PIMCO MUNICIPAL INCOME FUND II
Form N-Q
October 16, 2008

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM N-Q

QUARTERLY SCHEDULE OF PORTFOLIO HOLDINGS OF REGISTERED MANAGEMENT INVESTMENT COMPANY

Investment Company Act File Number: 811-21076

Registrant Name: PIMCO Municipal Income Fund II

Address of Principal Executive Offices: 1345 Avenue of the Americas New York, New York 10105

Name and Address of Agent for Service: Lawrence G. Altadonna – 1345 Avenue of the Americas New York, New York 10105

Registrant’s telephone number, including area code: 212-739-3371

Date of Fiscal Year End: May 31, 2009

Date of Reporting Period: August 31, 2008

Form N-Q is to be used by management investment companies, other than small business investment companies registered on Form N-5 (§§ 239.24 and 274.5 of this chapter), to file reports with the Commission, not later than 60 days after the close of the first and third fiscal quarters, pursuant to rule 30b 1-5 under the Investment Company Act of 1940 (17 CFR 270.30b1-5). The Commission may use the information provided on Form N-Q in its regulatory, disclosure review, inspection, and policymaking roles.

A registrant is required to disclose the information specified by Form N-Q, and the Commission will make this information public. A registrant is not required to the collection of information contained in Form N-Q unless the Form displays a currently valid Office of Management and Budget (“OMB”) control number. Please direct comments concerning the accuracy of the information collection burden estimate and any suggestions for reducing the burden to the Secretary, Securities and Exchange Commission, 450 Fifth Street, NW, Washington, DC 20549-0609. The OMB has reviewed this collection of information under the clearance requirements of 44 U.S.C. § 3507.

Item 1. Schedule of Investments

PIMCO Municipal Income Fund II Schedule of Investments

August 31, 2008 (unaudited)

Principal Amount (000)		Credit Rating (Moody's/S&P)	Value*
MUNICIPAL BONDS & NOTES—96.8%			
	Alabama—2.4%		
$10,000	Birmingham Baptist Medical Centers Special Care Facs. Financing Auth. Rev., 5.00%, 11/15/30, Ser. A	Baa1/NR	$8,509,300
1,750	Huntsville Health Care Auth. Rev., 5.75%, 6/1/32, Ser. B, (Pre-refunded @ $101, 6/1/12) (b)	A2/NR	1,949,850
16,580	Jefferson Cnty. Sewer Rev., 4.75%, 2/1/38, Ser. B, (Pre-refunded @ $100, 8/1/12) (FGIC) (b)	Aaa/AAA	17,547,940
	Montgomery BMC Special Care Facs. Financing Auth. Rev. (MBIA),		
1,235	5.00%, 11/15/29, Ser. B	A2/AA	1,203,409
2,200	Baptist Health, 5.00%, 11/15/24	A2/AA	2,232,252
2,650	Tuscaloosa Educational Building Auth. Rev., Stillman College, 5.00%, 6/1/26	NR/BBB-	2,282,312
			33,725,063
	Alaska—0.5%		
5,900	Northern Tobacco Securitization Corp. Rev., 5.00%, 6/1/46, Ser. A	Baa3/NR	4,214,075
3,550	State Housing Finance Corp. Rev., 5.25%, 6/1/32, Ser. C (MBIA)	A2/AA	3,516,417
			7,730,492
	Arizona—5.8%		
	Health Facs. Auth. Rev.,		
6,500	Beatitudes Project, 5.20%, 10/1/37	NR/NR	5,100,810
1,300	Hospital System, 5.75%, 12/1/32, (Pre-refunded @ $101, 12/1/12) (b)	NR/BBB	1,446,185
	Pima Cnty. Industrial Dev. Auth. Rev.,		
3,500	Center for Academic Success, 5.50%, 7/1/37 (c)	NR/BBB-	3,010,070
29,700	Correctional Facs., 5.00%, 9/1/39	Aa2/AA	29,239,650
33,000	Salt River Project Agricultural Improvement & Power Dist. Rev., 5.00%, 1/1/37, Ser. A (f)	Aa1/AA	33,421,740
10,500	Salt Verde Financial Corp. Rev., 5.00%, 12/1/37	Aa3/AA-	8,789,340
			81,007,795
	Arkansas—0.1%		
13,000	Arkansas Dev. Finance Auth. Rev., zero coupon, 7/1/46 (AMBAC)	Aa3/NR	1,622,140
	California—5.1%		
9,610	Alameda Corridor Transportation Auth. Rev., zero coupon, 10/1/16, Ser. A (AMBAC)	Aa3/AA	6,588,328
	Golden State Tobacco Securitization Corp. Rev., Ser. A-1,		
6,000	5.00%, 6/1/33	Baa3/BBB	4,745,940
3,080	6.25%, 6/1/33	Aaa/AAA	3,367,518
9,000	6.75%, 6/1/39, (Pre-refunded @ $100, 6/1/13) (b)	Aaa/AAA	10,411,830
1,000	Rancho Cucamonga Community Facs. Dist., Special Tax, 6.30%, 9/1/23, Ser. A	NR/NR	1,005,580

	State, GO,		
800	5.00%, 6/1/37	A1/A+	782,040
28,600	5.00%, 11/1/37, Ser. 2670 (f)	A1/A+	27,954,212
10,900	5.00%, 12/1/37	A1/A+	10,669,574
4,700	Statewide Community Dev. Auth. Rev., Baptist Univ.,		
	9.00%, 11/1/17, Ser. B (c)	NR/NR	4,810,591
			70,335,613

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Principal Amount (000)		Credit Rating (Moody's/S&P)	Value*
	Colorado—5.2%		
$30,000	Dawson Ridge Dist. No. 1, GO, zero coupon, 10/1/22, Ser. A	Aaa/NR	$15,558,000
	E-470 Public Highway Auth. Rev., Ser. B (MBIA),		
20,000	zero coupon, 9/1/35	A2/AA	3,868,600
15,000	zero coupon, 9/1/37	A2/AA	2,547,300
	Health Facs. Auth. Rev.,		
1,000	American Baptist Homes, 5.90%, 8/1/37, Ser. A	NR/NR	859,900
25,000	Catholic Health Initiatives, 5.50%, 3/1/32	Aa2/AA	26,263,000
18,305	Exempla, Inc., 5.625%, 1/1/33, Ser. A	A1/A-	18,195,353
6,500	Liberty Height, zero coupon, 7/15/22	Aaa/AAA	3,358,485
2,000	Housing & Finance Auth. Rev., Evergreen Country Day School, 5.875%, 6/1/37 (c)	NR/BB	1,776,660
			72,427,298
	District of Columbia—1.3%		
17,500	Washington D.C. Convention Center Auth. Tax Rev., 4.75%, 10/1/28, (Pre-refunded @ $100, 10/1/08) (AMBAC)(b)	Aa3/AA	17,539,200
	Florida—4.8%		
2,310	Dev. Finance Corp. Rev., Learning Gate Community School, 6.00%, 2/15/37	NR/BBB-	2,119,217
8,000	Highlands Cnty. Health Facs. Auth. Rev., Adventist/Sunbelt Health System, 6.00%, 11/15/31, Ser. A, (Pre-refunded @ $101, 11/15/11) (b)	A1/NR	8,827,200
	Hillsborough Cnty. Industrial Dev. Auth. Rev.,		
635	Health Facs. Project, 5.625%, 8/15/23, Ser. A, (Pre-refunded @ $101, 8/15/09) (b)	Baa3/BBB	664,686
2,335	Pollution Control Rev., Tampa Electric Co., 5.50%, 10/1/23	Baa2/BBB-	2,192,005
7,135	Jacksonville Health Facs. Auth. Rev., 5.25%, 11/15/32, Ser. A	Aa1/AA	7,009,709
11,500	Lakeland Hospital System Rev., Regional Health System, 5.50%, 11/15/32, (Pre-refunded @ $101, 11/15/12) (b)	A2/NR	12,789,495
3,000	Leesburg Hospital Rev., Leesburg Regional Medical Center Project, 5.50%, 7/1/32	Baa1/BBB+	2,832,600
	Orange Cnty. Health Facs. Auth. Rev., Adventist Health System (b),		
2,550	5.625%, 11/15/32, (Pre-refunded @ $101, 11/15/12)	A1/NR	2,843,072
5,000	6.25%, 11/15/24, (Pre-refunded @ $100, 11/15/12)	A1/NR	5,652,950
500	Sarasota Cnty. Health Fac. Auth. Rev., 5.75%, 7/1/37	NR/NR	419,725
6,205	State Governmental Utility Auth. Rev., Barefoot Bay Utilities System, 5.00%, 10/1/29 (AMBAC)	Aa3/NR	6,206,489
5,000	Sumter Landing Community Dev. Dist. Rev., 4.75%, 10/1/35, Ser. A (MBIA)	A2/AA	4,541,150
10,000	Tallahassee Rev., 5.00%, 10/1/37, Ser. 2617 (f)	Aa2/AA	10,101,400
1,500	Winter Springs Water & Sewer Rev., zero coupon, 10/1/29 (FGIC)	Baa3/A+	524,340
			66,724,038
	Georgia—0.5%		
2,775	Medical Center Hospital Auth. Rev., 5.25%, 7/1/37	NR/NR	2,210,815

9,600	Richmond Cnty. Dev. Auth. Rev., zero coupon, 12/1/21	Aaa/NR	5,229,792
			7,440,607
	Hawaii—1.4%		
19,170	Honolulu City & Cnty. Wastewater System Rev., First Board Resolution, 4.75%, 7/1/28 (FGIC)	Aa3/NR	18,998,620

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Principal Amount (000)		Credit Rating (Moody's/S&P)	Value*
	Illinois—18.3%		
	Central Lake Cnty. JT Action Water Agcy. Rev., Ser. A (AMBAC),		
$2,935	5.125%, 5/1/28	Aa3/NR	$2,975,914
675	5.125%, 5/1/28, (Pre-refunded @ $100, 11/1/12) (b)	Aa3/NR	741,184
	Chicago, GO (FGIC),		
1,635	5.125%, 1/1/29, Ser. A	Aa3/AAA	1,646,641
3,415	5.125%, 1/1/29, Ser. A, (Pre-refunded @ $101, 1/1/09) (b)	Aa3/AA-	3,487,398
4,065	5.50%, 1/1/40	Aa3/AA-	4,192,885
	Chicago, Lake Shore East, Special Assessment,		
3,162	6.625%, 12/1/22	NR/NR	3,189,636
6,700	6.75%, 12/1/32	NR/NR	6,715,946
	Chicago Board of Education School Reform, GO (FGIC),		
15,535	zero coupon, 12/1/16, Ser. A	A1/AA-	10,958,078
5,000	zero coupon, 12/1/28, Ser. A	A1/AA-	1,730,850
4,500	zero coupon, 12/1/31	A1/AA-	1,283,805
	Chicago City Colleges, GO (FGIC),		
32,670	zero coupon, 1/1/37	Aa3/AA-	6,522,239
29,145	zero coupon, 1/1/38	Aa3/AA-	5,481,300
32,670	zero coupon, 1/1/39	Aa3/AA-	5,786,837
5,000	Cicero, GO, 5.25%, 12/1/31 (MBIA)	A2/AA	5,123,750
	Finance Auth. Rev.,		
2,500	Christian Homes, Inc., 5.75%, 5/15/31, Ser. A	NR/NR	2,149,450
250	Leafs Hockey Club, 6.00%, 3/1/37, Ser. A	NR/NR	215,760
	Regency Park,		
10,000	zero coupon, 7/15/23	NR/AAA	4,883,900
134,650	zero coupon, 7/15/25	NR/AAA	58,548,513
1,500	Sedgebrook, Inc., 6.00%, 11/15/42, Ser. A	NR/NR	1,314,600
	Health Facs. Auth. Rev.,		
5,000	Condell Medical Center, 5.50%, 5/15/32	Baa3/NR	4,476,750
20,100	Elmhurst Memorial Healthcare, 5.625%, 1/1/28	Baa1/NR	19,556,094
	Hillside, Tax Allocation, Mannheim Redev. Project,		
4,500	6.55%, 1/1/20	NR/NR	4,446,450
2,900	7.00%, 1/1/28	NR/NR	2,845,480
	Metropolitan Pier & Exposition Auth. Rev. (MBIA),		
60,000	zero coupon, 12/15/30	A1/AAA	18,665,400
50,000	zero coupon, 12/15/33	A1/AAA	12,841,500
2,460	zero coupon, 6/15/38	A1/AAA	488,876
68,470	State Sports Facs. Auth. Rev., 5.50% (zero coupon until 6/15/10), 6/15/30 (AMBAC)	Aa3/AA	64,358,376
			254,627,612
	Indiana—0.3%		
4,125	Fort Wayne Pollution Control Rev., 6.20%, 10/15/25	Caa2/B-	2,796,585
990	Vigo Cnty. Hospital Auth. Rev., 5.80%, 9/1/47 (a)(c)	NR/NR	833,016
			3,629,601

	Iowa—4.1%		
	Finance Auth. Rev.,		
	Deerfield Retirement Community, Inc.,		
250	5.50%, 11/15/27, Ser. A	NR/NR	192,195
1,075	5.50%, 11/15/37	NR/NR	767,410
4,500	Edgewater LLC, 6.75%, 11/15/42	NR/NR	4,221,540
1,000	Wedum Walnut Ridge LLC, 5.625%, 12/1/45, Ser. A	NR/NR	814,160
2,300	Higher Education Loan Auth. Rev., Grandview College, 5.10%, 10/1/36	NR/NR	2,017,698

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August 31, 2008 (unaudited)

Principal Amount (000)		Credit Rating (Moody's/S&P)	Value*
	Iowa (continued)		
	Tobacco Settlement Auth. of Iowa Rev., Ser. B,		
$46,000	5.60%, 6/1/34	Baa3/BBB	$38,985,920
8,850	5.60%, 6/1/35, (Pre-refunded @ $101, 6/1/11) (b)	NR/AAA	9,583,577
			56,582,500
	Kansas—0.2%		
2,800	Univ. of Kansas Hospital Auth. Rev.,		
	5.625%, 9/1/32, (Pre-refunded @ $100, 9/1/12) (b)	NR/AAA	3,111,304
	Kentucky—0.2%		
2,500	Economic Dev. Finance Auth. Rev., Hospital Facs. Rev.,		
	Catholic Healthcare Partners, 5.25%, 10/1/30	A1/AA-	2,455,825
	Louisiana—4.8%		
	Public Facs. Auth. Rev., Ochsner Clinic Foundation, Ser. B,		
20,400	5.50%, 5/15/32, (Pre-refunded @ $100, 5/15/26) (b)	Aaa/NR	23,137,680
3,300	5.50%, 5/15/47	A3/NR	3,043,359
44,395	Tobacco Settlement Financing Corp. Rev., 5.875%, 5/15/39, Ser. 2001-B	Baa3/BBB	39,910,661
			66,091,700
	Maryland—0.4%		
	Health & Higher Educational Facs. Auth. Rev.,		
1,010	5.30%, 1/1/37	NR/NR	808,929
4,050	6.00%, 1/1/43	NR/BBB-	3,974,508
1,000	Adventist Healthcare, 5.75%, 1/1/25, Ser. A	Baa2/NR	988,450
			5,771,887
	Massachusetts—3.3%		
12,050	Austin Trust Rev., 4.75%, 8/1/37 (FSA)(f)	Aaa/AAA	11,555,950
14,500	Bay Transportation Auth. Rev.,		
	4.75%, 7/1/34, Ser. A, (Pre-refunded @ $100, 7/1/15) (b)(f)	Aa1/AAA	15,904,904
4,610	Dev. Finance Agcy. Rev., 6.75%, 10/15/37, Ser. A	NR/NR	4,238,019
	State Turnpike Auth. Rev., Ser. A (AMBAC),		
4,295	4.75%, 1/1/34	Aa3/AA	4,183,588
10,325	5.00%, 1/1/39	Aa3/AA	10,118,913
			46,001,374
	Michigan—2.8%		
8,500	Detroit City School Dist., GO,		
	5.00%, 5/1/32, Ser. A, (Pre-refunded @ $100, 5/1/13)		
	(FGIC)(Q-SBLF)(b)	Aa3/AA-	9,283,870
4,545	Garden City Hospital Finance Auth. Rev., 5.00%, 8/15/38, Ser. A	NR/NR	3,292,898
800	Public Educational Facs. Auth. Rev., 6.50%, 9/1/37 (c)	NR/BBB-	763,952
500	Star International Academy, CP, 6.125%, 3/1/37	NR/BB+	444,620
5,000	State Hospital Finance Auth. Rev.,		
	Ascension Health, 5.25%, 11/15/26, Ser. B	Aa1/AA	4,964,850

	Oakwood Group, Ser. A,		
13,500	5.75%, 4/1/32	A2/A	13,220,685
1,925	6.00%, 4/1/22	A2/A	1,974,299
6,000	Tobacco Settlement Finance Auth. Rev., 6.00%, 6/1/48, Ser. A	NR/BBB	4,989,600
			38,934,774
	Minnesota—0.5%		
1,300	Meeker Cnty. Rev., 5.75%, 11/1/37	NR/NR	1,204,983
1,500	Minneapolis Rev., Providence Project, 5.75%, 10/1/37, Ser. A	NR/NR	1,288,005
280	Minneapolis, Tax Allocation, Grant Park Project, 5.35%, 2/1/30	NR/NR	249,250

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Principal Amount (000)		Credit Rating (Moody's/S&P)	Value*
	Minnesota (continued)		
	North Oaks Presbyterian Homes Rev.,		
$2,640	6.00%, 10/1/33	NR/NR	$2,515,155
1,530	6.125%, 10/1/39	NR/NR	1,467,484
500	Oronoco Multifamily Housing Rev., 5.40%, 6/1/41	NR/NR	437,270
			7,162,147
	Mississippi—0.3%		
3,605	Business Finance Corp., Pollution Control Rev., 5.875%, 4/1/22	Ba1/BBB	3,546,960
740	Dev. Bank Special Obligation Projects & Equipment Acquisitions Rev.,		
	5.00%, 7/1/24 (AMBAC)	Aa3/AA	709,475
			4,256,435
	Missouri—0.3%		
2,600	Branson Regional Airport Transportation Dev. Dist. Rev.,		
	6.00%, 7/1/37, Ser. A	NR/NR	2,192,580
800	Hanley Road & North of Folk Ave. Transportation Dist. Rev.,		
	5.00%, 10/1/25	NR/NR	723,944
1,500	St. Louis Parking Rev., Downtown Parking Facs.,		
	6.00%, 2/1/28, (Pre-refunded @ $100, 2/1/12) (b)	NR/NR	1,662,690
			4,579,214
	Nevada—0.5%		
1,450	Clark Cnty., GO, 5.00%, 6/1/31 (FGIC)	Aa1/AA+	1,453,944
	Reno Transportation Project Rev.,		
	(Pre-refunded @ $100, 6/1/12) (AMBAC)(b),		
2,000	5.125%, 6/1/32	Aa3/AA	2,173,660
3,500	5.125%, 6/1/37	Aa3/AA	3,803,905
			7,431,509
	New Hampshire—0.2%		
	Health & Education Facs. Auth. Rev., Catholic Medical Center,		
360	6.125%, 7/1/32	Baa1/BBB+	361,624
2,640	6.125%, 7/1/32, (Pre-refunded @ $101, 7/1/12) (b)	Baa1/BBB+	2,988,163
			3,349,787
	New Jersey—3.5%		
950	Burlington Cnty. Bridge Commission Rev., 5.625%, 1/1/38	NR/NR	817,380
	Economic Dev. Auth. Rev.,		
	Arbor Glen,		
525	6.00%, 5/15/28	NR/NR	500,488
225	6.00%, 5/15/28, Ser. A, (Pre-refunded @ $102, 5/15/09) (b)	NR/NR	236,151
	Kapkowski Road Landfill, Special Assessment,		
4,000	5.75%, 10/1/21	Baa3/NR	4,038,280
11,405	5.75%, 4/1/31	Baa3/NR	10,813,879
1,100	Seabrook Village, 5.25%, 11/15/36	NR/NR	900,141

250	Seashore Gardens, 5.375%, 11/1/36	NR/NR	202,378
	Health Care Facs. Financing Auth. Rev.,		
1,500	St. Peter's Univ. Hospital, 5.75%, 7/1/37	Baa2/BBB-	1,421,250
1,830	Trinitas Hospital, 5.25%, 7/1/30, Ser. A	Baa3/BBB-	1,529,606
3,500	State Educational Facs. Auth. Rev.,		
	Fairfield Dickinson Univ., 6.00%, 7/1/25, Ser. D	NR/NR	3,551,660

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August 31, 2008 (unaudited)

Principal Amount (000)		Credit Rating (Moody's/S&P)
	New Jersey (continued)	
	Tobacco Settlement Financing Corp. Rev.,	
$13,150	5.00%, 6/1/41, Ser. 1A	Baa3/BBB
1,285	6.00%, 6/1/37, (Pre-refunded @ $100, 6/1/12) (b)	Aaa/AAA
3,095	6.125%, 6/1/42, (Pre-refunded @ $100, 6/1/12) (b)	Aaa/AAA
6,150	6.25%, 6/1/43, (Pre-refunded @ $100, 6/1/13) (b)	Aaa/AAA
2,500	6.75%, 6/1/39, (Pre-refunded @ $100, 6/1/13) (b)	Aaa/AAA
	New Mexico—0.3%	
5,000	Farmington Pollution Control Rev., 5.80%, 4/1/22	Baa3/BB+
	New York—1.2%	
1,200	Erie Cnty. Industrial Dev. Agcy., Orchard Park Rev., 6.00%, 11/15/36	NR/NR
10,000	Liberty Dev. Corp. Rev., 5.25%, 10/1/35 (f)	Aa3/AA-
1,100	Nassau Cnty. Industrial Dev. Agcy. Rev., Amsterdam at Harborside,	
	6.70%, 1/1/43, Ser. A	NR/NR
4,750	New York City Municipal Water Finance Auth.,	
	Water & Sewer System Rev., 5.00%, 6/15/37, Ser. D (f)	Aa2/AAA
	North Carolina—0.1%	
	Medical Care Commission Rev.,	
550	Salemtowne, 5.10%, 10/1/30	NR/NR
1,000	Village at Brookwood, 5.25%, 1/1/32	NR/NR

	North Dakota—0.3%	
3,710	Stark Cnty. Healthcare Rev., Benedictine Living Communities,	
	6.75%, 1/1/33	NR/NR
	Ohio—0.5%	
7,500	Lorain Cnty. Hospital Rev., Catholic Healthcare, 5.375%, 10/1/30	A1/AA-
	Pennsylvania—3.2%	
	Allegheny Cnty. Hospital Dev. Auth. Rev.,	
22,600	5.375%, 11/15/40, Ser. A	Ba3/BB
505	9.25%, 11/15/15, Ser. B, (Pre-refunded @ $102, 11/15/10) (b)	Ba3/AAA
1,000	9.25%, 11/15/22, Ser. B, (Pre-refunded @ $102, 11/15/10) (b)	Ba3/AAA
5,700	9.25%, 11/15/30, Ser. B, (Pre-refunded @ $102, 11/15/10) (b)	Ba3/AAA

&nb"font-family:inherit;font-size:10pt;">Our brakes and brake system component used in military tactical wheeled vehicles, principally in North America. We also s brakes for use in buses, coaches and recreational vehicles, fire trucks and other spe vehicles in North America and Europe, and we believe we are the leading supplier coach brakes in North America. We also supply brakes for commercial vehicles, b coaches in Asia Pacific.

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

Other Products

In addition to the products discussed above, we sell other complementary products third party and private label items, through our aftermarket distribution channels. T products are generally sold under master distribution or similar agreements with ou vendors and include brake shoes and friction materials; automatic slack adjusters; shafts; wheel-end hubs and drums; ABS and stability control systems; shock absor springs; air brakes, air systems, air dryers and compressors.

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Customers; Sales and Marketing

Meritor has numerous customers worldwide and has developed long-standing busi relationships with many of these customers. Our ten largest customers accounted f approximately 75 percent of our total sales from continuing operations in fiscal yea Sales to AB Volvo, Daimler AG and Navistar International Corporation represente approximately 24 percent, 20 percent and 11 percent, respectively, of our sales in f 2015. No other customer accounted for 10% or more of our total sales in fiscal yea

Original Equipment Manufacturers (OEMs)

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

For certain large OEM customers, our supply arrangements are generally negotiate long-term contract basis for a multi-year period that may require us to provide ann reductions through price reductions or other cost benefits for the OEMs. If we are generate sufficient cost savings in the future to offset such price reductions, our gr will be adversely affected. Sales to other OEMs are typically made through open o releases or purchase orders at market-based prices that do not require the purchase minimum number of products. The customer typically has the right to cancel or de orders on reasonable notice. We typically compete to either retain business or try t business from OEMs when long-term contracts expire.

We have established leading positions in many of the markets we serve as a global a broad range of drivetrain systems, brakes and components. Based on available in and internal company estimates, our market-leading positions include independent axles (i.e. those manufactured by an independent, non-captive supplier) in North A Europe, South America and India; truck drivelines in North America; truck air bra North America and South America (through a joint venture); and military wheeled drivetrains, suspensions and brakes in North America.

Our global customer portfolio includes companies such as AB Volvo, Daimler AG International Corporation, Oshkosh, MAN, Iveco, PACCAR, Ashok Leyland, Sca and Ford.

Aftermarket

We market and sell truck, trailer, off-highway and other products principally to, an such products principally for, OEMs, their parts marketing operations, their dealer independent distributors and service garages within the aftermarket industry. Our p sales are generated through long-term agreements with certain of our OEM custom

distribution agreements and sales to independent dealers and distributors. Sales to
OEMs are typically made through open order releases or purchase orders at market
prices which do not require the purchase of a minimum number of products. The c
typically has the right to cancel or delay these orders on reasonable notice.

Our product offerings allow us to service all stages of our customers' vehicle owne
lifecycle. In North America, we stock and distribute hundreds of parts from top nat
brands to our customers or what we refer to as our "all makes" strategy. Our distric
managers call on our OEM and independent customers to market our full product l
capabilities on a regular basis to seek to ensure that we satisfy our customers' need
aftermarket business sells products under the following brand names: Meritor; Mer
Wabco; Euclid; Trucktechnic; and Meritor AllFit.

Based on available industry data and internal company estimates, we believe our N
America aftermarket business has the overall market leadership position for the po
products that we offer.

Competition

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

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Our major competitors for axles are Dana Holding Corp. and, in certain markets, C
manufacture axles for use in their own products. Emerging competitors for axles ir
Daimler Truck North America's Detroit Axle and American Axle Corporation and
China, Hande, Fuwa and Ankai. Our major competitors for brakes are WABCO,
Bendix/Knorr Bremse and, in certain markets, OEMs that manufacture brakes for u
own products. Our major competitors for industrial applications are MAN, AxleTe
International, Oshkosh, AM General, Marmon-Herrington, Dana Holding Corp., K
Kessler & Co., Carraro, NAF, Sisu and, in certain markets, OEMs that manufactur
products for use in their own vehicles. Our major competitors for trailer applicatio
Hendrickson, BPW and SAF-Holland.

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

Raw Materials and Suppliers

Our purchases of raw materials and parts are concentrated over a limited number o
We are dependent upon our suppliers' ability to meet cost performance, quality spe
and delivery schedules. The inability of a supplier to meet these requirements, the
significant supplier, or work stoppages, could have an adverse effect on our ability
our customers' delivery requirements.

The cost of our core products is susceptible to changes in overall steel commodity
including ingredients used for various grades of steel. We have generally structure
steel supplier and customer contracts to absorb and pass on normal index-related m
fluctuations in steel prices. While we have had steel pricing adjustment programs i
with most major OEMs, the price adjustment programs tend to lag behind the mov
steel costs and have generally not contemplated non-steel index related increases.

Significant future volatility in the commodity markets or a deterioration in product
may require us to pursue customer increases through surcharges or other pricing
arrangements. In addition, if suppliers are inadequate for our needs, or if prices ren
current levels or increase and we are unable to either pass these prices to our custo
otherwise mitigate the costs, our operating results could be further adversely affect

We continuously work to address these competitive challenges by reducing costs a
needed, restructuring operations. We manage supplier risk by conducting periodic
assessments for all major suppliers and more frequent rigorous assessments of high
suppliers. On an ongoing basis, we monitor third party financial statements, condu
through supplier questionnaires, and conduct site visits. We have developed a chro
supplier improvement process where we identify and develop actions to address or
financial, quality and delivery issues to further mitigate potential risk. We are proa
managing our supplier relationships to avoid supply disruption. Our process emplo
sourcing and resourcing trigger points that cause us to take aggressive actions and
monitor the progress closely.

Divestitures and Restructuring

As described above, our business strategies are focused on enhancing our market p
continuously evaluating the competitive differentiation of our product portfolio, fo
our strengths and core competencies, and growing the businesses that offer the mo
returns. Implementing these strategies involves various types of strategic initiative

As part of our strategy to refocus our business and dedicate our resources to our co
capabilities, we regularly review the prospects of our existing businesses to determ
whether any of them should be modified, restructured, sold or otherwise discontinu
fourth quarter of fiscal year 2014, we completed the disposition of our Mascot all-
remanufacturing business, which was part of the Aftermarket & Trailer segment (s
of the Notes to Consolidated Financial Statements under Item 8. Financial Stateme
Supplementary Data below).

Restructuring Actions

M2016 Footprint Actions: As part of our M2016 Strategy, we announced a North
footprint realignment action and a European shared services reorganization. In fisc
2015, we announced the consolidation of certain gearing and machining operations
America and notified approximately 40 hourly and salaried employees in the Com
Truck & Industrial segment that their positions were being eliminated due to the pl
closure of a North America manufacturing facility. In fiscal year 2015, $5 million
severance and other restructuring charges were recognized associated with the clos
facility. To date, we have eliminated approximately 140 hourly and salaried positio
incurred approximately $7 million of restructuring costs associated with M2016 Fo
Actions, primarily in the Commercial Truck & Industrial segment. Restructuring a
associated with this program were substantially complete as of September 30, 201

South America Labor Reduction I: During the fourth quarter of fiscal year 2014, w
a South America headcount reduction plan intended to reduce labor costs in respo
softening economic conditions in the region. In response to decreasing production
South America, we eliminated approximately 190 hourly and 20 salaried positions
incurred $7 million of restructuring costs, primarily severance benefits, in the Com
Truck & Industrial segment. This plan was completed in fiscal year 2014.
South America Labor Reduction II: During fiscal year 2015, a restructuring plan to
reduce headcount in South America was approved by the local union. This restruct
was in response to the current economic environment in South America which con
weaken throughout 2015. With this restructuring plan, we eliminated approximatel
hourly and 20 salaried positions and incurred $6 million in employee separation co
Commercial Truck & Industrial segment during the third quarter of fiscal year 201
Restructuring actions associated with this program were substantially complete as
September 30, 2015.
Closure of a Corporate Engineering Facility: During the second quarter of fiscal ye
we notified approximately 30 salaried and contract employees that their positions
eliminated due to the planned closure of a corporate engineering facility. We reco
severance expenses of $2 million associated with this plan. Restructuring actions a
with this program were substantially complete as of September 30, 2015.
European Labor Reduction: During the second quarter of fiscal year 2015, we initi
European headcount reduction plan intended to reduce labor costs in response to c
soft markets in the region. We eliminated approximately 20 hourly and 20 salaried
and recorded $2 million of expected severance expenses in the Commercial Truck
Industrial segment in fiscal year 2015. Restructuring actions associated with this p
were substantially complete as of June 30, 2015.
Variable Labor Reductions: In fiscal year 2013, we recognized $5 million of restru
costs associated with a global variable labor headcount reduction plan. This plan w
completed in fiscal year 2013.
Segment Reorganization and Asia-Pacific Realignment: In fiscal year 2013, we an
certain plans to revise our management reporting structure and consolidate our ope
China. During fiscal year 2013, we recorded employee severance charges and othe
of $16 million associated with these actions. These costs related to the elimination
approximately 200 salaried positions (including contract employees) and 50 hourl
and a lease termination. This plan was completed in fiscal year 2013.

See Item 1A. Risk Factors for information on certain risks associated with strategi

Joint Ventures

As the industries in which we operate have become more globalized, joint venture
cooperative arrangements have become an important element of our business strat
strategic alliances provide for sales, product design, development and manufacturi
certain product and geographic areas. As of September 30, 2015, our continuing o
participated in the following non-consolidated joint ventures:

	Key Products	C
Meritor WABCO Vehicle Control Systems	Antilock braking and air systems and various safety systems	U

Master Sistemas Automotivos Limitada	Braking systems	B
Sistemas Automotrices de Mexico S.A. de C.V.	Axles, drivelines and brakes	M
Ege Fren Sanayii ve Ticaret A.S.	Braking systems	T
Automotive Axles Limited	Rear drive axle assemblies and braking systems	In

Aggregate sales of our non-consolidated joint ventures were $1,288 million, $1,26
and $1,552 million in fiscal years 2015, 2014 and 2013, respectively.

In accordance with accounting principles generally accepted in the United States, o
consolidated financial statements include the financial position and operating resul
joint ventures in which we have control. For additional information on our unconso
joint ventures and percentage ownership thereof see Note 13 of the Notes to Conso
Financial Statements under Item 8. Financial Statements and Supplementary Data

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Research and Development

We have significant research, development, engineering and product design capabi
spent $69 million in fiscal year 2015 and $71 million in each of fiscal years 2014 a
company-sponsored research, development and engineering. We employ professio
engineers and scientists globally and have additional engineering capabilities throu
arrangements in low-cost countries. We also have advanced technical centers in No
America, South America, Europe and Asia Pacific (primarily in India and China).

Patents and Trademarks

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

Our registered trademarks for Meritor® and the Bull design are important to our bu
Other significant trademarks owned by us include Euclid® and Trucktechnic® for
aftermarket products.

Substantially all of our U.S.-held intellectual property rights are subject to a first-p
perfected security interest securing our obligations to the lenders under our credit f
Note 16 of the Notes to Consolidated Financial Statements under Item 8. Financial
and Supplementary Data below.

Employees

At September 30, 2015, we had approximately 8,400 full-time employees (which i
consolidated joint ventures). At that date, 16 employees in the United States and C
covered by collective bargaining agreements and most of our facilities outside of t
States and Canada were unionized. We believe our relationship with unionized em
satisfactory.

Environmental Matters

Federal, state and local requirements relating to the discharge of substances into th
environment, the disposal of hazardous wastes and other activities affecting the en
have, and will continue to have, an impact on our operations. We record liabilities
environmental issues in the accounting period in which they are considered to be p
and the cost can be reasonably estimated. At environmental sites in which more tha
potentially responsible party has been identified, we record a liability for our alloca
of costs related to our involvement with the site, as well as an allocable share of co
to insolvent parties or unidentified shares. At environmental sites in which we are t
potentially responsible party, we record a liability for the total estimated costs of re
before consideration of recovery from insurers or other third parties.

We have been designated as a potentially responsible party at nine Superfund sites
sites as to which our records disclose no involvement or as to which our liability ha

finally determined. In addition to Superfund sites, various other lawsuits, claims ar
proceedings have been asserted against us, alleging violations of federal, state and
environmental protection requirements or seeking remediation of alleged environm
impairments, principally at previously disposed-of properties. We have established
for these liabilities when they are considered to be probable and reasonably estima
Note 23 of the Notes to Consolidated Financial Statements under Item 8. Financial
and Supplementary Data below for information as to our estimates of the total reas
possible costs we could incur and the amounts recorded as a liability as of Septemb
2015, and as to changes in environmental accruals during fiscal year 2015.

The process of estimating environmental liabilities is complex and dependent on p
scientific data at the site, uncertainties as to remedies and technologies to be used,
outcome of discussions with regulatory agencies. The actual amount of costs or da
which we may be held responsible could materially exceed our current estimates b
uncertainties, including the financial condition of other potentially responsible part
success of the remediation and other factors that make it difficult to predict actual
accurately. However, based on management's assessment, after consulting with Me
General Counsel and with outside advisors who specialize in environmental matte
subject to the difficulties inherent in estimating these future costs, we believe that
expenditures for environmental capital investment and remediation necessary to co
present regulations governing environmental protection and other expenditures for
resolution of environmental claims will not have a material adverse effect on our b
financial condition or results of operations. In addition, in future periods, new laws
regulations, changes in remediation plans, advances in technology and additional i
about the ultimate clean-up remedy could significantly change our estimates. Mana
cannot assess the possible effect of compliance with future requirements.

International Operations

We believe our international operations provide us with geographical diversity and
weather the cyclical nature of our business. Approximately 55 percent of our total
September 30, 2015 and 51 percent of fiscal year 2015 sales from continuing opera
outside the U.S. See Note 24 of the Notes to Consolidated Financial Statements un
Financial Statements and Supplementary Data below for financial information by g
area for the three fiscal years ended September 30, 2015.

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

Our operations are also exposed to global market risks, including foreign currency
rate risk related to our transactions denominated in currencies other than the U.S. d
have a foreign currency cash flow hedging program in place to help reduce the com
exposure to changes in exchange rates. We use foreign currency forward contracts
the company's exposures arising from foreign currency exchange risk. Gains and l
underlying foreign currency exposures are partially offset with gains and losses on
currency forward contracts. It is our policy not to enter into derivative financial ins
for speculative purposes and, therefore, we hold no derivative instruments for tradi
purposes. See Item 7A. Quantitative and Qualitative Disclosures About Market Ris
17 of the Notes to Consolidated Financial Statements under Item 8. Financial State
Supplementary Data below.

Seasonality; Cyclicality

We may experience seasonal variations in the demand for our products, to the exte
vehicle production fluctuates. Historically, for most of our operations, demand has
somewhat lower in the quarters ended September 30 and December 31, when OEM
may close for summer shutdowns and holiday periods or when there are fewer sell
during the quarter. Our aftermarket business and our operations in India and China
experience seasonally higher demand in the quarters ending March 31 and June 30

In addition, the industries in which we operate have been characterized historically
periodic fluctuations in overall demand for trucks, trailers and other specialty vehic
which we supply products, resulting in corresponding fluctuations in demand for o
products. Production and sales of the vehicles for which we supply products genera
on economic conditions and a variety of other factors that are outside of our contro
freight tonnage, customer spending and preferences, vehicle age, labor relations an
regulatory requirements. See Item 1A. Risk Factors below. Cycles in the major veh
industry markets of North America and Europe are not necessarily concurrent or re
part of our strategy to continue to seek to expand our operations globally to help m
effect of periodic fluctuations in demand of the vehicle industry in one or more par
countries.

See section Trends and Uncertainties in Item 7. Management's Discussion and Ana
estimated commercial truck production volumes for selected original equipment (O
based on available sources and management's estimates.

Available Information

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

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Cautionary Statement

This Annual Report on Form 10-K contains statements relating to future results of company (including certain projections and business trends) that are "forward-look statements" as defined in the Private Securities Litigation Reform Act of 1995. Forward-looking statements are typically identified by words or phrases such as "b "expect," "anticipate," "estimate," "should," "are likely to be," "will" and similar e results may differ materially from those projected as a result of certain risks and ur including but not limited to reliance on major original equipment manufacturer ("C customers and possible negative outcomes from contract negotiations with our maj customers, including failure to negotiate acceptable terms in contract renewal nego and our ability to obtain new customers; the outcome of actual and potential produ warranty and recall claims; our ability to successfully manage rapidly changing vo the commercial truck markets and work with our customers to manage demand exp in view of rapid changes in production levels; global economic and market cycles a conditions; availability and sharply rising costs of raw materials, including steel, ar ability to manage or recover such costs; our ability to manage possible adverse effe European operations, or financing arrangements related thereto, in the event one or countries exit the European monetary union; risks inherent in operating abroad (inc foreign currency exchange rates, implications of foreign regulations relating to pen potential disruption of production and supply due to terrorist attacks or acts of agg rising costs of pension and other postemployment benefits; the ability to achieve th benefits of restructuring actions; the demand for commercial and specialty vehicles we supply products; whether our liquidity will be affected by declining vehicle pro the future; OEM program delays; demand for and market acceptance of new and ex products; successful development of new products; labor relations of our company suppliers and customers, including potential disruptions in supply of parts to our fa demand for our products due to work stoppages; the financial condition of our sup customers, including potential bankruptcies; possible adverse effects of any future of normal trade credit terms by our suppliers; potential difficulties competing with that have avoided their existing contracts in bankruptcy and reorganization proceed potential impairment of long-lived assets, including goodwill; potential adjustment value of deferred tax assets; competitive product and pricing pressures; the amount debt; our ability to continue to comply with covenants in our financing agreements ability to access capital markets; credit ratings of our debt; the outcome of existing future legal proceedings, including any litigation with respect to environmental or asbestos-related matters; possible changes in accounting rules; and other substantia risks and uncertainties, including but not limited to those detailed herein and from time in other filings of the company with the SEC. See also the following portions Annual Report on Form 10-K: Item 1. Business , "Customers; Sales and Marketing "Competition"; "Raw Materials and Supplies"; "Employees"; "Environmental Mat Operations"; and "Seasonality; Cyclicality"; Item 1A. Risk Factors; Item 3. Legal and Item 7. Management's Discussion and Analysis of Financial Condition and Re Operations. These forward-looking statements are made only as of the date hereof, company undertakes no obligation to update or revise the forward-looking stateme whether as a result of new information, future events or otherwise, except as other required by law.

Item 1A. Risk Factors

Our business, financial condition and results of operations can be impacted by a nu
risks, including those described below and elsewhere in this Annual Report on For
any one of which could cause our actual results to vary materially from recent resu
anticipated future results. Any of these individual risks could materially and advers
our business, financial condition and results of operations. This effect could be co
if multiple risks were to occur.

We may not be able to execute our M2016 Strategy.

In 2013, we announced our M2016 Strategy, a three-year plan to achieve sustainab
strength. In connection with the plan, we established certain financial goals relatin
adjusted EBITDA margins, debt reduction and incremental revenue. The M2016 S
based on our current planning assumptions, and achievement of the plan is subject
number of risks. Our assumptions include that we are able to secure new business
significant portion of which generates sales by the year 2016); we are able to reduc
increase pricing; and any increases in raw materials prices are substantially offset b
recovery mechanisms. If our assumptions are incorrect, if management is not able
the plan or if our business suffers from any number of additional risks set forth her
may not be able to achieve the financial goals we have announced.

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We depend on large OEM customers, and loss of sales to these customers or failur
negotiate acceptable terms in contract renewal negotiations, or to obtain new custo
have an adverse impact on our business.

We are dependent upon large OEM customers with substantial bargaining power w
to price and other commercial terms. In addition, we have long-term contracts with
these customers that are subject to renegotiation and renewal from time to time. Lo
a substantial portion of sales to any of our large volume customers for whatever re
(including, but not limited to, loss of contracts or failure to negotiate acceptable te
contract renewal negotiations, loss of market share by these customers, insolvency
customers, reduced or delayed customer requirements, plant shutdowns, strikes or
stoppages affecting production by such customers), continued reduction of prices t
customers, or a failure to obtain new customers, could have a significant adverse e
financial results. There can be no assurance that we will not lose all or a portion of
our large volume customers, or that we will be able to offset continued reduction o
these customers with reductions in our costs or by obtaining new customers.

During fiscal year 2015, sales to our three largest customers, AB Volvo, Daimler A
Navistar International Corporation, represented approximately 24 percent, 20 perce
percent, respectively, of our sales from continuing operations. No other customer a
for 10% or more of our total sales from continuing operations in fiscal year 2015.

The level of our sales to large OEM customers, including the realization of future s
awarded business or obtaining new business or customers, is inherently subject to a
risks and uncertainties, including the number of vehicles that these OEM customer
produce and sell. Several of our significant customers have major union contracts t
periodically and are subject to renegotiation. Any strikes or other actions that affec
customers' production during this process would also affect our sales. Further, to th
that the financial condition, including bankruptcy or market share of any of our lar
customers, deteriorates or their sales otherwise continue to decline, our financial po
results of operations could be adversely affected. In addition, our customers genera
the right to replace us with another supplier under certain circumstances. Accordin
may not in fact realize all of the future sales represented by our awarded business.
to realize these sales could have a material adverse effect on our financial conditio
results of operations.

Our ability to manage rapidly changing production and sales volume in the comme
vehicle market may adversely affect our results of operations.

Production and sales in the commercial vehicle market have been volatile in recent
business may experience difficulty in adapting to rapidly changing production and
volumes. In an upturn of the cycle when demand increases from what had recently
historical low for production, we may have difficulty in meeting such extreme or ra
increasing demand. This difficulty may include not having sufficient manpower or
capital to meet the needs of our customers or relying on other suppliers who may n
to respond quickly to a changed environment when demand increases rapidly. In co
the downturn of the cycle, we may have difficulty sustaining profitability given fix
further discussed below).

A further downturn in the global economy could materially adversely affect our re
operations, financial condition and cash flows.

Although the global economy has improved since the global economic recession th
late 2008 and continued through 2009, the recession had a significant adverse impa
business, customers and suppliers. Our cash and liquidity needs were impacted by
variability and timing of our customers' worldwide vehicle production and other fa
outside of our control. If the global economy were to take another significant dowr
depending upon the length, duration and severity of another recession, our results o
operations, financial condition and cash flow would be materially adversely affecte

Our levels of fixed costs can make it difficult to adjust our cost base to the extent n
or to make such adjustments on a timely basis, and continued volume declines can
non-cash impairment charges as the value of certain long-lived assets is reduced. A
our financial condition and results of operations have been and would be expected
to be adversely affected during periods of prolonged declining production and sale
in the commercial vehicle markets.

The negative impact on our financial condition and results of operations from cont
volume declines could also have negative effects on our liquidity. If cash flows are
available from our operations, we may be required to rely on the banking and credi
to meet our financial commitments and short-term liquidity needs; however, we ca
predict whether that funding will be available at all or on commercially reasonable
addition, in the event of reduced sales, levels of receivables would decline, which w
to a decline in funding available under our U.S. receivables facilities or under our E
factoring arrangements.

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Our working capital requirements may negatively affect our liquidity and capital re

Our working capital requirements can vary significantly, depending in part on the l variability and timing of our customers' worldwide vehicle production and the payr with our customers and suppliers. As production volumes increase, our working ca requirements to support the higher volumes generally increase. If our working capi exceed our other cash flows from operations, we would look to our cash balances a availability for borrowings under our borrowing arrangements to satisfy those need as potential sources of additional capital, which may not be available on satisfactor in adequate amounts.

In addition, since many of our accounts receivable factoring programs support our capital requirements in Europe, any dissolution of the European monetary union, if occur, or any other termination of our European factoring agreements could have a adverse effect on our liquidity if we were unable to renegotiate such agreements or alternative sources of liquidity.

One of our consolidated joint ventures in China participates in bills of exchange pr settle accounts receivable from its customers and obligations to its trade suppliers. programs are common in China and generally require the participation of local ban disruption in these programs, if it were to occur, could have an adverse effect on ou if we were unable to find alternative sources of liquidity.

Our liquidity, including our access to capital markets and financing, could be const limitations in the overall credit market, our credit ratings, our ability to comply wit covenants in our debt instruments, and our suppliers suspending normal trade credi our purchases, or by other factors beyond our control.

Our current senior secured revolving credit facility matures in February 2019. Upo expiration of this facility, we will require a new or renegotiated facility (which may smaller and have less favorable terms than our current facility) or other financing arrangements. Our ability to access additional capital in the long term will depend availability of capital markets and pricing on commercially reasonable terms as we credit profile at the time we are seeking funds, and there is no guarantee that we wi to access additional capital.

On November 17, 2015, our Standard & Poor’s corporate credit rating, senior secu rating, and senior unsecured credit rating were B+, BB and B, respectively. Our M Investors Service corporate credit rating, senior secured credit rating, and senior un credit rating are B1, Ba1 and B2, respectively. Any lowering of our credit ratings c increase our cost of future borrowings and could reduce our access to capital mark result in lower trading prices for our securities.

Our liquidity could also be adversely impacted if our suppliers were to suspend no credit terms and require more accelerated payment terms, including payment in adv payment on delivery of purchases. If this were to occur, we would be dependent on sources of financing to bridge the additional period between payment of our suppli receipt of payments from our customers.

In December 2012, the SEC brought administrative proceedings against five accou
firms, including the Chinese affiliate of our independent registered public accounti
alleging that they had refused to produce audit work papers and other documents r
certain other China-based companies under investigation by the SEC for potential
fraud. On January 22, 2014, an initial administrative law decision was issued, cens
Chinese accounting firms and suspending four of the five firms from practicing be
SEC for a period of six months.

On February 6, 2015, the Chinese accounting firms agreed to a censure and to pay
each to the SEC to settle the dispute and avoid suspension of their ability to practic
the SEC and audit U.S.-listed companies. The settlement requires the Chinese acco
firms to follow specific procedures to provide the SEC with access to these Chines
accounting firms' audit documents via the China Securities Regulatory Commissio
Chinese accounting firms do not comply with the specified procedures, the SEC co
penalties including suspensions or recommence the administrative proceedings.

