

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

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2001
COMMISSION FILE NUMBER 1-15983

ARVINMERITOR, INC.
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

INDIANA
(STATE OR OTHER JURISDICTION OF
INCORPORATION OR ORGANIZATION)

38-3354643
(I.R.S. EMPLOYER
IDENTIFICATION NO.)

2135 WEST MAPLE ROAD
TROY, MICHIGAN
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)

48084-7186
(ZIP CODE)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE: (248) 435-1000

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

TITLE OF EACH CLASS -----	NAME OF EACH EXCHANGE ON WHICH REGISTERED -----
Common Stock, \$1 Par Value (including the associated Preferred Share Purchase Rights)	New York Stock Exchange

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K ☒

The aggregate market value of the registrant's voting stock held by non-affiliates of the registrant on November 30, 2001 was approximately \$1.188 billion.

66,492,558 shares of the registrant's Common Stock, par value \$1 per share, were outstanding on November 30, 2001.

DOCUMENTS INCORPORATED BY REFERENCE

Certain information contained in the Proxy Statement for the Annual Meeting of Shareowners of the registrant to be held on February 20, 2002 is incorporated by reference into Part III.

PART I

ITEM 1. BUSINESS.

ArvinMeritor, Inc. (the "company" or "ArvinMeritor"), headquartered in Troy, Michigan, is a leading global supplier of a broad range of integrated systems, modules and components serving light vehicle, commercial truck, trailer and specialty original equipment manufacturers and certain aftermarkets. The company also provides coil coating services to the transportation, appliance, construction and furniture industries.

ArvinMeritor was incorporated in Indiana in March 2000 in connection with the merger ("Merger") of Meritor Automotive, Inc. ("Meritor") and Arvin Industries, Inc. ("Arvin"). The Merger of Meritor and Arvin into ArvinMeritor was effective on July 7, 2000.

Before the Merger, Meritor was a Delaware corporation that was spun off by its parent company, Rockwell International Corporation ("Rockwell"), on September 30, 1997. On that date, Rockwell transferred substantially all of its operations, assets and liabilities related to its automotive businesses to Meritor, and distributed all of Meritor's outstanding common stock to Rockwell shareowners on a pro rata basis.

As used herein, the terms "company," "ArvinMeritor," "we," "us" and "our" include subsidiaries and predecessors unless the context indicates otherwise.

Whenever an item of this Annual Report on Form 10-K refers to information in the Proxy Statement for the Annual Meeting of Shareowners of ArvinMeritor to be held on February 20, 2002 (the "2002 Proxy Statement"), or under specific captions in Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations or Item 8. Financial Statements and Supplementary Data, the information is incorporated in that item by reference.

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

ArvinMeritor serves a broad range of original equipment manufacturer ("OEM") customers worldwide, including truck OEMs, light vehicle OEMs, semi-trailer producers and off-highway and specialty vehicle manufacturers, and the related aftermarkets. Our ten largest customers accounted for 60% of total fiscal year 2001 sales. We operated 165 manufacturing facilities in 27 countries around the world in fiscal year 2001. Sales outside the United States accounted for approximately 49% of total sales in fiscal year 2001.

ArvinMeritor serves customers worldwide through three operating segments: Light Vehicle Systems ("LVS"), Commercial Vehicle Systems ("CVS") and Light Vehicle Aftermarket ("LVA"). The three operating segments supply the following products and markets:

- LVS supplies aperture systems (primarily roof, door and access control systems and motion control products), undercarriage systems (primarily suspension, ride control and wheel products) and exhaust systems for passenger cars, light trucks and sport utility vehicles to OEMs.
- CVS supplies drivetrain systems and components, including axles, brakes, drivelines and ride control products, for medium- and heavy-duty trucks, trailers and off-highway equipment and specialty vehicles.
- LVA supplies exhaust, ride control and filter products and accessories to the passenger car, light truck and sport utility aftermarket.

Business units that do not primarily focus on automotive products are classified as "Other." Our coil coating operation is the primary component in this classification.

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Note 21 of the Notes to Consolidated Financial Statements under Item 8. Financial Statements and Supplementary Data contains financial information by segment for the three years ended September 30, 2001, including information on sales and assets by geographic area for each segment. The heading "Products" below includes information on LVS, CVS and LVA sales by product for each of the three years ended September 30, 2001.

ArvinMeritor began operations as a combined company on July 7, 2000 and, accordingly, does not have an operating history as a combined company prior to that date. Except where otherwise noted, the historic financial information included in this Annual Report on Form 10-K for periods prior to July 7, 2000 reflects only the results of Meritor and its consolidated subsidiaries. The information for periods after July 7, 2000 represents the results of ArvinMeritor and its consolidated subsidiaries. This information may not be indicative of our future results of operations, financial position or cash flows.

INDUSTRY DEVELOPMENTS AND OUTLOOK

The industry in which we operate is cyclical and has been characterized historically by periodic fluctuations in demand for vehicles for which we supply products. Softening demand in several of the company's principal markets, including commercial truck and light vehicle markets in North America and light vehicle replacement markets, had a negative effect on our financial results for fiscal year 2001 and will continue to have an effect in 2002. Our most recent outlook shows continued weakness in these markets, as well as a decline in light vehicle markets in Europe, for fiscal year 2002. Currency fluctuations, notably weakness of the euro relative to the U.S. dollar, also impacted the company in 2001 and may continue to impact us in 2002. See Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations -- Overview and Outlook and -- Results of Operations, and "International Operations" below.

We continue to seek to mitigate the effects of these negative factors by implementing cost-reduction initiatives, limiting capital spending, reducing salaried workforce, reducing the number of our facilities and improving operational efficiencies. In that connection, we have undertaken restructuring actions and have achieved Merger synergies in fiscal year 2001 to improve efficiency and realize cost reductions. See "Strategic Initiatives" below and Note 5 of the Notes to Consolidated Financial Statements under Item 8. Financial Statements and Supplementary Data below.

BUSINESS STRATEGIES AND INDUSTRY TRENDS

ArvinMeritor has developed leadership market positions as a global supplier of a broad range of components and systems for use in commercial, specialty and light vehicles worldwide. In the short term, we seek to maintain these market positions in the face of the industry downturns described above. In the longer term, we work to enhance our leadership positions and capitalize on our existing customer, product and geographic strengths, and to increase sales, earnings and profitability. ArvinMeritor employs various business strategies to achieve these

goals.

Several significant trends in the automotive industry influence our business strategies. These trends, which present opportunities and challenges to industry suppliers, include the globalization of OEMs and their suppliers, increased outsourcing by OEMs, increased demand for modules and systems by OEMs, with an increasing emphasis on engineering and technology, and the consolidation of suppliers worldwide.

ArvinMeritor's business strategies and the industry trends that affect them include the following:

Continuously Improve Core Business Processes. As OEMs expand their global presence to reach new markets, they are able to achieve significant cost savings and enhanced product quality and consistency by sourcing from the most capable full-service global suppliers. The criteria for selection of suppliers have increasingly focused on quality, cost and responsiveness. We have responded to this trend by continuously improving our core business processes through investment in information technology and capital equipment; rationalization of production among facilities; deintegration of non-core processes; establishment of flexible assembly sites; and simplification and increased commonality of products. The goals of these actions are to

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reduce product costs, improve product quality and lower required asset investment levels, which should result in reduced product development times or cycles and more flexibility to meet customer needs.

The Merger provided an opportunity to advance this continuous improvement process by combining or selecting between the best practices of both constituent companies. In fiscal year 2001, we launched the ArvinMeritor Performance System (AMPS) program, a continuous improvement initiative based on the best principles of Arvin's Total Quality Production System and Meritor's White Shirt continuous improvement program.

Leverage Geographic Strengths. As OEMs globalize, they also have the opportunity to take advantage of economies of scale through global sourcing of components and systems. Geographic expansion to meet the global sourcing needs of customers and to address new markets will continue to be an important element of our growth strategy.

Management believes opportunities exist to further increase our presence in the light vehicle OEM market where, prior to the current downturn in the industry, our sales of light vehicle products increased each year from 1996 to 2000. The Merger has enhanced our LVS product offerings and improved our ability to take advantage of these opportunities.

We also believe there are opportunities to increase sales to heavy-duty and medium-duty commercial vehicle OEMs in Europe, building on established customer relationships with our North American affiliates and our existing manufacturing presence in Europe. Emerging markets such as the Asia/Pacific region and South America also present growth opportunities, as demand for commercial, specialty and light vehicles increases in these areas. In evaluating opportunities in these emerging markets, we will continue to assess the economic situation in these regions and its potential effect on our businesses and served markets.

Capitalize on Customer Outsourcing Activities. OEMs are responding to global competitive pressures to improve quality and reduce manufacturing costs and related capital investments by outsourcing products that historically have been engineered and manufactured internally. Outsourcing enables OEMs to focus on their core design, assembly and marketing capabilities. One of our significant growth strategies is to provide lower cost and higher quality products to customers that are increasing their outsourcing activities.

Management believes truck and trailer OEMs in Europe will increasingly outsource in order to achieve cost and efficiency advantages. We work closely

with current and prospective customers worldwide to identify and implement mutually beneficial outsourcing opportunities.

In markets addressed by LVS, the increased outsourcing trend has extended not only to components, but to entire modules and systems, requiring suppliers to provide a higher level of engineering, design, and electromechanical and systems integration expertise in order to remain competitive. Increased outsourcing by light vehicle OEMs has resulted in higher overall per vehicle sales by independent suppliers and presents the opportunity for supplier sales growth independent of the overall automotive industry growth trend.

We have sought and will continue to seek to capitalize on this trend by using our broad product lines and design, engineering and manufacturing expertise to expand sales of higher value modules and systems. For example, Air2Air(TM), LVS's new integrated airflow system, expands our existing exhaust system products to incorporate air induction components that are customarily produced internally by OEMs. In addition, LVS has developed, and is the leading supplier of, complete roof modules comprised of a roof liner bound to an outer shell using a patented process. These modules can also incorporate LVS sunroof technology and such items as sun visors, grab handles and interior lighting, as well as aeriels and loudspeakers. LVS currently has development contracts for roof modules with several OEMs. While no assurances can be made, these arrangements have the potential of resulting in increased sales to OEMs in the future.

Introduce New Systems and Technologies. As OEMs seek the most capable global suppliers, the criteria for selection include not only quality, cost and responsiveness, but also certain full-service capabilities, including an increasing emphasis on design and engineering.

ArvinMeritor plans to continue investing in new technologies and product development and to continue working closely with its customers to develop and implement design, engineering, manufacturing and quality

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improvements. For example, we are continuing to develop technical expertise that will permit us to assist customers in meeting new and more stringent emissions requirements that are phased in over the next ten years in our primary markets in North America and Europe. In addition, we are developing braking systems technology that would assist customers in meeting proposed U.S. regulations to improve braking performance and reduce stopping distances for commercial motor vehicles. Management believes that the strategy of continuing to introduce new and improved systems and technologies will be an important factor in our efforts to achieve our growth objectives. We will draw upon the engineering resources of our Technical Centers in Troy, Michigan, and Columbus, Indiana, and our engineering centers of expertise in the United States, Brazil, Canada, France, Germany and the United Kingdom. See "Research and Development."

Leverage Aftermarket Business. Longer product lives of automotive parts adversely affect the demand for some aftermarket products. The average useful life of automotive products has been increasing steadily in recent years, due to innovations in products and technologies, resulting in less frequent replacement of parts and a negative effect on aftermarket sales.

ArvinMeritor seeks to mitigate the effects of this trend by using our existing distribution channels to market new products, both those manufactured by ArvinMeritor and those manufactured by others and sold by us under distribution agreements. The Merger furthered this strategy by combining Arvin's strength in the light vehicle aftermarket with Meritor's strength in the commercial vehicle aftermarket, thereby providing opportunities for operating synergies and cross-selling of products.

Selectively Pursue Strategic Opportunities. The globalization of OEMs and the trend toward entering into supply arrangements with the most capable global suppliers have contributed to the consolidation of automotive suppliers into larger, more efficient and more capable companies. The company regularly evaluates various strategic and business development opportunities, including

licensing agreements, marketing arrangements, joint ventures, acquisitions and dispositions. We intend to continue to selectively pursue alliances and acquisitions that would allow us to gain access to new customers and technologies, penetrate new geographic markets and enter new product markets. We also intend to continue to review the prospects of our existing businesses to determine whether any of them should be modified, restructured, sold or otherwise discontinued. See "Strategic Initiatives" and "Joint Ventures" below for information on initiatives in these areas.

PRODUCTS

ArvinMeritor designs, develops, manufactures, markets, distributes, sells, services and supports a broad range of products for use in commercial, specialty and light vehicles. In addition to sales of original equipment systems and components, we provide our products to OEMs, dealers, distributors, fleets and other end-users in the related aftermarkets. The Merger has enhanced our product lines and provided opportunities for increased sales through cross-marketing products and services to customers of the two constituent companies.

The following chart depicts operating segment sales by product for each of the three fiscal years ended September 30, 2001. Product sales by Arvin and its subsidiaries are included only for periods after the date of the Merger. A narrative description of the principal products of the company's three operating segments and other operations follows the chart.

SALES BY PRODUCT

	FISCAL YEAR ENDED SEPTEMBER 30,		
	2001	2000	1999
LVS*:			
Aperture Systems**.....	17%	23%	27%
Undercarriage Systems.....	11	9	8
Exhaust Systems.....	25	7	--
	---	---	---
Total LVS.....	53%	39%	35%
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	FISCAL YEAR ENDED SEPTEMBER 30,		
	2001	2000	1999
CVS:			
Drivetrain Systems.....	13%	23%	25%
Stopping Systems.....	8	13	13
Specialty Products.....	6	10	12
Suspension Systems and Trailer Products*.....	5	9	11
Transmissions and Clutches***.....	--	1	4
	---	---	---
Total CVS.....	32%	56%	65%
	---	---	---
LVA*:			
Exhaust System Products.....	5%	2%	--%
Ride Control Products.....	4	1	--

Filtration Products.....	4	1	--
	---	---	---
Total LVA.....	13%	4%	--
	---	---	---
Other*.....	2	1	--
	---	---	---
Total.....	100%	100%	100%
	===	===	===

* Sales relating to motion control systems (included in aperture systems), ride control systems (included in undercarriage systems and suspension systems and trailer products), exhaust systems, LVA products and Other are included only for periods after the date of the Merger, July 7, 2000.

** The company sold the seat adjusting systems business in November 1999 and sold the seat motors business in August 2001. Sales from these products are included in aperture systems prior to these dates.

*** In August 1999, the company transferred the transmission and clutch business to a new 50% owned joint venture.

Light Vehicle Systems

A key strategy of LVS is to develop our market position in aperture systems (including roof, door and access control systems and gas springs), undercarriage components and systems (including suspension systems, ride control products and wheel products) and exhaust systems. The Merger provided an enhanced platform for expansion of this business and improved our ability to supply suspension systems and corner modules to light vehicle OEMs. The following products comprise our LVS portfolio.

Aperture Systems

Roof Systems. ArvinMeritor is one of the world's leading independent suppliers of sunroofs and roof systems products for use in passenger cars, light trucks and sport utility vehicles. We make one-piece, modular roof systems, some of which incorporate sunroofs, that provide OEMs with cost savings by reducing assembly time and parts. Our roof system manufacturing facilities are located in North America, Europe and the Asia/ Pacific region.

Door Systems. The company is a leading supplier of manual and power window regulators and a leading supplier of integrated door modules and systems. In fiscal year 2001, we manufactured window regulators at plants in North America, Europe and the Asia/Pacific region for light vehicle and heavy-duty commercial vehicle OEMs. Our wide range of power and manual door system products utilize numerous technologies and offer our own electric motors, which are designed for individual applications and to maximize operating efficiency and reduce noise levels.

Access Control Systems. ArvinMeritor supplies manual and power activated latch systems to light vehicle and heavy-duty commercial vehicle manufacturers, with leadership market positions in Europe and a market presence in North America and the Asia/Pacific region. Our access control products include modular

and integrated door latches, actuators, trunk and hood latches and fuel flap locking devices. We have access control systems manufacturing facilities in North America, Europe and the Asia/Pacific region.

Motion Control Systems. ArvinMeritor is a worldwide leader in the manufacture and supply of motion control and counterbalancing systems for the automotive industry. Our products include gas lift supports and vacuum actuators. We have manufacturing facilities in the United States and the United Kingdom.

Undercarriage Systems

Suspension Systems. Through our 57%-owned joint venture with Mitsubishi Steel Manufacturing Co., ArvinMeritor is one of the leading independent suppliers of products used in suspension systems for passenger cars, light trucks and sport utility vehicles in North America. Our suspension system products, which are manufactured at facilities in the United States and Canada, include coil springs, stabilizer bars and torsion bars. In addition, we supply automotive suspension components for the European light vehicle market from a manufacturing facility in England. Prior to the current downturn in the industry, this business experienced significant sales growth over recent years, as light vehicle OEMs have increased their outsourcing of suspension system products and the light vehicle market has grown.

Ride Control Systems. The company provides ride control products, including shock absorbers, struts, ministruts and corner modules. Through our joint ventures with Kayaba Industries, Inc. ("Kayaba"), we manufactured ride control products and were a leading supplier in the European OEM market in fiscal year 2001. See "Joint Ventures" below.

Wheel Products. ArvinMeritor is a leading supplier of steel wheel products to the light vehicle OEM market, principally in North and South America. We have wheel manufacturing facilities in Brazil and Mexico.

Exhaust Systems

ArvinMeritor is a leading global supplier of a complete line of exhaust system components, including mufflers, exhaust pipes, catalytic converters and exhaust manifolds. We sell these products to OEMs primarily as original equipment, while also supporting the replacement needs for manufacturers and the service parts needs for dealers. In August 2001, the company signed its first letter of intent with respect to its Air2Air(TM) system. An Air2Air(TM) system combines air induction and exhaust systems development into an integrated airflow system for OEM customers and provides an overall improved airflow system for better system performance with less development time.

ArvinMeritor participates in this business both directly and through joint ventures and affiliates. These alliances include our 50% interest in Arvin Sango Inc., an exhaust joint venture based in North America, and our 49% interest in Zeuna Starker GmbH & Co., an exhaust systems supplier headquartered in Germany.

Commercial Vehicle Systems

Drivetrain Systems

Truck Axles. ArvinMeritor is one of the world's leading independent suppliers of axles for medium- and heavy-duty commercial vehicles. Our axle manufacturing facilities located in the United States, South America and Europe produce axles for medium- and heavy-duty commercial vehicles. Our extensive truck axle product line includes a wide range of drive and non-drive front steer axles and single and tandem rear drive axles, which can include driver-controlled differential lock for extra traction, aluminum carriers to reduce weight and pressurized filtered lubrication systems for longer life. Our front steer and rear drive axles can be equipped with our cam, wedge or air disc brakes, automatic slack adjusters and anti-lock braking systems.

Drivelines and Other Products. ArvinMeritor also supplies universal joints and driveline components, including our Permalube(TM) universal joint, a permanently lubricated universal joint used in the high mileage on-highway market.

Stopping Systems

ArvinMeritor is a leading independent supplier of air brakes to medium- and

heavy-duty commercial vehicle manufacturers in North America and Europe. In addition, in Brazil, which is the third largest truck and trailer market in the world, we are a leading supplier of brakes and brake-related products through our 49%-owned joint venture with Randon S. A. Veiculos e Implementos.

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

Federal regulations require that new heavy-duty and medium-duty vehicles sold in the United States be equipped with anti-lock braking systems ("ABS"). Through our 50%-owned joint venture with WABCO Automotive Products ("WABCO"), a wholly-owned subsidiary of American Standard, Inc., we are the leading supplier of ABS and a supplier of other electronic and pneumatic control systems for North American heavy-duty commercial vehicles. The joint venture also supplies hydraulic ABS to the North American medium-duty truck market.

Specialty Products

Off-Highway Vehicle Products. ArvinMeritor supplies heavy-duty axles, brakes and drivelines for use in numerous off-highway vehicle applications, including construction, material handling, agriculture, mining and forestry, in North America, South America, Europe and the Asia/Pacific region. These products are designed to tolerate high tonnages and operate under extreme conditions.

Government Products. We supply axles, brakes and brake system components including ABS, trailer products, transfer cases and drivelines for use in medium-duty and heavy-duty military tactical wheeled vehicles, principally in North America.

Specialty Vehicle Products. We supply axles, brakes and transfer cases for use in buses, coaches and recreational, fire and other specialty vehicles in North America and Europe, and we are the leading supplier of bus and coach axles and brakes in North America.

Suspension Systems and Trailer Products

We believe ArvinMeritor is the world's leading manufacturer of heavy-duty trailer axles, with leadership positions in North America and in Europe. Our trailer axles are available in over 40 models in capacities from 20,000 to 30,000 pounds for virtually all heavy trailer applications and are available with our broad range of brake products, including ABS. In addition, we supply trailer air suspension products for which we have strong market positions in Europe and an increasing market presence in North America.

Transmissions and Clutches

Through our 50%-owned joint venture with ZF Friedrichshafen AG ("ZF"), we produce technologically advanced medium- and heavy-duty transmission components and systems for heavy vehicle original equipment manufacturers and the aftermarket for the United States, Canada and Mexico. This transmission product line enables us to supply a complete drivetrain system to heavy-duty commercial vehicle manufacturers in North America. The most recent additions to the joint venture's range of transmission models include FreedomLine(TM), a fully automated mechanical truck transmission without a clutch pedal, and SureShift(TM), a shift-by-wire system that provides the operating ease of an automatic transmission with full manual control by the driver. The joint venture also supplies clutches, including diaphragm-spring clutches.

The principal LVA products include mufflers; exhaust and tail pipes; catalytic converters; shock absorbers; struts; clamps; hangers; automotive oil, air, and fuel filters; and accessories. These products are sold under the brand names TIMAX(R), ANSA(R) and ROSI(R) (mufflers); Gabriel(R) (shock absorbers); and Purolator(R) (filters). LVA also markets products under private label to customers such as Pep Boys and CarQuest (ride control) and Quaker State (filters).

Other

"Other" includes business units that are not focused predominantly on automotive products and consists primarily of our coil coating operation. Coil coated steel and aluminum substrates are used in a variety of applications, which include consumer appliances; roofing and siding; garage and entry doors; heating, ventilation and air conditioning (HVAC); and transportation.

CUSTOMERS; SALES AND MARKETING

ArvinMeritor's operating segments have numerous customers worldwide and have developed long-standing business relationships with many of these customers.

Original Equipment. Both LVS and CVS market and sell products principally to OEMs. In North America, CVS also markets truck and trailer products directly to dealers, fleets and other end-users, which may designate the components and systems of a particular supplier for installation in the vehicles they purchase from OEMs.

Consistent with industry practice, LVS and CVS make most of their sales to OEMs through open purchase orders, which do not require the purchase of a minimum number of products. The customer typically may cancel these purchase orders on reasonable notice without penalty. LVS and CVS also sell products to certain customers under long-term arrangements that require us to provide annual cost reductions (through price reductions or other cost benefits for the OEMs). If we were unable to generate sufficient cost savings in the future to offset such price reductions, our gross margins would be adversely affected.

Both LVS and CVS are dependent upon large OEM customers with substantial bargaining power, including with respect to price and other commercial terms. Although we believe that our businesses generally enjoy good relations with our OEM customers, loss of all or a substantial portion of sales to any of our large volume customers for whatever reason (including, but not limited to, loss of contracts, reduced or delayed customer requirements, plant shutdowns, strikes or other work stoppages affecting production by such customers) could have a significant adverse effect on our financial results. During fiscal year 2001, DaimlerChrysler AG (which owns Chrysler, Mercedes-Benz AG and Freightliner Corporation) accounted for approximately \$360 million of sales for CVS, \$606 million of sales for LVS and \$23 million of sales for LVA, or 15% of total ArvinMeritor sales. In addition, General Motors Corporation accounted for approximately \$41 million of sales for CVS, \$752 million of sales for LVS and \$15 million of sales for LVA, or 12% of our total sales.

Except as noted above with respect to the North American market for heavy-duty trucks and trailers, LVS and CVS generally compete for new business from OEMs, both at the beginning of the development of new vehicle platforms and upon the redesign of existing platforms. New platform development generally begins two to four years prior to start-up of production. Once a supplier has been designated to supply products to a new platform, an OEM will generally continue to purchase those products from the supplier for the life of the platform, which typically lasts three to six years.

Aftermarkets. CVS also provides truck and trailer products and off-highway and specialty products to OEMs, dealers and distributors in the aftermarket. LVA sells products primarily to wholesale distributors, retailers and installers. The light vehicle aftermarket includes fewer and larger customers, as the market consolidates and as OEMs increase their presence in the market.

Coil Coating. Our coil coating customers include steel companies, service centers and end manufacturers engaged in the transportation, appliance, construction and furniture industries.

