs	(7)	(1)	(21)	(1)
Other operating expense	—	(6)	(2)	(6)
OPERATING INCOME	54	33	117	85
Other income, net	5	1	3	2
Equity in earnings of affiliates	21	12	51	33
Interest expense, net	(22)	(27)	(73)	(81)
INCOME BEFORE INCOME TAXES	58	19	98	39
Provision for income taxes	(30)	(21)	(69)	(31)
INCOME (LOSS) FROM CONTINUING OPERATIONS	28	(2)	29	8
INCOME (LOSS) FROM DISCONTINUED OPERATIONS, net of tax	(6)	3	17	13
NET INCOME	22	1	46	21
Less: Income attributable to noncontrolling interests	(5)	(4)	(14)	(11)
NET INCOME (LOSS) ATTRIBUTABLE TO MERITOR, INC.	$ 17	$ (3)	$ 32	$ 10
NET INCOME (LOSS) ATTRIBUTABLE TO MERITOR, INC.				
Net income (loss) from continuing operations	$ 23	$ (6)	$ 15	$ (3)
Income (loss) from discontinued operations	(6)	3	17	13
Net income (loss)	$ 17	$ (3)	$ 32	$ 10
BASIC EARNINGS (LOSS) PER SHARE				
Continuing operations	$ 0.24	$ (0.06)	$ 0.16	$ (0.04)
Discontinued operations	(0.06)	0.03	0.18	0.16
Basic earnings (loss) per share	$ 0.18	$ (0.03)	$ 0.34	$ 0.12
DILUTED EARNINGS (LOSS) PER SHARE				
Continuing operations	$ 0.24	$ (0.06)	$ 0.15	$ (0.04)
Discontinued operations	(0.06)	0.03	0.18	0.16
Diluted earnings (loss) per share	$ 0.18	$ (0.03)	$ 0.33	$ 0.12
Basic average common shares outstanding	94.3	93.2	94.0	81.8
Diluted average common shares outstanding	96.8	93.2	96.9	81.8

See notes to consolidated financial statements. Amounts for prior periods have been recast for discontinued operations.

MERITOR, INC.
CONDENSED CONSOLIDATED BALANCE SHEET
(in millions)

	June 30, 2011	September 30, 2010
	(Unaudited)	
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 201	$ 343
Receivables, trade and other, net	839	579
Inventories	502	382
Other current assets	67	76
Assets of discontinued operations	4	341
TOTAL CURRENT ASSETS	1,613	1,721
NET PROPERTY	417	389
GOODWILL	438	432
OTHER ASSETS	370	337
TOTAL ASSETS	$ 2,838	$ 2,879
LIABILITIES AND EQUITY (DEFICIT)		
CURRENT LIABILITIES:		
Short-term debt	$ 84	$ —
Accounts payable	905	670
Other current liabilities	397	358
Liabilities of discontinued operations	1	362
TOTAL CURRENT LIABILITIES	1,387	1,390
LONG-TERM DEBT	950	1,029
RETIREMENT BENEFITS	1,160	1,162
OTHER LIABILITIES	304	321
EQUITY (DEFICIT):		
Common stock (June 30, 2011 and September 30, 2010, 94.4 and 94.1 shares issued and outstanding, respectively)	93	92
Additional paid-in capital	897	886
Accumulated deficit	(1,188)	(1,220)
Accumulated other comprehensive loss	(811)	(812)
Total deficit attributable to Meritor, Inc.	(1,009)	(1,054)
Noncontrolling interest	46	31
TOTAL EQUITY (DEFICIT)	(963)	(1,023)
TOTAL LIABILITIES AND EQUITY (DEFICIT)	$ 2,838	$ 2,879

See notes to consolidated financial statements.

MERITOR, INC.
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(in millions)

	Nine Months Ended June 30, 2011	Nine Months Ended June 30, 2010
	(Unaudited)	
OPERATING ACTIVITIES		
CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES (See Note 10)	$ (19)	$ 139
INVESTING ACTIVITIES		
Capital expenditures	(68)	(33)
Other investing activities	1	5
Net investing cash flows used for continuing operations	(67)	(28)
Net investing cash flows used for discontinued operations	(66)	(7)
CASH USED FOR INVESTING ACTIVITIES	(133)	(35)
FINANCING ACTIVITIES		
Payments on revolving credit facility, net	—	(28)
Payments on accounts receivable securitization program, net	—	(83)
Proceeds from debt issuance	—	245
Repayment of notes	—	(193)
Payments on lines of credit and other, net	—	(2)
Net change in debt	—	(61)
Proceeds from exercise of stock options	6	—
Proceeds from stock issuance	—	209
Issuance and debt extinguishment costs	—	(45)
Other financing activities	—	(1)
Net financing cash flows provided by continuing operations	6	102
Net financing cash flows used for discontinued operations	—	(12)
CASH PROVIDED BY FINANCING ACTIVITIES	6	90
EFFECT OF CHANGES IN FOREIGN CURRENCY EXCHANGE RATES ON CASH AND CASH EQUIVALENTS	4	—
CHANGE IN CASH AND CASH EQUIVALENTS	(142)	194
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	343	95
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 201	$ 289

See notes to consolidated financial statements. Amounts for prior periods have been recast for discontinued operations.

MERITOR, INC.
CONDENSED CONSOLIDATED STATEMENT OF EQUITY (DEFICIT)
(In millions)
(unaudited)

	Common Stock	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Deficit Attributable to Meritor, Inc.	Noncontrolling Interests	Total
Beginning balance at September 30, 2010	$ 92	$ 886	$ (1,220)	$ (812)	$ (1,054)	$ 31	$ (1,023)
Equity based compensation expense	—	6	—	—	6	—	6
Exercise of stock options	1	5	—	—	6	—	6
Net income	—	—	32	—	32	14	46
Foreign currency translation adjustments	—	—	—	56	56	2	58
Impact of sale of business	—	—	—	(62)	(62)	—	(62)
Pension adjustment	—	—	—	9	9	—	9
Other	—	—	—	(2)	(2)	(1)	(3)
Ending Balance at June 30, 2011	$ 93	$ 897	$ (1,188)	$ (811)	$ (1,009)	$ 46	$ (963)
Beginning balance at September 30, 2009	$ 72	$ 699	$ (1,232)	$ (734)	$ (1,195)	$ 29	$ (1,166)
Issuance of common stock	20	180	—	—	200	—	200
Equity based compensation expense	—	5	—	—	5	—	5
Net income	—	—	10	—	10	11	21
Foreign currency translation adjustments	—	—	—	(2)	(2)	—	(2)
Impact of sale of business	—	—	—	31	31	—	31
Other	—	—	—	5	5	(3)	2
Ending Balance at June 30, 2010	$ 92	$ 884	$ (1,222)	$ (700)	$ (946)	$ 37	$ (909)

See notes to consolidated financial statements.

MERITOR, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Basis of Presentation

Meritor, Inc., formerly named ArvinMeritor, Inc., (the "company" or "Meritor"), 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. 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 income, statement of cash flows and related notes for all periods presented. Additional information regarding discontinued operations is discussed in Note 4.

In the opinion of the company, the unaudited financial statements contain all adjustments, consisting solely of adjustments of a normal, recurring nature, necessary to present fairly the financial position, results of operations and cash flows for the periods presented. These statements should be read in conjunction with the company’s audited consolidated financial statements and notes thereto included in the Annual Report on Form 10-K for the fiscal year ended September 30, 2010. The results of operations for the nine months ended June 30, 2011, are not necessarily indicative of the results for the full year.

The company’s fiscal year ends on the Sunday nearest September 30. The third quarter of fiscal years 2011 and 2010 ended on July 3, 2011 and July 4, 2010, respectively. All year and quarter references relate to the company’s fiscal year and fiscal quarters, unless otherwise stated. For ease of presentation, September 30 and June 30 are used consistently throughout this report to represent the fiscal year end and third quarter end, respectively.

The company has evaluated subsequent events through the date that the consolidated financial statements were issued.

2. Earnings per Share

Basic earnings per share is calculated using the weighted average number of shares outstanding during each period. Diluted earnings per share calculation includes the impact of dilutive common stock options, restricted stock, performance share awards and convertible securities, if applicable.

A reconciliation of basic average common shares outstanding to diluted average common shares outstanding is as follows (in millions):

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2011	2010	2011	2010
Basic average common shares outstanding	94.3	93.2	94.0	81.8
Impact of stock options	0.1	—	0.1	—
Impact of restricted shares and share units	2.4	—	2.8	—
Diluted average common shares outstanding	96.8	93.2	96.9	81.8

At June 30, 2011, options to purchase 0.6 million shares of common stock were not included in the computation of diluted earnings per share because their exercise price exceeded the average market price for the three and nine month periods and thus their inclusion would be anti-dilutive. The potential effects of stock options and restricted shares and share units were excluded from the diluted earnings per share calculation for the three and nine months ended June 30, 2010 because their inclusion in a net loss period would reduce the net loss per share. Therefore, at June 30, 2010, options to purchase 1.4 million shares of common stock were not included in the computation of diluted earnings per share. In addition, 3.1 million and 2.8 million shares of restricted stock were excluded from the computation of diluted earnings per share for the three and nine months ended June 30, 2010, respectively. The company’s convertible senior unsecured notes are excluded from the computation of diluted earnings per share, as the stock price at the end of the quarter is less than the conversion price.

3. New Accounting Standards

New accounting standards to be implemented

In June 2011, the Financial Accounting Standards Board (the FASB) issued Accounting Standards Update (ASU) No. 2011-05, Comprehensive Income (Topic 220): Presentation of Comprehensive Income. The new guidance allows an entity to present components of net income and other comprehensive income in one continuous statement, referred to as the statement of comprehensive income, or in two separate, but consecutive statements. The guidance eliminates the current option to report other comprehensive income and its components in the statement of changes in equity. While the new guidance changes the presentation of comprehensive income, there are no changes to the components that are recognized in net income or other comprehensive income under current accounting guidance. This new guidance is effective for fiscal years and interim periods beginning after December 15, 2011. The company does not believe the adoption of the new guidance will have a significant impact on the company's consolidated financial statements.

In May 2011, the FASB issued ASU No. 2011-04, Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. generally accepted accounting principles (GAAP) and International Financial Reporting Standards (IFRS). This ASU is intended to result in convergence between U.S. GAAP and IFRS requirements for measurement of and disclosures about fair value. The guidance amends current fair value measurement and disclosure guidance to include increased transparency around valuation inputs and investment categorization. This new guidance is effective for fiscal years and interim periods beginning after December 15, 2011. The company is currently evaluating the potential impact of this new guidance on its consolidated financial statements.

Accounting standards implemented in fiscal year 2011

In June 2009, the FASB issued guidance on accounting for transfer of financial assets, which 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. As required, the company adopted this guidance effective October 1, 2010. The adoption of this guidance did not have any impact on the company's 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 the 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. As required, the company adopted this guidance effective October 1, 2010. The adoption of this guidance did not have any impact on the company's consolidated financial statements other than additional disclosures as noted below.

The company holds a variable interest in a joint venture accounted for under the equity method of accounting. The joint venture manufactures components for commercial vehicle applications primarily on behalf of the company. The variable interest relates to a supply arrangement between the company and the joint venture whereby the company supplies certain components to the joint venture at a cost-plus basis. The company is not the primary beneficiary of the joint venture, as the joint venture partner has shared or absolute control over key manufacturing operations, labor relationships, financing activities and certain other functions of the joint venture. Therefore, the company does not consolidate the joint venture. At June 30, 2011, the company's investment in the joint venture was $33 million, classified as Other Assets in the condensed consolidated balance sheet (see Note 14), representing the company's maximum exposure to loss.

4. Discontinued Operations

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

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2011	2010	2011	2010
Sales	$ 3	$ 309	$ 309	$ 1,008
Operating income, net	$ 1	$ 14	$ 18	$ 32
Net gain on sale of businesses	—	—	19	8
Restructuring costs	—	(1)	(1)	(3)
Other	(7)	(5)	(15)	(21)
Income (loss) before income taxes	(6)	8	21	16
Provision for income taxes	—	(5)	(4)	(3)
Income (loss) from discontinued operations attributable to Meritor, Inc.	$ (6)	$ 3	$ 17	$ 13

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 its Light Vehicle Systems (LVS) businesses. After completion of the sale of the Body Systems and Gabriel Europe businesses in the second quarter of fiscal year 2011, as discussed in more detail below, the company has substantially completed its transformation. The remaining non-core business consists of a small damper business located in Leicester, England, for which the company continues to pursue alternatives. Results of the company's LVS businesses are reflected in discontinued operations through the date of disposition.

Body Systems

On January 3, 2011, the company completed the sale of its Body Systems business to Inteva Products Holding Coöperatieve U.A., an assignee of 81 Acquisition LLC and an affiliate of Inteva Products, LLC. Pursuant to the sale agreement signed in August 2010, total consideration was approximately $35 million, subject to certain potential adjustments for items such as working capital fluctuations. The actual purchase price at the closing was $27 million (excluding estimated closing expenses for outside advisory fees of $12 million), consisting of $12 million in cash at closing (adjusted for estimated balances in working capital and other items at the time of the closing) and a five year, 8 percent promissory note for $15 million, payable in five annual installments. The current portion of the promissory note is included in receivables, trade and other, net in the accompanying condensed consolidated balance sheet. The long-term portion of the note is included in other assets in the accompanying condensed consolidated balance sheet.

In addition to the purchase price, the company expects to receive the cash held at the time of the sale by the Body Systems entities operating in China and Brazil of approximately $33 million, before applicable taxes and other withholding, at such time as it becomes available for distribution, as provided in the sale agreement. At June 30, 2011, the company has recognized a receivable of approximately $27 million, net of applicable taxes and other withholding, for cash balances available for distribution based on the current distribution capacity. The company expects to recognize a receivable for the remaining amount of approximately $3 million, before applicable taxes and other withholding, at such time when the balance becomes available for distribution by the respective entities. The receivable recognized at June 30, 2011 is included in receivables, trade and other, net in the accompanying condensed consolidated balance sheet. Cash outflows as a result of the sale of Body Systems are included in net investing cash flows used for discontinued operations in the accompanying condensed consolidated statement of cash flows.

In connection with the sale of Body Systems business, the company recognized a pre-tax gain of $32 million ($32 million after tax) in the second quarter of fiscal year 2011. Upon sale of the Body Systems business, net accumulated foreign currency translation gains of $62 million were recognized into income and included in the gain on sale of this business. These net accumulated foreign currency translation gains were previously deferred and included in accumulated other comprehensive loss in the condensed consolidated statement of equity (deficit).

The sale agreement contains certain customary representations, warranties and covenants of the seller and the purchaser as further set forth in the agreement. The agreement also includes provisions governing post-closing indemnities between the seller and the purchaser for losses arising from specified events. At June 30, 2011, the company recognized estimates for such indemnities, primarily related to income tax matters, of $5 million. This amount is included in other liabilities in the accompanying condensed consolidated balance sheet.

Gabriel Europe – On February 6, 2011, the company sold its Gabriel Europe (Bonneval) facility to TRW Automotive Holdings France. Gabriel Europe manufactured ride control parts (shock absorbers) for sale in Europe. In connection with the sale, the company made a cash capital contribution of $15 million to Gabriel Europe prior to the completion of the sale transaction. This capital contribution is included in net investing cash flows used for discontinued operations in the accompanying condensed consolidated statement of cash flows.

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 manufactured and supplied 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 transaction closed in October 2009. The purchase price was $13 million, which included a cash dividend of $12 million received by the company in June 2009. The remaining purchase price was received by the company at the time of closing. In connection with the sale of its interest in MSSC, the company provided certain indemnifications to the buyer for its share of potential obligations related to taxes, pension funding shortfall, environmental and other contingencies, and valuation of certain accounts receivable and inventories. The company’s estimated exposure under these indemnities is approximately $14 million and is included in other liabilities in the condensed consolidated balance sheet at June 30, 2011.

Wheels – In September 2009, the company completed the sale of its Wheels business to Iochpe-Maxion S.A., a Brazilian producer of wheels and frames for commercial vehicles, railway freight cars and castings, and affiliates.

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.

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 following summarizes significant items included in income from discontinued operations in the consolidated statement of income for the three- and nine-month periods ended June 30, 2011 and 2010:

Operating income from discontinued operations represents income from normal operating activities of businesses included in discontinued operations before such businesses were sold.

Net gain on sale of businesses – In the second quarter of fiscal year 2011, the company recognized a pre-tax gain of $32 million ($32 million after tax) on the sale of the Body Systems business and a pre-tax loss of $13 million ($13 million after tax) on the sale of its Gabriel Europe business. In the first nine months of fiscal year 2010, the company recognized a pre-tax gain of $16 million ($16 million after tax) on the sale of its interest in MSSC, net of estimated indemnity obligations as described above. Also included in net gain on sale of businesses for the first nine months of fiscal year 2010 are $8 million of charges associated with working capital purchase price adjustments associated with the sale of Gabriel Ride Control.

Restructuring costs – Restructuring costs relate to charges associated with certain actions in the company’s Body Systems and Gabriel Europe businesses prior to their sale.

Other – Other charges primarily relate to charges for changes in estimates and adjustments related to certain assets and liabilities retained from previously sold businesses and indemnities provided at the time of sale, and costs associated with the divestiture actions.

5. Goodwill

A summary of the changes in the carrying value of goodwill are presented below (in millions):

	Commercial Truck	Industrial	Aftermarket & Trailer	Total
Balance at September 30, 2010	$ 151	$ 109	$ 172	$ 432
Foreign currency translation	3	—	3	6
Balance at June 30, 2011	$ 154	$ 109	$ 175	$ 438

6. Restructuring Costs

At June 30, 2011 and at September 30, 2010, $18 million and $11 million, respectively, of restructuring reserves, primarily related to unpaid employee termination benefits, remained in the consolidated balance sheet. The changes in restructuring reserves for the nine months ended June 30, 2011 and 2010 are as follows (in millions):

	Employee Termination Benefits	Asset Impairment	Plant Shutdown & Other	Total
Balance at September 30, 2010	$ 11	$ —	$ —	$ 11
Activity during the period:				
Charges to continuing operations	20	1	—	21
Asset write-offs	—	(1)	—	(1)
Cash payments - continuing operations	(13)	—	—	(13)
Balance at June 30, 2011	$ 18	$ —	$ —	$ 18
Balance at September 30, 2009	$ 28	$ —	$ —	$ 28
Activity during the period:				
Charges to continuing operations, net of reversals	—	—	1	1
Charges to discontinued operations, net of reversals(1)	3	—	—	3
Cash payments - continuing operations	(10)	—	(1)	(11)
Cash payments – discontinued operations	(7)	—	—	(7)
Balance at June 30, 2010	$ 14	$ —	$ —	$ 14

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

Performance Plus: During fiscal year 2007, the company launched a long-term profit improvement and cost reduction initiative called “Performance Plus.” As part of this program, the company identified significant restructuring actions which would eliminate up to 2,800 positions in North America and Europe and consolidate and combine certain global facilities. The company’s continuing operations recognized restructuring costs in its Commercial Truck business segment of $13 million in the first nine months of fiscal year 2011 ($5 million in the third quarter of fiscal year 2011) related to Performance Plus. These costs relate to the rationalization of our manufacturing footprint in Europe which involves eliminating one manufacturing facility and primarily consist of employee headcount reductions. Cumulative restructuring costs recorded for this program as of June 30, 2011 are $159 million, including $93 million reported in discontinued operations in the consolidated statement of income. These costs primarily relate to employee severance and related costs of $115 million, asset impairment charges of $19 million and $25 million primarily associated with pension termination benefits. The company’s Commercial Truck segment has recognized cumulative restructuring costs associated with Performance Plus of $55 million. Cumulative restructuring costs of $11 million were recognized by corporate locations and the company’s Aftermarket & Trailer segment. The majority of the restructuring actions associated with Performance Plus were complete as of June 30, 2011, with remaining cash costs of approximately $4 million expected to be incurred in the remainder of fiscal year 2011 and fiscal year 2012, primarily in the company’s Commercial Truck segment.

European Trailer: In the second quarter of fiscal year 2011, the company announced the planned closure of its European trailer business and recognized approximately $6 million of restructuring costs in the Aftermarket & Trailer segment primarily associated with employee severance costs. Total restructuring costs associated with this planned shutdown are currently estimated to be in the range of $12 million to $18 million.

Other: In the third quarter of fiscal year 2011, the company recorded approximately $2 million of restructuring costs at its corporate locations associated with certain executive headcount reductions.

7. Other Income, Net

During the third quarter of fiscal year 2011, the company recognized a $5 million non-operating gain on the collection of a note receivable related to a previously divested business. The gain represents a change in fair value of the note from the time of receipt of the note to the date of final payment in the third quarter of fiscal year 2011. The gain has been classified in income from continuing operations in the consolidated statements of income.

8. Income Taxes

For each interim reporting period, the company makes an estimate of the effective tax rate expected to be applicable for the full fiscal year pursuant to FASB's Accounting Standards Codification (ASC) Topic 740-270, "Accounting for Income Taxes in Interim Periods." The rate so determined is used in providing for income taxes on a year-to-date basis. Jurisdictions with a projected loss for the year or an actual year-to-date loss where no tax benefit can be recognized are excluded from the estimated annual effective tax rate. The impact of including these jurisdictions on the quarterly effective rate calculation could result in a higher or lower effective tax rate during a particular quarter, based upon the mix and timing of actual earnings versus annual projections.

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

For the nine months of fiscal year 2011, the company had approximately $128 million of net pre-tax losses in tax jurisdictions in which a tax benefit is not recorded. Tax benefits arising from these jurisdictions resulted in increasing the valuation allowance, rather than reducing income tax expense.

9. Accounts Receivable Securitization and Factoring

Off-balance sheet arrangements

Swedish Factoring Facility: In 2006, the company entered into a European arrangement to sell trade receivables due from AB Volvo through one of its European subsidiaries. In June 2011, the company renewed this agreement through June 2012. Under this arrangement, the company can sell up to, at any point in time, €150 million of eligible trade receivables. The receivables under this program are sold at face value and are excluded from the consolidated balance sheet. The gross amount of proceeds received from the sale of receivables under this arrangement was $413 million and $249 million for the nine months ended June 30, 2011 and 2010, respectively. The company had utilized €99 million ($143 million) and €62 million ($84 million) of this accounts receivable factoring facility as of June 30, 2011 and September 30, 2010, respectively. The company had notes receivable from the purchaser of the receivables of $6 million and $3 million under this program at June 30, 2011 and September 30, 2010, respectively. The notes receivable from the purchaser were generated prior to the June 2011 renewal. Under the renewed agreement, the company will not have any notes receivable from purchaser as the full amount of purchased receivables will be paid at the time of transfer of receivables to the purchaser.

French Factoring Facility: In November 2007, the company entered into an arrangement to sell trade receivables through one of its French subsidiaries. Under this arrangement, the company 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 are excluded from the consolidated balance sheet. The company had utilized €44 million ($64 million) and €36 million ($49 million) of this accounts receivable factoring facility as of June 30, 2011 and September 30, 2010, respectively.

Both of the above facilities are backed by 364-day liquidity commitments from Nordea Bank which were renewed through June 2012 for both the French and Swedish facilities. 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 the company's knowledge has never been invoked).

U.S. Factoring Facility: In October 2010, the company entered into a two-year arrangement to sell trade receivables from AB Volvo and its subsidiaries. Under this arrangement, the company can sell up to, at any point in time, €50 million ($73 million) of eligible trade receivables. The receivables under this program are sold at face value and are excluded from the consolidated balance sheet. The company had utilized $53 million of this accounts receivable factoring facility as of June 30, 2011.

In addition, several of the company's subsidiaries, primarily in Europe, factor eligible accounts receivable with financial institutions. Certain receivables are factored without recourse to the company and are excluded from accounts receivable in the consolidated balance sheet. The amount of factored receivables excluded from accounts receivable was $11 million and $5 million at June 30, 2011 and September 30, 2010, respectively.

Total costs associated with these off-balance sheet arrangements were $6 million and $3 million in the nine month periods ended June 30, 2011 and 2010, respectively, and are included in selling, general and administrative expenses in the consolidated statement of income.

On-balance sheet arrangements

In September 2009 the company entered into a new, two year $125 million U.S. receivables financing arrangement which is provided on a committed basis by a syndicate of financial institutions led by Ally Commercial Finance LLC (formerly GMAC Commercial Finance LLC). In October 2010, the company extended the expiration of the program to October 2013. Under this program, the company has the ability to sell substantially all of the trade receivables (excluding the receivables due from AB Volvo and subsidiaries eligible for sale under the U.S. Factoring Facility discussed above) of certain U.S. subsidiaries to ArvinMeritor Receivables Corporation (ARC), a wholly-owned, special purpose subsidiary. 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 June 30, 2011 and September 30, 2010, no amount was outstanding under this program. This program does not have specific financial covenants; however, it does have a cross-default provision to the company's revolving credit facility agreement.

10. Operating Cash Flow

The reconciliation of net income to cash flows provided by (used for) operating activities is as follows (in millions):

	Nine Months Ended June 30,	
	2011	2010
OPERATING ACTIVITIES		
Net income	$ 46	$ 21
Less: income from discontinued operations, net of tax	17	13
Income from continuing operations	29	8
Adjustments to income from continuing operations to arrive at cash provided by (used for) operating activities:		
Depreciation and amortization	50	54
Restructuring costs, net of payments	8	(10)
Equity in earnings of affiliates, net of dividends	(21)	(23)
Loss on debt extinguishment	—	13
Other adjustments to income from continuing operations	12	2
Pension and retiree medical expense	53	66
Pension and retiree medical contributions	(56)	(65)
Interest proceeds from note receivable	—	12
Changes in off-balance sheet receivable securitization and factoring	134	55
Changes in assets and liabilities, excluding effects of acquisitions, divestitures, foreign currency adjustments and discontinued operations	(191)	6
Operating cash flows provided by continuing operations	18	118
Operating cash flows provided by (used for) discontinued operations	(37)	21
CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	$ (19)	$ 139

11. Inventories

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

	June 30, 2011	September 30, 2010
Finished goods	$ 186	$ 156
Work in process	71	62
Raw materials, parts and supplies	245	164
Inventories	$ 502	$ 382

12. Other Current Assets

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

	June 30, 2011	September 30, 2010
Current deferred income tax assets, net	$ 36	$ 46
Asbestos-related recoveries (see Note 20)	11	11
Deposits and collateral	5	3
Prepaid and other	15	16
Other current assets	$ 67	$ 76

13. Net Property

Net property is summarized as follows (in millions):

	June 30, 2011	September 30, 2010
Property at cost:		
Land and land improvements	$ 45	$ 42
Buildings	272	267
Machinery and equipment	931	909
Company-owned tooling	154	150
Construction in progress	63	40
Total	1,465	1,408
Less accumulated depreciation	(1,048)	(1,019)
Net property	$ 417	$ 389

14. Other Assets

Other assets are summarized as follows (in millions):

	June 30, 2011	September 30, 2010
Investments in non-consolidated joint ventures	$ 194	$ 164
Asbestos-related recoveries (see Note 20)	55	55
Non-current deferred income tax assets, net	22	23
Unamortized debt issuance costs	27	32
Capitalized software costs, net	22	21
Note receivable, non-current (see Note 4)	12	—
Prepaid pension costs	9	8
Other	29	34
Other assets	$ 370	$ 337

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

15. Other Current Liabilities

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

	June 30, 2011	September 30, 2010
Compensation and benefits	$ 158	$ 179
Income taxes	36	18
Taxes other than income taxes	39	32
Product warranties	26	28
Restructuring (see Note 6)	18	11
Asbestos-related liabilities (see Note 20)	19	18
Accrued interest (see Note 17)	24	5
Other	77	67
Other current liabilities	$ 397	$ 358

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

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

	Nine Months Ended June 30,	
	2011	2010[1]
Total product warranties – beginning of period	$ 54	$ 70
Accruals for product warranties	16	13
Payments	(15)	(20)
Change in estimates and other	(4)	(3)
Total product warranties – end of period	51	60
Less: Non-current product warranties (see Note 16)	(25)	(29)
Product warranties – current	$ 26	$ 31

(1) At September 30, 2009 and June 30, 2010, product warranty liabilities of $39 million and $38 million, respectively, related to light vehicle businesses are not included in the table above. These liabilities were part of the net assets of businesses sold during the second quarter of fiscal year 2011.