As our independent registered public accounting firm previously utilized the work
Chinese affiliate in auditing our Chinese operations for fiscal year 2013, we may b
affected if the Chinese affiliate of our independent registered public accounting fir
comply with the specified procedures, and the SEC suspends the Chinese affiliate
recommences the administrative proceedings. If we (like other U.S. multinational
similarly situated) were not able to timely file our periodic reports with the SEC be
independent registered public accounting firm concludes that a scope limitation ex
respect to the audit of our annual financial statements or the review of our quarterl
statements, this could adversely impact our ability to raise capital in the U.S. publi

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

The industries in which we operate have been characterized historically by signific periodic fluctuations in overall demand for medium- and heavy-duty trucks and oth for which we supply products, resulting in corresponding fluctuations in demand fo products. The length and timing of any cycle in the vehicle industry cannot be pred certainty.

Production and sales of the vehicles for which we supply products generally depen economic conditions and a variety of other factors that are outside our control, incl freight tonnage, customer spending and preferences, vehicle age, labor relations an regulatory requirements. In particular, demand for our Commercial Truck & Indus segment products can be affected by a pre-buy before the effective date of new reg requirements, such as changes in emissions standards. Historically, implementation more stringent, emissions standards, has increased heavy-duty truck demand prior effective date of the new regulations, and correspondingly decreased this demand a new standards are implemented. In addition, any expected increase in the heavy-du demand prior to the effective date of new emissions standards may be offset by ins the financial markets and resulting economic contraction in the U.S. and worldwid

Sales from the aftermarket portion of our Aftermarket & Trailers segment depend levels of truck ton miles and gross domestic product (GDP), among other things, a influenced by times of slower economic growth or economic contraction based on age of commercial truck fleets.

We may also experience seasonal variations in the demand for our products to the vehicle production fluctuates. Historically, for most of our business, demand has b somewhat lower in the quarters ended September 30 and December 31, when OEM may close during model changeovers and vacation and holiday periods or when th fewer selling days during the quarter. In addition, our aftermarket business and our in India and China generally experience seasonally higher demand in the quarters e March 31 and June 30.

Disruptions in the financial markets could impact the availability and cost of credit could negatively affect our business.

Disruptions in the financial markets, including the bankruptcy, insolvency or restru certain financial institutions, and the lack of liquidity generally could impact the av and cost of incremental credit for many companies and may adversely affect the av of credit already arranged. Such disruptions could adversely affect the U.S. and wo economy, further negatively impacting consumer spending patterns in the transpor industrial sectors. In addition, as our customers and suppliers respond to rapidly ch consumer preferences, they may require access to additional capital. If that capital available or its cost is prohibitively high, their business would be negatively impac could result in further restructuring or even reorganization under bankruptcy laws. negative impact, in turn, could negatively affect our business either through loss of any of our customers so affected or through inability to meet our commitments (or

meet them without excess expense) because of loss of supplies from any of our sup
affected. There are no assurances that government responses to these disruptions w
consumer confidence or improve the liquidity of the financial markets.

In addition, disruptions in the capital and credit markets, as were experienced a fev
could adversely affect our ability to draw on our senior secured revolving credit fa
access to funds under that credit facility is dependent on the ability of the banks tha
parties to the facility to meet their funding commitments. Those banks may not be
meet their funding commitments to us if they experience shortages of capital and li
if they experience excessive volumes of borrowing requests from Meritor and othe
within a short period of time. Longer-term disruptions in the capital and credit mar
result of uncertainty, changing or increased regulation, reduced alternatives, or fail
significant financial institutions could adversely affect our access to liquidity need
business. Any disruption could require us to take measures to conserve cash until t
stabilize or until alternative credit arrangements or other funding for our business n
be arranged.

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

Prices of raw materials, primarily steel, for our manufacturing needs and costs of
transportation have fluctuated sharply in recent years, including rapid increases wh
negative impact on our operating income for certain periods. These steel price incr
along with increasing transportation costs, created pressure on profit margins, and
recur in the future, they could unfavorably impact our financial results going forwa
we have had steel pricing adjustment programs in place with most major OEMs, th
adjustment programs have tended to lag the increase in steel costs and have genera
contemplated all non-index-related increases in steel costs. Raw material price fluc
together with the volatility of the commodity markets will continue to pose risks to
financial results. If we are unable to pass price increases on to our customer base o
mitigate the costs, our operating income could be adversely affected.

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Escalating price pressures from customers may adversely affect our business.

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

We operate in a highly competitive industry.

Each of Meritor's businesses operates in a highly competitive environment. We co worldwide with a number of North American and international providers of compo systems, some of which are owned by or associated with some of our customers. C OEMs manufacture products for their own use that compete with the types of prod supply, and any future increase in this activity could displace Meritor's sales.

Many companies in our industry have undertaken substantial changes in contractua obligations to current and former employees, primarily with respect to pensions an postemployment benefits. The bankruptcy or insolvency of a major competitor has certain companies eliminating or reducing some or all of these obligations as well debt obligations, which could give that competitor a cost advantage over us.

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

As a result of our substantial international operations, we are exposed to foreign cu risks that arise from our normal business operations, including risks in connection transactions that are denominated in foreign currencies. While we employ financia instruments to hedge certain of our foreign currency exchange risks relating to thes transactions, our efforts to manage these risks may not be successful. In addition, v sales and other results denominated in foreign currencies into U.S. dollars for purp consolidated financial statements. As a result, appreciation of the U.S. dollar again foreign currencies generally will have a negative impact on our reported revenues a operating income, while depreciation of the U.S. dollar against these foreign curre generally have a positive effect on reported revenues and operating income. For fis 2013, 2014 and 2015, our reported financial results were adversely affected by app the U.S. dollar against foreign currencies.

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

Some of our significant suppliers have experienced weak financial condition in rec that resulted in filing for protection under the bankruptcy laws. In addition, some o significant suppliers are located in developing countries. We are dependent upon th our suppliers to meet performance and quality specifications and delivery schedule inability of a supplier to meet these requirements, the loss of a significant supplier,

labor issues or work stoppages at a significant supplier could disrupt the supply of
materials and parts to our facilities and could have an adverse effect on us.

Work stoppages or similar difficulties could significantly disrupt our operations.

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

Our international operations are subject to a number of risks.

We have a significant number of facilities and operations outside the United States
investments and joint ventures in developing countries. During fiscal year 2015,
approximately 51 percent of our sales from continuing operations were generated o
the United States. Our strategy to grow in emerging markets may put us at risk due
risks inherent in operating in such markets. In particular, we have grown over an ex
period of time, and intend as part of our strategy to continue to grow, in India and I
international operations are subject to a number of risks inherent in operating abroa
including, but not limited to:

- risks with respect to currency exchange rate fluctuations (as more fully discussed a

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- risks to our liquidity if the European monetary union were to dissolve and we were renegotiate European factoring agreements;
- local economic and political conditions;
- disruptions of capital and trading markets;
- possible terrorist attacks or acts of aggression that could affect vehicle production availability of raw materials or supplies;
- restrictive governmental actions (such as restrictions on transfer of funds and trade measures, including export duties, quotas and customs duties and tariffs);
- changes in legal or regulatory requirements;
- import or export licensing requirements;
- limitations on the repatriation of funds;
- difficulty in obtaining distribution and support;
- nationalization;
- the laws and policies of the United States affecting trade, foreign investment and l
- the ability to attract and retain qualified personnel;
- tax laws; and
- labor disruptions.

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

A violation of the financial covenants in our senior secured revolving credit facilit result in a default thereunder and could lead to an acceleration of our obligations u facility and, potentially, other indebtedness.

Our ability to borrow under our existing financing arrangements depends on our co with covenants in the related agreements and on our performance against covenant bank credit facility that require compliance with certain financial ratios as of the en fiscal quarter. To the extent that we are unable to maintain compliance with these requirements or to perform against the financial ratio covenants due to one or more various risk factors discussed herein or otherwise, our ability to borrow, and our li would be adversely impacted.
Availability under the senior secured revolving credit facility is subject to a collate performed quarterly, pursuant to which borrowings on the senior secured revolving

facility cannot exceed 1.0x the collateral test value. Availability under the senior se
revolving credit facility is also subject to certain financial covenants based on (i) th
our priority debt (consisting principally of amounts outstanding under the senior se
revolving credit facility, U.S. accounts receivable securitization and factoring prog
third-party non-working capital foreign debt) to EBITDA and (ii) the amount of an
capital expenditures. We are required to maintain a total priority-debt-to-EBITDA
defined in the agreement, of not more than 2.25 to 1.00 as of the last day of each fi
through maturity.

If an amendment or waiver is needed (in the event we do not meet one of these co
and not obtained, we would be in violation of that covenant, and the lenders would
right to accelerate the obligations upon the vote of the lenders holding more than 5
outstanding loans thereunder. A default under the senior secured revolving credit f
could also constitute a default under our outstanding convertible notes as well as o
receivables facility and could result in the acceleration of these obligations. In addi
default under our senior secured revolving credit facility could result in a cross-def
acceleration of our payment obligations under other financing agreements. If our o
under our senior secured revolving credit facility and other financing arrangements
accelerated as described above, our assets and cash flow may be insufficient

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to fully repay these obligations, and the lenders under our senior secured revolving
facility could institute foreclosure proceedings against our assets.

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

The success and timing of any future divestitures and acquisitions will depend on a
factors, many of which are not within our control. If we engage in acquisitions, we
finance these transactions by issuing additional debt or equity securities. The addit
from any such acquisitions, if consummated, could increase our debt to capitalizati
addition, the ultimate benefit of any acquisition would depend on our ability to suc
integrate the acquired entity or assets into our existing business and to achieve any
synergies. There is no assurance that the total costs and total cash costs associated
current and future restructuring will not exceed our estimates, or that we will be ab
achieve the intended benefits of these restructurings.

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

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

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

We are exposed to asbestos litigation liability.

One of our subsidiaries, Maremont Corporation, manufactured friction products co
asbestos from 1953 through 1977, when it sold its friction product business. We ac
Maremont in 1986. Maremont and many other companies are defendants in suits b
individuals claiming personal injuries as a result of exposure to asbestos-containin
We, along with many other companies, have also been named as a defendant in lav
alleging personal injury as a result of exposure to asbestos used in certain compone
products of Rockwell International Corporation. Liability for these claims was tran
us at the time of the spin-off of Rockwell's automotive business to Meritor in 1997

The uncertainties of asbestos claim litigation, the outcome of litigation with insura
companies regarding the scope of coverage and the long-term solvency of our insu
carriers make it difficult to predict accurately the ultimate resolution of asbestos cl
possibility of adverse rulings or new legislation affecting asbestos claim litigation
settlement process increases that uncertainty. Although we have established reserv
address asbestos liability and corresponding receivables for recoveries from our in
carriers, if our assumptions with respect to the nature of pending and future claims
resolve claims and the amount of available insurance prove to be incorrect, the actu
of liability for asbestos-related claims, and the effect on us, could differ materially
current estimates and, therefore, could have a material impact on our financial posi
results of operations.

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

The commercial vehicle industry, like other industries, continues to be impacted by
of pension and other postemployment benefits. In estimating our expected obligati
our pension and postemployment benefit plans, we make certain assumptions as to
and demographic factors, such as discount rates, investment returns and health care
trends.

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If actual experience of these factors is worse than our assumptions, our obligations
grow which could in turn increase the amount of mandatory contributions to these
coming years. Our pension plans and other postemployment benefits are underfunc
million and $438 million, respectively, as of September 30, 2015.

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

We have a significant amount of long-lived assets and goodwill on our consolidate
sheet. Under generally accepted accounting principles, long-lived assets, excluding
are required to be reviewed for impairment whenever adverse events or changes in
circumstances indicate a possible impairment. If business conditions or other facto
our operating results and cash flows to decline, we may be required to record non-
impairment charges. Goodwill must be evaluated for impairment at least annually.
carrying value of our reporting units exceeds their current fair value, the goodwill
considered impaired and is reduced to fair value via a non-cash charge to earnings.
conditions that could result in impairment in the value of our long-lived assets and
include changes impacting the industries in which we operate, particularly the imp
current downturn in the global economy, as well as competition and advances in te
adverse changes in the regulatory environment, or other factors leading to reductio
expected long-term sales or operating results. If the value of long-lived assets or g
impaired, our earnings and financial condition could be adversely affected. Althou
company continues to work toward securing participation in additional military pr
based on sales expectations for currently awarded programs, the company's fair va
Defense business did not exceed its carrying value. As a result, we have recorded a
impairment of $15 million, pre-tax, of goodwill. In addition, we recognized a $2 m
impairment of long-lived assets in the fourth quarter of fiscal year 2015.

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

In accordance with the Financial Accounting Standards Board (FASB) Accounting
Codification (ASC) Topic 740 “Income Taxes,” each quarter we determine the pro
the realization of deferred tax assets, using significant judgments and estimates wi
to, among other things, historical operating results, expectations of future earnings
planning strategies. If we determine in the future that there is not sufficient positiv
to support the valuation of these assets, due to the risk factors described herein or c
factors, we may be required to adjust the valuation allowance to reduce our deferre
assets. Such a reduction could result in material non-cash expenses in the period in
valuation allowance is adjusted and could have a material adverse effect on our res
operations and financial condition. In addition, future changes in laws or regulatio
have a material impact on the company's overall tax position.

Our overall effective tax rate is equal to our total tax expense as a percentage of ou
earnings before tax. However, tax expenses and benefits are determined separately
tax paying component (an individual entity) or group of entities that is consolidate
purposes in each jurisdiction. Losses in certain jurisdictions which have valuation
against their deferred tax assets provide no current financial statement tax benefit u
required under the intra-period allocation requirements of ASC Topic 740. As a res

changes in the mix of projected earnings between jurisdictions, among other factor
have a significant impact on our overall effective tax rate.

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

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

Restriction on use of tax attributes from tax law “ownership change”.

Section 382 of the U.S. Internal Revenue Code of 1986, as amended, limits the abi corporation that undergoes an “ownership change” to use its tax attributes, such as losses and tax credits. In general, an “ownership change” occurs if shareholders ov percent or more (applying certain look-through rules) of an issuer's outstanding co stock, collectively, increase their ownership percentage by more than fifty percenta within any three year period over such shareholders' lowest percentage ownership period. If we were to issue new shares of stock, such new shares could contribute t “ownership change” under U.S. tax law. Moreover, not every event that could cont an “ownership change” is within our control. If an “ownership change” under Sect occur, our ability to utilize tax attributes in the future may be limited.

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

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

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

- cease the manufacture, use or sale of the infringing products or technology;
- pay substantial damages for infringement;
- expend significant resources to develop non-infringing products or technology;
- license technology from the third-party claiming infringement, which license may available on commercially reasonable terms, or at all;
- enter into cross-licenses with our competitors, which could weaken our overall int property portfolio;
- lose the opportunity to license our technology to others or to collect royalty payme upon successful protection and assertion of our intellectual property against others

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

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

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

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

- any of our present or future patents will not lapse or be invalidated, circumvented, challenged, abandoned or, in the case of third-party patents licensed or sub-license licensed to others;

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- any of our pending or future patent applications will be issued or have the coverag sought;

- our intellectual property rights will be enforced in jurisdictions where competition intense or where legal protection may be weak; or

- any of the trademarks, trade secrets or other intellectual property rights that we pre employ in our business will not lapse or be invalidated, circumvented, challenged, or licensed to others.

In addition, we may not receive competitive advantages from the rights granted un patents and other intellectual property rights. Our competitors may develop techno are similar or superior to our proprietary technologies, duplicate our proprietary te or design around the patents we own or license. Our existing and future patents ma circumvented, blocked, licensed to others, or challenged as to inventorship, owners validity or enforceability. Effective intellectual property protection may be unavail more limited in one or more relevant jurisdictions relative to those protections avai United States, or may not be applied for in one or more relevant jurisdictions. If w litigation to assert our intellectual property rights, an adverse decision in any of the actions could limit our ability to assert our intellectual property rights, limit the val technology or otherwise negatively impact our business, financial condition and re operations.

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

A failure of our information technology infrastructure could adversely impact our and operations.

We recognize the increasing volume of cyber attacks and employ commercially pr efforts to provide reasonable assurance such attacks are appropriately mitigated. E we evaluate the threat profile of our industry to stay abreast of trends and to provid reasonable assurance our existing countermeasures will address any new threats id Despite our implementation of security measures, our IT systems and those of our providers are vulnerable to circumstances beyond our reasonable control including malfeasance, acts of terror, acts of government, natural disasters, civil unrest, and service attacks any of which may lead to the theft of our intellectual property and t secrets, or business disruption. To the extent that any disruption or security breach loss or damage to our data or an inappropriate disclosure of confidential informati cause significant damage to our reputation, affect our relationships with our custon suppliers and employees, and lead to claims against the company and ultimately ha business. Additionally, we may be required to incur significant costs to protect aga damage caused by these disruptions or security breaches in the future.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

At September 30, 2015, our operating segments, including all consolidated joint ve
the following facilities in the United States, Europe, South America, Canada, Mexi
Asia-Pacific region. For purposes of these numbers, multiple facilities in one geog
location are counted as one facility.

	Manufacturing and Distribution Facilities	Engineeri Facilities, Offices, W and Service C
Commercial Truck & Industrial	19	15
Aftermarket & Trailer	7	8
Other	—	4
Total	26	27

These facilities had an aggregate floor space of approximately 9.4 million square f
substantially all of which is in use. We owned approximately 63 percent and lease
approximately 37 percent of this floor space. Substantially all of our owned domes
and equipment are subject to liens securing our obligations under our revolving cre
with a group of banks (see Note 16 of the Notes to Consolidated Financial Stateme
Item 8. Financial Statements and Supplementary Data). In the

opinion of management, our properties have been well maintained, are in sound op
condition and contain all equipment and facilities necessary to operate at present le

A summary of floor space (in square feet) of these facilities at September 30, 2015
new space under construction) is as follows:

	Owned Facilities			Leased Facilities		
Location	Commercial Truck & Industrial	Aftermarket & Trailer	Other	Commercial Truck & Industrial	Aftermarket & Trailer	Other
United States	2,029,291	802,631	417,800	487,039	460,327	—
Canada	—	—	—	—	261,361	—
Europe	1,870,150	68,326	—	528,076	45,613	12,766
Asia-Pacific	173,155	—	—	998,641	87,335	—
Latin America	494,913	—	—	571,743	50,024	—
Total	4,567,509	870,957	417,800	2,585,499	904,660	12,766

Item 3. Legal Proceedings

- See Note 20 of the Notes to Consolidated Financial Statements under Item 8. Finan
Statements and Supplementary Data for information with respect to three class act
lawsuits filed against the company as a result of modifications made to its retiree m
benefits.
- See Note 23 of the Notes to Consolidated Financial Statements under Item 8. Finan
Statements and Supplementary Data for information with respect to asbestos-relate
litigation.
- See Item 1. Business, “Environmental Matters” and Note 23 of the Notes to Conso
Financial Statements under Item 8. Financial Statements and Supplementary Data
information relating to environmental proceedings.
- On July 10, 2014, Sistemas Automotrices de Mexico, S.A. de C.V. (“Sisamex”), a
joint venture between our subsidiary Meritor Heavy Vehicle Systems, LLC (“Meri
and Quimmco, S.A. de C.V. ("Quimmco"), filed a lawsuit against Meritor HVS in
Northern District of Illinois, seeking, among other relief, a declaration of Sisamex'
right to manufacture certain products and the components thereof for sale in Mexic
13, 2014, Meritor HVS filed a lawsuit against Sisamex and Quimmco in the North
of Illinois, seeking, among other relief, a declaration that Sisamex may not manufa
without Meritor HVS's consent the components at issue in Sisamex's lawsuit and t
Sisamex must instead purchase those components from Meritor HVS. On July 23,
parties to the two actions filed a joint motion seeking an order that the two actions
and that both actions be heard before the same judge. The motion was granted. Sho
the cases were filed, both parties filed cross motions to dismiss the other party’s co
The Court heard oral arguments on the motions on November 24, 2014 and on Jan
2015 denied both parties' motions. The case is currently in discovery.
- Various other lawsuits, claims and proceedings have been or may be instituted or a
against Meritor or our subsidiaries relating to the conduct of our business, includin
pertaining to product liability, tax, warranty or recall claims, intellectual property,

health, contract and employment matters. Although the outcome of litigation cann
predicted with certainty and some lawsuits, claims or proceedings may be dispose
unfavorably to Meritor, management believes, after consulting with Meritor's Gen
Counsel, that the disposition of matters that are pending will not have a material ef
business, financial condition or results of operations.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 4A. Executive Officers of the Registrant.

The name, age, positions and offices held with Meritor and principal occupations a
employment during the past five years of each of our executive officers as of Nove
2015, are as follows:

Ivor J. Evans, 73 - Executive Chairman since April 2015. Chairman and Chief Exe
Officer from August 2013 until April 2015 and President from August 2013 until J
Executive Chairman and Interim Chief Executive Officer and President from May
August 2013. Mr. Evans has been a director since May 2005. He served as Vice Cl
Union Pacific Corporation from January 2004 until his retirement in March 2005, a
as a member of the Union Pacific board of directors from 1999 to 2005. He had ser
President and Chief Operating Officer of Union Pacific Railroad from 1998 until J
2004. From 1989 until 1998, he served in various executive positions at Emerson E
Company (technology and engineering applications), including Senior Vice Presid
Industrial Components and Equipment. Prior to that, he was President of Blacksto
from 1985 to 1989 and previously spent 21 years serving in key operations roles fo
Motors Corporation (automotive).

Jeffrey A. Craig, 55 - Chief Executive Officer and President since April 2015 and
and Chief Operating Officer from June 2014 until April 2015. Mr. Craig has served
director of Meritor since April 2015. Senior Vice President and President, Comme
and Industrial from February 2013 until May 2014. Senior Vice President and Chie
Officer from May 2008 until January 2013. Acting Controller from May 2008 to Ja
2009. Senior Vice President and Controller from May 2007 until May 2008. Vice P
and Controller from May 2006 until April 2007. Prior to that, he was President and
Executive Officer of GMAC Commercial Finance (commercial lending service) fr
May 2006, and President and Chief Executive Officer of GMAC's Business Credit
from 1999 to 2001. He joined GMAC as general auditor in 1997 from Deloitte & T
where he served as an audit partner.

Kevin Nowlan, 43 - Senior Vice President and Chief Financial Officer since May 2
President and Chief Financial Officer from February 2013 until April 2013. Vice P
and Controller of Meritor from December 2010 until February 2013 and Vice Pres
Treasurer from July 2009 until his appointment as Vice President and Controller. F
2008 until July 2009, served as Vice President and Assistant Treasurer of Meritor a
March 2007 until July 2008 served as Vice President of Shared Services. Prior to t
Nowlan was Director of Capital Planning for General Motors Acceptance Corp. ("
from 2006 until 2007 and worked in various roles at GMAC and General Motors C
(automotive) since 1995.

Sandra Quick, 49 - Senior Vice President, General Counsel and Corporate Secretar
February 2014. Group Vice President and General Counsel for the Electronics and
Division of Johnson Controls, Inc. from April 2012 until February 2014. Vice Pres
General Counsel for the North American and South American operations of Johnso
Automotive Experience Group from August 2007 until April 2012. Vice President
Counsel and Secretary for Toyoda Gosei North America Corporation from June 20
July 2007. North American Legal Counsel for Valeo Electrical Systems, Inc. from
1998 until June 2000. Senior Counsel for ITT Automotive, Inc. from June 1995 un
September 1998. Associate Litigation Attorney at Dickinson Wright PLLC from S
1991 until June 1995.

Timothy Heffron, 51 - Vice President, Human Resources and Chief Information O
August 2013. Vice President, Chief Information Officer and Shared Services from
until August 2013. Vice President of Shared Services from June 2008 until July 20

Executive Vice President and Chief Information Officer of GMAC Commercial Fi
January 2002 until June 2008. Director of Reengineering for GMAC from Decemb
until December 2001. Director of Global Information Technology for General Mot
June 1999 until November 1999. Assistant General Auditor for GMAC from Marc
until May 1999. Prior to that, spent nine years in public accounting, most recently
senior manager with Ernst & Young.
Chris Villavarayan, 45 - President, Americas since January 2014. Vice President o
Manufacturing and Supply Chain Management from June 2012 until January 2014
Director of Meritor India and CEO of MHVSIL from November 2009 until June 2
Meritor Heavy Vehicle Systems (India) Ltd., a joint venture with the Kalyani Grou
Mysore, India, from January 2010 until June 2012. General Manager of Operation
and Strategy for Meritor from September 2007 until November 2009. Director of
Manufacturing from December 2006 until September 2007. Regional Manager of
Improvement from April 2005 until December 2006. Project Engineer from Octob
until April 2005. Project Coordinator and Site Manager of Meritor St. Thomas, On
facility from June 2000 until October 2001.

Joseph Plomin, 53 - President, International since January 2014. Vice President of
International from July 2013 until January 2014. Vice President of Global Brakes
2012 until July 2013. Vice President of Truck North America and South America
2011 until May 2012. Vice President of Commercial Vehicle Systems Truck from
2007 until July 2011. Prior to joining Meritor, Mr. Plomin held a variety of executi
positions at Delco Remy International, including President of Electrical Aftermark
February 2006 until October 2006; Senior Vice President of Sales/Marketing/Prod
Management from October 2006 until September 2007; General Manager/Senior V
President of Heavy Duty/Industrial Division from June 2001 until February 2006;
Vice President of Sales and Marketing, Electrical Division from September 1998 u
December 2000.

Robert Speed, 44 - President, Aftermarket & Trailer and Chief Procurement Office
April 2015. Vice President and Chief Procurement Officer from February 2014 unt
2015. Vice President of Procurement from March 2013 until February 2014. Vice
Purchasing from January 2012 until March 2013. Managing Director of Meritor's
operations

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from July 2010 until January 2012. Senior Director of Finance, Truck Americas, fr
February 2009 until July 2010. Senior Director of Finance, Truck Group, from July
February 2009. Director of Finance for Truck and Procurement from January 2008
2008. Director of Financial Planning and Analysis from March 2006 until January
to joining Meritor, Mr. Speed was Manager of Capital Markets at NOP Automotiv
Worldwide from February 2005 until March 2006. Director of Finance & Adminis
NOP Automotive Worldwide from September 2000 until June 2003. Manager of F
NOP Automotive Worldwide from February 2000 until August 2000. M&A Arbitr
at Peter Securities, LLC from July 1998 until February 2000. Senior Equity Trader
America Bank from May 1997 until July 1998.

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

PART II

Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and
Purchases of Equity Securities

Meritor's common stock, par value $1 per share (“Common Stock”), is listed on th
Stock Exchange (“NYSE”) and trades under the symbol "MTOR." On November 1
there were 15,582 shareowners of record of Meritor's Common Stock.

The high and low sale prices per share of Meritor Common Stock for each quarter
years 2015 and 2014 were as follows:

	Fiscal Year 2015		Fiscal Ye
Quarter Ended	High	Low	High
December 31	$14.99	$9.73	$9.93
March 31	15.46	12.04	12.68
June 30	14.42	12.25	14.75
September 30	14.22	10.98	14.09

There were no dividends declared and paid in fiscal year 2015 or in fiscal year 201
payment of cash dividends and the amount of the dividend are subject to review an
the discretion of our Board of Directors.

Our revolving credit facility permits us to declare and pay up to $40 million of div
any fiscal year provided that no default or unmatured default, as defined in the agr
occurred and is continuing at the date of declaration or payment.

Additionally, our indentures permit us to pay dividends under the following primar
conditions:

- if a default on the notes, as defined in the indentures, has not occurred and is not c
or shall not occur as a consequence of the payment;
- if the interest coverage ratio, as defined in the indentures, is greater than 2.00 to 1.
giving effect to the dividend;
- if the cumulative amount of the dividends paid does not exceed certain cumulative
earnings measurements;
- if the dividends are less than $60 million per fiscal year (with a carryover to the ne
year of up to $60 million if unused in the current fiscal year); and
- if after giving effect to the dividend, the total leverage ratio, as defined in the inde
would not exceed 4.00 to 1.00.

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

Issuer repurchases

The independent trustee of our 401(k) plans purchases shares in the open market to
investments by employees in our common stock, one of the investment options ava
under such plans, and any matching contributions in company stock we provide un
of such plans. In addition, our stock incentive plans permit payment of an option e
price by means of cashless exercise through a broker and permit the satisfaction of
minimum statutory tax obligations upon exercise of options and the vesting of rest
units through stock withholding. However, the company does not believe such pur
transactions are issuer repurchases for the purposes of this Item 5 of this Report on
10-K. In addition, our stock incentive plans also permit the satisfaction of tax oblig
upon the vesting of restricted stock through stock withholding. There were no shar
in fiscal year 2015.

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Shareowner Return Performance Presentation

The line graph below compares the cumulative total shareowner return of the S&P
Meritor, Inc. and the peer group of companies for the period from September 30, 2
September 30, 2015, assuming a fixed investment of $100 at the respective closing
the last day of each fiscal year and reinvestment of cash dividends.

	9/10	9/11	9/12	9/13	9/14
Meritor, Inc.	100.00	45.43	27.28	50.58	69.82
S&P 500	100.00	101.14	131.69	157.17	188.1
Peer Group(1)	100.00	88.53	103.81	156.42	158.1

(1) The peer group consists of representative commercial vehicle suppliers of appro comparable products to Meritor. The peer group consists of Accuride Corporati Commercial Vehicle Group, Inc., Cummins Inc., Dana Holding Corporation, H Modine Manufacturing Company, SAF-Holland SA, Stoneridge, Inc., and Wab Holdings Inc.

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

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Item 6. Selected Financial Data.

The following sets forth selected consolidated financial data. The data should be re
conjunction with the information included under Item 7. Management's Discussion
Analysis of Financial Condition and Results of Operations and Item 8. Financial S
and Supplementary Data below. Fiscal years 2013, 2012, and 2011 have been reca
our Mascot business as discontinued operations.

	Year Ended September 30,			
	2015	2014	2013	2012
	(in millions, except per share amount			
SUMMARY OF OPERATIONS				
Sales				
Commercial Truck & Industrial	$2,739	$2,980	$2,920	$3,613
Aftermarket & Trailer	884	920	871	906
Intersegment Sales	(118)	(134)	(119)	(135
Total Sales	$3,505	$3,766	$3,672	$4,384
Operating Income	$128	$217	$7	$173
Income Before Income Taxes	67	315	51	137
Net Income Attributable to Noncontrolling Interests	(1)	(5)	(2)	(11
Net Income (Loss) Attributable to Meritor, Inc.:				
Income (Loss) from Continuing Operations	$65	$279	$(15)	$69
Loss from Discontinued Operations	(1)	(30)	(7)	(17
Net Income (Loss)	$64	$249	$(22)	$52
BASIC EARNINGS (LOSS) PER SHARE				
Continuing Operations	$0.67	$2.86	$(0.15)	$0.72
Discontinued Operations	(0.01)	(0.31)	(0.07)	(0.18
Basic Earnings (Loss) per Share	$0.66	$2.55	$(0.22)	$0.54
DILUTED EARNINGS (LOSS) PER SHARE				
Continuing Operations	$0.65	$2.81	$(0.15)	$0.71
Discontinued Operations	(0.01)	(0.30)	(0.07)	(0.17
Diluted Earnings (Loss) per Share	$0.64	$2.51	$(0.22)	$0.54
FINANCIAL POSITION AT SEPTEMBER 30				
Total Assets [(1)]	$2,195	$2,485	$2,552	$2,489
Short-term Debt	15	7	13	18
Long-term Debt [(1)]	1,036	948	1,107	1,030

(1) Prior year amounts have been recast to reflect the early adoption of ASU 2015-
Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt
Costs.

Income (loss) from continuing operations attributable to Meritor, Inc. in the selecte data information presented above includes the following items specific to the perio occurrence (in millions):

	Year Ended September 3			
	2015	2014	2013	2012
Pretax items:				
Restructuring costs	$(16)	$(10)	$(23)	$(39
Goodwill and asset impairment charges	(17)	—	—	—
Impact of curtailment gain, pension settlement loss and pension plan freeze	(59)	15	(109)	—
Antitrust settlement with Eaton (including recovery of past legal fees)	—	209	—	—
Gain on sale of equity investment	—	—	125	—
Specific warranty contingency, net of supplier recovery	—	(8)	(7)	—
Loss on debt extinguishment	(25)	(31)	(19)	—
Gain on sale of property	—	—	—	16
Asbestos-related liability remeasurement	(1)	(20)	(7)	(18
Non-operating gains, net	5	—	3	7
After tax items:				
Deferred tax asset valuation allowance benefit (expense)	(16)	—	—	—

Loss from discontinued operations attributable to Meritor, Inc. in the selected finar information presented above includes the following items specific to the period of (in millions):

	Year Ended September 30,			
	2015	2014	2013	2012
Pretax items:				
Gain (loss) on divestitures of businesses, net	$—	$(23)	$—	$(1
Restructuring costs	—	—	(3)	(1
Charge for contingency and indemnity obligation	—	—	—	(10

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Item 7. Management’s Discussion and Analysis of Financial Conditions and Resul
Operations.

Overview

Headquartered in Troy, Michigan, we are a premier global supplier of a broad rang
integrated systems, modules and components to OEMs and the aftermarket for the
commercial vehicle, transportation and industrial sectors. We serve commercial tru
military, bus and coach, construction, and other industrial OEMs and certain aftern
Meritor common stock is traded on the New York Stock Exchange under the ticker
MTOR.

Our sales for fiscal year 2015 were $3,505 million, a decrease compared to $3,766
the prior year. The decrease in sales was the result of the strengthening of the US d
against most currencies, primarily the euro and Brazilian real. In addition, unfavora
macro-economic conditions in South America and China resulted in lower product
regions, and we experienced lower revenue from our Defense business compared t
fiscal year. The production decreases were partially offset by higher sales in North
as the Class 8 truck market reached its strongest production levels since 2006.

Adjusted EBITDA (see Non-GAAP Financial Measures below) for fiscal year 201
million compared to $314 million in fiscal year 2014. Our Adjusted EBITDA marg
Non-GAAP Financial Measures below) in fiscal year 2015 was 9.5 percent compa
percent in the same period a year ago. Despite lower revenue, Adjusted EBITDA a
Adjusted EBITDA margin increased compared to the prior fiscal year primarily du
material, labor and burden performance pricing actions, and lower SG&A expense
more than offset the impact of lower revenue. Net income attributable to the compa
fiscal year 2015 and 2014 was $64 million and $249 million, respectively.

Net income from continuing operations attributable to the company for fiscal years
2014 was $65 million and $279 million, respectively. Adjusted income from contin
operations attributable to the company for fiscal years 2015 and 2014 was $155 mi
$101 million, respectively. See Non-GAAP Financial Measures below.

Cash flows provided by operating activities were $97 million in fiscal year 2015 co
cash flows provided by operating activities of $215 million in the prior fiscal year.
decrease is primarily due to the $209 million in proceeds received from the settlem
Eaton antitrust litigation in the prior fiscal year, partially offset by an increase in m
provided by our accounts receivable factoring program and lower contributions to
plans.

Canadian and German Pension Settlements

During fiscal year 2015, we settled the remaining liabilities associated with our Ca
pension plans through lump-sum payments made from plan assets to plan participa
purchasing annuity contracts from an insurance company. We recognized a primar
non-cash pre-tax settlement loss of $16 million associated with the annuity purchas
lump-sum payments. We settled a net pension obligation of $16 million using $20
pension plan assets, such that the assets and liabilities were derecognized from the
sheet during the quarter ended September 30, 2015.

Additionally, in fiscal year 2015, we settled the remaining liabilities associated wit
German pension plans by purchasing annuity contracts from an insurance company
recognized a primarily non-cash pre-tax settlement loss of $43 million associated w
annuity purchases. We settled a net pension obligation of $91 million, which was
derecognized from the balance sheet during the quarter ended September 30, 2015.

Defense Goodwill and Asset Impairment

Sales for our primary military program were at their peak during fiscal year 2012 a
to decline in fiscal year 2013. The program wound down to insignificant levels in 2
expected to remain insignificant until completion of the program.

In the fourth quarter of fiscal year 2015, the U.S. Army awarded a new contract for
production of the Joint Light Tactical Vehicle (JLTV) to Oshkosh. We expect prod
this program to ramp up over the next several years. Although we expect to supply
wheel-ends on this program, our revenue will be significantly less than if the progr
awarded differently and we were supplying our ProTec Independent Suspension.

We continue to work toward securing participation in additional military programs
based on sales expectations for currently awarded programs, the fair value of our D
business did not exceed its carrying value. As a result, we have recorded an impair
$15 million, pre-tax, of goodwill. In addition, we made certain capital investments
commitments to supply our ProTec Independent Suspension had the JLTV program
awarded differently. As a result, we recorded an impairment of $2 million of long-
in the fourth quarter of fiscal year 2015.

Valuation Allowance (VA)

In prior years, we established valuation allowances against our U.S. net deferred ta
and the net deferred tax assets of our 100-percent-owned subsidiaries, including th
France, Germany, Italy, Sweden, U.K. and certain other countries. In evaluating ou
recover these net deferred tax assets, we utilize a consistent approach which consid
historical operating results, including an assessment of the degree to which any gai
are driven by items that are unusual in nature and tax planning strategies. In additio
review changes in near-term market conditions and other factors that impact future
results.

During the fourth quarter of fiscal year 2015, as a result of sustained profitability in
Italy, Mexico and Sweden evidenced by a strong earnings history and additional po
evidence, we determined it was more likely than not future earnings will be suffici
realize deferred tax assets in these jurisdictions. Accordingly, we reversed valuatio
allowances in Germany, Italy, Mexico, and Sweden, resulting in non-cash income
of $16 million.

We continue to maintain the valuation allowances in the U.S., France, U.K. and ce
jurisdictions, as we believe the negative evidence that we will be able to recover th
deferred tax assets continues to outweigh the positive evidence. If, in the future, w
taxable income on a sustained basis in jurisdictions where we have recorded valuat
allowances, our conclusion regarding the need for valuation allowances in these ju
could change. Accordingly, although we were profitable in the U.S. in 2014 and 20
have not generated enough positive evidence to warrant a reversal of the U.S. valu
allowance, so we continue to record a full valuation allowance against the U.S. net
tax assets. Although the weight of negative evidence related to cumulative losses is
decreasing as we deliver on our M2016 plan, we believe that this objectively-meas
negative evidence outweighs the subjectively-determined positive evidence and, as
have not changed our judgment regarding the need for a full valuation allowance in
Continued improvement in our operating results, however, could lead to reversal o
all of these valuation allowances in the future. Consumption of tax attributes to off
will reduce the overall level of deferred tax assets subject to valuation allowance.

Capital Market Transactions

In the third quarter of fiscal year 2015, we issued an additional $225 million aggre
principal amount of our existing 6.25 percent notes due 2024. Upon completion of
offering, the aggregate principal amount of outstanding notes of this series was $4
The proceeds from the sale of these additional notes due 2024 were used to repleni
available cash used to pay $179 million, including premium and fees, to repurchase
million principal amount at maturity of our 7.875 percent convertible notes due 20
the third and fourth quarters of 2015. In the fourth quarter of fiscal year 2015, we u
remaining net proceeds, along with cash, to purchase annuities to satisfy our obliga
our Canadian and German pension plans for our employees.

Equity and Equity-Linked Repurchase Authorization

In June 2014, our Board of Directors authorized the repurchase of up to $210 milli
equity and equity-linked securities (including convertible debt securities), subject t
achievement of our M2016 net debt reduction target and compliance with legal and
requirements and our debt covenants. In September 2014, our Board authorized the
repurchase of up to $40 million of our equity or equity-linked securities (including
convertible debt securities) under the $210 million authorization that may be made

without regard to achievement of the M2016 net debt reduction target. These autho
have no stated expiration. Under these authorizations, in fiscal year 2015, we repur
million shares of our common stock for $55 million and $19 million principal amo
company's 4.0 percent convertible notes due 2027 (see Note 16 of the Notes to Co
Financial Statements). The amount remaining available for repurchases under the e
equity-linked repurchase authorizations was $136 million as of September 30, 201
As part of the equity and equity-linked repurchase authorization, in August 2015, v
into a 10b5-1 stock repurchase plan. Under this plan, from October 1, 2015 throug
November 13, 2015, we have repurchased approximately 1.8 million shares for $2
As of November 18, 2015, we have repurchased 6 million common shares under th
and Equity-Linked Repurchase Authorization. The amount remaining available fo
repurchases under the equity and equity-linked repurchase authorizations was $11
of October 31, 2015.

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Trends and Uncertainties

Industry Production Volumes

The following table reflects estimated on-highway commercial truck production v
selected original equipment (OE) markets based on available sources and managen
estimates.

	Year Ended September 30,			
	2015	2014	2013	201
Estimated Commercial Truck production (in thousands):				
North America, Heavy-Duty Trucks	328	281	243	295
North America, Medium-Duty Trucks	234	219	197	182
North America, Trailers	301	254	238	237
Western Europe, Heavy- and Medium-Duty Trucks	398	395	383	394
South America, Heavy- and Medium-Duty Trucks	89	156	186	165
India, Heavy- and Medium-Duty Trucks	270	215	226	315

North America:
During fiscal year 2015, production volumes in North America increased compare
levels experienced in fiscal year 2014. We expect production volumes in North An
remain strong during fiscal year 2016 but at decreased levels compared to those ex
in fiscal year 2015.
Western Europe:
During fiscal year 2015, production volumes in Western Europe increased slightly
to the levels experienced in fiscal year 2014. During fiscal year 2016, we expect pr
volumes in Western Europe to increase modestly compared to the levels experienc
year 2015, as we continue to see registrations increasing and freight fundamentals
South America:
During fiscal year 2015, production volumes in South America significantly decre
year-over-year basis as a result of the difficult economic climate in Brazil. During
2016, we expect the markets in South America to remain consistent with the depre
experienced in the second half of fiscal year 2015.
China:
During fiscal year 2015, production volumes in China decreased on a year-over-ye
a result of the local economic climate. During fiscal year 2016, we expect producti
in China to remain consistent with levels experienced in fiscal year 2015.
India:
During fiscal year 2015, production volumes in India increased due to an improvin
economic climate compared to the levels experienced in fiscal year 2014. During f
2016, we expect production volumes to continue to improve compared to the level
experienced in fiscal year 2015.

Industry-Wide Issues

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

- Uncertainty around the global market outlook;
- Volatility in price and availability of steel, components and other commodities;
- Disruptions in the financial markets and their impact on the availability and cost o

- Volatile energy and increasing transportation costs;
- Impact of currency exchange rate volatility;

- Consolidation and globalization of OEMs and their suppliers; and
- Significant pension and retiree medical health care costs.

Other

Other significant factors that could affect our results and liquidity in fiscal year 20 beyond include:

- Significant contract awards or losses of existing contracts or failure to negotiate ac terms in contract renewals;
- Failure to obtain new business;
- Our ability to manage possible adverse effects on our European operations, or fina arrangements related thereto, in the event one or more countries exit the European union;
- Our ability to implement planned productivity, cost reduction, and other margin in initiatives;
- Our ability to work with our customers to manage rapidly changing production vol
- Our ability to recover and timing of recovery of steel price and other cost increases customers;
- Any unplanned extended shutdowns or production interruptions by us, our custom suppliers;
- A significant deterioration or slowdown in economic activity in the key markets in operate;
- Competitively driven price reductions to our customers;
- Potential price increases from our suppliers;
- Additional restructuring actions and the timing and recognition of restructuring ch including any actions associated with the prolonged softness in markets in which w
- Higher-than-planned warranty expenses, including the outcome of known or poten campaigns;
- Uncertainties of asbestos claim litigation and the outcome of litigation with insura companies regarding the scope of coverage and the long-term solvency of our insu carriers; and
- Restrictive government actions by foreign countries (such as restrictions on transfe and trade protection measures, including export duties, quotas and customs duties

NON-GAAP FINANCIAL MEASURES

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

Adjusted income (loss) from continuing operations and Adjusted diluted earnin per share from continuing operations are defined as reported income (loss) from co operations and reported diluted earnings or loss per share from continuing operatio restructuring expenses, asset impairment charges and other special items as determ management. Adjusted EBITDA is defined as income (loss) from continuing opera before interest, income taxes, depreciation and amortization, non-controlling intere consolidated joint ventures, loss on sale of receivables, restructuring expenses, ass impairment charges and other special items as determined by management. Adjuste EBITDA margin is defined as Adjusted EBITDA divided by consolidated sales fro continuing operations. Free cash flow is defined as cash flows provided by (used fo

operating activities less capital expenditures. Net debt including retirement liabiliti
defined as total debt plus pension assets, pension liability, retiree medical liability
retirement benefits less cash and cash equivalents.

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Management believes these non-GAAP financial measures are useful to both m
and investors in their analysis of the company's financial position and results of op
particular, management believes that Adjusted EBITDA, Adjusted EBITDA margi
Adjusted diluted earnings (loss) per share from continuing operations are meaning
measures of performance as they are commonly utilized by management and the in
community to analyze operating performance in our industry. Further, managemen
Adjusted EBITDA for planning and forecasting future periods. In addition, we use
EBITDA as the primary basis for the Chief Operating Decision Maker (CODM) to
the performance of each of our reportable segments. Segment EBITDA is defined
(loss) from continuing operations before interest expense, income taxes, depreciati
amortization, non-controlling interests in consolidated joint ventures, loss on sale o
receivables, restructuring expense and asset impairment charges. Management beli
free cash flow is useful in analyzing our ability to service and repay debt and retur
directly to shareholders. Net debt, including retirement liabilities, is a specific fina
measure which is part of our three-year plan, M2016, to reduce debt and other bala
liabilities.

Adjusted income (loss) from continuing operations and Adjusted diluted earnin
per share from continuing operations and Adjusted EBITDA should not be conside
substitute for the reported results prepared in accordance with GAAP and should n
considered as an alternative to net income as an indicator of our operating perform
cash flows as a measure of liquidity. Free cash flow should not be considered a sub
cash provided by (used for) operating activities, or other cash flow statement data p
accordance with GAAP, or as a measure of financial position or liquidity. In additi
non-GAAP cash flow measures do not reflect cash used to repay debt or cash recei
the divestitures of businesses or sales of other assets and thus do not reflect funds a
for investment or other discretionary uses. These non-GAAP financial measures, a
determined and presented by the company, may not be comparable to related or sir
titled measures reported by other companies. Net debt should not be considered a s
for total debt as reported on the balance sheet. Set forth below are reconciliations o
non-GAAP financial measures to the most directly comparable financial measures
in accordance with GAAP.

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

	Year Ended September	
	2015	2014
Adjusted income from continuing operations attributable to the company, net of tax	$155	$101
Antitrust settlement with Eaton (1)	—	208
Restructuring costs	(14)	(7)
Specific warranty contingency, net of supplier recovery	—	8
Pension settlement losses	(55)	—
Gain on sale of equity investment	—	—
Loss on debt extinguishment	(24)	(31)
Goodwill and asset impairment charges	(13)	—
Income tax benefit (VA reversal)	16	—
Income (loss) from continuing operations attributable to the company	$65	$279

Adjusted diluted earnings per share from continuing operations	$1.55	$1.02
Impact of adjustments on diluted earnings per share	(0.90)	1.79
Diluted earnings (loss) per share from continuing operations	$0.65	$2.81

(1) Adjustment associated with our share of the antitrust settlement with Eaton less
expenses incurred in fiscal year 2014.
(2) In fiscal year 2014, amounts for fiscal year 2013 were recast for discontinued op

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

	Year Ended September	
	2015	2014
Cash provided by (used for) operating activities	$97	$215
Capital expenditures	(79)	(77)
Free cash flow	$18	$138

Net debt, including retirement liabilities, is reconciled to total debt (in millions).

	September
	2015
Short-term debt	$15
Long-term debt	1,036
Total debt	1,051
Pension assets - non-current	(110)
Pension liability - current	5
Pension liability - non-current	214
Pension liability	109
Retiree medical liability - current	33
Retiree medical liability - non-current	405
Retire medical liability	438
Other retirement benefits - current	1
Other retirement benefits - non-current	13
Subtotal	1,612
Less: Cash and cash equivalents	(193)
Net debt, including retirement liabilities	$1,419

(1) Prior year amounts have been recast to reflect the early adoption of ASU 2015-(Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Costs.

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Adjusted EBITDA is reconciled to net income attributable to Meritor, Inc. in “Resu
Operations” below.

Results of Operations

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

	Year Ended September 30	
	2015	2014
	(in millions, except per sh amounts)	
Sales:		
Commercial Truck & Industrial	$2,739	$2,980
Aftermarket & Trailer	884	920
Intersegment Sales	(118)	(134)
SALES	$3,505	$3,766
SEGMENT EBITDA:		
Commercial Truck & Industrial	$216	$218
Aftermarket & Trailer	123	106
SEGMENT EBITDA	339	324
Unallocated legacy and corporate costs, net (1)	(5)	(10)
ADJUSTED EBITDA	334	314
Interest expense, net	(105)	(130)
Provision for income taxes	(1)	(31)
Depreciation and amortization	(65)	(67)
Restructuring costs	(16)	(10)
Loss on sale of receivables	(5)	(8)
Pension settlement losses	(59)	—
Antitrust settlement with Eaton, net of tax (2)	—	208
Gain on sale of equity investment	—	—
Specific warranty contingency, net of supplier recovery	—	8
Goodwill and asset impairment charges	(17)	—
Noncontrolling interests	(1)	(5)
INCOME (LOSS) FROM CONTINUING OPERATIONS, attributable to Meritor, Inc.	65	279
LOSS FROM DISCONTINUED OPERATIONS, net of tax	(1)	(30)
NET INCOME (LOSS) attributable to Meritor, Inc.	$64	$249
DILUTED EARNINGS (LOSS) PER SHARE, attributable to Meritor, Inc.		
Continuing operations	$0.65	$2.81
Discontinued operations	(0.01)	(0.30)
Diluted earnings (loss) per share	$0.64	$2.51
DILUTED AVERAGE COMMON SHARES OUTSTANDING	100.1	99.2

(1)

Unallocated legacy and corporate costs, net represents items that are not directl
our business segments. These costs primarily include asbestos-related charges,
and retiree medical costs associated with sold businesses and other legacy costs
environmental charges.