COMPETITION

Each of ArvinMeritor's businesses operates in a highly competitive environment. LVS and CVS compete worldwide with a number of North American and international providers of components and systems, some of which belong to, or are associated with, some of our customers. Some of these competitors are larger and some are smaller than the company in terms of resources and market shares. The principal competitive factors are price, quality, service, product performance, design and engineering capabilities, new product innovation and timely delivery. LVS has numerous competitors across its various product lines worldwide, including Brose (door systems); Webasto and Inalfa (roof systems); Kiekert (access control systems); Stabilus (motion control systems); Krupp-Hoesch (suspension systems); Hayes-Lemmerz (wheel products); and Tenneco (ride control systems and exhaust systems). The major competitors of CVS are Eaton Corporation (transmissions); Dana Corporation (truck axles and drivelines); Knorr (stopping systems); and Hendrickson (suspension systems and trailer products). In addition, certain OEMs manufacture for their own use products of the types supplied by ArvinMeritor, and any future increase in this activity could displace our sales.

LVA competes with both OEMs and independent suppliers in North America and Europe and serves the market through our own sales force, as well as through a network of manufacturers' representatives. Major competitors include Tenneco, Goerlicks, Bosal and Catco (exhaust system products); Tenneco, Kayaba, Sachs, Tokico and Cofap (ride control products); and Champ Labs, Honeywell, Dana, Mann-Filter and Filtrauto (filtration products). Competitive factors include customer loyalty, competitive pricing, customized service, quality, timely delivery, product development and manufacturing process efficiency.

Our coil coating operation competes with other coil coaters and with customers' internal painting systems.

RAW MATERIALS AND SUPPLIES

ArvinMeritor believes we have adequate sources for the supply of raw materials and components for our business segments' manufacturing needs with suppliers located around the world. We do, however, concentrate our purchases of certain raw materials and parts over a limited number of suppliers, some of which are located in developing countries, and we are dependent upon the ability of our suppliers to meet performance and quality specifications and delivery schedules. Although we historically have not experienced any significant difficulties in obtaining an adequate supply of raw materials and components necessary for our manufacturing operations, the loss of a significant supplier or the inability of a supplier to meet performance and quality specifications or delivery schedules could have an adverse effect on ArvinMeritor.

STRATEGIC INITIATIVES

ArvinMeritor regularly considers various strategic and business opportunities, including licensing agreements, marketing arrangements and acquisitions, and reviews the prospects of our existing businesses to determine whether any of them should be modified, restructured, sold or otherwise discontinued.

The industry in which we operate continues to experience significant consolidation among suppliers. This trend is due in part to globalization and increased outsourcing of product engineering and manufacturing by OEMs, and in part to OEMs reducing the total number of their suppliers by more frequently awarding long-term, sole-source or preferred supplier contracts to the most capable global suppliers. Scale is an important competitive factor, with the largest industry participants able to maximize key resources and contain costs.

Consistent with this trend, we completed the Merger of Arvin and Meritor in fiscal year 2000 in order to enhance the financial strength, diversity of operations and product lines of both companies and to better position ourselves to take advantage of global opportunities. In addition, we believe that efficiencies and cost savings resulting from the Merger should enable us to improve upon and increase our strategic options and

lower our average cost of capital. Annual pre-tax synergies are estimated to have been approximately \$40 million in fiscal year 2001.

In August 2001, we sold the manufacturing equipment related to our LVS seat motor business for approximately \$11.7 million in cash. We had sold our seat adjusting systems business in November 1999, after determining that retention of this business was not consistent with the LVS strategy of developing market position in aperture systems and undercarriage components and systems.

On November 8, 2000, we announced restructuring actions to realign operations at selected facilities throughout the world to reflect the decline in our major markets, with a cost of approximately \$90 million. We have subsequently identified an additional \$15 million of restructuring actions as a result of our continuing effort to identify cost savings. See Note 5 of the Notes to Consolidated Financial Statements under Item 8. Financial Statements and Supplementary Data below.

No assurance can be given as to whether or when any additional strategic initiatives will be consummated in the future. We will continue to consider acquisitions as a means of further expansion, but cannot predict whether our participation or lack of participation in industry consolidation will ultimately be beneficial to us. If an agreement with respect to any additional acquisitions were to be reached, we could finance such acquisitions by issuance of additional debt or equity securities. The additional debt from any such acquisitions, if consummated, could increase the company's debt to capitalization ratio. In addition, the ultimate benefit of any acquisition would depend on our ability to successfully integrate the acquired entity or assets into our existing business and to achieve any projected synergies.

JOINT VENTURES

As the automotive industry has become more globalized, joint ventures and other cooperative arrangements have become an important element of our business strategies. At September 30, 2001, we participated in joint ventures with interests in the United States, Argentina, Brazil, Canada, China, Colombia, the Czech Republic, Germany, Hungary, India, Italy, Japan, Mexico, South Africa, Spain, Turkey, Venezuela and the United Kingdom.

In accordance with accounting principles generally accepted in the United States, the consolidated financial statements of the company include the operating results of those majority-owned joint ventures in which the company has control. Consolidated joint ventures include our 57%-owned joint venture with Mitsubishi Steel Manufacturing Co. (suspension products for passenger cars, light trucks and sport utility vehicles); and our 75% interest in a joint venture with Kayaba (ride control products). Unconsolidated joint ventures include our 50%-owned joint venture with WABCO (ABS systems for heavy-duty commercial vehicles); our 50%-owned joint venture with ZF (transmissions and clutches); our 50% interest in Arvin Sango Inc. and our 49% interest in Zeuna Starker GmbH & Co. (exhaust systems); our 49% interest in a joint venture with Randon S.A. Veiculos e Implementos (brakes and brake-related products); and our 40% interest in a second joint venture with Kayaba (steering pumps).

Effective September 30, 2001, ArvinMeritor and Kayaba terminated a North American joint venture that manufactured ride control products, and each company reacquired the properties it had contributed at formation in 1998. We had a 50.1% interest in this joint venture. We will continue to participate in two other joint ventures with Kayaba in Europe, in which we own 75% and 40%

interests. Effective October 1, 2001, we acquired our joint venturer's interest in Arvin Exhaust Finnentrop GmbH, an exhaust joint venture in which we previously had a 50% interest.

RESEARCH AND DEVELOPMENT

ArvinMeritor has significant research, development, engineering and product design capabilities. We spent approximately \$136 million in fiscal year 2001, \$115 million in fiscal year 2000 and \$117 million in fiscal year 1999 on research, development and engineering. At September 30, 2001, we employed approximately 1,700 professional engineers and scientists.

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PATENTS AND TRADEMARKS

We own or license numerous United States and foreign patents and patent applications in our manufacturing operations and other activities. While in the aggregate these patents and licenses are considered important to the operation of our businesses, management does not consider them of such importance that the loss or termination of any one of them would materially affect a business segment or the company as a whole. (See Item 3. Legal Proceedings for information with respect to a patent infringement lawsuit filed against the company by Eaton Corporation and adverse judgments in the case.)

The company's registered trademarks ArvinMeritor(R), Arvin(R) and Meritor(R) are important to our business. Other significant trademarks owned by us include Gabriel(R) (shock absorbers and struts) and Purolator(R) (filters) with respect to LVA, and ROR(TM) (trailer axles) with respect to CVS. Under the terms of an agreement entered into by Meritor and Rockwell in 1997 in connection with the spin-off of Rockwell's automotive businesses, we may continue to apply the "Rockwell" brand name to our products until September 30, 2007.

EMPLOYEES

At September 30, 2001, we had approximately 33,000 full-time employees. At that date, approximately 5,200 employees in the United States and Canada were covered by collective bargaining agreements. We believe our relationship with unionized employees is satisfactory. No significant work stoppages have occurred in the past five years.

ENVIRONMENTAL MATTERS

Federal, state and local requirements relating to the discharge of substances into the environment, the disposal of hazardous wastes and other activities affecting the environment have had, and will continue to have, an impact on our manufacturing operations. Thus far, compliance with environmental requirements and resolution of environmental claims have been accomplished without material effect on our liquidity and capital resources, competitive position or financial statements.

The company has been designated as a potentially responsible party at 10 Superfund sites, excluding sites as to which our records disclose no involvement or as to which our potential liability has been finally determined. Management estimates the total reasonably possible costs we could incur for the remediation of Superfund sites at September 30, 2001, to be approximately \$36 million, of which \$18 million had been accrued.

Various other lawsuits, claims and proceedings have been asserted against the company alleging violations of federal, state and local environmental protection requirements or seeking remediation of alleged environmental impairments, principally at previously disposed-of properties. For these matters, management has estimated the total reasonably possible costs we could incur at September 30, 2001, to be approximately \$53 million, of which \$25 million had been recorded.

The actual amount of costs or damages for which we may be held responsible

could materially exceed the foregoing estimates because of uncertainties, including the financial condition of other potentially responsible parties, the success of the remediation and other factors that make it difficult to accurately predict actual costs. However, based on management's assessment, after consulting with Vernon G. Baker, II, Esq., General Counsel of ArvinMeritor, and subject to the difficulties inherent in estimating these future costs, we believe that our expenditures for environmental capital investment and remediation necessary to comply with present regulations governing environmental protection and other expenditures for the resolution of environmental claims will not have a material adverse effect on the company's liquidity and capital resources, competitive position or financial statements. Management cannot assess the possible effect of compliance with future requirements.

INTERNATIONAL OPERATIONS

Approximately 41% of ArvinMeritor's total assets as of September 30, 2001 and 37% of fiscal year 2001 sales were outside North America. See Note 21 of the Notes to Consolidated Financial Statements under Item 8. Financial Statements and Supplementary Data below for financial information by geographic area for the three fiscal years ended September 30, 2001.

Management believes that international operations have significantly benefited our financial performance. However, our international operations are subject to a number of risks inherent in operating abroad, including, but not limited to:

- risks with respect to currency exchange rate fluctuations;
- local economic and political conditions;
- disruptions of capital and trading markets;
- restrictive governmental actions (such as restrictions on transfer of funds and trade protection measures, including export duties and quotas and customs duties and tariffs);
- changes in legal or regulatory requirements;
- import or export licensing requirements;
- limitations on the repatriation of funds;
- difficulty in obtaining distribution and support;
- nationalization;
- the laws and policies of the United States affecting trade, foreign investment and loans; and
- tax laws.

There can be no assurance that these risks will not have a material adverse impact on our ability to increase or maintain our foreign sales or on our financial condition or results of operations. Exchange rate fluctuations reduced the company's sales and operating income by approximately \$170 million and \$19 million, respectively, in fiscal year 2001. See Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations -- Results of Operations below. The impact that the euro and other currencies will have on our sales and operating income is difficult to predict in the upcoming year.

We enter into foreign currency forward exchange contracts to minimize the risk of unanticipated gains and losses from currency rate fluctuations on foreign currency commitments entered into in the ordinary course of business. It is our policy not to enter into derivative financial instruments for speculative

purposes and, therefore, we hold no derivative instruments for trading purposes. We have not experienced any material adverse effect on our consolidated financial position, results of operations or cash flow related to these foreign currency forward exchange contracts. (See Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations -- Quantitative and Qualitative Disclosures about Market Risk and Note 13 of the Notes to Consolidated Financial Statements under Item 8. Financial Statements and Supplementary Data below.)

On January 1, 1999, the euro became the common currency of 11 countries of the European Union and the present national currencies of these 11 countries became sub-units of the euro at fixed exchange rates. Subsequent to January 1, 1999, an additional country was added to the European Monetary Union. The European Union's current plans call for the transition to the euro to be substantially completed by January 1, 2002, at which time the euro will become the sole legal tender in those participating countries.

We are engaged in business in many of the countries that participate in the European Monetary Union, and sales for fiscal year 2001 in these countries were approximately 18 % of our total sales. In addition, we enter into foreign currency forward exchange contracts with respect to several of the existing currencies that have been subsumed into the euro and we have borrowings in participating currencies primarily under our

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bank revolving credit facility. We have analyzed the potential effects of the euro conversion on competitive conditions, information technology and other systems, currency risks, financial instruments and contracts, and have examined the tax and accounting consequences of euro conversion, and we believe that the conversion has not had and will not have a material adverse effect on our business, operations and financial condition.

We are making the necessary adjustments to accommodate the conversion, including modifications to our information technology systems and programs, pricing schedules and financial instruments. We expect that all necessary actions will be completed in a timely manner, and that the costs associated with the conversion to the euro will not be material.

SEASONALITY; CYCLICALITY

LVS and CVS may experience seasonal variations in the demand for products to the extent automotive vehicle production fluctuates. Historically, for both segments, such demand has been somewhat lower in the quarters ended September 30 and December 31, when OEM plants may close during model changeovers and vacation and holiday periods.

In addition, the industry in which LVS and CVS operate has been characterized historically by periodic fluctuations in overall demand for trucks, passenger cars and other vehicles for which we supply products, resulting in corresponding fluctuations in demand for our products. Cycles in the major automotive industry markets of North America and Europe are not necessarily concurrent or related. The cyclical nature of the automotive industry is outside our control and cannot be predicted with certainty. We have sought and will continue to seek to expand our operations globally to mitigate the effect of periodic fluctuations in demand of the automotive industry in one or more particular countries.

The following table sets forth vehicle production in principal markets served by LVS and CVS for the last five fiscal years:

FISCAL YEAR ENDED SEPTEMBER 30,				
2001	2000	1999	1998	1997
----	----	----	----	----

Light Vehicles (in millions):					
North America.....	15.6	17.5	16.9	15.4	15.2
South America.....	2.2	2.0	1.5	2.0	2.1
Europe.....	19.1	18.9	18.2	17.7	15.2
Asia/Pacific.....	16.0	17.5	15.6	15.4	17.1
Commercial Vehicles (in thousands):					
North America, Heavy-Duty Trucks.....	140	269	292	245	201
North America, Medium-Duty Trucks.....	117	165	175	141	138
North America, Trailers.....	208	367	366	327	252
Europe, Trailers.....	110	119	124	130	81

The company's most recent outlook for fiscal year 2002 shows continued softening in North American production in the heavy-duty commercial truck and trailer markets, and we anticipate North American heavy-duty truck production to decline approximately 7%. European heavy and medium trucks are estimated to be down approximately 15% from fiscal year 2001. There is greater uncertainty in light vehicle production, but the company currently expects a 4 % decline in North America and a 7 % decline in Europe during fiscal year 2002. See "Industry Developments and Outlook" above and Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations -- Overview and Outlook and -- Results of Operations below for information on downturns in certain markets and their effects on our sales and earnings.

At September 30, 2001, our operating segments had the following facilities in the United States, Europe, South America, Canada, Mexico, Australia, South Africa and the Asia/Pacific region:

	MANUFACTURING FACILITIES	ENGINEERING FACILITIES, SALES OFFICES, WAREHOUSES AND SERVICE CENTERS
LVS.....	95	62
CVS.....	42	59
LVA.....	24	29
Other.....	4	3

These facilities had an aggregate floor space of approximately 35 million square feet, substantially all of which is in use. We owned approximately 74% and leased approximately 26% of this floor space. There are no major encumbrances (other than financing arrangements that in the aggregate are not material) on any of our plants or equipment. In the opinion of management, our properties have been well maintained, are in sound operating condition and contain all equipment and facilities necessary to operate at present levels. A summary of floor space of these facilities at September 30, 2001, is as follows:

LOCATION	OWNED FACILITIES				LEASED FACILITIES				TOTAL
	LVS	CVS	LVA	OTHER	LVS	CVS	LVA	OTHER	
	(IN THOUSANDS OF SQUARE FEET)								
United States.....	4,032	4,856	2,144	642	687	1,106	798	507	14,772
Canada.....	566	413	--	--	103	160	107	--	1,349
Europe.....	3,903	2,934	1,076	--	2,747	150	867	--	11,677
Asia/Pacific.....	493	1,047	--	--	147	658	597	--	2,942
Latin America.....	1,225	2,120	157	--	89	163	186	--	3,940
Africa.....	304	--	--	--	--	11	2	--	317

Total.....	10,523	11,370	3,377	642	3,773	2,248	2,557	507	34,997
	=====	=====	=====	=====	=====	=====	=====	=====	=====

ITEM 3. LEGAL PROCEEDINGS.

On July 17, 1997, Eaton Corporation filed suit against Rockwell in the U.S. District Court in Wilmington, Delaware, asserting infringement of Eaton's U.S. Patent No. 4850236, which covers certain aspects of heavy-duty truck transmissions, by our Engine SynchroShift(TM) transmission for heavy-duty trucks, and seeking damages and injunctive relief. Meritor was joined as a defendant on June 11, 1998. The following judgments and orders have been issued in this case:

- After trial, on July 1, 1998, a jury rendered a verdict in favor of Eaton, finding that Meritor had infringed Eaton's patent and awarding compensatory damages in an amount equal to 13% of total product sales. On October 11, 2001, the judge entered an order granting damages to Eaton in the amount of \$2.9 million, plus post-judgment interest.
- A separate phase of the trial was held in April 1999, without a jury, with respect to Meritor's allegations that Eaton had engaged in inequitable conduct in obtaining its patent and that the patent was therefore unenforceable. On February 9, 2001, the judge ruled against the company on the second phase of the proceedings, finding that we had not provided clear and convincing evidence of inequitable conduct by Eaton in obtaining its patent.
- On September 19, 2001, the judge granted Eaton's request for a permanent injunction against our manufacturing or selling the Engine SynchroShift(TM) transmission and any "colorable variations."
- On October 11, 2001, the judge denied our motions for a new trial and for judgment as a matter of law.

We have appealed these judgments and orders to the United States Court of Appeals for the Federal Circuit. Based on advice of M. Lee Murrah, Esq., Chief Intellectual Property Counsel of the company, management

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believes our truck transmissions do not infringe Eaton's patent. We intend to continue to defend this suit vigorously.

Various other lawsuits, claims and proceedings have been or may be instituted or asserted against ArvinMeritor or our subsidiaries relating to the conduct of our business, including those pertaining to product liability, intellectual property, environmental, safety and health, and employment matters.

Included in these matters are claims for alleged asbestos-related personal injuries, which arose from products manufactured prior to 1977 by a subsidiary acquired by Arvin in 1986. During fiscal years 1996 through 2001, ArvinMeritor and our predecessors paid asbestos-related claims of approximately \$40 million, substantially all of which were reimbursed by insurance. As of September 30, 2001, we had accrued approximately \$71 million for contingent asbestos-related liabilities, and recorded assets of \$60 million for probable recoveries from third parties and insurance. Management believes that existing insurance coverage will reimburse substantially all of the potential liabilities and expenses related to pending cases.

Prior to February 1, 2001, the Center for Claims Resolution (the "CCR") handled the processing and settlement of asbestos claims on our behalf, and we shared in the payment of defense costs and settlements of the asbestos claims with other CCR members. Several members of the CCR have filed for bankruptcy protection, and these members have failed, or may fail, to pay certain financial obligations with respect to settlements that were reached while they were CCR members. We expect to be subject to claims for payment of a portion of the defaulted shares and an estimate of this payment has been included in the

recorded reserves. We and our insurers are engaged in proceedings to determine whether existing insurance coverage should reimburse any potential liability related to this issue.

The outcome of litigation cannot be predicted with certainty and some lawsuits, claims or proceedings may be disposed of unfavorably to ArvinMeritor and for amounts in excess of the foregoing estimates. However, based on management's evaluation of matters which are pending or asserted, after consulting with Vernon G. Baker, II Esq., ArvinMeritor's General Counsel, we believe the disposition of such matters will not have a material adverse effect on our financial statements.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

There were no matters submitted to a vote of security holders during the fourth quarter of fiscal year 2001.

ITEM 4A. EXECUTIVE OFFICERS OF THE COMPANY.

The name, age, positions and offices held with ArvinMeritor and principal occupations and employment during the past five years of each of our executive officers as of November 30, 2001, are as follows:

LARRY D. YOST, 63 -- Chairman of the Board and Chief Executive Officer since July 2000. Chairman of the Board and Chief Executive Officer of Meritor from May 1997 to July 2000; Acting President, Light Vehicle Systems of Meritor from January 1998 to March 1999; Senior Vice President, President, Automotive and Acting President, Heavy Vehicle Systems of Rockwell (electronic controls and communications) from March 1997 to September 1997; President, Heavy Vehicle Systems of Rockwell from November 1994 to March 1997.

VERNON G. BAKER, II, 48 -- Senior Vice President and General Counsel since July 2000. Secretary of ArvinMeritor from July 2000 to November 2001; Senior Vice President, General Counsel and Secretary of Meritor from August 1999 to July 2000; Vice President and General Counsel, Corporate Research and Technology of Hoechst Celanese Corporation, a subsidiary of Hoechst AG (pharmaceuticals and industrial chemicals), from 1989 to July 1999.

DIANE S. BULLOCK, 44 -- Vice President and Controller since August 2001. Vice President, Corporate Development of ArvinMeritor from July 2000 to December 2000; Vice President and Controller of Meritor from September 1998 to July 2000; Assistant Controller of Meritor from January 1998 to September 1998;

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Controller -- Body Systems N.A. of ITT Automotive, Inc. (automotive component supplier) from 1995 to 1997.

LINDA M. CUMMINS, 53 -- Senior Vice President, Communications since July 2000. Senior Vice President, Communications of Meritor from April 2000 to July 2000; Vice President, Communications of Meritor from August 1999 to April 2000; Vice President of Advanced Marketing and Worldwide Communications of United Technologies Automotive (automotive component supplier) from August 1997 to August 1999; Vice President of Communications and External Affairs of United Technologies Automotive from June 1996 to August 1997; Director of Broadcast News/Global News Department of Ford Motor Company (automotive) from 1993 to 1996.

WILLIAM K. DANIEL, 36 -- Senior Vice President and President, Light Vehicle Aftermarket since July 2000. President of Arvin Replacement Products business group from December 1999 to July 2000; Managing Director of Arvin Replacement Products in Europe from January 1998 to November 1999; Managing Director of Gabriel Europe from May 1996 to December 1997.

JUAN L. DE LA RIVA, 57 -- Senior Vice President, Corporate Development & Strategy, Engineering and Procurement since October 2001. Senior Vice President, Corporate Development and Strategy of ArvinMeritor from July 2000 to October

2001; Senior Vice President, Business Development of Meritor from February 2000 to July 2000; Senior Vice President, Business Development and Communications of Meritor from February 1999 to February 2000; Vice President, Business Development and Communications of Meritor from September 1998 to February 1999; Managing Director -- Wheels, Light Vehicle Systems of Meritor from September 1997 to September 1998; Managing Director -- Wheels, Light Vehicle Systems of Rockwell, from 1994 to September 1997.

THOMAS A. GOSNELL, 51 -- Senior Vice President and President, Commercial Vehicle Systems since November 2000. Senior Vice President and President, Heavy Vehicle Systems Aftermarket Products of ArvinMeritor from July 2000 to November 2000; Senior Vice President and President, Worldwide Aftermarket of Meritor from September 1999 to July 2000; Vice President and General Manager, Aftermarket, of Meritor from February 1998 to September 1999; General Manager, Worldwide Aftermarket Services, Heavy Vehicle Systems, of Meritor from September 1997 to February 1998; General Manager, Worldwide Aftermarket Services, Heavy Vehicle Systems, of Rockwell from November 1996 to September 1997; General Manager -- North America, Aftermarket Services, Heavy Vehicle Systems, of Rockwell from June 1991 to November 1996.

PERRY L. LIPE, 55 -- Senior Vice President and Chief Information Officer since July 2000. Vice President, Information Technology, of Arvin from September 1998 to July 2000; Vice President, Information Technology, of Fisher Controls International, Inc. (valves, regulators and instrumentation) from September 1992 to August 1998.

TERRENCE E. O'ROURKE, 54 -- Senior Vice President and President, Light Vehicle Systems since July 2000. Senior Vice President and President, Light Vehicle Systems of Meritor from March 1999 to July 2000; Group Vice President and President -- Ford Division of Lear Corporation (automotive component supplier) from January 1996 to January 1999.

S. CARL SODERSTROM, 48 -- Senior Vice President and Chief Financial Officer since July 2001. Senior Vice President, Engineering, Quality and Procurement of ArvinMeritor from July 2000 to July 2001; Senior Vice President, Engineering, Quality and Procurement of Meritor from February 1998 to July 2000; Vice President, Engineering and Quality, Heavy Vehicle Systems of Meritor from September 1997 to February 1998; Vice President, Engineering and Quality, Heavy Vehicle Systems of Rockwell from October 1995 to September 1997.

CRAIG M. STINSON, 40 -- Senior Vice President and President, Exhaust Systems since September 2000. Executive Vice President, Exhaust Systems of ArvinMeritor from July 2000 to September 2000; Executive Vice President, Exhaust Systems of Arvin from January 2000 to July 2000; Vice President -- General Motors Business Group, Exhaust Systems of Arvin from June 1998 to January 2000; Vice President -- DaimlerChrysler Business Group, Exhaust Systems of Arvin from February 1995 to June 1998.

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FRANK A. VOLTOLINA, 41 -- Vice President and Treasurer since October 2000. Vice President and Treasurer of Mallinckrodt Inc. (medical products) from October 1997 to October 2000; Staff Vice President -- Director of Corporate Tax of Mallinckrodt from October 1995 to October 1997.