16. Other Liabilities

Other liabilities are summarized as follows (in millions):

	June 30, 2011	September 30, 2010
Asbestos-related liabilities (see Note 20)	$ 66	$ 66
Non-current deferred income tax liabilities	88	94
Liabilities for uncertain tax positions	37	47
Product warranties (see Note 15)	25	26
Environmental	7	13
Indemnity obligations	40	32
Other	41	43
Other liabilities	$ 304	$ 321

17. Long-Term Debt

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

	June 30, 2011	September 30, 2010
8-3/4 percent notes due 2012	$ 84	$ 84
8-1/8 percent notes due 2015	250	250
10-5/8 percent notes due 2018	245	245
4.625 percent convertible notes due 2026[1]	300	300
4.0 percent convertible notes due 2027[1]	200	200
Lines of credit and other	9	9
Unamortized gain on interest rate swap termination	15	18
Unamortized discount on convertible notes	(69)	(77)
Subtotal	1,034	1,029
Less: current maturities	84	—
Long-term debt	$ 950	$ 1,029

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

Debt Securities

On March 3, 2010, the company completed a public offering of debt securities consisting of the issuance of $250 million 8-year fixed rate 10-5/8 percent notes due March 15, 2018. The offering was made pursuant to a shelf registration statement filed with the Securities and Exchange Commission on November 20, 2009, which became effective December 23, 2009 (the “Shelf Registration Statement”), registering $750 million aggregate debt and/or equity securities that may be offered in one or more series on terms to be determined at the time of sale. The notes were issued at a discounted price of 98.024 percent of their principal amount. The proceeds from the sale of the notes, net of discount, were $245 million and were primarily used to repurchase $175 million of the company’s previously outstanding $276 million 8-3/4 percent notes due 2012.

On March 23, 2010, the company completed the debt tender offer for its 8-3/4 percent notes due March 1, 2012. The notes were repurchased at 109.75 percent of their principal amount. The repurchase of $175 million of 8-3/4 percent notes was accounted for as an extinguishment of debt and, accordingly, the company recognized a net loss on debt extinguishment of approximately $13 million, which is included in interest expense, net in the consolidated statement of income. The loss on debt extinguishment primarily relates to the $17 million paid in excess of par to repurchase the $175 million of 8-3/4 percent notes, partially offset by a $6 million gain associated with the acceleration of previously deferred unamortized interest rate swap gains associated with the 8-3/4 percent notes.

On June 15, 2010, the company purchased in the open market $17 million of its 8-3/4 percent notes due March 1, 2012. The notes were repurchased at 104.875 percent of their principal amount. On June 17, 2010, the company purchased in the open market $1 million of its 8-1/8 percent notes due September 15, 2015. The notes were repurchased at 94.000 percent of their principal amount.

Revolving Credit Facility

On February 5, 2010 the company signed an agreement to amend and extend the revolving credit facility, which became effective on February 26, 2010. As of March 31, 2011 the company had a $567 million revolving credit facility which excluded approximately $29 million of commitments that are unavailable due to the bankruptcy of Lehman Brothers in 2008 and included a $30 million increase from new lenders as the company exercised the accordion feature of the agreement. On April 13, 2011 the company exercised an additional $15 million of the accordion feature. On June 23, 2011, $141 million of the revolving credit facility matured for banks that elected not to extend their original commitments (non-extending banks). The remaining revolving credit facility balance of $441 million matures in January 2014. Availability under the revolving credit facility is subject to a collateral test, pursuant to which borrowings on the revolving credit facility cannot exceed 1.0x the collateral test value. The collateral test is performed on a quarterly basis and under the most recent collateral test, the full amount of the revolving credit facility was available for borrowing at June 30, 2011. Availability under the revolving credit facility is also subject to certain financial covenants based on (i) the ratio of the company’s priority debt (consisting principally of amounts outstanding under the revolving credit facility, U.S. accounts receivable securitization and factoring programs, and third-party non-working capital foreign debt) to EBITDA and (ii) the amount of annual capital expenditures. The company is required to maintain a total priority debt-to-EBITDA ratio, as defined in the agreement, of (i) 2.50 to 1 as of the last day of each fiscal quarter commencing with the fiscal quarter ended September 30, 2010 through and including the fiscal quarter ended June 30, 2011; (ii) 2.25 to 1 as of the last day of each fiscal quarter commencing with the fiscal quarter ended September 30, 2011 through and including the fiscal quarter ended June 30, 2012 and (iii) 2.00 to 1 as of the last day of each fiscal quarter thereafter through maturity. At June 30, 2011, the company was in compliance with all covenants under its credit agreement with a ratio of approximately 0.18x for the priority debt-to-EBITDA covenant.

The revolving credit facility includes a $100 million limit on the issuance of letters of credit. At September 30, 2010, approximately $26 million of letters of credit were issued. No letters of credit were outstanding at June 30, 2011 under the revolving credit facility. In addition, the company has another letter of credit facility with an availability limit of $30 million and had approximately $29 million outstanding at June 30, 2011. The company also had additional $3 million and $2 million outstanding at June 30, 2011 and September 30, 2010, respectively, of letters on credit available through other facilities.

Borrowings under the revolving credit facility are collateralized by approximately $674 million of the company’s assets, primarily consisting of eligible domestic U.S. accounts receivable, inventory, plant, property and equipment, intellectual property and the company’s investment in all or a portion of certain of its wholly-owned subsidiaries.

Borrowings under the revolving credit facility are subject to interest based on quoted LIBOR rates plus a margin, and a commitment fee on undrawn amounts, both of which are based upon the company's current credit rating for the senior secured facility. At June 30, 2011, the margin over LIBOR rate was 425 basis points for the $441 million available under the revolving credit facility, and the commitment fee was 50 basis points.

Certain of the company's subsidiaries, as defined in the credit agreement, irrevocably and unconditionally guarantee amounts outstanding under the revolving credit facility. Similar subsidiary guarantees are provided for the benefit of the holders of the publicly-held notes outstanding under the company's indentures (see Note 23).

Interest Rate Swap Agreement

In March 2010, the company entered into an interest rate swap agreement that effectively converted $125 million of the company's 8-1/8 percent notes due 2015 to variable interest rates. The terms of the interest rate swap agreement required the company to place cash on deposit as collateral if the fair value of the interest rate swap represented a liability for the company at any time. The swap was designated as a fair value hedge and the impact of the changes in its fair values was offset by an equal and opposite change in the carrying value of the related notes. Under the terms of the swap agreement, the company received a fixed rate of interest of 8-1/8 percent on notional amounts of $125 million and paid a variable rate based on U.S. dollar six-month LIBOR plus a spread of 4.61 percent. The payments under the swap agreement coincided with the interest payment dates on the hedged debt instrument, and the difference between the amounts paid and received was included in interest expense, net.

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

In July 2010, the company terminated the interest rate swap agreement and received proceeds from the termination of approximately $7 million. The unamortized fair value adjustment of the notes associated with this swap is classified as long-term debt in the consolidated balance sheet and will be amortized to earnings as a reduction of interest expense over the remaining term of the debt.

18. Financial Instruments

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

Foreign Exchange Contracts

As a result of the company's substantial international operations, it is exposed to foreign currency risks that arise from normal business operations, including in connection with transactions that are denominated in foreign currencies. In addition, the company translates sales and financial results denominated in foreign currencies into U.S. dollars for purposes of its consolidated financial statements. As a result, appreciation of the U.S. dollar against these foreign currencies generally will have a negative impact on 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.

The company has a foreign currency cash flow hedging program to reduce the company's exposure to changes in exchange rates on foreign currency purchases and sales. The company uses 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. Under this foreign currency cash flow hedging program, the company has designated the foreign exchange contracts (the "contracts") as cash flow hedges of underlying forecasted foreign currency purchases and sales. The effective portion of changes in the fair value of the contracts is recorded in Accumulated Other Comprehensive Loss (AOCL) in the consolidated balance sheet and is recognized in operating income when the underlying forecasted transaction impacts earnings. The terms of the foreign exchange contracts generally require the company to place cash on deposit as collateral if the fair value of these contracts represents a liability above certain minimum thresholds for the company at any time. The fair values of the foreign exchange derivative instruments and any related collateral cash deposits are presented on a net basis as the derivative contracts are subject to master netting arrangements. The company's foreign exchange contracts generally mature within twelve months.

At June 30, 2011, the company had outstanding contracts with notional amounts of $105 million under its foreign currency cash flow hedging program. These notional values consisted primarily of contracts for the European euro, Swedish krona and Canadian dollar, and are stated in U.S. dollar equivalents at spot exchange rates at the respective dates. The fair value of these foreign exchange forward contracts is based on a model which incorporates observable inputs including quoted spot rates, forward exchange rates and discounted future expected cash flows utilizing market interest rates with similar quality and maturity characteristics. At June 30, 2011, fair value of these foreign exchange forward contracts and related unrealized income recorded in AOCL were not significant. At September 30, 2010, the company had no foreign exchange contracts outstanding under its foreign currency cash flow hedging program.

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

The company generally has not hedged against its foreign currency exposure related to translations to U.S. dollars of financial results denominated in foreign currencies. However, in the fourth quarter of fiscal year 2010, the company entered into foreign currency option contracts to reduce the risk of volatility in the translation of Brazilian real earnings to U.S. dollars. Gains and losses on these option contracts are recorded in other income, net, in the consolidated statement of income, generally reducing the exposure to translation volatility during a full-year period. The impact of these option contracts was not significant to the results of operations or financial position at June 30, 2011.

Fair Value

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

	June 30, 2011		September 30, 2010	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Cash and cash equivalents	$ 201	$ 201	$ 343	$ 343
Short-term debt	84	87	—	—
Long-term debt	950	1,063	1,029	1,132

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

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

19. Retirement Benefit Liabilities

Retirement benefit liabilities consist of the following (in millions):

	June 30, 2011	September 30, 2010
Retiree medical liability	$ 601	$ 594
Pension liability	585	595
Other	27	26
Subtotal	1,213	1,215
Less: current portion (included in other current liabilities)	(53)	(53)
Retirement benefit liabilities	$ 1,160	$ 1,162

Certain active employees and retirees of a German subsidiary of the company were covered by a defined benefit pension plan. In connection with the sale of the company's Body Systems business (see Note 4), the projected benefit obligation (PBO) of approximately $21 million related to the active employees of the divested business was transferred to the buyer. The PBO related to these employees was classified in the liabilities of discontinued operations at September 30, 2010. The transfer of this obligation required a remeasurement of the plan as of January 3, 2011. As a result of the remeasurement and transfer, the company's total PBO decreased by $30 million and AOCL decreased by $9 million. The decrease in AOCL is reflected in the condensed consolidated statement of equity (deficit).

The components of net periodic pension and retiree medical expense for continuing operations for the three months ended June 30 are as follows (in millions):

	2011		2010	
	Pension	Retiree Medical	Pension	Retiree Medical
Service cost	$ 2	$ 1	$ 4	$ —
Interest cost	23	7	21	8
Assumed return on plan assets	(29)	—	(27)	—
Amortization of prior service costs	—	(3)	—	(2)
Recognized actuarial loss	10	7	9	8
Total expense	$ 6	$ 12	$ 7	$ 14

The components of net periodic pension and retiree medical expense for continuing operations for the nine months ended June 30 are as follows (in millions):

	2011		2010	
	Pension	Retiree Medical	Pension	Retiree Medical
Service cost	$ 6	$ 1	$ 12	$ 1
Interest cost	69	20	65	23
Assumed return on plan assets	(87)	—	(81)	—
Amortization of prior service costs	—	(7)	—	(7)
Recognized actuarial loss	29	22	27	26
Total expense	$ 17	$ 36	$ 23	$ 43

In fiscal year 2011, the company expects to make total pension contributions of $36 million (as compared to $54 million previously disclosed). As permitted under the Preservation of Access to Care for Medicare Beneficiaries and Pension Relief Act of 2010, the company elected an alternative amortization schedule for funding asset shortfalls that arose as a result of the global recession. As a result, the company has elected to defer approximately $18 million of U.S. qualified pension plan employer contributions. The company expects to contribute these deferred contributions to the pension trust over the next several years in accordance with applicable pension funding regulations.

20. Contingencies

Environmental

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

The company has been designated as a potentially responsible party at eight Superfund sites, excluding sites as to which the company's records disclose no involvement or as to which the company's liability has been finally determined. Management estimates the total reasonably possible costs the company could incur for the remediation of Superfund sites at June 30, 2011 to be approximately $20 million, of which $3 million is recorded as a liability.

In addition to the Superfund sites, various other lawsuits, claims and proceedings have been asserted against the company, alleging violations of federal, state and local environmental protection requirements, or seeking remediation of alleged environmental impairments, principally at previously disposed-of properties. For these matters, management has estimated the total reasonably possible costs the company could incur at June 30, 2011 to be approximately $39 million, of which $14 million is recorded as a liability.

Included in the company's environmental liabilities are costs for on-going operation, maintenance and monitoring at environmental sites in which remediation has been put into place. This liability is discounted using a discount rate of five-percent and is approximately $7 million at June 30, 2011. The undiscounted estimate of these costs is approximately $11 million.

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

	Superfund Sites	Non-Superfund Sites	Total
Balance at September 30, 2010	$ 3	$ 18	$ 21
Accruals	2	1	3
Payments and other	(2)	(5)	(7)
Balance at June 30, 2011	$ 3	$ 14	$ 17

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

Asset Retirement Obligations

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

Asbestos

Maremont Corporation ("Maremont"), a subsidiary of Meritor, manufactured friction products containing asbestos from 1953 through 1977, when it sold its friction product business. Arvin Industries, Inc., a predecessor of the company, acquired Maremont in 1986. Maremont and many other companies are defendants in suits brought by individuals claiming personal injuries as a result of exposure to asbestos-containing products. Maremont had approximately 26,000 pending asbestos-related claims at June 30, 2011 and September 30, 2010. Although Maremont has been named in these cases, in the cases where actual injury has been alleged, very few claimants have established that a Maremont product caused their injuries. Plaintiffs' lawyers often sue dozens or even hundreds of defendants in individual lawsuits on behalf of hundreds or thousands of claimants, seeking damages against all named defendants irrespective of the disease or injury and irrespective of any causal connection with a particular product. For these reasons, Maremont does not consider the number of claims filed or the damages alleged to be a meaningful factor in determining its asbestos-related liability.

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

	June 30, 2011	September 30, 2010
Asbestos-related reserves for pending and future claims	$ 67	$ 67
Asbestos-related insurance recoveries	57	57

A portion of the asbestos-related recoveries and reserves are included in Other Current Assets and Liabilities, with the majority of the amounts recorded in Other Assets and Liabilities (see Notes 12, 14, 15 and 16).

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

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

Bates White provided an estimate of the reasonably possible range of Maremont's obligation for asbestos personal injury claims over the next ten years of $64 million to $76 million. After consultation with Bates White, Maremont determined that as of March 31, 2011 the most likely and probable liability for pending and future claims over the next ten years is $64 million. The ultimate cost of resolving pending and future claims is estimated based on the history of claims and expenses for plaintiffs represented by law firms in jurisdictions with an established history with Maremont.

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

- Pending and future claims were estimated for a ten year period ending in fiscal year 2021. The ten-year assumption is considered appropriate as Maremont has reached certain longer-term agreements with key plaintiff law firms and filings of mesothelioma claims have been relatively stable over the last few years resulting in an improvement in the reliability of future projections over a longer time period;
- Maremont believes that the litigation environment will change significantly beyond ten years and that the reliability of estimates of future probable expenditures in connection with asbestos-related personal injury claims will decline for each year further in the future. As a result, estimating a probable liability beyond ten years is difficult and uncertain;
- The ultimate cost of resolving pending and future claims filed in Madison County, Illinois, a jurisdiction where a substantial amount of 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 plaintiffs' law firms in jurisdictions without an established history with Maremont cannot be reasonably estimated. Recent changes in tort law and insufficient settlement history make estimating a liability for these nonmalignant claims difficult and uncertain.

Recoveries: Maremont has insurance that reimburses a substantial portion of the costs incurred defending against asbestos-related claims. The coverage also reimburses Maremont for any indemnity paid on those claims. The coverage is provided by several insurance carriers based on insurance agreements in place. Incorporating historical information with respect to buy-outs and settlements of coverage, and excluding any policies in dispute, the insurance receivable related to asbestos-related liabilities is $57 million as of June 30, 2011 and September 30, 2010. The difference between the estimated liability and insurance receivable is primarily related to proceeds received from settled insurance policies. Certain insurance policies have been settled in cash prior to the ultimate settlement of the related asbestos liabilities. Amounts received from insurance settlements generally reduce recorded insurance receivables. Receivables for policies in dispute are not recorded.

The amounts recorded for the asbestos-related reserves and recoveries from insurance companies are based upon assumptions and estimates derived from currently known facts. All such estimates of liabilities and recoveries for asbestos-related claims are subject to considerable uncertainty because such liabilities and recoveries are influenced by variables that are difficult to predict. The future litigation environment for Maremont could change significantly from its past experience, due, for example, to changes in the mix of claims filed against Maremont in terms of plaintiffs' law firm, jurisdiction and disease; legislative or regulatory developments; Maremont's 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 Maremont's asbestos-related claims, and the effect on the company, could differ materially from current estimates and, therefore, could have a material impact on the company's financial condition and results of operations.

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

The company engages Bates White to assist with determining whether it would be possible to estimate the cost of resolving pending and future Rockwell legacy asbestos-related claims that have been, and could reasonably be expected to be, filed against the company. Although it is not possible to estimate the full range of costs because of various uncertainties, Bates White advised the company that it would be able to determine an estimate of probable defense and indemnity costs which could be incurred to resolve pending and future Rockwell legacy asbestos-related claims. After consultation with Bates White, the company determined that as of June 30, 2011 and September 30, 2010 the probable liability for pending and future claims over the next four years is $18 million and $17 million, respectively. The accrual estimates are based on historical data and certain assumptions with respect to events that may occur in the future. The uncertainties of asbestos claim litigation and resolution of the litigation with the insurance companies make it difficult to predict accurately the ultimate resolution of asbestos claims beyond four years. 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, which are currently being disputed. 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. Based on consultation with advisors and underlying analysis performed by management, the company has recorded an insurance receivable related to Rockwell legacy asbestos-related liabilities of $9 million at June 30, 2011 and September 30, 2010. If the assumptions with respect to the nature of pending claims, the cost to resolve claims and the amount of available insurance prove to be incorrect, the actual amount of liability for Rockwell asbestos-related claims, and the effect on the company, could differ materially from current estimates and, therefore, could have a material impact on the company's financial condition and results of operations.

Indemnifications

In December 2005, the company guaranteed a third party's obligation to reimburse another party for payment of health and prescription drug benefits to a group of retired employees. The retirees were former employees of a wholly-owned subsidiary of the company prior to it being acquired by the company. The wholly-owned subsidiary, which was part of the company's light vehicle aftermarket business, was sold by the company in fiscal year 2006. Prior to May 2009, except as set forth hereinafter, the third party met its obligations to reimburse the other party. In May 2009, the third party filed for bankruptcy protection under Chapter 11 of the U.S. Bankruptcy Code requiring the company to recognize its obligations under the guarantee. The company recorded a $28 million liability in fiscal year 2009 for this matter. During the second quarter of fiscal year 2011, the company recorded a $4 million charge to increase the liability based on current demographic data. This amount is included in income from discontinued operations in the accompanying condensed consolidated statement of income. The estimated liability for this matter was approximately $23 million and $21 million at June 30, 2011 and September 30, 2010, respectively.

The company has provided indemnifications in conjunction with certain transactions, primarily divestitures. These indemnities address a variety of matters, which may include environmental, tax, asbestos and employment-related matters, and the periods of indemnification vary in duration. The company's maximum obligations under these indemnifications cannot be reasonably estimated. The company is not aware of any claims or other information that would give rise to material payments under such indemnifications. The company provided additional indemnifications in connection with the sale of its Body Systems business and its 57 percent interest in MSSC (see Note 4).

Other

On March 31, 2008, S&E Quick Lube, a filter distributor, filed suit in U.S. District Court for the District of Connecticut alleging that twelve filter manufacturers, including a prior subsidiary of the company, engaged in a conspiracy to fix prices, rig bids and allocate U.S. customers for aftermarket automotive filters. This suit is a purported class action on behalf of direct purchasers of filters from the defendants. Several parallel purported class actions, including on behalf of indirect purchasers of filters, have been filed by other plaintiffs in a variety of jurisdictions in the United States and Canada. The cases have been consolidated into a multi-district litigation proceeding in Federal court for the Northern District of Illinois. 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. On May 25, 2010, the Office of the Attorney General for the State of Washington informed the company that it also was investigating the allegations raised in these suits. On August 9, 2010, the County of Suffolk, New York, filed a complaint in the Eastern District of New York based on the same allegations. The case has been transferred to the multi-district litigation proceeding in Illinois. On April 14, 2011, the judge in that multi-district litigation granted a stay on discovery and depositions until July 25, 2011. The stay was subsequently extended until August 23, 2011. The company intends to vigorously defend the claims raised in all of these actions. The company is unable to estimate a range of exposure, if any, at this time.

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

21. Shareowners' Equity (Deficit)

Common Stock

In March 2010, the company completed an equity offering of 19,952,500 common shares, par value of $1 per share, at a price of $10.50 per share. The proceeds of the offering of $200 million, net of underwriting discounts and commissions, were primarily used to repay outstanding indebtedness under the revolving credit facility and under the U.S. accounts receivable securitization program. The offering was made pursuant to the Shelf Registration Statement, registering $750 million aggregate debt and/or equity securities that may be offered in one or more series on terms to be determined at the time of sale (see Note 17).

Comprehensive Income (Loss)

Comprehensive income (loss) includes net income and components of other comprehensive income (loss), such as foreign currency translation adjustments, and unrealized gains and losses on derivatives and equity securities.

Comprehensive income (loss) is summarized as follows (in millions):

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2011	2010	2011	2010
Net income	$ 22	$ 1	$ 46	$ 21
Foreign currency translation adjustments	20	(36)	58	(2)
Impact of sale of business	—	—	(62)	31
Pension adjustment	—	—	9	—
Other	—	2	(2)	5
Comprehensive income (loss)	42	(33)	49	55
Comprehensive income attributable to noncontrolling interests	(7)	(4)	(16)	(11)
Comprehensive income (loss) attributable to Meritor, Inc.	$ 35	$ (37)	$ 33	$ 44

22. Business Segment Information

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

In the fourth quarter of fiscal year 2010, as a result of the divestiture activity described in Note 4, the company included its former LVS reporting segment in discontinued operations. All prior period amounts have been recast to reflect the classification of the company's former LVS reporting segment as discontinued operations. The company has three reportable segments at June 30, 2011, 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 the company's OE businesses in Asia Pacific, including all on- and off-highway activities; and

- 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.

Segment EBITDA is defined as income (loss) from continuing operations before interest expense, income taxes, depreciation and amortization, non-controlling interests in consolidated joint ventures, loss on sale of receivables, restructuring expenses and asset impairment charges. The company uses Segment EBITDA as the primary basis for the CODM to evaluate the performance of each of its reportable segments. In fiscal year 2010, the company modified the definition of Segment EBITDA to include the entire EBITDA from the company's consolidated joint ventures before making adjustment for non-controlling interests, and to exclude restructuring costs and asset impairment charges. Including the entire EBITDA of our consolidated joint ventures, consistent with the related revenues, better reflects the performance of our Industrial segment and is consistent with how the CODM currently measures segment performance. All prior period amounts have been recast to reflect these changes.

The accounting policies of the segments are the same as those applied in the Consolidated Financial Statements, except for the use of Segment EBITDA. The company may allocate certain common costs, primarily corporate functions, between the segments differently than the company would for stand alone financial information prepared in accordance with the U.S. generally accepted accounting principles. These allocated costs include expenses for shared services such as information technology, finance, communications, legal, human resources and certain engineering costs. The company does not allocate interest expense and certain legacy and other corporate costs not directly associated with the Segments' EBITDA.

MERITOR, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Segment information is summarized as follows (in millions):

	Commercial Truck	Industrial	Aftermarket & Trailer	Eliminations	Total
Three months ended June 30, 2011:					
External Sales	$ 711	$ 286	$ 290	$ —	$ 1,287
Intersegment Sales	59	22	3	(84)	—
Total Sales	$ 770	308	$ 293	$ (84)	$ 1,287
Three months ended June 30, 2010:					
External Sales	$ 467	$ 244	$ 255	$ —	$ 966
Intersegment Sales	55	13	2	(70)	—
Total Sales	$ 522	$ 257	$ 257	$ (70)	$ 966

	Commercial Truck	Industrial	Aftermarket & Trailer	Eliminations	Total
Nine months ended June 30, 2011:					
External Sales	$ 1,877	$ 792	$ 781	$ —	$ 3,450
Intersegment Sales	161	52	9	(222)	—
Total Sales	$ 2,038	$ 844	$ 790	$ (222)	$ 3,450
Nine months ended June 30, 2010:					
External Sales	$ 1,241	$ 682	$ 711	$ —	$ 2,634
Intersegment Sales	172	49	6	(227)	—
Total Sales	$ 1,413	$ 731	$ 717	$ (227)	$ 2,634

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2011	2010	2011	2010
Segment EBITDA:				
Commercial Truck	$ 49	$ 25	$ 122	53
Industrial	21	25	56	80
Aftermarket & Trailer	35	20	76	54
Segment EBITDA	105	70	254	187
Unallocated legacy and corporate costs (1)	(3)	(4)	(9)	(9)
Interest expense, net	(22)	(27)	(73)	(81)
Provision for income taxes	(30)	(21)	(69)	(31)
Depreciation and amortization	(17)	(18)	(50)	(54)
Loss on sale of receivables	(3)	(1)	(6)	(3)
Restructuring costs	(7)	(1)	(21)	(1)
Other	5	—	3	—
Noncontrolling interests	(5)	(4)	(14)	(11)
Income (loss) from continuing operations attributable to Meritor, Inc.	$ 23	$ (6)	$ 15	$ (3)

(1) Unallocated legacy and corporate costs represent items that are not directly related to the 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.

Segment Assets:	June 30, 2011	September 30, 2010
Commercial Truck	$ 1,576	$ 1,207
Industrial	492	397
Aftermarket & Trailer	571	506
Total segment assets	2,639	2,110
Corporate(1)	466	566
Discontinued operations(2)	4	341
Less: Accounts receivable sold under off-balance sheet factoring programs(3)	(271)	(138)
Total assets	$ 2,838	$ 2,879

(1) Corporate assets consist primarily of cash, deferred income taxes and prepaid pension costs.

(2) Assets of discontinued operations at June 30, 2011 consist of the assets of the remaining non-core business which was part of the company’s former light vehicle systems segment. Assets of discontinued operations at September 30, 2010 consist of assets of the divested Body Systems and Chassis disposal groups.

(3) At June 30, 2011 and September 30, 2010, segment assets include $271 million and $138 million, respectively, of accounts receivable sold under off-balance sheet accounts receivable and factoring programs (see Note 9). These sold receivables are included in segment assets as the CODM reviews segment assets inclusive of these balances.

23. Supplemental Guarantor Condensed Consolidating Financial Statements

Certain of the company’s wholly-owned subsidiaries, as defined in the credit agreement (the Guarantors) irrevocably and unconditionally guarantee amounts outstanding under the senior secured revolving credit facility. Similar subsidiary guarantees were provided for the benefit of the holders of the publicly-held notes outstanding under the company’s indentures (see Note 17).