(2) Adjustment associated with our share of the antitrust settlement with Eaton less
expenses incurred in fiscal year 2014.

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Fiscal Year 2015 Compared to Fiscal Year 2014

Sales

The following table reflects total company and business segment sales for fiscal ye
and 2014 (in millions). The reconciliation of the dollar change is intended to reflec
in business segment sales and to illustrate the impact that changes in foreign curren
exchange rates, volumes and other factors had on sales. Business segment sales inc
intersegment sales.

	2015	2014	Dollar Change	% Change	Dolla Due T Curre
Sales:					
Commercial Truck & Industrial					
North America	$1,560	$1,447	$113	8 %	$—
Europe	574	644	(70)	(11)%	(120
South America	198	408	(210)	(51)%	(53
China	90	146	(56)	(38)%	(2
India	140	114	26	23 %	(5
Other Asia Pacific	87	117	(30)	(26)%	(13
Total External Sales	$2,649	$2,876	$(227)	(8)%	$(193
Intersegment Sales	90	104	(14)	(13)%	(24
Total Sales	$2,739	$2,980	$(241)	(8)%	$(217
Aftermarket & Trailer					
North America	$734	$739	$(5)	(1)%	$(12
Europe	122	151	(29)	(19)%	(21
Total External Sales	$856	890	$(34)	(4)%	(33
Intersegment Sales	28	30	(2)	(7)%	(21
Total Sales	$884	$920	$(36)	(4)%	(54
Total Sales	$3,505	$3,766	$(261)	(7)%	(226

Commercial Truck & Industrial sales were $2,739 million in fiscal year 2015, dow
percent from fiscal year 2014. The decrease in sales was the result of the strengthe
US dollar against most currencies, primarily the euro and Brazilian real, which unf
impacted sales by $193 million in fiscal year 2015 compared to the prior fiscal yea
addition, unfavorable macro-economic conditions in South America and China res
lower production in these regions, and we experienced lower revenue from our De
business compared to the prior period. These production decreases were partially o
higher sales in North America, as the Class 8 truck market reached its strongest pro
levels since 2006.

Aftermarket & Trailer sales were $884 million in fiscal year 2015, down 4 percent
year 2014. The decrease was primarily due to the unfavorable impact of the streng
dollar on our aftermarket business in Europe.

Cost of Sales and Gross Profit

Cost of sales primarily represents material, labor and overhead production costs as
with the company's products and production facilities. Cost of sales for fiscal year
$3,043 million compared to $3,279 million in the prior year, representing a 7.2 per
decrease. Total cost of sales was approximately 86.8 percent of sales for fiscal yea
compared to approximately 87.1 percent for the prior fiscal year.

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The following table summarizes significant factors contributing to the changes in c
sales during fiscal year 2015 compared to the prior fiscal year (in millions):

	Cos
Fiscal year ended September 30, 2014	$3,2
Volumes, mix and other, net	(50
Foreign exchange	(186
Fiscal year ended September 30, 2015	$3,0

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

Lower material costs	$(16
Lower labor and overhead costs	(89
Other, net	13
Total decrease in costs of sales	$(23

Material costs represent the majority of our cost of sales and include raw materials
primarily of steel and purchased components. Material costs decreased by $160 mi
compared to the prior fiscal year primarily due to the movement in foreign currenc
lower volume, and material cost savings.

Labor and overhead costs decreased by $89 million compared to the prior fiscal ye
primarily due to the movement in foreign currency rates, lower revenue, and savin
associated with labor and burden cost reduction programs.

Other, net increased by $13 million compared to the prior fiscal year. The increase
primarily due to a $15 million
immediate recognition of negative prior service costs related to the curtailment of c
medical liability in the prior fiscal year partially offset by a decrease in foreign cur
transaction losses.

Gross margin, for fiscal year 2015 was $462 million compared to $487 million in f
2014. Gross margin, as a percentage of sales, was 13.2 percent and 12.9 percent fo
years 2015 and 2014, respectively.

Other Income Statement Items

Selling, general and administrative expenses (SG&A) for fiscal years 2015 and 20
summarized as follows (in millions):

	2015			2014			Increase	
	Amount	% of sales		Amount	% of sales			
SG&A								
Loss on sale of receivables	$5	0.1	%	$8	0.2	%	$(3	)
Short- and long-term variable compensation	27	0.8	%	35	0.9	%	(8	)

Legal fee recovery from the Eaton settlement	—		—	%	(20	)	(0.5	)%	20	
Asbestos-related liability remeasurement	(2	)	—	%	20		0.5	%	(22	)
Long-term liability reduction	—		—	%	(5	)	(0.1	)%	5	
All other SG&A	213		6.0	%	220		5.8	%	(7	)
Total SG&A	$243		6.9	%	$258		6.8	%	$(15	)

In the fourth quarter of fiscal year 2014, we incurred a $20 million charge associat re-measurement of our asbestos liabilities, net of expected insurance recoveries. Th in our fiscal year 2014 net liability was primarily due to increased claim filings and projected defense costs.

In the third quarter of fiscal year 2014, as a result of the settlement with Eaton, ZF
was obligated to reimburse the company $20 million for the recovery of current an
period legal expenses. We recognized the recovery in SG&A as the historical incur
these costs was included in SG&A in the consolidated statements of operations in p
periods.
In the first quarter of fiscal year 2014, we executed a change to our long-term disab
benefit plan reducing the duration for which we provide medical and dental benefit
individuals on long-term disability to be more consistent with market practices. Th
in a $5 million reduction in the liability associated with these benefits.
All other SG&A represents normal selling, general and administrative expense and
year over year. Total SG&A as a percentage of sales remained relatively flat year o
Pension settlement losses of $59 million were recognized during the fiscal year 20
the fourth quarter of fiscal year 2015, we recognized a $16 million loss associated
settlement of our remaining Canadian pension plans through lump-sum payments a
annuity purchase and $43 million associated with the settlement of our remaining C
pension plans through an annuity purchase. The loss was non-cash and relates prim
acceleration of previously unrecognized actuarial losses already reflected in equity
Goodwill Impairment costs of $15 million were recognized during the fourth quart
year 2015 for the company's Defense reporting unit, which is included in the Comm
Truck and Industrial segment.
Restructuring costs were $16 million in fiscal year 2015, compared to $10 million
year 2014. In fiscal year 2015, our Commercial Truck & Industrial segment and co
locations recognized $14 million and $2 million, respectively, of restructuring cost
related to employee severance costs. In fiscal year 2014, our Commercial Truck &
segment and our Aftermarket & Trailer segment recognized $8 million and $1 mill
respectively, of restructuring costs primarily related to employee severance costs. I
we recognized $1 million of restructuring costs at our corporate locations in fiscal

Operating income for fiscal year 2015 was $128 million, compared to $217 million
year 2014. Key items affecting income are discussed above.

Equity in earnings of ZF Meritor was $190 million in fiscal year 2014 related to ou
the earnings related to the antitrust settlement with Eaton in the third quarter of fisc
2014.

Equity in earnings of affiliates was $39 million in fiscal year 2015, compared to $3
in the prior year.

Interest expense, net was $105 million and $130 million in fiscal years 2015 and 20
respectively. The decrease was primarily attributable to the capital markets transac
executed in fiscal year 2015 that lowered our cost of debt as well as lower losses o
extinguishments. In fiscal year 2015, we repurchased $110 million principal amoun
maturity of our 7.875 percent convertible notes due 2026, of which $85 million we
repurchased at a premium equal to approximately 64 percent of their principal amo
third quarter of fiscal year 2015, and $25 million were repurchased at a premium e
approximately 58 percent of their principal amount in the fourth quarter of fiscal y
In addition, in fiscal year 2015, we repurchased $19 million principal amount of o
percent convertible notes due 2027. In fiscal year 2015, we recognized a $24 millio
debt extinguishment, which is included in Interest expense, net, primarily related to

repurchase of our 7.875 percent convertible notes due 2026.

During fiscal year 2014, we exercised a call option to redeem $250 million princip
of our 10.625 percent notes due 2018 at a premium equal to 5 percent of their princ
amount and repaid the balance of our $45 million term loan, both of which were fu
available cash and the issuance of $225 million principal amount of our 6.25 perce
due 2024. In the fourth quarter of fiscal year 2014, we repurchased the remaining $
principal amount of our 8.125 percent notes due 2015 as well as $38 million princi
of our 4.0 percent convertible notes due 2027. We recognized a $31 million loss on
extinguishment, which is included in Interest expense, net, related to these transact

Provision for income taxes was $1 million in fiscal year 2015 compared to $31 mil
fiscal year 2014. The decrease in provision for income taxes was primarily attribut
benefits for the reversal of valuation allowances in Germany, Italy, Mexico and Sw
$16 million. Provision for income taxes in fiscal year 2015 also decreased due to lo
earnings in tax-paying jurisdictions.

Income from continuing operations (before noncontrolling interests) for fiscal year
$66 million compared to $284 million in fiscal year 2014. The reasons for the decr
previously discussed.

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Loss from discontinued operations for fiscal year 2015 was $1 million, compared t
$30 million in the prior year. Significant items included in results from discontinue
operations in fiscal year 2015 and 2014 include the following (in millions):

	Year Ended September 30, 2015		201
Operating loss, net (primarily Mascot)	$—		$(8
Loss on Mascot disposal [1]	—		(23
Environmental remediation charges	—		(4
Other, net	(2	)	(2
Loss before income taxes	(2	)	(37
Benefit for income taxes	1		7
Loss from discontinued operations attributable to Meritor, Inc.	$(1	)	$(3

[1] Includes loss on sale, severance and other disposal costs.

Net income attributable to noncontrolling interests was $1 million in fiscal year 20
compared to $5 million in fiscal year 2014. Noncontrolling interests represent our
partners' share of income or loss associated with our less than 100-percent-owned
consolidated subsidiaries.

Net Income attributable to Meritor, Inc. was $64 million for fiscal year 2015 comp
income of $249 million for fiscal year 2014.Various factors affecting the decrease
income were previously discussed.

Segment EBITDA and EBITDA Margins

Segment EBITDA is defined as income (loss) from continuing operations before in
expense, income taxes, depreciation and amortization, noncontrolling interests in c
joint ventures, loss on sale of receivables, restructuring expense, and asset impairm
charges. We use Segment EBITDA as the primary basis for the Chief Operating D
Maker (CODM) to evaluate the performance of each of our reportable segments. S
EBITDA margin is defined as Segment EBITDA divided by consolidated sales fro
continuing operations.

The following table reflects Segment EBITDA and EBITDA margins for fiscal yea
and 2014 (dollars in millions).

	Segment EBITDA						Segment EBIT Margins		
	2015	2014	$ Change		% Change		2015		2014
Commercial Truck & Industrial	$216	$218	$(2	)	(1	)%	7.9	%	7.3
Aftermarket & Trailer	123	106	17		16	%	13.9	%	11.5
Segment EBITDA	$339	$324	$15		5	%	9.7	%	8.6

Significant items impacting year-over-year Segment EBITDA include the followin

	Commercial Truck & Industrial	Aftermarket & Trailer
Segment EBITDA–Year ended September 30, 2014	$ 218	$ 106
Higher earnings from unconsolidated affiliates	1	—
Impact of foreign currency exchange rates	(35)	(6)
Short and long-term variable compensation	7	2
Volume, mix, pricing and other	25	21
Segment EBITDA – Year ended September 30, 2015	$ 216	$ 123

Commercial Truck & Industrial Segment EBITDA was $216 million in fiscal year compared to $218 million in the prior fiscal year. Segment EBITDA margin increa percent in fiscal year 2015 compared to 7.3 percent in the prior fiscal year. The inc Segment EBITDA margin despite a decrease in Segment EBITDA reflects the con execution of our M2016 initiatives, including cost performance and pricing actions performance was more than offset by the impact of lower revenue and foreign curr translation.

Aftermarket & Trailer Segment EBITDA was $123 million in fiscal year 2015, up million compared to the prior fiscal year. Segment EBITDA margin increased to 1 in the current fiscal year compared to 11.5 percent in fiscal year 2014. The increase Segment EBITDA and Segment EBITDA margin were driven by continued cost p and pricing actions.

Fiscal Year 2014 Compared to Fiscal Year 2013

Sales

The following table reflects total company and business segment sales for fiscal ye and 2013. The reconciliation is intended to reflect the trend in business segment sa illustrate the impact that changes in foreign currency exchange rates, volumes and factors had on sales. Business segment sales include intersegment sales (in million

	2014	2013	Dollar Change	% Change	Dolla Due ' Curre
Sales:					
Commercial Truck & Industrial	$2,980	$2,920	$60	2 %	$(41
Aftermarket & Trailer	920	871	49	6 %	4
Intersegment Sales	(134)	(119)	(15)	13 %	(10
TOTAL SALES	$3,766	$3,672	$94	3 %	$(47

Commercial Truck & Industrial sales were $2,980 million in fiscal year 2014, up 2 from fiscal year 2013, reflecting higher production primarily in our North America market partially offset by lower commercial truck production in South America an down in our FMTV military program. North America industry-wide production vo heavy-duty trucks increased 16% in fiscal year 2014 as compared to fiscal year 20 addition, we experienced slightly higher sales in Europe in fiscal year 2014 compa prior fiscal year driven by sales in advance of Europe's implementation of the new commercial truck emission standards in January 2014. Sales in South America dec fiscal year 2014 compared to fiscal year 2013 due to macro-economic conditions i region. Foreign currency exchange rates, primarily the depreciation of the Brazilia unfavorably impacted sales by $41 million compared to the prior fiscal year.

Aftermarket & Trailer sales were $920 million in fiscal year 2014, up 6 percent fr year 2013. The increase was primarily due to higher revenue across all parts of the

Cost of Sales and Gross Profit

Cost of sales primarily represents materials, labor and overhead production costs a
with the company’s products and production facilities. Cost of sales for the fiscal y
September 30, 2014 was $3,279 million compared to $3,277 million in the prior ye
cost of sales was approximately 87.1 percent of sales for the fiscal year ended Sept
2014 compared to approximately 89.2 percent for the prior fiscal year.

The following table summarizes significant factors contributing to the changes in c
sales during fiscal year 2014 compared to the prior fiscal year (in millions):

	Cos
Fiscal year ended September 30, 2013	$3,2
Volumes, mix and other, net	34
Foreign exchange	(32
Fiscal year ended September 30, 2014	$3,2

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

Higher material costs	$65
Lower labor and overhead costs	(26
Other, net	(37
Total increase in costs of sales	$2

Material costs represent the majority of our cost of sales and include raw materials primarily of steel and purchased components. Material costs increased by $65 mill compared to the prior fiscal year primarily as a result of higher volume partially of material cost savings and movement in foreign currency rates, primarily the deprec the Brazilian real.

Labor and overhead costs decreased by $26 million compared to the prior fiscal ye decrease was primarily due to a specific warranty contingency recorded in fiscal ye that was substantially reversed in fiscal year 2014, savings associated with labor an cost reduction programs and movement in foreign currency rates, primarily the dep of the Brazilian real.

Other, net decreased by $37 million compared to the prior fiscal year. The decrease primarily due to a $15 million immediate recognition of negative prior service cost the curtailment on our retiree medical liability and a decrease in foreign currency t losses.

Gross margin, for fiscal year 2014 was $487 million compared to $395 million in f 2013. Gross margin, as a percentage of sales, was 12.9 percent and 10.8 percent fo years 2014 and 2013, respectively.

Other Income Statement Items

Selling, general and administrative expenses (SG&A) for fiscal years 2014 and 201 summarized as follows (in millions):

	2014				2013				Increase
	Amount		% of sales		Amount		% of sales		
SG&A									
Loss on sale of receivables	$8		0.2	%	$6		0.2	%	$2
Short- and long-term variable compensation	35		0.9	%	20		0.5	%	15
Legal fee recovery from the Eaton settlement	(20	)	(0.5	)%	—		—	%	(20)
Asbestos-related liability remeasurement	20		0.5	%	7		0.2	%	13
Executive severance	—		—	%	4		0.1	%	(4)
Long-term liability reduction	(5	)	(0.1	)%	—		—	%	(5)

All other SG&A	220	5.8 %	216	5.9 %	4
Total SG&A	$258	6.8 %	$253	6.9 %	$5

In the fourth quarter of fiscal year 2014, we incurred a $20 million charge associat
re-measurement of our asbestos liabilities net of expected insurance recoveries. Th
in our fiscal year 2014 net liability is primarily due to increasing claim filings and
projected defense costs.

In the third quarter of fiscal year 2014, as a result of the settlement with Eaton, Z
was obligated to reimburse the company $20 million for the recovery of current an
period legal expenses. We recognized the recovery in SG&A as the historical incu
these costs was included in SG&A in the consolidated statements of operations in
periods.

In the first quarter of fiscal year 2014, we executed a change to our long-term disa
benefit plan reducing the duration for which we provide medical and dental benefi
individuals on long-term disability to be more consistent with market practices. Th
in a $5 million reduction in the liability associated with these benefits.

All other SG&A represents normal selling, general and administrative expense and year over year. Total SG&A as a percentage of sales remained relatively flat year o
Pension settlement losses of $109 million were recognized during the fiscal year en
During the third quarter of fiscal year 2013, we recognized a $36 million loss asso the settlement of certain Canadian pension plans. In addition, we recognized a $73 settlement loss in the fourth quarter of fiscal year 2013 associated with our U.S. re plan lump-sum payouts.
Restructuring costs were $10 million in fiscal year 2014 compared to $23 million i year 2013. Our Commercial Truck & Industrial segment recognized $8 million of restructuring costs in fiscal year 2014 primarily related to employee severance cost Aftermarket & Trailer segment recognized $1 million of restructuring costs during 2014 primarily related to employee severance costs. In addition, we recognized $1 restructuring costs at our corporate locations.
Restructuring costs in fiscal year 2013 were $23 million. Our Commercial Truck & segment recognized $17 million primarily related to employee severance costs and termination. Our Aftermarket & Trailer segment recognized $3 million of restructu during fiscal year 2013 primarily related to employee severance costs. In addition, recognized $3 million of restructuring costs primarily related to employee severanc our corporate locations associated with our segment reorganization.
Operating income for fiscal year 2014 was $217 million, compared to $7 million in 2013. Key items affecting income are discussed above.

Equity in earnings of ZF Meritor was $190 million in fiscal year 2014 related to ou the earnings on the antitrust settlement with Eaton in the third quarter of fiscal yea

Equity in earnings of affiliates was $38 million in fiscal year 2014, compared to $4 in the prior year. The decrease was primarily due to the sale of our ownership inter Suspensys Sistemas Automotivos LTDA (the "Suspensys joint venture") in the fou of fiscal year 2013, partially offset by higher earnings from our North American jo ventures.

Gain on sale of equity investment of $125 million was recognized in fiscal year 20 associated with the sale of our 50-percent ownership interest in our Suspensys join the fourth quarter of fiscal year 2013.

Interest expense, net was $130 million and $126 million in fiscal years 2014 and 2 respectively. The increase was driven
primarily by the loss on debt extinguishment incurred in fiscal year 2014 compared prior fiscal year. In fiscal year 2014, we recognized $31 million net loss on debt extinguishment compared to $19 million in the prior fiscal year. During the second fiscal year 2014, we exercised a call option to redeem $250 million of our 10.625 p notes due 2018 at a premium of 5.313 percent of the principal amount. During the quarter of fiscal year 2014, we repurchased the remaining $84 million principal am 8.125 percent notes due 2015 as well as $38 million of our 4.0 percent convertible 2027. Excluding loss on debt extinguishment, our interest expense year over year c

Provision for income taxes was $31 million in fiscal year 2014 compared to $64 m fiscal year 2013. The decrease in provision for income taxes was primarily attribut tax effect of the gain on the sale of our equity interest in our Suspensys joint ventu

offset by the tax benefit received from the Canadian pension settlement charge, bo
in fiscal year 2013. Provision for income taxes in fiscal year 2014 also decreased d
earnings in tax-paying jurisdictions. In fiscal year 2014, our effective tax rate was
compared to 125 percent in the prior year. The decrease is primarily attributable to
million of pre-tax share on the antitrust lawsuit settlement with Eaton Corporation,
recorded in a jurisdiction with a valuation allowance. This income resulted in a de
the valuation allowance, rather than an adjustment to income tax expense.

Income (loss) from continuing operations (before noncontrolling interests) for fisc
2014 was $284 million compared to a loss from continuing operations of $13 milli
year 2013. The reasons for the increase are previously discussed.

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Loss from discontinued operations for fiscal year 2014 was $30 million, compared
$7 million in the prior fiscal year. Significant items included in results from discon
operations in fiscal years 2014 and 2013 include the following (in millions):

	Year Ended September 30, 2014		201
Operating loss, net (primarily Mascot)	$(8	)	$(3
Loss on Mascot disposal [(1)]	(23	)	—
Environmental remediation charges	(4	)	(5
Other, net	(2	)	(4
Loss before income taxes	(37	)	(12
Benefit for income taxes	7		5
Loss from discontinued operations attributable to Meritor, Inc.	$(30	)	$(7

[(1)] Includes loss on sale, severance and other disposal costs.

Net income attributable to noncontrolling interests was $5 million in fiscal year 20
compared to $2 million in fiscal year 2013. Noncontrolling interests represent our
partners' share of income or loss associated with our less than 100-percent-owned
consolidated subsidiaries.

Net income (loss) attributable to Meritor, Inc. was $249 million for fiscal year 201
to a net loss of $22 million in fiscal year 2013. Various factors affecting the net inc
previously discussed.

Segment EBITDA and EBITDA Margins

Segment EBITDA is defined as income (loss) from continuing operations before in
expense, income taxes, depreciation and amortization, noncontrolling interests in c
joint ventures, loss on sale of receivables, restructuring expense, and asset impairm
charges. We use Segment EBITDA as the primary basis for the CODM to evaluate
performance of each of our reportable segments. Segment EBITDA margin is defi
Segment EBITDA divided by consolidated sales from continuing operations.
As discussed previously, we announced the planned disposition of our Mascot bus
during the fourth quarter of fiscal year 2014 and ceased all manufacturing operatio
of productive assets prior to September 30, 2014. The Mascot business was classif
of discontinued operations at September 30, 2014, and all prior period amounts hav
recast to reflect this presentation.

The following table reflects Segment EBITDA and EBITDA margins for fiscal yea
and 2013 (dollars in millions).

	Segment EBITDA					Segment EBIT Margins		
	2014	2013	$ Change	% Change		2014		2013
Commercial Truck & Industrial	$218	$192	$26	14	%	7.3	%	6.6

Aftermarket & Trailer	106	87	19	22	%	11.5	%	10.0
Segment EBITDA	$324	$279	$45	16	%	8.6	%	7.6

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Significant items impacting year-over-year Segment EBITDA include the followin

	Commercial Truck & Industrial	Aftermarket & Trailer
Segment EBITDA–Year ended September 30, 2013	$ 192	$ 87
Lower earnings from unconsolidated affiliates	(1)	(5)
Higher variable compensation	(12)	(3)
Impact of foreign currency exchange rates	(14)	(2)
Volume, mix, pricing and other	53	29
Segment EBITDA – Year ended September 30, 2014	$ 218	$ 106

Commercial Truck & Industrial Segment EBITDA was $218 million in fiscal year compared to $192 million in the prior fiscal year. Segment EBITDA margin increa percent in fiscal year 2014 compared to 6.6 percent in the prior fiscal year. The inc Segment EBITDA and EBITDA margin reflected the favorable impact of material burden performance and higher commercial vehicle sales, primarily in North Ame was partially offset by the unfavorable mix impact of lower sales in South Americ Defense and higher variable incentive compensation.

Aftermarket & Trailer Segment EBITDA was $106 million in fiscal year 2014, up million compared to the prior fiscal year. Segment EBITDA margin increased to 1 compared to 10.0 percent in the prior year. The increase in Segment EBITDA and margin was primarily due to higher sales of our core aftermarket products, pricing and favorable material, labor and burden performance, which more than offset the earnings associated with the divestiture of our 50-percent ownership interest in ou joint venture during the fourth quarter of fiscal year 2013. The prior year also incl million value-added tax charge that did not recur in fiscal year 2014.

Non-Consolidated Joint Ventures

At September 30, 2015, our continuing operations included investments in joint ve are not majority owned or controlled and are accounted for under the equity metho accounting. Our investments in non-consolidated joint ventures totaled $96 millio September 30, 2015 and $106 million at September 30, 2014.

These strategic alliances provide for sales, product design, development and/or ma in certain product and geographic areas. Aggregate sales of our non-consolidated j ventures were $1,288 million, $1,268 million and $1,552 million in fiscal years 20 and 2013, respectively.

Our equity in the earnings of affiliates was $39 million, $38 million and $42 millio years 2015, 2014 and 2013, respectively. The increase in fiscal year 2015 compare year 2014 was primarily due to higher earnings from our North American joint ve which were partially offset by lower earnings from our South American joint vent received cash dividends from our affiliates of $32 million, $36 million and $30 mi fiscal years 2015, 2014 and 2013, respectively.

In June 2014, ZF Meritor LLC ("ZF Meritor"), a joint venture between ZF Friedric
and our subsidiary, Meritor Transmission, entered into a settlement agreement with
Corporation relating to an antitrust lawsuit filed by ZF Meritor in 2006. Pursuant to
of the settlement agreement, Eaton agreed to pay $500 million to ZF Meritor. In Ju
ZF Meritor received proceeds of $400 million net of attorney's contingency fees. In
2014, we received proceeds of $210 million representing our share based on our ov
interest in ZF Meritor and including a recovery of current and prior years' attorney
paid by Meritor. ZF Meritor and Meritor Transmission agreed to dismiss all pendin
litigation with Eaton. ZF Meritor does not have any operating activities.

Our pre-tax share of the settlement was $210 million ($209 million after-tax), of w
million was recognized as equity in earnings of ZF Meritor and $20 million for the
of legal expenses from ZF Meritor was recognized as a reduction of selling, genera
administrative expenses in the consolidated statement of operations. The proceeds
settlement were used primarily to voluntarily pre-fund the next three years of manc
pension contributions to our U.S. and U.K. pension plans.

For more information about our non-consolidated joint ventures, see Note 13 of the
Consolidated Financial Statements in Item 8. Financial Statements and Supplemen

Cash Flows (in millions)

	Fiscal Year Ende	
	September 30,	
	2015	2014
OPERATING CASH FLOWS		
Income (loss) from continuing operations	$66	$284
Adjustments to income (loss) from continuing operations:		
Depreciation and amortization	65	67
Loss on debt extinguishment	25	31
Deferred income tax expense (benefit)	(24)	(2
Pension and retiree medical expense	82	25
Gain on sale of equity investment	—	—
Gain on sale of property	(3)	—
Goodwill and asset impairment charges	17	—
Equity in earnings of ZF Meritor	—	(190
Equity in earnings of other affiliates	(39)	(38
Restructuring costs	16	10
Dividends received from ZF Meritor	—	190
Dividends received from other equity method investments	32	36
Pension and retiree medical contributions	(141)	(177
Restructuring payments	(16)	(10
Decrease (increase) in working capital	(12)	20
Changes in off-balance sheet accounts receivable securitization and factoring	39	(46
Other, net	—	27
Cash flows provided by (used for) continuing operations	107	227
Cash flows used for discontinued operations	(10)	(12
CASH FLOWS PROVIDED BY (USED FOR) OPERATING ACTIVITIES	$97	$215

Cash provided by operating activities for fiscal year 2015 was $97 million compar
million in fiscal year 2014 and cash used for operating activities of $96 million in
2013. The decrease in cash flows provided by continuing operations in fiscal year
primarily due to the $209 million in proceeds received from the settlement of the E
antitrust litigation in fiscal year 2014, partially offset by an increase in cash provid
accounts receivable factoring program and lower contributions to our pension plan
outflow in continuing operations in fiscal year 2013 was primarily due to an increa
working capital and pension contributions.

	Fiscal Year Ende	
	September 30,	
	2015	2014
INVESTING CASH FLOWS		
Capital expenditures	$(79)	$(77
Proceeds from sale of equity investment	—	—
Proceeds from sale of property	4	—
Cash paid for acquisition of Morganton	(16)	—
Other investing activities	—	—

Net investing cash flows provided by discontinued operations	4	7
CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	$(87)	$(70

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Cash used for investing activities was $87 million in fiscal year 2015, compared to for investing activities of $70 million in fiscal year 2014 and cash provided by inv activities of $137 million in fiscal year 2013. Capital expenditures were $79 millio year 2015 compared to $77 million in fiscal year 2014 and $54 million in fiscal ye

Cash paid for acquisition of Morganton represents the purchase of the majority of of Sypris Solutions, Inc.'s ("Sypris") Morganton, North Carolina manufacturing fa $16 million in fiscal year 2015.

Net investing cash flows provided by discontinued operations in fiscal year 2015 i million for the fourth installment on the note receivable that was issued at the time of our Body Systems business.

Net investing cash flows provided by discontinued operations in fiscal year 2014 i million of proceeds from the sale of our Mascot business. In addition, we received for the third installment on the note receivable that was issued at the time of sale o Systems business.

Proceeds from the sale of equity investment in fiscal year 2013 is related to the sal 50-percent ownership equity interest in the Suspensys joint venture.

Net investing cash flows provided by discontinued operations in fiscal year 2013 i million of proceeds from the sale of property from our divested Light Vehicle Syst business group. In addition, we received $3 million for the second installment on t receivable that was issued at the time of sale of our Body Systems business.

	Fiscal Year Septe	
	2015	2014
FINANCING CASH FLOWS		
Repayment of notes and term loan	$(199)	$(439
Proceeds from debt issuance	225	225
Repurchase of common stock	(55)	—
Other financing activities	(9)	12
Net change in debt	(38)	(202
Debt issuance costs	(4)	(10
CASH PROVIDED BY (USED FOR) FINANCING ACTIVITIES	$(42)	$(212

Cash used by financing activities was $42 million in fiscal year 2015 compared to for financing activities of $212 million in fiscal year 2014 and cash provided by fi activities of $24 million in fiscal year 2013. During fiscal year 2015, we issued an $225 million principal amount of our 6.25 percent notes due 2024. A portion of ne from this offering was used to repurchase our 7.875 percent convertible notes due Additionally, in fiscal year 2015, we spent $20 million on the repurchase of $19 m principal amount of our 4.0 percent convertible notes due 2027 (see Note 16 of the Consolidated Financial Statements). We also spent $55 million on the repurchase o million shares of our common stock in fiscal year 2015 (see Note 18 of the Notes t Consolidated Financial Statements).

During fiscal year 2014, we issued $225 million of 6.25 percent notes due 2024. N from the issuance of these notes were used along with available cash to repurchase

million principal amount of our 10.625 percent notes due 2018 at a premium of $1
We also repurchased $38 million principal amount of our 4.0 percent convertible n
2027 and $84 million principal amount of our 8.125 percent notes due 2015. The o
term loan balance of $45 million was paid in fiscal year 2014.
During fiscal year 2013, we issued debt securities generating aggregate proceeds o
million. We used a portion of the proceeds to repurchase $167 million principal am
our 8.125 percent notes due 2015 and $245 million principal amount of our 4.625 p
convertible notes due 2026. In addition, we incurred an aggregate of $12 million o
related to the issuance of debt securities. During the fourth quarter of fiscal year 20
made a $45 million principal repayment under our term loan due 2016.

Contractual Obligations

As of September 30, 2015, we are contractually obligated to make payments as fol
millions):

	Total	2016	2017	2018	2019	2020	T
Total debt (1)	$1,098	$15	$13	$3	$1	$1	$
Operating leases	77	14	11	11	10	8	2
Interest payments on long-term debt	550	66	66	66	66	66	2
Total	$1,725	$95	$90	$80	$77	$75	$

(1) Total debt excludes unamortized discount on convertible notes of $20 million, unamortized issuance costs of $17 million, and original issuance discount of $1

(2) Includes our 4.625 percent, 4.0 percent and 7.875 percent convertible notes whi a put and call feature that allows for earlier redemption beginning in 2016, 2019 respectively (for further discussion, refer to Note 16 in the Notes to Consolidate Statements in Item 8. Financial Statements and Supplementary Data Convertibl below).

We also sponsor defined benefit pension plans that cover certain of our U.S. emplo certain non-U.S. employees. Our funding practice provides that annual contributio pension trusts will be at least equal to the minimum amounts required by ERISA in and the actuarial recommendations or statutory requirements in other countries. Ma expects funding for our retirement pension plans of approximately $5 million in fis 2016.

We also sponsor retirement medical plans that cover certain of our U.S. and non-U employees and retirees, including certain employees of divested businesses, and pr medical payments to eligible employees and dependents upon retirement. Manage expects gross retiree medical plan benefit payments of approximately $39 million, million, $40 million, $40 million and $40 million in fiscal years 2016, 2017, 2018, 2020, respectively, before consideration of any Part D reimbursement from the U.S government.

Contractual obligations identified in the table above do not include liabilities assoc uncertain tax positions of $15 million due to the high degree of uncertainty regardi future cash outflows associated with these amounts. For additional discussion of un positions, refer to Note 22 in the Notes to Consolidated Financial Statements in Ite Financial Statements and Supplementary Data.

Liquidity

Our outstanding debt, net of discounts and unamortized debt issuance costs where is summarized below (in millions). For a detailed discussion of terms and conditio to this debt, see Note 16 in the Notes to Consolidated Financial Statements in Item Financial Statements and Supplementary Data.

Septemb

	2015
Fixed-rate debt securities	$712
Fixed-rate convertible notes	324
Unamortized discount on convertible notes	(20
Other borrowings	35
Total debt	$1,051

(1) Prior year amounts have been recast to reflect the early adoption of ASU 2015-
Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt
Costs.

Overview – Our principal operating and capital requirements are for working capit
capital expenditure requirements, debt service requirements, funding of pension an
medical costs, restructuring and product development programs. We expect fiscal y
capital expenditures to be approximately $90 million.

We generally fund our operating and capital needs with cash on hand, cash flow
operations, our various accounts receivable securitization and factoring arrangeme
availability under our revolving credit facility. Cash in excess of local operating ne
generally used to reduce amounts outstanding, if any, under our revolving credit fa
U.S. accounts receivable securitization program. Our ability to access additional ca
long term will depend on availability of capital markets and pricing on commercial
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 optin
structure and may, from time to time, retire, repurchase, exchange or redeem outsta
indebtedness or common equity, issue new equity or debt securities or enter into ne
arrangements if conditions warrant.

In December 2014, we filed a shelf registration statement with the Securities and E
Commission, registering an unlimited amount of debt and/or equity securities that
offer in one or more offerings on terms to be determined at the time of sale. The D
2014 shelf registration statement superseded and replaced the shelf registration stat
in February 2012.

We believe our current financing arrangements provide us with the financial fle
required to maintain our operations and fund future growth, including actions requ
improve our market share and further diversify our global operations, through the t
revolving credit facility, which matures in February 2019.

Sources of liquidity as of September 30, 2015, in addition to cash on hand, are as f
millions):

	Total Facility Size	Utilized as of 9/30/15	Readily Available as of 9/30/15	Cu Ex
On-balance sheet arrangements:				
Revolving credit facility(1)	$499	$—	$499	Fe 20
Committed U.S. accounts receivable securitization(2)	100	—	94	Oc
Total on-balance sheet arrangements	599	—	593	
Off-balance sheet arrangements:(2)				
Swedish Factoring Facility	$168	$121	—	Ju
U.S. Factoring Facility (3)	73	83	—	Fe 20
U.K. Factoring Facility	28	8	—	Fe 20
Italy Factoring Facility	34	24	—	Ju
Other uncommitted factoring facilities	22	18	—	Va
Letter of credit facility	30	24	6	M
Total off-balance sheet arrangements	355	278	6	
Total available sources	$954	$278	$599	

(1) The availability under the revolving credit facility is subject to a collateral test a priority debt-to-EBITDA ratio covenant and a reduction to $459 million in Apr discussed under "Revolving Credit Facility" below.

(2) Availability subject to adequate eligible accounts receivable available for sale.

(3) Actual amounts may exceed bank's commitment at bank's discretion.

Cash and Liquidity Needs – Our cash and liquidity needs have been affected by the variability and timing of our customers' worldwide vehicle production and other fa outside of our control. At September 30, 2015, we had $193 million in cash and ca equivalents.

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Our availability under the revolving credit facility is subject to a collateral test a
priority debt-to-EBITDA ratio covenant, as defined in the agreement, which may l
borrowings under the agreement as of each quarter end. As long as we are in comp
those covenants as of the quarter end, we have full availability (up to the amount o
under the collateral test) under the revolving credit facility every other day during
Our future liquidity is subject to a number of factors, including access to adequate
under our revolving credit facility, access to other borrowing arrangements such as
or securitization facilities, vehicle production schedules and customer demand. Ev
into account these and other factors, management expects to have sufficient liquidi
our operating requirements through the term of our revolving credit facility. At Se
2015, we were in compliance with all covenants under our credit agreement.

Equity and Equity-Linked Repurchase Authorization – In June 2014, our Board of
authorized the repurchase of up to $210 million of our equity and equity-linked sec
(including convertible debt securities), subject to the achievement of our M2016 n
reduction target and compliance with legal and regulatory requirements and our de
covenants. In September 2014, our Board authorized the repurchase of up to $40 m
our equity or equity-linked securities (including convertible debt securities) under
million authorization that may be made annually without regard to achievement of
net debt reduction target. These authorizations have no stated expiration. Under th
authorizations, we have repurchased 4.2 million shares of our common stock for $
in fiscal year 2015 and $19 million principal amount of the company's 4.0 percent
notes due 2027 (see Note 16 of the Notes to Consolidated Financial Statements). T
remaining available for repurchases under the equity and equity-linked repurchase
authorizations was $136 million as of September 30, 2015.

As part of the equity and equity-linked repurchase authorization, in August 2015,
into a 10b5-1 stock repurchase plan. Under this plan, from October 1, 2015 throug
November 13, 2015, we repurchased approximately 1.8 million shares for $20 mil
amount remaining available for repurchases under the equity and equity-linked rep
authorizations was $116 million as of October 31, 2015.

Debt Repurchase Program – In fiscal year 2015, the Offering Committee of our
Directors approved a repurchase program for up to $150 million aggregate princip
of any of our public debt securities (including convertible debt securities) from tim
through open market purchases or privately negotiated transactions or otherwise, u
September 30, 2016, subject to compliance with legal and regulatory requirements
debt covenants. This repurchase program is in addition to the equity and equity-lin
repurchase authorizations described above. The amount remaining available for re
under the program is $150 million as of September 30, 2015.

2026 Convertible Notes Repurchase Authorization - On May 18, 2015, the Offerin
Committee of our Board of Directors approved a repurchase program for up to $17
aggregate principal amount at maturity of our 7.875 percent convertible notes due
time to time prior to September 30, 2015, subject to compliance with legal and reg
requirements and our debt covenants. This repurchase program is in addition to the
equity-linked and debt repurchase programs described above. The amount remaini
available for repurchases under the authorization is $65 million at September 30, 2

Issuances of 2024 Notes - In fiscal year 2014, we completed a public offering of d
securities consisting of the issuance of $225 million principal amount of 10-year, 6
notes due 2024 (the "Initial 2024 Notes"). The proceeds from the sale of the Initial
Notes were $225 million and, together with cash on hand, were used to repurchase
million principal amount of our outstanding 10.625 percent notes due 2018.

In fiscal year 2015, we completed a public offering consisting of the issuance of an
$225 million aggregate principal amount of 6.25 percent notes due 2024 (the "Add
2024 Notes") in an underwritten public offering. The proceeds from the sale of the
2024 Notes were used to replenish available cash used to pay $179 million, includi
premium and fees, to repurchase $110 million principal amount at maturity of our
percent convertible notes due 2026. We used the remaining net proceeds, along wi
purchase annuities to satisfy our obligations under our Canadian and German pens
These Additional 2024 Notes constitute a further issuance of, and are fungible with
million aggregate principal amount of the Initial 2024 Notes that we issued on Feb
2014 and form a single series with the Initial 2024 Notes (collectively, the "2024 N
Additional 2024 Notes have terms identical to the Initial 2024 Notes, other than iss
and offering price, and have the same CUSIP number as the Initial 2024 Notes. Up
completion of the offering, the aggregate principal amount of outstanding notes of
was $450 million.

The 2024 Notes constitute senior unsecured obligations of Meritor and rank equall of payment with its existing and future senior unsecured indebtedness and effectiv to existing and future secured indebtedness. They are guaranteed on a senior unsec by each of our subsidiaries from time to time guaranteeing the senior secured credi
Prior to February 15, 2017, we may redeem up to approximately $79 million aggre principal amount of the 2024 Notes with the net cash proceeds of one or more publ our common stock at a redemption price equal to 106.25 percent of the principal am accrued and unpaid interest, if any, provided that at least approximately $146 milli aggregate principal amount of the 2024 Notes remains outstanding after each such redemption. Prior to February 15, 2019, we may redeem, at our option, from time t 2024 Notes, in whole or in part, at a redemption price equal to of 100 percent of pr amount of the 2024 Notes to be redeemed, plus the applicable premium as of the re date on the 2024 Notes to be redeemed, and any accrued and unpaid interest. On or February 15, 2019, 2020, 2021 and 2022, we have the option to redeem the 2024 N whole or in part, at the redemption price of 103.125 percent, 102.083 percent, 101. percent, and 100.000 percent, respectively.
If a Change of Control (as defined in the indenture under which the 2024 Notes we occurs, unless we have exercised our right to redeem the securities, each holder of Notes may require us to repurchase some or all of such holder's securities at a purc equal to 101 percent of the principal amount to be repurchased, plus accrued and u interest, if any.
Issuance of 2021 Notes - On May 31, 2013, we completed a public offering of deb consisting of the issuance of $275 million principal amount of 8-year, 6.75 percent 2021 (the "2021 Notes"). The 2021 Notes were offered and sold pursuant to our sh registration statement that was effective at the time of the offering. The proceeds fr of the 2021 Notes, were $275 million and were primarily used to repurchase $167 principal amount of our 8.125 percent notes due 2015. The 2021 Notes constitute s unsecured obligations of the company and rank equally in right of payment with its and future senior unsecured indebtedness and effectively junior to existing and futu indebtedness to the extent of the security therefor. They are guaranteed on a senior basis by each of the company's subsidiaries from time to time guaranteeing the sen credit facility. Prior to June 15, 2016, the company may redeem up to 35 percent o aggregate principal amount of the 2021 Notes issued on the initial issue date with t proceeds of one or more public sales of our common stock at a redemption price eq 106.75 percent of the principal amount, plus accrued and unpaid interest, if any, pr at least 65% of the aggregate principal amount of the 2021 Notes issued on the init date remains outstanding after each such redemption. On or after June 15, 2016, 20 and 2019, the company has the option to redeem the 2021 Notes, in whole or in pa redemption price of 105.063 percent, 103.375 percent, 101.688 percent, and 100.0 respectively.
If a Change of Control (as defined in the indenture under which the 2021 Notes we occurs, unless the company has exercised its right to redeem the securities, each ho 2021 Notes may require the company to repurchase some or all of such holder's se purchase price equal to 101 percent of the principal amount, plus accrued and unpa if any.
Repurchase of 2026 Notes - In fiscal year 2015, we repurchased $110 million prin amount at maturity of our 7.875 percent convertible notes due 2026, of which $85 were repurchased at a premium equal to approximately 64 percent of their principa the third quarter of fiscal year 2015, and $25 million were repurchased at a premiu

approximately 58 percent of their principal amount in the fourth quarter of fiscal y
The premium paid over par reflects the market price of these notes, which includes
embedded option value of the security. Since the conversion option with a convers
$12 per share was in the money at the time of repurchase, this drove a significant p
These repurchases were accounted for as extinguishments of debt, and accordingly
recognized a net loss on debt extinguishment of $24 million. The net loss on debt
extinguishment is included in Interest expense, net in the consolidated statement of
operations. The repurchases were made under our 2026 convertible notes repurcha
authorization described above.

Repurchase of 2027 Notes - In fiscal year 2015, we repurchased $19 million princi
of our 4.0 percent convertible notes due 2027. The repurchases were accounted for
extinguishments of debt, and accordingly, we recognized an insignificant net loss o
extinguishment. The net loss on debt extinguishment is included in Interest expens
consolidated statement of operations.

In fiscal year 2014, we repurchased $38 million principal amount of our 4.0 percen
convertible notes due 2027. The notes were purchased at a premium equal to 7 per
their principal amount. The repurchase of $38 million principal amount of our of 4
convertible notes was accounted for as an extinguishment of debt, and accordingly
recognized a net loss on debt extinguishment of $5 million, the majority of which i
The net loss on debt extinguishment is included in Interest expense, net in the cons
statement of operations. The repurchases were made under our equity and equity-li
repurchase authorizations described above.

Redemption of 2015 Notes - In fiscal year 2014, we completed the redemption of a
outstanding 8.125 percent notes due 2015. The notes were redeemed at a premium
percent of their principal amount. The repurchase of $84 million principal amount
8.125 percent notes was accounted for as an extinguishment of debt, and according
recognized a net loss on debt extinguishment of $5 million, consisting of $6 millio
premium, net of a $1 million acceleration of the remaining unamortized gain on a r
interest rate swap termination. The net loss on debt extinguishment is included in I
expense, net in the consolidated statement of operations.

Redemption of 2018 Notes - In fiscal year 2014, we completed the redemption of
outstanding 10.625 percent notes due 2018. These notes were redeemed at a premi
5 percent of their principal amount. The repurchase of $250 million principal amou
10.625 percent notes was accounted for as an extinguishment of debt, and accordin
recognized a net loss on debt extinguishment of $19 million, which consisted of $6
unamortized discount and deferred issuance costs and $13 million of premium. The
on debt extinguishment is included in Interest expense, net in the consolidated stat
operations.

Revolving Credit Facility – On May 22, 2015, we entered into a second amendmen
senior secured revolving credit facility. Pursuant to the revolving credit agreement
amended, we have a $499 million revolving credit facility, $40 million of which m
April 2017 for banks that elected not to extend their commitments under the revolv
facility, and $459 million of which matures in February 2019. The availability und
facility is dependent upon various factors, including principally performance again
financial covenants as highlighted below. Prior to May 22, 2015, $89 million of th
million revolving credit facility was scheduled to mature in April 2017 for banks th
not to extend their commitments under the revolving credit facility, and $410 milli
scheduled to mature in February 2019.

The availability under the revolving credit facility is subject to certain financial co
based on (i) the ratio of our priority debt (consisting principally of amounts outstan
the revolving credit facility, U.S. accounts receivable securitization and factoring p
and third-party non-working capital foreign debt) to EBITDA and (ii) the amount o
capital expenditures. We are required to maintain a total priority-debt-to-EBITDA
defined in the agreement, of 2.25 to 1.00 or less as of the last day of each fiscal qu
throughout the term of the agreement. At September 30, 2015, the company was in
compliance with all covenants under the revolving credit facility with a ratio of app
.34x for the priority debt-to-EBITDA ratio covenant.

The availability under the revolving credit facility is also subject to a collateral test
to which borrowings on the revolving credit facility cannot exceed 1.0x the collate
value. The collateral test is performed on a quarterly basis. At September 30, 2015
revolving credit facility was collateralized by approximately $636 million of our as
primarily consisting of eligible domestic U.S. accounts receivable, inventory, plant
and equipment, intellectual property and our investment in all or a portion of certai
wholly-owned subsidiaries.

Borrowings under the revolving credit facility are subject to interest based on quot
rates plus a margin and a commitment fee on undrawn amounts, both of which are
our current corporate credit rating. At September 30, 2015, the margin over LIBOR
325 basis points, and the commitment fee was 50 basis points. Overnight revolving
loans are at the prime rate plus a margin of 225 basis points.

Certain of our subsidiaries, as defined in the revolving credit agreement, irrevocab
unconditionally guarantee amounts outstanding under the revolving credit facility.

subsidiary guarantees are provided for the benefit of the holders of the publicly-hel outstanding under our indentures (see Note 27 of the Notes to the Consolidated Fir Statements).

No borrowings were outstanding under the revolving credit facility at September 3 and September 30, 2014. The amended and extended revolving credit facility inclu million of availability for the issuance of letters of credit. At September 30, 2015 a September 30, 2014, there were no letters of credit outstanding under the revolving facility.