ERNEST T. WHITUS, 46 -- Senior Vice President, Human Resources, since April 2001. Vice President, Human Resources-Commercial Vehicle Systems of ArvinMeritor from July 2000 to April 2001; Vice President, Human Resources-Heavy Vehicle Systems of Meritor from October 1998 to July 2000; Director, Human Resources-Heavy Vehicle Systems of Meritor from September 1997 to October 1998; Director, Human Resources-Heavy Vehicle Systems of Rockwell from January 1997 to September 1997; Group Director, Human Resources of Allied Signal, Inc. (diversified technology and manufacturing) from November 1994 to January 1997.

BONNIE WILKINSON, 51 -- Vice President and Secretary since November 2001. Assistant General Counsel of ArvinMeritor from July 2000 to November 2001; Assistant General Counsel of Meritor from July 1997 to July 2000; Assistant Director, Division of Investment Management (Office of Public Utility

Regulation), U.S. Securities and Exchange Commission, from January 1996 to July 1997.

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

PART II

ITEM 5. MARKET FOR THE COMPANY'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS.

ArvinMeritor's common stock, par value \$1 per share ("Common Stock"), is listed on the New York Stock Exchange and trades under the symbol "ARM." On November 30, 2001, there were 35,697 shareowners of record of ArvinMeritor's Common Stock.

In connection with the Merger, each outstanding share of Meritor common stock was exchanged for 0.75 shares of ArvinMeritor Common Stock. The high and low sale prices per share of Meritor common stock for the first three quarters of fiscal year 2000, restated to reflect the exchange rate in the Merger, and the high and low sale prices per share of ArvinMeritor Common Stock for the fourth quarter of fiscal year 2000 and each quarter of fiscal year 2001, were as follows:

QUARTER ENDED -----	2001 -----		2000 -----	
	HIGH	LOW	HIGH	LOW
>December 31.....	\$17.06	\$ 8.88	\$28.58	\$20.00
March 31.....	17.00	11.00	26.50	18.17
June 30.....	16.80	12.78	22.33	14.67
September 30.....	21.87	12.10	18.63	13.75

Quarterly cash dividends in the following amounts per share were declared and paid in each quarter of the last two fiscal years. The dividends for the first three quarters of fiscal year 2000 were paid with respect to Meritor common stock, and the amounts per share have been adjusted to reflect the exchange rate in the Merger.

QUARTER ENDED -----	2001 -----	2000 -----
December 31.....	\$0.22	\$0.14
March 31.....	0.22	0.14
June 30.....	0.22	0.14
September 30.....	0.10	0.22

On July 2, 2001, the company issued 514 shares of Common Stock to each of James E. Perrella and Martin D. Walker, non-employee directors of ArvinMeritor, in lieu of cash payment of the quarterly retainer fee for board service. These shares were issued pursuant to the terms of our Directors Stock Plan and the issuance was exempt from registration under the Securities Act of 1933, as amended, as a transaction not involving a public offering under Section 4(2).

In July 2000, ArvinMeritor's board of directors authorized the purchase of up to \$100 million of ArvinMeritor's outstanding Common Stock. Under the repurchase program, we purchased shares periodically in the open market or through privately negotiated transactions, as market conditions warranted and in accordance with SEC rules. Through September 30, 2001, we had acquired approximately 5.4 million shares under this program, at an aggregate cost of \$84 million, or an average of \$15.39 per share. This program was terminated in November 2001.

ITEM 6. SELECTED FINANCIAL DATA.

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

SUMMARY OF OPERATIONS -- YEAR ENDED SEPTEMBER 30	2001 -----	2000 -----	1999 -----	1998 -----	1997 -----
	(IN MILLIONS, EXCEPT PER SHARE AMOUNTS)				
Sales					
Light Vehicle Systems.....	\$3,588	\$2,031	\$1,575	\$1,475	\$1,352
Commercial Vehicle Systems.....	2,199	2,872	2,875	2,361	1,957
Light Vehicle Aftermarket.....	859	209	--	--	--
Other.....	159	41	--	--	--
	-----	-----	-----	-----	-----
Total.....	\$6,805	\$5,153	\$4,450	\$3,836	\$3,309
	=====	=====	=====	=====	=====
Net income(1).....	35	218	194	147	109
Basic and diluted earnings per share(1)(2)....	\$ 0.53	\$ 4.12	\$ 3.75	\$ 2.84	N/A
Cash dividends per share(2).....	\$ 0.76	\$ 0.64	\$ 0.56	\$ 0.56	N/A
FINANCIAL POSITION AT SEPTEMBER 30					
Total assets.....	\$4,362	\$4,720	\$2,796	\$2,086	\$2,002
Short-term debt.....	94	183	44	34	21
Long-term debt.....	1,313	1,537	802	313	465
Capital Securities.....	57	74	--	--	--

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- (1) Net income and basic and diluted earnings per share for fiscal year 2001 includes restructuring costs of \$67 million (\$45 million after-tax, or \$0.68 per share), an employee separation charge of \$12 million (\$8 million after-tax, or \$0.12 per share), and an environmental charge of \$5 million (\$3 million after-tax, or \$0.05 per share). Net income and basic and diluted earnings per share for fiscal year 2000 includes a one-time gain of \$89 million (\$54 million after-tax, or \$1.01 per share) for the sale of the seat adjusting systems business and other assets, restructuring costs of \$26 million (\$16 million after-tax, or \$0.30 per share), and merger expenses of \$10 million (\$6 million after-tax, or \$0.11 per share). Net income and basic and diluted earnings per share for fiscal year 1999 includes restructuring costs of \$28 million (\$17 million after-tax, or \$0.33 per share) and a one-time gain of \$24 million (\$18 million after-tax, or \$0.34 per share) recorded to reflect the formation of a transmission and clutch joint venture with ZF Friedrichshafen AG. Net income and basic and diluted earnings per share for fiscal year 1998 includes a one-time charge of \$31 million (\$19 million after-tax, or \$0.36 per share) relating to the settlement of interest rate agreements. Net income for fiscal year 1997 includes restructuring costs of \$29 million (\$21 million after-tax).
- (2) As the company began operations as a stand-alone entity on September 30, 1997, per share data for years ending prior to September 30, 1998, are not applicable.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

OVERVIEW AND OUTLOOK

Our industry is rapidly transforming to keep pace with the globalization and consolidation of the original equipment manufacturers (OEMs), as well as the continued trends of outsourcing by the OEMs and systems integration. The increased competitive pressures and complexity of the industry are presenting suppliers with many challenges and growth opportunities. We believe that ArvinMeritor has all the ingredients and qualities in place to continue to be a leading Tier One supplier. We have the advantages of scale, product breadth, geographic scope, technological leadership and systems integration capability to be one of the industry's strongest competitors and to take further advantage of industry trends.

We believe we can meet, over a multi-year period, our stated long-term financial goals to deliver annual average sales growth of 10 percent and earnings per share growth of 15 to 18 percent, while maintaining a strong emphasis on cash and investment grade ratios. Our long-term goals have been established with the recognition that the company operates in a cyclical industry that has been characterized historically by periodic fluctuations in demand for light, commercial and specialty vehicles, and related aftermarkets, resulting in corresponding fluctuations in demand for our products. Accordingly, we will measure our performance against these long-term financial goals over a multi-year period.

Softening demand in several of our principal markets, including commercial truck and light vehicle markets in North America and light vehicle replacement markets, had a negative effect on our financial results for fiscal 2001. We expect this environment to continue in fiscal 2002.

Our outlook for our major served markets around the world in fiscal 2002 anticipates declines from fiscal 2001 levels. We expect the North American commercial truck and trailer markets to continue to soften during our fiscal 2002, and we anticipate North American Class 8 production to decline about 7 percent. European heavy and medium trucks are estimated to be down almost 15 percent from fiscal 2001. There is greater uncertainty in the light vehicle original equipment markets, but our current expectations are for a 4 percent decline in North American and a 7 percent decline in Western European light vehicle production during fiscal 2002. We also believe the light vehicle replacement market will continue to weaken in fiscal 2002 based on higher quality original equipment products. Additionally, it is difficult to predict the impact the euro and other currencies will have on sales and operating income in the upcoming year.

We have realized significant cost savings from our fiscal 2001 synergy related actions and restructuring programs, and we will continue to realize incremental savings from actions implemented in the latter part of fiscal 2001 and in this fiscal year. We will continue to drive strong financial performance through aggressive ongoing cost-reduction efforts and restructuring actions. These cost-reduction initiatives include salaried workforce reductions, delays in merit increases, further rationalization of our facilities and limitations on capital spending.

While our restructuring programs and cost reduction actions continue at a vigorous pace and we are making progress in improving our cost structure, our top priorities remain keeping service at a high level and exceeding our customers' expectations. We will continue to focus on providing best-in-class engineering and technology support. Our ongoing commitment to continuous improvement and customer satisfaction is further evidenced by the rollout of the ArvinMeritor Performance System, which is a combination of lean manufacturing principles and best practices. This internally focused system is designed to empower teams to drive out waste, eliminate non-value added tasks, reduce cycle and lead times, and improve processes.

FINANCIAL CONDITION

OPERATING CASH FLOW -- Our cash flow from operations was \$605 million in fiscal 2001, which was used to fund capital expenditures, pay dividends,

purchase treasury stock and pay down debt. The strong performance in cash provided by operating activities in fiscal 2001 is primarily the result of significant improvement in working capital levels and the sale of \$211 million of receivables (see below). Working capital improvements were driven by improved inventory turnover and higher days in payables. Cash flow from operations was \$228 million and \$262 million in fiscal 2000 and 1999, respectively. The decline in cash

provided by operating activities in fiscal 2000 from fiscal 1999 is primarily the result of working capital levels not being reduced commensurate with the decline in sales during the fourth quarter of fiscal 2000. In addition, increased pension funding and retiree medical payments contributed to the reduction from 1999 levels.

INVESTING CASH FLOW -- Our strong operating cash flow has allowed the company to fund capital expenditures of \$206 million in fiscal 2001, \$225 million in fiscal 2000 and \$170 million in fiscal 1999. These investments include property, plant and equipment needed for future business requirements. The company continues to evaluate spending reduction strategies, including reductions in capital spending, and expects capital expenditures in fiscal 2002 to be between \$170 million and \$180 million. In fiscal 2001, cash used for investing activities also includes \$34 million used for the acquisition of a business and investments. The cash used was partially offset by \$30 million of proceeds from dispositions of assets and an investment in an affiliate.

In fiscal 2000, cash used for investing activities included capital expenditures of \$225 million, cash payments of \$49 million relating to the merger between Arvin and Meritor and cash used for acquisitions of businesses and investments of \$74 million. This cash used was partially offset by \$148 million of proceeds from dispositions of assets, property and businesses, primarily relating to the sale of the seat adjusting systems business. The increase in capital spending for fiscal 2000 compared to fiscal 1999 was due in part to the inclusion of Arvin capital expenditures after the merger.

In fiscal 1999, cash used for investing activities included capital expenditures of \$170 million and cash used for three acquisitions totaling \$573 million, offset somewhat by \$51 million of proceeds from the formation of the transmission and clutch joint venture with ZF Friedrichshafen AG (ZF).

FINANCING CASH FLOW -- Cash used for financing activities was \$402 million in fiscal 2001. Cash provided by operating activities was used to repay \$303 million of debt and \$17 million of preferred capital securities. The company's total debt to capitalization ratio was 67 percent at both September 30, 2001 and 2000. Additionally, the company made payments of \$31 million for the repurchase of its stock and \$51 million for cash dividends in fiscal 2001.

On April 12, 2001, the company filed a shelf registration statement with the Securities and Exchange Commission registering \$750 million aggregate principal amount of debt securities that may be offered in one or more series on terms to be determined at the time of sale. The registration statement became effective on April 18, 2001. Except as may otherwise be determined at the time of sale, the net proceeds of any offering would be used for repayment of outstanding indebtedness and for other general corporate purposes.

During fiscal 2001, the company entered into an unsecured 364-day, \$750 million unsecured credit facility and amended its 5-year \$750 million revolving credit facility. These credit facilities total \$1.5 billion and replaced the unsecured credit facilities entered into in July 2000. The company also has a commercial paper program with authorized borrowings of up to \$1 billion. Interest rates applicable to the commercial paper borrowings are currently higher than the cost of other available sources of financing, and no borrowings were outstanding as of September 30, 2001.

Also during fiscal 2001, the company entered into an accounts receivable securitization program, whereby the company sold substantially all of the trade

receivables of certain subsidiaries to ArvinMeritor Receivables Corporation (ARC), a wholly owned subsidiary of the company. ARC then entered into an agreement to sell an undivided interest in up to \$250 million of the receivables. As of September 30, 2001, \$211 million of trade receivables had been sold and are excluded from receivables (see Note 4 of Notes to Consolidated Financial Statements).

In November 2001, the board of directors declared a \$0.10 per share quarterly dividend payable in December 2001.

Net cash provided by financing activities was \$38 million in fiscal 2000. The net increase in revolving debt in fiscal 2000 was \$245 million. The company made payments of \$172 million for the repurchase of its stock and \$35 million for cash dividends.

Net cash provided by financing activities was \$441 million in fiscal 1999. This amount includes a \$507 million increase in debt, primarily related to the February 1999 public offering of \$500 million of debt

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securities. The proceeds were used to repay existing indebtedness, including short-term credit facilities entered into to facilitate three acquisitions. In addition, the company made payments of \$6 million for the repurchase of its stock, \$29 million for cash dividends and \$31 million for the settlement of interest rate agreements entered into in fiscal 1998 to secure interest rates in anticipation of offering debt securities.

OTHER INFORMATION -- The company has retirement medical and defined benefit pension plans that cover most of its U.S. and certain non-U.S. employees (see Notes 16 and 17 of Notes to Consolidated Financial Statements). Retirement medical plan benefit payments aggregated \$53 million in fiscal 2001, \$49 million in fiscal 2000 and \$41 million in fiscal 1999, and are expected to be approximately \$55 million in fiscal 2002. The company made pension plan contributions of \$44 million in fiscal 2001, \$40 million in fiscal 2000 and \$30 million in fiscal 1999. Management expects to fund at least the minimum pension plan contributions required by government regulations for the various plans and anticipates that pension plan funding will be between \$40 million and \$60 million in fiscal 2002.

As noted above, the company's total debt to capitalization ratio was 67 percent at September 30, 2001 and 2000. The company regularly considers various strategic and business opportunities, including acquisitions. Although no assurance can be given as to whether or when any acquisitions may be consummated, if an agreement were to be reached, the company could finance such acquisitions by issuance of additional debt or equity securities. The additional debt from any acquisitions, if consummated, could increase the company's total debt to capitalization ratio.

Based upon the company's projected cash flow from operations and existing bank credit facilities, management believes that sufficient liquidity is available to meet anticipated operating, capital and dividend requirements over the next 12 months.

RESULTS OF OPERATIONS

The merger of Arvin and Meritor was accounted for as a purchase with Meritor designated as the acquiror. Accordingly, the historic financial information for periods prior to July 7, 2000, reflects only the results of Meritor and its consolidated subsidiaries. The information for the period after July 7, 2000, represents the results of ArvinMeritor and its consolidated subsidiaries. All share and per share data prior to July 7, 2000 have been restated to conform with the exchange of Meritor shares to ArvinMeritor shares on a one Meritor share for 0.75 ArvinMeritor shares basis, in connection with the merger (see Note 3 of Notes to Consolidated Financial Statements). All earnings per share amounts are on a diluted basis. All references to pro forma amounts assume that the merger occurred at the beginning of each period presented, and do not give pro forma effect to any acquisitions or divestitures

made by Arvin or Meritor.

The following sets forth the sales, operating income and net income of the company for the years ended September 30, 2001, 2000 and 1999, as well as pro forma amounts for fiscal 2000 and 1999:

YEAR ENDED SEPTEMBER 30, -----	AS REPORTED			PRO FORMA (UNAUDITED) (1)	
	2001	2000	1999	2000	1999
	(IN MILLIONS, EXCEPT PER SHARE AMOUNTS)				
Sales					
Light Vehicle Systems.....	\$3,588	\$2,031	\$1,575	\$3,668	\$3,474
Commercial Vehicle Systems.....	2,199	2,872	2,875	2,926	2,941
Light Vehicle Aftermarket.....	859	209	--	950	906
Other.....	159	41	--	178	170
	-----	-----	-----	-----	-----
TOTAL SALES.....	\$6,805	\$5,153	\$4,450	\$7,722	\$7,491
	=====	=====	=====	=====	=====
Operating income					
Light Vehicle Systems.....	\$ 213	\$ 149	\$ 130	\$ 232	\$ 199
Commercial Vehicle Systems.....	32	221	233	231	245
Light Vehicle Aftermarket.....	44	6	--	43	72
Other.....	(10)	--	--	9	17
	-----	-----	-----	-----	-----
SEGMENT OPERATING INCOME.....	279	376	363	515	533
Gain on sale of business and other.....	--	89	24	89	31
Restructuring costs and other charges.....	(84)	(26)	(28)	(30)	(35)
Merger expenses.....	--	(10)	--	--	--
	-----	-----	-----	-----	-----
TOTAL OPERATING INCOME.....	195	429	359	574	529
Equity in earnings of affiliates.....	4	29	35	40	45
Non-operating one-time items.....	--	--	--	(3)	(1)
Interest expense, net and other.....	(136)	(89)	(61)	(142)	(117)
Provision for income taxes.....	(21)	(141)	(129)	(177)	(169)
Minority interests.....	(7)	(10)	(10)	(5)	(7)
	-----	-----	-----	-----	-----
NET INCOME.....	\$ 35	\$ 218	\$ 194	\$ 287	\$ 280
	=====	=====	=====	=====	=====
DILUTED EARNINGS PER SHARE.....	\$ 0.53	\$ 4.12	\$ 3.75	\$ 4.02	\$ 3.67
	=====	=====	=====	=====	=====
DILUTED EARNINGS PER SHARE BEFORE SPECIAL ITEMS(2).....	\$ 1.38	\$ 3.52	\$ 3.73	\$ 3.56	\$ 3.66
	=====	=====	=====	=====	=====

(1) Pro forma financial information is presented as if the merger had occurred at the beginning of each fiscal year and reflects (a) the amortization of goodwill from the merger and the elimination of historical Arvin goodwill amortization expense; (b) the adjustment to interest expense for borrowings to fund the Arvin cash consideration and other financing costs; (c) the income tax effects of (a) and (b) above; and (d) the adjustment of shares outstanding representing the exchange of one share of Meritor common stock for 0.75 shares of ArvinMeritor common stock and one share of Arvin common stock for one share of ArvinMeritor common stock, based on the average shares outstanding for each year.

(2) Special items in fiscal 2001 include \$67 million restructuring costs (\$45 million after-tax, or \$0.68 per share), \$5 million environmental charge (\$3 million after-tax, or \$0.05 per share) and \$12 million employee separation charge (\$8 million after-tax, or \$0.12 per share). Special items in fiscal 2000 include gain on the sale of the seat adjusting systems business and other assets of \$89 million (\$54 million after-tax, or \$1.01 per share), restructuring costs of \$26 million (\$16 million after-tax, or \$0.30 per share), and merger expenses of \$10 million (\$6 million after-tax, or \$0.11 per share). Special items in fiscal 1999 include gain on formation of the ZF Meritor joint venture of \$24 million (\$18 million after-tax, or \$0.34 per share) and restructuring costs of \$28 million (\$17 million after-tax, or \$0.33 per share). Pro forma amounts in fiscal 2000 exclude merger costs of \$70 million (\$58 million after-tax, or \$0.81 per share). In addition to the special items discussed above, pro forma special items in fiscal 2000 include restructuring and other charges of \$4 million (\$3 million after-tax, or \$0.04 per share), and \$3 million (\$2 million after-tax, or \$0.03 per share) non-operating one-time items. Pro forma amounts in fiscal 1999 also

include a gain on sale of affiliate of \$7 million (\$5 million after-tax, or \$0.07 per share), restructuring and other charges of \$7 million (\$4 million after-tax, or \$0.05 per share) and non-operating one-time items of \$1 million (\$1 million after-tax, or \$0.01 per share).

2001 COMPARED TO 2000

SALES -- Sales for fiscal 2001 were \$6,805 million, up \$1,652 million, or 32 percent, over last year's sales of \$5,153 million. Included in fiscal 2001 is a full year of sales attributable to the merger with Arvin, whereas fiscal 2000 includes Arvin results only for the fourth quarter. The increase in sales is due to \$2,439 million of incremental sales from Arvin in the first three quarters of fiscal 2001, offset slightly by a \$787 million decline in sales relating primarily to the company's Commercial Vehicle Systems segment, which has been experiencing a steep decline in Class 8 North American truck volumes. Fiscal 2001 Class 8 North American truck volumes declined 48 percent from fiscal 2000 levels. Pro forma sales in fiscal 2000, as if Arvin and Meritor had operated as a merged company during the entire year, were \$7,722 million. The \$917 million or 12 percent decline in sales from pro forma 2000 levels is attributable to the decline in heavy truck volumes, as described above, as well as volume declines in the North American light vehicle market and a softening of demand in the aftermarket.

LIGHT VEHICLE SYSTEMS (LVS) SALES -- LVS sales increased to \$3,588 million, from \$2,031 million a year ago, as a result of the incremental sales of \$1,633 million in fiscal 2001 related to the merger with Arvin. This sales increase is slightly offset by \$84 million of negative currency exchange. LVS sales were down \$80 million, or 2 percent, from 2000's pro forma sales of \$3,668 million. LVS sales in North America increased 83 percent (down 5 percent on a pro forma basis). Sales in South America and Europe were up 181 percent and 61 percent, respectively (both up 1 percent on a pro forma basis). Sales in Asia/Pacific grew 13 percent (6 percent on a pro forma basis).

COMMERCIAL VEHICLE SYSTEMS (CVS) SALES -- CVS reported \$2,199 million in sales for components and systems for original equipment and the aftermarket in fiscal 2001, including \$41 million of incremental sales in fiscal 2001 related to the Arvin merger and \$82 million of negative currency exchange, versus \$2,872 million in fiscal 2000. CVS sales in North America were \$1,464 million, down \$556 million, or 28 percent from fiscal 2000. The 48 percent volume decline in the North American Class 8 truck market and the 29 percent decline in the North American medium truck market drove this decline. Western European sales were down \$116 million, or 17 percent in a heavy and medium truck market that was down 4 percent. South American sales were down 1 percent, while sales in the rest of the world were flat. Sales of \$2,199 million were down \$727 million from \$2,926 million pro forma in fiscal 2000.

LIGHT VEHICLE AFTERMARKET (LVA) SALES -- The LVA business is attributable to Arvin, and accordingly is included in fiscal 2000 for only the fourth quarter. LVA sales were \$859 million in fiscal 2001, versus \$209 million in the prior year. The increase is due to the inclusion of \$648 million of sales in the first three quarters of fiscal 2001 due to the merger. On a pro forma basis, LVA sales declined \$91 million, or 10 percent, from \$950 million pro forma fiscal 2000 sales. Softening customer demand resulted in depressed volumes in this segment.

OPERATING INCOME -- Fiscal 2001 operating income was \$195 million, down \$234 million from fiscal 2000. Operating margin was 2.9 percent in fiscal 2001 versus 8.3 percent in fiscal 2000. In fiscal 2001, the company recorded charges totaling \$84 million (\$56 million after-tax, or \$0.85 per share) related to restructuring costs and other items. The restructuring charge was \$67 million, and the other items include a charge related to additional environmental liability of \$5 million and an employee separation charge of \$12 million. In fiscal 2000, the company completed the sale of its LVS seat adjusting systems business for approximately \$135 million in cash, resulting in a one-time gain of \$83 million (\$51 million after-tax, or \$0.96 per share). Also during fiscal

2000, the company recorded a restructuring charge of \$26 million (\$16 million after-tax, or \$0.30 per share), merger expenses of \$10 million (\$6 million after-tax, or \$0.11 per share), and a gain on sale of land of \$6 million (\$3 million after-tax, or \$0.05 per share).

Excluding the restructuring costs and other charges, merger expenses and one-time gains, operating income was \$279 million, down \$97 million from \$376 million in fiscal 2000. This decrease in operating income is primarily attributable to revenue declines in the CVS business of over 20 percent from fiscal 2000. Additionally, operating income from Other (business units not focused on automotive products) decreased \$10 million. Partially offsetting these operating income declines is the favorable impact of including Arvin results for a full year in fiscal 2001, versus only the fourth quarter of fiscal 2000.

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Segment operating income (which is operating income before restructuring costs and other charges, merger expenses, and gain on sale of business and other) of \$279 million was down \$236 million, or 46 percent from 2000's pro forma segment operating income of \$515 million. The steep decline in CVS markets and the related decline in CVS revenues, particularly in North America, was the primary driver of this decline. The remaining decline is attributable to declines in operating income in the LVS and Other segments of \$19 million each. Segment operating margin was 4.1 percent in fiscal 2001, as compared to 6.7 percent in pro forma fiscal 2000.