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

MERITOR, INC.
CONDENSED CONSOLIDATING STATEMENT OF INCOME
(In millions)
(Unaudited)

	Three Months Ended June 30, 2011				
	Parent	Guarantors	Non-Guarantors	Elims	Consolidated
Sales					
External	$ —	$ 404	$ 883	$ —	$ 1,287
Subsidiaries	—	37	21	(58)	—
Total sales	—	441	904	(58)	1,287
Cost of sales	(15)	(398)	(798)	58	(1,153)
GROSS MARGIN	(15)	43	106	—	134
Selling, general and administrative	(26)	(19)	(28)	—	(73)
Restructuring costs	(2)	—	(5)	—	(7)
OPERATING INCOME (LOSS)	(43)	24	73	—	54
Other income (expense), net	15	—	(10)	—	5
Equity in earnings of affiliates	—	12	9	—	21
Interest income (expense), net	(30)	6	2	—	(22)
INCOME (LOSS) BEFORE INCOME TAXES	(58)	42	74	—	58
Provision for income taxes	(1)	(3)	(26)	—	(30)
Equity income from continuing operations of subsidiaries	82	40	—	(122)	—
INCOME FROM CONTINUING OPERATIONS	23	79	48	(122)	28
LOSS FROM DISCONTINUED OPERATIONS, net of tax	(6)	$ (9)	$ (8)	$ 17	$ (6)
NET INCOME	17	70	40	(105)	22
Less: Net income attributable to noncontrolling interests	—	—	(5)	—	(5)
NET INCOME ATTRIBUTABLE TO MERITOR, INC.	$ 17	$ 70	$ 35	$ (105)	$ 17

MERITOR, INC.
CONDENSED CONSOLIDATING STATEMENT OF INCOME
(In millions)
(Unaudited)

	Three Months Ended June 30, 2010				
	Parent	Guarantors	Non-Guarantors	Elims	Consolidated
Sales					
External	$ —	$ 346	$ 620	$ —	$ 966
Subsidiaries	—	32	17	(49)	—
Total sales	—	378	637	(49)	966
Cost of sales	(19)	(325)	(554)	49	(849)
GROSS MARGIN	(19)	53	83	—	117
Selling, general and administrative	(37)	(18)	(22)	—	(77)
Restructuring costs	—	1	(2)	—	(1)
Other expense	(2)	—	(4)	—	(6)
OPERATING INCOME (LOSS)	(58)	36	55	—	33
Other income (expense)	18	(10)	(7)	—	1
Equity in earnings of affiliates	—	5	7	—	12
Interest income (expense), net	(37)	17	(7)	—	(27)
INCOME (LOSS) BEFORE INCOME TAXES	(77)	48	48	—	19
Benefit (provision) for income taxes	—	—	(21)	—	(21)
Equity income from continuing operations of subsidiaries	71	22	—	(93)	—
INCOME (LOSS) FROM CONTINUING OPERATIONS	(6)	70	27	(93)	(2)
INCOME FROM DISCONTINUED OPERATIONS, net of tax	3	5	11	(16)	3
NET INCOME (LOSS)	(3)	75	38	(109)	1
Less: Net income attributable to noncontrolling interests	—	—	(4)	—	(4)
NET INCOME (LOSS) ATTRIBUTABLE TO MERITOR, INC.	$ (3)	$ 75	$ 34	$ (109)	$ (3)

MERITOR, INC.
CONDENSED CONSOLIDATING STATEMENT OF INCOME
(In millions)
(Unaudited)

	Nine Months Ended June 30, 2011				
	Parent	Guarantors	Non-Guarantors	Elims	Consolidated
Sales					
External	$ —	$ 1,102	$ 2,348	$ —	$ 3,450
Subsidiaries	—	108	58	(166)	—
Total sales	—	1,210	2,406	(166)	3,450
Cost of sales	(44)	(1,103)	(2,113)	166	(3,094)
GROSS MARGIN	(44)	107	293	—	356
Selling, general and administrative	(80)	(62)	(74)	—	(216)
Restructuring costs	(2)	—	(19)	—	(21)
Other operating expense	(2)	—	—	—	(2)
OPERATING INCOME (LOSS)	(128)	45	200	—	117
Other income (expense), net	39	(8)	(28)	—	3
Equity in earnings of affiliates	—	28	23	—	51
Interest income (expense), net	(91)	21	(3)	—	(73)
INCOME (LOSS) BEFORE INCOME TAXES	(180)	86	192	—	98
Provision for income taxes	—	(9)	(60)	—	(69)
Equity income from continuing operations of subsidiaries	195	109	—	(304)	—
INCOME FROM CONTINUING OPERATIONS	15	186	132	(304)	29
INCOME FROM DISCONTINUED OPERATIONS, net of tax	17	$ 44	$ 49	$ (93)	$ 17
NET INCOME	32	230	181	(397)	46
Less: Net income attributable to noncontrolling interests	—	—	(14)	—	(14)
NET INCOME ATTRIBUTABLE TO MERITOR, INC.	$ 32	$ 230	$ 167	$ (397)	$ 32

MERITOR, INC.
CONDENSED CONSOLIDATING STATEMENT OF INCOME
(In millions)
(Unaudited)

	Nine Months Ended June 30, 2010				
	Parent	Guarantors	Non-Guarantors	Elims	Consolidated
Sales					
External	$ —	$ 1,027	$ 1,607	$ —	$ 2,634
Subsidiaries	—	87	48	(135)	—
Total sales	—	1,114	1,655	(135)	2,634
Cost of sales	(50)	(951)	(1,465)	135	(2,331)
GROSS MARGIN	(50)	163	190	—	303
Selling, general and administrative	(98)	(57)	(56)	—	(211)
Restructuring costs	—	1	(2)	—	(1)
Other expense	(2)	—	(4)	—	(6)
OPERATING INCOME (LOSS)	(150)	107	128	—	85
Other income (expense), net	42	(22)	(18)	—	2
Equity in earnings of affiliates	—	14	19	—	33
Interest income (expense), net	(116)	50	(15)	—	(81)
INCOME (LOSS) BEFORE INCOME TAXES	(224)	149	114	—	39
Provision for income taxes	—	(5)	(26)	—	(31)
Equity income from continuing operations of subsidiaries	221	76	—	(297)	—
INCOME (LOSS) FROM CONTINUING OPERATIONS	(3)	220	88	(297)	8
INCOME FROM DISCONTINUED OPERATIONS, net of tax	13	$ 20	$ 56	$ (76)	$ 13
NET INCOME	10	240	144	(373)	21
Less: Net income attributable to noncontrolling interests	—	—	(11)	—	(11)
NET INCOME ATTRIBUTABLE TO MERITOR, INC.	$ 10	$ 240	$ 133	$ (373)	$ 10

MERITOR, INC.
CONDENSED CONSOLIDATING BALANCE SHEET
(In millions)
(Unaudited)

	June 30, 2011				
	Parent	Guarantors	Non-Guarantors	Elims	Consolidated
CURRENT ASSETS					
Cash and cash equivalents	$ 36	$ 7	$ 158	$ —	$ 201
Receivables, net	9	19	811	—	839
Inventories	—	189	313	—	502
Other current assets	7	17	43	—	67
Assets of discontinued operations	—	—	4	—	4
TOTAL CURRENT ASSETS	52	232	1,329	—	1,613
NET PROPERTY	10	124	283	—	417
GOODWILL	—	275	163	—	438
OTHER ASSETS	45	173	152	—	370
INVESTMENTS IN SUBSIDIARIES	1,273	272	—	(1,545)	—
TOTAL ASSETS	$ 1,380	$ 1,076	$ 1,927	$ (1,545)	$ 2,838
CURRENT LIABILITIES					
Short-term debt	$ 84	$ —	$ —	$ —	$ 84
Accounts payable	46	229	630	—	905
Other current liabilities	149	66	182	—	397
Liabilities of discontinued operations	—	—	1	—	1
TOTAL CURRENT LIABILITIES	279	295	813	—	1,387
LONG-TERM DEBT	941	—	9	—	950
RETIREMENT BENEFITS	995	—	165	—	1,160
INTERCOMPANY PAYABLE (RECEIVABLE)	87	(720)	633	—	—
OTHER LIABILITIES	87	148	69	—	304
EQUITY (DEFICIT) ATTRIBUTABLE TO MERITOR, INC.	(1,009)	1,353	192	(1,545)	(1,009)
NONCONTROLLING INTERESTS	—	—	46	—	46
TOTAL LIABILITIES AND EQUITY (DEFICIT)	$ 1,380	$ 1,076	$ 1,927	$ (1,545)	$ 2,838

MERITOR, INC.
CONDENSED CONSOLIDATING BALANCE SHEET
(In millions)
(Unaudited)

	September 30, 2010				
	Parent	Guarantors	Non-Guarantors	Elims	Consolidated
CURRENT ASSETS					
Cash and cash equivalents	$ 47	$ 6	$ 290	$ —	$ 343
Receivables, net	4	14	561	—	579
Inventories	—	148	234	—	382
Other current assets	17	20	39	—	76
Assets of discontinued operations	—	12	329	—	341
TOTAL CURRENT ASSETS	68	200	1,453	—	1,721
NET PROPERTY	10	122	257	—	389
GOODWILL	—	275	157	—	432
OTHER ASSETS	49	158	130	—	337
INVESTMENTS IN SUBSIDIARIES	1,011	154	—	(1,165)	—
TOTAL ASSETS	$ 1,138	$ 909	$ 1,997	$ (1,165)	$ 2,879
CURRENT LIABILITIES					
Accounts payable	$ 36	$ 186	$ 448	$ —	$ 670
Other current liabilities	109	106	143	—	358
Liabilities of discontinued operations	—	9	353	—	362
TOTAL CURRENT LIABILITIES	145	301	944	—	1,390
LONG-TERM DEBT	1,021	—	8	—	1,029
RETIREMENT BENEFITS	974	—	188	—	1,162
INTERCOMPANY PAYABLE (RECEIVABLE)	(41)	(473)	514	—	—
OTHER LIABILITIES	92	130	99	—	321
EQUITY (DEFICIT) ATTRIBUTABLE TO MERITOR, INC.	(1,053)	951	213	(1,165)	(1,054)
NONCONTROLLING INTERESTS	—	—	31	—	31
TOTAL LIABILITIES AND EQUITY (DEFICIT)	$ 1,138	$ 909	$ 1,997	$ (1,165)	$ 2,879

MERITOR, INC.
CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
(In millions)
(Unaudited)

	Nine Months Ended June 30, 2011				
	Parent	Guarantors	Non-Guarantors	Elims	Consolidated
CASH FLOWS PROVIDED BY (USED FOR) OPERATING ACTIVITIES	$ 146	$ 17	$ (182)	$ —	$ (19)
INVESTING ACTIVITIES					
Capital expenditures	(2)	(23)	(43)	—	(68)
Other investing activities	—	2	(1)	—	1
Net cash flows provided by (used for) discontinued operations	(15)	5	(56)	—	(66)
CASH USED FOR INVESTING ACTIVITIES	(17)	(16)	(100)	—	(133)
FINANCING ACTIVITIES					
Net increase (decrease) in intercompany obligations	(146)	—	146	—	—
Proceeds from exercise of stock options	6	—	—	—	6
CASH PROVIDED BY (USED FOR) FINANCING ACTIVITIES	(140)	—	146	—	6
EFFECT OF FOREIGN CURRENCY EXCHANGE RATES ON CASH AND CASH EQUIVALENTS	—	—	4	—	4
CHANGE IN CASH AND CASH EQUIVALENTS	(11)	1	(132)	—	(142)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	47	6	290	—	343
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 36	$ 7	$ 158	$ —	$ 201

MERITOR, INC.
CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
(In millions)
(Unaudited)

	Nine Months Ended June 30, 2010				
	Parent	Guarantors	Non-Guarantors	Elims	Consolidated
CASH FLOWS PROVIDED BY (USED FOR) OPERATING ACTIVITIES	$ (51)	$ 9	$ 181	$ —	$ 139
INVESTING ACTIVITIES					
Capital expenditures	(1)	(15)	(17)	—	(33)
Other investing activities	—	—	5	—	5
Net cash flows provided by (used for) discontinued operations	—	4	(11)	—	(7)
CASH USED FOR INVESTING ACTIVITIES	(1)	(11)	(23)	—	(35)
FINANCING ACTIVITIES					
Payments on revolving credit facility, net	(28)	—	—	—	(28)
Payments on account receivable securitization program	—	—	(83)	—	(83)
Proceeds from debt issuance	245	—	—	—	245
Proceeds from stock issuance	209	—	—	—	209
Issuance and debt extinguishment costs	(45)	—	—	—	(45)
Repayment of notes	(193)	—	—	—	(193)
Payments on lines of credit and other, net	—	—	(2)	—	(2)
Intercompany advances	(99)	—	99	—	—
Other financing activities	(1)	—	—	—	(1)
Net financing cash flows used for discontinued operations	—	—	(12)	—	(12)
CASH PROVIDED BY FINANCING ACTIVITIES	88	—	2	—	90
CHANGE IN CASH AND CASH EQUIVALENTS	36	(2)	160	—	194
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	7	6	82	—	95
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 43	$ 4	$ 242	$ —	$ 289

Item 2. ***Management's Discussion and Analysis of Financial Conditions and Results of Operations***

OVERVIEW

Meritor, Inc. (formerly 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. On March 30, 2011, we announced that we officially changed the company name from ArvinMeritor, Inc. to Meritor, Inc. and on that date, began trading our common stock on the New York Stock Exchange under the ticker symbol MTOR.

3rd Quarter Fiscal Year 2011 Results

In the third quarter of fiscal year 2011, we saw stronger commercial truck demand in all regions. As a result, sales increased in the third quarter of fiscal year 2011 to approximately $1,287 million compared $966 million in the prior year's third quarter. The higher sales resulted in improved financial results compared to the prior year's third fiscal quarter. Pre-tax income from continuing operations for the quarter ended June 30, 2011 was $58 million, compared to $19 million in the prior year's third fiscal quarter. Net income for the quarter ended June 30, 2011 was $17 million compared to a net loss of $3 million in the same period in fiscal year 2010.

Adjusted EBITDA for the three months ended June 30, 2011 was $102 million compared to $66 million in the three months ended June 30, 2010. Adjusted EBITDA margin was 7.9 percent for the quarter ended June 30, 2011 compared to 6.8 percent in the prior year's third fiscal quarter. Although the higher sales volumes resulted in significantly improved operating results, including Adjusted EBITDA, our financial performance was negatively impacted in the quarter by higher steel, freight and other premium costs. Also unfavorably impacting Adjusted EBITDA were lower sales for certain military programs, which typically carry higher margins.

Cash flow from operating activities was $25 million in the quarter ended June 30, 2011 compared to $47 million in the prior fiscal year's third quarter. The decrease in operating cash flows in the third quarter of fiscal year 2011 was primarily due to higher investments in inventory as global commercial vehicle and industrial markets continue to strengthen.

Trends and Uncertainties

Production Volumes

The following table reflects estimated commercial vehicle production volumes for selected original equipment (OE) markets for the three months ended June 30, 2011 and 2010 based on available sources and management's estimates.

	Three Months Ended June 30,		Unit	Percent
	2011	2010	Change	Change
Commercial Vehicles (in thousands)				
North America, Heavy-Duty Trucks	59.4	36.3	23.1	64%
North America, Medium-Duty Trucks	29.4	18.5	10.9	59%
United States and Canada, Trailers	50.5	30.3	20.2	67%
Western Europe, Heavy- and Medium-Duty Trucks	106.0	78.0	28.0	36%
South America, Heavy- and Medium- Duty Trucks	52.1	45.5	6.6	15%

The pace of the recovery of commercial truck volumes in North America and Europe, our largest markets, has been more rapid than previously anticipated and we expect this trend to continue in the near-term. In addition, we expect production volumes in these regions to continue to strengthen and potentially exceed historical norms. Production volumes in South America and Asia-Pacific markets have generally returned to levels that are strong by historic standards.

Increasing Steel Costs

The price of steel has increased significantly in fiscal year 2011 and is expected to remain at these higher prices in the near term. These steel price increases along with increasing transportation costs, have created pressure on profit margins and could continue to unfavorably impact our financial results in the future. While we have steel pricing adjustment programs in place with most major OE manufacturers, the price adjustment programs tend to lag the increase in steel costs. As such, we have been pursuing accelerated recovery actions to address the impact of these costs on our near-term profitability.

Industrial Segment Profitability

Revenues in our Industrial segment in the last twelve months were negatively impacted by reduced production for certain military programs. These reductions had a negative impact on our Industrial segment profitability. If government defense spending decreases on selected programs or we are unable to secure new military contracts, it could have a longer term negative impact on our Industrial segment, and to a lesser extent on our Aftermarket and Trailer segment due to relatively lower sales of military service parts. In addition, if sales on our military programs do return to historic levels, the level of profitability on these sales is expected to be lower than what we have recognized in recent periods. Although OE sales in the Asia-Pacific region, which are included in our Industrial segment, have increased, they have not fully offset the impact on Adjusted EBITDA of lower military sales, and there can be no assurances that they will do so going forward.

Industry-Wide Issues

Our business continues to address a number of other challenging industry-wide issues including the following:

- The accelerated ramp up of commercial truck production in North America and other regions and the impact on the ability to support customer demand;
- Volatility in price and availability of steel, components and other commodities, including recent sharp increases in steel prices;
- Disruptions in the financial markets and their impact on the availability and cost of credit;
- Higher energy and transportation costs;
- Consolidation and globalization of OEMs and their suppliers;
- Pension and retiree medical health care costs; and
- Currency exchange rate volatility.

Other

Other significant factors that could affect our results and liquidity in fiscal year 2011 include:

- Ability to work with our commercial truck customers to adjust their demand given the rapid acceleration of production;
- Ability to recover and timing of recovery of steel price and other cost increases from our customers;
- Any unplanned extended shutdowns or production interruptions by us, our customers or our suppliers;
- A significant deterioration or slowdown in economic activity in the key markets we operate;
- Higher than planned price reductions to our customers;
- Potential price increases from our suppliers;
- 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.

LVS Divestiture Update

On January 3, 2011, we completed the sale of our Body Systems business to an affiliate of Inteva Products, LLC. Pursuant to the Agreement signed in August 2010, total consideration was approximately $35 million, subject to certain potential adjustments for items such as working capital fluctuations. The actual purchase price at the closing was $27 million (excluding estimated closing expenses for outside advisory fees of $12 million), consisting of $12 million in cash at closing (adjusted for estimated balances in working capital and other items at the time of the closing) and a five year, 8 percent promissory note for $15 million. In addition to the purchase price, we expect to receive the cash held at the time of the sale by the Body Systems entities operating in China and Brazil of approximately $33 million, before applicable taxes and other withholding, at such time as it becomes available for distribution, as provided in the Purchase and Sale Agreement. We recognized an after-tax gain of $32 million during the second quarter of fiscal year 2011 associated with this transaction. This gain is recorded in income from discontinued operations in the accompanying condensed consolidated statement of income.

During the second quarter of fiscal year 2011, we also completed the sale of our chassis operations in Bonneval, France which make ride control parts (shock absorbers) for sales in Europe. In connection with the sale, we recognized an after-tax loss of $13 million, which is included in income from discontinued operations in the accompanying condensed consolidated statement of income.

As of June 30, 2011, we have substantially completed the transformation of our company through the sale of the majority of our light vehicle systems (LVS) businesses. The remaining non-core business consists of a small damper business located in Leicester, England, for which we continue to pursue alternatives. The results of operations and cash flows of all of our LVS businesses are presented in discontinued operations in the condensed consolidated statements of income and condensed consolidated statement of cash flows, and prior period information has been recast to reflect this presentation.

NON-GAAP FINANCIAL MEASURES

In addition to the results reported in accordance with accounting principles generally accepted in the United States (GAAP), we have provided information regarding non-GAAP financial measures. These non-GAAP financial measures include Adjusted income (loss) from continuing operations and Adjusted diluted earnings (loss) per share from continuing operations, Adjusted EBITDA and Free cash flow.

Adjusted income (loss) from continuing operations and Adjusted diluted earnings (loss) per share from continuing operations are defined as reported income or loss from continuing operations and reported diluted earnings or loss per share from continuing operations before restructuring expenses, asset impairment charges and other special items as determined by management. Adjusted EBITDA is defined as income (loss) from continuing operations before interest, income taxes, depreciation and amortization, non-controlling interests in consolidated joint ventures, loss on sale of receivables, restructuring expenses, asset impairment charges and other special items as determined by management. Free cash flow is defined as cash flows provided by (used for) operating activities less capital expenditures.

Management believes Adjusted EBITDA and Adjusted income (loss) from continuing operations are meaningful measures of performance as they are commonly utilized by management and investors to analyze ongoing operating performance and entity valuation. Management, the investment community and banking institutions routinely use Adjusted EBITDA, together with other measures, to measure operating performance in our industry. Further, management uses Adjusted EBITDA for planning and forecasting future periods. In addition, we use Segment EBITDA as the primary basis to evaluate the performance of each of our reportable segments. Management believes that Free cash flow is useful in analyzing our ability to service and repay debt.

Adjusted income (loss) from continuing operations and Adjusted diluted earnings (loss) per share from continuing operations and Adjusted 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. Free cash flow should not be considered a substitute for cash provided by (used for) operating activities, or other cash flow statement data prepared in accordance with GAAP, or as a measure of financial position or liquidity. In addition, these non-GAAP cash flow measures do not reflect cash used to service debt or cash received from the divestitures of businesses or sales of other assets and thus do not reflect funds available for investment or other discretionary uses. These non-GAAP financial measures, as determined and presented by the company, may not be comparable to related or similarly titled measures reported by other companies. Set forth below are reconciliations of these non-GAAP financial measures to the most directly comparable financial measures calculated in accordance with GAAP.

Adjusted income (loss) from continuing operations and Adjusted diluted earnings (loss) per share are reconciled to income (loss) from continuing operations and diluted earnings (loss) per share below (in millions, except per share amounts).

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2011	2010	2011	2010
Adjusted income from continuing operations	$ 25	$ (6)	$ 33	$ (4)
Restructuring costs	(7)	(1)	(21)	(1)
Gain on note receivable	5	—	5	6
Other loss related to LVS divestitures	—	—	(2)	—
Loss on debt extinguishment	—	—	—	(13)
Income taxes	—	1	—	9
Income (loss) from continuing operations	$ 23	$ (6)	$ 15	$ (3)
Adjusted diluted earnings per share from continuing operations	$ 0.26	$ (0.06)	$ 0.34	$ (0.05)
Impact of adjustments on diluted earnings (loss) per share	(0.02)	—	(0.19)	0.01
Diluted earnings (loss) per share from continuing operations	$ 0.24	$ (0.06)	$ 0.15	$ (0.04)

Free cash flow is reconciled to cash flows provided by (used for) operating activities below (in millions).

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2011	2010	2011	2010
Free cash flow	$ (1)	$ 33	$ (93)	$ 80
Capital expenditures – continuing operations	26	9	68	33
Capital expenditures – discontinued operations	—	5	6	26
Cash flows provided by (used for) operating activities	$ 25	$ 47	$ (19)	$ 139

Adjusted EBITDA is reconciled to net income attributable to Meritor, Inc. in "Results of Operations" below.

Results of Operations

The following is a summary of our financial results (in millions, except per share amounts):

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2011	2010	2011	2010
SALES:				
Commercial Truck	$ 770	$ 522	$ 2,038	$ 1,413
Industrial	308	257	844	731
Aftermarket & Trailer	293	257	790	717
Intersegment Sales	(84)	(70)	(222)	(227)
SALES	$ 1,287	$ 966	$ 3,450	$ 2,634
SEGMENT EBITDA:				
Commercial Truck	$ 49	$ 25	$ 122	$ 53
Industrial	21	25	56	80
Aftermarket & Trailer	35	20	76	54
SEGMENT EBITDA	105	70	254	187
Unallocated legacy and corporate costs (1)	(3)	(4)	(9)	(9)
ADJUSTED EBITDA	102	66	245	178
Interest expense, net	(22)	(27)	(73)	(81)
Provision for income taxes	(30)	(21)	(69)	(31)
Depreciation and amortization	(17)	(18)	(50)	(54)
Loss on sale of receivables	(3)	(1)	(6)	(3)
Restructuring costs	(7)	(1)	(21)	(1)
Other	5	—	3	—
Noncontrolling interests	(5)	(4)	(14)	(11)
INCOME (LOSS) FROM CONTINUING OPERATIONS, attributable to Meritor, Inc.	$ 23	$ (6)	$ 15	$ (3)
INCOME (LOSS) FROM DISCONTINUED OPERATIONS, net of tax, attributable to Meritor, Inc.	(6)	3	17	13
NET INCOME (LOSS) attributable to Meritor, Inc.	$ 17	$ (3)	$ 32	$ 10
DILUTED EARNINGS (LOSS) PER SHARE				
Attributable to Meritor, Inc.				
Continuing operations	$ 0.24	$ (0.06)	$ 0.15	$ (0.04)
Discontinued operations	(0.06)	0.03	0.18	0.16
Diluted earnings (loss) per share	$ 0.18	$ (0.03)	$ 0.33	$ 0.12
DILUTED AVERAGE COMMON SHARES OUTSTANDING	96.8	93.2	96.9	81.8

(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 sold businesses and other legacy costs for environmental and product liability.

Three Months Ended June 30, 2011 Compared to Three Months Ended June 30, 2010

Sales

The following table reflects total company and business segment sales for the three months ended June 30, 2011 and 2010. 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).

	June 30,		Dollar	%	Dollar Change Due To	
	2011	2010	Change	Change	Currency	Volume / Other
Sales:						
Commercial Truck	$ 770	$ 522	$ 248	48%	$ 71	177
Industrial	308	257	51	20%	10	41
Aftermarket & Trailer	293	257	36	14%	14	22
Intersegment Sales	(84)	(70)	(14)	(20)%	(9)	(5)
TOTAL SALES	$ 1,287	$ 966	$ 321	33%	$ 86	235

Commercial Truck sales were $770 million in the third quarter of fiscal year 2011, up 48 percent from the third quarter of fiscal year 2010. The effect of foreign currency translation increased sales by $71 million. The increase in sales is primarily due to higher OE production volumes in North America, Europe and South America. Production volumes in the North American Class 8 commercial vehicle truck markets were higher by 64 percent compared to the prior year. European heavy- and medium-duty truck production volumes increased 36 percent compared to the prior year and South American commercial truck volumes increased approximately 15 percent.

Industrial sales were $308 million in the third quarter of 2011, up 20 percent from the third quarter of 2010. The increase in sales was primarily due to higher sales in the Asia-Pacific region, which increased approximately 24 percent from the prior year. Lower defense sales associated with the Family of Medium Tactical Vehicles (FMTV), as production shifted to a new prime contractor, were fully offset by sales of products associated with the Caiman defense program.

Aftermarket & Trailer sales were $293 million in the third quarter of fiscal year 2011, up 14 percent from the three months of fiscal year 2010. The increase in sales is primarily due to higher sales of our core aftermarket replacement products and products for trailer applications.

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 three months ended June 30, 2011 was $1,153 million compared to $849 million in the prior year, representing an increase of 36 percent. The increase in costs of sales is primarily due to the increased sales volumes discussed above. Total cost of sales were approximately 90 percent of sales for the three months periods ended June 30, 2011 compared to approximately 88 percent for the third three months of the prior year.

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

Higher material costs	$ 264
Higher labor and overhead costs	27
Other cost increases, net	13
Total increase in costs of sales	$ 304

Material costs represent the majority of our cost of sales and include raw materials, composed primarily of steel and purchased components. Material costs for the three months ended June 30, 2011 increased by approximately $264 million compared to the same period last year, primarily as a result of higher sales volumes, rising steel prices, and freight and other premium costs. The price of steel has increased significantly in fiscal year 2011 and is expected to remain at or close to these higher prices in the near term.

Labor and overhead costs increased by $27 million compared to the same period in the prior year. The increase was primarily due to the higher sales volumes. Other factors favorably impacting labor and overhead costs are savings associated with the company's prior restructuring actions, continuous improvement and rationalization of operations.

As a result of the above, gross profit for the three months ended June 30, 2011 was $134 million compared to $117 million in the same period last year. Gross margins were 10.4 percent and 12.1 percent for the three month periods ended June 30, 2011 and 2010, respectively.