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U.S. Securitization Program – We have a $100 million U.S. accounts receivables s
facility. On October 15, 2014, we entered into an amendment which extended the f
expiration date to October 15, 2017 and set the maximum permitted priority-debt-t
ratio as of the last day of each fiscal quarter under the facility at 2.25 to 1.00. This
provided by PNC Bank, National Association, as Administrator and Purchaser, and
Purchasers and Purchaser Agents from time to time (participating lenders), which a
the agreement. Under this program, we have the ability to sell an undivided percen
ownership interest in substantially all of our trade receivables (excluding the recei
from AB Volvo and subsidiaries eligible for sale under the U.S. accounts receivabl
facility) of certain U.S. subsidiaries to ArvinMeritor Receivables Corporation ("AR
wholly-owned, special purpose subsidiary. ARC funds these purchases with borrow
participating lenders under a loan agreement. This program also includes a letter of
facility pursuant to which ARC may request the issuance of letters of credit issued
U.S. subsidiaries (originators) or their designees, which when issued will constitute
utilization of the facility for the amount of letters of credit issued. Amounts outstan
this agreement are collateralized by eligible receivables purchased by ARC and are
as short-term debt in the consolidated balance sheet. At September 30, 2015 and
September 30, 2014, no amounts, including letters of credit, were outstanding unde
program. This securitization program contains a cross default to our revolving cred
At September 30, 2015, we were in compliance with all covenants under our credit
(see Note 16 of the Notes to the Consolidated Financial Statements). At certain tim
any given month, we may sell eligible accounts receivable under this program to fu
intra-month working capital needs. In such months, we would then typically utilize
received from our customers throughout the month to repay the borrowings under t
program. Accordingly, during any given month, we may borrow under this program
amounts exceeding the amounts shown as outstanding at fiscal quarter ends.
Capital Leases – On March 20, 2012, we entered into an arrangement to finance eq
acquisitions for our various U.S. locations. Under this arrangement, we can request
from GE Capital Commercial, Inc. ("GE Capital") for progress payments for equip
construction, not to exceed $10 million at any time. The financing rate is equal to t
LIBOR plus 475 basis points per annum. Under this arrangement, we can also ente
arrangements with GE Capital for completed equipment. The lease term is 60 mon
lease interest rate is equal to the 5-year Swap Rate published by the Federal Reserv
plus 564 basis points. As of September 30, 2015 and 2014, we had $10 million and
million, respectively, outstanding under this capital lease arrangement. In addition,
another $7 million and $13 million, respectively, outstanding through other capital
arrangements at September 30, 2015 and 2014.
Export financing arrangements - We entered into a number of export financing arra
through our Brazilian subsidiary during fiscal years 2015, 2014 and 2013. The exp
financing arrangements are issued under an incentive program of the Brazilian gov
fund working capital for Brazilian companies in exportation programs. The arrange
interest at 5.5 percent and have maturity dates in 2016 and 2017. There were $18 m
$29 million outstanding under these arrangements at September 30, 2015 and 2014
respectively.

Other – One of our consolidated joint ventures in China participates in a bills of ex
program to settle its obligations with its trade suppliers. These programs are comm
China and generally require the participation of local banks. Under these programs
venture issues notes payable through the participating banks to its trade suppliers. I

issued notes payable remain unpaid on their respective due dates, this could consti
event of default under our revolving credit facility if the defaulted amount exceeds
million per bank. As of September 30, 2015 and 2014, we had $13 million and $32
respectively, outstanding under this program at more than one bank.

Credit Ratings –On November 17, 2015, our Standard & Poor's corporate credi
senior secured credit rating, and senior unsecured credit rating were B+, BB and B
respectively. Our Moody's Investors Service corporate credit rating, senior secured
rating, and senior unsecured credit rating are B1, Ba1 and B2, respectively. Any lo
our credit ratings could increase our cost of future borrowings and could reduce ou
capital markets and result in lower trading prices for our securities.

Off-Balance Sheet Arrangements

Accounts Receivable Factoring Arrangements – We participate in accounts receiva
factoring programs with total amounts utilized at September 30, 2015 of $255 mill
which $204 was attributable to committed factoring facilities involving the sale of
accounts receivables. The remaining amount of $51 million was related to factorin
of our European subsidiaries under uncommitted factoring facilities with financial
institutions. The receivables under all of these programs are sold at face value and
excluded from the consolidated balance sheet. Total facility size, utilized amounts,
available amounts and expiration dates for each of these programs are shown in the
above under "Liquidity."
The Swedish and U.S. factoring facilities are backed by 364-day liquidity commit
Nordea Bank, which were renewed through May 2016. Commitments under all of
factoring facilities are subject to standard terms and conditions for these types of
arrangements (including, in case of the U.K. and Italy commitments, a sole discret
whereby the bank retains the right to not purchase receivables, which has not been
since the inception of the respective programs).

Letter of Credit Facilities – On February 21, 2014, we amended and restated our le
facility with Citicorp USA, Inc., as administrative agent and issuing bank, and the
lenders party thereto. Under the terms of this amended credit agreement, we have t
obtain the issuance, renewal, extension and increase of letters of credit up to an ag
availability of $30 million through December 19, 2015. From December 20, 2015
March 19, 2019, the aggregate availability is $25 million. This facility contains co
events of default generally similar to those existing in our public debt indentures.
September 30, 2015 and 2014, we had $24 million and $25 million, respectively, o
credit outstanding under this facility. In addition, we had another $6 million and $
letters of credit outstanding through other letter of credit facilities as of September
and 2014.

Contingencies

Contingencies related to environmental, asbestos and other matters are discussed i
of the Notes to Consolidated Financial Statements in Item 8. Financial Statements
Supplementary Data.

Critical Accounting Policies

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

Pensions — Our defined benefit pension plans and retirement medical plans are ac
on an actuarial basis, which requires the selection of various assumptions, includin
mortality of participants. Our pension obligations are determined annually and we
as of September 30, 2015 and 2014.

The mortality assumptions for participants in our U.S. plans incorporates future m
improvements from tables published by the Society of Actuaries ("SOA"). We peri
review the mortality experience of our U.S. plans' participants against these assum
October 2014, the SOA issued new mortality and mortality improvement tables th
life expectancies. We reviewed the new SOA mortality and mortality improvemen
utilized our actuary to conduct a study based on our plan participants. We have det
that the best representation of our plans' mortality is to utilize the new SOA morta
mortality improvement tables as the reference table for credibility-weighted morta
blended with our specific mortality based on the study conducted by our actuary.
incorporated the updated tables into our 2015 year-end measurement of the plans'
obligations. As a result of this change in actuarial assumption, our U.S. pension ob
increased by $24 million, and our U.S. OPEB obligations decreased by $18 millio
year 2015.

The U.S. plans include a qualified and non-qualified pension plan. The most signif
non-U.S. plan is located in the U.K. The following are the significant assumptions
measurement of the projected benefit obligation ("PBO") and net periodic pension

	2015 U.S.	Non-U.S.	2014 U.S.	Non-
Assumptions as of September 30:				
Discount rate [1]	4.25% —4.35%	1.00% —3.80%	4.20% —4.30%	1.90
Assumed return on plan assets (beginning of the year)[1][2]	8.00%	2.25% —7.25%	8.00%	2.25
Rate of compensation increase [3]	N/A	2.00%	N/A	2.00

(1) The discount rate for the company's U.K. pension plan was 3.80 percent and 4. for fiscal years 2015 and 2014, respectively. The assumed return on plan assets plan was 7.25 percent and 7.25 percent for fiscal years 2015 and 2014, respecti

(2) The assumed return on plan assets for fiscal year 2016 is 7.75 percent for the U 6.00 percent for the U.K. plan.

(3) The rate of compensation increase for the company's Swiss pension plan was 2. for fiscal years 2015 and 2014. The rate of compensation increase for the comp Canadian pension plans was 3.00 percent for fiscal year 2014.

The discount rate is used to calculate the present value of the PBO at the balance s and net periodic pension expense for the subsequent fiscal year. The rate used refle of return on high-quality fixed income investments that match the duration of expe benefit payments. Generally we use a portfolio of long-term corporate AA/Aa bon match the duration of the expected benefit payments, except for our U.K. pension uses an annualized yield curve, to establish the discount rate for this assumption.

The assumed return on plan assets is used to determine net periodic pension expen of return assumptions are based on projected long-term market returns for the vari classes in which the plans are invested, weighted by the target asset allocations. A incremental amount for diversification, rebalancing and active management, wher appropriate, is included in the rate of return assumption. The return assumptions a annually.

The rate of compensation increase represents the long-term assumption for expect to salaries for pay-related plans.

These assumptions reflect our historical experience and our best judgments regard expectations. The effects of the indicated increase and decrease in selected assum assuming no changes in benefit levels and no amortization of gains or losses for th 2015, are shown below (in millions):

	Effect on All Plans – September 30, 2015		
	Percentage Point Change	Increase (Decrease) in PBO	Increase in Pension
Assumption:			
Discount rate	-0.5 pts	$111	$—
	+0.5 pts	(97)	—
Assumed return on plan assets	-1.0 pts	N/A [1]	15
	+1.0 pts	N/A [1]	(14

(1) Not Applicable

Accounting guidance applicable to pensions does not require immediate recognitio effects of a deviation between actual and assumed experience and the revision of a This approach allows the favorable and unfavorable effects that fall within an acce range to be netted and disclosed as an unrecognized gain or loss in the footnotes. B September 30, 2015 and 2014 measurement dates, we had an unrecognized loss of million and $790 million, respectively. A portion of this loss is amortized into earn fiscal year. Unrecognized losses for the U.S. and U.K. plans are being amortized i periodic pension expense over the average life expectancy of the inactive particip approximately 22 years and 27 years, respectively.

In recognition of the long-term nature of the liabilities of the pension plans, we hav
an asset allocation strategy designed to promote asset growth while maintaining an
level of risk over the long term. Asset-liability studies are performed periodically t
the continued appropriateness of these asset allocation targets. The asset allocation
the U.S. plan are 30–50 percent equity investments, 30–50 percent fixed income in
and 10–30 percent alternative investments. Alternative investments include private
real estate, hedge funds and partnership interests. The target asset allocation ranges
non-U.S. plans are 15–35 percent equity investments, 30–60 percent fixed income
0–10 percent real estate and 10–30 percent alternative investments. The asset class
percentage of securities in any asset class or market may vary as the risk/return cha
of either individual market or asset classes vary over time.

The investment strategies for the pension plans are designed to achieve an appropr
diversification of investments as well as safety and security of the principal investe
invested are allocated to certain global sub-asset categories within prescribed range
to promote international diversification across security type, issuer type, investmen
industry group, and economic sector. Assets of the plans are both actively and pass
managed. Policy limits are placed on the percentage of plan assets that can be inve
security of any single issuer and minimum credit quality standards are established
securities. Meritor securities did not comprise any of the value of our worldwide pe
assets as of September 30, 2015.

Based on current assumptions, the fiscal year 2016 net pension income is estimated
million.

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Retiree Medical — We have retirement medical plans that cover certain of our U.S
non-U.S. employees and provide for medical payments to eligible employees and d
upon retirement. Our retiree medical obligations were measured as of September 3
September 30, 2014.

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

	2015		20
Assumptions as of September 30:			
Discount rate	4.20	%	4.
Health care cost trend rate	7.00	%	7.
Ultimate health care trend rate	5.00	%	5.
Year ultimate rate is reached	2022		20

The discount rate is the rate used to calculate the present value of the APBO. The r
determined based on high-quality fixed income investments that match the duratio
expected benefit payments. We used the corporate AA/Aa bond rate for this assum

The health care cost trend rate represents the company's expected annual rates of c
cost of health care benefits. Our projection for fiscal year 2015 is 7.00 percent. For
measurement purposes, the annual increase in health care costs was assumed to dec
gradually to 5.00 percent by fiscal year 2022 and remain at that level thereafter.

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

	2015		2
Effect on total of service and interest cost			
1% Increase	$2		$
1% Decrease	(1	)	(
Effect on APBO			
1% Increase	39		4
1% Decrease	(34	)	(

Based on current assumption, fiscal year 2016 retiree medical expense is estimated
approximately $30 million.

Product Warranties — Our business segments record estimated product warranty c
time of shipment of products to customers. Liabilities for product recall campaigns
recorded at the time the company's obligation is known and can be reasonably esti
Product warranties, including recall campaigns, not expected to be paid within one
recorded as a non-current liability.

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

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

Asbestos — Maremont Corporation (“Maremont”) — Maremont, a subsidiary of M
manufactured friction products containing asbestos from 1953 through 1977, when
friction product business. Arvin Industries, Inc., a predecessor of the company, acq
Maremont in 1986. Maremont and many other companies are defendants in suits b
individuals claiming personal injuries as a result of exposure to asbestos-containin
Maremont had approximately 5,600 and 5,700 pending asbestos-related claims at
September 30, 2015 and 2014, respectively. Although Maremont has been named i
cases, very few cases allege actual injury and, in the cases where actual injury has
alleged, very few claimants have established that a Maremont product caused their
Plaintiffs’ lawyers often sue dozens or even hundreds of defendants in individual la
seeking damages against all named defendants irrespective of the disease or injury
irrespective of any causal

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connection with a particular product. For these reasons, the total number of claims
necessarily the most meaningful factor in determining Maremont's asbestos-relatec

Maremont engaged Bates White LLC (Bates White), a consulting firm with extens
experience estimating costs associated with asbestos litigation, to assist with deter
estimated cost of resolving pending and future asbestos-related claims that have be
could reasonably be expected to be, filed against Maremont. Bates White advised
that it would be possible to determine an estimate of a reasonable forecast of the pr
settlement and defense costs of resolving pending and future asbestos-related clain
historical data and certain assumptions with respect to events that occur in the futu

Bates White provided a reasonable and probable estimate that consisted of a range
likely possibilities of Maremont's obligation for asbestos personal injury claims ov
ten years of $71 million to $100 million. After consultation with Bates White, Mar
recognized a liability for pending and future claims over the next ten years of $71
$73 million as of September 30, 2015 and 2014, respectively. The ultimate cost of
pending and future claims is estimated based on the history of claims and expenses
plaintiffs represented by law firms in jurisdictions with an established history with
Maremont recognized $2 million of income and a $10 million charge in the fourth
fiscal years 2015 and 2014, respectively, associated with its annual valuation of
asbestos-related liabilities. Maremont has recognized incremental insurance receiv
associated with recoveries expected for asbestos-related liabilities as the estimate c
asbestos-related liabilities for pending and future claims changes. However, Maren
currently expects to exhaust the limits of its settled insurance coverage prior to the
ten-year forecasted liability period. Maremont believes it has additional insurance
however, certain carriers have disputed coverage under policies they issued.

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

- Pending and future claims were estimated for a ten-year period ending in fiscal yea
- Maremont believes that the litigation environment could change significantly beyo years and that the reliability of estimates of future probable expenditures in connec asbestos-related personal injury claims declines for each year further in the future. estimating a probable liability beyond ten years is difficult and uncertain;
- On a per claim basis, defense and processing costs for pending and future claims v the level consistent with Maremont's prior experience;
- Potential payments made to claimants from other sources, including other defenda 524(g) trusts, favorably impact Maremont's estimated liability in the future; and
- The ultimate indemnity cost of resolving nonmalignant claims with plaintiff's law jurisdictions without an established history with Maremont cannot be reasonably e

Maremont has insurance that reimburses a substantial portion of the costs incurred
against asbestos-related claims including indemnity paid on those claims. The insu
receivable related to asbestos-related liabilities is $41 million and $49 million as o
September 30, 2015 and 2014, respectively. The receivable is for coverage provide
insurance carrier based on a coverage-in-place agreement. Maremont currently exp
exhaust the remaining limits provided by this coverage sometime in the next ten ye
Maremont maintained insurance coverage with other insurance carriers that manag
believes covers indemnity and defense costs. Maremont has incurred liabilities allo

these policies, but has not yet billed these insurance carriers, and no receivable has
recorded for these policies, as those carriers dispute coverage. During fiscal year 2
Maremont reinitiated a lawsuit against these carriers, seeking a declaration of its ri
insurance for asbestos claims and to facilitate an orderly and timely collection of in
proceeds. However, there can be no assurance that the lawsuit will ultimately resul
insurance coverage of defense and indemnity costs for Maremont.

The amounts recorded for the asbestos-related reserves and recoveries from insura
companies are based upon assumptions and estimates derived from currently know
such estimates of liabilities and recoveries for asbestos-related claims are subject t
considerable uncertainty because such liabilities and recoveries are influenced by v
that are difficult to predict. The future litigation environment for Maremont could
significantly from its past experience, due, for example, to changes in the mix of cl
against Maremont in terms of plaintiffs' law firm, jurisdiction and disease; legislat
regulatory developments; Maremont's approach to defending claims; or payments
from other defendants. Estimated recoveries are influenced by coverage issues amo
insurers, and the continuing solvency of various insurance companies. If the assum
respect to the estimation period, the nature of pending and future claims, the cost t
claims and the amount of available insurance prove to be incorrect, the actual amou
liability for Maremont's asbestos-related claims, and the effect on the company, co
materially from current estimates and, therefore, could have a material impact on c
position and results of operations.

Asbestos — Rockwell International ("Rockwell") — ArvinMeritor, Inc. ("AM"), a
Meritor, along with many other companies, has also been named as a defendant in
alleging personal injury as a result of exposure to asbestos used in certain compone
Rockwell products many years ago. Liability for these claims was transferred to M
Automotive, Inc. at the time of the spin-off of the Rockwell automotive business fr
Rockwell in 1997. There were approximately 3,000 and 2,800 pending active asbe
in lawsuits that name AM, together with many other companies, as defendants at S
30, 2015 and 2014, respectively.

A significant portion of the claims do not identify any of Rockwell's products or sp
of the claimants, if any, were exposed to asbestos attributable to Rockwell's produ
experience has shown that the vast majority of the claimants will likely never ident
Rockwell's products. Historically, AM has been dismissed from the vast majority o
claims filed in the past with no payment to claimants. For those claimants who do s
they worked with Rockwell's products, management nevertheless believes it has m
defenses, in substantial part due to the integrity of the products involved and the la
impairing medical condition on the part of many claimants.

We engaged Bates White to assist with determining whether it would be possible t
the cost of resolving pending and future Rockwell legacy asbestos-related claims th
been, and could reasonably be expected to be, filed against the company. Bates Wh
provided a reasonable and probable estimate that consisted of a range of equally lik
possibilities of Rockwell's obligation for asbestos personal injury claims over the n
years of $55 million to $74 million. After consultation with Bates White, managem
recognized a liability for pending and future claims over the next ten years of $55 m
of September 30, 2015 compared to $48 million as of September 30, 2014. The ult
of resolving pending and future claims is estimated based on the history of claims a
expenses for plaintiffs represented by law firms in jurisdictions with an established
with Rockwell. The increase in the estimated liability is primarily due to higher de
processing costs, on a per claim basis, compared to the prior year. AM recognized
million charge and a $10 million charge in the fourth quarter of fiscal years 2015 a
respectively, associated with its annual valuation of asbestos-related liabilities

The following assumptions were made by the company after consultation with Bat
and are included in their study:

- Pending and future claims were estimated for a ten-year period ending in fiscal yea
- The company believes that the litigation environment could change significantly b
years, and that the reliability of estimates of future probable expenditures in conne
asbestos-related personal injury claims declines for each year further in the future.
estimating a probable liability beyond ten years is difficult and uncertain;
- On a per claim basis, defense and processing costs for pending and future claims w
the level consistent with the company's prior experience;
- Potential payments made to claimants from other sources, including other defenda
524(g) trusts, favorably impact the company's estimated liability in the future; and
- The ultimate indemnity cost of resolving nonmalignant claims with plaintiff's law
jurisdictions without an established history with Rockwell cannot be reasonably es

The insurance receivable related to asbestos-related liabilities is $14 million and
million as of September 30, 2015 and 2014, respectively. Included in these amount

insurance receivables of $9 million and $8 million at September 30, 2015 and 2014
respectively, which are associated with policies in dispute. Rockwell has insurance
that management believes covers indemnity and defense costs, over and above self
retentions, for most of these claims. The company has initiated claims against certa
carriers to enforce the insurance policies, which are in various stages of the litigati
The company expects to recover some portion of defense and indemnity costs it ha
to date, over and above self-insured retentions, and some portion of the costs for d
asbestos claims going forward. The amounts recognized for policies in dispute are
consultation with advisors, status of settlement negotiations with certain insurers a
underlying analysis performed by management. The remaining receivable recogni
related to coverage provided by one carrier based on a coverage-in-place agreemen
assumptions with respect to the estimation period, the nature of pending claims, th
resolve claims and the amount of available insurance prove to be incorrect, the act
of liability for Rockwell asbestos-related claims, and the effect on the company, c
materially from current estimates and, therefore, could have a material impact on t
company's financial condition and results of operations.

Goodwill — Goodwill is reviewed for impairment annually or more frequently if c
indicators arise. If business conditions or other factors cause the operating results a
flows of a reporting unit to decline, we may be required to record impairment char
goodwill at that time. Previous guidance required an entity to test goodwill for imp
using a two-step process on at least an annual basis. Step one consists of a compari
fair value of a reporting unit with its carrying amount. An impairment loss may be
if the review indicates that the carrying value of a reporting unit exceeds its fair va
Estimates of fair value are primarily determined by using discounted cash flows an
multiples on earnings. If the carrying amount

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of a reporting unit exceeds its fair value, step two requires the fair value of the repo
to be allocated to the underlying assets and liabilities of that reporting unit, resultin
implied fair value of goodwill. If the carrying amount of the goodwill of the report
exceeds the implied fair value, an impairment charge is recorded equal to the exces

Under the revised guidance issued by the Financial Accounting Standards Board, a
has the option to first assess qualitative factors to determine whether the existence
or circumstances leads the entity to determine that it is more-likely-than-not that th
of its reporting units is less than its carrying amount. If after assessing the totality o
circumstances, an entity determines that it is not more likely than not that the fair v
reporting unit is less than its carrying amount, then the two-step impairment test is
unnecessary. If the entity concludes otherwise, then it is required to test goodwill f
impairment under the two-step process.

The impairment review is highly judgmental and involves the use of significant est
assumptions. These estimates and assumptions have a significant impact on the am
impairment charge recorded. Discounted cash flow methods are dependent upon as
of future sales trends, market conditions and cash flows of each reporting unit over
years. Actual cash flows in the future may differ significantly from those previousl
forecasted.

Sales for our primary military program were at their peak during fiscal year 2012 a
to decline in fiscal year 2013. The program wound down to insignificant levels in 2
expected to remain insignificant until completion of the program.

In the fourth quarter of fiscal year 2015, the U.S. Army awarded a new contract for
production of the Joint Light Tactical Vehicle to Oshkosh. We expect production f
program to ramp up over the next several years. Although we expect to supply whe
this program, our revenue will be significantly less than if the program was awarde
differently and we were supplying our ProTec Independent Suspension.

Based on sales expectations for currently awarded programs, the fair value of our I
business does not exceed its carrying value enough to support the goodwill associa
As a result, we recorded an impairment of $15 million, pre-tax, of goodwill in the f
quarter of fiscal year 2015. The fair value of the other reporting units substantially
their carrying values.

Impairment of Long-Lived Assets - Long-lived assets, excluding goodwill, to be he
used are reviewed for impairment whenever adverse events or changes in circumst
indicate a possible impairment. An impairment loss is recognized when the long-li
carrying value exceeds the fair value. If business conditions or other factors cause t
operating results and cash flows to decline, we may be required to record impairme
at that time. Long-lived assets held for sale are recorded at the lower of their carryi
or fair value less cost to sell. Significant judgments and estimates used by managem
evaluating long-lived assets for impairment include:

- An assessment as to whether an adverse event or circumstance has triggered the ne
impairment review;

- Undiscounted future cash flows generated by the asset; and

- Probability and estimated future cash flows associated with alternative courses of a are being considered to recover the carrying amount of a long-lived asset.

In the fourth quarter of fiscal year 2015, the U.S. Army awarded a new contract for production of the Joint Light Tactical Vehicle to Oshkosh, for which we will suppl wheel-ends. However, we made certain capital investments and commitments to su ProTec Independent Suspension had the JLTV program been awarded differently. we recorded an impairment of $2 million of long-lived assets in the fourth quarter year 2015.

Income Taxes —Deferred income tax assets and liabilities are recognized for the fu consequences attributable to differences between financial statement carrying amo existing assets and liabilities and their respective tax bases and operating loss and t carryforwards. Deferred tax assets and liabilities are measured using enacted tax ra expected to apply to taxable income in the years in which those temporary differen expected to be recovered or settled. If it is more-likely-than-not that the deferred ta be realized, no valuation allowance is recorded. Management's judgment is require determining the provision for income taxes, deferred tax assets and liabilities and t valuation allowance recorded against the net deferred tax assets. The valuation allo would need to be adjusted in the event future taxable income is materially differen amounts estimated. Significant judgments, estimates and factors considered by ma in its determination of the probability of the realization of deferred tax assets inclu

- Historical operating results;

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

In prior years, we established valuation allowances against our U.S. net deferred ta and the net deferred tax assets of our 100-percent-owned subsidiaries, including th France, Germany, Italy, Sweden, U.K. and certain other countries. In evaluating ou recover these net deferred tax assets, we utilize a consistent approach which consic historical operating results, including an assessment of the degree to which any gai are driven by items that are unusual in nature and/or tax planning strategies. In add review changes in near-term market conditions and other factors that impact future results.

During the fourth quarter of fiscal year 2015, as a result of sustained profitability i Italy, Mexico and Sweden evidenced by a strong earnings history and additional po evidence, we determined it was more likely than not future earnings will be suffici realize deferred tax assets in these jurisdictions. Accordingly, we reversed valuatio allowances in Germany, Italy, Mexico and Sweden, resulting in non-cash income t of $16 million.

We continue to maintain the valuation allowances in France, U.K., U.S. and certai jurisdictions, as we believe the negative evidence that we will be able to recover th deferred tax assets continues to outweigh the positive evidence. If, in the future, w taxable income on a sustained basis in jurisdictions where we have recorded valuat allowances, our conclusion regarding the need for valuation allowances in these ju could change. Accordingly, although we were profitable in the U.S. in 2014 and 2(have not generated enough positive evidence to warrant a reversal of the U.S. valu allowance, so we continue to record a full valuation allowance against the U.S. net tax assets. Although the weight of negative evidence related to cumulative losses is decreasing as we deliver on our M2016 plan, we believe that this objectively-meas negative evidence outweighs the subjectively-determined positive evidence and, as have not changed our judgment regarding the need for a full valuation allowance i Continued improvement in our operating results, however, could lead to reversal o all of these valuation allowances in the future. Consumption of tax attributes to off will reduce the overall level of deferred tax assets subject to valuation allowance.

The expiration periods for deferred tax assets related to net operating losses and ta carryforwards as of September 30, 2015 are included below (in millions). Also inc the associated valuation allowances on these deferred tax assets (in millions).

	Fiscal Year Expiration Periods			
	2016-2020	2021-2030	2031-2035	Indefi
Net Operating Losses and Tax Credit Carryforwards	$36	$274	$30	$268
Valuation Allowances on these Deferred Tax Assets	$33	$271	$30	$245

New Accounting Pronouncements

New Accounting Pronouncements are discussed in Note 2 of the Notes to Consolic
Financial Statements in Item 8. Financial Statements and Supplementary Data.

International Operations

Approximately 55 percent of the company’s total assets as of September 30, 2015
percent of fiscal year 2015 sales from continuing operations were outside the Unite
Management believes that international operations have significantly benefited the
performance of the company. However, our international operations are subject to
of risks inherent in operating abroad, as discussed in Item 1A. Risk Factors. There
assurance that these risks will not have a material adverse impact on our ability to
maintain our foreign sales or on our financial condition or results of operations.

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Item 7A. Quantitative and Qualitative Disclosures About Market Risk

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

As a result of our substantial international operations, we are exposed to foreigr
risks that arise from our normal business operations, including in connection with c
transactions that are denominated in foreign currencies. In addition, we translate sa
financial results denominated in foreign currencies into U.S. dollars for purposes o
consolidated financial statements. As a result, appreciation of the U.S. dollar again
foreign currencies generally will have a negative impact on our reported revenues a
operating income while depreciation of the U.S. dollar against these foreign curren
generally have a positive effect on reported revenues and operating income. For fis
2015, 2014 and 2013, our reported financial results were adversely affected by the
appreciation of the U.S. dollar against foreign currencies relative to the prior year.

We use foreign currency forward contracts to minimize the earnings exposures a
foreign currency exchange risk on foreign currency purchases and sales. Gains and
the underlying foreign currency exposures are partially offset with gains and losses
foreign currency forward contracts. Under this cash flow hedging program, we des
foreign currency contracts (the contracts) as cash flow hedges of underlying foreig
forecasted purchases and sales. The effective portion of changes in the fair value o
contracts is recorded in Accumulated Other Comprehensive Loss ("AOCL") in the
of shareowners' equity and is recognized in operating income when the underlying
transaction impacts earnings. The contracts generally mature within 12 months.

We use foreign currency option contracts to mitigate foreign currency exposure or
future Indian Rupee denominated purchases. In the second quarter of fiscal year 20
monetized our outstanding foreign currency option contracts and entered into a nev
foreign currency option contracts with effective dates from the start of the third qu
fiscal year 2015 through the end of fiscal year 2017. Changes in fair value associat
these contracts are recorded in cost of sales in the consolidated statements of opera

From time to time, we hedge against foreign currency exposure related to transla
U.S. dollars of our financial results denominated in foreign currencies. In the first c
fiscal year 2015, due to the volatility of the Brazilian real as compared to the U.S. c
entered into a series of foreign currency option contracts that do not qualify for hec
accounting but are expected to mitigate foreign currency translation exposure of B
earnings to U.S. dollars. In the second quarter of fiscal year 2015, we monetized th
outstanding foreign currency option contracts and entered into a new series of fore
currency option contracts with effective dates from the start of the third quarter of
2015 through the end of fiscal year 2015. In the third and fourth quarters of fiscal y
we monetized these outstanding foreign currency option contracts. Changes in fair
associated with these contracts are recorded in other income, net, in the consolidate
statements of operations.

In the fourth quarter of fiscal year 2015, due to the risk of volatility of the Swedish
euro as compared to the U.S. dollar, we entered into a series of foreign currency op
contracts that do not qualify for hedge accounting but are expected to mitigate fore
currency translation exposure of Swedish krona and euro earnings to U.S. dollars. C
fair value associated with these contracts are recorded in other income, net, in the
consolidated statements of operations.

Interest rate risk relates to the gain/increase or loss/decrease we could incur in our
balances and interest expense associated with changes in interest rates. To manage

we enter into interest rate swaps from time to time to economically convert portion
fixed-rate debt into floating rate exposure, ensuring that the sensitivity of the econo
of debt falls within our corporate risk tolerances. It is our policy not to enter into de
instruments for speculative purposes, and therefore, we hold no derivative instrume
trading purposes.

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Included below is a sensitivity analysis to measure the potential gain (loss) in the f
financial instruments with exposure to market risk. The model assumes a 10% hyp
change (increase or decrease) in exchange rates and instantaneous, parallel shifts o
points in interest rates.

Market Risk	Assuming a 10% Increase in Rates	Assuming a 10% Decrease in Rates
Foreign Currency Sensitivity:		
Forward contracts in USD [1]	1.1	(1.1)
Forward contracts in Euro [1]	(6.9)	6.9
Foreign currency denominated debt [2]	2.4	(2.4)
Foreign currency option contracts in USD	(0.8)	4.5
Foreign currency option contracts in Euro	(0.5)	1.3

Interest Rate Sensitivity:	Assuming a 50 BPS Increase in Rates	Assuming a 50 BPS Decrease in Rates
Debt - fixed rate [3]	$(35.8)	$37.3
Debt - variable rate	—	—
Interest rate swaps	—	—

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

(2) At September 30, 2015, the fair value of outstanding foreign currency denomin was $24 million. A 10% decrease in quoted currency exchange rates would resu decrease of $2.4 million in foreign currency denominated debt. At September 3 10% increase in quoted currency exchange rates would result in an increase of $ in foreign currency denominated debt.

(3) At September 30, 2015, the fair value of outstanding debt was $1,138 million. A points decrease in quoted interest rates would result in an increase of $37.3 mill fair value of fixed rate debt. A 50 basis points increase in quoted interest rates w in a decrease of $35.8 million in the fair value of fixed rate debt.

Item 8. Financial Statements and Supplementary Data.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited the accompanying consolidated balance sheets of Meritor, Inc. an
subsidiaries (the "Company") as of September 27, 2015 and September 28, 2014, a
related consolidated statements of operations, comprehensive income, equity (defic
cash flows for each of the three years in the period ended September 27, 2015. Our
included the financial statement schedule listed in the Index at Item 15(a)(2). These
statements and financial statement schedule are the responsibility of the Company'
management. Our responsibility is to express an opinion on the financial statement
financial statement schedule based on our audits.

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

In our opinion, such consolidated financial statements present fairly, in all material
the financial position of Meritor, Inc. and subsidiaries as of September 27, 2015 an
September 28, 2014, and the results of their operations and their cash flows for eac
three years in the period ended September 27, 2015, in conformity with accounting
generally accepted in the United States of America. Also, in our opinion, such fina
statement schedule, when considered in relation to the basic consolidated financial
taken as a whole, presents fairly, in all material respects, the information set forth t

We have also audited, in accordance with the standards of the Public Company Ac
Oversight Board (United States), the Company's internal control over financial rep
September 27, 2015, based on the criteria established in Internal Control - Integrate
Framework (2013) issued by the Committee of Sponsoring Organizations of the Tr
Commission, and our report dated November 18, 2015, expressed an unqualified o
the Company’s internal control over financial reporting.

/s/ DELOITTE & TOUCHE LLP
DELOITTE & TOUCHE LLP

Detroit, Michigan
November 18, 2015

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

	Year Ended September 30,		
	2015	2014	2
Sales	$3,505	$3,766	$
Cost of sales	(3,043)	(3,279)	(
GROSS MARGIN	462	487	3
Selling, general and administrative	(243)	(258)	(
Pension settlement losses	(59)	—	(
Restructuring costs	(16)	(10)	(
Goodwill impairment	(15)	—	–
Other operating expense, net	(1)	(2)	(
OPERATING INCOME	128	217	7
Other income, net	5	—	3
Gain on sale of equity investment	—	—	1
Equity in earnings of other ZF Meritor	—	190	–
Equity in earnings of affiliates	39	38	4
Interest expense, net	(105)	(130)	(
INCOME BEFORE INCOME TAXES	67	315	5
Provision for income taxes	(1)	(31)	(
INCOME (LOSS) FROM CONTINUING OPERATIONS	66	284	(
LOSS FROM DISCONTINUED OPERATIONS, net of tax	(1)	(30)	(
NET INCOME (LOSS)	65	254	(
Less: Net income attributable to noncontrolling interests	(1)	(5)	(
NET INCOME (LOSS) ATTRIBUTABLE TO MERITOR, INC.	$64	$249	$
NET INCOME (LOSS) ATTRIBUTABLE TO MERITOR, INC.			
Net income (loss) from continuing operations	$65	$279	$
Loss from discontinued operations	(1)	(30)	(
Net income (loss)	$64	$249	$
BASIC EARNINGS (LOSS) PER SHARE			
Continuing operations	$0.67	$2.86	$
Discontinued operations	(0.01)	(0.31)	(
Basic earnings (loss) per share	$0.66	$2.55	$
DILUTED EARNINGS (LOSS) PER SHARE			
Continuing operations	$0.65	$2.81	$
Discontinued operations	(0.01)	(0.30)	(
Diluted earnings (loss) per share	$0.64	$2.51	$
Basic average common shares outstanding	96.9	97.5	9
Diluted average common shares outstanding	100.1	99.2	9

See Notes to Consolidated Financial Statements. In fiscal year 2014, amounts for f
2013 were recast for discontinued operations.

MERITOR, INC.
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(in millions)

	Year Ended September 30,				
	2015		2014		20
Net income (loss)	$65		$254		$
Other comprehensive income (loss):					
Foreign currency translation adjustments	(97	)	(20	)	(3
Pension and other postretirement benefit related adjustments (net of tax of $5, $2 and $12 at September 30, 2015, 2014 and 2013, respectively)	84		3		21
Unrealized gain (loss) on investment and foreign exchange contracts	(6	)	2		(5
Total comprehensive income	46		239		16
Less: Comprehensive income (loss) attributable to noncontrolling interest	1		(5	)	(2
Comprehensive income attributable to Meritor, Inc.	$47		$234		$

See Notes to Consolidated Financial Statements.

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MERITOR, INC.
CONSOLIDATED BALANCE SHEET
(In millions)

	September 30,	
	2015	2
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$193	$
Receivables, trade and other, net	461	6
Inventories	338	3
Other current assets	50	5
TOTAL CURRENT ASSETS	1,042	1
NET PROPERTY	419	4
GOODWILL	402	4
OTHER ASSETS (1)	332	3
TOTAL ASSETS	$2,195	$
LIABILITIES AND EQUITY (DEFICIT)		
CURRENT LIABILITIES:		
Short-term debt	$15	$
Accounts and notes payable	574	6
Other current liabilities	279	3
TOTAL CURRENT LIABILITIES	868	1
LONG-TERM DEBT (1)	1,036	9
RETIREMENT BENEFITS	632	7
OTHER LIABILITIES	305	3
TOTAL LIABILITIES	2,841	3
COMMITMENTS AND CONTINGENCIES (NOTE 23)		
EQUITY (DEFICIT):		
Common stock (September 30, 2015 and 2014, 98.8 and 97.8 shares issued and 94.6 and 97.8 shares outstanding, respectively)	99	9
Additional paid-in capital	865	9
Accumulated deficit	(814)	(
Treasury stock, at cost (September 30, 2015 and 2014, 4.2 and 0.0 shares, respectively)	(55)	–
Accumulated other comprehensive loss	(766)	(
Total deficit attributable to Meritor, Inc.	(671)	(
Noncontrolling interests	25	2
TOTAL DEFICIT	(646)	(
TOTAL LIABILITIES AND DEFICIT	$2,195	$

(1) Prior year amounts have been recast to reflect the early adoption of ASU 2015- Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Costs.

See Notes to Consolidated Financial Statements.

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

	Year Ended Septem		
	2015		2014
OPERATING ACTIVITIES			
CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES (see Note 26)	$97		$215
INVESTING ACTIVITIES			
Capital expenditures	(79	)	(77
Proceeds from sale of equity investment	—		—
Proceeds from sale of property	4		—
Cash paid for acquisition of Morganton	(16	)	—
Other investing activities	—		—
Net investing cash flows provided by (used for) continuing operations	(91	)	(77
Net investing cash flows provided by discontinued operations	4		7
CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	(87	)	(70
FINANCING ACTIVITIES			
Proceeds from debt issuances	225		225
Repayment of notes and term loan	(199	)	(439
Repurchase of common stock	(55	)	—
Other financing activities	(9	)	12
Net change in debt	(38	)	(202
Debt issuance costs	(4	)	(10
CASH PROVIDED BY (USED FOR) FINANCING ACTIVITIES	(42	)	(212
EFFECT OF CURRENCY EXCHANGE RATES ON CASH AND CASH EQUIVALENTS	(22	)	(4
CHANGE IN CASH AND CASH EQUIVALENTS	(54	)	(71
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	247		318
CASH AND CASH EQUIVALENTS AT END OF YEAR	$193		$247

See Notes to Consolidated Financial Statements. In fiscal year 2014, amounts for f
2013 were recast for discontinued operations.

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

	Common Stock	Additional Paid-in Capital	Accumulated Deficit	Treasury Stock	Accumulated Other Comprehensive Loss	Total Deficit Attributable to Meritor, Inc.	Non- contr Inter
Beginning balance at September 30, 2014	$ 97	$ 918	$ (878)	$ —	$ (749)	$ (612)	$ 27
Comprehensive income (loss)	—	—	64	—	(17)	47	(1
Vesting of restricted stock	2	(2)	—	—	—	—	—
Repurchase of convertible notes	—	(62)	—	—	—	(62)	—
Equity based compensation expense	—	10	—	—	—	10	—
Repurchase of common stock	—	—	—	(55)	—	(55)	—
Non-controlling interest dividends	—	—	—	—	—	—	(1
Other	—	1	—	—	—	1	—
Ending balance at September 30, 2015	$ 99	$ 865	$ (814)	$ (55)	$ (766)	$ (671)	$ 25
Beginning balance at September 30, 2013	$ 97	$ 914	$ (1,127)	$ —	$ (734)	$ (850)	$ 28
Comprehensive income (loss)	—	—	249	—	(15)	234	5
Repurchase of convertible notes	—	(4)	—	—	—	(4)	—
Equity based compensation expense	—	8	—	—	—	8	—
Non-controlling interest dividends	—	—	—	—	—	—	(6

Ending balance at September 30, 2014	$ 97	$ 918	$ (878)	$—	$ (749)	$ (612)	$ 27
Beginning balance at September 30, 2012	$ 96	$ 901	$ (1,105)	$—	$ (915)	$ (1,023)	$ 41
Comprehensive income (loss)	—	—	(22)	—	181	159	2
Vesting of restricted stock	1	(1)	—	—	—	—	—
Repurchase of convertible notes	—	(2)	—	—	—	(2)	—
Issuance of convertible notes	—	9	—	—	—	9	—
Equity based compensation expense	—	5	—	—	—	5	—
Non-controlling interest dividends	—	—	—	—	—	—	(15
Other	—	2	—	—	—	2	—
Ending balance at September 30, 2013	$ 97	$ 914	$ (1,127)	$—	$ (734)	$ (850)	$ 28

See Notes to Consolidated Financial Statements.

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MERITOR, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION

Meritor, Inc. (the "company" or "Meritor"), headquartered in Troy, Michigan, is a supplier of a broad range of integrated systems, modules and components to origin equipment manufacturers ("OEMs") and the aftermarket for the commercial vehic transportation and industrial sectors. The company serves commercial truck, trailer bus and coach, construction and other industrial OEMs and certain aftermarkets. T consolidated financial statements are those of the company and its consolidated su

Certain businesses are reported in discontinued operations in the consolidated state operations, consolidated statement of cash flows and related notes for all periods p fiscal year 2014, the company exited its Mascot business, a remanufacturer and dis all makes differentials, transmissions and steering gears. The results of operations flows of the company's former Mascot business are presented in discontinued oper consolidated statement of operations and consolidated statement of cash flows. Ad information regarding discontinued operations is discussed in Note 3.

The company's fiscal year ends on the Sunday nearest September 30. The 2015, 20 2013 fiscal years ended on September 27, 2015, September 28, 2014 and Septemb respectively. All year and quarter references relate to the company's fiscal year an quarters, unless otherwise stated. For ease of presentation, September 30 is used co throughout this report to represent the fiscal year end.

2. SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates

The preparation of financial statements in accordance with accounting principles g accepted in the United States of America (GAAP) requires the use of estimates and assumptions related to the reporting of assets, liabilities, revenues, expenses and re disclosures. Actual results could differ from these estimates. Significant estimates assumptions were used to review goodwill and other long-lived assets for impairm Notes 4 and 11), costs associated with the company's restructuring actions (see No product warranty liabilities (see Note 14), long-term incentive compensation plan (see Note 19), retiree medical and pension obligations (see Notes 20 and 21), incor (see Note 22), and contingencies including asbestos.

Concentration of Credit Risk

In the normal course of business, the company provides credit to customers. The c limits its credit risk by performing ongoing credit evaluations of its customers and maintaining reserves for potential credit losses and through accounts receivable fac programs. The company's accounts receivable is due from medium- and heavy-dut OEMs, specialty vehicle manufacturers, aftermarket customers, and trailer produce

company’s ten largest customers accounted for 75 percent and 76 percent of sales i
2015 and 2014, respectively. Sales to the company's top three customers were 55 p
57 percent of total sales in fiscal 2015 and 2014, respectively. At September 30, 20
2014, 21 percent of the company's trade accounts receivable were from the compar
largest customers.

Consolidation and Joint Ventures

The consolidated financial statements include the accounts of the company and tho
subsidiaries in which the company has control. All intercompany balances and tran
are eliminated in consolidation. The results of operations of controlled subsidiaries
included in the consolidated financial statements and are offset by a related noncor
interest recorded for the noncontrolling partners’ ownership. Investments in affiliat
not controlled or majority-owned are reported using the equity method of accounti
Note 13).

MERITOR, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

Foreign Currency

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

Impairment of Long-Lived Assets

Long-lived assets, excluding goodwill, to be held and used are reviewed for impair
whenever adverse events or changes in circumstances indicate a possible impairme
impairment loss is recognized when a long-lived asset's carrying value exceeds the

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

Discontinued Operations

A business component that either has been disposed of or is classified as held for s
reported as discontinued operations if the cash flows of the component have been e
eliminated from the ongoing operations of the company, and the company will no l
any significant continuing involvement in the business component. The results of
discontinued operations are aggregated and presented separately in the consolidate
of operations and consolidated statement of cash flows (see Note 3).

Revenue Recognition

Revenues are recognized upon shipment of product and transfer of ownership to th
Provisions for customer sales allowances and incentives are recorded as a reductio
the time of product shipment.

Allowance for Doubtful Accounts

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

Earnings per Share

Basic earnings (loss) per share is calculated using the weighted average number of
outstanding during each period. The diluted earnings (loss) per share calculation in
impact of dilutive common stock options, restricted shares, performance share awa
convertible securities, if applicable.

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

	Year Ended Septemb	
	2015	2014
Basic average common shares outstanding	96.9	97.5
Impact of stock options	0.1	0.1
Impact of restricted shares, restricted share units and performance share units	2.0	1.6
Impact of convertible notes	1.1	—
Diluted average common shares outstanding	100.1	99.2

On November 8, 2014, the Board of Directors approved a grant of performance sha
all executives eligible to participate in the long-term incentive plan. Each performa
unit represents the right to receive one share of common stock or its cash equivaler
achievement of certain performance and time vesting criteria. The fair value of eac
performance share

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MERITOR, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

unit is $13.74, which was the company’s share price on the grant date of Decembe
The Board of Directors also approved a grant of 0.4 million restricted share units t
executives. The restricted share units vest at the earlier of three years from the date
upon termination of employment with the company under certain circumstances.
The actual number of performance share units that will vest depends upon the com
performance relative to the established performance metrics for the three-year perf
period of October 1, 2014 to September 30, 2017, measured at the end of the perfo
period. The number of performance share units will depend on Adjusted EBITDA
Adjusted diluted earnings per share from continuing operations at the following we
associated with achieving an Adjusted EBITDA margin target and 25% associated
achieving an Adjusted diluted earnings per share from continuing operations target
number of performance share units that vest will be between 0% and 200% of the g
amount of 0.6 million shares.
On November 7, 2013, the Board of Directors approved a grant of performance sha
all executives eligible to participate in the long-term incentive plan. Each performa
unit represents the right to receive one share of common stock or its cash equivalen
achievement of certain performance and time vesting criteria. The fair value of eac
performance share unit is $7.97, which was the company’s share price on the grant
December 1, 2013.
The actual number of performance share units that will vest depends upon the com
performance relative to the established M2016 goals for the three-year performanc
October 1, 2013 to September 30, 2016, measured at the end of the performance pe
number of performance share units will depend on meeting the established M2016
the following weights: 50% associated with achieving an Adjusted EBITDA margi
25% associated with achieving a net debt including retirement benefit liabilities tar
25% associated with achieving an incremental booked revenue target. The number
performance share units that vest will be between 0% and 200% of the grant date a
1.8 million units which includes incremental performance share units that were issu
subsequent to the December 1, 2013 grant date.
There were 0.9 million and 0.1 million shares related to these performance share u
included in the diluted earnings per share calculation for the years ended Septembe
and 2014, respectively, as certain payout thresholds were achieved in fiscal years 2
2014 relative to the Adjusted EBITDA, net debt reduction and incremental booked
targets.
For the years ended September 30, 2015 and 2014, the dilutive impact of previousl
restricted shares, restricted share units, and performance share units was 2.0 millio
million, respectively. For the years ended September 30, 2015, 2014, and 2013, co
cost related to restricted shares, restricted share units, performance share units and
options was $10 million, $8 million and $5 million, respectively.
At September 30, 2014 and 2013 options to purchase 0.3 million, and 0.9 million s
common stock, respectively, were excluded in the computation of diluted earnings
because their exercise price exceeded the average market price for the twelve-mon
and thus their inclusion would be anti-dilutive.
For the fiscal year ended September 30, 2015, 1.1 million shares were included in
computation of diluted earnings per share because the average stock price exceede

conversion price for the 7.875 percent convertible notes due 2026. For the years en
September 30, 2014 and 2013, the company's convertible senior unsecured notes w
excluded from the computation of diluted earnings per share, as the company's ave
price during these periods was less than the conversion price.
The potential effects of restricted shares and restricted share units were excluded fr
diluted earnings per share calculation for the fiscal year ended September 30, 2013
their inclusion in a loss from continuing operations period would reduce the loss p
from continuing operations attributable to common shareholders. Therefore, 0.8 m
shares of restricted stock were excluded from the computation of diluted earnings p
for the fiscal year ended September 30, 2013.

Other

Other significant accounting policies are included in the related notes, specifically,
(Note 4), inventories (Note 9), property and depreciation (Note 11), capitalized sof
(Note 12), product warranties (Note 14), financial instruments (Note 17), equity ba
compensation (Note 19), retirement medical plans (Note 20), retirement pension pl
21), income taxes (Note 22) and environmental and asbestos-related liabilities (No

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MERITOR, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

Accounting standards to be implemented
In April 2014, the Financial Accounting Standards Board (FASB) issued Accounti Standards Update (ASU) 2014-08, Presentation of Financial Statements and Prope and Equipment: Reporting Discontinued Operations and Disclosures of Disposals Components of an Entity. This guidance changes the definition of a discontinued o include only those disposals of components of an entity that represent a strategic sh (or will have) a major effect on an entity's operations and financial results. The gu requires new disclosure of both discontinued operations and certain other disposals meet the definition of a discontinued operation. This guidance is effective for fisca beginning after December 15, 2014, and is to be applied prospectively. The compa adopt this guidance as of October 1, 2015. The company does not expect any mate on its consolidated financial statements.