LVS OPERATING INCOME -- LVS operating income was \$213 million in fiscal 2001, up \$64 million, or 43 percent, from fiscal 2000. Results from the merger with Arvin contributed an additional \$74 million of operating income in fiscal 2001. LVS operating margin declined to 5.9 percent from 7.3 percent in fiscal 2000. LVS operating income was down \$19 million from pro forma 2000 operating income of \$232 million and operating margin was 5.9 percent in fiscal 2001, versus 6.3 percent in pro forma fiscal 2000. Continued pricing pressures from the vehicle manufacturers, coupled with North American production declines, contributed to the operating margin decline. LVS continues to offset these challenges through restructuring and other programs aimed at lowering fixed costs.

CVS OPERATING INCOME -- CVS operating income was \$32 million, a decrease of \$189 million from fiscal 2000. Operating margin declined from 7.7 percent in fiscal 2000 to 1.5 percent in fiscal 2001. The margin decline was driven by the 48 percent drop in North American heavy truck volumes and the 29 percent decline in North American medium truck volumes. These volume reductions outpaced the company's lowering of its fixed costs. Compared to pro forma fiscal 2000, operating income was down \$199 million, and operating margin was down from 7.9 percent.

LVA OPERATING INCOME -- LVA operating income was \$44 million in fiscal 2001, with an operating margin of 5.1 percent, compared to operating income of \$6 million and a related margin of 2.9 percent in fiscal 2000. The inclusion of a full year of activity in fiscal 2001, due to the merger with Arvin on July 7, 2000, added \$28 million to operating income. Compared to pro forma fiscal 2000, operating income was up slightly from \$43 million and operating margin was up 60 basis points from 4.5 percent. The operating margin increase is the result of improved pricing, the favorable impact of ongoing cost reductions and lower changeover spending.

EQUITY IN EARNINGS OF AFFILIATES -- Equity in earnings of affiliates declined to \$4 million, as compared to \$29 million a year ago, primarily due to declining earnings from commercial vehicle affiliates. Equity in earnings of affiliates was \$40 million on a pro forma basis in fiscal 2000.

INTEREST EXPENSE, NET AND OTHER (INTEREST EXPENSE) -- Interest expense for fiscal 2001 was \$136 million, up \$47 million, or 53 percent, from \$89 million in fiscal 2000. This increase is primarily attributable to the July 7, 2001 merger with Arvin, which increased total debt by over \$700 million. The decline in interest expense from \$142 million pro forma 2000 to \$136 million in 2001

reflects lower debt levels and interest rates. Included in fiscal 2001 interest expense is a discount of \$3 million on the sale of receivables (see Note 4 of Notes to Consolidated Financial Statements).

NET INCOME AND DILUTED EARNINGS PER SHARE -- Net income for fiscal 2001 was \$35 million, or \$0.53 per share, a decrease of 84 percent and 87 percent, respectively, as compared to fiscal 2000 net income of \$218 million, or \$4.12 per share. Diluted earnings per share before special items was \$1.38, compared with 2000 diluted earnings per share before special items of \$3.52. On a pro forma basis, excluding special items, fiscal 2000 diluted earnings per share was \$3.56.

2000 COMPARED TO 1999

SALES -- Sales for fiscal 2000 were \$5,153 million, up \$703 million, or 16 percent, over fiscal 1999 sales of \$4,450 million. Included in fiscal 2000 sales are \$714 million of sales attributable to the merger with Arvin and a decrease of about \$130 million due to currency exchange. The sale of the company's seat adjusting systems business in November 1999 resulted in a decrease of \$98 million in sales year-over-year. Additionally, the

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company's transmission and clutch business contributed sales of \$166 million in fiscal 1999. The results of this business are now reported as affiliate income, due to the formation of the ZF Meritor joint venture in fiscal 1999. Pro forma sales, as if Arvin and Meritor had operated as a merged company in all periods, were \$7,722 million in fiscal 2000, an increase of 3 percent over pro forma 1999 sales.

LIGHT VEHICLE SYSTEMS (LVS) SALES -- LVS sales increased \$456 million, or 29 percent, to \$2,031 million, from \$1,575 million in fiscal 1999. Fiscal 2000 sales include \$447 million of sales from Arvin businesses. The remaining increase in sales is due to penetration gains and strong industry volumes which were partially offset by the sale of the LVS seat adjusting systems business in early fiscal 2000 and the \$84 million negative impact of currency. The seat adjusting systems business had fiscal 1999 sales of \$129 million and fiscal 2000 sales of \$31 million. On a pro forma basis, LVS sales for fiscal 2000 were \$3,668 million, up \$194 million or 6 percent from \$3,474 million in 1999. Additional market penetration gains in exhaust systems drove this growth. LVS sales in North America grew 48 percent (11 percent on a pro forma basis). Sales in South America and Asia/Pacific grew 7 percent and 5 percent, respectively (up 4 percent and 6 percent on a pro forma basis, respectively). Sales in Europe were up 15 percent (down 2 percent on a pro forma basis).

COMMERCIAL VEHICLE SYSTEMS (CVS) SALES -- CVS reported \$2,872 million in sales of components and systems for original equipment and the aftermarket in fiscal 2000, including \$17 million attributable to the merger with Arvin, which was down slightly from fiscal 1999 sales. CVS sales in North America were \$2,020 million, down \$148 million or 7 percent from \$2,168 million in fiscal 1999. The decline in North American heavy truck markets of approximately 8 percent drove this decline. European sales were up \$103 million, or 18 percent, and South American sales were up \$18 million, or 27 percent, while sales in the rest of the world were up \$24 million. On a pro forma basis, CVS sales would have been \$2,926 million in fiscal 2000, down \$15 million, or 1 percent, from pro forma 1999 sales.

LIGHT VEHICLE AFTERMARKET (LVA) SALES -- LVA sales were \$209 million in fiscal 2000 with no sales in fiscal 1999, because this business is attributable to Arvin and is included in the consolidated results only from July 7, 2000, and forward. On a pro forma basis, LVA sales in fiscal 2000 were \$950 million, an increase of 5 percent, or \$44 million from pro forma 1999 levels. The increase in pro forma sales is attributable primarily to the inclusion of a full year of results of the Purolator business, which was acquired by Arvin in March 1999. Purolator generated \$318 million of pro forma sales in fiscal 2000, as compared to \$203 million in pro forma sales in fiscal 1999. These increases were partially offset by price reductions and product mix issues, the negative impact

of currency translation and a softening of markets in both North America and Europe in the latter part of the fiscal year.

OPERATING INCOME -- Fiscal 2000 operating income was \$429 million, up \$70 million from fiscal 1999. Operating margin was 8.3 percent in fiscal 2000 versus 8.1 percent in fiscal 1999. In fiscal 2000, the company completed the sale of its LVS seat adjusting systems business for approximately \$135 million in cash, resulting in a one-time gain of \$83 million (\$51 million after-tax, or \$0.96 per share). Also during fiscal 2000, the company recorded a restructuring charge of \$26 million (\$16 million after-tax, or \$0.30 per share), merger expenses of \$10 million (\$6 million after-tax, or \$0.11 per share) and a gain on sale of land of \$6 million (\$3 million after-tax, or \$0.05 per share). Fiscal 1999 operating income was \$359 million, and includes a restructuring charge of \$28 million (\$17 million after-tax, or \$0.33 per share) and a one-time gain of \$24 million (\$18 million after-tax, or \$0.34 per share) in connection with the formation of a transmission and clutch joint venture with ZF.

Excluding the restructuring charges, merger costs and one-time gains from sales of businesses and assets, operating income was \$376 million in fiscal 2000, up \$13 million from \$363 million in fiscal 1999. This increase is attributable to the results of Arvin, included in the company's results after July 7, 2000. Segment operating margin was 7.3 percent in fiscal 2000, as compared to 8.2 percent in fiscal 1999. On a pro forma basis, segment operating income was \$515 million in fiscal 2000, down 3 percent from \$533 million in fiscal 1999. Pro forma segment operating margin declined from 7.1 percent in fiscal 1999 to 6.7 percent in fiscal 2000.

LVS OPERATING INCOME -- LVS operating income was \$149 million in fiscal 2000, with operating margin of 7.3 percent. Operating income was up \$19 million, or 15 percent, from 1999, although operating margin

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decreased from 8.3 percent. Results from the merger with Arvin contributed \$7 million of operating income in fiscal 2000. Operating income increased due to the volume contribution from higher sales and favorable product mix. On a pro forma basis, operating income for fiscal 2000 increased \$33 million, or 17 percent, to \$232 million. Pro forma operating margin increased from 5.7 percent in fiscal 1999 to 6.3 percent in fiscal 2000.

CVS OPERATING INCOME -- CVS operating income was \$221 million in fiscal 2000, a decrease of 5 percent from 1999. Operating margin declined by 40 basis points to 7.7 percent in fiscal 2000. The decline in margin was driven by higher costs due to unfavorable economics, the negative impact of currency exchange and higher warranty expenses. On a pro forma basis, operating income for fiscal 2000 was \$231 million, also down 6 percent from pro forma fiscal 1999. Pro forma operating margin of 7.9 percent also declined by 40 basis points.

LVA OPERATING INCOME -- LVA operating income was \$6 million in fiscal 2000, with an operating margin of 2.9 percent. This business was acquired as part of the merger with Arvin and is, accordingly, included in the consolidated results from July 7, 2000, and forward. On a pro forma basis, operating income and margin for fiscal 2000 were \$43 million and 4.5 percent, respectively, down from fiscal 1999 pro forma operating income of \$72 million and related margin of 7.9 percent. The decline in LVA pro forma operating income relates primarily to reduced pricing and product mix issues, and was partially offset by increased volume. The decline in operating income also reflects the soft market conditions experienced in late fiscal 2000 and consolidation of the distribution channel base.

EQUITY IN EARNINGS OF AFFILIATES -- Equity in earnings of affiliates was down \$6 million in fiscal 2000, to \$29 million, primarily as a result of the lower North American truck volumes.

INTEREST EXPENSE, NET AND OTHER (INTEREST EXPENSE) -- Interest expense for fiscal 2000 was \$89 million, up \$28 million from fiscal 1999 interest expense of \$61 million. The increase was primarily attributable to higher debt levels associated with acquisitions and the share repurchase programs. On a pro forma

basis, fiscal 2000 interest expense increased \$25 million, to \$142 million, primarily as a result of the share repurchase programs and acquisitions made during fiscal 1999.

NET INCOME AND DILUTED EARNINGS PER SHARE -- Net income for fiscal 2000 was \$218 million, or \$4.12 per share, an increase of 12 percent and 10 percent, respectively, as compared with fiscal 1999 net income of \$194 million, or \$3.75 per share. Diluted earnings per share before special items was \$3.52 in fiscal 2000, compared with 1999 diluted earnings per share before special items of \$3.73. Special items include the restructuring costs, one-time gains and merger expenses discussed earlier. On a pro forma basis, excluding special items, fiscal 2000 diluted earnings per share was down to \$3.56, compared to 1999 diluted earnings per share of \$3.66.

AFFILIATES

At September 30, 2001, the company had 14 joint ventures which were not majority-owned and controlled and were accounted for under the equity method of accounting. These strategic alliances provide for sales, product design, development and manufacturing in certain product and geographic areas. Aggregate sales of these affiliates were \$1,782 million, \$924 million and \$488 million in fiscal 2001, 2000 and 1999, respectively. The increase in fiscal 2001 is due to the inclusion of \$1,129 million in sales from Arvin's affiliates in the first three quarters of fiscal 2001 versus none from Arvin's affiliates in the corresponding period of the prior year, due to the merger, offset slightly by the decline in sales of certain CVS affiliates. The increase in fiscal 2000 is due to the inclusion of approximately \$290 million in sales from Arvin's affiliates and \$146 million attributable to sales of the ZF Meritor joint venture created in late fiscal 1999.

The company's equity in earnings of affiliates was \$4 million in fiscal 2001, compared to \$29 million in fiscal 2000 and \$35 million in fiscal 1999. Cash dividends to ArvinMeritor from these joint ventures were \$24 million, \$32 million and \$28 million in fiscal 2001, 2000 and 1999, respectively. The decreases in earnings of affiliates over the three year period is primarily a result of the lower North American heavy truck volumes, which resulted in lower sales and lower earnings of certain affiliates.

INCOME TAXES

The effective income tax rate in fiscal 2001 was 33.5 percent, compared to 38.2 percent in fiscal 2000 and 38.8 percent in fiscal 1999. The company's effective tax rate has been favorably impacted over the three-year period by ongoing legal entity restructuring, which more closely aligns the company's organizational structure with the underlying operations of the business.

INTERNATIONAL OPERATIONS

Approximately 41 percent of the company's total assets as of September 30, 2001, and 37 percent of fiscal 2001 sales were outside North America. Management believes that international operations have significantly benefited the financial performance of the company. However, the company's international operations are subject to a number of risks inherent in operating abroad. There can be no assurance that these risks will not have a material adverse impact on the company's ability to increase or maintain its foreign sales or on its financial condition or results of operations. The company's sales in fiscal 2001 and 2000 were negatively impacted by approximately \$170 million and \$130 million, respectively, due to exchange rate changes. Operating income in fiscal 2001 and 2000 was negatively impacted due to foreign exchange by \$19 million and \$20 million, respectively. The impact the euro and other currencies will have on the company's sales and operating income is difficult to predict in the upcoming year.

On January 1, 1999, the euro became the common currency of 11 countries of the European Union and the present national currencies of these 11 countries

became sub-units of the euro at fixed exchange rates. Subsequent to January 1, 1999, an additional country was added to the European Monetary Union. The European Union's current plans call for the transition to the euro to be substantially completed by January 1, 2002, at which time the euro will become the sole legal tender in those participating countries.

The company is engaged in business in many of the countries that participate in the European Monetary Union, and sales for fiscal 2001 in these countries were approximately 18 percent of the company's total sales. In addition, the company enters into foreign currency forward exchange contracts with respect to several of the existing currencies that have been subsumed into the euro and has borrowings in participating currencies primarily under its revolving Credit Facility. The company has analyzed the potential effects of the euro conversion on competitive conditions, information technology and other systems, currency risks, financial instruments and contracts, and has examined the tax and accounting consequences of euro conversion, and believes that the conversion will not have a material adverse effect on its business, operations and financial condition.

The company is making the necessary adjustments to accommodate the conversion, including modifications to its information technology systems and programs, pricing schedules and financial instruments. The company expects that all necessary actions will be completed in a timely manner, and that the costs associated with the conversion to the euro will not be material.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The company is exposed to foreign currency exchange rate risk related to its transactions denominated in currencies other than the U.S. dollar and interest rate risk associated with the company's debt.

The company enters into foreign currency forward exchange contracts to minimize the risk of unanticipated gains and losses from currency rate fluctuations on foreign currency commitments entered into in the ordinary course of business (see Note 13 of Notes to Consolidated Financial Statements). It is the policy of the company not to enter into derivative financial instruments for speculative purposes, and therefore the company holds no derivative instruments for trading purposes.

The company has performed a sensitivity analysis assuming a hypothetical 10-percent adverse movement in foreign currency exchange rates and interest rates applied to the underlying exposures described above. As of September 30, 2001, the analysis indicated that such market movements would not have a material effect on the company's consolidated financial position, results of operations or cash flows. Actual gains or losses in

the future may differ significantly from that analysis, however, based on changes in the timing and amount of interest rate and foreign currency exchange rate movements and the company's actual exposures.

NEW ACCOUNTING PRONOUNCEMENTS

There were no new accounting pronouncements adopted by the company in fiscal 2001 that had a material impact on the company's financial condition or results of operations.

On October 1, 2000, the company adopted Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities", as amended. The adoption of this standard, as amended, did not have a material impact on the company (see Note 13 of Notes to Consolidated Financial Statements).

The company adopted Statement of Financial Accounting Standards No. 140 "Accounting for Transfers and Servicing of Financial Assets and Extinguishment of Liabilities -- a replacement of FASB Statement No. 125" in the second quarter

of fiscal 2001. The adoption of this statement did not have a material impact on the company (see Note 4 of Notes to Consolidated Financial Statements).

In June 2001, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 142 (SFAS 142), "Goodwill and Other Intangible Assets". SFAS 142 requires goodwill to be subject to annual impairment testing instead of amortization. The company will adopt this standard effective October 1, 2001. Management is currently analyzing the impact of adoption of this standard, but anticipates it will result in a cumulative effect of an accounting change of approximately \$40 million (\$40 million after-tax, or \$0.61 per basic and diluted share) for an impairment loss on goodwill. In addition, the adoption will eliminate annual amortization expense of approximately \$24 million (\$20 million after-tax, or \$0.30 per share). See Note 2 of Notes to Consolidated Financial Statements.

In October 2001, the FASB issued Statement of Financial Accounting Standards No. 144 (SFAS 144), "Accounting for the Impairment or Disposal of Long-Lived Assets". The new standard requires one model of accounting for long-lived assets to be disposed of, and broadens the definition of discontinued operations to include a component of a segment. SFAS 144 is effective for fiscal years beginning after December 15, 2001. The company does not expect the adoption of this statement to have a significant impact on its financial position or results of operation.

CAUTIONARY STATEMENT

This Management's Discussion and Analysis, as well as other sections of this annual report, contains statements relating to future results of the company (including certain projections and business trends) that are "forward-looking statements" as defined in the Private Securities Litigation Reform Act of 1995. Forward-looking statements are typically identified by words or phrases such as "believe," "expect," "anticipate," "estimate," "should," "are likely to be" and similar expressions. Actual results may differ materially from those projected as a result of certain risks and uncertainties, including, but not limited to, global economic and market conditions; the demand for commercial, specialty and light vehicles for which the company supplies products; risks inherent in operating abroad; OEM program delays; demand for and market acceptance of new and existing products; successful development of new products; reliance on major OEM customers; labor relations of the company, its customers and suppliers; successful integration of acquired or merged businesses; the failure to achieve the expected annual savings and synergies from past and future business combinations; competitive product and pricing pressures; the amount of the company's debt; the ability of the company to access capital markets; the credit ratings of the company's debt, as well as other risks and uncertainties, such as those described in this annual report and those detailed herein and from time to time in the filings of the company with the Securities and Exchange Commission. These forward-looking statements are made only as of the date hereof, and the company undertakes no obligation to update or revise the forward-looking statements, whether as a result of new information, future events or otherwise.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

INDEPENDENT AUDITORS' REPORT

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

Troy, Michigan

We have audited the accompanying consolidated balance sheets of ArvinMeritor, Inc. and subsidiaries ("the Company") as of September 30, 2001 and 2000, and the related consolidated statements of income, shareowners' equity and cash flows for each of the three years in the period ended September 30, 2001. Our audits also included the financial statement schedule listed in the Index at Item 14(a)(2). These financial statements and financial statement schedule are

the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits.

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

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of ArvinMeritor, Inc. and subsidiaries at September 30, 2001 and 2000, and the results of their operations and their cash flows for each of the three years in the period ended September 30, 2001 in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

DELOITTE & TOUCHE LLP
Detroit, Michigan
November 13, 2001

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ARVINMERITOR, INC.

STATEMENT OF CONSOLIDATED INCOME (IN MILLIONS, EXCEPT PER SHARE AMOUNTS)

	YEAR ENDED SEPTEMBER 30,		
	2001	2000	1999
Sales.....	\$6,805	\$5,153	\$4,450
Cost of sales.....	6,074	4,410	3,798
GROSS MARGIN.....	731	743	652
Selling, general and administrative.....	(428)	(348)	(278)
Goodwill amortization.....	(24)	(19)	(11)
Restructuring costs and other charges.....	(84)	(26)	(28)
Merger expenses.....	--	(10)	--
Gain on sale of business and other.....	--	89	24
OPERATING INCOME.....	195	429	359
Equity in earnings of affiliates.....	4	29	35
Interest expense, net and other.....	(136)	(89)	(61)
INCOME BEFORE INCOME TAXES.....	63	369	333
Provision for income taxes.....	(21)	(141)	(129)
Minority interests.....	(7)	(10)	(10)
NET INCOME.....	\$ 35	\$ 218	\$ 194
Basic and Diluted Earnings per Share.....	\$ 0.53	\$ 4.12	\$ 3.75
Basic and Diluted Average Common Shares Outstanding.....	66.1	52.9	51.8

See Notes to Consolidated Financial Statements

ARVINMERITOR, INC.

CONSOLIDATED BALANCE SHEET
(IN MILLIONS)

	SEPTEMBER 30,	
	2001	2000
	-----	-----
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents.....	\$ 101	\$ 116
Receivables (less allowance for doubtful accounts: 2001, \$18; 2000, \$22).....	965	1,278
Inventories.....	457	583
Other current assets.....	232	212
	-----	-----
TOTAL CURRENT ASSETS.....	1,755	2,189
	-----	-----
NET PROPERTY.....	1,200	1,348
NET GOODWILL (less accumulated amortization: 2001, \$73; 2000, \$48).....	835	756
OTHER ASSETS.....	572	427
	-----	-----
TOTAL ASSETS.....	\$4,362	\$4,720
	=====	=====
LIABILITIES AND SHAREOWNERS' EQUITY		
CURRENT LIABILITIES		
Short-term debt.....	\$ 94	\$ 183
Accounts payable.....	1,054	1,058
Accrued compensation and benefits.....	184	203
Accrued income taxes.....	26	27
Other current liabilities.....	314	254
	-----	-----
TOTAL CURRENT LIABILITIES.....	1,672	1,725
	-----	-----
LONG-TERM DEBT.....	1,313	1,537
ACCRUED RETIREMENT BENEFITS.....	459	382
OTHER LIABILITIES.....	141	113
MINORITY INTERESTS.....	69	96
PREFERRED CAPITAL SECURITIES.....	57	74
SHAREOWNERS' EQUITY		
Common stock (2001, 71.0 shares issued and 65.6 outstanding; 2000, 71.0 shares issued and 67.9 outstanding).....	71	71
Additional paid-in capital.....	547	546
Retained earnings.....	450	466
Treasury stock (2001, 5.4 shares; 2000, 3.1 shares).....	(69)	(53)
Unearned compensation.....	(12)	--
Accumulated other comprehensive loss.....	(336)	(237)
	-----	-----
TOTAL SHAREOWNERS' EQUITY.....	651	793
	-----	-----
TOTAL LIABILITIES AND SHAREOWNERS' EQUITY.....	\$4,362	\$4,720
	=====	=====

See Notes to Consolidated Financial Statements

STATEMENT OF CONSOLIDATED CASH FLOWS
(IN MILLIONS)

	YEAR ENDED SEPTEMBER 30,		
	2001	2000	1999
<hr/>			
OPERATING ACTIVITIES			
Net income.....	\$ 35	\$ 218	\$ 194
Adjustments to net income to arrive at cash provided by operating activities:			
Depreciation.....	193	143	120
Goodwill amortization.....	24	19	11
Gain on sale of business and other.....	--	(89)	(24)
Restructuring costs and other charges, net of expenditures.....	51	19	23
Deferred income taxes.....	(57)	32	17
Pension and retiree medical expense.....	62	58	52
Pension and retiree medical contributions.....	(97)	(89)	(71)
Changes in assets and liabilities, excluding effects of acquisitions, divestitures and foreign currency adjustments:			
Sale of receivables.....	211	--	--
Receivables.....	87	15	(95)
Inventories.....	107	(10)	--
Accounts payable.....	3	(28)	45
Change in other working capital.....	(14)	(66)	(18)
Other assets and liabilities.....	--	6	8
	-----	-----	-----
CASH PROVIDED BY OPERATING ACTIVITIES.....	605	228	262
	-----	-----	-----
INVESTING ACTIVITIES			
Capital expenditures.....	(206)	(225)	(170)
Acquisitions of businesses and investments, net of cash acquired.....	(34)	(74)	(573)
Payment of certain merger-related assumed liabilities.....	--	(49)	--
Proceeds from disposition of assets, property and businesses.....	30	148	51
	-----	-----	-----
CASH USED FOR INVESTING ACTIVITIES.....	(210)	(200)	(692)
	-----	-----	-----
FINANCING ACTIVITIES			
Net increase (decrease) in revolving debt.....	(178)	245	9
Payment of notes.....	(125)	--	--
Proceeds from issuance of notes.....	--	--	498
	-----	-----	-----
Net increase (decrease) in debt.....	(303)	245	507
Cash dividends.....	(51)	(35)	(29)
Purchases of treasury stock.....	(31)	(172)	(6)
Purchase of preferred capital securities.....	(17)	--	--
Payment of interest rate settlement cost.....	--	--	(31)
	-----	-----	-----
CASH PROVIDED BY (USED FOR) FINANCING ACTIVITIES.....	(402)	38	441
	-----	-----	-----
EFFECT OF EXCHANGE RATE CHANGES ON CASH.....	(8)	(18)	(8)
CHANGE IN CASH.....	(15)	48	3
CASH AT BEGINNING OF YEAR.....	116	68	65
	-----	-----	-----
CASH AT END OF YEAR.....	\$ 101	\$ 116	\$ 68
	=====	=====	=====

See Notes to Consolidated Financial Statements

ARVINMERITOR, INC.