Other Income Statement Items

Selling, general and administrative expenses for the three months ended June 30, 2011 and 2010 are summarized as follows (in millions):

	2011		2010		Increase (Decrease)	
SG&A	Amount	% of sales	Amount	% of sales		
Loss on sale of receivables	$ (3)	0.2%	$ (1)	0.1%	$ 2	0.1pts
Short- and long-term variable compensation	(7)	0.5%	(16)	1.7%	(9)	(1.2)pts
All other SG&A	(63)	5.0%	(60)	6.2%	3	(1.2)pts
Total SG&A	$ (73)	5.7%	$ (77)	8.0%	$ (4)	(2.3)pts

All other SG&A represents normal selling, general and administrative expenses. Despite the overall increase in all other SG&A expense as compared to the third quarter of fiscal year 2010, all other SG&A as a percentage of sales has decreased compared to the prior year. This decrease in normal selling, general and administrative expenses as a percentage of sales is a result of our continuing efforts to control costs throughout fiscal year 2011.

Restructuring costs of $7 million were recorded during the quarter ended June 30, 2011 compared to $1 million a year ago. During the third quarter of fiscal year 2011, we recognized restructuring costs of $5 million, primarily associated with employee headcount reductions in our Commercial Truck segment related to the rationalization of our manufacturing footprint in Europe which involves eliminating one manufacturing facility.

Operating income for the third quarter of fiscal year 2011 was $54 million compared to $33 million in the prior year. The improved operating income was a result of the items previously discussed.

Equity in earnings of affiliates was $21 million in the third quarter of fiscal year 2011, compared to $12 million in the same period in the prior year. The increase is due to higher earnings from all of our joint venture affiliates.

Other income, net for the third quarter of fiscal year 2011 was $5 million and is related to a non operating gain on the collection of a note receivable related to a previously divested business.

Interest expense, net for the third quarter of fiscal year 2011 was $22 million, compared to $27 million in the prior year. The lower interest expense is due to numerous factors, including the repurchase of $17 million of 8-3/4 percent notes due 2012 and $1 million of 8-1/8 percent notes due 2015 in June 2010.

Provision for income taxes in the third quarter of fiscal year 2011 was $30 million compared to $21 million in the same period in the prior year. In the third quarter of fiscal year 2011, our effective tax rate was 52 percent compared to 111 percent in third quarter 2010. The significant decrease in our effective tax rate is primarily due to improved financial performance in jurisdictions we recognize valuation allowances. Generally, we expect our effective tax rate to remain at inflated levels in the near term until we generate income in certain jurisdictions, primarily in the United States and Europe. We are recognizing valuation allowances against our deferred tax assets in these jurisdictions and we are not able to recognize tax benefits related to current operating losses.

Income from continuing operations (before noncontrolling interests) for the third quarter of fiscal year 2011 was $28 million, compared to a loss of $2 million, in the prior year.

Loss from discontinued operations was $6 million in the third quarter of fiscal year 2011, compared to $3 million of income in the same period in the prior year. Significant items included in results from discontinued operations in the third quarter of fiscal year 2011 and 2010 include the following (in millions):

	Three Months Ended June 30,	
	2011	2010
Operating income, net	$ 1	$ 14
Restructuring costs	—	(1)
Other, net	(7)	(5)
Income (loss) before income taxes	(6)	8
Provision for income taxes	—	(5)
Net income (loss) from discontinued operations attributable to Meritor, Inc.	$ (6)	$ 3

Operating income from discontinued operations represents income from normal operating activities of the businesses included in discontinued operations.

Other: Other primarily relates to charges for changes in estimates and adjustments related to certain assets and liabilities retained from previously sold businesses and indemnities provided at the time of sale. Also included in the other charges are LVS divestiture costs related to actions in connection with the separation of the LVS businesses from the company.

Net income attributable to noncontrolling interests for the third quarter of fiscal year 2011 was $5 million compared to $4 million for the third quarter of fiscal year 2010. Noncontrolling interests represent our minority partners' share of income or loss associated with our less than 100 percent owned consolidated joint ventures.

Net income attributable to Meritor, Inc. was $17 million for the three months ended June 30, 2011 compared to a net loss of $3 million for the three months ended June 30, 2010. The increase in net income is attributable to reasons previously discussed.

Segment EBITDA and EBITDA Margins

Segment EBITDA is defined as income (loss) from continuing operations before interest expense, income taxes, depreciation and amortization, noncontrolling interests in consolidated joint ventures, loss on sale of receivables, restructuring expense and asset impairment charges. We use Segment EBITDA as the primary basis for the Chief Operating Decision Maker (CODM) to evaluate the performance of each of our reportable segments. In fiscal year 2010, we modified the definition of Segment EBITDA to include the entire EBITDA from our consolidated joint ventures before making adjustment for noncontrolling interests, and to exclude restructuring costs and asset impairment charges. Including the entire EBITDA of our consolidated joint ventures, consistent with the related revenues, better reflects the performance of our Industrial segment and is consistent with how the CODM currently measures segment performance. All prior period amounts have been recast to reflect these changes.

The following table reflects Segment EBITDA and EBITDA margins for the three months ended June 30, 2011 and 2010 (dollars in millions).

	Segment EBITDA			Segment EBITDA Margins		
	June 30,			June 30,		
	2011	2010	$ Change	2011	2010	Change
Commercial Truck	$ 49	$ 25	$ 24	6.4%	4.8%	1.6pts
Industrial	21	25	(4)	6.8%	9.7%	(2.9)pts
Aftermarket & Trailer	35	20	15	11.9%	7.8%	4.1pts
Segment EBITDA	$ 105	$ 70	$ 35	8.2%	7.2%	1.0pts

Significant items impacting year over year Segment EBITDA include the following (in millions):

	Commercial Truck	Industrial	Aftermarket & Trailer	TOTAL
Segment EBITDA– Quarter ended June 30, 2010	$ 25	25	20	70
Higher earnings from unconsolidated affiliates	7	1	1	9
Lower variable compensation costs	8	2	4	14
Lower pension and retiree medical costs	1	1	1	3
Volume, mix, performance and other, net of cost reductions	8	(8)	9	9
Segment EBITDA – Quarter ended June 30, 2011	$ 49	21	35	105

Commercial Truck Segment EBITDA was $49 million in the third quarter of fiscal year 2011, up $24 million compared to the same period in the prior year. The increase in Segment EBITDA is primarily attributable to higher commercial truck production volumes in South America and to a lesser extent in North America and Europe. Also favorably impacting Segment EBITDA in the third quarter of fiscal year 2011 were higher earnings from our unconsolidated joint ventures. Although the higher sales volumes have resulted in improved Segment EBITDA, our financial performance was negatively impacted in the quarter by higher material costs and certain other costs to meet current production volumes.

Industrial Segment EBITDA was $21 million in the third quarter of fiscal year 2011, down $4 million compared to the prior year. The favorable impact of higher sales in our Asia-Pacific region was more than offset by lower sales for our FMTV military program, as production shifted to a new prime contractor. In addition, segment EBITDA in the quarter ended June 30, 2011 was unfavorably impacted by rising steel costs.

Aftermarket & Trailer Segment EBITDA was $35 million in the third quarter of fiscal year 2011, up $15 million compared to the same period in the prior year. Segment EBITDA margin increased to 11.9 percent from 7.8 percent. The increase in Segment EBITDA and Segment EBITDA margin is primarily due the favorable impact of higher sales in our core aftermarket products as well as higher sales of products for trailer applications.

Nine Months Ended June 30, 2011 Compared to Nine Months Ended June 30, 2010

Sales

The following table reflects total company and business segment sales for the nine months ended June 30, 2011 and 2010. 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).

	June 30,		Dollar	%	Dollar Change Due To	
	2011	2010	Change	Change	Currency	Volume / Other
Sales:						
Commercial Truck	$ 2,038	$ 1,413	$ 625	44%	$ 80	545
Industrial	844	731	113	15%	23	90
Aftermarket & Trailer	790	717	73	10%	15	58
Intersegment Sales	(222)	(227)	5	2%	(12)	17
TOTAL SALES	$ 3,450	$ 2,634	$ 816	31%	$ 106	710

Commercial Truck sales were $2,038 million in the first nine months of fiscal year 2011, up 44 percent from the same period of fiscal year 2010. The increase in sales is primarily due to higher OE production volumes in North America, Europe and South America. Production volumes in the North American Class 8 commercial vehicle truck markets were higher by 44 percent compared to the prior year. European heavy- and medium-duty truck production volumes increased 58 percent compared to the prior year and South American commercial truck volumes increased approximately 15 percent.

Industrial sales were $844 million in the first nine months of fiscal year 2011, up 15 percent from the same period of 2010. The increase in sales was due to higher sales in the Asia-Pacific region, which increased approximately 31 percent from the prior year and higher sales of products associated with the Caiman defense program. These increases were partially offset by lower sales of FMTV as production shifted to a new prime contractor.

Aftermarket & Trailer sales were $790 million in the first nine months of fiscal year 2011, up 10 percent from the same period of fiscal year 2010. The increase in sales is primarily due to higher sales of our core aftermarket replacement products and products for trailer applications. These increases were partially offset by lower sales of our military service parts.

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 nine months ended June 30, 2011 was $3,094 million compared to $2,331 million in the prior year, representing an increase of 33 percent. The increase in costs of sales is primarily due to the increased sales volumes discussed above. Total cost of sales were approximately 90 percent and 89 percent of sales for the nine months periods ended June 30, 2011 and 2010, respectively.

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

Higher material costs	$ 654
Higher labor and overhead costs	99
Other	10
Total increase in costs of sales	$ 763

Material costs represent the majority of our cost of sales and include raw materials, composed primarily of steel and purchased components. Material costs for the nine months ended June 30, 2011 increased by approximately $654 million compared to the same period last year, primarily as a result of higher sales volumes, rising steel prices, and freight and other premium costs. Global steel prices increased significantly during the first nine months of fiscal year 2011 and are expected to remain at or close to these higher levels in the near term.

Labor and overhead costs increased by $99 million compared to the same period in the prior year. The increase was primarily due to the higher 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.

As a result of the above, gross profit for the nine months ended June 30, 2011 was $356 million compared to $303 million in the same period last year. Gross margins decreased to 10.3 percent for the nine months ended June 30, 2011 compared to 11.5 percent in the same period last year.

Other Income Statement Items

Selling, general and administrative expenses for the nine months ended June 30, 2011 and 2010 are summarized as follows (in millions):

	Nine Months Ended June 30, 2011		Nine Months Ended June 30, 2010		Increase (Decrease)	
SG&A	Amount	% of sales	Amount	% of sales		
Loss on sale of receivables	$ (6)	0.2%	$ (3)	0.1%	$ 3	0.1pts
Short- and long-term variable compensation	(19)	0.5%	(39)	1.5%	(20)	(1.0)pts
All other SG&A	(191)	5.6%	(169)	6.4%	22	(0.8)pts
Total SG&A	$ (216)	6.3%	$ (211)	8.0%	$ 5	(1.7)pts

All other SG&A represents normal selling, general and administrative expenses. Despite the overall increase in all other SG&A expense as compared to the first nine months of fiscal year 2010, all other SG&A expense decreased as a percentage of sales compared to the prior year. This decrease in normal selling, general and administrative expenses as a percentage of sales is a result of our continuing efforts to control costs throughout the fiscal year 2011.

Restructuring costs of $21 million were recognized during the nine months ended June 30, 2011. In the second quarter of fiscal year 2011, we announced the planned closure of our European trailer business and recognized approximately $6 million of restructuring costs in the Aftermarket & Trailer segment primarily associated with employee severance costs. In addition, we recognized restructuring costs of $13 million, primarily associated with employee headcount reductions in our Commercial Truck segment related to the rationalization of our manufacturing footprint in Europe which involves eliminating one manufacturing facility.

Operating income for the first nine months of fiscal year 2011 was $117 million compared to $85 million in the prior year. The improved operating results were a result of the items previously discussed.

Equity in earnings of affiliates was $51 million in the first nine months of fiscal year 2011, compared to $33 million in the same period in the prior year. The increase is due to higher earnings from our joint venture affiliates in all regions.

Interest expense, net for the first nine months of fiscal year 2011 was $73 million, compared to $81 million in the prior fiscal year's first nine months. Included in interest expense, net for the nine months ended June 30, 2010 is a net loss on debt extinguishment of approximately $13 million. The loss on debt extinguishment primarily relates to the $17 million paid in excess of par to repurchase $175 million of the 8-3/4 percent note due in 2012, partially offset by a $6 million gain associated with the acceleration of a pro-rata share of previously recognized unamortized interest rate swap gains associated with the 8-3/4 percent notes. This pro-rata share was being amortized into income as reduction of interest expense over the remaining term of the notes. Favorably impacting interest expense, net in the first nine months of fiscal year 2010 was a $6 million gain on the collection of a note receivable related to the sale of our Emissions Technologies business in fiscal year 2007. This gain related to the acceleration of the discount on the note that was previously being recognized as a reduction of interest expense over the term of the note.

Provision for income taxes in the first nine months of fiscal year 2011 was $69 million compared to $31 million in the same period in the prior year. In the first nine months of fiscal year 2011, our effective tax rate was 70 percent compared to 79 percent in the prior year. Generally, we expect our effective tax rate to remain at inflated levels in the near term until we can generate income in certain jurisdictions, primarily in the United States and Europe. We are recognizing valuation allowances against our deferred tax assets in these jurisdictions and we are not able to recognize tax benefits related to current operating losses.

Income from continuing operations (before noncontrolling interests) for the first nine months of fiscal year 2011 was $29 million, compared to $8 million, in the prior year. The reasons for the improvement are previously discussed.

Income from discontinued operations was $17 million in the first nine months of fiscal year 2011, compared to $13 million in the same period in the prior year. Significant items included in results from discontinued operations in the first nine months of fiscal years 2011 and 2010 include the following (in millions):

	Nine Months Ended June 30,	
	2011	2010
Operating income, net	$ 18	$ 32
Gain on sale of business, net	19	8
Restructuring costs	(1)	(3)
Other, net	(15)	(21)
Income before income taxes	21	16
Provision for income taxes	(4)	(3)
Net income from discontinued operations attributable to Meritor, Inc.	$ 17	$ 13

Operating income from discontinued operations represents income from normal operating activities of the businesses included in discontinued operations.

Gain on sale of businesses, net: On January 3, 2011, we completed the sale of our Body Systems business to an affiliate of Inteva Products, LLC, and recognized a pre-tax gain of $32 million ($32 million after-tax) during the second quarter of fiscal year 2011 associated with this transaction. During the second quarter of fiscal year 2011, we also completed the sale of our chassis operations in Bonneval, France which makes ride control parts (shock absorbers) for sales in Europe, and recognized a pre-tax loss of $13 million ($13 million after-tax).

We recognized a pre-tax gain of $16 million ($16 million after-tax), net of indemnity obligations, on the sale of our 57 percent interest in MSSC in October 2009. Also included in net gain on sale of businesses in the prior year were $8 million of charges for working capital purchase price adjustments associated with the sale of Gabriel Ride Control recognized in the first quarter of fiscal year 2010.

Restructuring costs recognized during the fiscal year 2011 primarily relate to employee termination benefits, including those associated with the wind down or divestiture of certain LVS chassis businesses. The restructuring costs recognized during the prior fiscal year were associated with our Body Systems business.

Other: Other primarily relates to charges for changes in estimates and adjustments related to certain assets and liabilities retained from previously sold businesses and indemnities provided at the time of sale. Also included in the other charges for fiscal year 2011 and 2010 are $1 million and $6 million of LVS divestiture costs, respectively, related to actions in connection with the separation of the LVS businesses from the company.

Net income attributable to noncontrolling interests for the first nine months of fiscal year 2011 was $14 million compared to $11 million for the same period of fiscal year 2010. Noncontrolling interests represent our minority partners' share of income or loss associated with our less than 100 percent owned consolidated joint ventures.

Net income attributable to Meritor, Inc. was $32 million for the first nine months ended June 30, 2011 compared to $10 million for the nine months ended June 30, 2010. The increase in income is attributable to reasons previously discussed.

Segment EBITDA and EBITDA Margins

Segment EBITDA is defined as income (loss) from continuing operations before interest expense, income taxes, depreciation and amortization, noncontrolling interests in consolidated joint ventures, loss on sale of receivables, restructuring expenses and asset impairment charges.

The following table reflects Segment EBITDA and EBITDA margins for the nine months ended June 30, 2011 and 2010 (dollars in millions).

	Segment EBITDA			Segment EBITDA Margins		
	June 30,			June 30,		
	2011	2010	$ Change	2011	2010	Change
Commercial Truck	$ 122	$ 53	$ 69	6.0%	3.8%	2.2pts
Industrial	56	80	(24)	6.6%	10.9%	(4.3)pts
Aftermarket & Trailer	76	54	22	9.6%	7.5%	2.1pts
Segment EBITDA	$ 254	$ 187	$ 67	7.4%	7.1%	0.3pts

Significant items impacting year over year Segment EBITDA include the following (in millions):

	Commercial Truck	Industrial	Aftermarket & Trailer	TOTAL
Segment EBITDA– Nine months ended June 30, 2010	$ 53	$ 80	$ 54	$ 187
Higher earnings from unconsolidated affiliates	15	1	2	18
Lower variable compensation costs	18	5	8	31
Lower pension and retiree medical costs	3	5	2	10
Volume, performance and other, net of cost reductions	33	(35)	10	8
Segment EBITDA – Nine months ended June 30, 2011	$ 122	56	76	254

Commercial Truck Segment EBITDA was $122 million in the first nine months of fiscal year 2011, up $69 million compared to the same period in the prior year. The increase in Segment EBITDA is primarily attributable to higher commercial truck production volumes in South America and to a lesser extent in North America and Europe. Also favorably impacting Segment EBITDA in the first nine months of fiscal year 2011 was higher earnings from our unconsolidated joint ventures. Although the higher sales volumes have resulted in improved Segment EBITDA, our financial performance was negatively impacted by rising steel costs and certain other costs to meet current production volumes.

Industrial Segment EBITDA was $56 million in the first nine months of fiscal year 2011, down $24 million compared to the prior year. The favorable impact of higher sales in our Asia-Pacific region and Caiman defense program was more than offset by lower sales for our FMTV military program, as production shifted to a new prime contractor. In addition, segment EBITDA in the nine months ended June 30, 2011 was unfavorably impacted by rising steel costs.

Aftermarket & Trailer Segment EBITDA was $76 million in the first nine months of fiscal year 2011, up $22 million compared to the same period in the prior year. Segment EBITDA margin increased to 9.6 percent from 7.5 percent. The increase in Segment EBITDA and Segment EBITDA margin is primarily due the favorable impact of higher sales in our core aftermarket products, as well as higher sales of products for trailer applications, partially offset by rising steel costs and lower sales of our military service parts.

Financial Condition

Cash Flows (in millions)

	Nine Months Ended June 30,	
	2011	2010
OPERATING CASH FLOWS		
Income from continuing operations	$ 29	$ 8
Depreciation and amortization	50	54
Interest proceeds from note receivable	—	12
Restructuring costs, net of payments	8	(10)
Equity in earnings of affiliates, net of dividends	(21)	(23)
Loss on debt extinguishment	—	13
Pension and retiree medical expense	53	66
Pension and retiree medical contributions and settlements	(56)	(65)
Changes in off-balance sheet receivable securitization and factoring	134	55
Changes in assets and liabilities, excluding effects of acquisition, divestitures, foreign currency adjustments and discounted operations	(179)	8
Cash flows provided by continuing operations	18	118
Cash flows provided by (used for) discontinued operations	(37)	21
CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	$ (19)	$ 139

Cash used for operating activities for the first nine months of fiscal year 2011 was $19 million, compared to cash provided by operations of $139 million in the same period of fiscal year 2010. The cash outflow for the nine months ended June 30, 2011, was primarily due to variable compensation payments made in the first quarter of fiscal year 2011 relating to our prior year performance and working capital investments in continuing operations. The higher working capital is primarily due to increased inventory as global commercial vehicle and industrial markets continue to strengthen. Cash used by discontinued operations in fiscal year 2011 primarily relates to working capital investments and the settlement of certain indemnities related to a previously divested business.

	Nine Months Ended June 30,	
	2011	2010
INVESTING CASH FLOWS		
Capital expenditures	$ (68)	$ (33)
Other investing activities	1	5
Net investing cash flows used for discontinued operations	(66)	(7)
CASH USED FOR INVESTING ACTIVITIES	$ (133)	$ (35)

Cash used for investing activities was $133 and $35 million in the first nine months of fiscal year 2011 and 2010, respectively. Capital expenditures increased to $68 million in the first nine months of fiscal year 2011 from $33 million in the same period of the prior year. The increase in capital expenditures is primarily due to investments required to support the continued strengthening in the global commercial vehicle and industrial markets.

Net investing cash flows used by discontinued operations in the nine months ended June 30, 2011 include $50 million related to the divestiture of our Body Systems business, including the cash outflow of $33 million of cash held at the time of sale by certain entities and $15 million of transaction costs. Also included in net investing cash flows used for discontinued operations is a $15 million capital contribution made prior to sale of our chassis operations in Bonneval, France and $6 million of capital expenditures in our Body Systems business in the first fiscal quarter of fiscal year 2011.

	Nine Months Ended June 30,	
	2011	2010
FINANCING CASH FLOWS		
Payments on revolving credit facility, net	$ —	$ (28)
Payments on accounts receivable securitization program, net	—	(83)
Repayment of notes and term loans	—	(193)
Proceeds from debt issuance	—	245
Payments on lines of credit and other	—	(2)
Net change in debt	—	(61)
Proceeds from stock issuance	—	209
Proceeds from stock option exercises	6	—
Debt and stock issuance and debt extinguishment cost	—	(45)
Other financing activities	—	(1)
Net financing cash flows used for discontinued operations	—	(12)
CASH PROVIDED BY FINANCING ACTIVITIES	$ 6	$ 90

Cash provided by financing activities was $6 million in the first nine months of fiscal year 2011 compared to $90 million in the first nine months of fiscal year 2010. In the second quarter of fiscal year 2010, we issued debt and equity securities generating proceeds of $454 million. We used a portion of these proceeds to repurchase $175 million of our outstanding notes due in 2012 and pay down outstanding amounts under our revolving credit facility and our U.S. accounts receivable securitization program. We paid approximately $45 million in issuance, debt extinguishment and revolver renewal and extension costs related to the above transactions. These costs include $17 million paid in excess of par to repurchase the $175 million of 2012 notes. In addition, during the third quarter of fiscal year 2010, we purchased in the open market $17 million of our 8-3/4 percent notes due 2012 and $1 million of our 8-1/8 percent notes due 2015.

Liquidity

Our outstanding debt, net of discounts where applicable, is summarized as follows (in millions).

	June 30,	September 30,
	2011	2010
Fixed-rate debt securities	$ 579	$ 579
Fixed-rate convertible notes	500	500
Unamortized discount on convertible notes	(69)	(77)
Unamortized gain on swap unwind	15	18
Lines of credit and other	9	9
Total debt	$ 1,034	$ 1,029

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 2011 capital expenditures for our business segments to be in the range of $90 million to $105 million. In addition, we currently expect restructuring cash costs to be approximately $15 million to $25 million in fiscal year 2011, although we will continue to evaluate the performance of our global operations and may enact further restructuring if conditions warrant such actions.

We generally fund our operating and capital needs primarily with cash on hand, cash flow from operations, 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, if any, under our revolving credit facility or the U.S. accounts receivable securitization facility. 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. 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.

In the second quarter of fiscal year 2010, we completed various financing transactions (as described below), which significantly changed our capital structure and improved our overall liquidity. We believe our current financing arrangements provide us with the financial flexibility required to maintain our operations and fund future growth, including actions required to improve our market share and further diversify our global operations through the term of our revolving credit facility in 2014.

Sources of liquidity as of June 30, 2011, in addition to cash on hand, are as follows (in millions):

	Total Facility Size	Unused as of 6/30/11	Current Expiration
On-balance sheet arrangements:			
Revolving credit facility(1)	$ 441	$ 441	January 2014
Committed U.S. accounts receivable securitization(2)	125	125	October 2013
Total on-balance sheet arrangements	566	566	
Off-balance sheet arrangements:			
Committed accounts receivable factoring programs(2)	471	211	Various
Other uncommitted factoring facilities(2)	35	24	Various
Total off-balance sheet arrangements	506	235	
Total available sources	$ 1,072	$ 801	

(1) The availability under the revolving credit facility is subject to a collateral test as discussed under “Revolving Credit Facility” below.

(2) Availability subject to adequate eligible accounts receivable as described below.

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. At June 30, 2011, we had $201 million in cash and cash equivalents.

Our availability under the revolving credit facility is subject to a collateral test and a priority debt to EBITDA ratio covenant, as defined in the agreement, which may 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. Our future liquidity is subject to a number of factors, including access to adequate funding under our revolving 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 industry continue, management expects to have sufficient liquidity to fund our operating requirements through the extended term of our revolving credit facility.

Debt Securities – In March 2010, we completed a public offering of debt securities consisting of the issuance of $250 million 8-year fixed rate 10-5/8 percent notes due March 15, 2018. The offering was made pursuant to a shelf registration statement filed with the Securities and Exchange Commission registering $750 million aggregate debt and/or equity securities that may be offered in one or more series on terms determined at time of sale (the Shelf Registration Statement). The notes were issued at a discounted price of 98.024 percent of their principal amount. The proceeds from the sale of the notes, net of discount, were $245 million and were primarily used to repurchase $175 million of our previously $276 million outstanding 8-3/4 percent notes due in 2012. On March 23, 2010, we completed the debt tender offer for our 8-3/4 percent notes due March 1, 2012. The notes were repurchased at 109.75 percent of their principal amount.

Repurchase Program – Our Board of Directors has approved a repurchase program for up to the remaining principal amount of the corporation’s 8-3/4 percent Notes due 2012 and up to $20 million of our 8-1/8 percent notes due in 2015 (subject to any necessary approvals). Repurchases, if any, may be made from time to time through maturity through open market purchases or privately negotiated transactions or otherwise, at the discretion of management as market conditions warrant. In June 2010, we purchased in the open market $17 million of our outstanding 8-3/4 percent notes due in 2012. The notes were repurchased at 104.875 percent of their principal amount. Also in June 2010, we purchased $1 million of our 8-1/8 percent notes due in 2015. The notes were repurchased at 94.000 percent of their principal amount.

Equity Securities – In March 2010, we completed an equity offering of 19,952,500 shares, par value of $1 per share, at a price of $10.50 per share. The offering was made pursuant to the Shelf Registration Statement. The proceeds from the offering, net of underwriting discounts and commissions, of $200 million were primarily used to repay outstanding indebtedness under the revolving credit facility and U.S. Accounts Receivable Securitization Program.

Convertible Securities – In February 2007, we issued $200 million of 4.00 percent convertible senior unsecured notes due 2027. In March 2006, we issued $300 million of 4.625 percent convertible senior unsecured notes due 2026. For a description of the conversion features of these notes, see our audited consolidated financial statements and note 16 thereto included in the Annual Report on Form 10-K, for the fiscal year ended September 30, 2010.

Revolving Credit Facility – On February 5, 2010 we signed an agreement to amend and extend the revolving credit facility, which became effective on February 26, 2010. As of March 31, 2011 we had a $567 million revolving credit facility which excluded approximately $29 million of commitments that are unavailable due to the bankruptcy of Lehman Brothers in 2008 and included a $30 million increase from new lenders as we exercised the accordion feature of the agreement. On April 13, 2011 we exercised an additional $15 million of the accordion feature. On June 23, 2011, $141 million of the revolving credit facility matured for banks that elected not to extend their original commitments (non-extending banks). The remaining revolving credit facility balance of $441 million matures in January 2014. The availability under this facility is dependent upon various factors, including principally performance against certain financial covenants. At June 30, 2011 and September 30, 2010, there were no borrowings outstanding under the revolving credit facility. The $441 million revolving credit facility includes $100 million of availability for the issuance of letters of credit. At June 30, 2011, no amount was outstanding on the letters of credit. At September 30, 2010, $26 million of letters of credit were outstanding under this facility. At certain times during any given month, we may draw on our revolving credit facility to fund intra-month working capital needs. In such months, we would then typically utilize the cash we receive from our customers throughout the month to repay the facility. Accordingly, during any given month, we may draw down on this facility in amounts exceeding the amounts shown as outstanding at fiscal quarter ends.