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with custo which requires companies to recognize revenue when a customer obtains control ra when companies have transferred substantially all risks and rewards of a good or se requires additional disclosure about the nature, amount, timing and uncertainty of r cash flows arising from customer contracts. ASU 2014-09 was originally effective reporting periods beginning on or after December 15, 2016 and interim periods the August 2015, the FASB issued a deferral of ASU 2014-09 of one year making it ef annual reporting periods beginning on or after December 15, 2017 while also prov early adoption but not before the original effective date. The company plans to imp standard in the first quarter of the fiscal year beginning October 1, 2018 and is cur evaluating the potential impact of this new guidance on its consolidated financial s

In June 2014, the FASB issued ASU 2014-12, Accounting for Share-Based Payme the Terms of an Award Provide That a Performance Target Could be Achieved Aft Requisite Service Period. This guidance requires that an award with a performance affects vesting, and that could be achieved after the requisite service period, such a employee retires but may still vest if and when the performance target is achieved, as an award with performance conditions that affect vesting and the company appl guidance under ASC Topic 718, Compensation - Stock Compensation. The guidan effective for fiscal years beginning after December 15, 2015 and may be applied ei prospectively or retrospectively. The company is assessing the potential impact of guidance on its consolidated financial statements.

In August 2014, the FASB issued ASU 2014-15 Presentation of Financial Stateme Concern, which provide guidance about management's responsibility in evaluating there is substantial doubt relating to an entity's ability to continue as a going conce provide related footnote disclosures as applicable. ASU 2014-15 is effective for th and annual periods ending after December 15, 2016. Early adoption is permitted. T company does not expect any material impact on its consolidated financial stateme adoption of this guidance.

In July 2015, the FASB issued ASU 2015-11, Inventory (Topic 330): Simplifying
Measurement of Inventory, which requires entities that measure inventory using fi
first-out (FIFO) or average cost to measure inventory at the lower of cost and net r
value. The standard is required to be adopted by public business entities in annual
beginning on or after December 15, 2016 and interim periods within those annual
The company is assessing the potential impact of this new guidance on its consolid
financial statements.

In September 2015, the FASB issued ASU 2015-16, Simplifying the Accounting f
Measurement-Period Adjustments, which updates Business Combination (Topic 8
guidance to eliminate the requirement to restate prior period financial statements f
measurement period adjustments. The guidance should be applied prospectively to
measurement period adjustments that occur after the effective date. The guidance i
for interim and annual periods beginning after December 15, 2015. Early adoption
permitted. The company plans to implement this standard in the first quarter of the
beginning October 1, 2015 and is currently evaluating the potential impact of this
guidance on its consolidated financial statements.

Accounting standards implemented during fiscal year 2015
In April 2015, the FASB issued ASU 2015-03, Interest — Imputation of Interest (S
835-30): Simplifying the Presentation of Debt Issuance Costs. In June 2015, the F
amended ASU 2015-03 with ASU 2015-15. Together the standard updates change
presentation of debt issuance costs for term debt in the balance sheet by requiring t
issuance costs be presented as a direct deduction from the related debt liability, rat
recorded as an asset. This guidance is effective for periods beginning after Decemb
2015, and interim periods within those annual periods applied retrospectively. Earl
is permitted. The company adopted this guidance in the fourth quarter of fiscal yea
Debt issuance costs associated with term debt were $17 million as of September 3
2014.

MERITOR, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

In April 2015, the FASB issued ASU 2015-04 (Topic 820): Practical Expedient for Measurement Date of an Employer's Defined Benefit Obligation and Plan Assets. new guidance, if an employer's fiscal year-end does not coincide with a month-end employer may measure plan assets and benefit obligations using the month-end tha to the employer's fiscal year-end. Early adoption is permitted. This guidance must prospectively. The company adopted this guidance in the fourth quarter of fiscal ye and the adoption did not have a material impact on the company's consolidated stat financial position, results of operations, or cash flows.
In April 2015, the FASB issued ASU 2015-05, Intangibles — Goodwill and Other Software. ASU 2015-05 requires a company to determine whether a cloud comput arrangement contains a software license. If the arrangement contains a software lic customer would account for the fees related to the software license element in a ma consistent with the accounting for the acquisition of other software licenses under 350-40; if the arrangement does not contain a software license, the customer would for the arrangement as a service contract. The standard is required to be adopted by business entities in annual periods beginning after December 15, 2015, and interim within those annual periods. Early adoption is permitted. The company adopted thi concurrent with an annual review of the company's accounting for internal-use com software costs policy as of June 30, 2015. The guidance is applied prospectively. T adoption did not have a material impact on the company's consolidated statement o position, results of operations, or cash flows. As new contracts are entered into or e contracts are materially modified, the adoption may impact fixed assets, selling, ge administrative costs, or cost of sales.

In May 2015, the FASB issued ASU 2015-07, Fair Value Measurement (Topic 820 Disclosures for Investments in Certain Entities that Calculate Net Asset Value per its Equivalent). Under the new guidance, investments measured at net asset value, practical expedient for fair value, are excluded from the fair value hierarchy. The n guidance requires reporting entities to reconcile the fair value hierarchy disclosure balance sheet by disclosing the amount of investments measured using the practica expedient. The standard is required to be adopted in annual periods beginning after 15, 2015 and interim periods within those annual periods. Early adoption is permit guidance must be applied retrospectively to all periods presented. The company ad guidance in the fourth quarter of fiscal year 2015. In Note 21, pension assets of $7 and $849 million are disclosed as investments measured using the practical expedi September 30, 2015 and 2014, respectively.

3. DISCONTINUED OPERATIONS

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

	Year Ended September 3	
	2015	2014
Sales	$1	$29
Operating losses, net (primarily Mascot)	$—	$(8)

Net loss on sales of businesses	—	(23)
Restructuring costs	—	—
Environmental remediation charges (see Note 23)	—	(4)
Other, net	(2)	(2)
Loss before income taxes	(2)	(37)
Benefit for income taxes	1	7
Loss from discontinued operations attributable to Meritor, Inc.	$(1)	$(30)

Total discontinued operations assets and liabilities as of September 30, 2015 were
and $10 million, respectively. Total discontinued operations assets and liabilities a
September 30, 2014 were $8 million and $21 million, respectively.

MERITOR, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

Prior Period Divestitures

Mascot

On August 15, 2014, the company completed its strategic review of certain remanu product lines within the aftermarket business in North America, and the Board of I concluded the company should exit the Mascot business. Mascot is a remanufactur distributor of all makes differentials, transmissions and steering gears primarily fo the fourth quarter of fiscal year 2014, the company disposed of its Mascot business part of the company's Aftermarket & Trailer segment. The company sold certain lo and current assets of the business to a third party and recognized a loss of $23 mill the fourth quarter of fiscal year 2014 in connection with the disposal. These charge loss on sale, severance and other disposal costs. Total sales from this business were in fiscal year 2015 and $29 million in fiscal years 2014 and 2013.

During the first quarter of fiscal year 2013, the company announced the planned co of its Mascot remanufacturing operations in the Aftermarket & Trailer segment res the closure of one remanufacturing plant in Canada. The closure resulted in the eli 85 hourly positions, including approximately 65 positions which were transferred t company's facility in Indiana. The company recorded restructuring charges of $3 m during fiscal year 2013, primarily associated with employee severance charges. Re actions associated with the remanufacturing consolidation were substantially comp September 30, 2013.

The results of operations and cash flows of the company's Mascot business are pre discontinued operations in the consolidated statements of operations and consolida statement of cash flows.

Body Systems

On January 3, 2011, the company completed the sale of its Body Systems business Products Holding Coöperatieve U.A., an assignee of 81 Acquisition LLC and an af Inteva Products, LLC pursuant to the sale agreement signed in August 2010. The p price included a five-year, 8-percent promissory note for $15 million, payable in fi installments beginning in January 2012 and is included in receivables, trade and ot the consolidated balance sheet.

MSSC

In October, 2009, the company closed on the sale of its 57 percent interest in MSS venture that manufactured and supplied automotive coil springs, torsion bars and s bars in North America, to the joint venture partner, a subsidiary of Mitsubishi Stee LTD (MSM). In connection with the sale of its interest in MSSC, the company pro certain indemnifications to the buyer for its share of potential obligations related to funding shortfall, environmental and other contingencies, and valuation of certain a receivable and inventories. The company’s estimated exposure under these indemn September 30, 2015 and September 30, 2014 is $2 million and $5 million, respecti included in other current liabilities and other liabilities in the consolidated balance Adjustments to amounts previously reported in discontinued operations that are rel disposal of the company’s MSSC business are reflected in discontinued operations periods presented.

European Trailer
In the second quarter of fiscal year 2011, the company announced the planned clos
European Trailer business which was part of the company's Aftermarket & Trailer
All manufacturing operations and use of productive assets ceased prior to Septemb
2011. In the fourth quarter of fiscal year 2014, the company recognized a $5 millio
included in other, net, related to a specific product warranty matter.

4. GOODWILL

In accordance with FASB Accounting Standards Codification (ASC) Topic 350-20
"Intangibles – Goodwill and Other", goodwill is reviewed for impairment annually
fourth quarter of the fiscal year or more frequently if certain indicators arise. If bus
conditions or other factors cause the operating results and cash flows of a reporting
decline, the company may be required to record impairment charges for goodwill a
The company tests goodwill for impairment at a level of

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MERITOR, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

reporting referred to as a reporting unit, which is an operating segment or one level
operating segment (referred to as a component). A component of an operating segm
reporting unit if the component constitutes a business for which discrete financial i
is available and segment management regularly reviews the operating results of tha
component. When two or more components of an operating segment have similar e
characteristics, the components are aggregated and deemed a single reporting unit.
operating segment is deemed to be a reporting unit if all of its components are simi
of its components are a reporting unit, or if the segment comprises only a single co

Annual Impairment Analysis

In September 2011, the FASB issued revised guidance which allows entities to per
initial qualitative evaluation to determine whether it is more likely than not that the
of a reporting unit is less than its carrying amount. The results of this qualitative as
determine whether it is necessary to perform step one of the required two-step imp
test. As allowed by the revised guidance, the company has elected to bypass the qu
assessment for fiscal year 2015 and proceed directly to the two-step impairment te

Excluding the qualitative evaluation discussed above, the goodwill impairment rev
two-step process. Step one consists of a comparison of the fair value of a reporting
its carrying amount. An impairment loss may be recognized if the review indicates
carrying value of a reporting unit exceeds its fair value. Estimates of fair value are
determined by using discounted cash flows and market multiples on earnings. If th
amount of a reporting unit exceeds its fair value, step two requires the fair value of
reporting unit to be allocated to the underlying assets and liabilities of that reportin
resulting in an implied fair value of goodwill. If the carrying amount of the goodw
reporting unit exceeds the implied fair value, an impairment charge is recorded equ
excess.

The impairment review is highly judgmental and involves the use of significant est
assumptions. These estimates and assumptions have a significant impact on the am
impairment charge recorded. Discounted cash flow methods are dependent upon as
of future sales trends, market conditions and cash flows of each reporting unit over
years. Actual cash flows in the future may differ significantly from those previousl
forecasted.

Sales of the company's primary military program wound down to insignificant lev
Additionally, the U.S. Army awarded a new contract for the production of the Join
Tactical Vehicle to Oshkosh for which the company will supply wheel-ends. Rever
significantly less than if the program had been awarded differently and the compan
supplying its ProTec independent suspension. The company continues to work tow
securing participation in additional military programs; however based on sales exp
for currently awarded programs, the company's fair value of the Defense business
exceed its carrying value. Since the fair value of the business did not exceed the im
value of its net assets without goodwill enough to support the full amount of goodv
company's Defense reporting unit, which is included in the Commercial Truck and

segment, recorded a goodwill impairment of $15 million in the fourth quarter of 20
fair value of the other reporting units exceeded their carrying values. For fiscal yea
and 2013, the fair value of all of the company's reporting units exceeded their carr

A summary of the changes in the carrying value of goodwill is presented below (in

	Commercial Truck & Industrial		Aftermarket & Trailer		Tota
Balance at September 30, 2013	$262		$172		$434
Foreign currency translation	(1	)	(2	)	(3
Balance at September 30, 2014	261		170		431
Impairment	(15	)	—		(15
Foreign currency translation	(7	)	(7	)	(14
Balance at September 30, 2015	$239		$163		$402

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MERITOR, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

Reorganization of Reporting Units
As discussed in Note 24, the company reorganized its management reporting struct
fiscal year 2015, resulting in three operating segments. As a result of the change in
segments, the company's goodwill reporting units changed. The Commercial Truck
Industrial segment now contains three reporting units. The Aftermarket and Trailer
remains a single reporting unit. Goodwill was reassigned to the goodwill reporting
a relative fair value allocation. Goodwill was tested again after allocation and no ad
impairment was required.

5. RESTRUCTURING COSTS

At September 30, 2015 and 2014, $10 million and $11 million, respectively, of res
reserves primarily related to unpaid employee termination benefits remained in the
consolidated balance sheet. Asset impairment charges relate to manufacturing facil
have been sold and machinery and equipment that became idle and obsolete as a re
these actions.

The following table summarizes changes in restructuring reserves (in millions):

	Employee Termination Benefits	Asset Impairment	Plant Shutdow & Other
Balance at September 30, 2012	$ 15	$ —	$—
Activity during the period:			
Charges to continuing operations	18	1	4
Charges to discontinued operations [(1)]	3	—	—
Asset write-offs	—	(1)	—
Cash payments – continuing operations	(19)	—	(4
Cash payments – discontinued operations [(1)]	(3)	—	—
Other	(2)	—	—
Balance at September 30, 2013	12	—	—
Activity during the period:			
Charges to continuing operations	10	—	—
Cash payments – continuing operations	(10)	—	—
Other	(1)	—	—
Balance at September 30, 2014	11	—	—
Activity during the period:			
Charges to continuing operations	15	1	—
Asset write-offs	—	(1)	—
Cash payments – continuing operations	(16)	—	—
Total restructuring reserves, end of year	10	—	—
Less: non-current restructuring reserves	(3)	—	—
Restructuring reserves – current, at September 30, 2015	$ 7	$ —	$—

(1) Charges to discontinued operations are included in discontinued operations in th
consolidated statement of operations. In fiscal year 2014, amounts for fiscal yea
were recast for discontinued operations.

MERITOR, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

Restructuring costs attributable to the company's business segments during fiscal y
2014 and 2013 are as follows (in millions):

	Commercial Truck & Industrial	Aftermarket & Trailer	Corporat
Fiscal year 2015:			
South America labor reduction II	$ 6	$ —	$ —
M2016 footprint actions	5	—	—
Closure of engineering facility	—	—	2
European labor reductions	2	—	—
Other	1	—	—
Total restructuring costs	$ 14	$ —	$ 2
Fiscal year 2014:			
South America labor reduction I	$ 7	$ —	$ —
Other	1	1	1
Total restructuring costs	$ 8	$ 1	$ 1
Fiscal year 2013:			
Variable labor reductions	$ 5	$ —	$ —
Segment reorganization and Asia Pacific realignment	10	3	3
M2016 footprint actions	2	—	—
Total restructuring costs	$ 17	$ 3	$ 3

M2016 Footprint Actions: As part of the company's M2016 Strategy, the company
a North American footprint realignment action and a European shared services reo
In fiscal year 2015, the company announced the consolidation of certain gearing ar
machining operations in North America and notified approximately 40 hourly and
employees in the Commercial Truck & Industrial segment that their positions were
eliminated due to the planned closure of a North America manufacturing facility. I
year 2015, $5 million of severance and other restructuring charges were recognize
with the closure of this facility. To date, the company has eliminated approximatel
hourly and salaried positions and incurred approximately $7 million of restructurin
associated with M2016 Footprint Actions, primarily in the Commercial Truck & In
segment. Restructuring actions associated with this program were substantially co
September 30, 2015.
South America Labor Reduction I: During the fourth quarter of fiscal year 2014, th
initiated a South America headcount reduction plan intended to reduce labor costs
to softening economic conditions in the region. In response to decreasing productio
in South America, the company eliminated approximately 190 hourly and 20 salari
positions and incurred $7 million of restructuring costs, primarily severance benefi
Commercial Truck & Industrial segment. This plan was completed in fiscal year 2
South America Labor Reduction II: During fiscal year 2015, a restructuring plan to
reduce headcount in South America was approved by the local union. This restruct

was in response to the current economic environment in South America which con
weaken throughout 2015. With this restructuring plan, the company eliminated app
230 hourly and 20 salaried positions and recorded severance expenses of $6 millio
associated with this plan during the third quarter of fiscal year 2015. Restructuring
associated with this program were substantially complete as of September 30, 2015
Closure of a Corporate Engineering Facility: During the second quarter of fiscal ye
the company notified approximately 30 salaried and contract employees that their p
were being eliminated due to the planned closure of a corporate engineering facilit
company recorded severance expenses of $2 million associated with this plan. Res
actions associated with this program were substantially complete as of September 3

MERITOR, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

European Labor Reductions: During the second quarter of fiscal year 2015, the cor
initiated a European headcount reduction plan intended to reduce labor costs in res
continued soft markets in the region. The company eliminated approximately 20 h
20 salaried positions and recorded $2 million of expected severance expenses in th
Commercial Truck & Industrial segment in fiscal year 2015. Restructuring actions
with this program were substantially complete as of June 30, 2015.
Variable Labor Reductions: In fiscal year 2013, the company recognized $5 millio
restructuring costs associated with a global variable labor headcount reduction pla
was completed in fiscal year 2013.
Segment Reorganization and Asia-Pacific Realignment: In fiscal year 2013, the co
announced certain plans to revise its management reporting structure and consolid
operations in China. During fiscal year 2013, the company recorded employee sev
charges and other exit costs of $16 million associated with these actions. These co
to the elimination of approximately 200 salaried positions (including contract emp
50 hourly positions and a lease termination. This plan was completed in fiscal year

6. ACQUISITIONS

On July 9, 2015, the company purchased from Sypris Solutions, Inc. (“Sypris”), a
axle shafts and trailer beams for Meritor and Sistemas Automotrices De Mexico S.
a joint venture that is 50%-owned by Meritor, the majority of the assets of Sypris’s
Morganton, North Carolina manufacturing facility for $16 million cash considerati
fair value of the net assets acquired was $16 million which consisted mainly of pr
and equipment. Of the equipment acquired, $2 million will be sold rather than held
and is classified as held for sale at the acquisition date, and is recorded in net prop
September 30, 2015. The revenue and earnings of the combined entity as though t
combination had occurred as of the beginning of the comparable prior annual repo
is insignificant to the consolidated financial statements as the majority of sales are
upon consolidation.

7. ACCOUNTS RECEIVABLE FACTORING AND SECURITIZATION

Off-balance sheet arrangements

Swedish Factoring Facility: The company has an arrangement to sell trade receival
AB Volvo through one of its European subsidiaries. Under this arrangement, whic
recently renewed and now terminates on June 28, 2016, the company can sell up t
point in time, €150 million ($168 million) of eligible trade receivables. The receiv
this program are sold at face value and are excluded from the consolidated balance
company had utilized €108 million ($121 million) and €99 million ($127 million)
accounts receivable factoring facility as of September 30, 2015 and 2014, respecti

U.S. Factoring Facility: The company has an arrangement to sell trade receivables
Volvo and its subsidiaries to Nordea Bank. Under this arrangement, which was rec

renewed and now terminates on February 28, 2016, the company can sell up to, at
in time, €65 million ($73 million) of eligible trade receivables. In December 2014,
company amended this agreement to allow for the sale of trade receivables to exce
Bank's commitment at Nordea Bank's discretion. The receivables under this progr
at face value and are excluded from the consolidated balance sheet. The company l
€74 million ($83 million) and €64 million ($81 million) of this accounts receivable
facility as of September 30, 2015 and 2014, respectively. As of September 30, 201
company had utilized more than the committed eligible trade receivable amount of
($73 million) based on approval from the bank.

The above facilities are backed by 364-day liquidity commitments from Nordea
which extend through May 2016. The commitments are subject to standard terms a
conditions for these types of arrangements.

MERITOR, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

United Kingdom Factoring Facility: The company has an arrangement to sell tr receivables from AB Volvo and its European subsidiaries through one of its Unitec subsidiaries. Under this arrangement, which expires in February 2018, the compan up to, at any point in time, €25 million ($28 million) of eligible trade receivables. T receivables under this program are sold at face value and are excluded from the co balance sheet. The company had utilized €8 million ($8 million) and €6 million ($ this accounts receivable factoring facility as of September 30, 2015 and 2014, resp The agreement is subject to standard terms and conditions for these types of arrang including a sole discretion clause whereby the purchasing bank retains the right to purchase receivables, which has not been invoked since the inception of the progra

Italy Factoring Facility: The company has an arrangement to sell trade receivab AB Volvo and its European subsidiaries through one of its Italian subsidiaries. Un arrangement, which expires in June 2017, the company can sell up to, at any point million ($34 million) of eligible trade receivables. The receivables under this progr sold at face value and are excluded from the consolidated balance sheet. The comp utilized €22 million ($24 million) and €8 million ($10 million) of this accounts rec factoring facility as of September 30, 2015 and 2014, respectively. The agreement to standard terms and conditions for these types of arrangements including a sole d clause whereby the purchasing bank retains the right to not purchase receivables, w not been invoked since the inception of the program.

In addition, several of the company's subsidiaries, primarily in Europe, factor eligi receivable with financial institutions. Certain receivables are factored without reco company and are excluded from accounts receivable in the consolidated balance sh amount of factored receivables excluded from accounts receivable was $18 million million at September 30, 2015 and 2014, respectively.

Total costs associated with these off-balance sheet arrangements described above v million, $8 million and $6 million in fiscal years 2015, 2014 and 2013, respectively included in selling, general and administrative expenses in the consolidated statem operations.

On-balance sheet arrangements

The company has a $100 million U.S. accounts receivables securitization facility. 15, 2014, the company entered into an amendment which extended the facility exp to October 15, 2017 and set the maximum permitted priority-debt-to-EBITDA rati last day of each fiscal quarter under the U.S. securitization facility at 2.25 to 1.00. program is provided by PNC Bank, National Association, as Administrator and Pu and the other Purchasers and Purchaser Agents from time to time (participating len which are party to the agreement. Under this program, the company has the ability undivided percentage ownership interest in substantially all of its trade receivables the receivables due from AB Volvo and subsidiaries eligible for sale under the U.S receivable factoring facility) of certain U.S. subsidiaries to ArvinMeritor Receivab Corporation (ARC), a wholly-owned, special purpose subsidiary. ARC funds these with borrowings from participating lenders under a loan agreement. This program

includes a letter of credit facility pursuant to which ARC may request the issuance
of credit issued for the company's U.S. subsidiaries (originators) or their designees
when issued will constitute a utilization of the facility for the amount of letters of c
issued. Amounts outstanding under this agreement are collateralized by eligible rec
purchased by ARC and are reported as short-term debt in the consolidated balance
September 30, 2015 and 2014, no amounts, including letters of credit, were outstar
this program. This securitization program contains a cross-default to the revolving
facility. At certain times during any given month, the company may sell eligible ac
receivable under this program to fund intra-month working capital needs. In such r
company would then typically utilize the cash received from customers throughout
to repay the borrowings under the program. Accordingly, during any given month,
company may borrow under this program in amounts exceeding the amounts show
outstanding at fiscal year ends.

8. GAIN ON SALE OF PROPERTY AND OTHER OPERATING EXPENSE, NE

The company recognized a gain on sale of property of $3 million during fiscal yea
This gain is associated with the sale of excess land at the company's facility at Cwi
Wales.

Other operating expense, net for fiscal years 2014 and 2013 primarily relates to environmental remediation costs incurred by the company (see Note 23).

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MERITOR, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

9. INVENTORIES

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

	September 3
	2015
Finished goods	$133
Work in process	28
Raw materials, parts and supplies	177
Total	$338

10. OTHER CURRENT ASSETS

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

	September 3
	2015
Current deferred income tax assets (see Note 22)	$20
Asbestos-related recoveries (see Note 23)	13
Prepaid and other	17
Other current assets	$50

11. NET PROPERTY

Property is stated at cost. Depreciation of property is based on estimated useful liv
generally using the straight-line method. Estimated useful lives for buildings and
improvements range from 10 to 50 years and estimated useful lives for machinery
equipment range from 3 to 20 years. Significant improvements are capitalized, and
or replaced property is written off. Maintenance and repairs are charged to expense
period they are incurred. Company-owned tooling is classified as property and dep
over the shorter of its expected life or the life of the production contract, generally
exceed three years.

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

In the fourth quarter of fiscal year 2015, the U.S. Army awarded a new contract fo
production of the Joint Light Tactical Vehicle (JLTV) to Oshkosh, for which the c
will supply wheel-ends. However, the company made certain capital investments a
commitments to supply its ProTec Independent Suspension had the JLTV program

awarded differently. As a result, the company recorded an impairment of $2 millio
long-lived assets in the fourth quarter of fiscal year 2015.

MERITOR, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

Net property is summarized as follows (in millions):

	September 3 2015
Property at cost:	
Land and land improvements	$31
Buildings	214
Machinery and equipment	864
Company-owned tooling	116
Construction in progress	62
Total	1,287
Less accumulated depreciation	(868)
Net property	$419

12. OTHER ASSETS

Other assets are summarized as follows (in millions):

	September 3 2015
Investments in non-consolidated joint ventures (see Note 13)	$96
Asbestos-related recoveries (see Note 23)	42
Unamortized revolver debt issuance costs [(1)] (see Note 16)	10
Capitalized software costs, net [(2)]	28
Non-current deferred income tax assets (see Note 22)	28
Assets for uncertain tax positions (see Note 22)	3
Prepaid pension costs (see Note 21)	110
Other	15
Other assets	$332

(1) Prior year unamortized debt issuance costs have been recast to reflect the early ASU 2015-03, Interest — Imputation of Interest (Subtopic 835-30): Simplifyin Presentation of Debt Issuance Costs.

(2) In accordance with FASB ASC Topic 350-40, costs relating to internally develo purchased software in the preliminary project stage and the post-implementatio expensed as incurred. Costs in the application development stage that meet the capitalization are capitalized and amortized using the straight-line basis over th economic useful life of the software.

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MERITOR, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

13. INVESTMENTS IN NON-CONSOLIDATED JOINT VENTURES

The company’s non-consolidated joint ventures and related direct ownership intere
follows:

	September 30,		
	2015		2014
Meritor WABCO Vehicle Control Systems (Commercial Truck & Industrial)	50	%	50
Master Sistemas Automotivos Ltda. (Commercial Truck & Industrial)	49	%	49
Sistemas Automotrices de Mexico S.A. de C.V. (Commercial Truck & Industrial)	50	%	50
Ege Fren Sanayii ve Ticaret A.S. (Commercial Truck & Industrial)	49	%	49
Automotive Axles Limited (Commercial Truck & Industrial)	36	%	36
ZF Meritor LLC (Commercial Truck & Industrial)	—	%	50

In June 2014, ZF Meritor LLC, a joint venture between ZF Friedrichshafen AG an
company's subsidiary, Meritor Transmission LLC, entered into a settlement agreen
Eaton Corporation relating to an antitrust lawsuit filed by ZF Meritor in 2006. Purs
terms of the settlement agreement, Eaton agreed to pay $500 million to ZF Meritor
2014, ZF Meritor received proceeds of $400 million net of attorney's contingency
July 2014, the company received proceeds of $210 million representing its share b
company's ownership interest in ZF Meritor and including a recovery of current an
years' attorney expenses paid by Meritor. ZF Meritor and Meritor Transmission ag
dismiss all pending antitrust litigation with Eaton. ZF Meritor did not have any ope
activities and was dissolved in fiscal year 2015.

The company's pre-tax share of the settlement was $210 million ($209 million afte
which $190 million was recognized as equity in earnings of ZF Meritor, and $20 m
the recovery of legal expenses from ZF Meritor was recognized as a reduction of s
general and administrative expenses in the consolidated statement of operations. T
company recognized the recovery in SG&A as the historical incurrence of these co
included in SG&A in the consolidated statement of operations in prior periods.

The company’s investments in non-consolidated joint ventures are as follows (in m

	Septemb
	2015
Commercial Truck & Industrial	$96
Aftermarket & Trailer	—
Total investments in non-consolidated joint ventures	$96

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

	Year Ended Septem	
	2015	2014

Commercial Truck & Industrial	$39	$38
Aftermarket & Trailer	—	—
Total equity in earnings of affiliates	$39	$38

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MERITOR, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

The summarized financial information presented below represents the combined ac
the company's non-consolidated joint ventures related to its continuing operations
millions):

	Septemb 2015
Current assets	$393
Non-current assets	140
Total assets	$533
Current liabilities	$239
Non-current liabilities	111
Total liabilities	$350

	Year Ended Septemb	
	2015	2014
Sales	$1,288	$1,268
Gross profit	187	167
Net income	83	458

Dividends received from the company's non-consolidated joint ventures were $32
fiscal year 2015, $36 million in fiscal year 2014 and $30 million in fiscal year 201

The company had sales to its non-consolidated joint ventures of approximately $5
million and $11 million in fiscal years 2015, 2014 and 2013, respectively. These sa
sales of $135 million, $141 million and $151 million in fiscal years 2015, 2014 and
respectively, to a joint venture in the company's Commercial Truck & Industrial se
which are eliminated as the company purchases these components back after value
provided by the joint venture. The company had purchases from its non-consolidat
ventures of approximately $855 million, $760 million and $885 million in fiscal ye
2014 and 2013, respectively. Additionally, the company leases space and provides
administrative and technical services to various non-consolidated joint ventures. Th
company collected $9 million, $5 million and $8 million for such leases and servic
fiscal years 2015, 2014 and 2013, respectively.

Amounts due from the company's non-consolidated joint ventures were $35 millio
million at September 30, 2015 and 2014, respectively, and are included in Receiva
and other, net in the consolidated balance sheet. Amounts due to the company's
non-consolidated joint ventures were $107 million and $101 million at September
and 2014, respectively, and are included in Accounts payable in the consolidated b
sheet.

The fair value of the company's investment in its Automotive Axles Limited joint
approximately $57 million and $59 million at September 30, 2015 and 2014, respe
based on quoted market prices as this joint venture is listed and publicly traded on
Bombay Stock Exchange in India.

The company holds a variable interest in a joint venture accounted for under the eq
method of accounting. The joint venture manufactures components for commercia
applications primarily on behalf of the company. The variable interest relates to a s
arrangement between the company and the joint venture whereby the company sup
certain components to the joint venture on a cost-plus basis. The company is not th
beneficiary of the joint venture, as the joint venture partner has shared or absolute
over key manufacturing operations, labor relationships, financing activities and cer
functions of the joint venture. Therefore, the company does not consolidate the joi
At September 30, 2015 and 2014, the company's investment in the joint venture w
million and $43 million, respectively, representing the company's maximum expo
This amount is included in investments in non-consolidated joint ventures (see No

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MERITOR, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

14. OTHER CURRENT LIABILITIES

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

	September 3
	2015
Compensation and benefits	$122
Income taxes	9
Taxes other than income taxes	23
Accrued interest	14
Product warranties	22
Restructuring (see Note 5)	7
Asbestos-related liabilities (see Note 23)	17
Indemnity obligations (see Note 23)	2
Other	63
Other current liabilities	$279

The company records estimated product warranty costs at the time of shipment of customers. Warranty reserves are primarily based on factors that include past clain experience, sales history, product manufacturing and engineering changes and indu developments. Liabilities for product recall campaigns are recorded at the time the obligation is probable and can be reasonably estimated. Policy repair actions to ma customer relationship are recorded as other liabilities at the time an obligation is pr can be reasonably estimated. Product warranties, including recall campaigns, not e be paid within one year are recorded as a non-current liability.

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

	September 30,	
	2015	2014
Total product warranties – beginning of year	$51	$57
Accruals for product warranties [1]	15	22
Payments	(18)	(22
Change in estimates and other	—	(6
Total product warranties – end of year	48	51
Less: non-current product warranties (see Note 15)	(26)	(24
Product warranties – current	$22	$27

[1] Includes an accrual of $12 million for a specific warranty contingency related to non-safety, product performance issue recognized during fiscal year 2013. Of the $ $8 million was reversed in fiscal year 2014 as the company moved from a full reca campaign to a fix-as-find approach (see Note 23).

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MERITOR, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

15. OTHER LIABILITIES

Other liabilities are summarized as follows (in millions):

	Septemb
	2015
Asbestos-related liabilities (see Note 23)	$109
Restructuring (see Note 5)	3
Non-current deferred income tax liabilities (see Note 22)	99
Liabilities for uncertain tax positions (see Note 22)	15
Product warranties (see Note 14)	26
Environmental (see Note 23)	8
Indemnity obligations (see Note 23)	13
Other	32
Other liabilities	$305

16. LONG-TERM DEBT

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

	Septemb
	2015
4.625 percent convertible notes due 2026 (1)	55
4.0 percent convertible notes due 2027 (net of $1 and $2 unamortized issuance costs respectively) (1)	142
7.875 percent convertible notes due 2026 (net of $3 and $5 unamortized issuance costs respectively, and $10 and $21 original issuance discount, respectively) (1)	127
6.75 percent notes due 2021 (net of $5 and $5 unamortized issuance costs respectively) (2)	270
6.25 percent notes due 2024 (net of $8 and $5 unamortized issuance costs respectively) (2)	442
Capital lease obligation	17
Export financing arrangements	18
Unamortized discount on convertible notes	(20
Subtotal	1,051
Less: current maturities	(15
Long-term debt	$1,036

(1) The 4.625 percent, 4.0 percent and 7.875 percent convertible notes contain a pu feature, which allows for earlier redemption beginning in 2016, 2019 and 2020, respectively.

(2) The 6.75 percent and 6.25 percent notes contain a call option, which allows for redemption.

(3)

Prior year amounts have been recast to reflect the early adoption of ASU 2015-0
Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt
Costs.

MERITOR, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

Revolving Credit Facility

On May 22, 2015, the company entered into a second amendment of its senior sec
revolving credit facility. Pursuant to the revolving credit agreement, as amended, t
company has a $499 million revolving credit facility, $40 million of which mature
2017 for banks that elected not to extend their commitments under the revolving cr
facility, and $459 million of which matures in February 2019. The availability und
facility is dependent upon various factors, including principally performance again
financial covenants as highlighted below. Prior to May 22, 2015, $89 million of th
million revolving credit facility was scheduled to mature in April 2017 for banks t
not to extend their commitments under the revolving credit facility, and $410 milli
scheduled to mature in February 2019.

The availability under the revolving credit facility is subject to certain financial c
based on (i) the ratio of the company's priority debt (consisting principally of amo
outstanding under the revolving credit facility, U.S. accounts receivable securitizat
factoring programs, and third-party non-working capital foreign debt) to EBITDA
amount of annual capital expenditures. The company is required to maintain a tota
priority-debt-to-EBITDA ratio, as defined in the agreement, of 2.25 to 1.00 or less
last day of each fiscal quarter throughout the term of the agreement.

The availability under the revolving credit facility is also subject to a collateral
pursuant to which borrowings on the revolving credit facility cannot exceed 1.0x t
collateral test value. The collateral test is performed on a quarterly basis. At Septe
2015, the revolving credit facility was collateralized by approximately $636 millio
company's assets, primarily consisting of eligible domestic U.S. accounts receivab
inventory, plant, property and equipment, intellectual property and the company's i
in all or a portion of certain of its wholly-owned subsidiaries.

Borrowings under the revolving credit facility are subject to interest based on q
LIBOR rates plus a margin and a commitment fee on undrawn amounts, both of w
based upon the company's current corporate credit rating. At September 30, 2015,
over LIBOR rate was 325 basis points, and the commitment fee was 50 basis point
Overnight revolving credit loans are at the prime rate plus a margin of 225 basis p
Certain of the company's subsidiaries, as defined in the revolving credit agreement
irrevocably and unconditionally guarantee amounts outstanding under the revolvin
facility. Similar subsidiary guarantees are provided for the benefit of the holders o
publicly held notes outstanding under the company's indentures (see Note 27).
No borrowings were outstanding under the revolving credit facility at September 3
and September 30, 2014. The amended and extended revolving credit facility inclu
million of availability for the issuance of letters of credit. At September 30, 2015 a
September 30, 2014, there were no letters of credit outstanding under the revolving
facility.

Term Loan

As part of the amendment and restatement of the revolving credit facility, on April
we also entered into a $100 million term loan agreement with a maturity date of A
2017. On February 13, 2014, we repaid the outstanding balance on the term loan o

million and recognized a $2 million loss on the repayment associated with unamor
issuance costs. At September 30, 2014, there was no outstanding balance on the ter
Debt Securities
In December 2014, the company filed a shelf registration statement with the Secur
Exchange Commission, registering an unlimited amount of debt and/or equity secu
the company may offer in one or more offerings on terms to be determined at the t
sale. The December 2014 shelf registration statement superseded and replaced the
registration statement filed in February 2012, as amended.
Issuance of Debt Securities - 2024 Notes
On February 13, 2014, the company completed a public offering of debt securities
of the issuance of $225 million principal amount of 10-year, 6.25 percent notes du
"Initial 2024 Notes"). The offering and sale were made pursuant to the company's
2012 shelf registration statement. The Initial 2024 Notes were issued under the co
indenture dated as of April 1, 1998, as supplemented. The Initial 2024 Notes were
100 percent of their principal amount. The proceeds from the sale of the Initial 202
were $225 million and, together with cash on hand, were primarily used to repurch
million principal amount of the company’s previously outstanding 10.625 percent
2018.
On June 11, 2015, the company completed a public offering of an additional $225
aggregate principal amount of 6.25

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MERITOR, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

percent notes due 2024 (the "Additional 2024 Notes"), in an underwritten public o
pursuant to the company's December 2014 shelf registration statement. The procee
sale of the Additional 2024 Notes were used to replenish available cash used to pa
million, including premium and fees, to repurchase $110 million principal amount
of the company's 7.875 percent convertible notes due 2026. The company used the
net proceeds to purchase an annuity to satisfy its obligations under the Canadian a
pension plans for its employees and for general corporate purposes. The Additiona
Notes constitute a further issuance of, and are fungible with, the $225 million aggr
principal amount of Initial 2024 Notes that the company issued on February 13, 20
form a single series with the Initial 2024 Notes (collectively, the "2024 Notes"). T
2024 Notes have terms identical to the Initial 2024 Notes, other than issue date and
price, and have the same CUSIP number as the Initial 2024 Notes. Upon completio
offering, the aggregate principal amount of outstanding notes of this series was $4
The 2024 Notes bear interest at a fixed rate of 6.25 percent per annum. The compa
interest on the 2024 Notes semi-annually, in arrears, on February 15 and August 1
year. The 2024 Notes constitute senior unsecured obligations of the company and
equally in right of payment with existing and future senior unsecured indebtedness
effectively junior to existing and future secured indebtedness. The 2024 Notes are
on a senior unsecured basis by each of the company's subsidiaries from time to tim
guaranteeing its senior secured credit facility. The guarantees rank equally with ex
future senior unsecured indebtedness of the guarantors and will be effectively subo
all of the existing and future secured indebtedness of the guarantors, to the extent o
of the assets securing such indebtedness.

Prior to February 15, 2019, the company may redeem, at its option, from time to ti
2024 Notes, in whole or in part, at a redemption price equal to 100 percent of the p
amount of the 2024 Notes to be redeemed, plus an applicable premium (as defined
indenture under which the 2024 Notes were issued) and any accrued and unpaid in
or after February 15, 2019, the company may redeem, at its option, from time to ti
2024 Notes, in whole or in part, at the redemption prices (expressed as percentages
principal amount of the 2024 Notes to be redeemed) set forth below, plus accrued
interest, if any, if redeemed during the 12-month period beginning on February 15
years indicated below:

Year	Rede Price
2019	103.1
2020	102.0
2021	101.0
2022 and thereafter	100.0

Prior to February 15, 2017, the company may redeem, at its option, from time to ti
approximately $79 million aggregate principal amount of the 2024 Notes with the
proceeds of one or more public sales of the company's common stock at a redempt
equal to 106.25 percent of the principal amount, plus accrued and unpaid interest, i
provided that at least approximately $146 million aggregate principal amount of th
Notes remain outstanding after each such redemption and notice of any such redem

mailed within 90 days of any such sale of common stock.

If a Change of Control (as defined in the indenture under which the 2024 Notes we
occurs, unless the company has exercised its right to redeem the 2024 Notes, each
2024 Notes may require the company to repurchase some or all of such holder's 20
a purchase price equal to 101 percent of the principal amount of the 2024 Notes to
repurchased, plus accrued and unpaid interest, if any.

Issuance of Debt Securities - 2021 Notes

On May 31, 2013, the company completed an offering of debt securities consisting
issuance of $275 million principal amount of 8-year, 6.75 percent notes due 2021 (
Notes"). The offering and sale were made pursuant to the company's shelf registrat
statement that was effective at the time of the offering. The 2021 Notes were issue
company's indenture dated as of April 1, 1998, as supplemented. The 2021 Notes w
at 100 percent of their principal amount. The proceeds from the sale of the 2021 N
$275 million and were primarily used to complete a cash tender offer for $167 mil
8.125 percent notes due 2015.

The 2021 Notes bear interest at a fixed rate of 6.75 percent per annum. The compa
interest on the 2021 Notes semi-annually, in arrears, on June 15 and December 15
year. The 2021 Notes constitute senior unsecured obligations of the company and r
equally in right of payment with existing and future senior unsecured indebtedness
effectively junior to

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existing and future secured indebtedness to the extent of the security therefor. The
are guaranteed on a senior unsecured basis by each of the company's subsidiaries f
time guaranteeing its senior secured credit facility. The guarantees rank equally wi
and future senior unsecured indebtedness of the guarantors and will be effectively
subordinated to all of the existing and future secured indebtedness of the guarantor
extent of the value of the assets securing such indebtedness.

Prior to June 15, 2016, the company may redeem, at its option, from time to time, t
Notes, in whole or in part, at a redemption price equal to the 100 percent of the pri
amount of the 2021 Notes to be redeemed plus an applicable premium (as defined
indenture under which the 2021 Notes were issued) and any accrued and unpaid in
or after June 15, 2016, the company may redeem, at its option, from time to time, t
Notes, in whole or in part, at the redemption prices (expressed as percentages of th
amount of the 2021 Notes to be redeemed) set forth below, plus accrued and unpai
if any, if redeemed during the 12-month period beginning on June 15 of the years i
below:

Year	Rede Price
2016	105.0
2017	103.3
2018	101.6
2019 and thereafter	100.0

Prior to June 15, 2016, the company also may redeem, at its option, from time to ti
35 percent of the aggregate principal amount of the 2021 Notes with the net cash p
one or more public sales of the company's common stock at a redemption price equ
106.75 percent of the principal amount, plus accrued and unpaid interest, if any, so
least 65 percent the aggregate principal amount of 2021 Notes originally issued rer
outstanding after each such redemption and notice of any such redemption is maile
days of any such sale of common stock.

If a Change of Control (as defined in the indenture under which the 2021 Notes we
occurs, unless the company has exercised its right to redeem the 2021 Notes, each
2021 Notes may require the company to repurchase some or all of such holder's 20
a purchase price equal to 101 percent of the principal amount of the 2021 Notes to
repurchased, plus accrued and unpaid interest, if any.

Repurchase of Debt Securities

In fiscal year 2015, the company repurchased $110 million principal amount at ma
the company's 7.875 percent convertible notes, of which $85 million were repurch
premium equal to approximately 64 percent of their principal amount in the third q
2015, and $25 million were purchased at a premium equal to approximately 58 per
their principal amount in the fourth quarter of 2015. The 7.875 percent convertible
contain a conversion to equity feature which can be settled in cash upon conversion
Accordingly, the liability and equity components are required to be separately acco
upon recognition. Subsequently, upon derecognition of the convertible notes, the to
consideration paid by the company is required to be allocated between the extingui
the liability component and the reacquisition of the equity component. Of the fisca
total cash consideration of $179 million paid, $121 million and $58 million were a

between the liability and equity components, respectively. The repurchase of $110
principal amount at maturity of the company's 7.875 percent convertible notes was
for as an extinguishment of debt, and accordingly, the company recognized a net lo
extinguishment of $24 million, which consisted of $14 million of unamortized disc
deferred issuance costs and $10 million of premium. The net loss on debt extinguis
included in Interest expense, net in the consolidated statement of operations. The re
was made under the company's 2026 convertible notes repurchase authorization.

In fiscal year 2015, the company had repurchased $19 million principal amount of
company's 4.0 percent convertible notes due 2027. In the second quarter of fiscal y
$15 million of the notes were repurchased at a premium equal to approximately 6 p
their principal amount. In the third quarter of fiscal year 2015, $4 million of the no
repurchased at a premium equal to approximately 5 percent of their principal amou
repurchase of $19 million of 4.0 percent convertible notes was accounted for as an
extinguishment of debt, and accordingly the company recognized an insignificant n
debt extinguishment, the majority of which is premium. The net loss on debt exting
is included in Interest expense, net in the consolidated statement of operations.

In fiscal year 2014, the company repurchased $38 million principal amount of its 4
convertible notes due 2027. The notes were repurchased at a premium equal to 7 pe
their principal amount. The repurchase of $38 million principal amount of 4.0 perc
convertible notes was accounted for as an extinguishment of debt, and accordingly
company recognized a net loss on debt extinguishment of $5 million, the majority
premium. The net loss on debt extinguishment is included in Interest expense, net i
consolidated statement of operations.

MERITOR, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

On September 20, 2014, the company completed the redemption of its outstanding percent notes due 2015. The notes were redeemed at a premium equal to 7 percent principal amount. The repurchase of $84 million principal amount of 8.125 percen accounted for as an extinguishment of debt, and accordingly, the company recogni loss on debt extinguishment of $5 million consisting of $6 million of premium net million acceleration of the remaining unamortized gain on a related interest rate sw termination. The net loss on debt extinguishment is included in Interest expense, n consolidated statement of operations.

On March 15, 2014, the company completed the redemption of its 10.625 percent 2018. The notes were redeemed at a premium equal to approximately 5 percent of principal amount. The repurchase of $250 million principal amount of 10.625 perc was accounted for as an extinguishment of debt, and accordingly, the company rec net loss on debt extinguishment of $19 million, which consisted of $6 million of u discount and deferred issuance costs and $13 million of premium. The net loss on extinguishment is included in Interest expense, net in the consolidated statement o operations.

On June 5, 2013, the company completed a cash tender offer for its 8.125 percent 2015. The notes were repurchased at a premium equal to 14 percent of their princi The repurchase of $167 million principal amount of 8.125 percent notes was accou an extinguishment of debt, and accordingly, the company recognized a net loss on extinguishment of $19 million, which is included in Interest expense, net in the co statement of operations.

2013 Convertible Senior Unsecured Notes

In December 2012, the company issued $250 million principal amount of 7.875 pe convertible notes due 2026 (the "2013 convertible notes"). The 2013 convertible n sold by the company to qualified institutional buyers in a private placement exemp registration requirements of the Securities Act of 1933. The 2013 convertible note initial principal amount of $900 per note and will accrete to $1,000 per note on De 2020 at an effective interest rate of 10.9 percent. Net proceeds received by the com issuance costs and discounts, were approximately $220 million.

The company pays 7.875 percent cash interest on the principal amount of the 2013 convertible notes semi-annually in arrears on June 1 and December 1 of each year of record at the close of business on the preceding May 15 and November 15, resp and at maturity to the holders that present the 2013 convertible notes for payment. accrues on the principal amount thereof from and including the date the 2013 conv notes were issued or from, and including, the last date in respect of which interest paid or provided for, as the case may be, to, but excluding, the next interest payme The 2013 convertible notes are fully and unconditionally guaranteed on a senior u basis by certain of the company's subsidiaries. The 2013 convertible notes are seni unsecured obligations and rank equally in right of payment with all of the compan and future senior unsecured indebtedness and are junior to any of the company's e future secured indebtedness.

The 2013 convertible notes will be convertible into cash up to the principal amoun maturity of the 2013 convertible note surrendered for conversion and, if applicable

the company's common stock (subject to a conversion share cap as described belov
on an initial conversion rate, subject to adjustment, equivalent to 83.3333 shares pe
principal amount at maturity of 2013 convertible notes (which represents an initial
price of $12.00 per share), only under the following circumstances:

- prior to June 1, 2025, during any calendar quarter after the calendar quarter ending 31, 2012, if the closing sale price of the company's common stock for 20 or more t in a period of 30 consecutive trading days ending on the last trading day of the imr preceding calendar quarter exceeds 120 percent of the applicable conversion price the last trading day of the immediately preceding calendar quarter;
- prior to June 1, 2025, during the five business day period after any five consecutiv day period in which the trading price per $1,000 principal amount at maturity of 20 convertible notes was equal to or less than 97 percent of the conversion value of th convertible notes on each trading day during such five consecutive trading day per
- prior to June 1, 2025, if the company has called the 2013 convertible notes for rede
- prior to June 1, 2025, upon the occurrence of specified corporate transactions; or
- at any time on or after June 1, 2025.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

On or after December 1, 2020, the company may redeem the 2013 convertible note option, in whole or in part, at a redemption price in cash equal to 100 percent of the amount at maturity of the 2013 convertible notes to be redeemed, plus accrued and interest to, but excluding, the redemption date. Further, holders may require the co purchase all or a portion of their 2013 convertible notes at a purchase price in cash 100 percent of the principal amount at maturity of the 2013 convertible notes to be plus accrued and unpaid interest, on December 1, 2020 or upon certain fundamenta The maximum number of shares of common stock into which the 2013 convertible convertible is approximately 19 million shares.