STATEMENT OF CONSOLIDATED SHAREOWNERS' EQUITY
(IN MILLIONS, EXCEPT PER SHARE AMOUNTS)

	YEAR ENDED SEPTEMBER 30,		
	2001	2000	1999
COMMON STOCK			
Beginning balance.....	\$ 71	\$ 69	\$ 69
ArvinMeritor merger:			
Shares issued to Arvin shareowners.....	--	24	--
Conversion of outstanding Meritor shares.....	--	(15)	--
Cancellation of Meritor treasury stock.....	--	(7)	--
	----	----	----
Ending balance.....	71	71	69
	----	----	----
ADDITIONAL PAID-IN CAPITAL			
Beginning balance.....	546	158	156
ArvinMeritor merger:			
Shares issued to Arvin shareowners and Arvin stock			
options converted.....	--	492	--
Conversion of outstanding Meritor shares.....	--	15	--
Cancellation of Meritor treasury stock.....	--	(119)	--
Issuance of restricted stock and other.....	1	--	2
	----	----	----
Ending balance.....	547	546	158
	----	----	----
RETAINED EARNINGS			
Beginning balance.....	466	283	118
Net income.....	35	218	194
Cash dividends (per share: 2001, \$0.76; 2000, \$0.64; 1999,			
\$0.56).....	(51)	(35)	(29)
	----	----	----
Ending balance.....	450	466	283
	----	----	----
TREASURY STOCK			
Beginning balance.....	(53)	(6)	--
Cancellation of treasury stock in connection with			
merger.....	--	125	--
Purchase of treasury stock.....	(31)	(172)	(6)
Issuance of restricted stock.....	15	--	--
	----	----	----
Ending balance.....	(69)	(53)	(6)
	----	----	----
UNEARNED COMPENSATION			
Beginning balance.....	--	--	--
Issuance of restricted stock.....	(16)	--	--
Compensation expense.....	4	--	--
	----	----	----
Ending balance.....	(12)	--	--
	----	----	----
ACCUMULATED OTHER COMPREHENSIVE LOSS			
Beginning balance.....	(237)	(156)	(77)
Foreign currency translation adjustments.....	(53)	(81)	(79)
Minimum pension liability, net of tax.....	(46)	--	--
	----	----	----
Ending balance.....	(336)	(237)	(156)
	----	----	----
TOTAL SHAREOWNERS' EQUITY.....	\$ 651	\$ 793	\$ 348
	=====	=====	=====
COMPREHENSIVE INCOME (LOSS)			
Net income.....	\$ 35	\$ 218	\$ 194
Foreign currency translation adjustments.....	(53)	(81)	(79)
Minimum liability adjustment.....	(46)	--	--
	----	----	----
TOTAL COMPREHENSIVE INCOME (LOSS).....	\$ (64)	\$ 137	\$ 115
	=====	=====	=====

See Notes to Consolidated Financial Statements

ARVINMERITOR, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION

ArvinMeritor, Inc. (the company or ArvinMeritor) is a leading global supplier of a broad range of integrated systems, modules and components serving light vehicle, commercial truck, trailer and specialty original equipment manufacturers and certain aftermarkets. The company also provides coil coating applications to the transportation, appliance, construction and furniture industries.

On July 7, 2000, Meritor Automotive, Inc. (Meritor) and Arvin Industries, Inc. (Arvin) merged into ArvinMeritor. The merger was accounted for utilizing the purchase method of accounting. The financial information for the periods prior to July 7, 2000, reflect the results of Meritor and its consolidated subsidiaries prior to the merger. The information for periods after July 7, 2000, represents the results of ArvinMeritor and its consolidated subsidiaries.

All share and per share data for periods prior to the merger have been restated to conform with the exchange of Meritor shares to ArvinMeritor shares on a one to 0.75 basis in connection with the merger with Arvin (see Note 3).

Effective October 1, 2000, the company changed the date for the end of its fiscal year to the Sunday nearest September 30. The company's fiscal quarters end on the Sundays nearest December 31, March 31, and June 30. The company's 2001 fiscal year ended on September 30, 2001. All year and quarter references relate to the company's fiscal year and fiscal quarters unless otherwise stated.

Certain prior year amounts have been reclassified to conform with current year presentation.

2. ACCOUNTING POLICIES

Use of Estimates

The financial statements of ArvinMeritor have been prepared in accordance with accounting principles generally accepted in the U.S. that require management to make estimates and assumptions that affect the amounts reported in the financial statements. Actual results could differ from those estimates.

Consolidations and Joint Ventures

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

Foreign Currency

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

Cash Equivalents

The company considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

Inventories

Inventories are stated at the lower of cost (using LIFO, FIFO or average methods) or market (determined on the basis of estimated realizable values).

Tooling

Costs incurred by the company for certain engineering and tooling projects, principally for light vehicle products, for which customer reimbursement is contractually guaranteed are classified as Other Current Assets in the accompanying Consolidated Balance Sheet. Provisions for losses are provided at the time management anticipates costs to exceed anticipated customer reimbursement. Company-owned tooling is classified as property and depreciated over its expected life or the life of the related vehicle platform, whichever is shorter.

Property and Depreciation

Property is stated at cost. Depreciation of property is based on estimated useful lives, generally using the straight-line method. Significant renewals and betterments are capitalized, and replaced units are written off. Maintenance and repairs, as well as renewals of minor amounts, are charged to expense.

Intangible Assets

Goodwill represents the excess of the cost of purchased businesses over the fair value of their net assets at the date of acquisition and is amortized using the straight-line method for periods not to exceed 40 years. All intangibles, including patents, trademarks and licenses, are reviewed periodically to determine whether the carrying amount of the asset is impaired. Adjustments to the carrying value are made if the review indicates this amount will not be recoverable. Goodwill will no longer be amortized upon adoption of Statement of Financial Accounting Standards No. 142 (SFAS 142), "Goodwill and Other Intangible Assets," effective October 1, 2001 (see discussion in "New Accounting Standards").

Capitalized Software

Costs relating to internally developed or purchased software are capitalized and amortized utilizing the straight-line basis over periods not to exceed seven years. These amounts are included in Other Assets in the accompanying Consolidated Balance Sheet.

Impairment of Long-Lived Assets

Management periodically reviews the realizability of long-lived assets, based on an evaluation of remaining useful lives, cash flows and profitability projections.

Revenue Recognition

Revenues are recognized upon shipment of products to customers.

Earnings per Share

Basic earnings per share are based upon the weighted average number of shares outstanding during each year. Diluted earnings per share assumes the exercise of common stock options when dilutive and the impact of restricted stock.

Environmental Matters

The company records accruals for environmental issues in the accounting period in which its responsibility is established and the cost can be reasonably estimated. At environmental sites in which more than one potentially responsible party has been identified, the company records a liability for its allocable share of costs related to its involvement with the site, as well as an allocable share of costs related to insolvent parties or unidentified shares. At environmental sites in which ArvinMeritor is the only responsible party, the company records a liability for the total estimated costs of remediation before consideration of recovery from insurers or other third parties. If recovery from a third party is determined to be probable, the company records a receivable for the estimated recovery.

Stock-Based Compensation

The company accounts for its stock-based compensation using the intrinsic value approach under Accounting Principles Board (APB) Opinion No. 25, "Accounting for Stock Issued to Employees," and has adopted the disclosure-only provisions of Statement of Financial Accounting Standards No. 123 (SFAS 123), "Accounting for Stock-Based Compensation" (see Note 15).

New Accounting Standards

In June 2001, the Financial Accounting Standards Board (FASB) issued SFAS No. 142, "Goodwill and Other Intangible Assets." SFAS 142 requires goodwill to be subject to annual impairment testing instead of amortization, and will be effective for fiscal years beginning after December 15, 2001, with early adoption permitted for fiscal years beginning after March 15, 2001. The company will adopt this standard effective October 1, 2001. Management is currently analyzing the impact of adoption of this standard, but anticipates it will result in a cumulative effect of an accounting change of approximately \$40 million (\$40 million after-tax, or \$0.61 per basic and diluted share) for an impairment loss on goodwill. In addition, the adoption will eliminate annual amortization expense of approximately \$24 million (\$20 million after-tax, or \$0.30 per basic and diluted share).

In October 2001, the FASB issued Statement of Financial Accounting Standards No. 144 (SFAS 144), "Accounting for the Impairment or Disposal of Long-Lived Assets." The new standard requires one model of accounting for long-lived assets to be disposed of, and broadens the definition of discontinued operations to include a component of a segment. SFAS 144 is effective for fiscal years beginning after December 15, 2001, and interim periods within those fiscal years, with early adoption encouraged. The company does not expect the adoption of SFAS 144 to have a significant impact on its financial position or results of operations.

3. ARVINMERITOR MERGER

On July 7, 2000, Meritor and Arvin merged to form ArvinMeritor. Under the terms of the merger agreement, each share of Meritor common stock was converted into the right to receive 0.75 shares of common stock of ArvinMeritor, and each share of Arvin common stock was converted into the right to receive one share of common stock of ArvinMeritor plus \$2.00 in cash. In total, approximately 62.3 million shares of Meritor, 24.3 million shares of Arvin and \$48.5 million in cash were exchanged for approximately 71.0 million shares of ArvinMeritor.

The merger was accounted for by the purchase method of accounting. Accordingly, the results of operations of Arvin are included with those of the company for the periods subsequent to the date of the merger. The total merger consideration of \$576 million was allocated first to assets and liabilities based on their fair values as of the merger date, with the residual allocated to goodwill, which is being amortized on a straight-line basis over 40 years. Since the company assumed the stock options outstanding of Arvin, the fair value of these options was included in determining the fair value of the consideration.

ARVINMERITOR, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

A summary of the fair market value of assets and liabilities acquired is as follows:

Current assets.....	\$ 939
Property plant and equipment.....	504
Goodwill.....	428
Other assets.....	259

Total assets.....	2,130
Current liabilities.....	(1,028)
Long-term liabilities.....	(131)
Long-term debt and capital securities.....	(395)

Fair market value.....	\$ 576
	=====

The allocation of the purchase price has been revised from previously reported amounts to reflect asset appraisals, restructuring actions, and other items recorded under purchase accounting.

Pro forma sales, net income and earnings per share amounts (both basic and diluted) for the fiscal year ended September 30, 2000, would have been \$7,722 million, \$287 million and \$4.02 per share, respectively, and exclude a non-recurring charge of \$70 million (\$58 million after-tax or \$0.81 per basic and diluted share) for merger-related expenses. The pro forma adjustments are based upon available information and certain assumptions that management believes are reasonable. The pro forma data is not necessarily indicative of the results of operations of ArvinMeritor that would have been achieved if the merger had in fact occurred on such dates, or the results of operations of ArvinMeritor for any period subsequent to the merger. The pro forma data does not give effect to any restructuring costs or to cost savings or other synergies that have resulted from the merger.

4. ASSET SECURITIZATION

In September 2000, the FASB issued Statement of Financial Accounting Standards No. 140 (SFAS 140), "Accounting for Transfers and Servicing of Financial Assets and Extinguishment of Liabilities -- a replacement of FASB Statement No. 125." The new standard carries forward some provisions of SFAS 125, but modifies the methods of accounting for securitizations and other transfers of financial assets and collateral, in addition to requiring additional disclosures. The company adopted SFAS 140 in the second quarter of fiscal 2001. The adoption of SFAS 140 did not have a material impact on the financial position or results of operations of the company.

During fiscal 2001, the company sold substantially all of the trade receivables of certain subsidiaries to ArvinMeritor Receivables Corporation (ARC), a wholly owned subsidiary of the company. ARC then entered into an agreement (asset securitization facility) to sell an undivided interest in up to \$250 million of the receivables to a group of banks. As of September 30, 2001, \$211 million of trade receivables had been sold and are excluded from receivables in the consolidated balance sheet. The company has no retained interest in the receivables sold, but does retain collection and administrative responsibilities. The receivables were sold at fair market value and a discount on the sale of approximately \$3 million was recorded in interest expense, net and other. The banks have a preferential interest in approximately \$202 million of the remainder of the receivables held at ARC to secure the obligation under the asset securitization facility.

ARVINMERITOR, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

5. RESTRUCTURING COSTS AND OTHER CHARGES

During fiscal 2001, the company recorded charges of \$67 million (\$45 million after-tax, or \$0.68 per basic and diluted share) for restructuring costs, \$12 million (\$8 million after-tax, or \$0.12 per basic and diluted share) for an employee separation agreement and \$5 million (\$3 million after-tax, or \$0.05 per basic and diluted share) for additional environmental liability (see Note 20). The restructuring charge was net of approximately \$4 million of restructuring reserves established in fiscal 2000 that were reversed due to a change in circumstance resulting from the ArvinMeritor merger. In addition, approximately \$12 million of restructuring reserves established in fiscal 2001 were reversed primarily due to actions taken to minimize severance costs related to cost-reduction programs in Europe. The fiscal 2001 net charges include severance and other employee costs of approximately \$48 million related to a net reduction of approximately 1,350 employees, with the balance primarily associated with facility related costs from the rationalization of operations. As of September 30, 2001 approximately 800 employees had been terminated under this restructuring action. All restructuring actions will be finalized within one year of recording the initial charge, and substantially all costs related to those actions will be paid during that time.

In the third quarter of fiscal 2000, the company recorded a restructuring charge of \$26 million (\$16 million after-tax, or \$0.30 per basic and diluted share). The original charge included severance and other employee costs of approximately \$19 million related to a net reduction of approximately 500 employees, with the balance primarily associated with facility related costs from the rationalization of operations. In the second quarter of fiscal 2001, approximately \$4 million of restructuring reserves were reversed (discussed above), which changed the total employee costs incurred for the fiscal 2000 restructuring charge to \$15 million related to a net reduction of 350 employees. As of September 30, 2001, approximately 350 employees had been terminated, and all restructuring actions were complete.

A summary of the restructuring charges as of September 30, 2001 is as follows (in millions):

	EMPLOYEE TERMINATION BENEFITS	ASSET IMPAIRMENT	OTHER	TOTAL
	-----	-----	-----	-----
Fiscal 2000 original charge.....	\$ 19	\$ 6	\$ 1	\$ 26
Reversal of charge in 2001.....	(4)	--	--	(4)
Write-down of assets.....	--	(6)	--	(6)
Cash payments through 9/30/01.....	(15)	--	(1)	(16)
	----	----	----	----
Subtotal.....	--	--	--	--
	----	----	----	----
Fiscal 2001 original charges.....	60	19	4	83
Reversal of charge.....	(12)	--	--	(12)
Write-down of assets.....	--	(19)	--	(19)
Cash payments through 9/30/01.....	(19)	--	(3)	(22)
	----	----	----	----
Subtotal.....	29	--	1	30
	----	----	----	----
Reserve balance at 9/30/01.....	\$ 29	\$ --	\$ 1	\$ 30
	====	====	====	====

In fiscal 2001, the company also recorded approximately \$34 million of

restructuring costs that were incurred as a result of the ArvinMeritor merger and are reflected in the purchase price allocation (see Note 3). These costs include approximately \$17 million related to a net reduction of approximately 1,200 employees, with the balance primarily associated with facility related costs from the rationalization of operations. As of September 30, 2001, approximately 500 employees had been terminated under this restructuring action, and approximately \$16 million of reserves remained in the consolidated balance sheet.

The company recorded a restructuring charge of \$28 million (\$17 million after-tax, or \$0.33 per basic and diluted share) in fiscal 1999. The charge included severance and other employee costs of approximately \$14 million, related to a net reduction of approximately 350 employees, with the balance primarily associated with facility-related costs from the rationalization of operations. All restructuring actions were complete as of June 30, 2000.

ARVINMERITOR, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

6. INVENTORIES

Inventories are summarized as follows (in millions):

	SEPTEMBER 30,	
	2001	2000
	-----	-----
Finished goods.....	\$238	\$298
Work in process.....	118	142
Raw materials, parts and supplies.....	152	195
	----	----
Total.....	508	635
Less allowance to adjust the carrying value of certain inventories (2001, \$69; 2000, \$125) to a LIFO basis.....	(51)	(52)
	----	----
Inventories.....	\$457	\$583
	====	====

7. OTHER CURRENT ASSETS

Other Current Assets are summarized as follows (in millions):

	SEPTEMBER 30,	
	2001	2000
	-----	-----
Current deferred income taxes (see Note 18).....	\$138	\$122
Customer tooling.....	30	37
Asbestos-related recoveries (see Note 20).....	24	--
Prepaid and other.....	40	53
	----	----
Other Current Assets.....	\$232	\$212
	====	====

8. NET PROPERTY

Net Property is summarized as follows (in millions):

	SEPTEMBER 30,	
	2001	2000
Property at cost:		
Land and land improvements.....	\$ 55	\$ 66
Buildings.....	416	400
Machinery and equipment.....	1,596	1,572
Company-owned tooling.....	206	190
Construction in progress.....	131	221
	-----	-----
Total.....	2,404	2,449
Less accumulated depreciation.....	(1,204)	(1,101)
	-----	-----
Net Property.....	\$ 1,200	\$ 1,348
	=====	=====

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ARVINMERITOR, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

9. OTHER ASSETS

Other Assets are summarized as follows (in millions):

	SEPTEMBER 30,	
	2001	2000
Investments in affiliates.....	\$186	\$200
Long-term deferred income taxes (see Note 18).....	119	9
Prepaid pension costs (see Note 17).....	87	78
Net capitalized computer software costs.....	42	41
Patents, trademarks and licenses.....	36	38
Asbestos-related recoveries (see Note 20).....	36	--
Other.....	66	61
	-----	-----
Other Assets.....	\$572	\$427
	=====	=====

10. OTHER CURRENT LIABILITIES

Other Current Liabilities are summarized as follows (in millions):

	SEPTEMBER 30,	
	2001	2000
Accrued product warranties.....	\$ 94	\$ 95
Accrued taxes other than income taxes.....	48	36
Accrued restructuring.....	46	16

Asbestos-related liabilities (see Note 20).....	24	--
Environmental reserves (see Note 20).....	18	11
Other.....	84	96
	----	----
Other Current Liabilities.....	\$314	\$254
	=====	=====

11. OTHER LIABILITIES

Other Liabilities are summarized as follows (in millions):

	SEPTEMBER 30,	

	2001	2000
	-----	-----
Asbestos-related liabilities (see Note 20).....	\$ 47	\$ --
Deferred payments.....	29	34
Environmental reserves (see Note 20).....	25	27
Other.....	40	52
	----	----
Other Liabilities.....	\$141	\$113
	=====	=====

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ARVINMERITOR, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

12. LONG-TERM DEBT

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

	SEPTEMBER 30,	

	2001	2000
	-----	-----
6 7/8 percent notes due 2001.....	\$ --	\$ 75
7.94 percent notes due 2005.....	--	50
6 3/4 percent notes due 2008.....	100	100
7 1/8 percent notes due 2009.....	150	150
6.8 percent notes due 2009.....	498	498
Commercial paper.....	--	560
Bank revolving credit facilities.....	495	194
Lines of credit and other.....	164	93
	-----	-----
Subtotal.....	1,407	1,720
Less current maturities.....	(94)	(183)
	-----	-----
Long-Term Debt.....	\$1,313	\$1,537
	=====	=====

The company has two unsecured credit facilities: a 364-day, \$750-million credit facility and a five-year \$750-million revolving credit facility. The 364-day facility matures on June 26, 2002, with the option to convert borrowings thereunder to a one-year term loan. The five-year facility matures on June 27, 2005. Borrowings are subject to interest based on quoted LIBOR rates plus a

margin, in addition to a facility fee, both of which are based on the company's credit rating. At September 30, 2001, the margin over the LIBOR rate was 105 basis points, and the facility fee was 20 basis points. At September 30, 2001, the company was in compliance with all covenants and there have been no events of default. At September 30, 2001 there were \$495 million in outstanding borrowings under these facilities.

The company also has a commercial paper program with authorized borrowings of up to \$1 billion. Interest rates applicable to our commercial paper borrowings are currently higher than the cost of other available sources of financing, and no borrowings were outstanding as of September 30, 2001.

On April 12, 2001, the company filed a shelf registration statement with the Securities and Exchange Commission registering \$750 million aggregate principal amount of debt securities that may be offered in one or more series on terms to be determined at the time of sale. The registration statement became effective on April 18, 2001. Except as may otherwise be determined at the time of sale, the net proceeds would be used for repayment of outstanding indebtedness and for other general corporate purposes.

The company has \$50 million of unsecured lines of credit with interest rates determined at the time of borrowing. At September 30, 2001, there were \$50 million in outstanding borrowings under these facilities.

Included in the Consolidated Balance Sheet are \$57 million of 9.5 percent company-obligated mandatorily redeemable preferred capital securities ("capital securities"), issued by a wholly owned subsidiary trust of ArvinMeritor, due February 1, 2027, and callable in February 2007. The company fully and unconditionally guarantees the subsidiary trust's obligation under the capital securities.

Included in lines of credit and other are approximately \$50 million of borrowings with a related party.

Future minimum lease payments on operating leases are \$15 million in 2002, \$11 million in 2003, \$10 million in 2004, \$10 million in 2005, \$10 million in 2006 and \$38 million thereafter.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

13. FINANCIAL INSTRUMENTS

In June 1998, the FASB issued Statement of Financial Accounting Standards No. 133 (SFAS 133), "Accounting for Derivative Instruments and Hedging Activities." SFAS 133 requires that all derivatives be recognized as either assets or liabilities in the consolidated balance sheet and be measured at fair value, and that changes in the fair value be recorded in earnings, unless they are designated as hedges of an underlying transaction. The company adopted this standard, as amended, effective October 1, 2000. The adoption of this standard did not have a material impact on the financial position or results of operations of the company.

The company uses forward exchange contracts to offset the effect of exchange rate fluctuations on foreign currency denominated payables and receivables. These contracts help minimize the risk of loss from changes in exchange rates, and are generally of short duration (less than three months). The foreign currency denominated payables and receivables are remeasured on a quarterly basis and the forward exchange contracts are utilized to help offset the earnings impact of the remeasurement. The company has elected not to designate the forward exchange contracts as hedges. The impact of fair valuing the foreign exchange contracts is recognized in operating income. The net income impact of recording these items in the year ended September 30, 2001 was immaterial.

Forward exchange contracts were also used to hedge the purchase of equipment payable in foreign currency and were designated as fair value hedges of the firm commitment. The fair value of the firm commitment was recorded as an asset, the value of the forward contracts was recorded as a liability, and there was no impact to earnings during the year. The value of both the firm commitment and the forward exchange contracts are determined using the forward exchange rates, with all other critical terms of the forward contracts and the hedged transaction being the same. Therefore, the company has determined the change in fair value attributable to the risk being hedged is expected to be completely offset by the change in fair value of the forward contracts. Future assessments of hedge effectiveness will include verifying and documenting if the critical terms of the forward contracts and the firm commitment have changed.

The company's financial instruments include cash, short- and long-term debt and foreign currency forward exchange contracts. As of September 30, 2001 and 2000, the carrying values of the company's financial instruments approximated their fair values, based on prevailing market prices and rates. The notional amount of outstanding foreign currency forward exchange contracts aggregated \$68 million and \$222 million at September 30, 2001 and 2000, respectively. It is the policy of the company not to enter into derivative instruments for speculative purposes.

14. CAPITAL STOCK

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

The company has reserved approximately 15.6 million shares of Common Stock in connection with its Long-Term Incentives Plan (the LTIP), Directors Stock Plan, Incentive Compensation Plan, 1988 and 1998

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Stock Benefit Plans, and Employee Stock Benefit Plan for grants of non-qualified stock options, incentive stock options, stock appreciation rights, restricted stock and stock awards to key employees and the company's directors. At September 30, 2001, there were 7.5 million shares available for future grants under these plans.

In January 2001, the company granted shares of restricted stock to certain employees in accordance with the LTIP. The restricted shares are subject to continued employment by the employee for the period until January 1, 2004, and vest at the end of three years. The grant of shares was issued from treasury shares, and cash dividends on the restricted shares will be reinvested in additional shares of Common Stock during the period. The grant price of the restricted shares was the quoted market price of \$11.375, and is being accounted for as compensation expense over the vesting period.

In June 2001, the company commenced an offer to exchange certain outstanding stock options for restricted shares of the company's Common Stock.

All outstanding stock options issued under the LTIP, the Employee Stock Benefit Plan, the 1998 Stock Benefit Plan and the 1988 Stock Benefit Plan (together, "the plans") that were held by active employees and had an exercise price of \$22.25 or more per share (except options that expired in June 2001) were eligible for exchange. The exchange rate was based on a percentage of the present value of the options and the market price of the Common Stock on May 25, 2001 of \$15.31 per share. In July 2001, 2,810,471 eligible options were cancelled and 681,832 restricted shares of Common Stock were issued under the plans in exchange for those options. The restricted stock will vest in 2006, if the holder remains an active employee through that period, or earlier if certain performance measures are achieved. The grant price of the restricted shares was the quoted market price of \$18.85 on the grant date, and is being accounted for as compensation expense over the minimum vesting period of three years assuming the performance measures will be met. The restricted stock was issued from treasury shares, and cash dividends will be reinvested in additional shares of Common Stock during the period.

In July 2000, the company's board of directors authorized a program to repurchase up to \$100 million of its Common Stock. As of September 30, 2001, 5.4 million shares of ArvinMeritor Common Stock had been purchased under this program at an aggregate cost of approximately \$84 million, or an average of \$15.39 per share. This program was terminated in November 2001.