Availability under the revolving credit facility is subject to a collateral test, pursuant to which borrowings on the revolving credit facility cannot exceed 1.0x the collateral test value. The collateral test is performed on a quarterly basis and under the most recent collateral test, the full amount of the revolving credit facility was available for borrowing at June 30, 2011. Our availability under the revolving credit facility is also subject to certain financial covenants based on (i) the ratio of the company's priority debt (consisting principally of amounts outstanding under the revolving credit facility, U.S. accounts receivable securitization and factoring programs, and third-party non-working capital foreign debt) to EBITDA and (ii) the amount of annual capital expenditures. We are required to maintain a total priority-debt-to-EBITDA ratio, as defined in the agreement, of (i) 2.50 to 1 as of the last day of each fiscal quarter commencing with the fiscal quarter ended September 30, 2010 through and including the fiscal quarter ended June 30, 2011; (ii) 2.25 to 1 as of the last day of each fiscal quarter commencing with the fiscal quarter ended September 30, 2011 through and including the fiscal quarter ended June 30, 2012 and (iii) 2.00 to 1 as of the last day of each fiscal quarter thereafter through maturity. At June 30, 2011, we were in compliance with the above noted covenants with a ratio of approximately 0.18x for the priority-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 June 30, 2011, the margin over LIBOR rate was 425 basis points for the $441 million available from extending banks, 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 325 basis points for the $441 million from the extending banks.

U.S. Accounts Receivable Securitization Program – In September 2009 we entered into a new, two year $125 million U.S. receivables financing arrangement which is provided on a committed basis by a syndicate of financial institutions led by Ally Commercial Finance LLC (formerly GMAC Commercial Finance LLC). In October 2010, we extended the expiration of the program to October 2013. Under this program, we have the ability to sell substantially all of our trade receivables (excluding the receivables due from AB Volvo and subsidiaries eligible for sale under the U.S. Factoring Facility discussed below) of certain U.S. subsidiaries to ArvinMeritor Receivables Corporation (ARC), a wholly-owned, special purpose subsidiary. 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 June 30, 2011 and September 30, 2010, no amount was outstanding under this program. At certain times during any given month, we may sell eligible accounts receivable under this program to fund intra-month working capital needs. In such months, we would then typically utilize the cash we receive from our customers throughout the month to repay the borrowings under the program. Accordingly, during any given month, we may borrow under this program in amounts exceeding the amounts shown as outstanding at fiscal quarter ends. This program does not have specific financial covenants; however, it does have a cross-default provision to our revolving credit facility agreement.

Letter of Credit Facilities – We also entered into a five-year credit agreement dated as of November 18, 2010 with Citicorp USA, Inc., as administrative agent and issuing bank, the other lenders party thereto and the Bank of New York Mellon, as paying agent. Under the terms of this credit agreement, as amended, we have the right to obtain the issuance, renewal, extension and increase of letters of credit up to an aggregate availability of $30 million. This facility contains covenants and events of default generally similar to those existing in our public debt indentures. At June 30, 2011, we had $29 million of letters of credit outstanding under this facility. In addition, we had another $3 million of letters of credit outstanding through other letters of credit facilities.

Other – One of our consolidated joint ventures in China participates in a bills of exchange program to settle its obligations with its trade suppliers. These programs are common in China and generally require the participation of local banks. Under these programs, our joint venture issues notes payable through the participating banks to its trade suppliers. If the note payable issued remains unpaid on their respective due dates, this could constitute an event of default under the company's revolving credit facility if the defaulted amount exceeds $35 million.

Credit Ratings – At June 30, 2011, Standard & Poor's corporate credit rating, senior secured credit rating and senior unsecured credit rating for our company is B, B+ and CCC+, respectively. Moody's Investors Service corporate credit rating, senior secured credit rating and senior unsecured credit rating for our company is B2, Ba2 and B3, respectively. Any 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 Factoring Arrangements – We participate in accounts receivable factoring programs with total amounts utilized at June 30, 2011, of approximately $271 million, which primarily involve the securitization or sale of AB Volvo accounts receivable. These programs are described in more detail below.

Swedish Factoring Facility: In March 2006, we entered into a European arrangement to sell trade receivables due from AB Volvo through one of our European subsidiaries. Under this arrangement, which was renewed in June 2011 for a term of one year, we can sell up to, at any point in time, €150 million of eligible trade receivables. The receivables under this program are sold at face value and are excluded from the consolidated balance sheet. We had utilized €99 million ($143 million) and €62 million ($84 million) of this accounts receivable factoring facility as of June 30, 2011 and September 30, 2010, respectively. We had notes receivable from the purchaser of the receivables of $6 million and $3 million under this program at June 30, 2011 and September 30, 2010, respectively. Under the new program, we will no longer generate notes receivable from the purchaser of the receivables.

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 are excluded from the consolidated balance sheet. We had utilized €44 million ($64 million) and €36 million ($49 million) of this accounts receivable securitization facility as of June 30, 2011 and September 30, 2010, respectively.

Both of the above facilities are backed by 364-day liquidity commitments from Nordea Bank which were renewed through June 2012 both for the French facility and the Swedish facility. 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).

U.S. Factoring Facility: In October 2010, we entered into a two-year arrangement to sell trade receivables from AB Volvo and its subsidiaries. Under this arrangement, we can sell up to, at any point in time, €50 million ($73 million) of eligible trade receivables. The receivables under this program are sold at face value and are excluded from the consolidated balance sheet. The company had utilized $53 million of this accounts receivable securitization facility as of June 30, 2011.

In addition, several of our subsidiaries, primarily in Europe, factor eligible accounts receivables with financial institutions. The amount of factored receivables was approximately $11 million and $5 million at June 30, 2011 and September 30, 2010, respectively.

Contingencies

Contingencies related to environmental, asbestos and other matters are discussed in Note 20 of the Notes to Consolidated Financial Statements.

New Accounting Pronouncements

New accounting standards to be implemented:

In June 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2011-05, Comprehensive Income (Topic 220): Presentation of Comprehensive Income. The new guidance allows an entity to present components of net income and other comprehensive income in one continuous statement, referred to as the statement of comprehensive income, or in two separate, but consecutive statements. The guidance eliminates the current option to report other comprehensive income and its components in the statement of changes in equity. While the new guidance changes the presentation of comprehensive income, there are no changes to the components that are recognized in net income or other comprehensive income under current accounting guidance. This new guidance is effective for fiscal years and interim periods beginning after December 15, 2011. We do not believe the adoption of the new guidance in the first quarter of fiscal 2013 will have an impact on our consolidated financial statements.

In May 2011, the FASB issued ASU No. 2011-04, Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. generally accepted accounting principles (GAAP) and International Financial Reporting Standards (IFRS). This ASU is intended to result in convergence between U.S. GAAP and IFRS requirements for measurement of and disclosures about fair value. The guidance amends current fair value measurement and disclosure guidance to include increased transparency around valuation inputs and investment categorization. This new guidance is effective for fiscal years and interim periods beginning after December 15, 2011. We are currently evaluating the potential impact of this new guidance on its consolidated financial statements.

New accounting standards implemented in fiscal year 2011:

In June 2009, the FASB issued guidance on accounting for transfer of financial assets, which 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. As required, we adopted this guidance effective October 1, 2010. The adoption of this guidance did not have any impact on our consolidated financial statements other than certain additional disclosures as provided in Note 3 to the accompanying consolidated financial statements.

In June 2009, the FASB issued guidance for the consolidation of variable interest entities 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 the 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. As required, we adopted this guidance effective October 1, 2010. The adoption of this guidance did not have any impact on our consolidated financial statements.

We hold a variable interest in a joint venture accounted for under the equity method of accounting. We are not the primary beneficiary of the joint venture and therefore are not required to consolidate this entity. See Note 3 to the condensed consolidated financial statements for additional information.

Item 3. ***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.

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. In addition, we translate sales and financial 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.

We use foreign currency forward contracts to minimize the earnings exposures arising from foreign currency exchange risk on foreign currency purchases and sales. 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 designate 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 twelve months.

We generally have not hedged against our foreign currency exposure related to translations to U.S. dollars of our financial results denominated in foreign currencies. However, in the fourth quarter of fiscal year 2010, we entered into foreign currency option contracts to reduce the risk of volatility in the translation of Brazilian real earnings to U.S. dollars. Gains and losses on these option contracts are recorded in other income (expense), net, in the consolidated statement of income, generally reducing the exposure to translation volatility during a full-year period. The impact of these option contracts was not significant to our results of operations or financial position at June 30, 2011.

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. 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 analysis 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 (in millions):			
Forward contracts in USD(1)	$ 5.2	$ (5.2)	Fair Value
Forward contracts in Euro(1)	(5.1)	5.1	Fair Value
Foreign currency denominated debt	0.9	(0.9)	Fair Value

Interest Rate Sensitivity (in millions):	**Assuming a 50 BPS Increase in Rates**	**Assuming a 50 BPS Decrease in Rates**	**Favorable / (Unfavorable) Impact on**
Debt - fixed rate	$ (39.1)	$ 41.4	Fair Value

(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.

At June 30, 2011 a 10% decrease in quoted currency exchange rates would result in a potential loss of approximately $0.9 million in foreign currency denominated debt.

At June 30, 2011 the fair value of debt outstanding was approximately $1,150 million. A 50 basis points decrease in quoted interest rates would result in favorable impact of $41 million on fixed rate debt.

Item 4. *Controls and Procedures*

As required by Rule 13a-15 under the Securities Exchange Act of 1934 (the “Exchange Act”), management, with the participation of the Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of June 30, 2011. Based upon that evaluation, the Chief Executive Officer and the Chief Financial Officer have concluded that, as of June 30, 2011, our disclosure controls and procedures were effective to ensure that information required to be disclosed in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms. These disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in the reports we file or submit is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

There have been no changes in the company’s internal control over financial reporting that occurred during the quarter ended June 30, 2011 that materially affected, or are reasonably likely to materially affect, the company’s internal control over financial reporting.

In connection with the rule, the company continues to review and document its disclosure controls and procedures, including the company’s internal control over financial reporting, and may from time to time make changes aimed at enhancing their effectiveness and ensuring that the company’s systems evolve with the business.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

Except as set forth in this Quarterly Report under Note 20 “Contingencies” and as set forth below, there have been no material developments in legal proceedings involving the company or its subsidiaries since those reported in the company’s Annual Report on Form 10-K, for the fiscal year ended September 30, 2010 and those reported in the Quarterly Reports on Form 10-Q for the fiscal quarters ended December 31, 2010 and March 31, 2011.

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 and seeking 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.

Following the trial, on October 20, 2009, the Court entered an order of judgment of antitrust liability against Eaton. Eaton then filed a motion for judgment as a matter of law, and, in the alternative, new trial. On March 10, 2011, the Court entered an order denying that motion. Subsequently, after the Court denied an Eaton motion seeking entry of judgment for zero damages and no injunctive relief, Eaton filed a motion asking the Court to certify for interlocutory appeal the Court’s orders of October 20, 2009 and March 10, 2011. That motion has been briefed by the parties and awaits a ruling by the Court. The Court also has been asked to rule upon a motion seeking clarification of the admissibility of certain evidence concerning damages. Rulings on those motions are expected to lead to either the presentation of arguments on liability and/or damages before the Third Circuit Court of Appeals, or further proceedings on damages and injunctive relief before the Court.

Item 1A. Risk Factors

There have been no material changes in risk factors involving the company or its subsidiaries from those previously disclosed in the company’s Quarterly Reports on Form 10-Q for the fiscal quarters ended December 31, 2010 and March 31, 2011 and the Annual Report on Form 10-K, for the fiscal year ended September 30, 2010.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

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 2 of Part II of this Report on Form 10-Q. In addition, our stock incentive plans also permit the satisfaction of tax obligations upon the vesting of restricted stock through stock withholding. There were no shares withheld in the third quarter of 2011.

Item 5. Other Information

Cautionary Statement

This Quarterly Report on Form 10-Q 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. Actual results may differ materially from those projected as a result of certain risks and uncertainties, including but not limited to our ability to successfully manage steeply increasing volumes in the commercial truck markets and work with our customers to adjust their demands in view of the rapid acceleration of production; availability and sharply rising costs of raw materials, including steel, and our ability to manage or recover such costs; reduced production for certain military programs and the return of volumes of selected long-term military contracts to more normalized levels; global economic and market cycles and conditions, including a slower than anticipated recovery from the recent global economic crisis; 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); the ability to achieve the expected benefits of restructuring actions; the demand for commercial and specialty vehicles for which we supply products; whether the liquidity of the company will be affected by declining vehicle productions 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 company's 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; 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 company's 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 company's 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 our Annual Report on Form 10-K, as amended, for the year ending October 3, 2010: Item 1. Business, "Customers; Sales and Marketing" "Competition" "Raw Materials and Suppliers" "Divestitures and Restructuring" "Employees" "Environmental Matters" "International Operations" and "Seasonality; Cyclicality" Item 1A. Risk Factors; Item 3. Legal Proceedings; and Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" and see also "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Quantitative and Qualitative Disclosures about Market Risk" "Legal Proceedings" and "Risk Factors" herein. 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 6. Exhibits**

3-a	Restated Articles of Incorporation of the Company, filed as Exhibit 4.01 to ArvinMeritor’s Registration Statement on Form S-4, as amended (Registration Statement No. 333-36448) ("Form S-4"), is incorporated by reference.
3-a-1	Articles of Amendment of Restated Articles of Incorporation of the Company filed as Exhibit 3-a-1 to the Company’s Quarterly Report on Form 10-Q for the quarterly period ended April 3, 2011, in incorporated by reference.
3-b	By-laws of the Company, filed as Exhibit 3 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended June 29, 2003 (File No. 1-15983), is incorporated by reference.
10	Letter Agreement dated May 13, 2011 between Meritor, Inc. and L. Cummins.*
10-a	Amendment dated as of June 28, 2011 to Receivables Purchase Agreement dated as of October 29, 2010, by and among Meritor Heavy Vehicle Braking Systems (USA), Inc., Meritor Heavy Vehicle Systems, LLC and Meritor Aftermarket USA, LLC (formerly known as ArvinMeritor Mascot, LLC) as sellers, Viking Asset Purchaser No 7 IC, an incorporated cell of Viking Global Finance ICC, an incorporated cell company incorporated under the laws of Jersey, as purchaser, and Citicorp Trustee Company Limited, as programme trustee*
10-b	Receivables Purchase Agreement dated as of June 28, 2011, by and among Meritor HVS A.B., as seller, Viking Asset Purchaser No 7 IC, an incorporated cell of Viking Global Finance ICC, an incorporated cell company incorporated under the laws of Jersey, as purchaser, and Citicorp Trustee Company Limited, as programme trustee*
12	Computation of ratio of earnings to fixed charges*
23	Consent of Bates White LLC*
31-a	Certification of the Chief Executive Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as amended (Exchange Act)*
31-b	Certification of the Chief Financial Officer pursuant to Rule 13a-14(a) under the Exchange Act*
32-a	Certification of the Chief Executive Officer pursuant to Rule 13a-14(b) under the Exchange Act and 18 U.S.C. Section 1350*
32-b	Certification of the Chief Financial Officer pursuant to Rule 13a-14(b) under the Exchange Act and 18 U.S.C. Section 1350*
99-a	Third Amendment dated as of May 9, 2011 to Credit Agreement dated as of November 18, 2010 among Meritor, Inc. (formerly named ArvinMeritor, Inc.), Citicorp USA, Inc., as administrative agent and issuing bank, the other lenders party thereto, and the Bank of New York Mellon, as paying agent.*

* Filed herewith.
** Reference to the “Company” in this exhibit index refers to ArvinMeritor, Inc., which effective March 29, 2011 is named Meritor, Inc.

MERITOR, INC.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

MERITOR, INC.

Date: August 4, 2011	By:	/s/ V. G. Baker, II
		V. G. Baker, II Senior Vice President and General Counsel (For the registrant)
Date: August 4, 2011	By:	/s/ J.A. Craig
		J.A. Craig Senior Vice President and Chief Financial Officer

EXHIBIT 10

Meritor, Inc.
2135 West Maple Road
Troy, Michigan 48084-7121 USA
800-535-5560 Tel

meritor.com

May 13, 2011

Linda Cummins
2563 Ashburton Ct.
Rochester Hills, MI 48306

Dear Lin:

Subject: Mutually Agreed Upon Separation

This letter confirms your acceptance of a separation package from Meritor, Inc ("Meritor" or the "Company"). The decision was reached after consideration of a number of factors, including your service with Meritor and its predecessor. Both parties expressly agree that your acceptance of this agreement is completely voluntary. You and the Company have agreed to enter into this agreement pursuant to the following terms and conditions and consideration which are consistent with the terms outlined in your letter dated September 14, 2009:

1. Your last day of work with the Company is January 2, 2012.

2. Beginning January 3, 2012, you will receive separation pay equal to eighteen (18) months of your annual salary (at a compensation rate of $289,965.60 annually). Payments will be made semi-monthly through July 1, 2013. Your separation period is defined as the dates between and including January 2, 2012 and July 1, 2013.

3. Given that your last day of active employment will be January 2, 2012, you will be eligible to receive an incentive compensation plan (ICP) payment for fiscal year 2012 for active time worked. Such payment will be subject to the applicable formula, in accordance with the Plan metrics and program provisions. Final award may be adjusted based upon final performance rating for FY2011. Final award determination, if any, is subject to approval by the Compensation & Management Development Committee of the Board of Directors. If an award is approved, payment will be in December 2012.

4. Since you are retirement-eligible in both age and service, you will be eligible to receive Long-Term Incentive (LTIP) Cash Performance Plan awards based on your grant letter(s) as follows:

   - FY2010-FY2012 LTIP award will be paid in December 2012, pending Board of Directors approval, based upon applicable formulae.
   - FY2011-2013 LTIP award will be paid in December 2013, pending Board of Directors approval, based upon applicable formulae.

5. All outstanding stock options have vested. Since you are retirement-eligible in both age and service, stock options which do not expire prior to July 1, 2013 can be exercised up to their natural expiration date.

6. You have received annual grant(s) of restricted share units. Since you are retirement-eligible in both age and service, the restrictions on your restricted share units, that were granted at least 12 months prior to the end of your separation period (July 1, 2013), will lapse and the shares will vest on their normally scheduled vesting date.

7. Your financial planning and car allowance will cease as of January 3, 2012.

8. You will receive Company sponsored outplacement assistance in the form of a twelve (12) month program not to exceed $10,000.

9. Short and long term disability coverage will cease as of January 3, 2012.

10. Savings plan participation will cease as of January 3, 2012. You are 100% vested in your savings plan deferrals and related company matching contributions as well as the pension contribution in your savings plan accounts. You will be able to request a plan distribution before the end of your separation. Please contact T. Rowe Price for information about your Meritor Savings Plan account at 1-800-922-9945.

11. If you are currently enrolled in medical, dental and/or vision coverage and the payroll deductions associated therewith, coverage will remain in force through July 31, 2013. After July 31, 2013, you will be entitled to continue your group medical, dental and vision coverage at your own expense for a period of up to 18 months through COBRA. Information as to the cost of such coverage will be supplied to you approximately two weeks following the expiration of your separation period. Life and accidental death and personal loss insurance coverage will remain in force through July 31, 2013 and the life insurance coverage only may be converted to an individual policy within 31 days after termination of coverage by contacting MetLife at (888)622-6616. Payroll deductions for any supplemental life insurance and/or supplemental accidental death and dismemberment insurance coverage that you may have elected will continue through July 31, 2013. MetLife will contact you through the mail following that date with regard to your ability to convert the supplemental coverage to an individual policy.

12. Based on your service with Meritor, you have met the vesting rights under the Meritor Retirement Plan. If you are currently eligible to retire (age 55 or older), you can commence your retirement benefit prior to the end of your separation. Under the regulations of Section 415 of the Internal Revenue Code, your separation pay (including any prorated ICP award) will not count as pension eligible compensation. Please call the Meritor Retirement Center at 888-869-3772 for information about your pension benefit. You must apply for your pension benefits at least 60 days but not more than 90 days prior to your retirement date. However, if you elect to retire prior to the end of your separation period, your active employee medical, dental and/or vision coverages will terminate and you will become eligible for the then available retiree medical coverage, if any.

13. Your compensation checks will be mailed to your home or direct deposited unless you specify otherwise. Please let us know in writing if you change your address.

14. You will not disparage, portray in a negative light, or take any action which would be harmful to, or lead to unfavorable publicity for, the Company or its subsidiaries or divisions, or any of its or their current or former officers, directors, employees, agents, consultants, contractors, owners, divisions, parents or successors, whether public or private, including without limitation, in any and all interviews, oral statements, written materials, electronically displayed materials and materials or information displayed on Internet- or intranet-related sites. In the event of a breach or threatened breach of this paragraph, you agree that the Company will be entitled to injunctive relief in a court of appropriate jurisdiction to remedy any such breach or threatened breach and you acknowledge that damages would be inadequate and insufficient.

15. The Company will not disparage, portray in a negative light, or take any action which would be harmful to, or lead to unfavorable publicity for, you, including without limitation, in any and all interviews, oral statements, written materials, electronically displayed materials and materials or information displayed on Internet- or intranet-related sites. In the event of a breach or threatened breach of this paragraph, the Company agrees that you will be entitled to injunctive relief in a court of appropriate jurisdiction to remedy any such breach or threatened breach and the Company acknowledges that damages would be inadequate and insufficient.

16. You will deliver promptly to the Company (and not keep in your possession or deliver to any other person or entity) any and all property belonging to the Company in your possession or under your control, including without limitation, computer hardware/software, credit cards, PDA’s, pagers, other electronic equipment, records, data, notes, reports, correspondence, financial information, customer files and information and other documents or information (including any and all copies of such Company property).

17. You agree, on behalf of yourself, your heirs, executors, administrators and assigns, to release, acquit and forever discharge the Company and its subsidiaries and divisions and its and their respective current and former officers, directors, employees, agents, owners, affiliates, successors and assigns (the "Company Released Parties") of and from any and all manner of actions and causes of action, suits, debts, damages, dues, accounts, bonds, covenants, contracts, agreements, judgments, charges, claims, rights and demands whatsoever, whether known or unknown ("Losses"), which you, your heirs, executors, administrators and assigns ever had, now have or may hereafter have, against the Company Released Parties or any of them arising out of or by reason of any cause, matter or thing whatsoever, including but not limited to, the Age Discrimination in Employment Act; Title VII of the Civil Rights Act, as amended, (regarding race, color, religion, sex and national origin discrimination); Genetic Information Nondiscrimination Act; the Americans with Disabilities Act; Family and Medical Leave Act; the Older Workers Benefit Protection Act; Equal Pay Act; or Employee Retirement Income Security Act, (ERISA) from the beginning of the world to the date hereof, including without limitation, any and all matters relating to your employment by the Company and its predecessors and the cessation thereof, any and all matters relating to your compensation and benefits by or from the Company and its predecessors and any and all matters arising under any federal, state or local statute, rule, regulation or principle of contract law or common law.

    You understand that as a result of this, you will not have the right to assert that the Company unlawfully terminated your employment or violated any of your rights in connection with your employment.

    You affirm that you have not filed, and agree not to initiate or cause to be initiated on your behalf, any complaint, charge, claim or proceeding against the Company Released Parties before any federal, state or local agency, court or other body relating to your employment, the cessation thereof or any other matters covered by the terms described above, and agree not to voluntarily participate in such a proceeding.

18. The Company agrees on behalf of its subsidiaries and divisions and its and their respective current and former officers, directors, employees, agents, owners, affiliates, successors and assigns (the "Company") to release, acquit and forever discharge you, your heirs, executors, administrators and assigns, of and from any and all manner of actions and causes of action, suits, debts, damages, dues, accounts, bonds, covenants, contracts, agreements, judgments, charges, claims, rights and demands whatsoever, whether known or unknown ("Losses"), which the Company, its subsidiaries and divisions and its and their respective current and former officers, directors, employees, agents, owners, affiliates, successors and assigns, ever had, now have or may hereafter have, against you or any of them arising out of or by reason of any cause, matter or thing whatsoever, excepting any act found to be criminal, by a court of competent jurisdiction, from the beginning of the world to the date hereof, including without limitation, any and all matters relating to your employment by the Company and its predecessors and the cessation thereof, any and all matters relating to your compensation and benefits by or from the Company and its predecessors and any and all matters arising under any federal, state or local statute, rule, regulation or principle of contract law or common law.

The Company understands that as a result described above, the Company will not have the right to assert that you unlawfully terminated your employment or violated any of the Company's rights in connection with your employment.

The Company affirms that it has not filed, and agrees not to initiate or cause to be initiated on its behalf, any complaint, charge, claim or proceeding against you before any federal, state or local agency, court or other body relating to your employment, the cessation thereof or any other matters covered by the terms of described above, and agrees not to voluntarily participate in such a proceeding.

19. The Company and you agree that the terms and conditions of this Letter Agreement are confidential and that neither party will disclose the terms of this Letter Agreement to any third parties, other than (i) disclosure by you to your spouse, (ii) disclosure by the Company or you to its or your respective attorneys, auditors, financial advisors and accountants, (iii) as may be required by law (including securities laws) or (iv) as may be necessary to enforce this Letter Agreement. Without limiting the generality of the foregoing, you acknowledge that the Company may, to the extent required by applicable law, describe or incorporate the terms of this Letter Agreement in, and/or file or incorporate this Letter Agreement as an exhibit to, one or more filings with the Securities and Exchange Commission.

20. Meritor shall have the right to terminate this agreement at any time if you materially breach any of the obligations stated herein under this agreement.

21. You acknowledge that you have been advised to consult with an attorney prior to signing this agreement. You also acknowledge, understand and agree that this agreement is voluntarily entered into by you in consideration of the undertakings by Meritor as set forth herein and is consistent in all respects with the discussions by Meritor personnel with you relating to your separation.

22. You agree that for a period of eighteen (18) months following the date of your departure January 2, 2012 from the Company, you will not solicit for employment any Meritor related employee, unless permission to do so is granted to you in writing by Meritor's CEO or his designee. You also agree that you will not disclose, nor will you use any Meritor proprietary information.

23. You will have until June 3, 2011, in which to consider this agreement, and you may revoke this agreement within seven days of signing. This agreement will not become effective until the revocation period has expired. For the avoidance of doubt, until such time as the revocation period has expired, the separation pay described herein shall be limited to two weeks of your current salary. In the event that you take the full time provided hereunder to review this agreement and you sign on June 3, 2011 and you do not exercise your right to revoke, you will receive in a lump sum an amount equal to the number of weeks due and owning since the payments ceased.

24. If you decide not to sign this agreement you will be paid 2 weeks salary and the dates and eligibility for the various incentives and benefits indicated in this agreement would be modified to your final day of separation.

25. In the event there is a dispute regarding this agreement or your employment with the Company, you and the Company agree that any such dispute will be resolved solely and exclusively, by binding arbitration, by and under the rules of the American Arbitration Association.

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26. This agreement is a complete and final agreement between Meritor and its successors and Linda Cummins, and supersedes all other offers, agreements, and negotiations. Notwithstanding the foregoing, the Invention Assignment and Arbitration Agreements remain in full force and effect.

Sincerely,

/s/ Larry E. Ott
Larry E. Ott
Sr. Vice President,
Human Resources

cc: V. Baker, D. Riddell

Accepted and Agreed by:

/s/ Linda Cummins
Linda Cummins

May 17, 2011
Date

AMENDMENT AGREEMENT NO. 1

dated as of 28 June 2011

between

Meritor Heavy Vehicle Braking Systems (USA), Inc.,
Meritor Heavy Vehicle Systems, LLC and
Meritor Aftermarket USA, LLC (formerly known as Arvinmeritor Mascot, LLC)
as Sellers

and

Viking Asset Purchaser No. 7 IC
an incorporated cell of Viking Global Finance ICC
as Purchaser

and

Citicorp Trustee Company Limited
as Programme Trustee

(the "**Amendment Agreement**")

1. BACKGROUND AND DEFINITIONS

1.1 The parties hereto have entered into a receivables purchase agreement dated 29 October 2010 between Meritor Heavy Vehicle Braking Systems (USA), Inc., Meritor Heavy Vehicle Systems, LLC and Arvinmeritor Mascot, LLC (now known as Meritor Aftermarket USA, LLC) as Sellers, Viking Asset Purchaser No. 7 IC, an incorporated cell of Viking Global Finance ICC, as Purchaser and Citicorp Trustee Company Limited as Programme Trustee as amended, restated and supplemented from time to time (the "**Receivables Purchase Agreement**").