The company used the net proceeds of approximately $220 million from the offeri 2013 convertible notes (after discounts and issuance costs) and additional cash to a portion of its outstanding 4.625 percent convertible senior notes due 2026 (the "4.6 notes") in transactions that settled concurrently with the closing of the 2013 conve offering. Approximately $245 million of $300 million principal amount of the 4.62 notes were acquired for an aggregate purchase price of approximately $236 millio accrued interest). The company recognized a loss on debt extinguishment of $5 mi

Accounting guidance requires that cash-settled convertible debt, such as the 2013 notes, be separated into debt and equity components at issuance and a value be ass each. The value assigned to the debt component is the estimated fair value, as of th date, of a similar bond without the conversion feature. The difference between the proceeds and this estimated fair value, representing the value assigned to the equit component, is recorded as a debt discount. The company measures the debt compo value by utilizing a discounted cash flow model. This model utilizes observable in contractual repayment terms, benchmark forward yield curves, yield curves and qu market prices of its own nonconvertible debt. The yield curves are acquired from a independent source that is widely used in the financial industry and reviewed inte personnel with appropriate expertise in valuation methodologies. At the time of iss estimated fair value of the debt component of the 2013 convertible notes was $216 (Level 2), and the amount of the equity component recognized was $9 million.

2026 and 2027 convertible notes

In February 2007, the company issued $200 million principal amount of 4.00 perce convertible notes due 2027 (the "2027 convertible notes"). The 2027 convertible n cash interest at a rate of 4.00 percent per annum from the date of issuance through 15, 2019, payable semi-annually in arrears on February 15 and August 15 of each February 15, 2019, the principal amount of the notes will be subject to accretion at provides holders with an aggregate annual yield to maturity of 4.00 percent.

The 2027 convertible notes are convertible into shares of the company’s common initial conversion rate, subject to adjustment, equivalent to 37.4111 shares of com per $1,000 initial principal amount of notes, which represents an initial conversion approximately $26.73 per share. If converted, the accreted principal amount will b cash and the remainder of the company’s conversion obligation, if any, in excess o accreted principal amount will be settled in cash, shares of common stock, or a co thereof, at the company’s election. Holders may convert their 2027 convertible no

at any time on or after February 15, 2025. The maximum number of shares of com
into which the 2027 convertible notes are convertible is approximately 6 million sh

In March 2006, the company issued $300 million principal amount of 4.625 percen
convertible notes due 2026 (the "2026 convertible notes"). In December 2012, the
repurchased approximately $245 million principal amount of the 2026 convertible
2026 convertible notes bear cash interest at a rate of 4.625 percent per annum from
issuance through March 1, 2016, payable semi-annually in arrears on March 1 and
1 of each year. After March 1, 2016, the principal amount of the 2026 convertible
be subject to accretion at a rate that provides holders with an aggregate annual yiel
maturity of 4.625 percent.

The 2026 convertible notes are convertible into shares of the company's common s
initial conversion rate, subject to adjustment, equivalent to 47.6667 shares of comm
per $1,000 initial principal amount of notes, which represents an initial conversion
approximately $20.98 per share. If converted, the accreted principal amount will be
cash and the remainder of the company's conversion obligation, if any, in excess o
accreted principal amount will be settled in cash, shares of common stock, or a com
thereof, at the company's election. Holders may convert their 2026 convertible not
time on or after March 1, 2024. The maximum number of shares of common stock
the 2026 convertible notes are convertible is approximately 3 million shares.

MERITOR, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

Prior to February 15, 2025 (for the 2027 convertible notes) and March 1, 2024 (for convertible notes), holders may convert their notes only under the following circur

- during any calendar quarter, if the closing price of the company's common stock f more trading days in a period of 30 consecutive trading days ending on the last tra the immediately preceding calendar quarter exceeds 120 percent of the applicable price;
- during the five business day period after any five consecutive trading day period i average trading price per $1,000 initial principal amount of notes is equal to or les percent of the average conversion value of the notes during such five consecutive period;
- upon the occurrence of specified corporate transactions; or
- if the notes are called by the company for redemption.

On or after February 15, 2019, the company may redeem the 2027 convertible note or in part, for cash at a redemption price equal to 100 percent of the accreted princi plus any accrued and unpaid interest. On each of February 15, 2019 and 2022, or u fundamental changes, holders may require the company to purchase all or a portion 2027 convertible notes at a purchase price in cash equal to 100 percent of the accre principal amount plus any accrued and unpaid interest. On or after March 1, 2016, company may redeem the 2026 convertible notes, in whole or in part, for cash at a price equal to 100 percent of the accreted principal amount plus any accrued and u interest. On each of March 1, 2016, 2018, 2020, 2022 and 2024, or upon certain fu changes, holders may require the company to purchase all or a portion of their 202 convertible notes at a purchase price in cash equal to 100 percent of the accreted p amount plus any accrued and unpaid interest.

Both the 2027 convertible notes and 2026 convertible notes are fully and unconditi guaranteed by certain subsidiaries of the company that currently guarantee the com obligations under its senior secured credit facility and other publicly held notes (se Revolving Credit Facility above).

The estimated aggregate fair value of the equity component of the 2026 convertibl 2027 convertible notes of $108 million was recognized in additional paid-in capita adoption of the accounting guidance for cash-settled convertible debt mentioned a addition, the company allocated $4 million of unamortized debt issuance costs to t component and recognized this amount as a reduction to additional paid-in capital. company also recognized a discount on convertible notes of $108 million, which is amortized as non-cash interest expense over periods of ten and twelve years for th convertible notes and 2027 convertible notes, respectively. Upon recognition of th component of the convertible notes, the company also recognized a deferred tax lia $39 million as the tax effect of the basis difference between carrying and notional the convertible notes. The carrying value of this deferred tax liability was offset wi net deferred tax assets in the first quarter of fiscal year 2009 for determining valua allowances against those deferred tax assets (see Note 22).

The following table summarizes the principal amounts and related unamortized dis
all convertible notes (in millions):

	September 30, 2015	Se 20
Principal amount of convertible notes	$ 338	$
Unamortized discount on convertible notes	(30)	(5
Net carrying value	$ 308	$

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MERITOR, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

The following table summarizes other information related to the convertible notes:

	Convertible Notes				
	2026		2027		201
Total amortization period for debt discount (in years):	10		12		8
Remaining amortization period for debt discount (in years):	1		4		5
Effective interest rates on convertible notes:	7.0	%	7.7	%	10.9

The following table summarizes interest costs recognized on convertible notes (in

	Year Ended Septem	
	2015	2014
Contractual interest coupon	$26	$30
Amortization of debt discount	8	9
Repurchase of convertible notes	24	5
Total	$58	$44

At September 30, 2015 and 2014, the carrying amount of the equity component rel convertible debt was $58 million and $70 million, respectively.

Debt Maturities

As of September 30, 2015, the company is contractually obligated to make paymen follows (in millions):

	Total	2016	2017	2018	2019	2020
Total debt (1)	$1,098	$15	$13	$3	$1	$1

(1) Total debt excludes unamortized discount on convertible notes of $20 million, unamortized issuance costs of $17 million, and original issuance discount of $1

(2) Includes the company's 4.625 percent, 4.0 percent and 7.875 percent convertibl which contain a put and call feature that allows for earlier redemption beginnin 2019 and 2020, respectively.

Capital Leases

On March 20, 2012, the company entered into an arrangement to finance equip acquisitions for various U.S. locations. Under this arrangement, the company can r financing from GE Capital Commercial, Inc. ("GE Capital") for progress payment equipment under construction, not to exceed $10 million at any time. The financin equal to the 30-day LIBOR plus 475 basis points per annum. Under this arrangeme company can also enter into lease arrangements with GE Capital for completed eq The lease term is 60 months and the lease interest rate is equal to the 5-year Swap published by the Federal Reserve Board plus 564 basis points. The company had $ and $13 million outstanding under this capital lease arrangement as of September

and 2014, respectively. In addition, the company had another $7 million and $13 m
outstanding through other capital lease arrangements at September 30, 2015 and 20
respectively.

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MERITOR, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

As of September 30, 2015, the future minimum lease payments for noncancelable
leases with initial terms in excess of one year were as follows:

	Total	2016	2017	2018	2019	2020
Capital lease obligation	$23	$6	$6	$4	$2	$1
Less amounts representing interest	(6)	(2)	(1)	(1)	(1)	—
Principal on capital lease	$17	$4	$5	$3	$1	$1

Letter of Credit Facilities

On February 21, 2014, the company entered into an arrangement to amend and res
letter of credit facility with Citicorp USA, Inc., as administrative agent and issuing
the other lenders party thereto. Under the terms of this amended credit agreement,
company has the right to obtain the issuance, renewal, extension and increase of le
credit up to an aggregate availability of $30 million through December 19, 2015. F
December 20, 2015 through March 19, 2019, the aggregate availability is $25 mill
facility contains covenants and events of default generally similar to those existing
company's public debt indentures. At September 30, 2015 and 2014, $24 million a
million of letters of credit outstanding under this facility. In addition, the company
another $6 million and $9 million of letters of credit outstanding through other lett
facilities at September 30, 2015 and 2014, respectively.

Export financing arrangements

The company entered into a number of export financing arrangements through its
subsidiary during fiscal year 2014. The export financing arrangements are issued
incentive program of the Brazilian government to fund working capital for Brazilia
companies in exportation programs. The arrangements bear interest at 5.5 percent
maturity dates in 2016 and 2017. There were $18 million and $29 million outstand
these arrangements at September 30, 2015 and 2014, respectively. In addition, the
had another $0 million and $2 million outstanding under a similar arrangement thr
India subsidiary at September 30, 2015 and September 30, 2014, respectively.

Other

One of the company's consolidated joint ventures in China participates in a bills of
program to settle its obligations with its trade suppliers. These programs are comm
China and generally require the participation of local banks. Under these programs
company's joint venture issues notes payable through the participating banks to its
suppliers. If the issued notes payable remain unpaid on their respective due dates,
constitute an event of default under the company's revolving credit facility if the d
amount exceeds $35 million per bank. As of September 30, 2015 and 2014, the co
$13 million and $32 million, respectively, outstanding under this program at more
bank.

Interest Rate Swap Agreements

In August 2012, the company entered into a four-year interest rate swap arrangeme
effectively converted the variable interest rate on its term loan expressed as a LIBO
rate into a variable interest rate based on the U.S. federal funds rate. In February 20
company repaid the outstanding balance on the term loan and then subsequently te
the interest rate swap arrangement.

In September 2014, the company recognized $1 million of the remaining unamorti
an interest rate swap termination upon the repurchase of $84 million principal amo
8.125 percent notes due 2015, which is included in net loss on debt extinguishmen

Operating Leases

The company has various operating leasing arrangements. Future minimum lease p
under these operating leases are $14 million in 2016, $11 million in 2017, $11 mill
2018, $10 million in 2019, $8 million in 2020 and $23 million thereafter.

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MERITOR, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

17. FINANCIAL INSTRUMENTS

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

Foreign Exchange Contracts
As a result of the company's substantial international operations, it is exposed to fo currency risks that arise from normal business operations, including in connection transactions that are denominated in foreign currencies. In addition, the company t sales and financial results denominated in foreign currencies into U.S. dollars for p its consolidated financial statements. As a result, appreciation of the U.S. dollar ag foreign currencies generally will have a negative impact on reported revenues and income, while depreciation of the U.S. dollar against these foreign currencies will have a positive effect on reported revenues and operating income. For fiscal years and 2013, the company's reported financial results were adversely affected by appr the U.S. dollar against foreign currencies relative to the prior years.

The company has a foreign currency cash flow hedging program to reduce the com exposure to changes in exchange rates on foreign currency purchases and sales. Th uses foreign currency forward contracts to manage the company's exposures arisin foreign currency exchange risk. Gains and losses on the underlying foreign curren exposures are partially offset with gains and losses on the foreign currency forward Under this foreign currency cash flow hedging program, the company has designat foreign exchange contracts (the "contracts") as cash flow hedges of underlying for foreign currency purchases and sales. The effective portion of changes in the fair v contracts is recorded in accumulated other comprehensive loss (AOCL) in the cons balance sheet and is recognized in operating income when the underlying forecaste transaction impacts earnings. The terms of the foreign exchange contracts generall the company to place cash on deposit as collateral if the fair value of these contrac represents a liability for the company. The fair values of the foreign exchange deri instruments and any related collateral cash deposits are presented on a net basis as derivative contracts are subject to master netting arrangements.

At September 30, 2015, 2014 and 2013, the notional amount of the company's fore exchange contracts outstanding under its foreign currency cash flow hedging progr $137 million, $47 million, and $75 million respectively. The company classifies th flows associated with the contracts in cash flows from operating activities in the co statement of cash flows. This is consistent with the classification of the cash flows with the underlying hedged item.

From time to time the company hedges against foreign currency exposure related t translations to U.S. dollars of financial results denominated in foreign currencies. C fair value associated with these contracts are recorded in other income, net, in the consolidated statement of operations. The company also uses option contracts to m foreign currency exposure on expected future Indian rupee denominated purchases in fair value associated with these contracts are recorded in cost of sales in the con statement of operations.

The following table summarizes the impact of the company's derivatives instrume comprehensive income for fiscal years ended September 30 (in millions):

	Location of Gain (Loss)	2015	2014
Derivatives designated as hedging instruments:			
Amount of gain recognized in AOCL (effective portion)	AOCL	$3	$3
Amount of gain (loss) reclassified from AOCL into income (effective portion)	Cost of Sales	6	1
Derivatives not designated as hedging instruments: Amount of gain recognized in income	Cost of Sales	2	—
Derivatives not designated as hedging instruments: Amount of gain recognized in income	Other Income (expense)	2	—

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

Fair Value

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

	September 30, 2015		Septem 2014
	Carrying Value	Fair Value	Carryi Value
Cash and cash equivalents	$193	$193	$247
Short-term debt	15	15	7
Long-term debt [(1)]	1,036	1,123	948
Foreign exchange forward contracts (asset)	1	1	2
Foreign exchange forward contracts (liability)	3	3	—
Short-term foreign currency option contracts (asset)	1	1	2
Long-term foreign currency option contracts (asset)	1	1	1

(1) Prior year amounts have been recast to reflect the early adoption of ASU 2015-(Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Costs.

The following table reflects the offsetting of derivative assets and liabilities (in mil

	September 30, 2015			September 30, 201	
	Gross Amounts Recognized	Gross Amounts Offset	Net Amounts Reported	Gross Amounts Recognized	Gross Amounts Offset
Derivative Asset					
Foreign exchange forward contract	1	—	1	2	—
Derivative Liabilities					
Foreign exchange forward contract	3	—	3	—	—

Fair Value

The current FASB guidance provides a fair value hierarchy that prioritizes the inpu valuation techniques used to measure fair value. The hierarchy gives the highest pr unadjusted quoted prices in active markets for identical instruments (Level 1) and t priority to unobservable inputs (Level 3). The three levels of the fair value hierarch described below:

- Level 1 inputs use quoted prices in active markets for identical instruments.

- Level 2 inputs use other inputs that are observable, either directly or indirectly. Th inputs include quoted prices for similar instruments in active markets and other inp interest rates and yield curves that are observable at commonly quoted intervals.

- Level 3 inputs are unobservable inputs, including inputs that are available in situat
there is little, if any, market activity for the related instrument.

In instances where inputs used to measure fair value fall into different levels in the
value hierarchy, fair value measurements in their entirety are categorized based on
priority level input that is significant to the valuation. The company's assessment o
significance of particular inputs to these fair value measurements requires judgmer
considers factors specific to each asset or liability.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

Fair value of financial instruments by the valuation hierarchy at September 30, 201
follows (in millions):

	Level 1	Level 2	Le
Cash and cash equivalents	$193	$—	$–
Short-term debt	—	—	15
Long-term debt	—	1,102	21
Foreign exchange forward contracts (asset)	—	1	—
Foreign exchange forward contracts (liability)	—	3	—
Short-term foreign currency option contracts (asset)	—	—	1
Long-term foreign currency option contracts (asset)	—	—	1

Fair value of financial instruments by the valuation hierarchy at September 30, 201
follows (in millions):

	Level 1	Level 2	Le
Cash and cash equivalents	$247	$—	$–
Short-term debt	—	—	7
Long-term debt	—	1,093	50
Foreign exchange forward contracts (asset)	—	2	—
Short Term foreign currency option contracts (asset)	—	—	2
Long Term foreign currency option contracts (asset)	—	—	1

The tables below provide a reconciliation of changes in fair value of the Level 3 fi
assets and liabilities measured at fair value in the consolidated balance sheet for th
months ended September 30, 2015 and September 30, 2014, respectively. No trans
assets between any of the Levels occurred during these periods.

Twelve months ended September 30, 2015 (in millions)	Short-term foreign currency option contracts (asset)	Long-term foreign currency option contracts (asset)	T
Fair Value as of September 30, 2014	$2	$1	$
Total unrealized gains (losses):			
Included in other income, net	(1)	—	(1
Included in cost of sales	(1)	—	(1
Total realized gains (losses):			
Included in other income, net	2	—	2
Included in cost of sales	3	—	3
Purchases, issuances, sales and settlements:			

Purchases	6	—	6
Settlements	(10)	(1)	(1
Transfer in and / or out of Level 3 (1)	—	—	—
Reclass between short-term and long-term	—	1	1
Fair Value as of September 30, 2015	$1	$1	$

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

Twelve months ended September 30, 2014 (in millions)	Short-term foreign currency option contracts (asset)	Long-term foreign currency option contracts (asset)	T
Fair Value as of September 30, 2013	$—	$—	$
Total unrealized gains (losses):			
Included in other income, net	—	—	—
Included in cost of sales	—	—	—
Total realized gains (losses):			
Included in other income, net	—	—	—
Included in cost of sales	—	—	—
Purchases, issuances, sales and settlements:			
Purchases	3	—	3
Settlements	—	—	—
Transfer in and / or out of Level 3 [(1)]	—	—	—
Reclass between short-term and long-term	(1)	1	—
Fair Value as of September 30, 2014	$2	$1	$

[(1)] Transfers as of the last day of the reporting period

Cash and cash equivalents — All highly liquid investments purchased with an orig 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. The co not have any cash equivalents at September 30, 2015 or September 30, 2014.

Short- and Long-term debt — Fair values are based on transaction prices at pub for publicly traded debt. For debt instruments that are not publicly traded, fair valu based on interest rates that would be currently available to the company for issuan similar types of debt instruments with similar terms and remaining maturities.

Foreign exchange forward contracts — The company uses foreign exchange forwa and sale contracts with terms of one year or less to hedge its exposure to changes i currency exchange rates. The fair value of foreign exchange forward contracts is b model which incorporates observable inputs including quoted spot rates, forward e rates and discounted future expected cash flows utilizing market interest rates with quality and maturity characteristics. For derivative instruments that are designated as cash flow hedges, the effective portion of changes in the fair value of the contra recorded in Accumulated Other Comprehensive Loss (AOCL) in the statement of shareowners' equity and is recognized in operating income when the underlying fo transaction impacts earnings.

Foreign currency option contracts — The company uses option contracts to mitiga currency exposure on expected future Indian Rupee denominated purchases. The c were entered into during the third quarter of fiscal year 2014 with effective dates fr start of fiscal year 2015 through the end of fiscal year 2017. In the second quarter o year 2015, the company monetized its outstanding foreign currency option contrac entered into a new series of foreign currency option contracts with effective dates f start of the third quarter of fiscal year 2015 through the end of fiscal year 2017. In

2015, the company recognized a net gain of $2 million associated with the settleme
repurchase of these foreign currency option contracts. The fair value of the foreign
option contracts is based on a third-party proprietary model, which incorporates in
varying unobservable weights of quoted spot rates, market volatility, forward rates
utilizing market instruments with similar quality and maturity characteristics. The
did not elect hedge accounting for these derivatives. Changes in fair value associat
these contracts are recorded in cost of sales in the consolidated statement of operat
From time to time the company will hedge against its foreign currency exposure re
translations to U.S. dollars of financial results denominated in foreign currencies. I
year 2015, the company entered into a series of foreign currency option contracts v
notional amount of $48 million to reduce volatility in the translation of Brazilian re
to U.S. dollars. These foreign currency option contracts did not qualify for a hedge
election but were expected to mitigate foreign currency translation exposure of Bra
earnings to U.S. dollars. The company settled and repurchased additional contracts
year. As of the end of fiscal year 2015, there are no Brazilian real foreign currency
contracts outstanding. In fiscal year 2015, the company recognized a net gain of $2
associated with the settlement and repurchase of these Brazilian real foreign curren
contracts. The fair value of the foreign currency option contracts is based on a thir
proprietary model, which

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

incorporates inputs at varying unobservable weights of quoted spot rates, market v
forward rates, and time utilizing market instruments with similar quality and matur
characteristics. Changes in fair value associated with these contracts are recorded i
income, net, in the consolidated statement of operations.
Also in fiscal year 2015, the company entered into a series of foreign currency con
total notional amounts of $30 million and $27 million to mitigate the risk of volatil
translation of Swedish krona and euro earnings to U.S. dollars, respectively. These
currency option contracts do not qualify for a hedge accounting election but are ex
mitigate foreign currency translation exposure of Swedish krona and euro earnings
dollars. In fiscal year 2015, the company did not recognize a net gain or loss assoc
the change in fair value of these foreign currency option contracts. The fair value o
foreign currency option contracts is based on a third-party proprietary model, whic
incorporates inputs at varying unobservable weights of quoted spot rates, market v
forward rates, and time utilizing market instruments with similar quality and matur
characteristics. Changes in fair value associated with these contracts are recorded i
income, net, in the consolidated statement of operations.

18. SHAREOWNERS' EQUITY

Common Stock
The company is authorized to issue 500 million shares of common stock, with a pa
$1 per share, and 30 million shares of Preferred Stock, without par value, of which
shares are designated as Series A Junior Participating Preferred Stock (Junior Prefe
Stock). No shares of Preferred Stock or Junior Preferred Stock have been issued.

In the first quarter of fiscal year 2015, the company filed a shelf registration statem
the Securities and Exchange Commission, registering an unlimited amount of debt
equity securities that may be offered in one or more offerings on terms to be detern
time of sale.

The company has reserved approximately 10 million shares of common stock in co
with its 2010 Long-Term Incentive Plan, as amended ("LTIP") for grants of non-qu
stock options, incentive stock options, stock appreciation rights, restricted stock, p
shares, restricted share units and stock awards to key employees and directors. At
September 30, 2015, there were 3.7 million shares available for future grants under
plans.
Equity and Equity-Linked Repurchase Authorizations
In June 2014, the company's Board of Directors authorized the repurchase of up
million of its equity and equity-linked securities (including convertible debt securit
subject to the achievement of its M2016 net debt reduction target and compliance w
and regulatory requirements and its debt covenants. In September 2014, the compa
authorized the repurchase of up to $40 million of its equity or equity-linked securit
(including convertible debt securities) under the $210 million authorization that ma
annually without regard to achievement of the M2016 net debt reduction target. Th
authorizations have no stated expiration.

During fiscal year 2015, the company repurchased 4.2 million shares of common s
$55 million and $19 million principal amount of its 4.0 percent convertible notes d
pursuant to this authorization. The amount remaining available for repurchases unc
authorization is $136 million as of September 30, 2015.
In January 2015, the Offering Committee of the company's Board of Directors app
repurchase program for up to $150 million aggregate principal amount of any of its
debt securities (including convertible debt securities) from time to time through op
purchases or privately negotiated transactions or otherwise, until September 30, 20
to compliance with legal and regulatory requirements and the company's debt cove
repurchase program is in addition to the equity and equity-linked repurchase autho
described above. The amount remaining available for repurchases under the progra
million as of September 30, 2015.

In May 2015, the Offering Committee of the company's Board of Directors approv
repurchase program for up to $175 million aggregate principal amount at maturity
percent convertible notes due 2026 from time to time prior to September 30, 2015,
compliance with legal and regulatory requirements and its debt covenants. This rep
program is in addition to the equity and equity-linked and debt repurchase program
above.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

During fiscal year 2015, the company repurchased $110 million principal amount a
of the company's 7.875 percent convertible notes for $179 million (see Note 16). T
remaining available for repurchases under the authorization is $65 million as of
September 30, 2015.

Accumulated Other Comprehensive Loss (AOCL)
The components of AOCL as reported in the Consolidated Balance Sheet and State
Equity (Deficit), and the changes in AOCL by components, net of tax, are as follov
millions):

	Foreign Currency Translation	Employee Benefit Related Adjustments	Unrealize Loss, net of tax
Balance at September 30, 2014	$ 41	$ (789)	$ (1)
Other comprehensive loss before reclassification	(96)	(18)	(6)
Amounts reclassified from accumulated other comprehensive loss - net of tax	1	102	—
Net current-period other comprehensive income (loss)	$ (95)	$ 84	$ (6)
Balance at September 30, 2015	$ (54)	$ (705)	$ (7)

Details about Accumulated Other Comprehensive Loss Components	Amount Reclassified from Accumulated Other Comprehensive Loss	Affected Lin the Consolid Statement of Operations
Employee Benefit Related Adjustment		
Amortization of prior service costs	$ (1)	(a)
Amortization of actuarial losses	47	(a)
Recognized prior service costs due to settlement	56	(a)
	102	Total before
	—	Tax (benefit
	$ 102	Net of tax
Employee Benefit Related Adjustment		
Other reclassification adjustment	$ 1	(b)
	1	Total before
	—	Tax (benefit
	$ 1	Net of tax

Total reclassifications for the period	$103	Net of tax

[(a)] These accumulated other comprehensive income components are included in t
computation of net periodic pension and retiree medical expense (see Note 20 and
additional details).
[(b)] These accumulated other comprehensive income components are included in t
computation of loss from discontinued operations (see Note 3).

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MERITOR, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

	Foreign Currency Translation	Employee Benefit Related Adjustments	Unrealize Loss, net of tax
Balance at September 30, 2013	$ 61	$ (792)	$ (3)
Other comprehensive income (loss) before reclassification	(20)	(21)	2
Amounts reclassified from accumulated other comprehensive loss - net of tax	—	24	—
Net current-period other comprehensive income (loss)	$ (20)	$ 3	$ 2
Balance at September 30, 2014	$ 41	$ (789)	$ (1)

Details about Accumulated Other Comprehensive Loss Components	Amount Reclassified from Accumulated Other Comprehensive Loss	Affected Lin the Consolid Statement of Operations
Employee Benefit Related Adjustment		
Amortization of prior service costs	$ (7)	[a]
Amortization of actuarial losses	46	[a]
Recognized prior service costs due to curtailment	(15)	[a]
	24	Total before
	—	Tax (benefit
	$ 24	Net of tax
Total reclassifications for the period	24	Net of tax

[a] These accumulated other comprehensive income components are included in t computation of net periodic pension and retiree medical expense (see Note 20 and additional details).

19. EQUITY BASED COMPENSATION

Stock Options

Under the company's incentive plans, stock options are typically granted at prices fair value on the grant date and have a maximum term of 10 years. Stock options g vest over a three-year period from the grant date. No stock options were granted or during fiscal years 2015 and 2014. During fiscal year 2013, the company granted 3 stock options to the then-Chief Executive Officer as a hiring incentive. These optic based on the satisfaction of certain service and market performance conditions. Th of this option award was $1.3 million at the grant date with a derived service perio months.

The following is a rollforward of stock options for fiscal year 2015 (shares in thou
exercise price and remaining contractual term represent weighted averages and agg
intrinsic values in millions):

	Shares	Exercise Price	Remaining Contractual Life (years)
Outstanding — beginning of year	650	$10.32	
Cancelled or expired	—	—	
Outstanding — end of year	650	$10.32	2.0
Exercisable — end of year	533	$10.79	1.7

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

The following table provides additional information about outstanding stock optior
September 30, 2015 (shares in thousands, exercise price represents a weighted ave

	Outstanding			Exercisa
	Shares	Remaining Contractual Life (years)	Exercise Price	Shares
$8.00 to $12.00	350	3.0	$ 8.22	233
$12.01 to $16.00	300	0.8	12.78	300
Total	650			533

Stock-based compensation is measured at the grant date based on the fair value of
and is generally recognized as expense ratably on a straight-line basis over the requ
service period, which is generally the vesting period of the respective award. No
compensation cost is ultimately recognized for awards for which employees do not
requisite service and are forfeited.

Compensation expense is recognized for the non-vested portion of previously issue
options. No compensation expense associated with the expensing of stock options
recognized in fiscal year 2015. During fiscal year 2014, the company recognized $
in compensation expense associated with the expensing of stock options. Compens
expense associated with the expensing of stock options was not significant in fisca
No options were exercised in fiscal years 2015, 2014 and 2013.

The fair market value of the service and market performance-based option award v
determined using the Monte Carlo simulation method. The Monte Carlo simulation
subject to variability as several factors utilized must be estimated, including the de
service period, which is estimated based on the company's judgment of likely futur
price performance as well as the company's stock price volatility. The weighted-av
value of options granted in fiscal year 2013 was $3.69 per share. The fair value of
was estimated using the following assumptions:

	2013
Risk-free interest rate	1.7
Expected dividend yield	—
Expected volatility	60.4
Expected life (years)	5.0

Restricted Stock and Restricted Units

The company has granted shares of restricted stock and restricted share units to cer
employees and non-employee members of the Board of Directors in accordance wi
existing plans. The company measures the grant price fair value of these stock-base
at the market price of the company's common stock as of the date of the grant. Em
awards typically vest at the end of three years and are subject to continued employ
employee. Compensation cost associated with stock-based awards is recognized ra

the vesting period. Cash dividends on the restricted stock, if any, are reinvested in shares of common stock during the vesting period.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

The following is a rollforward of the company's non-vested restricted stock and re
share units as of September 30, 2015, and the activity during fiscal year 2015 is su
as follows (shares in thousands):

Non-vested Shares	Number of Shares	Weigh Grant- Value
Non-vested - beginning of year	2,038	$ 7.16
Granted	528	13.91
Vested	(1,064)	6.27
Forfeited	(55)	5.23
Non-vested - end of year	1,447	8.23

In fiscal years 2015, 2014 and 2013, the company granted 0.5 million, 0.2 million,
million restricted stock and restricted share units, respectively. The grant date weig
average fair value of these restricted share units was $13.91, $9.23, and $4.43 for r
share units granted in fiscal years 2015, 2014 and 2013, respectively. The number
non-vested restricted shares and restricted share units as of September 30, 2015 wa
million. The per share weighted average fair value of these non-vested shares was

As of September 30, 2015, there was $6 million of total unrecognized compensatio
related to non-vested restricted shares and restricted share units. These costs are ex
be recognized over a weighted average period of 2 years. Total compensation expe
recognized for restricted stock and restricted share units was $4 million in fiscal ye
million in fiscal year 2014, and $5 million in fiscal year 2013.

Performance Share Units

The company has granted performance share units to all executives eligible to part
the LTIP. The company measures the grant price fair value of these units-based aw
market price of the company's common stock as of the date of the grant. Compens
associated with these stock based awards is recognized ratably over the vesting per

On November 8, 2014, the Board of Directors approved a grant of performance sha
all executives eligible to participate in the LTIP. Each performance share unit repr
right to receive one share of common stock or its cash equivalent upon achievemer
performance and time vesting criteria. The fair value of each performance share ur
$13.74, which was the company's share price on the grant date of December 1, 201
Board of Directors also approved a grant of 0.4 million restricted share units to the
executives. The restricted share units vest at the earlier of three years from the date
upon termination of employment with the company under certain circumstances.
The actual number of performance share units that will vest depends upon the com
performance relative to the established performance metrics for the three-year perf
period of October 1, 2014 to September 30, 2017, measured at the end of the perfo
period. The number of performance share units will depend on Adjusted EBITDA
Adjusted diluted earnings per share from continuing operations at the following we
associated with achieving an Adjusted EBITDA margin target and 25% associated

achieving an Adjusted diluted earnings per share from continuing operations target
On November 7, 2013, the Board of Directors approved a grant of performance sha
all executives eligible to participate in the long-term incentive plan. Each performa
unit represents the right to receive one share of common stock or its cash equivalen
achievement of certain performance and time vesting criteria. The fair value of eac
unit is $7.97, the company's share price on the grant date of December 1, 2013. Th
shares that vest will be between 0% and 200% of the estimated grant date amount
million units including incremental performance share units that were issued subse
the December 1, 2013 grant date. The plan allows for incremental performance sha
be issued for executive promotions on a quarterly basis.
The actual number of performance share units that will vest will depend upon the c
performance relative to the established M2016 goals for the three-year performanc
October 1, 2013 to September 30, 2016, measured at the end of the performance pe
number of potential performance units will depend on meeting the established M20
the following weights: 50% associated with achieving an Adjusted EBITDA margi
25% associated with achieving a net debt including retirement benefit liabilities tar
25% associated with achieving an incremental booked revenue target.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

The following is a rollforward of the company's non-vested performance share uni
September 30, 2015, and the activity during fiscal year 2015 is summarized as foll
in thousands):

Non-vested Shares	Number of Shares	Weight Grant-I Value
Non-vested - beginning of year	1,635	$ 8.27
Granted	749	13.76
Vested	—	—
Forfeited	(74)	9.56
Non-vested - end of year	2,310	10.01

There were 0.7 million performance share units granted during fiscal 2015 and 2.3
non-vested performance shares as of September 30, 2015. The per share weighted
value of the performance share units was $10.01 as of September 30, 2015.
For the year ended September 30, 2015 and September 30, 2014, compensation co
recognized related to the performance share units was $8 million and $4 million, re
As of September 30, 2015, there were $14 million of total unrecognized compensa
related to non-vested performance share unit equity compensation arrangements. T
are expected to be recognized over a weighted average period of 2 years.

20. RETIREMENT MEDICAL PLANS

The company has retirement medical plans that cover certain of its U.S. and non-U
employees, including certain employees of divested businesses, and provide for me
payments to eligible employees and dependents upon retirement. These plans are u

The company approved amendments to certain retiree medical plans in fiscal years
2004. Certain of these plan amendments were challenged in lawsuits that were file
United States District Court for the Eastern District of Michigan ("District Court")
the changes breached the terms of various collective bargaining agreements entere
the United Auto Workers (the "UAW lawsuit") at facilities that have either been cl
sold and alleging a companion claim under the Employee Retirement Income Secu
1974 ("ERISA").

On December 22, 2005, the District Court issued a preliminary injunction enjoinin
company from implementing the changes to retiree health benefits and ordered the
to reinstate and resume paying the full cost of health benefits for the UAW retirees
levels existing prior to the changes made in 2002 and 2004. On August 17, 2006, t
Court granted a motion by the UAW for summary judgment and granted the UAW
make the terms of the preliminary injunction permanent (the "injunction"). The co
accounted for the injunction as a rescission of the 2002 and 2004 plan amendments
recording the impact of the injunction in March 2006. In addition, the injunction o
defendants to reimburse the plaintiffs for out-of-pocket expenses incurred since the
earlier benefit modifications. The company has recorded a $2 million reserve at Se
30, 2015 and 2014, as the best estimate of its liability for these retroactive benefits

company continues to believe it has meritorious defenses to these actions and has a
the District Court's order to the U.S. Court of Appeals for the Sixth Circuit. The ul
outcome of the UAW lawsuit may result in future plan amendments. The impact o
plan amendments cannot be currently estimated.

The mortality assumptions for participants in the company's U.S. plans incorporat
mortality improvements from tables published by the Society of Actuaries ("SOA"
October 2014, the SOA issued new mortality and mortality improvement tables tha
life expectancies. The company reviewed the new SOA mortality and mortality im
tables and utilized an actuary to conduct a study based on the company's plan parti
company determined that the best representation of the plans' mortality is to utilize
SOA mortality and mortality improvement tables as the reference table for
credibility-weighted mortality rates, blended with company specific mortality base
study conducted by the actuary. The company incorporated the updated tables into
year-end measurement of the plans' benefit obligations. As a result of this change i
assumption, the company's U.S. OPEB obligations decreased by $18 million in the
quarter of fiscal year 2015.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

On September 26, 2014, Meritor amended its retiree medical and retiree life insura
the United States to cease retiree medical coverage for salaried and non-union hou
employees under the age of 65 and eliminate retiree life insurance coverage with fa
amounts ranging from $3,750 to $15,000. The amendment triggered a curtailment
fourth quarter of fiscal year 2014 which immediately reduced the retiree medical li
$16 million (i.e., a curtailment gain) and reduced retiree medical expense by $15 m
reduction in expense was primarily attributable to the required immediate recognit
negative prior service costs which were previously being amortized into net period
over the active participants remaining average service life. The $16 million reducti
retiree medical liability established a new negative prior service cost base, which v
amortized into net period expense over the remaining average service life of appro
years. Subsequent to the curtailment, the amortization of the prior service cost peri
commenced to be amortized over an average expected lifetime of inactive particip
approximately 10 years.

The company's retiree medical obligations were measured as of September 30, 201
and 2013. The following are the assumptions used in the measurement of the APB
retiree medical expense:

	2015		2014	
Discount rate	4.20	%	4.20	%
Health care cost trend rate	7.00	%	7.40	%
Ultimate health care trend rate	5.00	%	5.00	%
Year ultimate rate is reached	2022		2022	

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

The discount rate is used to calculate the present value of the APBO. This rate is d
based on high-quality fixed income investments that match the duration of expecte
medical benefits. The company has used the corporate AA/Aa bond rate for this as
The health care cost trend rate represents the company's expected annual rates of c
cost of health care benefits. The company's projection for fiscal year 2016 health c
trend rate is 7.00 percent.

The APBO as of the September 30, 2015 and 2014 measurement dates are summar
follows (in millions):

	2015
Retirees	$433
Employees eligible to retire	3
Employees not eligible to retire	—
Total	$436

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MERITOR, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

The following reconciles the change in APBO and the amounts included in the cor
balance sheet for years ended September 30, 2015 and 2014, respectively (in millio

	2015
APBO — beginning of year	$477
Service cost	—
Interest cost	19
Participant contributions	2
Actuarial gain	(19
Foreign currency rate changes	(3
Curtailment gain	—
Benefit payments	(40
APBO — end of year	436
Other [(1)]	2
Retiree medical liability	$438

(1) The company recorded a $2 million reserve for retiree medical liabilities at Sep 2015 and 2014 as its best estimate for retroactive benefits related to the previou mentioned injunction.

Actuarial losses/(gains) relate to changes in the discount rate and other actuarial as In accordance with FASB ASC Topic 715, "Compensation – Retirement Benefits" the actuarial losses is not subject to amortization. The actuarial losses that are subj amortization are generally amortized over the average lifetime of inactive participa approximately 11 years.

The Medicare Prescription Drug Improvement and Modernization Act of 2003 pro federal subsidy to sponsors of retiree health care benefit plans that provide a benef actuarially equivalent to the benefit established by the law. The company provides medical benefits under certain plans that exceed the value of the benefits that are p the Medicare Part D plan. Therefore, management concluded that these plans are a actuarially equivalent to the Medicare Part D plan and the company is eligible for t subsidy. The impact of the subsidy was a reduction in the fiscal year 2013 retiree n expense of $9 million. In September 2011, in connection with the Health Care and Reconciliation Act of 2010, the company converted its current prescription drug pr certain retirees to a group-based, company-sponsored Medicare Part D program, or Group Waiver Plan (EGWP). In September 2012, the company converted certain a groups of retirees to EGWP and as a result, reduced its APBO by an additional am approximately $25 million. These reductions to APBO are being amortized over an expected lifetime of inactive participants of approximately 11 years. In 2013, the c began using use the Part D subsidies delivered through EGWP to reduce its net ret medical costs. As a result of this change in assumption, the company reduced its A approximately $35 million.

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

	Septemb
	2015
Current — included in compensation and benefits	$33
Long-term — included in retirement benefits	405
Retiree medical liability	$438

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MERITOR, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

The following table summarizes the amounts included in Accumulated Other Com
Loss net of tax related to retiree medical liabilities as of September 30, 2015 and 2
changes recognized in Other Comprehensive Income (Loss) net of tax for the years
September 30, 2015 and 2014.

	Net Actuarial Loss	Prior Service Cost (Benefit)
Balance at September 30, 2014	$142	$(13
Net actuarial gain for the year	(19)	—
Amortization for the year	(22)	1
Balance at September 30, 2015	$101	$(12
Balance at September 30, 2013	$169	$(19
Net actuarial gain for the year	(3)	—
Amortization for the year	(23)	7
Curtailment gain	—	(16
Recognized prior service costs due to curtailment	—	15
Deferred tax impact	(1)	—
Balance at September 30, 2014	$142	$(13

The net actuarial loss and prior service benefit that are estimated to be amortized fr
accumulated other comprehensive loss into net periodic retiree medical expense in
2016 are $14 million and $1 million, respectively.

The components of retiree medical expense for years ended September 30 are as fo
millions):

	2015	2014
Service cost	$—	$—
Interest cost	19	23
Amortization of:		
Prior service benefit	(1)	(7
Actuarial losses	22	23
Recognized prior service costs due to curtailment	—	(15
Retiree medical expense	$40	$24

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

	2015
Effect on total service and interest cost	
1% Increase	$2
1% Decrease	(1

Effect on APBO	
1% Increase	39
1% Decrease	(34

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MERITOR, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

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

	Gross Benefit Payments	G R
Fiscal 2016	$39	$(
Fiscal 2017	39	6
Fiscal 2018	40	7
Fiscal 2019	40	7
Fiscal 2020	40	7
Fiscal 2021 – 2025	196	44

(1) Consists of subsidies and rebates available under EGWP.

21. RETIREMENT PENSION PLANS

The company sponsors defined benefit pension plans that cover certain of its U.S. non-U.S. employees. Pension benefits for salaried employees are based on years of service and compensation. Pension benefits for hourly employees are based on yea service and specified benefit amounts. The company's funding policy provides tha contributions to the pension trusts will be at least equal to the minimum amounts r ERISA in the U.S. and the actuarial recommendations or statutory requirements in countries.

The mortality assumptions for participants in the company's U.S. plans incorporat mortality improvements from tables published by the SOA. In October 2014, the S new mortality and mortality improvement tables that raised the life expectancies. T company reviewed the new SOA mortality and mortality improvement tables and actuary to conduct a study based on the company's plan participants. The company that the best representation of the plans' mortality is to utilize the new SOA mortal mortality improvement tables as the reference table for credibility-weighted mortal blended with company specific mortality based on the study conducted by the actu company incorporated the updated tables into the 2015 year-end measurement of t benefit obligations. As a result of this change in actuarial assumption, the company pension obligations increased by $24 million in the fourth quarter of fiscal year 20

On August 1, 2010, Meritor amended its defined benefit pension plan in the Unite to cease the accrual of future benefits for all of its active plan participants. Subsequ freeze date, the company began making contributions to its defined contribution sa on behalf of the affected employees. The amount of the savings plan contribution i a percentage of the employees' pay. These changes did not affect then-current reti company began recording the impact of the plan freeze in the fourth quarter of fisc 2010. Subsequent to the plan freeze, accumulated actuarial losses are being amorti periodic pension expense over the average life expectancy of inactive plan particip approximately 27 years rather than over their remaining average service life.

In April 2007, the company announced a freeze of its defined benefit pension plan
and non-represented employees in the United States, effective January 1, 2008. Th
affected approximately 3,800 employees including certain employees who continu
accrue benefits for an additional transition period, ending June 30, 2011. After thes
dates, the company started making additional contributions to its defined contribut
plan on behalf of the affected employees. The amount of the savings plan contribu
based on a percentage of the employees' pay, with the contribution percentage incr
function of employees' age. These changes do not affect plan participants who had
prior to the freeze dates or represented employees. Accumulated actuarial losses ar
amortized into net periodic pension expense over the average life expectancy of in
participants of approximately 22 years.

During fiscal year 2015, the company settled the remaining liabilities associated w
Canadian pension plans through lump-sum payments made from plan assets to plan
participants and by purchasing annuity contracts from an insurance company. The
recognized a primarily non-cash pre-tax settlement loss of $16 million associated w
annuity purchases and lump-sum payments. The company settled a net pension obl
$16 million using $20 million of pension plan assets, such that the assets and liabil
derecognized from the balance sheet during the quarter ended September 30, 2015

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MERITOR, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

Additionally, in fiscal year 2015, the company settled the remaining liabilities asso
its German pension plans by purchasing annuity contracts from an insurance comp
company recognized a primarily non-cash pre-tax settlement loss of $43 million as
with the annuity purchases. The company settled a net pension obligation of $91 m
which was derecognized from the balance sheet during the quarter ended Septemb
During fiscal year 2013, the company settled five Canadian pension plans through
payments out of plan assets to plan participants and by purchasing annuity contrac
insurance company. The company recognized a non-cash pre-tax settlement loss o
approximately $36 million associated with the annuity purchases and lump-sum pa
The company settled a net pension obligation of $68 million using $72 million of p
plan assets, such that the assets and liabilities were derecognized during the quarte
June 30, 2013.

In June 2013, the company amended its U.S. Retirement Plan to allow all terminat
participants with an accrued benefit of $5,000 or less to receive a full lump-sum di
of their benefit. The lump-sum amounts were rolled into individual retirement acc
those participants that had an accrued benefit of $1,000 to $5,000 who did not mak
affirmative election to receive their benefits. For those participants with an accrue
less than $1,000, the benefits were automatically distributed to the participant.

Additionally, in June 2013, the company announced a special election window to o
voluntary lump-sum pension payouts to eligible terminated vested participants wit
accrued benefit in the U.S. Retirement Plan that settled the company's obligation t
accepted the offer. The program provided participants with a one-time choice of el
receive a lump-sum settlement of their remaining pension benefit. Lump-sum distr
under this election window were paid in September 2013. The company recognize
million non-cash settlement loss during the fourth quarter of fiscal year 2013 asso
these payouts. In addition, pension plan assets and pension benefit obligations of $
and $178 million, respectively, were derecognized as a result of the U.S. lump-sum
settlements.

The company's pension obligations are generally measured as of September 30, 20
and 2013, while the pension obligations associated with the fourth quarter fiscal ye
settled Canadian and German pension plans were measured as of August 31, 2015.
pension obligations associated with the settled third quarter fiscal year 2013 Canad
pension plans were measured as of June 30, 2013. The U.S. plans include qualified
non-qualified pension plans. The company's most significant non-U.S. plan is loca
United Kingdom.

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

	U.S. Plans		
	2015	2014	2013
Discount Rate	4.25 % — 4.35 %	4.20 % — 4.30 %	4.75 %
Assumed return on plan assets (beginning of the year)	8.00%	8.00%	8.00%

	Non-U.S. Plans		
	2015	2014	2013
Discount Rate [1]	1.00 % —3.80 %	1.90 % —4.10 %	2.40 %
Assumed return on plan assets (beginning of the year) [1]	2.25 % —7.25 %	2.25 % —7.25 %	2.50 %
Rate of compensation increase [2]	2.00%	2.00 % —3.00 %	2.00 %

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(1) The discount rate for the company’s U.K. pension plan was 3.80 percent, 4.10 p 4.70 percent for 2015, 2014 and 2013, respectively. The assumed return on plan this plan was 7.25 percent for 2015, 2014 and 2013.

MERITOR, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

(2) The rate of compensation increase for the company's Swiss pension plan was 2.
for 2015, 2014, and 2013. The rate of compensation increase for the company's
pension plans was 3.00 percent for 2014 and 2013.

The discount rate is used to calculate the present value of the PBO at the balance s
and net periodic pension expense for the subsequent fiscal year. The rate used refle
of return on high-quality fixed income investments that match the duration of expe
benefit payments. Generally, the company uses a portfolio of long-term corporate
bonds that match the duration of the expected benefit payments, except for the com
U.K. pension plan which uses an annualized yield curve, to establish the discount r
assumption.

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

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

The following table reconciles the change in the PBO, the change in plan assets an
included in the consolidated balance sheet for the years ended September 30, 2015
respectively (in millions):

	2015			2014	
	U.S.	Non-U.S.	Total	U.S.	Non-U.S.
PBO — beginning of year	$1,059	$735	$1,794	$1,017	$691
Service cost	1	1	2	1	1
Interest cost	44	26	70	49	31
Actuarial loss	10	48	58	67	38
Settlements	—	(111)	(111)	—	—
Amendments	—	—	—	(4)	—
Benefit payments	(72)	(29)	(101)	(71)	(28
Foreign currency rate changes	—	(56)	(56)	—	2
PBO — end of year	$1,042	$614	$1,656	$1,059	$735
Change in plan assets					
Fair value of assets — beginning of year	$832	$743	$1,575	$710	$657
Actual return on plan assets	65	67	132	94	69
Employer contributions	5	7	12	99	38
Settlements	—	(20)	(20)	—	—
Benefit payments	(72)	(29)	(101)	(71)	(28
Foreign currency rate changes	—	(51)	(51)	—	7

Fair value of assets — end of year	$830	$717	$1,547	$832	$743
Funded status	$(212)	$103	$(109)	$(227)	$8

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MERITOR, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

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

	2015			2014	
	U.S.	Non-U.S.	Total	U.S.	Non-
Non-current assets	$—	$ 110	$110	$—	$ 10
Current liabilities	(5)	—	(5)	(5)	(3
Retirement benefits-non-current	(207)	(7)	(214)	(222)	(93
Net amount recognized	$(212)	$ 103	$(109)	$(227)	$ 8

The following tables summarize the amounts included in Accumulated Other Com
Loss net of tax related to pension liabilities as of September 30, 2015 and 2014 an
recognized in Other Comprehensive Income (Loss) net of tax for the year ended S
30, 2015.