In September 1999, Meritor's board of directors authorized the purchase of up to \$125 million of Meritor's common stock and in February 2000, the board of directors authorized an additional \$75 million for such purpose. Meritor purchased 5,120,400 shares at an aggregate cost of approximately \$125 million, or an average of \$24.51 per share, under these programs before they were suspended in February 2000 in anticipation of entering into a definitive agreement to merge with Arvin. The treasury stock was cancelled in connection with the merger.

15. STOCK OPTIONS

Stock options granted under the plans described in Note 14 expire ten years from the date of grant and generally have a vesting period of three years. The stock options granted are exercisable at prices equal to the fair market value of Common Stock on the dates the options are granted; accordingly, no compensation expense has been recognized for the stock option plans. All Meritor option quantities and exercise prices have been adjusted for the one Meritor share for 0.75 ArvinMeritor shares exchange ratio as part of the merger (see Note 3).

Upon completion of the merger, each outstanding option to purchase one share of Arvin common stock was converted into an option to purchase one share of ArvinMeritor common stock, plus \$1.00 per share reduction of the exercise price. The converted options generally expire ten years from the date of the original grant and vested immediately upon the merger being consummated. The Arvin stock options originally granted were exercisable at prices not less than the fair market value of Arvin's common stock on the dates the options were granted. Accordingly, no compensation expense has been recognized for the stock option plans.

The Arvin stock options were valued using the Black-Scholes options model and the fair value of the options was included in the purchase price of Arvin, as described in Note 3. All of the converted options are exercisable at prices greater than the fair market value of ArvinMeritor common stock on the date of the conversion.

In July 2001, approximately 2.8 million options were cancelled in exchange for restricted shares of Common Stock (see Note 14).

Information relative to stock options is as follows (shares in thousands):

	SHARES	WEIGHTED AVERAGE EXERCISE PRICE
	-----	-----
Options outstanding at September 30, 1998.....	2,335	\$30.08
Granted.....	629	27.37
Exercised.....	(22)	29.83
Cancelled.....	(218)	29.62
	-----	-----
Options outstanding at September 30, 1999.....	2,724	29.49
Granted.....	729	22.09
Conversion of Arvin options at July 7, 2000.....	3,118	28.10
Exercised.....	--	--
Cancelled.....	(176)	26.96
	-----	-----
Options outstanding at September 30, 2000.....	6,395	28.04
Granted.....	1,573	15.06
Exercised.....	(2)	19.31
Cancelled.....	(3,274)	29.26
	-----	-----
Options outstanding at September 30, 2001.....	4,692	\$23.00
	=====	=====
Exercisable at September 30, 1999:.....	621	\$30.42
Exercisable at September 30, 2000:.....	4,878	28.77
Exercisable at September 30, 2001:.....	3,273	25.86

Options outstanding at September 30, 2001, are summarized as follows (shares in thousands):

	PRICE RANGE			
	-----	-----	-----	-----
	\$14.01-	\$20.01-	\$27.01-	\$34.01-
	\$20.00	\$27.00	\$34.00	\$41.00
	-----	-----	-----	-----
Options outstanding.....	2,424	414	1,469	385
Weighted average remaining life (years).....	8.4	5.7	5.7	6.5
Weighted average exercise price.....	\$16.66	\$22.64	\$29.63	\$38.06
Options exercisable.....	1,235	259	1,394	385
Weighted average price of options exercisable.....	\$18.32	\$22.89	\$29.73	\$38.06

If the company accounted for its stock-based compensation plans using the fair value method provided by SFAS 123, the company's 2001, 2000 and 1999 net income and earnings per share would have been reduced to pro forma net income of \$32 million, \$212 million and \$188 million, respectively, and pro forma earnings per share of \$0.48, \$4.01 and \$3.63, respectively. The weighted average fair value of options granted was \$3.93,

of each option was estimated on the date of grant using the Black-Scholes pricing model utilizing the following assumptions:

	2001 -----	2000 -----	1999 -----
Volatility.....	37.0%	35.0%	31.0%
Life.....	5 years	5 years	5 years
Dividend yield rate.....	5.0%	5.0%	2.0%
Risk-free interest rate.....	5.7%	6.1%	4.8%

16. RETIREMENT MEDICAL PLANS

ArvinMeritor has retirement medical plans that cover the majority of its U.S. and certain non-U.S. employees and provide for medical payments to eligible employees and dependents upon retirement.

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

	2001 ----	2000 ----	1999 ----
Service cost.....	\$ 4	\$ 2	\$ 3
Interest cost.....	36	33	29
Amortization of unrecognized amounts.....	1	(1)	1
	---	---	---
Retirement medical expense.....	\$41	\$34	\$33
	===	===	===

The accumulated benefit obligation is summarized as follows (in millions):

	2001 ----	2000 ----
Accumulated benefit obligation:		
Retirees.....	\$425	\$397
Employees eligible to retire.....	18	22
Employees not eligible to retire.....	50	46
	----	----
Total accumulated benefit obligation.....	\$493	\$465
	====	====

The following reconciles the change in retiree medical accumulated benefit obligation and the amounts included in the balance sheet (in millions):

2001 -----	2000 -----
---------------	---------------

Change in accumulated benefit obligation:

Accumulated benefit obligation at beginning of year.....	\$ 465	\$ 437
Service cost.....	4	2
Interest cost.....	36	33
Plan amendments.....	5	(1)
Acquisitions.....	--	47
Divestitures.....	--	(2)
Actuarial losses (gains).....	36	(2)
Benefits paid (\$41 million in fiscal 1999).....	(53)	(49)
	-----	-----
Accumulated benefit obligation at end of year.....	493	465
Items not recognized in the balance sheet:		
Plan amendments.....	7	10
Actuarial losses.....	(182)	(150)
	-----	-----
Recorded liability at September 30.....	\$ 318	\$ 325
	=====	=====

The discount rates (using a June 30 measurement date) were 7.5 percent in fiscal 2001 and 8.0 percent in fiscal 2000. For measurement purposes, a 7.1 percent and 8.5 percent annual increase in the pre- and post-65 per capita cost of covered health care benefits was assumed for 2001. The rate was assumed to decrease gradually to 5.0 percent for 2011 and remain at that level thereafter.

Increasing the health care cost trend rates by one percentage point would increase the accumulated obligation at September 30, 2001, by approximately \$42 million and would increase total expense by approximately \$4 million. Decreasing the health care cost trend rates by one percentage point would decrease the accumulated obligation at September 30, 2001, by approximately \$38 million and would decrease total expense by approximately \$4 million.

17. RETIREMENT PENSION PLANS

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Net pension expense consisted of the following (in millions):

	2001	2000	1999
	----	----	----
Service cost.....	\$ 31	\$ 22	\$ 21
Interest cost.....	62	37	22
Assumed return on plan assets.....	(74)	(40)	(25)
Amortization of unrecognized amounts.....	2	5	1
	----	----	----
Net pension expense.....	\$ 21	\$ 24	\$ 19

==== =====

The following reconciles the change in pension projected benefit obligation, the change in plan assets and the amounts included in the balance sheet (in millions):

	2001	2000
	-----	-----
Change in projected benefit obligation:		
Projected benefit obligation at beginning of year.....	\$ 852	\$445
Service cost.....	31	22
Interest cost.....	62	37
Participant contributions.....	2	1
Plan amendments.....	--	(1)
Acquisitions.....	--	423
Divestitures.....	(2)	(4)
Actuarial losses (gains).....	78	(21)
Special termination benefits and early retirement.....	18	--
Benefits paid.....	(53)	(21)
Foreign currency rate changes.....	(2)	(29)
	-----	-----
Projected benefit obligation at end of year.....	986	852
	-----	-----
Change in plan assets:		
Fair value of plan assets at beginning of year.....	830	368
Actual return on plan assets.....	(45)	29
Employer contributions.....	44	40
Plan participants' contributions.....	2	1
Acquisitions.....	--	443
Divestitures.....	(2)	(2)
Benefits paid.....	(53)	(21)
Foreign currency rate changes.....	(6)	(28)
	-----	-----
Fair value of plan assets at end of year.....	770	830
	-----	-----
Funded status.....	\$ (216)	\$ (22)
Items not recognized in the balance sheet:		
Actuarial losses.....	224	26
Prior service cost.....	7	9
Net initial asset.....	(8)	(9)
	-----	-----
Net prepaid pension costs.....	\$ 7	\$ 4
	=====	=====

Amounts recognized in the balance sheet at September 30 consisted of:

	2001	2000
	-----	-----
Prepaid pension asset.....	\$ 87	\$ 78
Accrued pension liability.....	(158)	(76)
Intangible asset.....	3	2
Deferred tax asset.....	29	--
Accumulated other comprehensive loss.....	46	--

	-----	----
Net amount recognized.....	\$ 7	\$ 4
	=====	=====

The projected benefit obligation, accumulated benefit obligation, and fair value of plan assets for the pension plans with accumulated benefit obligations in excess of plan assets were \$641 million, \$548 million and \$398 million, respectively, as of September 30, 2001, and \$73 million, \$61 million and \$0 million, respectively, as of September 30, 2000.

Assumptions used (June 30 measurement date):

	2001	2000
	-----	-----
Discount rate.....	6.0 - 7.5%	6.3 - 8.0%
Compensation increase rate.....	2.5 - 4.25%	2.8 - 4.5%
Long-term rate of return on plan assets.....	9.0 - 9.5%	9.0 - 9.5%

The company also sponsors certain defined contribution savings plans for eligible employees. Expense related to these plans was \$11 million, \$8 million and \$6 million for fiscal 2001, 2000 and 1999, respectively.

18. INCOME TAXES

The components of the Provision for Income Taxes are summarized as follows (in millions):

	2001	2000	1999
	----	----	----
Current tax expense:			
U.S.	\$ 23	\$ 17	\$ 38
Foreign.....	61	91	64
State and local.....	(6)	1	10
	----	----	----
Total current tax expense.....	78	109	112
	----	----	----
Deferred tax expense (benefit):			
U.S.	(32)	30	13
Foreign.....	(24)	(3)	3
State and local.....	(1)	5	1
	----	----	----
Total deferred tax expense (benefit).....	(57)	32	17
	----	----	----
Provision for income taxes.....	\$ 21	\$141	\$129
	=====	=====	=====

The deferred tax expense represents tax deductions related to previously accrued expenses. The deferred tax benefit represents the tax impact related to certain accrued expenses that have been recorded for financial statement purposes but are not deductible for income tax purposes until paid.

accompanying Consolidated Balance Sheet consist of the tax effects of temporary differences related to the following (in millions):

	SEPTEMBER 30,	
	2001	2000
	-----	-----
Accrued compensation and benefits.....	\$ 36	\$ 36
Accrued product warranties.....	32	32
Inventory costs.....	21	29
Receivables.....	19	16
Accrued restructuring.....	16	5
Other-net.....	14	4
	----	----
Current deferred income taxes.....	\$138	\$122
	====	====

Net deferred income tax benefits included in Other Assets in the accompanying Consolidated Balance Sheet consist of the tax effects of temporary differences related to the following (in millions):

	SEPTEMBER 30,	
	2001	2000
	-----	-----
Accrued retirement medical costs.....	\$103	\$111
Loss and credit carryforwards.....	91	38
Pensions.....	12	(16)
Taxes on undistributed income.....	(30)	(28)
Property.....	(54)	(99)
Other.....	6	18
	----	----
Subtotal.....	128	24
Valuation allowance.....	(9)	(15)
	----	----
Long-term deferred income taxes.....	\$119	\$ 9
	====	====

Management believes it is more likely than not that current and long-term deferred tax benefits will reduce future current income tax expense and payments. Significant factors considered by management in its determination of the probability of the realization of the deferred tax benefits included: (a) historical operating results, (b) expectations of future earnings and (c) the extended period of time over which the retirement medical liability will be paid. The valuation allowance represents the amount of tax benefits related to net operating loss and tax credit carryforwards, which management believes are not likely to be realized. The carryforward periods for \$55 million of net operating losses and tax credit carryforwards expire between 2002 and 2021. The carryforward period for the remaining net operating losses and tax credits is indefinite.

The company's effective tax rate was different from the U.S. statutory rate for the reasons set forth below:

2001	2000	1999
----	----	----

Statutory tax rate.....	35.0%	35.0%	35.0%
State and local income taxes.....	(4.3)	1.2	2.3
Foreign income taxes.....	(2.8)	0.7	0.7
Goodwill.....	7.2	1.0	0.5
Recognition of basis differences.....	(8.9)	(0.4)	(1.2)
Tax on undistributed foreign earnings.....	3.2	0.7	1.2
Other.....	4.1	--	0.3
	----	----	----
Effective tax rate.....	33.5%	38.2%	38.8%
	====	====	====

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ARVINMERITOR, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

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

	2001	2000	1999
	----	----	----
U.S. income (loss).....	\$ (31)	\$139	\$160
Foreign income.....	94	230	173
	----	----	----
Total.....	\$ 63	\$369	\$333
	====	====	====

No provision has been made for U.S., state or additional foreign income taxes related to approximately \$154 million of undistributed earnings of foreign subsidiaries that have been or are intended to be permanently reinvested.

19. SUPPLEMENTAL FINANCIAL INFORMATION

	2001	2000	1999
	----	----	----
	(IN MILLIONS)		
STATEMENT OF INCOME DATA:			
Maintenance and repairs expense.....	\$ 87	\$ 86	\$ 74
Research, development and engineering expense.....	136	115	117
Rental expense.....	21	26	23
STATEMENT OF CASH FLOWS DATA:			
Interest payments.....	\$139	\$ 95	\$ 61
Income tax payments.....	79	100	95

20. CONTINGENT LIABILITIES

Federal, state and local requirements relating to the discharge of substances into the environment, the disposal of hazardous wastes and other activities affecting the environment have, and will continue to have, an impact on the manufacturing operations of the company. Thus far, compliance with environmental requirements and resolution of environmental claims has been accomplished without material effect on the company's liquidity and capital resources, competitive position or financial statements.

The company has been designated as a potentially responsible party at 10 Superfund sites, excluding sites as to which the company's records disclose no

involvement or as to which the company's potential liability has been finally determined. In the fourth quarter of fiscal 2001, the company recorded a charge of \$5 million (\$3 million after-tax, or \$0.05 per basic and diluted share) to accrue additional liability associated with a Superfund site. The additional liability was recorded upon review of a recent EPA proposal which increased the probable expenditures for remediation of the site by \$5 million and the reasonably possible expenditures by \$17 million. Management estimates the total, reasonably possible costs the company could incur for the remediation of Superfund sites at September 30, 2001, to be approximately \$36 million, of which \$18 million has been accrued.

Various other lawsuits, claims and proceedings have been asserted against the company, alleging violations of federal, state and local environmental protection requirements, or seeking remediation of alleged environmental impairments, principally at previously disposed-of properties. For these matters, management has estimated the total, reasonably possible costs the company could incur at September 30, 2001, to be approximately \$53 million, of which \$25 million has been recorded.

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ARVINMERITOR, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Based on its assessment, management believes that the company's expenditures for environmental capital investment and remediation necessary to comply with present regulations governing environmental protection and other expenditures for the resolution of environmental claims will not have a material adverse effect on the company's liquidity and capital resources, competitive position or financial statements. Management cannot assess the possible effect of compliance with future requirements.

Various other lawsuits, claims and proceedings have been or may be instituted or asserted against the company, relating to the conduct of its business, including those pertaining to product liability, intellectual property, safety and health, and employment matters. Included in these matters are claims for alleged asbestos-related personal injuries, which arose from products manufactured prior to 1977 by a subsidiary acquired by Arvin in 1986. During fiscal years 1996 through 2001, the company and its predecessors paid asbestos-related claims of approximately \$40 million, substantially all of which were reimbursed by insurance. As of September 30, 2001, the company has accrued approximately \$71 million for contingent asbestos-related liabilities, and recorded assets of \$60 million for probable recoveries from third parties and insurance. Management believes that existing insurance coverage will reimburse substantially all of the potential liabilities and expenses related to pending cases.

Prior to February 1, 2001, the Center for Claims Resolution (the "CCR") handled the processing and settlement of asbestos claims on behalf of the company. The company shared in the payments of defense costs and settlements of the asbestos claims with other CCR members. Several members of the CCR have filed for bankruptcy protection, and these members have failed, or may fail, to pay certain financial obligations with respect to settlements that were reached while they were CCR members. The company expects to be subject to claims for payment of a portion of the defaulted shares and an estimate of this payment has been included in the recorded reserves. The company and its insurers are engaged in proceedings to determine whether existing insurance coverage should reimburse any potential liability related to this issue.

Although the outcome of litigation cannot be predicted with certainty, and some lawsuits, claims or proceedings may be disposed of unfavorably to the company, management believes the disposition of matters that are pending or asserted will not have a material adverse effect on the company's financial statements.

ArvinMeritor currently has three reportable operating segments: Light Vehicle Systems (LVS), Commercial Vehicle Systems (CVS) and Light Vehicle Aftermarket (LVA). LVS is a major supplier of aperture systems (primarily roof, door and access control systems and motion control products), undercarriage systems (primarily suspension, ride control and wheel products) and exhaust systems for passenger cars, light trucks and sport utility vehicles to original equipment manufacturers. CVS is a leading supplier of drivetrain systems and components, including axles, brakes, drivelines and ride control products, for medium- and heavy-duty trucks, trailers and off-highway equipment and specialty vehicles. LVA supplies exhaust, ride control, filter products and accessories to the light vehicle aftermarket. Business units that are not focused on automotive products are classified as "Other." The company's Coil Coating operation is the primary component of this classification. Revenues are attributed to geographic areas, based on the location of the assets producing the revenues.

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ARVINMERITOR, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Segment information is summarized as follows (in millions):

Sales:

	2001	2000	1999
	-----	-----	-----
Light Vehicle Systems.....	\$3,588	\$2,031	\$1,575
Commercial Vehicle Systems.....	2,199	2,872	2,875
Light Vehicle Aftermarket.....	859	209	--
Other.....	159	41	--
	-----	-----	-----
Total.....	\$6,805	\$5,153	\$4,450
	=====	=====	=====

Earnings:

	2001	2000	1999
	-----	-----	-----
Operating income:			
Light Vehicle Systems.....	\$ 213	\$ 149	\$ 130
Commercial Vehicle Systems.....	32	221	233
Light Vehicle Aftermarket.....	44	6	--
Other.....	(10)	--	--
	-----	-----	-----
Segment operating income.....	279	376	363
Restructuring costs and other charges.....	(84)	(26)	(28)
Merger expenses.....	--	(10)	--
Gain on sale of business and other.....	--	89	24
	-----	-----	-----
Operating income.....	195	429	359
Equity in earnings of affiliates.....	4	29	35
Interest expense, net and other.....	(136)	(89)	(61)
	-----	-----	-----
Income before income taxes.....	63	369	333
Provision for income taxes.....	(21)	(141)	(129)
Minority interests.....	(7)	(10)	(10)
	-----	-----	-----
Net income.....	\$ 35	\$ 218	\$ 194
	=====	=====	=====

Depreciation and Amortization:

	2001	2000	1999
	----	----	----
Light Vehicle Systems.....	\$ 98	\$ 55	\$ 45
Commercial Vehicle Systems.....	93	98	86
Light Vehicle Aftermarket.....	19	7	--
Other.....	7	2	--
	----	----	----
Total depreciation and amortization.....	\$217	\$162	\$131
	=====	=====	=====

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ARVINMERITOR, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Capital Expenditures:

	2001	2000	1999
	----	----	----
Light Vehicle Systems.....	\$110	\$106	\$ 55
Commercial Vehicle Systems.....	73	112	115
Light Vehicle Aftermarket.....	18	5	--
Other.....	5	2	--
	----	----	----
Total capital expenditures.....	\$206	\$225	\$170
	=====	=====	=====

Segment Assets:

	2001	2000	1999
	-----	-----	-----
Light Vehicle Systems.....	\$1,755	\$1,775	\$ 701
Commercial Vehicle Systems.....	1,577	1,785	1,814
Light Vehicle Aftermarket.....	723	726	--
Other.....	201	228	--
	-----	-----	-----
Segment total assets.....	4,256	4,514	2,515
Corporate.....	106	206	281
	-----	-----	-----
Total assets.....	\$4,362	\$4,720	\$2,796
	=====	=====	=====

Corporate assets consist primarily of cash, taxes and prepaid pension costs. For fiscal 2001, segment assets include \$211 million of receivables sold under the accounts receivable securitization program (see Note 4). As a result, corporate assets are reduced by \$211 million to account for the impact of the sale.

Information on the company's geographic areas is summarized as follows:

Sales by Geographic Area:

	2001	2000	1999
	-----	-----	-----
U.S.	\$3,476	\$2,576	\$2,249
Canada.....	507	441	476
Mexico.....	312	235	145
	-----	-----	-----
Total North America.....	4,295	3,252	2,870
France.....	384	394	398
U.K.	481	345	271
Other Europe.....	1,159	769	584
	-----	-----	-----
Total Europe.....	2,024	1,508	1,253
Other.....	486	393	327
	-----	-----	-----
Total sales.....	\$6,805	\$5,153	\$4,450
	=====	=====	=====

ARVINMERITOR, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Assets by Geographic Area:

	2001	2000	1999
	-----	-----	-----
U.S.	\$2,289	\$2,537	\$1,375
Canada.....	166	176	150
Mexico.....	130	135	83
	-----	-----	-----
Total North America.....	2,585	2,848	1,608
U.K.	566	542	346
France.....	203	226	191
Other Europe.....	692	725	402
	-----	-----	-----
Total Europe.....	1,461	1,493	939
Other.....	316	379	249
	-----	-----	-----
Total assets.....	\$4,362	\$4,720	\$2,796
	=====	=====	=====

Sales to one original equipment manufacturer (OEM) represented 15 percent of the company's sales in fiscal 2001, 18 percent in fiscal 2000, and 23 percent in fiscal 1999. These sales include other customers acquired or merged with this customer. Sales to one other OEM comprised 12 percent of the company's sales in fiscal 2001. No other customer comprised 10 percent or more of the company's sales in the three years ended September 30, 2001.

22. QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

The following is a condensed summary of the company's unaudited quarterly results of operations for fiscal 2001 and 2000 and stock price data for fiscal 2001. The per share amounts are based on the weighted average shares outstanding for that quarter. All historical per share amounts, including stock prices, prior to the merger date have been adjusted for the one for 0.75 exchange ratio as part of the merger (see Note 3).

2001 FISCAL QUARTERS				
FIRST	SECOND	THIRD	FOURTH	2001
-----	-----	-----	-----	-----
(IN MILLIONS, EXCEPT SHARE-RELATED DATA)				

Sales.....	\$1,659	\$1,787	\$1,794	\$1,565	\$6,805
Cost of sales.....	1,487	1,600	1,597	1,390	6,074
Net income (loss).....	(10)	21	30	(6)	35
Net income (loss) per share (basic and diluted).....	(0.15)	0.32	0.46	(0.09)	0.53
Stock Prices					
High.....	\$17.06	\$17.00	\$16.80	\$21.87	\$21.87
Low.....	\$ 8.88	\$11.00	\$12.78	\$12.10	\$ 8.88

First quarter 2001 net income included a restructuring charge of \$46 million (\$30 million after-tax, or \$0.45 per share), second quarter 2001 net income included a restructuring charge of \$9 million (\$6 million after-tax, or \$0.09 per share), third quarter 2001 net income included a restructuring charge of \$(1) million (\$(1) million after-tax, or \$(0.02) per share), and fourth quarter 2001 net income included a restructuring charge of \$13 million (\$10 million after-tax, or \$0.15 per share), a charge associated with an employee

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ARVINMERITOR, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

separation agreement of \$12 million (\$8 million after-tax, or \$0.12 per share), and a charge of \$5 million (\$3 million after-tax, or \$0.05 per share) for additional environmental liability (see Note 5).

	2000 FISCAL QUARTERS				
	FIRST	SECOND	THIRD	FOURTH	2000
(IN MILLIONS, EXCEPT SHARE-RELATED DATA)					
Sales.....	\$1,136	\$1,196	\$1,141	\$1,680	\$5,153
Cost of sales.....	966	1,000	956	1,488	4,410
Net income.....	97	57	40	24	218
Net income per share (basic and diluted).....	1.94	1.22	0.86	0.35	4.12

First quarter 2000 net income included a gain on sale of business of \$83 million (\$51 million after-tax, or \$1.02 per share) (see Note 23) and third quarter 2000 net income included a restructuring charge of \$26 million (\$16 million after-tax, or \$0.34 per share) (see Note 5), and a gain on the sale of land of \$6 million (\$3 million after-tax, or \$0.06 per share). Third and fourth quarters include merger expenses of \$2 million and \$8 million, respectively (\$1 million and \$5 million after-tax, respectively and \$0.02 and \$0.07 per share, respectively).

23. ACQUISITION AND SALE OF BUSINESSES

During fiscal 1999, the company completed the acquisitions of Euclid Industries, the heavy truck axle manufacturing operations of Volvo Truck Corporation and the Heavy Vehicle Braking Systems business of LucasVarity plc. The excess of the purchase price of these acquisitions over the fair market value of assets acquired of \$424 million is included in Net Goodwill in the accompanying Consolidated Balance Sheet and is being amortized on a straight-line basis over 40 years. These acquisitions would have added pro forma sales of \$173 million with no impact on net income on a pro forma basis in 1999, assuming the acquisitions occurred at the beginning of 1999.