1.2 The parties now wish to amend the Receivables Purchase Agreement in accordance with the provisions set out herein.

1.3 Capitalised terms shall, unless the context otherwise requires, have the meaning given to them in the Receivables Purchase Agreement.

2. AMENDMENT

2.1 The parties hereto agree that with effect as of 4 April 2011, the definition of "Total Commitment" in Clause 1.1 of the Receivables Purchase Agreement shall be amended as follows:

In the third line "being EUR 32,000,000" shall be amended to "being EUR 50,000,000".

3. MISCELLANEOUS

3.1 For the avoidance of doubt, the Receivables Purchase Agreement shall remain in full force and effect and the provisions set out in this Amendment Agreement shall only take effect as specified herein.

3.2 This Amendment Agreement may be executed in any number of counterparts and all such counterparts taken together shall be deemed to constitute one and the same instrument.

3.3 Clause 20 (GOVERNING LAW; JURISDICTION; WAIVER OF JURY TRIAL) of the Receivables Purchase Agreement shall be incorporated in and form part of this Amendment Agreement *mutatis mutandis*.

IN WITNESS WHEREOF the parties have executed this Amendment Agreement on the respective dates specified below with effect from the date specified in Clause 2.1 above.

For and behalf of

Meritor Heavy Vehicle Braking Systems (USA), Inc.

By: /s/ Mary A. Lehmann

Name: Mary A. Lehmann

Title: Senior Vice-President and Treasurer

For and on behalf of

Meritor Heavy Vehicle Systems, LLC

By: /s/ Mary A. Lehmann

Name: Mary A. Lehmann

Title: Senior Vice-President and Treasurer

For and behalf of

Meritor Aftermarket USA, LLC (formerly known as Arvinmeritor Mascot, LLC)

By: /s/ Mary A. Lehmann

Name: Mary A. Lehmann

Title: Senior Vice-President and Treasurer

For and behalf of

Viking Asset Purchaser No. 7 IC

By: /s/ Cheryl Heslop

Name: Cheryl Heslop

Title: Alternate Director

For and behalf of

Citicorp Trustee Company Limited

By: /s/ Viola Japaul

Name: Viola Japaul

Title: Director

RECEIVABLES PURCHASE AGREEMENT

dated 28 June 2011

between

MERITOR HVS AB
as Seller

and

VIKING ASSET PURCHASER No 7 IC
an incorporated cell of Viking Global Finance ICC
as Purchaser

and

CITICORP TRUSTEE COMPANY LIMITED
as Programme Trustee

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SCHEDULE 1 Eligibility Criteria
SCHEDULE 2 Conclusion of purchase – offer and acceptance, purchase price and perfection
SCHEDULE 3 Representations, warranties and undertakings
SCHEDULE 4 Form of solvency certificate

This receivables purchase agreement (the "**Agreemen**t") is made on 28 June 2011 between:

(1) MERITOR HVS AB, a company incorporated under the laws of Sweden (reg. no. 556550- 0237) having its registered office at Ishockeygatan 3, 711 34 Lindesberg, Sweden (the **"Seller"**);

(2) VIKING ASSET PURCHASER NO 7 IC (registration no. 92607), an incorporated cell of VIKING GLOBAL FINANCE ICC, an incorporated cell company incorporated under the laws of Jersey having its registered office at Ogier, Ogier House, The Esplanade, St Helier , Jersey JE4 9WG, Channel Islands (the **"Purchaser"**); and

(3) CITICORP TRUSTEE COMPANY LIMITED, acting through its office at 14th Floor, Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB (the **"Programme Trustee"** which expression shall include such person and all other persons for the time being acting as the security trustee or trustees pursuant to the Master Security Trust Deed).

1. DEFINITIONS AND CONSTRUCTION

1.1 Definitions

In this Agreement the following terms have the following meanings:

"**Acceptance**" means an acceptance issued by the Purchaser to the Seller through the PrimeRevenue System or in any other form acceptable to the Accounts Administrator in response to an Offer.

"Accounts" means bank accounts number [REDACTED] with Nordea Bank AB (publ), and all such other accounts as may from time to time be in addition thereto or substituted therefore in accordance with the relevant Transaction Documents (including but not limited to all and any Operating Account).

"Accounts Administrator" means Structured Finance Servicer A/S acting through its office at Copenhagen and any person appointed as accounts administrator in respect of *inter alia* the Transaction under the Master Accounts Administration Agreement.

"Accounts Pledge Agreement" means the pledge agreement(s) over the Accounts dated 12 June 2006 entered into or to be entered into by or on behalf of the Purchaser and the Programme Trustee.

"Aggregate Euro Outstanding Amount" means, at any time, the aggregate of the Euro Outstanding Amount of all of the Purchased Receivables in relation to the Purchaser relating to the Transaction at that time.

"Aggregate Outstanding Amount" means, at any time, the aggregate of the Outstanding Amount of all the Purchased Receivables at that time.

"Available Facility" means, in respect of the Purchaser and in relation to the Transaction, on any day, the lesser of; (a) the Total Commitments in relation to the Purchaser; and (b) the Borrowing Base in relation to the Purchaser, less the Face Amount of outstanding Notes, Overdraft Advances and Loans in relation to the Purchaser. For the purpose of calculating the Available Facility on any day, any Notes, Loans or Overdraft Advances due to be repaid on such day shall be deemed to have been repaid.

"Banks" means the financial institutions listed as banks in Part 1 of Schedule 1 of the relevant Liquidity Facility Agreement.

"Borrowing Base" means, in respect of the Purchaser, on any day, the aggregate of: (a) Aggregate Euro Outstanding Amount; (b) any Collections received or payable in relation to the Transaction, in each case either by the Seller or the Accounts Administrator which have not been remitted or paid to the Purchaser on any relevant Purchased Receivable and that have not been utilised either to purchase Receivables under this Agreement or to repay the Notes; (c) an amount equal to any insufficiency in available funds necessary for the Purchaser to pay the Face Amount of the Notes in relation to the Purchaser and all amounts ranking *pari passu* with or senior to such Notes including those arising as the result of any difference between the spot and forward rates under any currency hedging agreement entered into by the Purchaser in accordance with the Master Accounts Administration Agreement; and (d) accrued legal and other fees, costs and expenses incurred by the relevant Purchaser in connection with the Transaction Documents.

“Business Day” means a day on which banks are open in Copenhagen, Stockholm, Jersey and London, for the transaction of business of the nature required by the Transaction Documents.

“Calculation Date” means the Purchase Date provided that if such day is not a Business Day it shall be the next Business Day following such day.

“**CMSAs**” means Volvo Bussar CMSA, Volvo Belgium Group. CMSA, Volvo Lastvagnar CMSA, Volvo Logistics CMSA and any other Customer Managed Service Agreement entered into between a Permitted Obligor and PrimeRevenue, and “**CMSA**” means any of them.

“Collections” means the aggregate of all amounts paid by the relevant obligors in respect of any and all Purchased Receivables relating to the Purchaser plus any amounts payable to the Purchaser by the Seller but not yet paid to the Purchaser following settlement of the final amount of any claim under any of the warranties, covenants and indemnities contained in this Agreement.

“**Commitment**” means: (a) in relation to a Bank which is a Bank on the date of the relevant Liquidity Facility Agreement, the amount set opposite its name in Schedule 1 of the relevant Liquidity Facility Agreement and the amount of any other Bank’s Commitment acquired by it under the relevant Liquidity Facility Agreement; and (b) in relation to a Bank which becomes a Bank after the date of the relevant Liquidity Facility Agreement, the amount of any other Bank’s Commitment acquired by it under the relevant Liquidity Facility Agreement, to the extent not cancelled, reduced or transferred under the relevant Liquidity Facility Agreement.

“CP Programme” means the EUR 2,000,000,000 multi-currency asset-backed commercial paper programme for the issue of commercial paper notes established by the Issuer.

“Defaulted Receivable” means a Purchased Receivable in respect of which there is a Permitted Obligor Default.

“Delinquent Receivable” means, at any time, a Receivable in respect of which all or any part of the Outstanding Amount is not paid on its due date.

“Eligibility Criteria” means the eligibility criteria in respect of the Purchased Receivables set out in Schedule 1 of this Agreement.

“EURIBOR” means: (a) the rate per annum which appears on Page EURIBOR01 on the Reuters Screen; or (b) if no such rate appears, the arithmetic mean (rounded upward to four decimal places) of the rates quoted by the Reference Banks to leading banks in the European interbank market, at or about 11.00 a.m. Copenhagen time on the applicable Calculation Date for the offering of euro deposits for the relevant period. If the EURIBOR01 page is replaced or service ceases to be available, the Accounts Administrator may specify another page or service displaying the appropriate rate after consultation with the Purchaser and the Seller.

“euro” or **“EUR”** or means the single currency of any member state of the European Union that adopts or has adopted the euro as its lawful currency in accordance with legislation of the European Community relating to Economic and Monetary Union.

“Euro Outstanding Amount” means, in relation to any Purchased Receivable, the Outstanding Amount of such Purchased Receivable converted into euro at the Foreign Exchange Rate in respect of such Purchased Receivable.

“**Existing RPA**” means the existing receivables purchase agreement between amongst others Meritor HVS AB, Nordic Finance Limited and Nordea Bank Danmark A/S entered into on 13 March, 2006 which is intended to be terminated on or about 5 July, 2011.

“Face Amount” means the face amount in respect of the Notes or the Receivables, as the case may be.

“FI Agreement” means the financial institution agreement dated 12 June 2006 and entered into between the Purchaser and PrimeRevenue.

“Financial Indebtedness” means (i) moneys borrowed, (ii) finance or capital leases, (iii) receivables sold or discounted (other than on a non-recourse basis), (iv) other transactions having the commercial effect of a borrowing, (v) the marked to market value of derivative transactions entered into in connection with protection against or benefit from fluctuation in any rate or price, (vi) counter-indemnity obligations in respect of guarantees or other instruments issued by a bank or financial institution, and (vii) liabilities under guarantees or indemnities for any of the obligations referred to in items (i) to (vi).

“Foreign Exchange Rate” means for any Purchased Receivable, the rate at which Swedish Kronor are to be exchanged into euro pursuant to any foreign exchange agreement entered into in respect of such Purchased Receivable on or about the Purchase Date in respect of such Purchased Receivable.

“Funding Costs” means the aggregate interest accrued on (i) the Notes (paid or to be paid) and (ii) any debt incurred by the Purchaser for the purpose of financing the acquisition of the Purchased Receivables (paid or to be paid). For the avoidance of doubt “to be paid” in relation to (i) and (ii) shall mean for the period up and till the date when the relevant debt may be repaid without any penalty, break cost or fee.

“Incorporated Cell” means each incorporated cell of Viking Global Finance ICC.

“Initial L/C Bank” means Nordea Bank Danmark A/S under the Standby Letter of Credit Agreement.

“Issuer” means Viking Asset Securitisation Limited, a company incorporated in Jersey with limited liability, having its registered office at Ogier House, The Esplanade, St Helier, Jersey JE4 9WG, Channel Islands.

“Issuer Security Trust Deed” means the issuer security trust deed dated 1 March 2000 between the Issuer and the Programme Trustee as amended and restated by a deed dated 18 July 2003 between the Issuer and the Programme Trustee.

“L/C Bank” means Nordea Bank AB (publ) under the Standby Letter of Credit Agreement.

“Liquidity Facility” means the liquidity facility under the relevant Liquidity Facility Agreement.

“Liquidity Facility Agreement” means each liquidity facility agreement entered into in relation to *inter alia* the Transaction between the Purchaser, Nordea Bank Danmark A/S as Agent and the Banks, including the liquidity facility agreement dated 12 June, 2006 between the Purchaser, Nordea Bank Danmark A/S as Agent and the Banks.

"Loan" means the aggregate of the principal amount of each borrowing by the Purchaser under the relevant Liquidity Facility Agreement or the principal amount outstanding of that borrowing attributable to the Transaction.

"Margin" shall be as set out in the fee letter entered into between the Purchaser and the Seller on or about the date hereof.

"Master Account Administrator" means Nordea Bank Danmark A/S as Master Account Administrator under the Master Accounts Administration Agreement.

"Master Accounts Administration Agreement" means the accounts administration agreement dated 12 June, 2006 between *inter alia* Nordea Bank Danmark A/S, Nordea Bank AB (publ), the Accounts Administrator and the Programme Trustee *inter alia* in relation to the Transaction.

"Master Overdraft Facility Agreement" means the overdraft facility agreement dated 12 June, 2006 between *inter alia* the Purchaser and the Overdraft Bank in relation *inter alia* to the Transaction.

"Master Security Trust Deed" means the security trust deed dated 12 June, 2006 between the Purchaser and the Programme Trustee *inter alia* in relation to the Transaction, as supplemented by a supplemental security trust deed.

"Moody's" means Moody's Investors Service Limited and includes any successor to its rating business.

"Non-Defaulted Receivables" means Purchased Receivables in relation to the Purchaser for which there has not been any default in payment from the relevant Permitted Obligors.

"Notes" means commercial paper notes issued by Viking Asset Securitisation Limited in relation to this Transaction on behalf of the Purchasers and includes the commercial paper notes represented by a Note in global form.

"Offer" means an irrevocable offer from the Seller to the Purchaser for the sale of Receivables and given by the Seller to the Purchaser through the PrimeRevenue System or in any other form acceptable to the Accounts Administrator and "**to Offer**" and "**Offered**" shall have the corresponding meaning.

"**Operating Account**" means bank accounts number [REDACTED] with Nordea Bank AB (publ), and all such other accounts as may from time to time be in addition thereto or substituted therefore in accordance with the relevant Transaction Documents

"Outstanding Amount" means at any time in respect of any Receivable or Purchased Receivable, the total amount due and owing by the relevant Permitted Obligor at that time in respect of the relevant Receivable or Purchased Receivable. For the avoidance of doubt, the Outstanding Amount for any Purchased Receivable shall not be reduced by virtue of any set off or counterclaim which reduces the amount recoverable in respect of that Purchased Receivable.

"Overdraft Advance" means, save as otherwise provided herein, an advance (as from time to time reduced by repayment) made or to be made by the Overdraft Bank under Clause 4 of the Master Overdraft Facility Agreement and attributable to the Transaction.

"**Overdraft Bank**" means Nordea Bank AB (publ) or such other financial institution as may be appointed in relation to the Purchaser under the Master Overdraft Facility Agreement.

“Overdraft Facility” means the overdraft facility relating *inter alia* to the Transaction and made to the Purchaser under the Master Overdraft Facility Agreement.

“Permitted Currency” means EUR and SEK.

“Permitted Obligors” means Volvo Bussar AB, Volvo Group Belgium N.V., Volvo Lastvagnar AB, Volvo Logistics AB and any other company within the Volvo group that has entered into a Customer Managed Service Agreement (in all material respects corresponding to the CMSAs) with PrimeRevenue and that has been approved in writing by the Accounts Administrator and the Purchaser.

“Permitted Obligor Default” means, at any time, when a Permitted Obligor is unable to pay its debts as they fall due or against whom any administration, insolvency, bankruptcy or liquidation or similar procedures have been instituted.

“PrimeRevenue” means PrimeRevenue, Inc. a company incorporated under the laws of the state of Delaware having its registered office at 1349 West Peachtree St., Suite 900, Atlanta, GA, USA.

“PrimeRevenue System” means the system for the sale and transfer of receivables as more particularly described in the CMSAs, the Supplier Agreement and the FI Agreement.

“Programme Trustee” means CitiCorp Trustee Company Limited or such other person so designated in accordance with the Issuer Security Trust Deed.

“Purchase Date” means each date upon which a sale and purchase of Receivables is concluded pursuant to Clause 2.2 of this Agreement.

“Purchase Price” means the aggregate Receivables Purchase Price paid or to be paid by the Purchaser to the Seller in respect of Purchased Receivables on a particular Settlement Date.

“Purchased Receivables” means all Receivables which are the subject of any sale and purchase (or any purported sale and purchase) pursuant to Clause 2.2 of this Agreement and any other Receivables in respect of which the Receivables Purchase Price has been paid or will be paid by the Purchaser to the Seller.

“Purchaser” means Viking Asset Purchaser No 7 IC.

“**Purchaser Supplemental Agreement**” means the supplemental deed dated on or about 12 June 2006 entered into by, *inter alia*, the Purchaser, the Issuer, Nordea Bank Danmark A/S, Nordea Bank AB (publ), Nordea Bank Norge ASA, Nordea Bank Finland plc and the Programme Trustee.

“Rating Agencies” means Moody’s and S&P and **“Rating Agency”** means any one of them.

“Receivable” means any receivable (inclusive of VAT applied thereon) owed to the Seller in the ordinary course of business by any Permitted Obligor including all rights of the Seller pertaining to such Receivable (defined as “Payment Obligation” in the respective CMSA) in accordance with the respective CMSA, including but not limited to all the Seller’s rights under Section 18(f) of the respective CMSA.

“Receivables Purchase Price” shall be calculated as follows: CA - (CA x IR / (360/DM)); where

DM= actual number of days to and including the relevant maturity date
CA = the Certified Amount (as defined in the Supplier Agreement) of the Receivable
IR = means in respect of EUR the applicable interest rate being EURIBOR three (3) months plus the Margin and in respect of SEK the applicable interest rate being STIBOR three (3) months plus the Margin.

"Records" means: (a) all files, correspondence, notes of dealing and other documents, books, books of account, registers, records and other information; and (b) all computer tapes, discs, computer programmes, data processing software and related property rights, owned by or under the control and disposition of the Seller, in each case only to the extent relating to the Purchased Receivables.

"Reference Banks" means a minimum of four of the banks (including, in each case, Nordea Bank AB (publ)) which quote rates for the offering of deposits in euro to leading banks in the European interbank market for the relevant period immediately prior to the time set out in the definition of EURIBOR or STIBOR on the applicable Calculation Date.

"S&P" or **"Standard & Poor's"** means Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., and any successor company of such rating business.

"**Security Interest**" means any mortgage, charge, floating charge, assignment or assignation by way of security, lien, pledge, hypothecation, right of set-off (or analogous right), retention of title, flawed asset or blocked-deposit arrangement or any other encumbrance or security interest or security arrangement whatsoever created or arising under any relevant law or any agreement or arrangement having the effect of or performing the economic function of conferring security howsoever created or arising.

"Seller" means Meritor HVS AB in its capacity as seller under this Agreement and not in any other capacity.

"Seller Potential Suspension Event" means any event which, with the giving of notice and/or lapse of time and/or making of any determination and/or any certification, would constitute a Seller Suspension Event.

"Seller Suspension Event" means any of the following events:

(a) *Failure to pay*: The Seller fails to pay any amount due under this Agreement or the Supplier Agreement on the due date or on demand in writing, if so payable, unless payment is made within three (3) Business Days of such due date or demand.

(b) *Failure to perform other obligations*: The Seller fails to observe or perform any of its other material obligations under this Agreement or the Supplier Agreement or under any undertaking or arrangement entered into in connection therewith and, in the case of a failure capable of being remedied, within ten (10) days after receipt by the Seller of a request in writing from the Purchaser (acting through the Accounts Administrator), that the same be remedied, it has not been remedied to the Purchaser's (acting through the Accounts Administrator) reasonable satisfaction.

(c) *Representations, warranties or statements proving to be incorrect*: Any representation, warranty or statement which is made (or deemed or acknowledged to have been made) by the Seller under this Agreement or the Supplier Agreement or which is contained in any certificate, statement or notice provided by the Seller under or in connection with this Agreement or the Supplier Agreement proves to be incorrect to an extent which, in the reasonable opinion of the Accounts Administrator, is likely to affect the ability of the Seller to perform its obligations under any of the Transaction Documents to which it is a party in a manner which is material and adverse in the context of the Transaction or which is likely materially and adversely to affect the collectability of the Purchased Receivables or any of them.

(d) *Provisions becoming unenforceable*: Any provision of any of the Transaction Documents to which the Seller is a party is or becomes, for any reason, invalid or unenforceable and for so long as such provision remains invalid and unenforceable to an extent which, in the reasonable opinion of the Accounts Administrator, is likely materially and adversely to affect the ability of the Seller (acting in any capacity under any of the Transaction Documents to which it is a party) to perform its obligations under any of the Transaction Documents to which it is a party in a manner which is material and adverse in the context of the Transaction or which is likely to materially and adversely affect the collectability of the Purchased Receivables or any of them.

(e) *Suspension or expropriation of business operations*: The Seller changes, suspends or threatens to suspend a substantial part of the present business operations which it now conducts directly or indirectly, or any governmental authority expropriates all or a substantial part of its assets and the result of any of the foregoing is, in the reasonable opinion of the Accounts Administrator, likely to affect the ability of the Seller to observe or perform its obligations under any of the Transaction Documents to which it is a party in a manner which is material and adverse in the context of the Transaction or which is likely to materially and adversely affect the collectability of the Purchased Receivables or any of them.

(f) *Enforcement by creditors***:** Any form of execution or arrest is levied or enforced upon or sued out against all and any of the Seller's assets and is not discharged within twenty (20) days of being levied, or any Security Interest which may for the time being affect any material part of its assets becomes enforceable and steps are lawfully taken by the creditor to enforce the same. No Seller Suspension Event will occur under this paragraph (f) if the aggregate amount of the claim enforced is less than EUR 1,000,000 or the equivalent in any other currency.

(g) *Arrangement with Creditors*: The Seller proposes or makes any arrangement or composition with, or any assignment or trust for the benefit of, its creditors generally involving (not necessarily exclusively) indebtedness which the Seller would not otherwise be able to repay or service in accordance with the terms thereof.

(h) *Winding-up*: A petition is presented (unless contested in good faith and discharged or stayed within twenty (20) days) or a meeting is convened for the purpose of considering a resolution or other steps are taken for the winding up of the Seller (other than for the purposes of and followed by a solvent reconstruction previously approved in writing by the Accounts Administrator and the Programme Trustee (such approval not to be unreasonably withheld or delayed), unless during or following such reconstruction the Seller becomes or is declared to be insolvent).

"Settlement Date" means, in respect of a Purchased Receivable, the first (1st) Business Day after the relevant Calculation Date.

"Standby Letter of Credit Agreement" means the standby letter of credit agreement dated 28 May, 2001 between Viking Asset Purchaser No. 2 Limited and Nordea Bank Danmark A/S (formerly Unibank A/S) as amended and restated by an agreement dated 18 July 2003 between Viking Asset Purchaser No. 2 Limited, Viking Asset Purchaser No. 3 Limited, the Initial L/C Bank and other affiliates of the Initial L/C Bank.

"STIBOR" means: (a) the rate per annum which appears on Page SIOR on the Reuters Screen; or (b) if no such rate appears, the arithmetic mean (rounded upward to four decimal places) of the rates quoted by the Reference Banks to leading banks in the Stockholm interbank market, at or about 11.00 a.m. Copenhagen time on the Business Day immediately prior to the applicable Calculation Date for the offering of SEK deposits for the relevant period. If the SIOR page is replaced or service ceases to be available, the Accounts Administrator may specify another page or service displaying the appropriate rate after consultation with the Purchaser and the Seller.

"Supplier Agreement" means the supplier agreement entered or to be entered into between the Seller and PrimeRevenue, pursuant to which each of the Permitted Obligors is defined as a Customer.

"Swedish Kronor" or **"SEK"** means the lawful currency of Sweden.

"Swedish Legal Opinion" means the legal opinion dated on or about the date hereof issued by Advokatfirman Vinge KB, legal advisers to inter alia Nordea Bank Danmark A/S, Nordea Bank AB (publ), the Programme Trustee, the Issuer and the Purchaser as to Swedish law.

"**Swedish Pledge Agreement**" means the pledge agreement regarding the Purchased Receivables dated on or about the date hereof between the Purchaser and the Programme Trustee.

"Tax" or **"tax"** includes all forms of tax, duty or charge on gross or net income, profits or gains, distributions, receipts, sales, use, occupation, franchise, value added, personal property and instruments, and any levy, impost, duty, charge or withholding of any nature whatsoever chargeable by any authority, whether in Sweden, Jersey or elsewhere, together with all penalties, charges and interest relating to any of the foregoing.

"Termination Date" means the earliest date on which a Termination Event occurs.

"Termination Event" means the occurrence of any of the following:

(a) one (1) year having elapsed from the date of this Agreement;

(b) a failure by the Seller to perform any of its material obligations within ten (10) Business Days after notification in writing of such failure to perform;

(c) in relation to the Seller, any corporate action being taken or becoming pending, any other steps being taken or any legal proceedings being commenced or threatened or becoming pending for (i) the bankruptcy, liquidation, dissolution, administration or reorganisation of the Seller (other than for the purposes of and followed by a solvent reconstruction previously approved in writing by the Purchaser and the Programme Trustee (such approval not to be unreasonably withheld or delayed) unless during or following such reconstruction the Seller becomes or is declared to be insolvent)and which is not being contested in good faith or which is not dismissed or withdrawn within thirty (30) days, (ii) the Seller to enter into any composition or arrangement with its creditors generally, or (iii) the appointment of a receiver, administrative receiver, trustee or similar officer in respect of the Seller or substantially all of the property, undertaking or assets of the Seller;

(d) a refusal of the Seller to pay any increased costs incurred by any Bank and/or L/C Bank in connection with the Transaction, such increased costs being outside the control of the Purchaser and the Bank and/or L/C Bank, as the case may be;

(e) any CMSA and/or the Supplier Agreement being amended to the detriment of the Purchaser or if any CMSA, the FI Agreement and/or the Supplier Agreement is terminated for what ever reason or if any third party right in any CMSA or the Supplier Agreement in relation to which the Purchaser is a beneficiary becomes invalid or unenforceable;

(f) the occurrence of any termination event under the CP Programme;

(g) a Seller Suspension Event is outstanding for sixty (60) days or longer, subject to written notice being given by the Accounts Administrator on behalf of the Purchaser; and

(h) cross default; (i) any Financial Indebtedness of the Seller is not paid when due nor within any originally applicable grace period, or is declared to be or otherwise becomes due and payable prior to its specified maturity as a result of an event of default (however described); (ii) any commitment for any Financial Indebtedness of the Seller is cancelled or suspended by a creditor as a result of an event of default (however described); (iii) Any creditor of the Seller becomes entitled to declare any Financial Indebtedness of the Seller due and payable prior to its specified maturity as a result of an event of default (however described); (iv) no Termination Event will occur under this paragraph (h) if the aggregate amount of Financial Indebtedness or commitment for Financial Indebtedness falling within paragraphs (i) to (iii) above is less than EUR 1,000,000 or the equivalent in any other currency.

"**Total Commitments**" means the part of the aggregate of the Commitments as reserved by the Accounts Administrator to be used in relation to the Transaction, being EUR One hundred and fifty million (150,000,000) (less the Aggregate Euro Outstanding Amount under (and in accordance with) the Existing RPA) at the date of this Agreement. The Total Commitments may (to the extent possible) be increased as agreed between the Seller and the Accounts Administrator from time to time.

"Transaction" means the transaction relating to this Agreement envisaged by the Transaction Documents whereby the Seller may sell certain Receivables to the Purchaser and the Purchaser will, subject to the terms and conditions set forth in this Agreement, purchase such Receivables, funded by the issue of Notes under the CP Programme and all related arrangements provided for in the Transaction Documents.

"Transaction Documents" means the documents relating to the Transaction, including this Agreement, the FI Agreement, the CMSAs and the Supplier Agreement, each Liquidity Facility Agreement, the Master Overdraft Facility Agreement and the Master Security Trust Deed, and any agreement or document executed pursuant to or in connection with any of these documents.

"**Volvo Bussar CMSA**" means the Customer Managed Service Agreement entered or to be entered into between Volvo Bussar AB and PrimeRevenue, pursuant to which the Seller is defined as a Supplier.