	Net Actuarial Loss	
	U.S.	Non-U.S
Balance at September 30, 2014	$419	$241
Net actuarial loss for the year	8	24
Amortization for the year	(17)	(8
Deferred tax impact	—	5
Settlements	—	(56
Balance at September 30, 2015	$410	$206
Balance at September 30, 2013	$408	$234
Net actuarial loss for the year	26	16
Amortization for the year	(15)	(8
Deferred tax impact	—	(1
Balance at September 30, 2014	$419	$241

The company estimates that $10 million of net actuarial losses will be amortized f
accumulated other comprehensive loss into net periodic pension expense during fi
2016. The non-current portion of the pension liability is included in Retirement Be
the consolidated balance sheet as follows (in millions):

	September 30,	
	2015	2
Pension liability	$214	$
Retiree medical liability — long term (see Note 20)	405	4
Other	13	1
Total retirement benefits	$632	$

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

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MERITOR, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

Additional information is as follows (in millions):

	2015 ABO Exceeds Assets	Assets Exceed ABO	Total	2014 ABO Exceeds Assets	Assets Exceed ABO
PBO	$1,057	$599	$1,656	$1,180	$614
ABO	1,057	598	1,655	1,180	613
Plan Assets	838	709	1,547	857	718

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

	2015	2014
Service cost	$2	$2
Interest cost	70	80
Assumed rate of return on plan assets	(111)	(104
Amortization of —		
Actuarial losses	26	23
Curtailment gain	—	—
Settlement loss	59	—
Net periodic pension expense	$46	$1

Disclosures on investment policies and strategies, categories of plan assets, fair val
measurements of plan assets, and significant concentrations of risk are included be

Investment Policy and Strategy

The company’s primary investment objective for its pension plan assets is to gener
investment return sufficient to meet present and future benefit payments while min
company’s cash contributions over the life of the plans. In order to accomplish this
the company maintains target allocations to identify and manage exposures. The ta
allocation ranges for the U.S. plan are 30–50 percent equity investments, 30–50 pe
income investments and 10–30 percent alternative investments. Alternative investr
include private equities, real estate, hedge funds, diversified growth funds, and par
interests. The target asset allocation ranges for the non-U.S. plans are 15–35 percer
investments, 30–60 percent fixed income investments, 0–10 percent real estate and
alternative investments.

Investment strategies and policies for the company’s pension plan assets reflect a b
risk-reducing and return-seeking considerations. The objective of minimizing the v
assets relative to liabilities is addressed primarily through asset diversification. Ass
broadly diversified across several asset classes to achieve risk-adjusted returns that
accomplish this objective.

The majority of pension plan assets are externally managed through active manage
Managers are only permitted to invest within established asset classes and follow t
strategies for which they have been appointed. The company uses investment guid
reviews asset returns and investment decisions made by the managers to ensure tha
in accordance with the company’s strategies.

MERITOR, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

Concentration of Risk

The company seeks to mitigate risks relative to performance of the plan assets. Ass
invested in various classes with different risk and return characteristics in order to
they are sufficient to pay benefits. The company's investment strategies incorporat
return-seeking approach through equity and alternative investments, while seeking
minimize the volatility of the plans' assets relative to its liabilities through investm
fixed income securities. The significant areas of risk related to these strategies incl
interest rate, and operating risk.

A portion of plan assets is allocated to equity and alternative investments that are e
over time, to earn higher returns. Within this return-seeking portfolio, asset diversi
utilized to reduce uncompensated risk.

Plan assets are also allocated to fixed income investments, which seek to minimize
rate risk volatility relative to pension liabilities. The fixed income portfolio partiall
the long-dated nature of the pension liabilities reducing interest rate risk. Interest ra
decreases generally increase the value of fixed income assets, partially offsetting th
increase in the liabilities, while interest rate increases generally result in a decline i
of fixed income assets while reducing the present value of the liabilities.

Operating risks consist of the risks of inadequate diversification and weak controls
company has established policies and procedures in order to mitigate this risk by m
investment manager performance, reviewing periodic compliance information, and
that the plans' managers invest in accordance with the company's investment strat

Fair Value of Investments

The current FASB guidance provides a fair value hierarchy that prioritizes the inpu
valuation techniques used to measure fair value. The hierarchy gives the highest pr
unadjusted quoted prices in active markets for identical assets (Level 1) and the lo
priority to unobservable inputs (Level 3). The three levels of the fair value hierarch
described below:

- Level 1 inputs use quoted prices in active markets for identical assets that the Plan ability to access.
- Level 2 inputs use other inputs that are observable, either directly or indirectly. Th inputs include quoted prices for similar assets in active markets and other inputs su interest rates and yield curves that are observable at commonly quoted intervals.
- Level 3 inputs are unobservable inputs, including inputs that are available in situat there is little, if any, market activity for the related asset.

In instances where inputs used to measure fair value fall into different levels in the
value hierarchy, fair value measurements in their entirety are categorized based on
priority level input that is significant to the valuation. The company's assessment o
significance of particular inputs to these fair value measurements requires judgmen
considers factors specific to each asset or liability.

Following are descriptions, valuation methodologies and other information related
assets.

Cash and cash equivalents: The fair value of cash and cash equivalents is valued at

Equity Securities: The overall equity category includes common and preferred stoc
by U.S. and international companies as well as equity funds that invest in these ins
All investments generally allow near-term (within 90 days of the measurement dat
and are held in issues that are actively traded to facilitate transactions at minimum
aggregate equity portfolio is diversified to avoid exposure to any investment strateg
economic sector, industry group, or individual security.

The fair value of equity securities is determined by either direct or indirect quoted
prices. When the value of assets held in separate accounts is not published, the valu
on the underlying holdings, which are primarily direct quoted market prices on reg
financial exchanges.

Most of the equity investments allow daily redemptions, with some providing mon
liquidity or requiring a 30-day notice.

MERITOR, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

Fixed Income Securities: The overall fixed income category includes U.S. dollar-d
and international marketable bonds and convertible debt securities as well as fixed
funds that invest in these instruments. All assets generally allow near-term liquidit
held in issues which are actively traded to facilitate transactions at minimum cost.
aggregate fixed income portfolio is diversified to avoid exposure to any investmen
maturity, issuer or credit quality.

The fair value of fixed income securities is determined by either direct or indirect
market prices. When the value of assets held in separate accounts is not published,
is based on the underlying holdings, which are primarily direct quoted market pric
regulated financial exchanges.

U.S. fixed income securities typically offer daily liquidity, with only one investme
quarterly redemptions. International and emerging fixed income investment vehicl
generally provide daily liquidity.

Commingled Funds: The fair value of commingled funds is accounted for by a cus
custodian obtains valuations from underlying managers based on market quotes fo
liquid assets and alternative methods for assets that do not have sufficient trading
derive prices. The company and custodian review the methods used by the underly
managers to value the assets.

Real Estate: Real estate provides an indirect investment into a diversified and mult
portfolio of property assets. The fair value of real estate investments is valued by t
managers. The fund managers value the real estate investments via independent thi
appraisals on a periodic basis. Assumptions used to revalue the properties are upda
quarter. For the component of the real estate portfolio under development, the inve
carried at cost, which approximates fair value, until they are completed and valued
third-party appraiser.

Due to the long-term nature of real estate investments, liquidity is provided on a qu
basis.

Partnerships/Private Equity: This category includes investments in private equity a
funds. Such investments may be made directly or through pooled funds, including
funds structures. The fair market value of the company's interest in partnerships ar
equity is valued by the fund managers. The valuation is based on the net present va
observable inputs (dividends, cash flows, earnings, etc.), which are discounted at a
discount rates. The company and custodian review the methods used by the underl
managers to value the assets.

Most of these investments offer quarterly redemption opportunities. Some partners
private equity investments, due to the nature of their investment strategy and unde
holdings, offer less frequent liquidity. When available, liquidity events are closely

The valuation methods described above may produce a fair value calculation that r
indicative of net realizable value or reflective of future fair values. Furthermore, w
company believes its valuation methods are appropriate and consistent with other r
participants, the use of different methodologies or assumptions to determine the fa
certain financial instruments could result in a different fair value measurement at th
date.

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MERITOR, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

The fair value of plan assets at September 30, 2015 by asset category is as follows
millions):

U.S. Plans	2015		
Asset Category	Level 1	Level 2	Lev 3
Equity investments			
U.S. – Large cap	$88	$—	$—
U.S. – Small cap	21	—	—
Private equity	—	—	15
International equity	53	—	—
Equity investments measured at net asset value (1)	—	—	—
Total equity investments	$162	$—	$1
Fixed income investments			
U.S. fixed income	$8	$263	$—
Emerging fixed income	—	20	—
Partnerships fixed income	—	—	1
Fixed income investments measured at net asset value (1)	—	—	—
Total fixed income	$8	$283	$1
Alternatives – Partnerships	—	—	84
Alternatives – Partnerships measured at net asset value (1)	—	—	—
Cash and cash equivalents	—	7	—
Total assets at fair value	$170	$290	$1

Non-U.S. Plans	2015		
Asset Category	Level 1	Level 2	Lev 3
Equity investments			
International equity	$55	$—	$—
Equity investments measured at net asset value (1)	—	—	—
Total equity investments	$55	$—	$—
Fixed income investments			
Other fixed income investments	$—	$186	$—
Fixed income investments measured at net asset value (1)	—	—	—
Total fixed income	$—	$186	$—
Commingled funds	—	8	—
Alternative investments measured at net asset value (1)	—	—	—
Real estate measured at net asset value (1)	—	—	—
Cash and cash equivalents	—	28	—
Total assets at fair value	$55	$222	$—

(1) In accordance with Subtopic 820-10, certain investments that are measured at f
using the net asset value per share (or its equivalent) practical expedient have n
classified in the fair value hierarchy. The fair value amounts presented in this ta

intended to permit reconciliation of the fair value hierarchy to the amounts pres
statement of financial position.

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MERITOR, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

The fair value of plan assets at September 30, 2014 by asset category is as follows
millions):

U.S. Plans	2014		
Asset Category	Level 1	Level 2	Lev 3
Equity investments			
U.S. – Large cap	$104	$—	$—
U.S. – Small cap	25	—	—
Private equity	—	—	15
International equity	65	—	—
Equity investments measured at net asset value [1]	—	—	—
Total equity investments	$194	$—	$15
Fixed income investments			
U.S. fixed income	$24	$252	$—
Emerging fixed income	—	22	—
Partnerships fixed income	—	—	1
Fixed income investments measured at net asset value [1]	—	—	—
Total fixed income	$24	$274	$1
Alternatives – Partnerships	—	—	58
Alternatives – Partnerships measured at net asset value [1]	—	—	—
Cash and cash equivalents	—	1	—
Total assets at fair value	$218	$275	$74

Non-U.S. Plans	2014		
Asset Category	Level 1	Level 2	Lev 3
Equity investments			
International equity	$103	$—	$—
Equity investments measured at net asset value [1]	—	—	—
Total equity investments	$103	$—	$—
Fixed income investments			
Fixed income investments measured at net asset value [1]	$—	$—	$—
Total fixed income	$—	$—	$—
Commingled funds	—	9	—
Alternative investments measured at net asset value [1]	—	—	—
Real estate measured at net asset value [1]	—	—	—
Cash and cash equivalents	—	47	—
Total assets at fair value	$103	$56	$—

[1] In accordance with Subtopic 820-10, certain investments that are measured at fa
using the net asset value per share (or its equivalent) practical expedient have n
classified in the fair value hierarchy. The fair value amounts presented in this ta
intended to permit reconciliation of the fair value hierarchy to the amounts pres

statement of financial position.

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MERITOR, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

Unfunded Commitment

As of September 30, 2015, the U.S. plan had $11 million of unfunded investment commitments related to plan assets. The majority of this amount is attributed to pa investments that the plan will invest in gradually over the course of several years. plans currently do not have any unfunded commitments.

The following table summarizes the changes in Level 3 pension plan assets measu value on a recurring basis for the year ended September 30, 2015 (in millions):

U.S. Plans	2015				
	Fair Value at October 1, 2014	Return on Plan Assets: Attributable to Assets Held at September 30, 2015	Purchases	Settlements	Net Transfers Into (Out of) Level 3
Asset Category					
Private equity	$15	$ —	$—	$ —	$—
Partnerships – Fixed income	1	—	—	—	—
Alternatives – Partnerships	58	19	8	(1)	—
Total Level 3 fair value	$74	$ 19	$8	$ (1)	$—

The following table summarizes the changes in Level 3 pension plan assets measu value on a recurring basis for the year ended September 30, 2014 (in millions):

U.S. Plans	2014				
	Fair Value at October 1, 2013	Return on Plan Assets: Attributable to Assets Held at September 30, 2014	Purchases	Settlements	Net Transfers Into (Out of) Level 3
Asset Category					
Private equity	$5	$ —	$10	$ —	$—
Partnerships – Fixed income	1	—	—	—	—
Alternatives – Partnerships	49	9	—	—	—

Total Level 3 fair value	$55	$ 9	$10	$ —	$—

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MERITOR, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

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

	U.S.	Non U.S.
Expected employer contributions:		
Fiscal 2016	$5	$—
Expected benefit payments:		
Fiscal 2016	79	24
Fiscal 2017	75	25
Fiscal 2018	74	26
Fiscal 2019	72	27
Fiscal 2020	71	27
Fiscal 2021-2025	337	150

The company also sponsors certain defined contribution savings plans for eligible
Expense related to these plans, including company matching contributions, was $1
$14 million and $13 million for fiscal years 2015, 2014 and 2013, respectively.

22. INCOME TAXES

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

	2015	2014
U.S. income (loss)	$24	$204
Foreign income	43	111
Total	$67	$315

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

	2015	2014
Current tax benefit (expense):		
U.S.	$(4)	$(1
Foreign	(20)	(32
State and local	(1)	—
Total current tax expense	(25)	(33
Deferred tax benefit (expense):		
U.S.	3	(1
Foreign	21	3
State and local	—	—
Total deferred tax benefit	24	2
Income tax expense	$(1)	$(31

The deferred tax expense or benefit represents tax effects of current year deductio
of income that will be recognized in future periods for tax purposes. The deferred

in fiscal year 2015 is primarily attributable to valuation allowance reversals. In fisc
2015, the foreign deferred tax benefit was also favorably impacted by the benefit re
from the Canadian and German pension settlement charges. The foreign current tax
in fiscal year 2013 includes the tax effect of the Suspensys JV sale. The foreign de
benefit in fiscal year 2013 primarily relates to the benefit received from the Canadi
settlement charge.

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MERITOR, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

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

	September 2015
Accrued compensation and benefits	$27
Accrued product warranties	19
Inventory costs	20
Receivables	16
Accrued retiree healthcare benefits	175
Retirement pension plans	95
Property	9
Loss and credit carryforwards	608
Other	77
Sub-total	1,046
Less: Valuation allowances	(961)
Deferred income taxes - asset	$85
Taxes on undistributed income	$(45)
Intangible assets	(85)
Debt basis difference	(8)
Deferred income taxes - liability	$(138)
Net deferred income tax liabilities	$(53)

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

	Sep 201
Other current assets (see Note 10)	$20
Other current liabilities	(2
Net current deferred income taxes — asset	18
Other assets (see Note 12)	28
Other liabilities (see Note 15)	(99
Net non-current deferred income taxes — liability	$(7

In prior years, the company established valuation allowances against its U.S. net de assets and the net deferred tax assets of its 100%-owned subsidiaries in France, Ge Italy, Sweden, U.K. and certain other countries. In evaluating its ability to recover deferred tax assets, the company utilizes a consistent approach which considers its operating results, including an assessment of the degree to which any gains or losse driven by items that are unusual in nature and tax planning strategies. In addition, t company reviews changes in near-term market conditions and other factors that im operating results.

During the fourth quarter of fiscal year 2015, as a result of sustained profitability i
Italy, Mexico and Sweden evidenced by a strong earnings history and additional p
evidence, the company determined it was more likely than not future earnings will
sufficient to realize deferred tax assets in these jurisdictions. Accordingly, the com
reversed valuation allowances in Germany, Italy, Mexico, and Sweden, resulting i
non-cash income tax benefit of $16 million.

MERITOR, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

The company continues to maintain the valuation allowances in France, U.K., U.S. certain other jurisdictions, as the company believes the negative evidence that it wi to recover these net deferred tax assets continues to outweigh the positive evidence future, the company generates taxable income on a sustained basis in jurisdictions has recorded valuation allowances, its conclusion regarding the need for valuation in these jurisdictions could change. Accordingly, although the company was profit U.S. in 2014 and 2015, it has not generated enough positive evidence to warrant a the U.S. valuation allowance, so it continues to record a full valuation allowance a U.S. net deferred tax assets. Although the weight of negative evidence related to cu losses is decreasing as the company delivers on our M2016 plan, the company beli this objectively-measured negative evidence outweighs the subjectively-determine evidence and, as such, the company has not changed its judgment regarding the ne valuation allowance in 2015.

Continued improvement in the company's operating results, however, could lead to some or all of these valuation allowances in the future. Consumption of tax attribu profits will reduce the overall level of deferred tax assets subject to valuation allow

The expiration periods for deferred tax assets related to net operating losses and ta carryforwards as of September 30, 2015 are included below (in millions). Also inc the associated valuation allowances on these deferred tax assets (in millions).

	Fiscal Year Expiration Periods			
	2016-2020	2021-2030	2031-2035	Indefinite
Net Operating Losses and Tax Credit Carryforwards	$36	$274	$30	$268
Valuation Allowances on these Deferred Tax Assets	$33	$271	$30	$245

Realization of deferred tax assets representing net operating loss carryforwards for valuation allowance has not been provided is dependent on generating sufficient ta income prior to expiration of the loss carryforwards. Although realization is not as management believes it is more likely than not that all of such deferred tax assets realized. The amount of the deferred tax assets considered realizable, however, cou reduced in the near term if the company is unable to generate sufficient future taxa during the carryforward period.

For fiscal years 2015 and 2014, no provision has been made for U.S., state or addit foreign income taxes related to approximately $686 million and $666 million of un earnings of foreign subsidiaries that have been or are intended to be permanently re Quantification of the deferred tax liability, if any, associated with permanently rei earnings is not practicable.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

The company's provision for income taxes was different from the provision for inc
calculated at the U.S. statutory rate for the reasons set forth below (in millions):

	2015	2014
Expense for income taxes at statutory tax rate of 35%	$(23)	$(110
State and local income taxes	(1)	—
Foreign income taxed at rates other than 35%	7	13
Joint venture equity income	3	5
Tax effect of Suspensys JV sale	—	—
Goodwill	(2)	(1
Debt basis difference	(4)	(1
U.S. tax impact on distributions from subsidiaries and joint ventures	(18)	(18
Nondeductible expenses	(9)	(10
Valuation allowances	47	89
Other	(1)	2
Income tax expense	$(1)	$(31

In fiscal year 2014, the company recorded $210 million of earnings related to the a
lawsuit settlement with Eaton Corporation. The earnings did not impact U.S. feder
tax expense, since they were offset by a corresponding valuation allowance in the U

In fiscal year 2013, the company changed its permanently reinvested assertion in c
jurisdictions, which resulted in a non-cash benefit of $42 million. This benefit does
impact income tax expense, since it is offset by a corresponding release of a valuat
allowance in the U.S.

The total amount of gross unrecognized tax benefits the company recorded in acco
FASB ASC Topic 740 as of September 30, 2015 was $76 million, of which $17 mi
represents the amount that, if recognized, would favorably affect the effective inco
in future periods.

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

	2015	2014
Balance at beginning of the period	$88	$94
Additions to tax positions recorded during the current year	5	3
Reduction to tax position recorded in prior years	(2)	(2
Reductions to tax positions due to lapse of statutory limits	(11)	(7
Translation, other	(4)	—
Balance at end of the period	$76	$88

The company's continuing practice is to recognize interest and penalties on uncerta
positions in the provision for income taxes in the consolidated statement of operati
September 30, 2015 and September 30, 2014, the company recorded $3 million, of
uncertain tax positions in the consolidated balance sheet. In addition, penalties of $

were recorded at each of September 30, 2015 and September 30, 2014. The compa
recorded an income tax benefit of $3 million related to interest for the year ended S
30, 2013. The amount was immaterial for year ended September 30, 2015 and 201
company recorded an income tax benefit of $2 million related to penalties for the y
September 30, 2013. The amount was immaterial for the years ended September 3
2014.

The company files tax returns in multiple jurisdictions and is subject to examinatio
authorities throughout the world. The company's Canadian federal income tax retu
fiscal years 2010 through 2012 are currently under audit. The company's Brazil su
currently under audit for calendar year 2011. The company's German subsidiary is
under

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

audit for fiscal years 2009 through 2013. The company's Singapore subsidiary is cu
under audit for fiscal year 2012. In addition, the company is under audit in the U.S
federal, fiscal years 2010 and 2011, along with various state tax jurisdictions for va
years. It is reasonably possible that audit settlements, the conclusion of current exa
or the expiration of the statute of limitations in several jurisdictions could change t
company's unrecognized tax benefits during the next twelve months. It is not possi
reasonably estimate the expected change to the total amount of unrecognized tax b
the next twelve months.

In addition to the audits listed above, the company has open tax years primarily fro
2001-2014 with various significant taxing jurisdictions, including the United States
Canada, China, France, Mexico and the U.K. These open years contain matters tha
subject to differing interpretations of applicable tax laws and regulations as they re
amount, timing or inclusion of revenue and expenses or the sustainability of incom
credits for a given audit cycle. The company has recorded a tax benefit only for tho
positions that meet the more-likely-than-not standard.

23. CONTINGENCIES

Environmental

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

The company has been designated as a potentially responsible party at nine Superf
excluding sites as to which the company's records disclose no involvement or as to
company's liability has been finally determined. Management estimates the total re
possible costs the company could incur for the remediation of Superfund sites at
September 30, 2015 to be approximately $17 million, of which $2 million is record
liability. Included in reasonably possible amounts are estimates for certain remedia
actions that may be required if current actions are deemed inadequate by the regula
Environmental remediation costs recorded with respect to the Superfund sites were

in fiscal years 2014 and 2013. Costs were not substantial in fiscal year 2015.

In addition to the Superfund sites, various other lawsuits, claims and proceedings h
asserted against the company, alleging violations of federal, state and local enviror
protection requirements, or seeking remediation of alleged environmental impairm
principally at previously disposed-of properties. For these matters, management ha
the total reasonably possible costs the company could incur at September 30, 2015
approximately $29 million, of which $14 million is probable and recorded as a liab
During fiscal years 2015, 2014 and 2013, the company recorded environmental ren
costs of $3 million, $5 million and $7 million, respectively, with respect to these m
resulting from revised estimates to remediate these sites.

Included in the company's environmental liabilities are costs for on-going operatio
maintenance and monitoring at environmental sites in which remediation has been
place. This liability is discounted using discount rates in the range of 0.5 to 2.5 per
approximately $8 million at September 30, 2015. The undiscounted estimate of the
approximately $9 million.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

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

	Superfund Sites	Non-Superfund Sites	To
Balance at September 30, 2014	$2	$ 17	$1
Payments	—	(6)	(6
Accruals	—	3	3
Balance at September 30, 2015	$2	$ 14	$1

There were $2 million, $2 million, and $3 million of environmental remediation co
recognized in other operating expense in the consolidated statement of operations i
years 2015, 2014 and 2013, respectively. In addition, $4 million and $5 million of
environmental remediation costs were recorded in loss from discontinued operatio
consolidated statement of operations for fiscal years 2014 and 2013, respectively.

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

The actual amount of costs or damages for which the company may be held respon
materially exceed the foregoing estimates because of uncertainties, including the fi
condition of other potentially responsible parties, the success of the remediation, d
new contamination and other factors that make it difficult to predict actual costs ac
However, based on management's assessment, after consulting with outside adviso
specialize in environmental matters, and subject to the difficulties inherent in estim
future costs, the company believes that its expenditures for environmental capital i
and remediation necessary to comply with present regulations governing environm
protection and other expenditures for the resolution of environmental claims will n
material effect on the company's business, financial condition or results of operati
addition, in future periods, new laws and regulations, changes in remediation plans
in technology and additional information about the ultimate clean-up remedies cou
significantly change the company's estimates. Management cannot assess the poss
of compliance with future requirements.

Asbestos

Maremont Corporation ("Maremont"), a subsidiary of Meritor, manufactured fricti
containing asbestos from 1953 through 1977, when it sold its friction product busi
Industries, Inc., a predecessor of the company, acquired Maremont in 1986. Maren
many other companies are defendants in suits brought by individuals claiming pers
injuries as a result of exposure to asbestos-containing products. Maremont had app
5,600 and 5,700 pending asbestos-related claims at September 30, 2015 and 2014,
respectively. Although Maremont has been named in these cases, in the cases wher
injury has been alleged, very few claimants have established that a Maremont prod

their injuries. Plaintiffs' lawyers often sue dozens or even hundreds of defendants i
lawsuits, seeking damages against all named defendants irrespective of the disease
and irrespective of any causal connection with a particular product. For these reaso
total number of claims filed is not necessarily the most meaningful factor in detern
Maremont's asbestos related liability.

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

	Sep 201
Pending and future claims	$71
Billed but unpaid claims	3
Asbestos-related liabilities	$74
Asbestos-related insurance recoveries	$41

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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

Pending and Future Claims: Maremont engaged Bates White LLC (Bates White), a firm with extensive experience estimating costs associated with asbestos litigation, with determining the estimated cost of resolving pending and future asbestos-relate that have been, and could reasonably be expected to be, filed against Maremont. A is not possible to estimate the full range of costs because of various uncertainties, advised Maremont that it would be possible to determine an estimate of a reasonab of the cost of the probable settlement and defense costs of resolving pending and fu asbestos-related claims, based on historical data and certain assumptions with resp events that may occur in the future.

Bates White provided a reasonable and probable estimate that consisted of a range likely possibilities of Maremont's obligation for asbestos personal injury claims ov ten years of $71 million to $100 million. After consultation with Bates White, Mar recognized a liability for pending and future claims over the next ten years of $71 $73 million as of September 30, 2015 and 2014, respectively. The ultimate cost of pending and future claims is estimated based on the history of claims and expenses plaintiffs represented by law firms in jurisdictions with an established history with Maremont recognized $2 million of income and a $10 million charge in fiscal year 2014, respectively, associated with its annual valuation of asbestos-related liabiliti Maremont has recognized incremental insurance receivables associated with recov expected for asbestos-related liabilities as the estimate of asbestos-related liabilitie pending and future claims changes. However, Maremont currently expects to exha limits of its settled insurance coverage prior to the end of the ten-year forecasted li period. Maremont believes it has additional insurance coverage, however, certain c have disputed coverage under policies they issued (see "Recoveries" below).

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

- Pending and future claims were estimated for a ten-year period ending in fiscal yea
- Maremont believes that the litigation environment could change significantly beyo years and that the reliability of estimates of future probable expenditures in connec asbestos-related personal injury claims will decline for each year further in the futu result, estimating a probable liability beyond ten years is difficult and uncertain;
- On a per claim basis, defense and processing costs for pending and future claims w the level consistent with Maremont's prior experience;
- Potential payments made to claimants from other sources, including other defenda 524(g) trusts, favorably impact Maremont's estimated liability in the future; and
- The ultimate indemnity cost of resolving nonmalignant claims with plaintiffs' law jurisdictions without an established history with Maremont cannot be reasonably e

Recoveries: Maremont has insurance that reimburses a substantial portion of the co incurred defending against asbestos-related claims. The insurance receivable relate asbestos-related liabilities is $41 million and $49 million as of September 30, 2015 respectively. The receivable is for coverage provided by one insurance carrier base

coverage-in-place agreement. Maremont currently expects to exhaust the remainin
provided by this coverage sometime in the next ten years. Maremont maintained in
coverage with other insurance carriers that management believes covers indemnity
defense costs. Maremont has incurred liabilities allocable to these policies, but has
billed these insurance carriers, and no receivable has been recorded for these polici
carriers dispute coverage. During fiscal year 2013, Maremont reinitiated a lawsuit
these carriers, seeking a declaration of its rights to insurance for asbestos claims an
facilitate an orderly and timely collection of insurance proceeds. However, there ca
assurance that the lawsuit will ultimately result in insurance coverage of defense an
indemnity costs for Maremont.

The amounts recorded for the asbestos-related reserves and recoveries from insura
companies are based upon assumptions and estimates derived from currently know
such estimates of liabilities and recoveries for asbestos-related claims are subject t
considerable uncertainty because such liabilities and recoveries are influenced by v
that are difficult to predict. The future litigation environment for Maremont could
significantly from its past experience, due, for example, to changes in the mix of cl
against Maremont in terms of plaintiffs' law firm, jurisdiction and disease; legislat
regulatory developments; Maremont's approach to defending claims; or payments
from other defendants. Estimated recoveries are influenced by coverage issues amo
and the continuing solvency of various insurance companies. If the assumptions wi
to the estimation period, the nature of pending and future claims, the cost to resolv
and the amount of available insurance prove to be incorrect, the actual amount of l
Maremont's asbestos-related claims, and the effect on the company,

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

could differ materially from current estimates and, therefore, could have a material the company's financial condition and results of operations.

Rockwell International ("Rockwell") — ArvinMeritor, Inc. (AM), a subsidiary of I with many other companies, has also been named as a defendant in lawsuits allegin injury as a result of exposure to asbestos used in certain components of Rockwell p many years ago. Liability for these claims was transferred at the time of the spin-o automotive business from Rockwell in 1997. Rockwell had approximately 3,000 a pending active asbestos claims in lawsuits that name AM, together with many othe companies, as defendants at September 30, 2015 and 2014, respectively.

A significant portion of the claims do not identify any of Rockwell's products or sp of the claimants, if any, were exposed to asbestos attributable to Rockwell's produ experience has shown that the vast majority of the claimants will likely never ident Rockwell's products. Historically, AM has been dismissed from the vast majority o claims filed in the past with no payment to claimants. For those claimants who do s they worked with Rockwell's products, management nevertheless believes it has m defenses, in substantial part due to the integrity of the products involved and the la impairing medical condition on the part of many claimants.

The Rockwell legacy asbestos-related reserves and corresponding asbestos-related are summarized as follows (in millions):

	Sep 201
Pending and future claims	$55
Billed but unpaid claims	3
Asbestos-related liabilities	$58
Asbestos-related insurance recoveries	$14

Pending and Future Claims: The company engaged Bates White to assist with dete whether it would be possible to estimate the cost of resolving pending and future R legacy asbestos-related claims that have been, and could reasonably be expected to against the company. As of September 30, 2015, Bates White provided a reasonabl probable estimate that consisted of a range of equally likely possibilities of Rockw obligation for asbestos personal injury claims over the next ten years of $55 millio million. After consultation with Bates White, management recognized a liability fo and future claims over the next ten years of $55 million as of September 30, 2015 c to $48 million as of September 30, 2014. The ultimate cost of resolving pending an claims is estimated based on the history of claims and expenses for plaintiffs repre law firms in jurisdictions with an established history with Rockwell. The increase i estimated liability is primarily due to higher defense and processing costs, on a per basis, compared to the prior year. AM recognized a $4 million and $10 million cha fourth quarter of fiscal years 2015 and 2014, respectively, associated with its annu of asbestos-related liabilities.

Assumptions: The following assumptions were made by the company after consult
Bates White and are included in their study:

- Pending and future claims were estimated for a ten-year period ending in fiscal yea
- The company believes that the litigation environment could change significantly b years and that the reliability of estimates of future probable expenditures in connec asbestos-related personal injury claims declines for each year further in the future. estimating a probable liability beyond ten years is difficult and uncertain;
- On a per claim basis, defense and processing costs for pending and future claims w the level consistent with the company's prior experience;
- Potential payments made to claimants from other sources, including other defenda 524(g) trusts, favorably impact the company's estimated liability in the future; and
- The ultimate indemnity cost of resolving nonmalignant claims with plaintiff’s law jurisdictions without an established history with Rockwell cannot be reasonably es

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Recoveries: The insurance receivable related to asbestos-related liabilities is $14 m
$11 million as of September 30, 2015 and 2014, respectively. Included in these am
insurance receivables of $9 million and $8 million at September 30, 2015 and 2014
respectively, which are associated with policies in dispute. Rockwell has insurance
that management believes covers indemnity and defense costs, over and above self
retentions, for most of these claims. The company has initiated claims against certa
carriers to enforce the insurance policies, which are in various stages of the litigati
The company expects to recover some portion of defense and indemnity costs it ha
to date, over and above self-insured retentions, and some portion of the costs for d
asbestos claims going forward.The amounts recognized for policies in dispute are b
consultation with advisors, status of settlement negotiations with certain insurers a
underlying analysis performed by management. The remaining receivable recogniz
related to coverage provided by one carrier based on a coverage-in-place insurance
assumptions with respect to the estimation period, the nature of pending claims, th
resolve claims and the amount of available insurance prove to be incorrect, the act
of liability for Rockwell asbestos-related claims, and the effect on the company, co
materially from current estimates and, therefore, could have a material impact on t
company's financial condition and results of operations.

Indemnifications

In December 2005, the company guaranteed a third party's obligation to reimburse
party for payment of health and prescription drug benefits to a group of retired em
The retirees were former employees of a wholly-owned subsidiary of the company
being acquired by the company. The wholly-owned subsidiary, which was part of t
company's light vehicle aftermarket business, was sold by the company in fiscal y
Prior to May 2009, except as set forth hereinafter, the third party met its obligation
reimburse the other party. In May 2009, the third party filed for bankruptcy protect
Chapter 11 of the U.S. Bankruptcy Code requiring the company to recognize its ob
under the guarantee. The company recorded a $28 million liability in fiscal year 20
matter. At September 30, 2015 and September 30, 2014, the remaining estimated l
this matter was approximately $13 million and $14 million, respectively.

The company has provided indemnifications in conjunction with certain transactio
primarily divestitures. These indemnities address a variety of matters, which may i
environmental, tax, asbestos and employment-related matters, and the periods of
indemnification vary in duration.

On January 3, 2011, the company completed the sale of its Body Systems business
agreement contains certain customary representations, warranties and covenants o
and the purchaser. The agreement also includes provisions governing post-closing
between the seller and the purchaser for losses arising from specified events. At
September 30, 2014, the company had an accrual of $6 million for such indemniti
$2 million was for a contingency-related income tax matter, which was included i
liabilities in the accompanying consolidated balance sheet. In the second quarter o
2015, the company settled all remaining matters related to the Body Systems busi
recorded a net gain, after tax in discontinued operations of $6 million.

In connection with the sale of its interest in MSSC in October 2009, the company p
certain indemnifications to the buyer for its share of potential obligations related to
funding shortfall, environmental and other contingencies, and valuation of certain a
receivable and inventories. The company's estimated exposure under these indemn
September 30, 2015 and September 30, 2014 is approximately $2 million and $5 m
respectively, and is included in other current liabilities and other liabilities in the c
balance sheet.

The company is not aware of any other claims or other information that would give
material payments under such indemnifications.

Other

As a result of performing ongoing product conformance testing in the ordinary cou
business, the company identified a non-safety related, potential product performan
arising from a defective supplier component. During fiscal year 2013, the company
all major customers and initiated a sampling campaign. Management estimated the
the company could incur for a full campaign to be in the range of $12 million to $2
of which $12 million was recorded as a specific warranty contingency reserve. In t
quarter of fiscal 2013, the company received $5 million of non-cash cost recovery
component supplier. As of September 30, 2014, no field failures had been identifie
the sampling campaign, and only minor defects had been found in a small number
components tested. During the second half of fiscal year 2014, the company worke
customers to determine the appropriate next steps. As a result, in the fourth quarter
year 2014, the company determined a full campaign to be unnecessary and moved
fix-as-find approach with an extended warranty. As of September 30, 2015 and

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

September 30, 2014, the estimated cost the company could incur for this non-safet
potential product performance issue is $3 million.

The company identified certain sales transactions for which value added tax was re
be remitted to certain tax jurisdictions for tax years 2008 through 2015. At Septem
2015 and September 30, 2014, the company's estimates of the probable liability w
million and $11 million, respectively. The decrease in the probable liability is prim
to the translation effect of foreign exchange rates.

In addition, various lawsuits, claims and proceedings, other than those specifically
in the consolidated financial statements, have been or may be instituted or asserted
company, relating to the conduct of the company's business, including those pertai
product liability, warranty or recall claims, intellectual property, safety and health,
and employment matters. Although the outcome of other litigation cannot be predi
certainty, and some lawsuits, claims or proceedings may be disposed of unfavorabl
company, management believes the disposition of matters that are pending will no
material effect on the company's business, financial condition, results of operation
flows.

24. BUSINESS SEGMENT INFORMATION

The company defines its operating segments as components of its business where s
financial information is available and is evaluated regularly by the chief operating
maker in deciding how to allocate resources and in assessing performance. The co
three operating segments, America's Commercial Truck and Industrial, Europe and
Asia-Pacific Commercial Truck and Industrial, and Aftermarket and Trailer. Amer
Commercial Truck and Industrial and Europe and Asia-Pacific Commercial Truck
Industrial are aggregated into one reportable segment, Commercial Truck and Indu
company's Chief Operating Decision Maker (CODM) is the Chief Executive Offic

The two reportable segments at September 30, 2015, are as follows:

- The Commercial Truck & Industrial segment supplies drivetrain systems and comp
including axles, drivelines and braking and suspension systems, primarily for med
heavy-duty trucks, military, construction, bus and coach, fire and emergency and o
applications in North America, South America, Europe and Asia Pacific. This segm
includes the company's aftermarket businesses in Asia Pacific and South America;
- The Aftermarket & Trailer segment supplies axles, brakes, drivelines, suspension p
other replacement parts to commercial vehicle and industrial aftermarket customer
segment also supplies a wide variety of undercarriage products and systems for tra
applications in North America.

Segment EBITDA is defined as income (loss) from continuing operations befor
expense, income taxes, depreciation and amortization, non-controlling interests in
consolidated joint ventures, loss on sale of receivables, restructuring expense and a
impairment charges. The company uses Segment EBITDA as the primary basis fo
CODM to evaluate the performance of each of its reportable segments.

The accounting policies of the segments are the same as those applied in the co
financial statements, except for the use of Segment EBITDA. The company may a
certain common costs, primarily corporate functions, between the segments differe
the company would for stand alone financial information prepared in accordance w
These allocated costs include expenses for shared services such as information tec
finance, communications, legal and human resources. The company does not alloc
expense and certain legacy and other corporate costs not directly associated with th
In fiscal year 2014, amounts for fiscal year 2013 were recast to reflect Mascot in d
operations (see Note 3).

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

Segment information is summarized as follows (in millions):

	Commercial Truck & Industrial	Aftermarket & Trailer	Elims		To
Fiscal year 2015 Sales:					
External Sales	$2,649	$856	$—		$3
Intersegment Sales	90	28	(118	)	—
Total Sales	$2,739	$884	$(118	)	$3
Fiscal year 2014 Sales:					
External Sales	$2,876	$890	$—		$3
Intersegment Sales	104	30	(134	)	—
Total Sales	$2,980	$920	$(134	)	$3
Fiscal year 2013 Sales:					
External Sales	$2,825	$847	$—		$3
Intersegment Sales	95	24	(119	)	—
Total Sales	$2,920	$871	$(119	)	$3

Segment EBITDA:	2015		2014
Commercial Truck & Industrial	$216		$218
Aftermarket & Trailer	123		106
Segment EBITDA	339		324
Unallocated legacy and corporate expense, net [(1)]	(5	)	(10
Interest expense, net	(105	)	(130
Provision for income taxes	(1	)	(31
Depreciation and amortization	(65	)	(67
Loss on sale of receivables	(5	)	(8
Restructuring costs	(16	)	(10
Antitrust settlement with Eaton, net of tax [(2)]	—		208
Specific warranty contingency, net of supplier recovery	—		8
Pension settlement losses	(59	)	—
Gain on sale of equity investment	—		—
Goodwill and asset impairment charges	(17	)	—
Noncontrolling interests	(1	)	(5
Income (loss) from continuing operations attributable to Meritor, Inc.	$65		$279

(1) Unallocated legacy and corporate costs, net represents items that are not directl the company's business segments. These costs primarily include asbestos-relate associated with the company's year-end liability remeasurement, pension and re medical costs associated with sold businesses and other legacy costs for enviro product liability. In fiscal year 2013, unallocated legacy and corporate costs, ne approximately $4 million of executive severance related to the company's form Executive Officer.

(2) Adjustment associated with the company's share of the antitrust settlement with
legal expenses incurred in fiscal year 2014.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

Depreciation and Amortization:	2015	2014
Commercial Truck & Industrial	$59	$61
Aftermarket & Trailer	6	6
Total depreciation and amortization	$65	$67
Capital Expenditures:	2015	2014
Commercial Truck & Industrial	$71	$71
Aftermarket & Trailer	8	6
Total capital expenditures	$79	$77
Segment Assets: (1)	2015	2014
Commercial Truck & Industrial	$1,569	$1,75
Aftermarket & Trailer	448	458
Total segment assets	2,017	2,213
Corporate (2)	434	516
Less: Accounts receivable sold under off-balance sheet factoring programs	(256)	(244
Total assets	$2,195	$2,48

(1) Prior year amounts have been recast to reflect the early adoption of ASU 2015-(Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Costs.

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

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

Sales by Geographic Area:

	2015	2014
U.S.	$1,733	$1,466
Canada	70	68
Mexico	491	652
Total North America	2,294	2,186
Sweden	325	369
Italy	204	234
United Kingdom	76	82
Other Europe	90	111
Total Europe	695	796
Brazil	198	408
China	90	146
India	140	114
Other Asia-Pacific	88	116
Total sales	$3,505	$3,766

MERITOR, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

Assets by Geographic Area:

	2015
U.S. (1)	$995
Canada	30
Mexico	236
Total North America	1,261
Sweden	108
United Kingdom	211
Italy	77
Other Europe	176
Total Europe	572
Brazil	136
China	118
Other Asia-Pacific	108
Total	$2,195

(1) Prior year amounts have been recast to reflect the early adoption of ASU 2015-(Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Costs.

Sales to AB Volvo represented approximately 24 percent, 27 percent and 24 percen company's sales in each of fiscal years 2015, 2014 and 2013, respectively. Sales to AG represented approximately 20 percent, 18 percent and 15 percent of the compa fiscal years 2015, 2014 and 2013, respectively. Sales to Navistar International Cor represented approximately 11 percent, 12 percent and 10 percent of the company's each of fiscal years 2015, 2014 and 2013, respectively. No other customer compris percent or more of the company's sales in any of the three fiscal years ended Septe 2015.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

25. QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

The following is a condensed summary of the company's unaudited quarterly resul continuing operations for fiscal years 2015 and 2014. Per share amounts are based weighted average shares outstanding for that quarter. Earnings per share for the ye equal the sum of the four fiscal quarters' earnings per share due to changes in basic shares outstanding.

	2015 Fiscal Quarters (Unaudited)						
	First		Second		Third		Fourth
	(In millions, except share related data						
Sales	$879		$864		$909		$853
Cost of sales	(764	)	(749	)	(785	)	(745
Gross margin	115		115		124		108
Benefit (provision) for income taxes	(7	)	(6	)	(6	)	18
Net income (loss)	30		43		14		(22
Net income (loss) from continuing operations attributable to Meritor, Inc.	32		39		15		(21
Net income (loss) attributable to Meritor, Inc.	29		43		13		(21
Basic earnings (loss) per share from continuing operations	$0.33		$0.40		$0.15		$(0.22
Diluted earnings (loss) per share from continuing operations	$0.32		$0.38		$0.15		$(0.22

The company recognized restructuring costs in its continuing operations during fis 2015 as follows: $3 million in the first quarter, $3 million in the second quarter, $9 the third quarter and $1 million in the fourth quarter (see Note 5). During the fourtl fiscal year 2015, the company settled the remaining liabilities associated with its G Canadian pension plans and recognized a pre-tax settlement loss of $59 million ass with the annuity purchases and lump-sum payments (see Note 21). During the four of fiscal year 2015 the company recorded an impairment of $15 million of goodwi 4). In addition, the company recorded an impairment of $2 million of long-lived as fourth quarter of fiscal year 2015 (see Note 11). During the fourth quarter of fiscal as a result of sustained profitability in Germany, Italy, Mexico and Sweden eviden strong earnings history and additional positive evidence, the company determined likely than not future earnings will be sufficient to realize deferred tax assets in the jurisdictions. Accordingly, the company reversed valuation allowances in German Mexico, and Sweden, resulting in non-cash income tax benefits of $16 million.

	2014 Fiscal Quarters (Unaudited)						
	First		Second		Third		Fourth
	(In millions, except share related data						
Sales	$900		$954		$979		$933
Cost of sales	(795	)	(836	)	(855	)	(793

Gross margin	105	118	124	140
Provision for income taxes	(11)	(8)	(12)	—
Net income	13	3	234	4
Net income from continuing operations attributable to Meritor, Inc.	12	1	237	29
Net income attributable to Meritor, Inc.	11	1	234	3
Basic earnings per share from continuing operations	$0.12	$0.01	$2.43	$0.30
Diluted earnings per share from continuing operations	$0.12	$0.01	$2.34	$0.29

The company recognized restructuring costs in its continuing operations during fis
2014 as follows: $1 million in the first quarter, $2 million in the second quarter and
million in the fourth quarter (see Note 5). During the fourth quarter of fiscal year 2
company reduced retiree medical expense by $15 million, in cost of sales on the co
statement of operations,

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MERITOR, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

due to a triggered curtailment (see Note 20). Net income in the third quarter of fisc
2014 includes after-tax proceeds of $209 million representing the Company's share
its ownership interest in ZF Meritor including a recovery of current and prior years
expenses paid by Meritor.

26. OPERATING CASH FLOWS AND OTHER SUPPLEMENTAL FINANCIAL INFORMATION

	Year Ended 30, 2015		201
OPERATING ACTIVITIES			
Net income (loss)	$65		$25
Less: Loss from discontinued operations, net of tax	(1	)	(30
Income (loss) from continuing operations	66		284
Adjustments to income (loss) from continuing operations to arrive at cash provided by (used for) operating activities:			
Depreciation and amortization	65		67
Deferred income tax benefit	(24	)	(2
Restructuring costs	16		10
Loss on debt extinguishment	25		31
Goodwill and asset impairment charges	17		—
Equity in earnings of ZF Meritor	—		(19
Equity in earnings of other affiliates	(39	)	(38
Stock compensation expense	10		8
Provision for doubtful accounts	2		—
Pension and retiree medical expense	82		25
Gain on sale of equity investment	—		—
Gain on sale of property	(3	)	—
Dividends received from ZF Meritor	—		190
Dividends received from other equity method investments	32		36
Pension and retiree medical contributions	(141	)	(17
Restructuring payments	(16	)	(10
Changes in off-balance sheet receivable securitization and factoring programs	39		(46
Changes in assets and liabilities, excluding effects of acquisitions, divestitures, foreign currency adjustments and discontinued operations:			
Receivables	54		34
Inventories	4		(9
Accounts payable	(70	)	(5
Other current assets and liabilities	(52	)	19
Other assets and liabilities	40		—
Operating cash flows provided by (used for) continuing operations	107		227
Operating cash flows used for discontinued operations	(10	)	(12

CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	$97	$21

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MERITOR, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

	Septemb	
	2015	2(
	(In millio	
Balance sheet data:		
Allowance for doubtful accounts	$9	$
Statement of operations data:		
Maintenance and repairs expense	52	59
Research, development and engineering expense	69	7
Depreciation expense	60	62
Rental expense	11	1(
Interest income	9	2
Interest expense	(114)	(1
Statement of cash flows data:		
Interest payments	64	84
Income tax payments, net of refunds	14	2(
Non-cash investing activities - capital asset additions from capital leases	9	5

27. SUPPLEMENTAL PARENT AND GUARANTOR CONDENSED CONSOL
FINANCIAL STATEMENTS

Article 3-10 of Regulation S-X (S-X Rule 3-10) requires that separate financial inf
for issuers and guarantors of registered securities be filed in certain circumstances.
the company's 100% owned subsidiaries, as defined in the credit agreement (the G
irrevocably and unconditionally guarantee amounts outstanding under the senior se
revolving credit facility on a joint and several basis. Similar subsidiary guarantees
provided for the benefit of the holders of the publicly-held notes outstanding under
company's indentures (see Note 16).

Schedule I of Article 5-04 of Regulation S-X (S-X Rule 5-04) requires that conden
financial information of the registrant (Parent) be filed when the restricted net asse
consolidated subsidiaries exceed 25 percent of consolidated net assets as of the enc
most recently completed fiscal year. As of September 30, 2015, net assets that exce
percent of the consolidated net assets of Meritor, Inc. of certain subsidiaries in Chi
India and certain unconsolidated subsidiaries are restricted by law from transfer by
dividends, loans or advances to Meritor, Inc. As of September 30, 2015 the amoun
assets restricted from transfer by law was $36 million.

In lieu of providing separate audited financial statements for the Parent and Guarar
company has included the accompanying condensed consolidating financial statem
permitted by S-X Rules 3-10 and 5-04. These condensed consolidating financial st
are presented on the equity method. Under this method, the investments in subsidia
recorded at cost and adjusted for the parent's share of the subsidiary's cumulative re
operations, capital contributions and distribution and other equity changes. The Gu
subsidiaries are combined in the condensed consolidated financial statements.