In the first quarter of 2000, the company completed the sale of its LVS seat adjusting systems business for approximately \$135 million cash, resulting in a one-time gain of \$83 million (\$51 million after-tax, or \$0.96 per basic and diluted share). The seat adjusting systems business had fiscal 1999 sales of approximately \$130 million.

In the fourth quarter of 1999, a one-time gain of \$24 million (\$18 million after-tax, or \$0.34 per basic and diluted share) was recorded to reflect the formation of a transmission and clutch joint venture with ZF Friedrichshafen AG

(ZF). ArvinMeritor and ZF each own 50 percent of the joint venture.

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ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE COMPANY.

See the information under the captions Election of Directors and Information as to Nominees for Directors and Continuing Directors in the 2002 Proxy Statement. No nominee for director was selected pursuant to any arrangement or understanding between the nominee and any person other than ArvinMeritor pursuant to which such person is or was to be selected as a director or nominee. There are no family relationships, as defined in Item 401 of Regulation S-K, between any of the directors or nominees for directors and any other director, executive officer or person nominated to become a director or executive officer. See also the information with respect to executive officers of ArvinMeritor under Item 4a of Part I.

ITEM 11. EXECUTIVE COMPENSATION.

See the information under the captions Compensation of Directors, Executive Compensation, Agreements with V. William Hunt and Retirement Benefits in the 2002 Proxy Statement.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.

See the information under the captions Voting Securities and Ownership by Management of Equity Securities in the 2002 Proxy Statement.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

None.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K.

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

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

Statement of Consolidated Income, years ended September 30, 2001, 2000 and 1999.

Consolidated Balance Sheet, September 30, 2001 and 2000.

Statement of Consolidated Cash Flows, years ended September 30, 2001, 2000 and 1999.

Statement of Consolidated Shareowners' Equity, years ended September 30, 2001, 2000 and 1999.

Notes to Consolidated Financial Statements.

Independent Auditors' Report.

(2) Financial Statement Schedule for the years ended September 30, 2001, 2000 and 1999.

Schedule II -- Valuation and Qualifying Accounts..... S-1

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

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(3) Exhibits

- 3-a Restated Articles of Incorporation of the company, filed as Exhibit 4.01 to the company's Registration Statement on Form S-4, as amended (Registration Statement No. 333-36448) ("Form S-4"), is incorporated by reference.
- 3-b By-laws of the company, filed as Exhibit 3 to the company's Quarterly Report on Form 10-Q for the quarterly period ended April 1, 2000 (File No. 1-15983), is incorporated by reference.
- 4-a Rights Agreement, dated as of July 3, 2000, between the company and EquiServe Trust Company, N.A., as rights agent, filed as Exhibit 4.03 to the Form S-4, is incorporated by reference.
- 4-b Indenture, dated as of April 1, 1998, between the company and BNY Midwest Trust Company (successor to The Chase Manhattan Bank), as trustee, filed as Exhibit 4 to Meritor's Registration Statement on Form S-3 (Registration No. 333-49777), is incorporated by reference.
- 4-b-1 First Supplemental Indenture, dated as of July 7, 2000, to the Indenture, dated as of April 1, 1998, between the company and BNY Midwest Trust Company (successor to The Chase Manhattan Bank), as trustee, filed as Exhibit 4-b-1 to the company's Annual Report on Form 10-K for the fiscal year ended September 30, 2000 (File No. 1-15983) ("2000 Form 10-K"), is incorporated by reference.
- 4-c Indenture, dated as of July 3, 1990, as supplemented by a First Supplemental Indenture dated as of March 31, 1994, between the company and Harris Trust and Savings Bank, as trustee, filed as Exhibit 4-4 to Arvin's Registration Statement on Form S-3 (Registration No. 33-53087), is incorporated by reference.
- 4-c-1 Second Supplemental Indenture, dated as of July 7, 2000, to the Indenture dated as of July 3, 1990, between the company and Harris Trust and Savings Bank, as trustee, filed as Exhibit 4-c-1 to the 2000 Form 10-K, is incorporated by reference.
- 4-d Indenture, dated as of January 28, 1997, between the company and Wilmington Trust Company, as trustee, filed as Exhibit 4.4 to Arvin's Registration Statement on Form S-3 (Registration No. 333-18521), is incorporated by reference.
- 4-d-1 First Supplemental Indenture, dated as of January 28, 1997, to Indenture dated as of January 28, 1997, between the company and Wilmington Trust Company, as trustee, filed as Exhibit 4.5 to Arvin's Current Report on Form 8-K dated February 10, 1997 (File No. 1-302), is incorporated by reference.
- 4-d-2 Second Supplemental Indenture, dated as of July 7, 2000, to Indenture dated as of January 28, 1997, between the company

- and Wilmington Trust Company, filed as Exhibit 4-d-2 to the 2000 Form 10-K, is incorporated by reference.
- 10-a Agreement and Plan of Reorganization dated as of April 6, 2000, between Meritor, Arvin and Mu Sub, Inc., filed as Exhibit 2.1 to Meritor's Current Report on Form 8-K dated April 14, 2000 (File No. 1-13093), is incorporated by reference.
- 10-b-1 Amended and Restated Five-Year Revolving Credit Agreement dated as of June 27, 2001, among the company, the foreign subsidiary borrowers and lenders from time to time party to the agreement, Bank One, NA, as Administrative Agent, The Chase Manhattan Bank as Syndication Agent, and Citicorp USA, Inc. and Bank of America, NA, as Documentation Agents, filed as Exhibit 10-b to the company's Quarterly Report on Form 10-Q for the quarterly period ended July 1, 2001 (File No. 1-15983), is incorporated by reference.
- 10-b-2 364-Day Credit Agreement dated as of June 27, 2001, among the company, the lenders from time to time party to the agreement, Bank One, NA, as Administrative Agent, The Chase Manhattan Bank as Syndication Agent, and Citicorp USA, Inc., Bank of America, NA, and Deutsche Bank AG New York Branch, as Documentation Agents, filed as Exhibit 10-a to the company's Quarterly Report on Form 10-Q for the quarterly period ended July 1, 2001 (File No. 1-15983), is incorporated by reference.

- *10-c-1 1997 Long-Term Incentives Plan, filed as Exhibit 10-a-1 to Meritor's Annual Report on Form 10-K for the fiscal year ended September 30, 1997 (File No. 1-13093) ("1997 Form 10-K"), is incorporated by reference.
- *10-c-2 Form of Restricted Stock Agreement under the 1997 Long-Term Incentives Plan, filed as Exhibit 10-a-2 to the 1997 Form 10-K, is incorporated by reference.
- *10-c-3 Form of Option Agreement under the 1997 Long-Term Incentives Plan, filed as Exhibit 10(a) to Meritor's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 1998 (File No. 1-13093), is incorporated by reference.
- *10-d-1 Directors Stock Plan, filed as Exhibit 10-b-1 to the 1997 Form 10-K, is incorporated by reference.
- *10-d-2 Form of Restricted Stock Agreement under the Directors Stock Plan, filed as Exhibit 10-b-2 to the 1997 Form 10-K, is incorporated by reference.
- *10-d-3 Form of Option Agreement under the Directors Stock Plan, filed as Exhibit 10(b) to Meritor's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 1998 (File No. 1-13093), is incorporated by reference.
- *10-e Incentive Compensation Plan, filed as Exhibit 10-c-1 to the 1997 Form 10-K, is incorporated by reference.
- *10-f Copy of resolution of the Board of Directors of the company, adopted on July 6, 2000, providing for its Deferred Compensation Policy for Non-Employee Directors, filed as Exhibit 10-f to the 2000 Form 10-K, is incorporated by reference.
- *10-g Deferred Compensation Plan, filed as Exhibit 10-e-1 to Meritor's Annual Report on Form 10-K for the fiscal year ended September 30, 1998 (File No. 1-13093), is incorporated by reference.
- *10-h 1998 Stock Benefit Plan, as amended, filed as Exhibit (d)(2) to the company's Schedule TO, Amendment No. 3 (File No. 5-61023), is incorporated by reference.
- *10-i Employee Stock Benefit Plan, as amended, filed as Exhibit (d)(3) to the company's Schedule TO, Amendment No. 3 (File No. 5-61023), is incorporated by reference.

- *10-j 1988 Stock Benefit Plan, as amended, filed as Exhibit 10 to Arvin's Quarterly Report on Form 10-Q for the quarterly period ended July 3, 1988, and as Exhibit 10(E) to Arvin's Quarterly Report on Form 10-Q for the quarterly period ended July 4, 1993 (File No. 1-302), is incorporated by reference.
- *10-k Employment Agreement, dated as of April 6, 2000, among the company, Arvin and V. William Hunt, filed as Exhibit 10.01 to the Form S-4, is incorporated by reference.
- *10-k-1 Agreement, dated as of August 10, 2001, between the company and V. William Hunt.
- *10-l Form of Arvin Change of Control Agreement, filed as Exhibit 10(I) to Arvin's Annual Report on Form 10-K for the fiscal year ended December 28, 1997 (File No. 1-302), is incorporated by reference.
- 10-m Amended and Restated Receivables Sale Agreement, dated September 27, 2001, among ArvinMeritor Receivables Corporation, the company, Amsterdam Funding Corporation, ABN AMRO Bank N.V., Giro Balanced Funding Corporation, Atlantic Asset Securitization Corp., Bayerische Landesbank Cayman Islands Branch, Bayerische Landesbank, New York Branch, and Credit Lyonnais.
- 10-n Amended and Restated Purchase and Sale Agreement, dated September 27, 2001, among the originators named therein and ArvinMeritor Receivables Corporation.
- 12 Computation of ratio of earnings to fixed charges.
- 21 List of subsidiaries of the company.
- 23-a Consent of M. Lee Murrah, Esq., Chief Intellectual Property Counsel of the company.
- 23-b Consent of Vernon G. Baker, II, Esq., Senior Vice President and General Counsel of the company.

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- 23-c Independent auditors' consent.
- 24 Power of Attorney authorizing certain persons to sign this Annual Report on Form 10-K on behalf of certain directors and officers of the company.

 * Management contract or compensatory plan or arrangement.

(b) Reports on Form 8-K.

The company filed a Current Report on Form 8-K, dated August 18, 2001, reporting under Item 5, Other Matters, a charge against the company's earnings, recorded in the fourth quarter of fiscal year 2001, related to an agreement between the company and V. William Hunt.

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SIGNATURES

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

ARVINMERITOR, INC.

By: /s/ VERNON G. BAKER, II

 Vernon G. Baker, II
 Senior Vice President and General
 Counsel

Date: December 19, 2001

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below on the 19th day of December, 2001 by the following persons on behalf of the registrant and in the capacities indicated.

Larry D. Yost*

Chairman of the Board and Chief Executive Officer (principal executive officer) and Director

Joseph B. Anderson, Jr.

Directors

Steven C. Beering,

Rhonda L. Brooks, Joseph P. Flannery,
William D. George, Jr., Richard W. Hanselman,
Charles H. Harff, Victoria B. Jackson,
James E. Marley, James E. Perrella,
Harold A. Poling and Martin D. Walker *

S. Carl Soderstrom*

Senior Vice President and Chief Financial Officer (principal financial officer)

Diane S. Bullock*

Vice President and Controller (principal accounting officer)

*By: /s/ BONNIE WILKINSON

Bonnie Wilkinson
Attorney-in-fact**

**By authority of powers of attorney filed herewith

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SCHEDULE II

ARVINMERITOR, INC. VALUATION AND QUALIFYING ACCOUNTS FOR THE YEARS ENDED SEPTEMBER 30, 2001, 2000 AND 1999

DESCRIPTION	BALANCE AT BEGINNING OF YEAR (A)	CHARGED TO COSTS AND EXPENSES	OTHER DEDUCTIONS	OTHER	BALANCE AT END OF YEAR (A)
Year ended September 30, 2001:					
Allowance for doubtful accounts.....	\$21.7	\$10.2	\$14.0 (b)	\$ 0.2	\$18.1
Year ended September 30, 2000:					
Allowance for doubtful accounts.....	\$10.4	\$ 2.8	\$ 2.4 (b)	\$10.9 (d)	\$21.7
Year ended September 30, 1999:					
Allowance for doubtful accounts.....	\$13.8	\$ 1.2	\$ 3.9 (b)	(0.7) (c)	\$10.4

(a) Includes allowances for trade and other long-term receivables.

(b) Uncollectible accounts written off.

(c) Includes increase in allowance of \$1.8 million due to acquisition of businesses, less reversal of reserve of \$2.5 million due to change in estimate of collectibility of note receivable.

(d) Includes increase in allowance of \$11.9 million due to Merger.

[Letterhead of ArvinMeritor, Inc.]

August 10, 2001

Mr. V. William Hunt
5775 Sunset Lane
Indianapolis, Indiana 46228

Dear Bill:

This letter will confirm the substance of our conversations regarding your resignation from ArvinMeritor, Inc. (the "Company"). In consideration of the mutual covenants and agreements contained herein, you and the Company agree as follows:

1. Pursuant to this Letter Agreement, you hereby resign voluntarily from your employment with the Company, including your position as Vice Chairman and President of the Company, and all your other positions with subsidiaries and affiliates of the Company, which resignations will be effective as of August 18, 2001 (the "Resignation Date"). In addition, you hereby resign voluntarily, effective as of the Resignation Date, from your position as a director of the Company and as a director of any of its subsidiaries and affiliates. The Company accepts your resignations set forth above.

2. Effective upon the Resignation Date, the Company will pay or provide to you the amounts or benefits described in Section 5(a) of the Agreement by and among the Company (formerly named Mu Sub, Inc.), Arvin Industries, Inc. and you dated as of the 6th day of April, 2000 (the "Employment Agreement") as and when such payments or benefits would be paid or provided under Section 5(a) of the Employment Agreement as if that Section were applicable pursuant to the terms of the Employment Agreement, provided that for purposes of determining the amount or other terms of any payment or benefit under Section 5(a) of the Employment Agreement or the date of payment or provision thereof, the term "Date of Termination" in Section 5(a) of the Employment Agreement will be deemed to refer to the Resignation Date. You agree that Schedule A attached hereto sets forth a complete and accurate list of all payments and benefits to be paid or provided to you under this paragraph 2. In addition, you acknowledge that you have received from the Company (i) detailed calculations of all amounts set forth on Schedule A and Exhibit 2 and you agree that such calculations are complete and accurate and (ii) a summary of retiree health benefits.

3. The provisions of Section 8, Section 9 and the first two sentences of Section 7 of the Employment Agreement are incorporated herein as if set forth in their

entirety herein and as if those provisions were applicable pursuant to the terms of the Employment Agreement, provided that the period applicable to your obligations under Sections 9(b) and 9(c) of the Employment Agreement will be deemed to be a period of one year following the Resignation Date and that it shall not be deemed a violation of such Section 9(b) for you to (i) serve as a non-employee director of any person, firm, corporation or other entity or (ii) serve as a consultant to any person, firm, corporation or other entity that may, when taken as a whole, engage in businesses that are in substantial and direct competition with the Company, provided that your consulting services relate solely to aspects of such entity's business that are not in substantial and direct competition with the Company.

4. The Company agrees to issue a press release on or promptly after the Resignation Date regarding your resignation in the form attached hereto as Exhibit 1.

5. (a) You will not disparage, portray in a negative light, or take any action which would be harmful to, or lead to unfavorable publicity for, the Company or its subsidiaries or divisions, or any of its or their current or former officers, directors, employees, agents, consultants, contractors, owners, divisions, parents or successors, whether public or private, including without limitation, in any and all interviews, oral statements, written materials, electronically displayed materials and materials or information displayed on Internet- or intranet-related sites; provided that this paragraph 5(a) will not apply to the extent you (i) are seeking to enforce your rights under this Letter Agreement or (ii) are making truthful statements when required by order of a court or other legal body having jurisdiction, provided you have given the Company reasonable prior notice of, and a reasonable opportunity to contest, such order. In the event of a breach or threatened breach of this paragraph 5(a), you agree that the Company will be entitled to injunctive relief in a court of appropriate jurisdiction to remedy any such breach or threatened breach and you acknowledge that damages would be inadequate and insufficient.

(b) The Company will not, and will take reasonable measures to cause its senior officers (senior vice presidents or higher level officers) and directors not to, disparage, portray in a negative light, or take any action which would be harmful to, or lead to unfavorable publicity for, you, including without limitation, in any and all interviews, oral statements, written materials, electronically displayed materials and materials or information displayed on Internet- or intranet- related sites; provided that this paragraph 5(b) will not apply to the extent the Company (i) is seeking to enforce its rights under this Letter Agreement or (ii) is making truthful statements when required by order of a court or other legal body having jurisdiction, provided the Company has given you reasonable prior notice of, and a reasonable opportunity to contest, such order. In the event of a breach or threatened breach of this paragraph 5(b), the Company agrees that you will be entitled to injunctive relief in a court of appropriate jurisdiction to remedy

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any such breach or threatened breach and the Company acknowledges that damages would be inadequate and insufficient.

6. You will deliver promptly to the Company (and not keep in your possession or deliver to any other person or entity) any and all property belonging to the Company in your possession or under your control, including without limitation, credit cards, computer hardware and software, palm pilots, pagers, other electronic equipment, records, data, notes, reports, correspondence, financial information, customer files and information and other documents or information (including any and all copies of such Company property). Notwithstanding the foregoing, you may retain the laptop computer and docking station that the Company provided to you during the course of your employment, provided, that you will promptly remove and permanently delete any of the Company's proprietary and/or confidential information stored on such equipment.

7. For a period of three (3) years following the Resignation Date, the Company will pay or reimburse you for your annual membership dues with respect to your Company-sponsored country club membership in effect as of the date hereof, and following such period the Company will consent to your retention of such country club membership upon your reimbursement of the Company for any equity interest in such country club. Within thirty (30) days after your submission to the Company of an invoice for a country club initiation fee for such club membership, the Company will reimburse you in an amount not to exceed \$60,000 for such initiation fee.

8. The Company will make the lease payments under the lease in effect on the date hereof with respect to your present Company vehicle for the remaining term of such lease, it being understood that the Company will have no obligation to pay or reimburse you for any other amounts with respect to such vehicle, including without limitation, fuel, maintenance, insurance or

registration fees. You agree to comply with all other terms and conditions of such lease. At the conclusion of such lease you may purchase such vehicle in accordance with the terms of such lease or the Company policy, whichever is more favorable to you.

9. For a period of three (3) years following the Resignation Date, the Company will pay or reimburse you for the costs of financial counseling services actually incurred by you in an amount per year not to exceed \$10,000.

10. The Company will reimburse you for any reasonable costs invoiced to you by one moving company hired to relocate your possessions from your apartment in Troy, Michigan to one location in the Columbus, Indiana area.

11. For a period of ninety (90) days following the Resignation Date, the Company will make available to you at the Company's Troy, Michigan and Columbus,

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Indiana executive offices during regular business hours secretarial services at a level substantially comparable to the level of secretarial services provided to you as of the date hereof.

12. You agree, on behalf of yourself, your heirs, executors, administrators and assigns, to release, acquit and forever discharge the Company and its subsidiaries and divisions and its and their respective current and former officers, directors, employees, agents, owners, affiliates, successors and assigns (the "Company Released Parties") of and from any and all manner of actions and causes of action, suits, debts, damages, dues, accounts, bonds, covenants, contracts, agreements, judgments, charges, claims, rights and demands whatsoever, whether known or unknown ("Losses"), which you, your heirs, executors, administrators and assigns ever had, now have or may hereafter have, against the Company Released Parties or any of them arising out of or by reason of any cause, matter or thing whatsoever from the beginning of the world to the date hereof, including without limitation, any and all matters relating to your employment by the Company and its predecessors and the cessation thereof, any and all matters relating to your compensation and benefits by or from the Company and its predecessors and any and all matters arising under any federal, state or local statute, rule, regulation or principle of contract law or common law, including but not limited to, Title VII of the Civil Rights Act of 1964, as amended, 42 U.S.C. Sections 2000e et seq., the Age Discrimination in Employment Act of 1967, as amended, 29 U.S.C. Sections 621 et seq. (the "ADEA"), the Americans with Disabilities Act of 1990, as amended, 42 U.S.C. Sections 12101 et seq., the Indiana Civil Rights Law, Burns Ind. Code Ann. Section 22-9 et seq., as amended, and any other equivalent or similar federal, state or local statute; provided, however, that you do not release, acquit or discharge the Company Released Parties from (i) any of the Company's express obligations arising out of or in connection with this Letter Agreement, (ii) any Losses under the ADEA arising after the Resignation Date which relate to occurrences after the Resignation Date, (iii) any express rights you have under stock option plans or agreements in effect on the date hereof with respect to stock options owned by you and set forth on Exhibit 2 or (iv) the Company's obligation to indemnify you for your acts prior to the Resignation Date to the same extent and only to such extent that the Company is obligated to provide such indemnification to its former officers and former directors generally, which shall in no event be less favorable than the indemnification provided to former Arvin Industries, Inc. officers and directors pursuant to Section 6.8(a) of the Agreement and Plan of Reorganization dated as of April 6, 2000 by and among Meritor Automotive, Inc., the Company and Arvin Industries, Inc. It is understood that nothing in this paragraph 12 is to be construed as an admission on behalf of the Company Released Parties of any wrongdoing with respect to you, any such wrongdoing being expressly denied.

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You understand that as a result of this paragraph 12, you will not have the right to assert that the Company unlawfully terminated your employment or violated any of your rights in connection with your employment.

You understand that you have the right to take up to twenty-one (21) days to consider whether to execute this Letter Agreement; however, having had the advice of counsel, by execution hereof, you hereby knowingly waive such 21-day period to consider whether to execute this Letter Agreement. Upon your execution of this Letter Agreement you will have seven (7) days following such execution to revoke the provisions of this Letter Agreement, which revocation will only be effective upon receipt by the Company of written notice of such revocation in accordance with paragraph 20 below. Upon the Company's receipt of any such revocation, this Letter Agreement (with the exception of paragraph 14 below, which will remain in full force and effect) will be void ab initio and the Company will have no obligation to you hereunder. If seven (7) days pass following your execution hereof without such notice of revocation, this Letter Agreement, including without limitation this paragraph 12, will become binding and effective on the eighth (8th) day following such execution.

You affirm that you have not filed, and agree not to initiate or cause to be initiated on your behalf, any complaint, charge, claim or proceeding against the Company Released Parties before any federal, state or local agency, court or other body relating to your employment, the cessation thereof or any other matters covered by the terms of this paragraph 12, and agree not to voluntarily participate in such a proceeding.

13. The Company agrees, on behalf of itself and its current and former officers, directors, agents, subsidiaries, affiliates, divisions, successors and assigns, to release, acquit and forever discharge you and your heirs, executors, administrators and assigns (the "Executive Released Parties") of and from any and all manner of Losses which the Company, its current and former officers, directors, agents, subsidiaries, affiliates, divisions, successors and assigns ever had, now have or may hereafter have, against the Executive Released Parties or any of them arising out of or by reason of any act or omission undertaken by you in the scope of your duties with the Company and its affiliates from the beginning of the world to the date hereof; provided, however, that the Company does not release, acquit or discharge the Executive Released Parties from: (i) any of your express obligations arising out of or in connection with this Letter Agreement; and (ii) any of your acts or omissions involving fraud, dishonesty, gross negligence or willful malfeasance. It is understood that nothing in this paragraph 13 is to be construed as an admission on behalf of the Executive Released Parties of any wrongdoing with respect to the Company, any such wrongdoing being expressly denied.

The Company affirms that it has not filed, and agrees not to initiate or cause to be initiated on its behalf, any complaint, charge, claim or proceeding against the

Executive Released Parties before any federal, state or local agency, court or other body relating to any matters covered by the terms of this paragraph 13 and agrees not to voluntarily participate in such a proceeding.

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

15. The Company will cause to be maintained for a period of six years after the Resignation Date your coverage under the current policies of directors' and officers' liability insurance maintained by the Company (provided that the Company may substitute therefor policies of at least the same coverage and amounts containing terms and conditions which are, in the aggregate, no less advantageous to you) with respect to claims arising from facts or events that occurred on or before the Resignation Date; provided, however, that in no event shall the Company be required to expend in any one year an amount in excess of 200% of the annual premiums currently paid by the Company for such insurance; and, provided, further, that if the annual premiums of such insurance coverage exceed such amount, the Company shall be obligated to obtain a policy with the greatest coverage available for a cost not exceeding such amount.

16. You represent and warrant that you are entering voluntarily into this Letter Agreement, and that, except as set forth herein, no promises or inducements for this Letter Agreement have been made, and you enter into this Letter Agreement without reliance upon any statement or representation by any of the Company Released Parties or any other person, concerning any fact material hereto. You agree and acknowledge that it is your responsibility, in conjunction with your tax advisors, to consider the effect of this Letter Agreement on your individual tax situation and that the Company Released Parties make no representations with regard thereto.