"**Volvo Group Belgium CMSA**" means the Customer Managed Service Agreement entered or to be entered into between Volvo Group Belgium N.V. and PrimeRevenue, pursuant to which the Seller is defined as a Supplier.

"**Volvo Lastvagnar CMSA**" means the Customer Managed Service Agreement entered or to be entered into between Volvo Lastvagnar AB and PrimeRevenue, pursuant to which the Seller is defined as a Supplier.

"**Volvo Logistics CMSA**" means the Customer Managed Service Agreement entered or to be entered into between Volvo Logistics AB and PrimeRevenue, pursuant to which the Seller is defined as a Supplier.

1.2 Construction

1.2.1 References in this Agreement to any person shall include references to his successors, transferees and assignees and any person deriving title under or through him.

1.2.2 References in this Agreement to any statutory provision shall be deemed also to refer to any statutory modification or re-enactment thereof or any statutory instrument, order or regulation made thereunder or under any such re-enactment.

1.2.3 References in this Agreement to any agreement or other document shall be deemed also to refer to such agreement or document as amended, varied, supplemented, replaced or novated from time to time.

2. PURCHASE AND SALE

2.1 Purchase of Receivables

Subject to the terms and conditions of this Agreement, and within the limits of the Total Commitment, the Purchaser agrees that it will purchase Receivables from the Seller on a continuous basis from the date hereof until the Termination Date, it being understood and agreed that the Purchaser shall have no obligation to purchase Receivables to the extent that, after giving effect to such proposed purchase, the Aggregate Euro Outstanding Amount of all Purchased Receivables would exceed the Total Commitment. If a proposed purchase of Receivables would result in the Aggregate Euro Outstanding Amount of all Purchased Receivables exceeding the Total Commitment, the Offer will be modified such that only certain Receivables, in an aggregate amount such that the Total Commitment will not be exceeded, will be purchased of the modified Offer, and each Receivable will be fully included or fully excluded from the modified Offer such that no partial Receivable shall be the subject of an Offer.

2.2 Conclusion of purchase - offer and acceptance

Sale and purchase of Receivables will in each case be concluded as more particularly set out in Part 1 of Schedule 2.

2.3 Purchase Price

The Purchase Price shall be paid and calculated as more particularly set out in Part 2 of Schedule 2.

2.4 VAT

Any VAT refund collected from the VAT authorities by the Seller following credit losses on a Purchased Receivable shall be for the benefit of the Purchaser and be paid by the Seller to the Purchaser. The Seller undertakes to take any action permissible, and required by the Purchaser, to assist in collecting any such VAT refund for the benefit of the Purchaser, including but not limited to acquiring the Purchased Receivable at a price equal to any VAT refund available for collection and any amounts recoverable from the Permitted Obligor (if any) and to pay such purchase price upon and to the extent of receipt of the VAT refund and any amounts recovered from the Permitted Obligor.

2.5 Perfection

Each sale and purchase pursuant to Clause 2.2 above shall be perfected through the actions more particularly described in Part 3 of Schedule 2.

2.6 Seller’s receipt of payment in respect of Purchased Receivables

In the event that, notwithstanding the notification referred to in Clause 2.5, the Seller receives from the Permitted Obligors any payment in respect of Purchased Receivables, the Seller shall pay to the Purchaser promptly following such a receipt, all such Collections received by it in respect of the Purchased Receivables to the account as notified by the Accounts Administrator pursuant to Clause 4.2.

3. CONDITIONS PRECEDENT TO INITIAL PURCHASE

The obligations of the Purchaser under or pursuant to this Agreement are subject to the satisfaction (as determined in the reasonable opinion of the Accounts Administrator) of the following conditions precedent:

(a) each of the Transaction Documents has been validly executed by all parties thereto;

(b) all actions that pursuant to Part 3 of Schedule 2 have been completed;

(c) the Purchaser and the Programme Trustee have received a solvency certificate from the Seller substantially in the form of Schedule 5; and

(d) the Purchaser and the Programme Trustee have received in form and substance satisfactory to each of them legal opinion(s) issued by reputable law firm(s) approved by each of them, as to the laws of the jurisdiction(s) each of them deem relevant.

4. PAYMENTS TO THE PURCHASER, ETC.

4.1 All amounts to be paid to the Purchaser under this Agreement shall be paid when due to the relevant account and at the times specified below.

4.2 Any amounts payable to the Purchaser under this Agreement shall be remitted to the accounts notified in writing to the Seller by the Accounts Administrator no later than the time indicated in such notice.

4.3 All payments made by the Seller under this Agreement shall be made without set-off, counterclaim or withholding. If the Seller is compelled by law or otherwise to make any deduction, the Seller shall pay any additional amount as will result in the net amount received by the Purchaser being equal to the full amount which would have been received had there been no deduction or withholding.

5. REPRESENTATIONS, WARRANTIES AND UNDERTAKINGS

5.1 Warranties relating to the Seller
As at each Purchase Date, the Seller shall make the representations and warranties to the Purchaser and the Programme Trustee in the terms set out in Part 1 of Schedule 3 in relation to the Seller and with reference to the facts and circumstances subsisting on such Purchase Date.

5.2 Warranties relating to Purchased Receivables
As at each Purchase Date, the Seller shall make the representations and warranties severally to the Purchaser and the Programme Trustee in the terms set out in Part 2 of Schedule 3 with respect to the Receivables to be sold by it and purchased by the Purchaser on such Purchase Date with reference to the facts and circumstances subsisting on such Purchase Date.

5.3 Obligation to notify in case of incorrect representations, etc.
The Seller shall forthwith notify the Purchaser if any of the representations and warranties referred to in this Clause 5 were incorrect when made promptly upon becoming aware thereof.

5.4 Covenants and undertakings
The Seller covenants and undertakes with and to the Purchaser and the Programme Trustee as follows:

(a) *Indemnity against claims:* Neither the Purchaser nor the Programme Trustee shall have any obligation or liability with respect to any Purchased Receivables nor will the Purchaser or the Programme Trustee be required to perform any of the obligations of the Seller (or any of its agents) under any such contracts save, in each case, as specifically provided in this Agreement. The Seller will on demand indemnify and keep indemnified the Purchaser, the Accounts Administrator and the Programme Trustee against any cost, claim, loss, expense, liability or damages (including legal costs and out-of-pocket expenses) (save to the extent that such cost, claim, loss, expense, liability or damage shall not have arisen as a consequence of any breach of this Agreement by, or as a result of the wilful misconduct or negligence of the Purchaser and/or as a result of any wilful default or negligence of the Programme Trustee) reasonably and properly incurred or suffered by the Purchaser and/or the Programme Trustee as a consequence of any claim or counterclaim or action of whatsoever nature made or taken by a Permitted Obligor or any third party arising out of or in connection with any Purchased Receivables or any services which are the subject of such Purchased Receivables;

(b) *Indemnity against breach:* the Seller will on demand indemnify and keep indemnified the Purchaser, the Accounts Administrator and the Programme Trustee against any cost, claim, loss, expense, liability or damages (including legal costs and out-of-pocket expenses) reasonably and properly incurred or suffered by the Purchaser or the Programme Trustee as a consequence of any breach by the Seller of this Agreement or any other Transaction Document (to which the Seller is a party) (save to the extent that such cost, claim, loss, expense, liability or damages shall not have arisen as a consequence of any breach of this Agreement by, or as a result of the wilful misconduct or negligence of the Purchaser or as a result of any wilful default or negligence of the Programme Trustee);

(c) *Indemnity on termination:* the Seller shall on demand indemnify the Purchaser against all Funding Costs incurred by the Purchaser as a result of such termination, which, for the avoidance of doubt, include Funding Costs which are incurred on or after the Termination Date;

(d) *No set-off:* the Seller shall not take any action which would cause any set-off, counterclaim, credit, discount, allowance, right of retention or compensation, right to make any deduction, equity or any other justification for the non-payment of any of the amounts payable under any Purchased Receivable (whether by the relevant Permitted Obligor or otherwise) without the prior written consent of the Purchaser (acting through the Accounts Administrator);

(e) *Authorisations, approvals, licences, consents etc.:* the Seller shall obtain, comply with the terms of, and maintain in full force and effect, all authorisations, approvals, licences and consents required in or by the laws and regulations of Sweden and any other applicable law to enable it to perform its obligations under this Agreement;

(f) *No other dealing:* the Seller will not dispose, sell, transfer or assign, create any interest in (including Security Interest), or deal with any of the Purchased Receivables in any manner whatsoever or purport to do so except as permitted by this Agreement;

(g) *No other action:* the Seller will not knowingly take any action which may prejudice the validity or recoverability of any Purchased Receivable or which may otherwise adversely affect the benefit which the Purchaser may derive from such Purchased Receivable pursuant to this Agreement;

(h) *Tax payments:* the Seller will pay or procure the payment (as required by law) of all federal, state, local, and foreign sales, use, excise, utility, gross receipts, VAT or other taxes imposed by any authority in relation to the Purchased Receivables, the FI Agreements or this Agreement and shall make all relevant returns in respect of VAT in relation to the Purchased Receivables;

(i) *Notice of default:* the Seller shall promptly upon becoming aware of the same inform the Accounts Administrator and the Programme Trustee of any occurrence which might adversely affect its ability to perform its obligations under this Agreement and from time to time, if so requested by the Accounts Administrator, confirm to the Accounts Administrator and the Programme Trustee in writing that, save as otherwise stated in such confirmation, no such occurrence has occurred and is continuing;

(j) *Delivery of reports:* the Seller shall deliver to the Accounts Administrator and the Programme Trustee, sufficient copies of each of the following documents, in each case at the time of issue thereof:

(i) every report, circular, notice or like document issued by the Seller to its creditors generally; and

(ii) (if the Accounts Administrator so requires) a certificate from its CFO stating that the Seller as at the date of its latest consolidated audited accounts was in compliance with the covenants and undertakings in this Agreement (or if it was not in compliance indicating the extent of the breach).

(k) *Provision of further information:* subject to applicable legislation, the Seller shall provide the Accounts Administrator and the Programme Trustee with such financial and other information concerning the Seller and its affairs as the Accounts Administrator or the Programme Trustee may from time to time reasonably require and which is available to the Seller.

(l) *Notice of misrepresentation*: the Seller shall promptly upon becoming aware of the same notify the Accounts Administrator and the Programme Trustee of any misrepresentation by the Seller under or in connection with any Transaction Document to which it is a party.

5.5 Representations and Warranties relating to the Purchaser

5.5.1 As at each Purchase Date and each Calculation Date, the Purchaser shall make the representations and warranties to the Seller in the terms set out in Part 3 of Schedule 3 with reference to the facts and circumstances subsisting on each such Purchase Date and Calculation Date.

5.5.2 The Seller shall have the option to terminate this Agreement in respect of the Purchaser upon any material breach of the representations and warranties referred to in this Clause 5.5 by the Purchaser, provided such material breach have a material adverse effect on the Seller.

5.6 Programme fee

The Seller shall pay to the Purchaser a programme fee computed at a per annum rate corresponding to three (3) months EURIBOR plus the Margin of the excess of EUR 35,000,000 over the Aggregate Euro Outstanding Amount. Such programme fee shall accrue from day to day and be calculated daily on a basis of actual days elapsed over a 360 year and be payable monthly in arrears to such account as the Accounts Administrator may designate.

6. REMEDIES FOR UNTRUE REPRESENTATION, ETC.

6.1 If at any time after the Settlement Date in respect of any Purchased Receivable it shall become apparent that any of the representations and warranties set out in Part 2 of Schedule 3 relating to or otherwise affecting such Purchased Receivable was untrue or incorrect when made by reference to the facts and circumstances subsisting at the date on which such representations and warranties were given, the Seller shall, within five (5) Business Days of receipt of written notice thereof from the Purchaser (or the Accounts Administrator) or the Programme Trustee, remedy or procure the remedy of the matter giving rise thereto if such matter is capable of remedy and, if such matter is not capable of remedy or is not remedied within the said period of five (5) Business Days, then following the expiry of such five (5) Business Day period the Seller shall pay to the Purchaser an amount equal to the difference (if any) between (i) the amount due for payment in respect of such Purchased Receivable on such due date and (ii) the amount of Collections received in respect of such Purchased Receivable on or before such due date, to the extent such difference was caused by, or has any connection with, the breach of the relevant representation and warranty. If the Seller shall otherwise become aware of such untrue or incorrect representation and warranty other than by written notification from the Purchaser (or the Accounts Administrator) or the Programme Trustee, it shall immediately notify the Accounts Administrator and the Programme Trustee of such untrue or incorrect representation and warranty. In the event the Transaction is terminated prior to the date on which an amount under this Clause 6 would have been payable by the Seller, the Seller shall pay such amount following receipt of the said written notice from the Purchaser (or the Accounts Administrator) or the Programme Trustee on or before the date the Transaction is terminated or promptly thereafter.

6.2 Notwithstanding Clause 6.1, if at any time after the Purchase Date but prior to collection of payments in full in relation to any Purchased Receivables it shall become apparent that the representation and warranty set out in paragraph (d) of Part 2 of Schedule 3 relating to or otherwise affecting such Purchased Receivable was untrue or incorrect when made by reference to the facts and circumstances subsisting at the date on which such representations and warranties were given, then the Seller shall repurchase such Purchased Receivable for a price equal to the sum of (i) the Purchase Price for such Purchased Receivable (taking into account any Collections received in respect of such Purchased Receivable prior to the repurchase), and (ii) the Funding Costs attributable to such Purchased Receivable, and see to it that notice of such repurchase is given to the relevant Permitted Obligor. Any Collections received by the Purchaser in respect of such repurchased Purchased Receivables after the Seller has paid the price for such repurchase shall be paid to the Seller promptly upon receipt.

7. FURTHER ASSURANCE

7.1 The Seller hereby undertakes not to take any steps or cause any steps to be taken in respect of the Purchased Receivables or the services supplied thereunder.

7.2 For the avoidance of doubt, this undertaking shall apply (without limitation) to the following:

(a) any termination, waiver, amendment or variation in relation to any Purchased Receivables;

(b) any assignment or sale of any Purchased Receivables; and

(c) any disposal of its right, title, interest, benefit or power in any Purchased Receivables.

7.3 In addition to any records or information available through the PrimeRevenue System, the Seller undertakes at the request of the Purchaser or the Programme Trustee through the Accounts Administrator to produce and deliver Records concerning the Purchased Receivables as the Purchaser, the Programme Trustee or the Accounts Administrator may reasonably request for enforcement or accounting purposes.

7.4 In the event that such Records as referred to in Clause 7.3 are not produced reasonably promptly, the Seller shall permit any persons nominated by the Purchaser, the Accounts Administrator or the Programme Trustee at any time during normal business hours upon five (5) Business Days written notice to enter any premises owned or occupied by it or its agents where the Records and other information concerning Purchased Receivables are kept to have access (subject to appropriate supervision provided by the Seller and provided that the Seller shall not unreasonably delay the provision of such supervision) to, examine and make copies of all Records relating to the Purchased Receivables and the performance by the Seller of its obligations hereunder. Such access shall include the right to have access to and use (subject to appropriate supervision provided by the Seller and provided that the Seller shall not unreasonably delay the provision of such supervision) all computer passwords necessary to gain access to the relevant computer records.

7.5 The parties hereto acknowledge that the Purchaser has pledged all its title to and interest in the Purchased Receivables to the Programme Trustee. All the parties hereby undertake to use, upon notice from the Programme Trustee, all reasonable efforts and take all actions as the Programme Trustee may reasonably require in order for such pledge to be perfected.

8. NOTICES

Any notices to be given pursuant to this Agreement to any of the parties hereto shall be sufficiently served or given if delivered by hand or sent by prepaid first-class post or by facsimile transmission and shall be deemed to be given (in case of notice delivered by hand or post) when delivered or (in the case of any notice by facsimile transmission) upon receipt in legible form and shall be delivered or sent:

The Purchaser:	Viking Asset Purchaser No. 7 IC **Ogier** Ogier House The Esplanade, St Helier, Jersey JE4 9WG Channel Islands

with a copy to the Accounts Administrator:	Structured Finance Servicer A/S Christiansbro, 3 Strandgade, DK-1401 Copenhagen K, Denmark Attention: Structured Finance Servicer A/S Facsimile No: +45 3333 2697
The Seller:	Meritor HVS AB Ishockeygatan 3, SE-711 344 Lindesberg Sweden Attention: Per Arne Gustavsson Facsimile No: +46 58184368
with a copy to:	Meritor HVS Cameri SpA Str. Prov. Cameri – Bellinzago Km5 28060 Cameri (NO) Italy Attention: Francesca De Zen Facsimile No. +39 0321 423390

or to such other address or facsimile number or for the attention of such other person as may from time to time be notified by any party to each of the other parties by written notice in accordance with the provisions of this Clause 8.

9. ASSIGNMENT AND SUPPLEMENTS

This Agreement may be assigned by the Purchaser to the Programme Trustee.

10. AMENDMENTS AND MODIFICATIONS

No amendment, modification, variation or waiver of this Agreement shall be effective unless it is in writing and signed by (or by some person duly authorised by) each of the parties hereto. No amendment of this Agreement shall be made unless the Purchaser has received written confirmation from the Rating Agencies that the ratings then assigned to the Notes are not adversely affected thereby.

11. RIGHTS CUMULATIVE, WAIVERS

The respective rights of each party under or pursuant to this Agreement are cumulative, and are in addition to their respective rights under the general law. The respective rights of each party under or pursuant to this Agreement shall not be capable of being waived or varied otherwise than by an express waiver or variation in writing; and, in particular, any failure to exercise or any delay in exercising any of such rights shall not operate as a waiver or variation of that or any other such right.

12. APPORTIONMENT

The parties agree that if a Permitted Obligor, owing a payment obligation which is due in respect of one or more Purchased Receivables, submits an incomplete or inaccurate information regarding the Receivable to the PrimeRevenue System or otherwise makes a general payment to the Purchaser (or the Seller) and makes no apportionment between them as to which Purchased Receivables such payment relates, then such payment shall be treated as though the Permitted Obligor had appropriated the same as payment of Purchased Receivables in relation to the Purchaser in order of maturity (starting with the Purchased Receivables in relation to the Purchaser having the earliest maturity date).

13. PARTIAL INVALIDITY

If any provision of this Agreement is or becomes invalid, illegal or unenforceable in any respect in any jurisdiction, such invalidity, illegality or unenforceability in such jurisdiction shall not render invalid, illegal or unenforceable such provisions in any other jurisdiction or affect the remaining provisions of this Agreement. Such invalid, illegal or unenforceable provision shall be replaced by the parties with a provision which comes as close as reasonably possible to the commercial intentions of the invalid, illegal or unenforceable provision.

14. CONFIDENTIALITY

None of the parties shall disclose to any person, firm or company whatsoever, or make use of (other than in accordance with the Transaction Documents) any information relating to the business, finances or other matters of a confidential nature of any other party to this Agreement of which it may in the course of its duties under this Agreement or otherwise have become possessed (including, without limitation and without prejudice to the generality of the foregoing any information concerning the identity or creditworthiness of any Permitted Obligor (all and any of the foregoing being "**Confidential Information**")) and all the parties shall use all reasonable endeavours to prevent any such disclosure or use provided however that the provisions of this Clause 14 shall not apply:

(a) *Permitted parties:* to the disclosure of any information to any person who is a party to any of the Transaction Documents (to the extent such Transaction Documents relates to the Transaction as contemplated by this Agreement);

(b) *Known information:* to the disclosure of any information already known to the recipient otherwise than as a result of entering into any of the Transaction Documents (to the extent such Transaction Documents relates to the Transaction as contemplated by this Agreement);

(c) *Public knowledge:* to the disclosure of any information which is or becomes public knowledge otherwise than as a result of the conduct of the recipient;

(d) *Legal requirement:* to the extent that the recipient is required to disclose the same pursuant to any law or order of any court of competent jurisdiction or pursuant to any direction or requirement (whether or not having the force of law) of any central bank or any governmental or other regulatory or taxation authority in any part of the world (including, without limitation, any official bank examiners or regulators);

(e) *Rights and duties:* to the extent that the recipient needs to disclose the same for the exercise, protection or enforcement of any of its rights under any of the Transaction Documents or, for the purpose of discharging, in such manner as it reasonably thinks fit, its duties or obligations under or in connection with the Transaction Documents in each case to such persons as require to be informed of such information for such purposes (including for these purposes, without limitation, disclosure to any rating agency);

(f) *Professional advisers:* to the disclosure of any information to professional advisers or auditors of the relevant party in relation to, and for the purpose of, advising such party or complying with their duties as auditors;

(g) *Financial institutions:* to the disclosure in general terms of any information to financial institutions servicing the relevant party in relation to finances, insurance, pension schemes and other financial services;

(h) *Written consent:* to the disclosure of any information with the written consent of all of the parties hereto;

(i) *Rating Agencies:* to the disclosure of any information which either of the Rating Agencies may require to be disclosed to it;

(j) *The Issuer, Viking Global Finance ICC and Viking Asset Securitisation Holdings Limited:* to the disclosure of information to the Issuer, Viking Global Finance ICC and Viking Asset Securitisation Holding Limited (or to anyone acting on behalf of such a person) or to any person providing finance to the Issuer, Viking Global Finance ICC and Viking Asset Securitisation Holding Limited (or to anyone acting on behalf of such a person);

(k) *Group companies:* to the disclosure of information to companies belonging to the same group of companies as the Seller; and

(l) *Permitted Obligors:* to the disclosure of information to Permitted Obligors necessary for the performance of the Seller's obligations hereunder, or reasonably incidental thereto.

15. NO OBLIGATIONS OR LIABILITIES

15.1 The Purchaser acknowledges and agrees that (i) the Programme Trustee is a party to this Agreement for the purpose only of taking the benefit of this Agreement and for the better enforcement of its rights under the Master Security Trust Deed (as supplemented by the Purchaser Supplemental Agreement) and (ii) the Programme Trustee shall assume no obligations or liabilities to the Seller or the Purchaser or to any other person by virtue of the provisions of this Agreement except as otherwise determined by the Transaction Documents to which the Programme Trustee is a party.

15.2 The Seller acknowledges and agrees that (i) the Programme Trustee is a party to this Agreement for the purpose only of taking the benefit of this Agreement in the manner and as set out in Clause 15.1 and (ii) the Programme Trustee shall assume no obligations or liabilities to the Seller or to any other person by virtue of this Agreement.

16. CHANGE OF PROGRAMME TRUSTEE

If there is any change in the identity of the Programme Trustee or appointment of an additional trustee in accordance with the provisions of the Master Security Trust Deed (as supplemented by the Purchaser Supplemental Agreement, the Seller and the Accounts Administrator shall execute such documents and take such action as the new trustee, the retiring Programme Trustee or, as the case may be, the existing Programme Trustee may properly require for the purpose of vesting in the new trustee the rights of the outgoing Programme Trustee under this Agreement.

17. NO LIABILITY AND NO PETITION

17.1 No recourse under any obligation, covenant, or agreement of any party contained in this Agreement shall be had against any shareholder, officer or director of the relevant party as such, by the enforcement of any assessment or by any proceeding, by virtue of any statute or otherwise, it being expressly agreed and understood that this Agreement is a corporate obligation of the relevant party and no personal liability shall attach to or be incurred by the shareholders, officers, agents or directors of the relevant party as such, or any of them, under or by reason of any of the obligations, covenants or agreements of such relevant party contained in this Agreement, or implied therefrom, and that any and all personal liability for breaches by such party of any of such obligations, covenants or agreements, either at law or by statute or constitution, of every shareholder, officer, agent or director is hereby expressly waived by the other parties as a condition of and consideration for the execution of this Agreement.

17.2 Without prejudice to the rights of the Programme Trustee to enforce the security created pursuant to the Issuer Security Trust Deed, the Master Security Trust Deed (as supplemented by the Purchaser Supplemental Agreement, the relevant Swedish Pledge Agreement and the relevant Accounts Pledge Agreement, each of the Programme Trustee and the Seller hereby agrees that it shall not, until the expiry of one (1) year and one (1) day after the payment of all sums outstanding and owing under the latest maturing note issued under the CP Programme take any corporate action or other steps or legal proceedings for the winding-up, dissolution or re-organisation or for the appointment of a receiver, administrator, administrative receiver, trustee, liquidator, sequestrator or similar officer of the Issuer or the Purchaser or of any or all of the Issuer’s or the Purchaser’s revenues and assets.

18. LIMITED RECOURSE

In the event that the security created by the Master Security Trust Deed (as supplemented by the Purchaser Supplemental Agreement, the relevant Swedish Pledge Agreement and the relevant Accounts Pledge Agreement is enforced and the proceeds of such enforcement are insufficient, after payment of all other claims ranking in priority to the claims hereunder or thereunder, to repay in full all principal or pay in full all interest and other amounts whatsoever hereunder or thereunder, then until such amounts have been paid in full the Seller shall have no further claim against the Purchaser (or the Programme Trustee) in respect of any such unpaid amounts and any resultant claim shall have expired.

19. GOVERNING LAW AND JURISDICTION

19.1 This Agreement is governed by and shall be construed in accordance with Swedish law.

19.2 The courts of Sweden shall have non-exclusive jurisdiction over matters arising out of or in connection with this Agreement. The City Court of Stockholm shall be court of first instance.

20. TERMINATION

This Agreement shall remain in full force and effect until the Termination Date, provided, however, that the rights and remedies of a party with respect to any breach of any warranty made by another party in or pursuant to this Agreement, the provisions of Clause 14, Clause 17 and Clause 18 and the indemnification and payment provisions of this Agreement shall be continuing and shall survive any termination of this Agreement.

This Agreement has been entered into on the date stated at the beginning of this Agreement.

For and on behalf of
MERITOR HVS AB
By: /s/ Charles Molnar

By: Charles Molnar
Director, Finance

For and on behalf of
VIKING ASSET PURCHASER No 7 IC

By: /s/ Cheryl Heslop

By: Cheyrl Heslop
Alternate Director

For and on behalf of
CITICORP TRUSTEE COMPANY LIMITED

By: /s/ Viola Japaul

By: Viola Japaul
Director

SCHEDULE 1

ELIGIBILITY CRITERIA

Each Receivable must satisfy the following Eligibility Criteria on the relevant Purchase Date:

1. The terms of the Receivable provide for payment in full by the Permitted Obligor not later than 120 days after the date of creation of such Receivable or as otherwise approved by the Accounts Administrator and the Rating Agencies.

2. The Receivable is neither a Defaulted Receivable nor a Delinquent Receivable.

3. The Receivable is denominated and payable in a Permitted Currency and is fully identified as such in the PrimeRevenue System and in the records of the Seller.

4. An invoice relating to the Receivable has been issued and has been approved by the relevant Permitted Obligor.

5. The Receivable is segregated and identifiable and can be validly transferred without the consent of the Permitted Obligor by the Seller to the Purchaser.

6. The Receivable is not subject to set-off, counterclaim (other than Credit Memo Amounts as such term is defined in the respective CMSA) or withholding taxes other than as generally provided for under Swedish law and is a legally enforceable obligation of the Permitted Obligor.

7. The Receivable is owed by a Permitted Obligor who as at the Purchase Date to the knowledge of the Seller is not bankrupt or in liquidation, has not filed for a suspension of payments or petitioned for the opening of procedures for a compulsory composition of debts or is subject to similar or analogous proceedings or as otherwise approved by the Accounts Administrator and the Rating Agencies.

8. The governing law of the Receivable is Swedish law as regards Receivables owed by Permitted Obligors incorporated in Sweden and Belgium.

9. The Receivable is a non-interest bearing (other than default or penalty interest) trade receivable arising in the ordinary course of the Seller's business, the Outstanding Amount of which remains as debt.

10. The delivery of the goods and/or services giving rise to the Receivable has been made and invoiced, has not been cancelled or rejected by the Permitted Obligor and the invoice provides for full payment by the Permitted Obligor.

11. The Receivable has been created in accordance with all applicable laws and all consents, approvals and authorisations required of or to be maintained by the Seller have been obtained and are in full force and effect and are not subject to any restriction that would be material to the origination, enforceability or assignability of such Receivable.