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MERITOR, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS
(In millions)

	Fiscal Year Ended September 30, 2015			
	Parent	Guarantors	Non-Guarantors	Elims
Sales				
External	$—	$ 1,734	$ 1,771	$—
Subsidiaries	—	129	71	(200)
Total sales	—	1,863	1,842	(200)
Cost of sales	(52)	(1,579)	(1,612)	200
GROSS MARGIN	(52)	284	230	—
Selling, general and administrative	(53)	(118)	(72)	—
Pension settlement loss	—	—	(59)	—
Restructuring costs	(2)	(5)	(9)	—
Goodwill impairment	—	(15)	—	—
Other operating income (expense), net	(2)	(2)	3	—
OPERATING INCOME (LOSS)	(109)	144	93	—
Other income (expense), net	36	18	(49)	—
Equity in earnings of affiliates	—	36	3	—
Interest income (expense), net	(138)	26	7	—
INCOME (LOSS) BEFORE INCOME TAXES	(211)	224	54	—
Provision for income taxes	(2)	2	(1)	—
Equity income from continuing operations of subsidiaries	278	38	—	(316)
INCOME FROM CONTINUING OPERATIONS	65	264	53	(316)
LOSS FROM DISCONTINUED OPERATIONS, net of tax	(1)	(2)	(3)	5
NET INCOME	64	262	50	(311)
Less: Net income attributable to noncontrolling interests	—	—	(1)	—
NET INCOME ATTRIBUTABLE TO MERITOR, INC.	$64	$ 262	$ 49	$(311)

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MERITOR, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
CONDENSED CONSOLIDATING STATEMENT OF COMPREHENSIVE INCO
(LOSS)
(In millions)

	Fiscal Year Ended September 30, 2015			
	Parent	Guarantors	Non-Guarantors	Elims
Net income	$64	$ 262	$ 50	$(311)
Other comprehensive loss	(19)	(61)	(16)	77
Total comprehensive income	45	201	34	(234)
Less: Comprehensive income attributable to noncontrolling interests	2	—	(1)	—
Comprehensive income attributable to Meritor, Inc.	$47	$ 201	$ 33	$(234)

MERITOR, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS
(In millions)

	Fiscal Year Ended September 30, 2014			
	Parent	Guarantors	Non-Guarantors	Elims
Sales				
External	$—	$ 1,467	$ 2,299	$—
Subsidiaries	—	142	62	(204)
Total sales	—	1,609	2,361	(204)
Cost of sales	(56)	(1,343)	(2,084)	204
GROSS MARGIN	(56)	266	277	—
Selling, general and administrative	(65)	(102)	(91)	—
Restructuring costs	—	(1)	(9)	—
Other operating expense, net	(1)	(1)	—	—
OPERATING INCOME (LOSS)	(122)	162	177	—
Other income (expense), net	35	23	(58)	—
Equity in earnings of ZF Meritor	—	190	—	—
Equity in earnings of affiliates	—	30	8	—
Interest income (expense), net	(159)	35	(6)	—
INCOME (LOSS) BEFORE INCOME TAXES	(246)	440	121	—
Provision for income taxes	—	(1)	(30)	—
Equity income from continuing operations of subsidiaries	525	71	—	(596)
INCOME FROM CONTINUING OPERATIONS	279	510	91	(596)
LOSS FROM DISCONTINUED OPERATIONS, net of tax	(30)	$ (31)	$ (12)	$43
NET INCOME	249	479	79	(553)
Less: Net income attributable to noncontrolling interests	—	—	(5)	—
NET INCOME ATTRIBUTABLE TO MERITOR, INC.	$249	$ 479	$ 74	$(553)

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MERITOR, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
CONDENSED CONSOLIDATING STATEMENT OF COMPREHENSIVE INCO
(LOSS)
(In millions)

	Fiscal Year Ended September 30, 2014			
	Parent	Guarantors	Non-Guarantors	Elims
Net income (loss)	$ 249	$ 479	$ 79	$ (553)
Other comprehensive income (loss)	(15)	(54)	25	29
Total comprehensive income	234	425	104	(524)
Less: Comprehensive income attributable to noncontrolling interests	—	—	(5)	—
Comprehensive income attributable to Meritor, Inc.	$ 234	$ 425	$ 99	$ (524)

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MERITOR, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS
(In millions)

	Fiscal Year Ended September 30, 2013			
	Parent	Guarantors	Non-Guarantors	Elims
Sales				
External	$—	$ 1,409	$ 2,263	$—
Subsidiaries	—	136	56	(192)
Total sales	—	1,545	2,319	(192)
Cost of sales	(54)	(1,339)	(2,076)	192
GROSS MARGIN	(54)	206	243	—
Selling, general and administrative	(72)	(87)	(94)	—
Restructuring costs	(3)	(8)	(12)	—
Pension Settlement losses	(73)	—	(36)	—
Other operating expense, net	(2)	(1)	—	—
OPERATING INCOME (LOSS)	(204)	110	101	—
Other income (expense), net	39	21	(57)	—
Gain on sale of equity investment	—	60	65	—
Equity in earnings of affiliates	—	24	18	—
Interest income (expense), net	(154)	34	(6)	—
INCOME (LOSS) BEFORE INCOME TAXES	(319)	249	121	—
Provision for income taxes	(1)	(17)	(46)	—
Equity income from continuing operations of subsidiaries	305	57	—	(362)
INCOME FROM CONTINUING OPERATIONS	(15)	289	75	(362)
LOSS FROM DISCONTINUED OPERATIONS, net of tax	(7)	(8)	(237)	245
NET INCOME	(22)	281	(162)	(117)
Less: Net income attributable to noncontrolling interests	—	—	(2)	—
NET INCOME ATTRIBUTABLE TO MERITOR, INC.	$(22)	$ 281	$ (164)	$(117)

MERITOR, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
CONDENSED CONSOLIDATING STATEMENT OF COMPREHENSIVE INCO
(LOSS)
(In millions)

	Fiscal Year Ended September 30, 2013			
	Parent	Guarantors	Non-Guarantors	Elims
Net income	$(22)	$ 281	$ (162)	$(117)
Other comprehensive income (loss)	181	13	(12)	(1)
Total comprehensive income (loss)	159	294	(174)	(118)
Less: Comprehensive income attributable to noncontrolling interests	—	—	(2)	—
Comprehensive income (loss) attributable to Meritor, Inc.	$159	$ 294	$ (176)	$(118)

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MERITOR, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
CONDENSED CONSOLIDATING BALANCE SHEET
(In millions)

	September 30, 2015			
	Parent	Guarantors	Non-Guarantors	Elims
CURRENT ASSETS				
Cash and cash equivalents	$73	$ 6	$ 114	$—
Receivables, trade and other, net	1	40	420	—
Inventories	—	159	179	—
Other current assets	4	20	26	—
TOTAL CURRENT ASSETS	78	225	739	—
NET PROPERTY	15	183	221	—
GOODWILL	—	219	183	—
OTHER ASSETS(1)	61	129	142	—
INVESTMENTS IN SUBSIDIARIES	2,354	313	—	(2,667)
TOTAL ASSETS	$2,508	$ 1,069	$ 1,285	$(2,667)
CURRENT LIABILITIES				
Short-term debt	$1	$ 4	$ 10	$—
Accounts and notes payable	55	213	306	—
Other current liabilities	93	83	103	—
TOTAL CURRENT LIABILITIES	149	300	419	—
LONG-TERM DEBT(1)	1,017	6	13	—
RETIREMENT BENEFITS	603	—	29	—
INTERCOMPANY PAYABLE (RECEIVABLE)	1,365	(1,886)	521	—
OTHER LIABILITIES	45	217	43	—
EQUITY (DEFICIT)				
ATTRIBUTABLE TO MERITOR, INC.	(671)	2,432	235	(2,667)
NONCONTROLLING INTERESTS	—	—	25	—
TOTAL LIABILITIES AND EQUITY (DEFICIT)	$2,508	$ 1,069	$ 1,285	$(2,667)

(1) Prior year amounts have been recast to reflect the early adoption of ASU 2015- Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Costs.

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MERITOR, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
CONDENSED CONSOLIDATING BALANCE SHEET
(In millions)

	September 30, 2014			
	Parent	Guarantors	Non-Guarantors	Elims
CURRENT ASSETS				
Cash and cash equivalents	$71	$ 5	$ 171	$—
Receivables, trade and other, net	1	45	564	—
Inventories	—	151	228	—
Other current assets	9	18	29	—
TOTAL CURRENT ASSETS	81	219	992	—
NET PROPERTY	13	158	253	—
GOODWILL	—	277	154	—
OTHER ASSETS[(1)]	58	128	152	—
INVESTMENTS IN SUBSIDIARIES	2,185	267	—	(2,452)
TOTAL ASSETS	$2,337	$ 1,049	$ 1,551	$(2,452)
CURRENT LIABILITIES				
Short-term debt	$1	$ 3	$ 3	$—
Accounts and notes payable	46	230	404	—
Other current liabilities	97	87	167	—
TOTAL CURRENT LIABILITIES	144	320	574	—
LONG-TERM DEBT[(1)]	899	10	39	—
RETIREMENT BENEFITS	656	—	119	—
INTERCOMPANY PAYABLE (RECEIVABLE)	1,198	(1,736)	538	—
OTHER LIABILITIES	52	208	49	—
EQUITY (DEFICIT)				
ATTRIBUTABLE TO MERITOR, INC.	(612)	2,247	205	(2,452)
NONCONTROLLING INTERESTS	—	—	27	—
TOTAL LIABILITIES AND EQUITY(DEFICIT)	$2,337	$ 1,049	$ 1,551	$(2,452)

(1) Prior year amounts have been recast to reflect the early adoption of ASU 2015-(Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Costs.

MERITOR, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
(In millions)

	Fiscal Year Ended September 30, 2015			
	Parent	Guarantors	Non-Guarantors	Elims
CASH FLOWS PROVIDED BY (USED FOR) OPERATING ACTIVITIES	$57	62	(22)	$—
INVESTING ACTIVITIES				
Capital expenditures	(4)	(41)	(34)	—
Proceeds from sale of property	—	—	4	—
Cash paid for acquisition of Morganton	—	(16)	—	—
Net investing cash flows provided by discontinued operations	—	1	3	—
CASH USED FOR INVESTING ACTIVITIES	(4)	(56)	(27)	—
FINANCING ACTIVITIES				
Proceeds from debt issuances	225	—	—	—
Repayment of notes and term loan	(199)	—	—	—
Other financing cash flows	—	(5)	(4)	—
Repurchase of common stock	(55)	—	—	—
Debt issuance costs	(4)	—	—	—
Intercompany advances	—	—	—	—
CASH USED FOR FINANCING ACTIVITIES	(33)	(5)	(4)	—
EFFECT OF CURRENCY EXCHANGE RATES ON CASH AND CASH EQUIVALENTS	—	—	(22)	—
CHANGE IN CASH AND CASH EQUIVALENTS	2	1	(57)	—
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	71	5	171	—
CASH AND CASH EQUIVALENTS AT END OF YEAR	$73	$ 6	$ 114	$—

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MERITOR, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
(In millions)

	Fiscal Year Ended September 30, 2014			
	Parent	Guarantors	Non-Guarantors	Elims
CASH FLOWS PROVIDED BY (USED FOR) OPERATING ACTIVITIES	$245	$ 34	$ (64)	$—
INVESTING ACTIVITIES				
Capital expenditures	(4)	(37)	(36)	—
Net investing cash flows provided by discontinued operations	—	4	3	—
CASH USED FOR INVESTING ACTIVITIES	(4)	(33)	(33)	—
FINANCING ACTIVITIES				
Proceeds from debt issuance	225	—	—	—
Repayment of notes and term loan	(439)	—	—	—
Debt issuance costs	(10)	—	—	—
Other financing cash flows	—	(2)	14	—
Intercompany advances	(90)	—	90	—
CASH PROVIDED BY (USED FOR) FINANCING ACTIVITIES	(314)	(2)	104	—
EFFECT OF CURRENCY EXCHANGE RATES ON CASH AND CASH EQUIVALENTS	—	—	(4)	—
CHANGE IN CASH AND CASH EQUIVALENTS	(73)	(1)	3	—
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	144	6	168	—
CASH AND CASH EQUIVALENTS AT END OF YEAR	$71	$ 5	$ 171	$—

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MERITOR, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
(In millions)

	Fiscal Year Ended September 30, 2013			
	Parent	Guarantors	Non-Guarantors	Elims
CASH FLOWS PROVIDED BY (USED FOR) OPERATING ACTIVITIES	$34	$ (63)	$ (67)	$—
INVESTING ACTIVITIES				
Capital expenditures	(3)	(26)	(25)	—
Proceeds from sale of equity investment	—	87	95	—
Other investing activities	2	1		—
Net investing cash flows provided by discontinued operations	—	3	3	—
CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	(1)	65	73	—
FINANCING ACTIVITIES				
Proceeds from debt issuance	500	—	—	—
Repayment of notes and term loan	(475)	—	—	—
Debt issuance costs	(12)	—	—	—
Other financing cash flows	—	1	10	—
Intercompany advances	7	—	(7)	—
CASH PROVIDED BY FINANCING ACTIVITIES	20	1	3	—
EFFECT OF FOREIGN CURRENCY EXCHANGE RATES ON CASH AND CASH EQUIVALENTS	—	—	(4)	—
CHANGE IN CASH AND CASH EQUIVALENTS	53	3	5	—
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	91	3	163	—
CASH AND CASH EQUIVALENTS AT END OF YEAR	$144	$ 6	$ 168	$—

Basis of Presentation

Certain information and footnote disclosures normally included in financial statem
prepared in conformity with generally accepted accounting principles have been co
omitted pursuant to the rules and regulations of the SEC. As of September 30, 201
parent company only obligations included $631 million and $684 million, respecti
pension and retiree medical benefits (see Notes 20 and 21). All debt is debt of the p
company other than $33 million and $55 million at September 30, 2015, and 2014
respectively (see Note 16) and is primarily related to capital lease obligations and l
credit. Cash dividends paid to the parent by subsidiaries and investments accounte
equity method were $37 million, $5 million, $54 million for 2015, 2014, and 2013
respectively.

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MERITOR, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

Item 9. Changes in and Disagreements with Accountants on Accounting and Finan
Disclosure.

None.

Item 9A. Controls and Procedures.

Disclosure Controls and Procedures

As required by Rule 13a-15 under the Securities Exchange Act of 1934, as amende
"Exchange Act"), management, with the participation of the chief executive office
financial officer, evaluated the effectiveness of our disclosure controls and procedu
September 30, 2015. Based upon that evaluation, the chief executive officer and th
financial officer have concluded that, as of September 30, 2015, our disclosure con
procedures were effective to ensure that information required to be disclosed in the
file or submit under the Exchange Act is recorded, processed, summarized and rep
within the time periods specified in the SEC's rules and forms and to ensure that in
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 fina
officer, as appropriate to allow timely decisions regarding required disclosure.

Management Report on Internal Control over Financial Reporting

Meritor's management is responsible for establishing and maintaining adequate int
control over financial reporting for the company, as defined in Rules 13a-15(f) and
under the Exchange Act. Meritor's internal control system is designed to provide re
assurance regarding the reliability of financial reporting and the preparation of fina
statements for external purposes, in accordance with accounting principles general
in the United States of America.

All internal control systems, no matter how well designed, have inherent limitation
not prevent or detect misstatements. Also, projections of any evaluation of effectiv
future periods are subject to the risk that controls may become inadequate because
in conditions, or that the degree of compliance with the policies or procedures may
deteriorate.

Meritor's management, with the participation of the chief executive officer and chi
officer, evaluated the effectiveness of its internal control over financial reporting a
September 30, 2015. This evaluation was based on the criteria set forth in Internal
Integrated Framework (2013) issued by the Committee of Sponsoring Organization
Treadway Commission ("COSO"). Based on management's evaluation and the crit
by COSO, Meritor's management concluded that the internal control over financia
maintained by the company, as of September 30, 2015, was effective.

Deloitte & Touche LLP, Meritor's independent registered public accounting firm,
an attestation report on Meritor's internal control over financial reporting, which fo

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited the internal control over financial reporting of Meritor, Inc. and s (the "Company") as of September 27, 2015, based on criteria established in Interna Integrated Framework (2013) issued by the Committee of Sponsoring Organizatio Treadway Commission. The Company's management is responsible for maintainin internal control over financial reporting and for its assessment of the effectiveness control over financial reporting, included in the accompanying Management Repo Internal Control over Financial Reporting. Our responsibility is to express an opini Company's internal control over financial reporting based on our audit.
We conducted our audit in accordance with the standards of the Public Company A Oversight Board (United States). Those standards require that we plan and perform to obtain reasonable assurance about whether effective internal control over financ reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a weakness exists, testing and evaluating the design and operating effectiveness of in control based on the assessed risk, and performing such other procedures as we co necessary in the circumstances. We believe that our audit provides a reasonable ba opinion.
A company's internal control over financial reporting is a process designed by, or u supervision of, the company's principal executive and principal financial officers, o performing similar functions, and effected by the company's board of directors, ma and other personnel to provide reasonable assurance regarding the reliability of fin reporting and the preparation of financial statements for external purposes in accor generally accepted accounting principles. A company's internal control over financ reporting includes those policies and procedures that (1) pertain to the maintenance that, in reasonable detail, accurately and fairly reflect the transactions and dispositi assets of the company; (2) provide reasonable assurance that transactions are recor necessary to permit preparation of financial statements in accordance with generall accounting principles, and that receipts and expenditures of the company are being in accordance with authorizations of management and directors of the company; an provide reasonable assurance regarding prevention or timely detection of unauthor acquisition, use, or disposition of the company's assets that could have a material e financial statements.
Because of the inherent limitations of internal control over financial reporting, incl possibility of collusion or improper management override of controls, material mis due to error or fraud may not be prevented or detected on a timely basis. Also, proj any evaluation of the effectiveness of the internal control over financial reporting t periods are subject to the risk that the controls may become inadequate because of conditions, or that the degree of compliance with the policies or procedures may de
In our opinion, the Company maintained, in all material respects, effective internal over financial reporting as of September 27, 2015, based on the criteria established Control - Integrated Framework (2013) issued by the Committee of Sponsoring Or of the Treadway Commission.
We have also audited, in accordance with the standards of the Public Company Ac Oversight Board (United States), the consolidated financial statements and financia schedule listed in the Index at Item 15(a)(2) as of and for the year ended Septembe

of the Company and our report dated November 18, 2015, expressed an unqualifie
on those consolidated financial statements and financial statement schedule.

/s/ DELOITTE & TOUCHE LLP
DELOITTE & TOUCHE LLP

Detroit, Michigan
November 18, 2015

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Changes in Internal Control Over Financial Reporting

Management, with the participation of the chief executive officer and chief financi has evaluated any change in our internal control over financial reporting (as such t defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the fisca ended September 30, 2015 and found no change that has materially affected or is r likely to materially affect our internal control over financial reporting.

Item 9B. Other Information.

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

The information required by Item 10 regarding directors is incorporated by referen information under the caption Election of Directors – Information as to Nominees and Continuing Directors in Meritor's definitive Proxy Statement for its 2016 Ann (the "2016 Proxy Statement"), which will be filed within 120 days after Meritor's end. The information required by Item 10 regarding executive officers is set forth i of Part I of this Form 10-K. The other information required by Item 10, including r the audit committee, audit committee financial expert disclosure and our code of et incorporated by reference from the information under the captions Code of Ethics, Directors and Committees and Director Qualifications and Nominating Procedures 2016 Proxy Statement. Disclosure of delinquent Section 16 filers pursuant to Item Regulation S-K will not be contained in the 2016 Proxy Statement to the best of re knowledge.

Item 11. Executive Compensation.

See the information under the captions Director Compensation in Fiscal Year 2015 Executive Compensation in the 2016 Proxy Statement.

Item 12. Security Ownership of Certain Beneficial Owners and Management and F Stockholder Matters.

Security Ownership of Certain Beneficial Owners and Management

See the information under the captions Voting Securities and Ownership by Manag Equity Securities in the 2016 Proxy Statement.

Securities Authorized for Issuance under Equity Compensation Plans

The number of stock options outstanding under our equity compensation plans, the
average exercise price of outstanding options, and the number of securities remain
available for issuance, as of September 30, 2015, were as follows:

Plan Category	(column a) Number of securities to be issued upon exercise of outstanding options, warrants and rights[1]	(column b) Weighted average exercise price of outstanding options, warrants and rights	(c Nu se re av fu iss un co pl (e se re co
Equity compensation plans approved by security holders	650,000	$ 10.32	3,
Equity compensation plans not approved by security holders	—	—	—
Total	650,000	10.32	3,

1 In addition to stock options, shares of common stock, restricted shares of commo restricted share units and performance share units, all of which do not have an ex price, have been awarded under the Company's equity compensation plans and w outstanding at September 30, 2015. Weighted average exercise price reported in does not take these awards into account.

All of the equity compensation plans under which grants are outstanding as shown
were approved by Meritor shareowners.

The following number of shares remained available for issuance under our equity
compensation plans at September 30, 2015. Grants may be in the form of any of th
type of awards.

Plan	Number of shares	Type of award
2010 Long-Term Incentive Plan*	3,656,118	Stock options, stock apprecia stock awards and other stock awards

* The 2010 Long-Term Incentive Plan was approved by the Company's shareowne January 28, 2010. At that time, the 2007 Long-Term Incentive Plan and the 2004 Stock Plan were terminated. No further awards will be made under those plans, a awards will be made under the Incentive Compensation Plan. On January 20, 201 January 23, 2014, the Company's shareowners approved amendments to the 201

Long-Term Incentive Plan to increase the maximum number of shares that may b
under the plan. Earlier equity compensation plans were terminated on January 26
connection with the approval of the 2007 Long-Term Incentive Plan by the Comp
shareowners.

Item 13. Certain Relationships and Related Transactions, and Director Independen

See the information under the captions Board of Directors and Committees and Ce
Relationships and Related Transactions in the 2016 Proxy Statement.

Item 14. Principal Accountant Fees and Services.

See the information under the caption Independent Accountants' Fees in the 2016
Statement.

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PART IV

Item 15. Exhibits and Financial Statement Schedules.

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

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

Consolidated Statement of Operations, years ended September 30, 2015, 2014 and

Consolidated Statement of Comprehensive Income (Loss), years ended September
2014 and 2013.

Consolidated Balance Sheet, September 30, 2015 and 2014.

Consolidated Statement of Cash Flows, years ended September 30, 2015, 2014 and

Consolidated Statement of Shareowners' Equity (Deficit), years ended September 3
2014 and 2013.

Notes to Consolidated Financial Statements.

Report of Independent Registered Public Accounting Firm.

(2) Financial Statement Schedule for the years ended September 30, 2015, 2014 an

Schedule II - Valuation and Qualifying Accounts

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

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(3) Exhibits

3-a**	Amended and Restated Articles of Incorporation of Meritor.
3-b	Amended and Restated By-laws of Meritor effective April 28, 2015, fil Exhibit 3-b-2 to Meritor's Quarterly Report on Form 10-Q for the fiscal ended March 29, 2015, is incorporated herein by reference.
4-a	Indenture, dated as of April 1, 1998, between Meritor and The Bank of Mellon Trust Company, N.A. (as successor to BNY Midwest Trust Co successor to The Chase Manhattan Bank), as trustee, filed as Exhibit 4 Registration Statement on Form S-3 (Registration No. 333- 49777), is incorporated herein by reference.
4a-1	First Supplemental Indenture, dated as of July 7, 2000, to the Indenture of April 1, 1998, between Meritor and The Bank of New York Mellon Company, N.A. (as successor to BNY Midwest Trust Company as succ The Chase Manhattan Bank), as trustee, filed as Exhibit 4-b-1 to Merit Report on Form 10-K for the fiscal year ended September 30, 2000, is incorporated herein by reference.
4-a-2	Third Supplemental Indenture, dated as of June 23, 2006, to the Indent as of April 1, 1998, between Meritor and The Bank of New York Mell Company, N.A. (as successor to BNY Midwest Trust Company as succ The Chase Manhattan Bank), as trustee (including Subsidiary Guaranty June 23, 2006), filed as Exhibit 4.2 to Meritor’s Current Report on For on June 27, 2006, is incorporated herein by reference.
4-a-3	Sixth Supplemental Indenture, dated as of May 31, 2013, to the Indent of April 1, 1998, between Meritor and The Bank of New York Mellon Company, N.A. (as successor to BNY Midwest Trust Company as succ The Chase Manhattan Bank), as trustee, filed as Exhibit 4 to Meritor's report on Form 8-K filed on May 31, 2013, is incorporated herein by re
4-a-4	Seventh Supplemental Indenture, dated as of February 13, 2014, to the dated as of April 1, 1998, between Meritor and The Bank of New York Trust Company, N.A. (as successor to BNY Midwest Trust Company a to The Chase Manhattan Bank), as trustee, filed as Exhibit 4.1 to Merit report on Form 8-K filed on February 13, 2014, is incorporated herein reference.
4-b	Indenture, dated as of March 7, 2006 between Meritor and The Bank of Mellon Trust Company, N.A. (as successor to BNY Midwest Trust Co trustee, filed as Exhibit 4.1 to Meritor's current report on Form 8-K file 9, 2006, is incorporated herein by reference.
4-b-1	First Supplemental Indenture, dated as of June 23, 2006, to the Indentu of March 7, 2006, between Meritor and The Bank of New York Mellon Company, N.A. (as successor to BNY Midwest Trust Company), as tru

	(including Subsidiary Guaranty dated as of June 23, 2006), filed as Exh Meritor's current report on Form 8-K, filed on June 27, 2006, is incorpo herein by reference.
4-c	Indenture, dated as of February 8, 2007, between Meritor and The Bank York Mellon Trust Company, N.A. (as successor to The Bank of New Company, N.A.), as trustee (including the note and form of subsidiary filed as Exhibit 4-a to Meritor's Quarterly Report on Form 10-Q for the quarter ended April 1, 2007, is incorporated herein by reference.

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4-d	Indenture, dated as of December 4, 2012, between Meritor and The Ban York Mellon Trust Company, N.A., as trustee (including form of the no form of subsidiary guaranty), filed as Exhibit 4.1 to Meritor's Current R Form 8-K filed on December 4, 2012, is incorporated herein by referen
10-a-1	Second Amendment and Restatement Agreement relating to Second Ar Restated Credit Agreement, dated as of February 13, 2014, among Mer ArvinMeritor Finance Ireland ("AFI"), the financial institutions party th JPMorgan Chase Bank, N.A., as Administrative Agent, filed as Exhibit Meritor's Current Report on Form 8-K filed on February 18, 2014, is in herein by reference.
10-a-2	Second Amended and Restated Pledge and Security Agreement, dated a February 13, 2014, by and among Meritor, the subsidiaries named there JPMorgan Chase Bank, N.A., as Administrative Agent, filed as Exhibit Meritor's Quarterly Report on Form 10-Q for the fiscal quarter ended M 2014, is incorporated herein by reference.
10-a-3	Amendment No. 1 to Second Amended and Restated Credit Agreement Second Amended and Restated Pledge and Security Agreement, dated a September 12, 2014, among Meritor, AFI, the financial institutions part and JPMorgan Chase Bank, N.A., as Administrative Agent, filed as Exh Meritor's Current Report on Form 8-K filed on September 15, 2014, is incorporated herein by reference.
10-a-4	Amendment No. 2 to Second Amended and Restated Credit Agreement of May 22, 2015, among Meritor, AFI, the financial institutions party th JPMorgan Chase Bank, N.A., as Administrative Agent, filed as Exhibit Meritor's Quarterly Report on Form 10-Q for the fiscal quarter ended J 2015, is incorporated herein by reference.
*10-b	1997 Long-Term Incentives Plan, as amended and restated, filed as Exh Meritor's Current Report on Form 8-K filed on April 20, 2005, is incor herein by reference.
*10-b-1	Form of Option Agreement under the 1997 Long-Term Incentives Plan Exhibit 10(a) to Meritor's Quarterly Report on Form 10-Q for the fiscal ended March 31, 1998, is incorporated herein by reference.
*10-c	2007 Long-Term Incentive Plan, as amended, filed as Exhibit 10-a to M Quarterly Report on Form 10-Q for the fiscal quarter ended April 1, 20 incorporated herein by reference.
*10-c-1	Form of Restricted Stock Agreement under the 2007 Long-Term Incent filed as Exhibit 10-c-1 to Meritor's Annual Report on Form 10-K for th ended September 30, 2007, is incorporated herein by reference.

*10c-2	Option Agreement under the 2007 Long-Term Incentive Plan between I Charles G. McClure filed as Exhibit 10-c to Meritor's Quarterly Report 10-Q for the fiscal quarter ended June 30, 2008, is incorporated herein l reference.
*10-d	Description of Compensation of Non-Employee Directors filed as Exhi Meritor's Annual Report on Form 10-K for the fiscal year ended Septer 2012 is incorporated herein by reference.
*10-e	2004 Directors Stock Plan, filed as Exhibit 10-a to Meritor's Quarterly Form 10-Q for the fiscal quarter ended March 28, 2004, is incorporated reference.
*10-e-1	Form of Restricted Share Unit Agreement under the 2004 Directors Sto filed as Exhibit 10-c-3 to Meritor's Annual Report on Form 10-K for th ended October 3, 2004, is incorporated herein by reference.
*10-e-2	Form of Restricted Stock Agreement under the 2004 Directors Stock Pl Exhibit 10-c-4 to Meritor's Annual Report on Form 10-K for the fiscal October 2, 2005, is incorporated herein by reference.
*10-f	2010 Long-Term Incentive Plan, as amended and restated as of January filed as Exhibit 10-f to Meritor's Annual Report on Form 10-K for the f ended September 28, 2014, is incorporated herein by reference.

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*10-f-1	Form of Restricted Stock Unit Agreement for Employees under 2010 L Incentive Plan filed as Exhibit 10.2 to Meritor's Quarterly Report on F for the fiscal quarter ended January 3, 2010 is incorporated herein by r
*10-f-2	Form of Restricted Stock Unit Agreement for Directors under 2010 Lo Incentive Plan filed as Exhibit 10.3 to Meritor's Quarterly Report on F for the fiscal quarter ended January 3, 2009 is incorporated herein by r
*10-f-3	Form of Restricted Stock Agreement for Directors under 2010 Long-te Incentive Plan filed as Exhibit 10.4 to Meritor's Report on Form 10-Q fiscal quarter ended January 3, 2010 is incorporated herein by referenc
*10-f-4	Description of Performance Goals for fiscal years 2014-2016 establish connection with Performance Plans under the 2010 Long Term Incenti filed as Exhibit 10-b-3 to Meritor's Annual Report on Form 10-K for t year ended September 29, 2013 (the "2013 Form 10-K"), is incorporat reference.
*10-f-5	Form of Performance Share Agreement under 2010 Long-Term Incent amended, filed as Exhibit 10-e-8 to the 2013 Form 10-K, is incorporat by reference.
*10-f-6	Form of Restricted Stock Unit Agreement for Employees for grants on December 1, 2013 under 2010 Long-Term Incentive Plan, as amended Exhibit 10-e-9 to the 2013 Form 10-K, is incorporated herein by refere
*10-f-7	Form of Restricted Stock Unit Agreement for Directors for grants on o January 23, 2014 under 2010 Long-Term Incentive Plan, as amended, Exhibit 10-e-10 to Meritor's Quarterly Report on Form 10-Q for the fi ended March 30, 2014, is incorporated herein by reference.
*10-f-8	Form of Restricted Stock Agreement for Directors for grants on or afte after January 23, 2014 under 2010 Long-Term Incentive Plan, as amen as Exhibit 10-e-11 to Meritor's Quarterly Report on Form 10-Q for the quarter ended March 30, 2014, is incorporated herein by reference.
*10-f-9**	Form of Performance Share Unit Agreement for Employees for grants December 1, 2015 under 2010 Long Term Incentive Plan, as amended
*10-f-10**	Form of Restricted Share Unit Agreement for Employees for grants or December 1, 2015 under 2010 Long Term Incentive Plan, as amended
*10-g	Incentive Compensation Plan, as amended and restated, effective Janu 2015, filed as Appendix A to Meritor's Definitive Proxy Statement for Annual Meeting of Shareowners of Meritor, is incorporated herein by
*10-h	Deferred Compensation Plan, filed as Exhibit 10-e-1 to Meritor's Ann on Form 10-K for the fiscal year ended September 30, 1998, is incorpo

	herein by reference.
*10-i	Form of Deferred Share Agreement, filed as Exhibit 10-a to Meritor's Report on Form 10-Q for the fiscal quarter ended January 2, 2005, is i herein by reference.
*10-j	Copy of resolution of the Board of Directors of Meritor, adopted on Ju providing for its Deferred Compensation Policy for Non-Employee Di filed as Exhibit 10-f to Meritor's Annual Report on Form 10-K for the ended September 30, 2000, is incorporated herein by reference.
10-k	Receivables Purchase Agreement dated as of October 29, 2010, by and ArvinMeritor Mascot, LLC, Meritor Heavy Vehicle Braking Systems Inc., Meritor Heavy Vehicle Systems, LLC, as sellers, an affiliate of N Bank AB known as Viking Asset Purchaser No 7 IC, an incorporated Viking Global Finance ICC, an incorporated cell company incorporate laws of Jersey ("Viking Asset Purchaser No 7 IC"), as purchaser, and Trustee Company Limited, as programme trustee, filed as Exhibit 10-c Meritor's Current Report on Form 8-K filed on November 2, 2010, is herein by reference.

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10-k-1	Amendment No. 1 dated as of June 28, 2011 to Receivables Purchase A dated as of October 29, 2010, by and among Meritor Heavy Vehicle Br Systems (USA), Inc., Meritor Heavy Vehicle Systems, LLC and Merito Aftermarket USA, LLC (formerly known as ArvinMeritor Mascot, LLC sellers, Viking Asset Purchaser No 7 IC, as purchaser, and Citicorp Tru Company Limited, as programme trustee filed as Exhibit 10-a to Merito Quarterly Report on Form 10-Q for the fiscal quarter ended July 3, 201 incorporated herein by reference.
10-k-2	Amendment No. 2 dated as of September 28, 2011 to Receivables Purc Agreement dated as of October 29, 2010, as amended, by and among M Heavy Vehicle Braking Systems (USA), Inc., Meritor Heavy Vehicle S LLC and Meritor Aftermarket USA, LLC, as sellers, Viking Asset Purc IC, as purchaser, and Citicorp Trustee Company Limited, as programm filed as Exhibit 10-b to Meritor's Quarterly Report on Form 10-Q for th quarter ended June 29, 2014, is incorporated herein by reference.
10-k-3	Amendment No. 3 dated as of September 28, 2012 to Receivables Purc Agreement dated as of October 29, 2010, as amended, by and among M Heavy Vehicle Braking Systems (U.S.A.), LLC (formerly known as Meritor Heavy Vehicle Braking Systems (USA), Inc.), Meritor Heavy Systems, LLC and Meritor Aftermarket USA, LLC, as sellers, Viking A Purchaser No 7 IC, as purchaser, and Citicorp Trustee Company Limite programme trustee, filed as Exhibit 10-m-9 to Meritor's Annual Report 10-K for the fiscal year ended September 30, 2012, is incorporated here reference.
10-k-4	Amendment No. 4 dated as of October 29, 2013 to Receivables Purchas Agreement dated as of October 29, 2010, as amended, by and among M Heavy Vehicle Braking Systems (U.S.A.), LLC, Meritor Heavy Vehicle LLC and Meritor Aftermarket USA, LLC, as sellers, Viking Asset Purc IC, as purchaser, and Citicorp Trustee Company Limited, as programm filed as Exhibit 10-m-18 to the 2013 Form 10-K, is incorporated herein reference.
10-k-5	Amendment No. 5 dated as of June 27, 2014 to Receivables Purchase A dated as of October 29, 2010, as amended, by and among Meritor Heav Braking Systems (U.S.A.), LLC, Meritor Heavy Vehicle Systems, LLC Meritor Aftermarket USA, LLC, as sellers, Viking Asset Purchaser No purchaser, and Citicorp Trustee Company Limited, as programme trust Exhibit 10-b-1 to Meritor's Quarterly Report on Form 10-Q for the fisc ended June 29, 2014, is incorporated herein by reference.
10-k-6	Amendment No. 6 dated as of December 16, 2014 to Receivables Purch Agreement dated as of October 29, 2010, as amended, by and among M Heavy Vehicle Braking Systems (U.S.A.), LLC, Meritor Heavy Vehicle LLC and Meritor Aftermarket USA, LLC, as sellers, Viking Asset Purc IC, as purchaser, and Citicorp Trustee Company Limited, as programm

	filed as Exhibit 10-b to Meritor's Quarterly Report on Form 10-Q for th quarter ended December 28, 2014, is incorporated herein by reference.
10-l	Receivables Purchase Agreement dated as of June 28, 2011, by and am Meritor HVS AB, as seller, Viking Asset Purchaser No 7 IC, as purcha Citicorp Trustee Company Limited, as programme trustee, filed as Exh Meritor's Quarterly Report on Form 10-Q for the fiscal quarter ended J is incorporated herein by reference.
10-l-1	Extension Letter dated June 10, 2013 from Meritor HVS AB to Viking Purchaser No. 7 IC and Citicorp Trustee Company Limited, filed as Ex to Meritor's Quarterly Report on Form 10-Q for the fiscal quarter ende 2013, is incorporated herein by reference.
10-l-2	Amendment No. 1 to Receivables Purchase Agreement dated as of June among Meritor HVS AB, as seller, Viking Asset Purchaser No 7 IC, as and Citicorp Trustee Company Limited, as programme trustee, filed as 10-c to Meritor's Quarterly Report on Form 10-Q for the fiscal quarter December 29, 2013, is incorporated herein by reference.
10-l-3	Extension Letter dated June 27, 2014 from Meritor HVS AB to Viking Purchaser No. 7 IC and Citicorp Trustee Company Limited, filed as Ex to Meritor's Quarterly Report on Form 10-Q for the fiscal quarter ende 2014, is incorporated herein by reference.
10-l-4	Extension Letter dated June 23, 2015 from Meritor HVS AB to Viking Purchaser No. 7 IC and Citicorp Trustee Company Limited, filed as Ex to Meritor's Quarterly Report on Form 10-Q for the fiscal quarter ende 2015, is incorporated herein by reference.

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10-m	Receivable Purchase Agreement dated February 2, 2012 between Merit Vehicle Braking Systems (UK) Limited, as seller, and Viking Asset Pu 7 IC, as purchaser, and Citicorp Trustee Company Limited, as program filed as Exhibit 10-b to Meritor's Quarterly Report on Form 10-Q for th quarter ended April 1, 2012, is incorporated herein by reference.
10-m-1	Extension dated January 24, 2013 of Receivable Purchase Agreement d February 2, 2012 between Meritor Heavy Vehicle Braking Systems (Ul as seller, and Viking Asset Purchaser No. 7 IC, as purchaser, and Citic Company Limited, as programme trustee, filed as Exhibit 10-d to Merit Quarterly Report on Form 10-Q for the fiscal quarter ended December incorporated herein by reference.
10-n	Receivables Purchase Agreement dated June 18, 2012 between Meritor Vehicle Systems Cameri S.P.A., as seller, and Nordea Bank AB (pbl), a purchaser, filed as Exhibit 10-d to the Quarterly Report on Form 10-Q f fiscal quarter ended July 1, 2012, is incorporated herein by reference.
10-o	Receivables Purchase Agreement dated June 18, 2012 among ArvinMe Receivables Corporation, as seller, Meritor, Inc., as initial servicer, the Conduit Purchasers, Related Committed Purchasers, LC Participants an Purchaser Agents from time to time party thereto, and PNC Bank, Nati Association, as issuers of Letters of Credit and as Administrator filed as 10-b to the Quarterly Report on Form 10-Q for the fiscal quarter ended 2012, is incorporated herein by reference.
10-o-1	First Amendment to Receivables Purchase Agreement dated as of Dece 2012 among ArvinMeritor Receivables Corporation, as seller, Meritor, initial servicer, PNC Bank, National Association, as a Related Committ Purchaser, as an LC Participant, as a Purchaser Agent, as LC Bank and Administrator, and Market Street Funding, LLC, as a Conduit Purchase Exhibit 10-a to Meritor's Quarterly Report on Form 10-Q for the fiscal ended December 30, 2012, is incorporated herein by reference.
10-o-2	Second Amendment to Receivables Purchase Agreement dated June 21 among ArvinMeritor Receivables Corporation, as seller, Meritor, Inc., a servicer, PNC Bank, National Association, as a Related Committed Pur an LC Participant, as a Purchaser Agent, as LC Bank and as Administra Market Street Funding LLC, as a Conduit Purchaser, filed as Exhibit 1 Meritor's Current Report on Form 8-K filed on June 21, 2013, is incorp herein by reference.
10-o-3	Third Amendment to Receivables Purchase Agreement dated as of Oct 2013 among ArvinMeritor Receivables Corporation, as seller, Meritor, servicer, PNC Bank, National Association, as a Related Committed Pur an LC Participant, as a Purchaser Agent, as LC Bank, as Administrator Assignee, and Market Street Funding LLC, as Conduit Purchaser and a filed as Exhibit 10-m-16 to the 2013 Form 10-K, is incorporated herein reference.

10-o-4	Fourth Amendment to the Receivables Purchase Agreement dated as of 15, 2014, by and among ArvinMeritor Receivables Corporation, as Sell Inc., as Initial Servicer, and PNC Bank, National Association, as a Rela Committed Purchaser, as an LC Participant, as a Purchaser Agent, as L as Administrator, filed as Exhibit 10 to Meritor's Current Report on Fo on October 20, 2014, is incorporated herein by reference.
10-p	Fourth Amended and Restated Purchase and Sale Agreement dated Jun among Meritor Heavy Vehicle Braking Systems (U.S.A.), LLC, and M Heavy Vehicle Systems, LLC, as originators, Meritor, Inc., as initial se ArvinMeritor Receivables Corporation, as buyer, filed as Exhibit 10-a t Quarterly Report on Form 10-Q for the fiscal quarter ended July 1, 201 incorporated herein by reference.
10-p-1	Letter Agreement relating to Fourth Amended and Restated Receivable Agreement dated as of December 14, 2012 among Meritor Heavy Vehi Systems (U.S.A.), LLC, Meritor Heavy Vehicle Systems, LLC, ArvinM Receivables Corporation, Meritor, Inc. and PNC Bank, National Associ as Exhibit 10-b to Meritor's Quarterly Report on Form 10-Q for the fis ended December 30, 2012, is incorporated herein by reference.
10-q	Amendment, dated July 25, 2007, to Receivables Purchase Agreement March 13, 2006 between Meritor HVS AB, as seller, and Nordic Finan as purchaser, and Citicorp Trustee Company Limited, as programme tr as Exhibit 10-v to Meritor's Annual Report on Form 10-K for the fiscal September 30, 2008, is incorporated herein by reference.

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10-r	Purchase and Sale Agreement dated as of August 3, 2010 among Merit (as Seller), Meritor, Inc. (as Seller Guarantor) and 81 Acquisition LLC filed as Exhibit 10 to Meritor's Current Report on Form 8-K filed on A 2010, is incorporated herein by reference.
10-r-1	First Amendment dated as of December 6, 2010 to Purchase and Sale A dated as of August 3, 2010 among Meritor France (as Seller), Meritor, I Seller Guarantor) and 81 Acquisition LLC (as Buyer), filed as Exhibit 1 Meritor's Current Report on Form 8-K filed December 8, 2010, is inco herein by reference.
10-r-2	Second Amendment dated as of January 3, 2011 to Purchase and Sale A dated as of August 3, 2010 among Meritor France (as Seller), Meritor, I Seller Guarantor) and Inteva Products Holding Coöperatieve U.A., as a 81 Acquisition LLC (as Buyer), as amended, filed as Exhibit 10 to Mer Current Report on Form 8-K filed on January 3, 2011, is incorporated h reference.
10-s	Purchase and Sale Agreement dated August 4, 2009 among Meritor, Iochpe-Maxion, S.A. and the other parties listed therein, filed as Exhibi Meritor's Quarterly Report on Form 10-Q for the fiscal quarter ended J 2009, is incorporated herein by reference.
*10-t	Employment Agreement between Meritor, Inc. and Kevin Nowlan date 2013, filed as Exhibit 10-f to Meritor's Quarterly Report on Form 10-Q fiscal quarter ended March 31, 2013, is incorporated herein by referenc
*10-u	Amended and Restated Employment Letter between Meritor, Inc. and J Craig dated April 29, 2015, filed as Exhibit 10-a-2 to Meritor's Quarter on Form 10-Q for the fiscal quarter ended March 29, 2015, is incorpora by reference.
*10-v	Letter Agreement dated as of June 5, 2013 between Meritor, Inc. and Iv filed as Exhibit 10-a to Meritor's Current Report on Form 8-K filed on 2013, is incorporated herein by reference.
*10-w	Letter Agreement dated as of September 11, 2013 between Meritor, Inc J. Evans filed as Exhibit 10-a to Meritor's Current Report on Form 8-K September 11, 2013, is incorporated herein by reference.
*10-x	Option Grant agreement dated as of September 11, 2013 between Merit Ivor J. Evans, filed as Exhibit 10-z to the 2013 Form 10-K, is incorpora by reference.
*10-y	Form of Performance Share Agreement for grant from Meritor, Inc. to J Craig on December 1, 2013, filed as Exhibit 10-zz to the 2013 Form 10 incorporated herein by reference.

*10-z	Letter Agreement dated as of February 1, 2014 between Meritor, Inc. ar J. Quick, filed as Exhibit 10-aa to Meritor's Annual Report on Form 10 fiscal year ended September 28, 2014, is incorporated herein by referen
*10-aa	Compensation Letter dated as of April 29, 2015 between Meritor, Inc. a A. Craig, filed as Exhibit 10-a-1 to Meritor's Quarterly Report on Form the fiscal quarter ended March 29, 2015, is incorporated herein by refer
12**	Computation of ratio of earnings to fixed charges.
21**	List of Subsidiaries of Meritor, Inc.
23-a**	Consent of Sandra J. Quick, Esq., Senior Vice President, General Coun Secretary.
23-b**	Consent of Deloitte & Touche LLP, independent registered public acco firm.
23-c**	Consent of Bates White LLC.

24**	Power of Attorney authorizing certain persons to sign this Annual Repo 10-K on behalf of certain directors and officers of Meritor.
31-a**	Certification of the Chief Executive Officer pursuant to Rule 13a-14(a) Exchange Act.
31-b**	Certification of the Chief Financial Officer pursuant to Rule 13a-14(a) Exchange Act.
32-a**	Certification of the Chief Executive Officer pursuant to Rule 13a-14(b) Exchange Act and 18 U.S.C. Section 1350.
32-b**	Certification of the Chief Financial Officer pursuant to Rule 13a-14(b) Exchange Act and 18 U.S.C. Section 1350.
101.INS	XBRL INSTANCE DOCUMENT
101.SCH	XBRL TAXONOMY EXTENSION SCHEMA
101.PRE	XBRL TAXONOMY EXTENSION PRESENTATION LINKBASE
101.LAB	XBRL TAXONOMY EXTENSION LABEL LINKBASE
101.CAL	XBRL TAXONOMY EXTENSION CALCULATION LINKBASE
101.DEF	XBRL TAXONOMY EXTENSION DEFINITION LINKBASE

*Management contract or compensatory plan or arrangement.
** Filed herewith.

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SIGNATURES

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

MERITOR, INC.

By: /s/ Sandra J. Quick
Sandra J. Quick
Senior Vice President, General Counsel and Secretary

Date: November 18, 2015

Pursuant to the requirements of the Securities Exchange Act of 1934, this report ha
signed below on the 18th day of November, 2015 by the following persons on beha
registrant and in the capacities indicated.

Ivor J. Evans *	Executive Chairman of the Board and I
Joseph B. Anderson, Jr., Victoria B. Jackson Bridges, Rhonda L. Brooks, Lloyd Trotter, William J. Lyons, William R. Newlin, Thomas L. Pajonas*	Directors
Jay A. Craig*	Chief Executive Officer and President (Executive Officer) and Director
Kevin A. Nowlan*	Senior Vice President and Chief Financ (Principal Financial Officer and Princip Accounting Officer)

* By: /s/ Sandra J. Quick
Sandra J. Quick
Attorney-in-fact **

** By authority of powers of attorney filed herewith.

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SCHEDULE II
MERITOR, INC.
VALUATION AND QUALIFYING ACCOUNTS
For the Year Ended September 30, 2015, 2014, 2013

Description (In millions)	Balance at Beginning of Year	Charged to costs and expenses	Other Deductions
Year ended September 30, 2015:			
Allowance for doubtful accounts	$6	$3	$— (a)
Deferred tax asset valuation allowance	1,030	(47)	(22)(b)
Year ended September 30, 2014:			
Allowance for doubtful accounts	$9	$(2)	$(1)(a)
Deferred tax asset valuation allowance	1,166	(89)	(47)(b)
Year ended September 30, 2013:			
Allowance for doubtful accounts	$7	$3	$(1)(a)
Deferred tax asset valuation allowance	1,204	44	(82)(b)

(a) Uncollectible accounts written off.
(b) Primarily relates to revaluation of defined pension and retiree medical obligatio

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