12. The Receivable has not been, in whole or in part, pledged, mortgaged, charged, assigned, discounted, subrogated or attached or transferred in any way and is otherwise free and clear of any liens or encumbrances exercisable against the Seller by any party.

13. The Receivable constitutes the legal, valid, binding and enforceable obligation of the Permitted Obligor to pay on the due date the Outstanding Amount of the Receivable as at the Purchase Date and is not subject to any defence, dispute, lien, right of rescission, set-off or counterclaim (other than Credit Memo Amounts as such term is defined in the respective CMSA) or enforcement order.

14. The Receivable has been owned exclusively by the Seller since its origination and until the relevant Purchase Date.

15. Collections in respect of the Receivable can be identified as being attributable to the Receivable as soon as practically possible following their receipt and in any event not later than three (3) Business Days following their receipt.

SCHEDULE 2

CONCLUSION OF PURCHASE – OFFER AND ACCEPTANCE, PURCHASE PRICE AND PERFECTION

Part 1

Conclusion of Purchase – offer and acceptance

1. The Seller may from time to time make an Offer to the Purchaser and the Purchaser will, subject to the satisfaction of the conditions precedent in Clause 3 of the Agreement and paragraph 2 below, accept such Offer by an Acceptance.

2. The Purchaser's obligation to accept and Offer and pay the Purchase Price shall always be subject to all of the following conditions being satisfied:

   (a) no Termination Event having occurred and being continuing;

   (a) any Acceptance must be made before the Termination Date and no Acceptance which is communicated or generated on or after the Termination Date shall be valid;

   (b) no Seller Potential Suspension Event or Seller Suspension Event having occurred and being continuing;

   (c) (i) any new Notes (if such Notes are denominated in a currency other than the Permitted Currency, the Face Amount of such Notes converted at the relevant exchange rate under the hedge arrangement) to be issued in relation to the Purchaser shall not exceed the then Available Facility in relation to the Purchaser, (ii) immediately after such purchase the Face Amount of all outstanding Notes in relation to the Purchaser (if such Notes are denominated in a currency other than the Permitted Currency, the Face Amount of such Notes converted at the relevant exchange rate under the hedge arrangement) shall not exceed the Total Commitments, and (iii) the Purchaser shall have available to it either the Liquidity Facility or the Overdraft Facility in an amount equal to the Total Commitments, in each case as determined by the Accounts Administrator;

   (d) immediately following such purchase, the outstanding amount of Non-Defaulted Receivables shall be equal to or greater than the amount of proceeds from outstanding Notes in relation to the Purchaser (if such Notes are denominated in a currency other than the Permitted Currency, the Face Amount of such Notes converted at the relevant exchange rate under the hedge arrangement);

   (e) immediately following such purchase, the Total Commitments shall be equal to or greater than the sum of (i) the Face Amount of outstanding Notes in relation to the Purchaser (if such Notes are denominated in a currency other than a Permitted Currency, the Face Amount of such Notes converted at the relevant exchange rate under the hedge arrangement), (ii) the outstanding drawings under the relevant Liquidity Facility in relation to the Transaction, (iii) the outstanding drawings under the relevant Overdraft Facility in relation to the Transaction and (iv) interest accrued or to accrue in respect of outstanding drawings under the relevant Liquidity Facility and the relevant Overdraft Facility; and

   (f) the relevant Receivable shall meet all of the Eligibility Criteria.

Part 2

Purchase Price

1. The Purchase Price, which shall be paid (debited from the Purchaser's account) by or on behalf of the Purchaser to the Seller on the relevant Settlement Date. Payment shall be made (subject to deductions, including for the settlement of fees, as agreed by the Seller in any Transaction Document) to bank account number as set out below or as otherwise agreed from time to time between the Accounts Administrator, on behalf of the Purchaser, and the Seller and notified to PrimeRevenue.

Bank:	Nordea Bank AB (publ) Box 590 721 10 Västerås
Account No:	[REDACTED]
Swift address:	[REDACTED]
IBAN:	[REDACTED]

2. The Receivables Purchase Price shall be calculated by the PrimeRevenue System on behalf of the Accounts Administrator on the Calculation Date and PrimeRevenue shall inform the Seller and the Purchaser of the Receivables Purchase Price through the PrimeRevenue System on such Calculation Date.

Part 3

Perfection

1. Prior to the transfer and acquisition of any Receivables the Purchaser and the Seller shall send a notice letter to (each of) the Permitted Obligor(s) that is/are the debtor(s) of the relevant Receivables, with the following content:

To: [PERMITTED OBLIGOR]

RE: NOTICE OF SALE AND TRANSFER OF RECEIVABLES AND RIGHTS UNDER A CUSTOMER MANAGED SERVICES AGREEMENT

A. Pursuant to a Receivables Purchase Agreement (the "**RPA**") between Meritor HVS AB as seller (the "**Seller**") and Viking Asset Purchaser No 7 IC, an incorporated cell of Viking Global Finance ICC, an incorporated cell company incorporated under the laws of Jersey (the "**Purchaser**"), dated [●] 2011, the Seller has agreed to sell and the Purchaser has agreed to purchase receivables (the "**Receivables**") owed by [*name of Permitted Obligor*] ("**Obligor**") to the Seller (in its capacity as supplier to Obligor).

B. Offer and acceptance will be made through a system (the "**System**") provided by PrimeRevenue, Inc ("**PrimeRevenue**"). Obligor has on [●] entered into a Customer Managed Services Agreement (the "**CMSA**") with PrimeRevenue regarding the use of the System. Through the CMSA (Section 18(f)) Obligor has made certain undertakings, covenants, representations and warranties to the Seller (the "**Seller CMSA Rights**") as regards *inter alia* the Receivables and the use of the System.

C. In connection with a sale of Receivable(s) under the RPA through the System, the System will generate a notice of transfer (the "**Transfer Notice**") that will be sent to Obligor. A specimen of such Transfer Notice is attached hereto as Appendix 1.

D. In accordance with and without limiting, expanding or otherwise amending the terms and conditions of the CMSA, this is to notify Obligor that each Transfer Notice shall have the following meanings;

   (i) the Receivable(s) defined therein (as clarified in Appendix 1) (the "**Purchased Receivables**") has/have been sold and transferred to the Purchaser identified in the Transfer Notice (see Appendix 1);

   (ii) consequently, all payments attributable to the Purchased Receivables shall be made to the Purchaser in its capacity as owner of such receivables (as set forth in the CMSA and in particular Section 2(b)(v) thereof);

   (iii) all payments to the Purchaser referred to in this notice shall (until otherwise instructed) be made to the bank account numbers set out below with Nordea Bank AB (publ);

In respect of payments in EUR and SEK by Permitted Obligors domiciled in Sweden:

Bank: Nordea Bank AB (publ)
Address: Hamngatan 10, 105 71 Stockholm, Sweden
Swift: [REDACTED]
Account No.: [REDACTED]

In respect of payments in EUR and SEK by Permitted Obligors domiciled in any other jurisdiction than Sweden:

Bank: Nordea Bank AB (publ)
Address: Hamngatan 10, 105 71 Stockholm, Sweden
Swift: NDEASESS
Account No.: [REDACTED]
IBAN: [REDACTED]

(iv) all Seller CMSA Rights attributable to the Purchased Receivables are pursuant to the RPA included in and an integral part of the Purchased Recievables and thus also sold and transferred to the Purchaser (the "**Transferred Seller CMSA Rights**").

Place/date: ____________________

MERITOR HVS AB	VIKING ASSET PURCHASER No 7 IC
____________________	____________________

We hereby confirm;

(i) receipt of the above notice;

(ii) that we will act in accordance therewith;

(iii) our agreement as regards the meaning of the Transfer Notice; and

(iv) our obligations *vis-à-vis* the Purchaser as regards the Transferred Seller CMSA Rights.

____

Place/date: ____________________

[PERMITTED OBLIGOR]

and the Seller shall procure that each such Permitted Obligor acknowledge and counter sign the notice letter as anticipated therein.

2. The Seller shall procure that simultaneously (or as soon thereafter as is technically possible) with the issuance of the Acceptance, a Transfer Notice (as defined in the above notice) is issued by the PrimeRevenue System to the relevant Permitted Obligor.

3. The Seller shall procure that at such time(s) as the Accounts Administrator determines all other actions the Accounts Administrator in its reasonable opinion deems necessary or desirable in order for the transfer and acquisition of the Receivables to be perfected in all respects, is/are taken.

APPENDIX 1 TO
SCHEDULE 2

Appendix 1

Payment Obligation Notification Report

Buyer: Permitted Obligor | **Report Date: 3-Apr-2006**
Supplier: Seller | **Acceptance Date: 28-Mar-2006**
Fl: Purchaser | **Buy Offer #: 641554873275**

Supplier Ref #	PO#	PO Maturity Date	PO Amount
177	Receivable identification	30-Apr-2006	SEK 1,033.00
		Total	**Amount to be paid to the Purchaser**

Total Records On This Report 1

SCHEDULE 3

REPRESENTATIONS, WARRANTIES AND UNDERTAKINGS

Part 1

Representations and Warranties relating to the Seller

The following representations and warranties are given by the Seller:

(a) *Status:* The Seller is duly incorporated, with limited liability, under the laws of Sweden.

(b) *Powers and authorisations:* The Seller has the requisite power and authority under its articles of association and otherwise, and all necessary corporate authority has been obtained and action taken, for it to sign and deliver, and perform the transactions contemplated in this Agreement.

(c) *Legal validity:* The obligations of the Seller under this Agreement constitute, or when executed by it will (subject to any reservations of law expressed in the Swedish Legal Opinion) constitute, the legal, valid and binding obligations of the Seller and are enforceable against it.

(d) *Non-violation:* The execution, signing and delivery of this Agreement and the performance of any of the transactions contemplated herein do not and will not contravene or breach or constitute a default under or conflict or be inconsistent with or cause to be exceeded any limitation on it or the powers of its officers imposed by or contained in:

   (i) any law, statute or regulation to which it or any of its assets or revenues is subject or any order, judgment, injunction, decree, resolution, or award of any court or any administrative authority or organisation which applies to it or any of its assets or revenues; or

   (ii) any agreement or any other document or obligation to which it is a party or by which any of its assets or revenues is bound or affected if this may have a material adverse effect on the rights of the Purchaser, the Accounts Administrator or the Programme Trustee; or

   (iii) any document which contains or establishes or regulates its constitution.

(e) *Consents:* The Seller has duly obtained, made or taken each authorisation, approval, consent, registration, recording, filing, deliveries or notarisation which it is required to obtain (or make) in connection with the entry into, or performance of the transactions contemplated in, the Transaction Documents to which it is a party.

(f) *Litigation:* No litigation, arbitration or administrative proceeding or claim of or before any court, tribunal or governmental body which, if adversely determined, would materially and adversely affect the ability of the Seller to observe or perform its obligations under the Transaction Documents to which it is a party, is presently in progress or pending.

(g) *Accounts:* The latest audited financial statements of the Seller then available have been prepared on a basis consistently applied in accordance with accounting principles generally accepted in Sweden and give a true and fair view of the results of its operations for that year and the state of its affairs at that date.

(h) *Solvency:* The Seller is able to pay its debts as they fall due and it will not be unable to pay its debts as they fall due in consequence of any obligation or transaction contemplated in this Agreement.

(i) *Material adverse change to the Seller:* There has been no change in the financial condition or operations of the Seller since the last audited financial statement so as to have a material and adverse effect on the ability of the Seller to perform its obligations under the Transaction Documents to which it is a party.

(j) *No misleading information:* Any factual information in writing provided by the Seller in connection with the entry into any of the transactions envisaged by the Transaction Documents was true and accurate in all material respects as at the date it was provided or as at the date (if any) at which it was stated.

(k) *Insolvency and other procedures:* No corporate action has been taken or is pending, no other steps have been taken and no legal proceedings have been commenced (in each case by the Seller or, so far as the Seller is aware, by any other person) for (i) the bankruptcy, liquidation, administration or reorganisation of the Seller, or (ii) the Seller to enter into any composition or arrangement with its creditors generally, or (iii) the appointment of a receiver, supervisor, trustee or similar officer in respect of the Seller or substantially all of its property, undertaking or assets.

(l) *Pari passu ranking*: Each of the payment obligations of the Seller under this Agreement will rank at least *pari passu* with its unsecured payment obligations to all its other unsecured creditors save those whose claims are preferred solely by any bankruptcy, insolvency or similar laws of general application.

(m) *No default:* No event has occurred which constitutes, or which with the giving of notice and/or the lapse of time and/or a relevant determination would constitute, a contravention of, or default under, any such law, statute, decree, rule, regulation, order, judgment, injunction, resolution, determination or award or any agreement, document or instrument by which the Seller or any of its assets is bound, being a contravention or default which would have a material adverse effect on the business, assets or condition (financial or other) of the Purchaser or materially and adversely affect its ability to observe or perform its obligations under this Agreement.

Part 2

Representations and Warranties relating to the Purchased Receivables

The following representations and warranties are given by the Seller:

(a) *Particulars correct:* The particulars of the Purchased Receivables set out in the Offers and in the PrimeRevenue System (to the extent submitted by the Seller) are true and accurate in all material respects, as of the date thereof.

(b) *No default:* The Seller is not aware of any default, breach or violation in respect of any Purchased Receivable (other than any default relating to lateness in payment) or of any event, which with the giving of notice and/or the expiration of any applicable grace period, would constitute such a default, breach or violation, such default, breach or violation being of a nature that (i) is material and (ii) affects the value of the Purchased Receivable or its collectability.

(c) *Obligation performed:* The Seller has performed all its obligations under or in connection with the Purchased Receivable unless any such obligation is not material and does not affect the value of the Purchased Receivable or its collectability.

(d) *Compliance with Eligibility Criteria:* Each Purchased Receivable complies, as at the relevant Purchase Date, in all respects with the Eligibility Criteria.

(e) *Maintenance of records:* In addition to any records relating to the Purchased Receivables maintained in the PrimeRevenue System, the Seller has maintained records relating to each Purchased Receivable which are accurate and complete in all material respects, are sufficient to enable such Purchased Receivables to be identified and enforced against the relevant Permitted Obligor and such records are held by or to the order of the Seller.

(f) *Accounting:* In addition to any records relating to the Purchased Receivables maintained in the PrimeRevenue System, the Seller shall maintain an accounting system which separates the Purchased Receivables and accounting for collections related thereto from other receivables or assets of the Seller so that the Accounts Administrator at any time can verify the Outstanding Amount of the Purchased Receivables and the Seller's compliance with this Agreement.

(g) *No waiver:* The Seller has not waived any of its rights in relation to the Purchased Receivables.

(h) *Perfection:* The Seller has performed all its actions as set out in Clause 2.5 of this Agreement as of the Purchase Date.

Part 3

Representations and Warranties relating to the Purchaser

The following representations and warranties are given by the Purchaser:

(a) *Status:* The Purchaser is an incorporated cell of a company or company (as applicable) duly incorporated and validly existing under the laws of its jurisdiction of incorporation.

(b) *Powers and authorisations:* The Purchaser has the requisite power and authority and all necessary corporate and constitutional authority has been obtained and action taken, for it to sign and deliver, and perform the transactions contemplated in, this Agreement.

(c) *Legal validity:* The obligations of the Purchaser under this Agreement constitute, or when executed by it will constitute, the legal, valid and binding obligations of the Purchaser and, subject to any laws or other procedures affecting generally the enforcement of creditors' rights and principles of equity are enforceable against it.

(d) *Non-violation:* The execution, signing and delivery of this Agreement and the performance of any of the transactions contemplated in this Agreement do not and will not contravene or breach or constitute a default under or conflict or be inconsistent with or cause to be exceeded any limitation on it or the powers of its officers imposed by or contained in:

(i) any law, statute, decree, rule or regulation to which it or any of its assets or revenues is subject or of any order, judgment, injunction, decree, resolution, determination, or award of any court or any judicial, administrative, or governmental authority or organisation which applies to it or any of its assets or revenues; or

(ii) any agreement, indenture, mortgage, deed of trust, bond, or any other document, instrument or obligation to which it is a party or by which any of its assets or revenues is bound or affected; or

(iii) any document which contains or establishes or regulates its constitution.

(e) *Consents:* The Purchaser has duly obtained, made or taken each authorisation, approval, consent, licence, exemption, registration, recording, filing or notarisation which it is required to obtain (or make) in connection with the entry into, or performance of the transactions contemplated in, this Agreement. The Purchaser is not aware of any circumstances which indicate that any such authorisation, approval, consent, licence, exemption, registration, recording, filing or notarisation which has been obtained (or made) is likely to be terminated, revoked or not renewed. No authorisation, approval, consent, licence, exemption, registration, recording, filing or notarisation and no payment of any duty or tax and no other action whatsoever which has not been duly and unconditionally obtained, made or taken is necessary or desirable to ensure the validity, legality, enforceability or priority of the liabilities and obligations of the Purchaser under this Agreement.

(f) *No default:* No event has occurred which constitutes, or which with the giving of notice and/or the lapse of time and/or a relevant determination would constitute, a contravention of, or default under, any such law, statute, decree, rule, regulation, order, judgment, injunction, resolution, determination or award or any agreement, document or instrument by which the Purchaser or any of its assets is bound, being a contravention or default which would have a material adverse effect on the business, assets or condition (financial or other) of the Purchaser or materially and adversely affect its ability to observe or perform its obligations under this Agreement.

(g) *Litigation:* No litigation, arbitration or administrative proceeding or claim of or before any court, tribunal or governmental body which, if adversely determined, would materially and adversely affect the ability of the Purchaser to observe or perform its obligations under this Agreement, is presently in progress or pending or, to the knowledge of the Purchaser, threatened against the Purchaser or any of its assets.

(h) *Insolvency procedures:* No corporate action has been taken or is pending, no other steps have been taken and no legal proceedings have been commenced (in each case by the Purchaser or, so far as the Purchaser is aware, by any other person) or (so far as the Purchaser is aware) are threatened or are pending for (i) the winding-up, liquidation, dissolution, administration or reorganisation of the Purchaser (other than for the purposes of and followed by a solvent reconstruction previously notified to the Seller); or (ii) the Purchaser to enter into any composition or arrangement with its creditors generally; or (iii) the appointment of a receiver, administrative receiver, trustee or similar officer in respect of the Purchaser or substantially all of its property, undertaking or assets.

SCHEDULE 4

FORM OF SOLVENCY CERTIFICATE

To: Citicorp Trustee Company Limited Date: [●]

From: Meritor HVS AB

Dear Sirs

Reference is made to the Receivables Purchase Agreement entered into between Meritor HVS AB, Viking Asset Purchaser No 7 IC and Citicorp Trustee Company Limited dated [●] 2011.

Meritor HVS AB hereby certifies that it is able to pay its debts as they fall due and it will not be unable to pay its debts as they fall due in consequence of any obligation or transaction contemplated in the Receivables Purchase Agreement.

Very truly yours

On behalf of
Meritor HVS AB

By:
Name:
Title:

Exhibit 12

Meritor, Inc.
Computation of Ratio of Earnings to Fixed Charges
Nine Months Ended June 30, 2011

Earnings Available for Fixed Charges (A):		
Pre-tax income from continuing operations	$	98
Less:		
Equity in earnings of affiliates, net of dividends		(21)
		77
Add: fixed charges included in earnings:		
Interest expense		74
Interest element of rentals		4
Total		78
Total earnings available for fixed charges:	$	155
Fixed Charges (B):		
Fixed charges included in earnings	$	78
Capitalized interest		—
Total fixed charges	$	78
Ratio of Earnings to Fixed Charges		1.99

(A) “Earnings” are defined as pre-tax income from continuing operations, adjusted for undistributed earnings of less than majority owned subsidiaries and fixed charges excluding capitalized interest.

(B) “Fixed charges” are defined as interest on borrowings (whether expensed or capitalized), the portion of rental expense applicable to interest, and amortization of debt issuance costs.

EXHIBIT 23

CONSENT OF EXPERT

We consent to the references to our firm and to our reports with respect to estimation of the liability for pending and reasonably estimable unasserted future asbestos-related claims, which are included in Note 20 of the Notes to Consolidated Financial Statements in the Quarterly Report on Form 10-Q of Meritor, Inc., formerly named ArvinMeritor, Inc. ("Meritor") for the fiscal quarter ended July 3, 2011 and to the incorporation by reference of such reference into the following Registration Statements of Meritor:

Form	Registration No.	Purpose
S-8	333-171713	Amended 2010 Long-Term Incentive Plan
S-8	333-164333	2010 Long-Term Incentive Plan
S-3	333-163233	Registration of common stock, preferred stock, warrants and guarantees of debt securities
S-8	333-141186	2007 Long-Term Incentive Plan
S-3	333-143615	Registration of convertible notes, guarantees and common stock
S-3	333-134409	Registration of convertible notes, guarantees and common stock
S-8	333-107913	Meritor, Inc. Savings Plan
S-8	333-123103	Meritor, Inc. Hourly Employees Savings Plan
S-3	333-58760	Registration of debt securities
S-8	333-49610	1997 Long-Term Incentives Plan
S-3	333-43118	Meritor, Inc. 1988 Stock Benefit Plan
S-3	333-43116	Meritor, Inc. 1998 Stock Benefit Plan
S-3	333-43112	Meritor, Inc. Employee Stock Benefit Plan
S-8	333-42012	Employee Stock Benefit Plan, 1988 Stock Benefit Plan and 1998 Employee Stock Benefit Plan

BATES WHITE LLC

By:/s/ Charles E. Bates
Charles E. Bates, Ph.D.
President and CEO

Date: August 1, 2011

Exhibit 31-a

CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER PURSUANT TO
RULE 13a-14(a) UNDER THE EXCHANGE ACT

I, Charles G. McClure, Jr., certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Meritor, Inc. for the quarterly period ended July 3, 2011;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d- 15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a- 15(f) and 15d-15(f)) for the registrant and have:
    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c. Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d. Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
    a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
    b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: August 2, 2011

/s/ Charles G. McClure, Jr.

Charles G. McClure, Jr., Chairman of the Board,
Chief Executive Officer and President

Exhibit 31-b

CERTIFICATION OF THE CHIEF FINANCIAL OFFICER PURSUANT TO
RULE 13a-14(a) UNDER THE EXCHANGE ACT

I, Jeffrey A. Craig, certify that::

1. I have reviewed this Quarterly Report on Form 10-Q of Meritor, Inc. for the quarterly period ended July 3, 2011;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d- 15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a- 15(f) and 15d-15(f)) for the registrant and have:
    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 2, 2011

/s/ Jeffrey A. Craig

Jeffrey A. Craig
Senior Vice President and Chief Financial Officer

Exhibit 32-a

CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER PURSUANT TO RULE
13a-14(b) UNDER THE EXCHANGE ACT AND 18 U.S.C. SECTION 1350
(as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002)

As required by Rule 13a-14(b) under the Securities Exchange Act of 1934, as amended, and 18 U.S.C. Section 1350, I, Charles G. McClure, Jr., hereby certify that:

1. The Quarterly Report of Meritor, Inc. on Form 10-Q for the quarterly period ended July 3, 2011 fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934, and

2. The information contained in that report fairly presents, in all material respects, the financial condition and results of operations of Meritor, Inc.

/s/ Charles G. McClure, Jr.

Charles G. McClure, Jr.
Chairman of the Board, Chief
Executive Officer and President

Date: August 2, 2011

Exhibit 32-b

CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO
RULE 13a-14(b) UNDER THE EXCHANGE ACT AND 18 U.S.C. SECTION 1350
(as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002)

As required by Rule 13a-14(b) under the Securities Exchange Act of 1934, as amended, and 18 U.S.C. Section 1350, I, Jeffrey A. Craig, hereby certify that:

1. The Quarterly Report of Meritor, Inc. on Form 10-Q for the quarterly period ended July 3, 2011 fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934, and

2. The information contained in that report fairly presents, in all material respects, the financial condition and results of operations of Meritor, Inc.

/s/ Jeffrey A. Craig

Jeffrey A. Craig
Senior Vice President and Chief
Financial Officer

Date: August 2, 2011

EXHIBIT 99-a

EXECUTION COPY

CREDIT AGREEMENT THIRD AMENDMENT

Dated as of May 9, 2011

To the Lenders parties to the Credit Agreement referred to below

Ladies and Gentlemen:

Reference is made to the Credit Agreement, dated as of November 18, 2010 (as amended from time to time, the "***Credit Agreement***"), among Meritor, Inc. (formerly known as ArvinMeritor, Inc.), an Indiana corporation, as the Borrower, the institutions from time to time parties hereto as Lenders, Citicorp USA, Inc, as Administrative Agent and as Issuing Bank, and The Bank of New York Mellon, as Paying Agent. Capitalized terms used herein and not otherwise defined herein have the meanings given such terms in the Credit Agreement.

The Borrower hereby requests that the Credit Agreement be amended as provided below.

Section 1. Credit Agreement Amendment. Effective as of November 18, 2010, the Credit Agreement is hereby amended as follows:

(i) Clause (i) of Section 7.2(B) of the Credit Agreement is amended and restated in its entirety to read as follows:

"(i) Secured Debt existing at the date of this Agreement (including, without limitation, any amount outstanding from time to time under the Credit Agreement, dated as of June 23, 2006, among the Borrower, the lenders from time to time parties thereto, JPMorgan Chase Bank, National Association, as administrative agent, and Citicorp North America, Inc., as syndication agent, as such Credit Agreement has been or may hereafter be amended, restated, modified, extended, renewed or refunded; *provided* that, the aggregate amount of Secured Debt outstanding under such Credit Agreement shall not at any time exceed the maximum principal amount of the commitments and/or loans contemplated by such Credit Agreement as in effect on the date of this Agreement, including by giving effect to any increases in the commitments and/or loans thereunder to the full extent contemplated by Section 2.23 of such Credit Agreement as in effect on the date of this Agreement);".

Section 2. Effectiveness. Section 1 of this amendment (this "***Amendment***") shall be effective as of November 18, 2010 when each party shall have received a counterpart hereof duly executed by the other party.

Section 3. Effect on the Credit Agreement. The execution, delivery and effectiveness of this Amendment shall not operate as a waiver of any right, power or remedy of any Lender or the Administrative Agent under the Credit Agreement, or constitute a waiver of any provision of the Credit Agreement. Except as expressly amended above, the Credit Agreement is and shall continue to be in full force and effect and is hereby in all respects ratified and confirmed. This Amendment shall be binding on the parties hereto and their respective successors and permitted assigns under the Credit Agreement.

Section 4. Costs, Expenses and Taxes. The Borrower agrees to pay promptly all reasonable out-of-pocket costs and expenses of the Administrative Agent in connection with the preparation, execution and delivery of this Amendment and any other instruments and documents to be delivered hereunder, including, without limitation, the reasonable fees and out-of-pocket expenses of counsel for the Administrative Agent with respect thereto, and all reasonable costs and expenses (including, without limitation, reasonable out-of-pocket counsel fees and expenses), if any, in connection with the enforcement (whether through negotiations, legal proceedings or otherwise) of this Amendment or such other instruments and documents.

Section 5. Miscellaneous. This Amendment shall constitute a Loan Document and shall be subject to the provisions of Articles IX, X, XII, XIII and XIV of the Credit Agreement, each of which is incorporated by reference herein, *mutatis mutandis*.

[Remainder of page intentionally left blank]

If you consent and agree to the foregoing, please evidence such consent and agreement by (i) executing and returning a counterpart to this Amendment by facsimile or electronic mail to Kai-Ting Yang (fax no.: 212-556-2222 / e-mail: kyang@kslaw.com), no later than 5:00 p.m., New York City time, on May 13, 2011, and (ii) executing and returning four original counterparts to this Amendment by overnight mail to King & Spalding LLP, 1185 Ave of the Americas, New York, NY, 10036, Attention: Kai-Ting Yang.

Very truly yours,

MERITOR, INC.,
as Borrower

By /s/ Mary Lehmann
Name: Mary Lehmann
Title: Senior Vice President -
Treasury and Corporate Development

The undersigned hereby consents
and agrees to the foregoing:

CITIBANK, N.A.
as Lender

By /s/ Wayne C. Beckman
Name: Wayne C. Beckman
Title: Managing Director