17. You declare and represent that you have carefully read and fully understand the terms of this Letter Agreement, have had the advice and assistance of counsel with respect thereto, and knowingly and of your own free will, without any duress, being fully informed and after due deliberation, voluntarily accept the terms of this Letter Agreement and sign the same as your own free act.

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18. (a) This Letter Agreement is personal to you and without the prior written consent of the Company will not be assignable by you otherwise than by will or the laws of descent and distribution. This Letter Agreement will inure to the benefit of and be enforceable by your legal representatives.

(b) This Letter Agreement will inure to the benefit of and be binding upon the Company and its successors and assigns.

(c) The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company expressly to assume and agree to perform this Letter Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. As used in this Letter Agreement, "Company" will mean the Company as hereinbefore defined and any successor to its business and/or assets as aforesaid which assumes and agrees to perform this Letter Agreement by operation of law or otherwise.

19. This Letter Agreement will be governed by and construed in accordance with the laws of the State of Indiana, without reference to principles of conflict of laws. This Letter Agreement may not be amended or modified otherwise than by a written agreement executed by the parties hereto or their respective successors and legal representatives.

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20. All notices and other communications hereunder will be in writing and will be given by hand delivery to the other party or by registered or certified mail, return receipt requested, postage prepaid, addressed as follows:

If to you: V. William Hunt
5775 Sunset Lane
Indianapolis, Indiana 46228

If to the Company: ArvinMeritor, Inc.
2135 West Maple Road
Troy, Michigan 48084

Attention: Vernon G. Baker, II, Esq.
Senior Vice President, General
Counsel and Secretary

or to such other address as either party shall have furnished to the other in writing in accordance herewith. Notices and communications will be effective when actually received by the addressee.

21. The invalidity or unenforceability of any provision of this Letter Agreement will not affect the validity or enforceability of any other provision of this Letter Agreement.

22. The Company may withhold from any amounts payable under this Agreement such Federal, state, local or foreign taxes as shall be required to be withheld pursuant to any applicable law or regulation.

23. The failure by you or the Company to insist upon strict compliance with any provision of this Letter Agreement, or the failure to assert any right you or the Company may have hereunder, will not be deemed to be a waiver of such provision or right or any other provision of or right under this Letter Agreement.

24. You and the Company agree that effective on the Resignation Date, without limiting the force and effect of paragraphs 2 and 3 above, the Employment Agreement will be terminated and of no further force or effect. This Letter Agreement constitutes the entire agreement between you and the Company with respect to the subject matter hereof and this Letter Agreement will supersede all prior negotiations, agreements or understandings, including without limitation, any other employment, severance or change of control agreement, between you and the Company with respect to the subject matter hereof.

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25. The Company agrees to pay as incurred, to the full extent permitted by law, all legal fees and expenses which you may reasonably incur as a result of any contest including arbitration (regardless of the outcome thereof) by you arising out of the Company's failure to pay or provide you payments or benefits expressly specified to be paid or provided by the Company under this Letter Agreement, plus in each case interest on any delayed payment at the applicable Federal rate provided for in Section 7872(f)(2)(A) of the Internal Revenue Code of 1986, as amended.

26. This Letter Agreement may be executed in several counterparts, each of which will be deemed to be an original but all of which together will constitute one and the same instrument below.

Please indicate your agreement with the foregoing by signing below where indicated.

Sincerely,

ARVINMERITOR, INC.

By: /s/ Larry D. Yost

Name: Larry D. Yost

Title: Chairman of the Board
and Chief Executive Officer

ACCEPTED AND AGREED TO
as of the date first written above:

/s/ V. William Hunt

V. William Hunt

Date:

=====

AMENDED AND RESTATED RECEIVABLES SALE AGREEMENT

DATED AS OF SEPTEMBER 27, 2001

AMONG

ARVINMERITOR RECEIVABLES CORPORATION,
AS THE SELLER,

ARVINMERITOR, INC.,
AS THE INITIAL COLLECTION AGENT,

ABN AMRO BANK N.V.,
AS THE AGENT AND AS A PURCHASER AGENT,

BAYERISCHE LANDESBANK, NEW YORK BRANCH,
AS A PURCHASER AGENT

CREDIT LYONNAIS,
ACTING THROUGH ITS NEW YORK BRANCH,
AS A PURCHASER AGENT

THE OTHER PURCHASER AGENTS
FROM TIME TO TIME HERETO,

THE RELATED COMMITTED PURCHASERS
FROM TIME TO TIME PARTY HERETO,

AMSTERDAM FUNDING CORPORATION,
AS A CONDUIT PURCHASER,

GIRO BALANCED FUNDING CORPORATION,
AS A CONDUIT PURCHASER,

ATLANTIC ASSET SECURITIZATION CORP.,
AS A CONDUIT PURCHASER,

AND

THE OTHER CONDUIT PURCHASERS
FROM TIME TO TIME PARTY HERETO

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AMENDED AND RESTATED RECEIVABLES SALE AGREEMENT

THIS AMENDED AND RESTATED RECEIVABLES SALE AGREEMENT, dated as of September 27, 2001, among ArvinMeritor Receivables Corporation, a Delaware corporation (the "Seller"), ArvinMeritor, Inc., an Indiana corporation (the "Initial Collection Agent," and, together with any successor thereto, the "Collection Agent"), the Related Committed Purchasers party hereto (the "Related Committed Purchasers"), Amsterdam Funding Corporation, a Delaware corporation ("Amsterdam"), Giro Balanced Funding Corporation ("GBFC"), Atlantic Asset Securitization Corp. ("Atlantic"), the other Conduit Purchasers from time to time party hereto, ABN AMRO Bank N.V., as agent for the Purchasers (the "Agent") and as a Purchaser Agent, Bayerische Landesbank, New York Branch ("BLB"), as a Purchaser Agent, Credit Lyonnais ("CL"), acting through its New York Branch, as a Purchaser Agent, and the other Purchaser Agents from time to time to the party hereto. Certain capitalized terms used herein, and certain rules of construction, are defined in Schedule I.

PRELIMINARY STATEMENT

The Seller, Initial Collection Agent, Agent, Amsterdam, ABN AMRO as the enhancer, and certain liquidity providers are parties to a Receivables Sale Agreement, dated as of March 30, 2001 (the "Original Agreement"); and

Subject to and upon the terms and conditions set forth herein, the parties desire to amend and restate the Original Agreement in the form of this Agreement;

NOW, THEREFORE, in consideration of the mutual agreements contained herein and the other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

ARTICLE I

PURCHASES FROM SELLER AND SETTLEMENTS

Section 1.1. Sales. (a) The Sold Interest. Subject to the terms and conditions hereof, the Seller may, from time to time before the Termination Date, sell to the Conduit Purchasers or, only if a Conduit Purchaser declines to make the applicable purchase, ratably to the Related Committed Purchasers for such Conduit Purchaser, an undivided percentage ownership interest in the Receivables, the Related Security and all related Collections. Any such purchase (a "Purchase") shall be made by each relevant Purchaser remitting funds to the Seller, through the Agent, pursuant to Section 1.1(c) or by the Collection Agent remitting Collections to the Seller pursuant to Section 1.1(d). The aggregate percentage ownership interest so acquired by a Purchaser in the Receivables, the Related Security and related Collections (its "Purchase Interest") shall equal at any time the sum of the following percentages:

$$\frac{I}{ER} + PRP$$

where:

I = the outstanding Investment of such Purchaser at such time;

ER = the Eligible Receivables Balance at such time; and

PRP = the Purchaser Reserve Percentage at such time.

Except during a Liquidation Period for a Purchaser, such Purchaser's Purchase Interest will change whenever its Investment, its Purchaser Reserve Percentage or the Eligible Receivables Balance changes. During a Liquidation Period for a Purchaser its Purchase Interest shall remain constant at the percentage in effect as of the day immediately preceding the commencement of the relevant Liquidation Period, except for redeterminations to reflect Investment acquired from or transferred to another Purchaser under the Transfer Agreement. The sum of all Purchasers' Purchase Interests at any time is referred to herein as the "Sold Interest," which at any time is the aggregate percentage ownership interest then held by the Purchasers in the Receivables, the Related Security and Collections.

(b) Conduit Purchasers' Purchase Option and Committed Purchasers' Commitments. Subject to Section 1.1(d) concerning Reinvestment Purchases, at no time will a Conduit Purchaser have any obligation to make a Purchase. Each Committed Purchaser severally hereby agrees, subject to Section 7.2 and the other terms and conditions hereof, (including, in the case of an Incremental Purchase (as defined below), that the related Conduit Purchaser has refused to make a requested Purchase), to make Purchases before the Termination Date, based on the applicable Purchaser Group's Ratable Share of each Purchase (and, in the case of each Committed Purchaser, its Commitment Percentage of its Purchaser Group's Ratable Share of such Purchase), to the extent its Investment would not thereby exceed its Commitment and the Matured Aggregate Investment would not thereby exceed the Aggregate Commitments. Each Purchaser's first Purchase and each additional Purchase by such Purchaser not made from Collections pursuant to Section 1.1(d) is referred to herein as an "Incremental Purchase." Each Purchase

made by a Purchaser with the proceeds of Collections in which it has a Purchase Interest, which does not increase the outstanding Investment of such Purchaser, is referred to herein as a "Reinvestment Purchase." All Purchases hereunder shall be made ratably by each Purchaser Group in accordance with the Commitment of such Purchaser Group.

(c) Incremental Purchases. In order to request an Incremental Purchase from a Purchaser, the Seller must provide to the Agent and each Purchaser Agent an irrevocable written request (including by telecopier or other facsimile communication) substantially in the form of Exhibit A, by (i) 10:00 a.m. (Chicago time) three Business Days before the requested date (the "Purchase Date") of such Purchase, in the case of each Purchase by a Conduit Purchaser and in the case of each Purchase by the Committed Purchasers that is to accrue Discount at the Eurodollar Rate and (ii) 10:00 a.m. (Chicago time) one Business Day before the requested Purchase Date in the case of each Purchase by the Committed Purchasers that is to accrue Discount at the Prime Rate. Each such notice shall specify the requested Purchase Date (which

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must be a Business Day) and the requested amount (the "Purchase Amount") of such Purchase, which must be in a minimum amount of \$1,000,000 and multiples thereof (or, if less, an amount equal to the Maximum Incremental Purchase Amount). All Incremental Purchases must be requested ratably from all Conduit Purchasers unless upon such request, a Conduit Purchaser, in its sole discretion, determines not to make its Ratable Share of the requested Purchase (which determination shall be made within one Business Day after the Seller's request for an Incremental Purchase), in which case the Seller may request such Ratable Share of the Incremental Purchase be made by the Related Committed Purchasers of such Conduit Purchaser on the originally requested Purchase Date. Each Purchaser Agent shall promptly notify the related Purchasers from which a Purchase is requested of the contents of such request. If a Ratable Share of an Incremental Purchase is requested from a Conduit Purchaser and such Conduit Purchaser determines, in its sole discretion, to make the requested Purchase, such Conduit Purchaser shall transfer to the Agent's Account its Ratable Share of such Incremental Purchase by no later than 12:00 noon (Chicago time) on the Purchase Date. If a Ratable Share of an Incremental Purchase is requested from the Committed Purchasers for a Purchaser Group, subject to Section 7.2 and the other terms and conditions hereof, each Committed Purchaser for a Purchaser Group shall transfer the applicable Purchaser Group's Ratable Share of the requested Purchase Amount (and, in the case of each Committed Purchaser, its Commitment Percentage of its Purchaser Group's Ratable Share of such Purchase) into the Agent's Account by no later than 12:00 noon (Chicago time) on the Purchase Date. The Agent shall transfer to the Seller Account the proceeds of any Incremental Purchase delivered into the Agent's Account.

(d) Reinvestment Purchases. Unless a Conduit Purchaser has provided to the Agent, its Purchaser Agent, the Seller, and the Collection Agent a notice (which notice has not been revoked) that it no longer wishes to make Reinvestment Purchases (in which case such Conduit Purchaser's Reinvestment Purchases, but not those of its Related Committed Purchasers shall cease), on each day before the Termination Date that any Collections are received by the Collection Agent and no Interim Liquidation is in effect a Purchaser's Purchase Interest in such Collections shall automatically be used to make a Reinvestment Purchase by such Purchaser, but only to the extent such Reinvestment Purchase would not cause the Purchaser's Investment to increase above the amount of such Investment at the start of the day plus any Incremental Purchases made by the Purchaser on that day. A Conduit Purchaser may revoke any notice provided under the first sentence of this Section 1.1(d) by notifying the Agent, its Purchaser Agent, the Seller and the Collection Agent that it will make Reinvestment Purchases.

(e) Assignments. Pursuant to the Original Agreement, the Agent (on behalf of Amsterdam) has from time to time purchased Receivables which are currently outstanding in the amount of \$100,000,000. The parties hereto are amending and restating the Original Agreement in order to add GBFC and Atlantic,

respectively, as Conduit Purchasers hereunder and BLB and CL, respectively, as the respective Purchaser Agent for the related Conduit Purchaser. Amsterdam hereby sells and assigns to each of GBFC and Atlantic, and GBFC and Atlantic each hereby purchases and assumes from Amsterdam, a Purchased Interest in the Receivables which are held by the Agent for the benefit of Amsterdam each in the amount of \$30,000,000 such that the Purchased Interests of GBFC and Atlantic in Receivables which are on the date hereof shall each equal such amount and the Purchased Interest of Amsterdam shall equal \$40,000,000. Amsterdam represents and warrants that it is the legal and beneficial owner of the Purchased

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Interest assigned by it hereunder and that such Purchased Interest is free and clear of any Adverse Claim created by the Agent and/or Amsterdam.

Section 1.2. Interim Liquidations. (a) Optional. The Seller may at any time direct that Reinvestment Purchases cease and that an Interim Liquidation commence for all Purchasers by giving the Agent, each Purchaser Agent and the Collection Agent at least three Business Days' prior written (including telecopy or other facsimile communication) notice specifying the date on which the Interim Liquidation shall commence and, if desired, when such Interim Liquidation shall cease (identified as a specific date prior to the Termination Date or as when the Aggregate Investment is reduced to a specified amount). If the Seller does not so specify the date on which an Interim Liquidation shall cease, it may cause such Interim Liquidation to cease at any time before the Termination Date, subject to Section 1.2(b) below, by notifying the Agent, each Purchaser Agent and the Collection Agent in writing (including by telecopy or other facsimile communication) at least three Business Days before the date on which it desires such Interim Liquidation to cease.

(b) Mandatory. If at any time before the Termination Date any condition in Section 7.2 is not fulfilled, the Seller shall immediately notify the Agent, each Purchaser Agent and the Collection Agent, whereupon Reinvestment Purchases shall cease and an Interim Liquidation shall commence, which shall only cease upon the Seller confirming to the Agent that the conditions in Section 7.2 are fulfilled.

Section 1.3. Selection of Discount Rates and Tranche Periods. The Discount Rates, Tranche Periods and related matters for all Investment of each Purchaser Group shall be set forth in and governed by the terms of, the Rate Supplement for such Purchaser Group. Each such Rate Supplement shall supplement this Agreement with respect to the terms and provisions set forth therein.

Section 1.4. Fees and Other Costs and Expenses. (a) The Seller shall pay to each Purchaser Agent for the benefit of its Purchaser Group, such amounts as agreed to with the Seller in the Fee Letter for such Purchaser Group.

(b) Investment and Discount shall be payable solely from Collections and from amounts payable under Sections 1.5, 1.7 and 6.1 (to the extent amounts paid under Section 6.1 indemnify against reductions in or non-payment of Receivables). The Seller shall pay, as a full recourse obligation, all other amounts payable hereunder and under the Rate Supplements (other than Discount), including, without limitation, fees described in the Fee Letters and amounts payable under Article VI.

Section 1.5. Maintenance of Sold Interest; Deemed Collection. (a) General. If at any time before the Termination Date the Eligible Receivables Balance is less than the sum of the Aggregate Investment (or, if a Termination Event exists, the Matured Aggregate Investment) plus the Total Reserve, the Seller shall immediately pay to the Agent an amount equal to such deficiency for application to reduce the Investments of the Purchasers ratably in accordance with the principal amount of their respective Investments, applied with respect to each such Purchaser first to such Purchaser's Prime Tranches, if any, and second to the other Tranches applicable to

the Investment of such Purchaser with the shortest remaining maturities unless otherwise specified by the Seller.

(b) Deemed Collections. If on any day the outstanding balance of a Receivable is reduced or cancelled as a result of any defective or rejected goods or services, any cash discount or adjustment (including any adjustment resulting from the application of any special refund or other discounts or any reconciliation), any setoff or credit (whether such claim or credit arises out of the same, a related, or an unrelated transaction) or any other reason other than the financial inability of the Obligor to pay undisputed indebtedness, the Seller shall be deemed to have received on such day a Collection on such Receivable in the amount of such reduction or cancellation. If on any day any representation, warranty, covenant or other agreement of the Seller related to a Receivable is not true or is not satisfied, the Seller shall be deemed to have received on such day a Collection in the amount of the outstanding balance of such Receivable. All such Collections deemed received by the Seller under this Section 1.5(b) shall be remitted by the Seller to the Collection Agent in accordance with Section 5.1(i).

(c) Adjustment to Sold Interest. At any time before the Termination Date that the Seller is deemed to have received any Collection under Section 1.5(b) ("Deemed Collections") that derives from a Receivable that is otherwise reported as an Eligible Receivable, so long as no Liquidation Period then exists, the Seller may satisfy its obligations to deliver such amount to the Collection Agent by instead notifying the Agent that the Sold Interest should be recalculated by decreasing the Eligible Receivables Balance by the amount of such Deemed Collections, so long as such adjustment does not cause the Sold Interest to exceed 100%.

(d) Payment Assumption. Unless an Obligor otherwise specifies or another application is required by contract or law, any payment received by the Seller from any Obligor shall be applied as a Collection of Receivables of such Obligor (starting with the oldest such Receivable) and remitted to the Collection Agent as such.

Section 1.6. Reduction in Commitments. The Seller may, upon thirty days' notice to the Agent and each Purchaser Agent, reduce the Aggregate Commitment in increments of \$1,000,000, so long as the Aggregate Commitment as so reduced is no less than the Matured Aggregate Investment. Each such reduction in the Aggregate Commitment shall reduce the Commitment of each Purchaser Group in accordance with its Ratable Share (and, in the case of each Committed Purchaser, its Commitment in accordance with its Commitment Percentage of its Purchaser Group's Ratable Share of such reduction).

Section 1.7. Optional Repurchases. At any time that the Aggregate Investment is less than 10% of the Aggregate Commitment in effect on the date hereof, the Seller may, upon thirty days' notice to the Agent and each Purchaser Agent, repurchase the entire Sold Interest from the Purchasers at a price equal to the outstanding Matured Aggregate Investment and all other amounts then owed hereunder.

Section 1.8. Security Interest. (a) The Seller hereby grants to the Agent, for its own benefit and for the ratable benefit of the Purchaser Agents and Purchasers, a security interest in all Receivables, Related Security, Collections and Lock-Box Accounts to secure the payment of

all amounts other than Investment owing hereunder and (to the extent of the Sold Interest) to secure the repayment of all Investment.

(b) The Seller hereby assigns and otherwise transfers to the Agent (for the benefit of the Agent, each Purchaser Agent, each Purchaser and any other Person to whom any amount is owed hereunder), all of the Seller's right, title and interest in, to and under the Purchase Agreement. The Seller shall execute, file and record all financing statements, continuation statements and other documents required to perfect or protect such assignment. This assignment includes (a) all monies due and to become due to the Seller from the Originators under or in connection with the Purchase Agreement (including fees, expenses, costs, indemnities and damages for the breach of any obligation or representation related to such agreements) and (b) all rights, remedies, powers, privileges and claims of the Seller against the Originators under or in connection with the Purchase Agreement. All provisions of the Purchase Agreement shall inure to the benefit of, and may be relied upon by, the Agent, each Purchaser Agent, each Purchaser and each such other Person. At any time that a Termination Event has occurred and is continuing, the Agent shall have the sole right to enforce the Seller's rights and remedies under the Purchase Agreement to the same extent as the Seller could absent this assignment, but without any obligation on the part of the Agent, any Purchaser Agent, any Purchaser or any other such Person to perform any of the obligations of the Seller under the Purchase Agreement (or the promissory note executed thereunder). All amounts distributed to the Seller under the Purchase Agreement from Receivables sold to the Seller thereunder shall constitute Collections hereunder and shall be applied in accordance herewith.

(c) This agreement shall be a security agreement for purposes of the UCC. Upon the occurrence of a Termination Event, the Agent shall have all rights and remedies provided under the UCC as in effect in all applicable jurisdictions.

ARTICLE II

SALES TO AND FROM CONDUIT PURCHASERS; ALLOCATIONS

Section 2.1. Required Purchases from a Conduit Purchaser. (a) Each Conduit Purchaser may, at any time, sell to its Related Committed Purchasers pursuant to the relevant Transfer Agreement any percentage designated by such Conduit Purchaser of such Conduit Purchaser's Investment and its related Conduit Purchaser Settlement (each, a "Put").

(b) Any portion of any Investment of a Conduit Purchaser and related Conduit Purchaser Settlement purchased by a Committed Purchaser shall be considered part of such Committed Purchaser's Investment and related Conduit Purchaser Settlement from the date of the relevant Put. Immediately upon any purchase by a Committed Purchaser of any portion of the relevant Conduit Purchaser's Investment, the Seller shall pay to the relevant Purchaser Agent (for the ratable benefit of each such Purchaser) an amount equal to the sum of (i) the Assigned Settlement and (ii) all unpaid Discount owed to such Conduit Purchaser (whether or not then due) to the end of each applicable Tranche Period to which any Investment being Put has been allocated, (iii) all accrued but unpaid fees (whether or not then due) payable to such Conduit

Purchaser in connection herewith at the time of such purchase and (iv) all accrued and unpaid costs, expenses and indemnities due to such Conduit Purchaser from the Seller in connection herewith.

Section 2.2. Purchases by a Conduit Purchaser. Each Conduit Purchaser may at any time deliver to its Purchaser Agent and each of its Related Committed Purchasers a notification of assignment in substantially the form provided by the relevant Transfer Agreement. If a Conduit Purchaser delivers such notice, each of its Related Committed Purchasers shall sell to such Conduit Purchaser and such Conduit Purchaser shall purchase in full from each such Related

Committed Purchasers, the Investment of such Related Committed Purchasers on the last day of the relevant Tranche Periods, at a purchase price equal to such Investment plus accrued and unpaid Discount thereon. Any sale from any Related Committed Purchaser to the relevant Conduit Purchaser pursuant to this Section 2.2 shall be without recourse, representation or warranty except for the representation and warranty that the Investment sold by such Related Committed Purchaser is free and clear of any Adverse Claim created or granted by such Related Committed Purchaser and that such Related Committed Purchaser has not suffered a Bankruptcy Event.

Section 2.3. Allocations and Distributions.

(a) Non-Reinvestment Periods. Before the Termination Date unless an Interim Liquidation is in effect, on each day during a period that a Conduit Purchaser is not making Reinvestment Purchases (as established under Section 1.1(d)), the Collection Agent (i) shall set aside and hold in trust solely for the benefit of the applicable Conduit Purchaser (or deliver to the applicable Purchaser Agent, if so instructed pursuant to Section 3.2(a)) such Conduit Purchaser's Purchase Interest in all Collections received on such day and (ii) shall distribute on the last day of each CP Tranche Period to the applicable Purchaser Agent (for the benefit of such Conduit Purchaser) the amounts so set aside up to the amount of such Conduit Purchaser's Purchase Interest and, to the extent not already paid in full, all Discount thereon and all other amounts then due from the Seller in connection with such Purchase Interest and Tranche Period. If any part of the Sold Interest in any Collections is applied to pay any such amounts pursuant to this Section 2.3(a) and after giving effect to such application the Sold Interest is greater than 100%, the Seller shall pay for distribution as part of the Sold Interest in Collections, to the Collection Agent the amount so applied to the extent necessary so that after giving effect to such payment the Sold Interest is no greater than 100%.

(b) Termination Date and Interim Liquidations. On each day during any Interim Liquidation and on each day on and after the Termination Date, the Collection Agent shall set aside and hold solely for the account of each Purchaser Agent, for the benefit of each Purchaser Group to the extent provided below, (or deliver to each Purchaser Agent, if so instructed pursuant to Section 3.2(a)) and for the account of the Agent, the Sold Interest in all Collections received on such day and such Collections shall be allocated as follows:

(i) first, to the Collection Agent until all amounts owed to the Collection Agent under the Agreement have been paid in full;

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(ii) second, ratably to each Purchase Group until all Investment of, and Discount and interest due but not already paid to, each Purchaser Group has been paid in full; and

(iii) third, ratably to such Purchaser Group until all other amounts owed to such Purchaser Group under the Transaction Documents have been paid in full.

(iv) fourth, to the Agent until all amounts owed to the Agent (other than amounts owing the Agent in its role as a Purchaser Agent) have been paid in full;

(v) fifth, to each Purchaser Agent until all amounts owed to the Purchaser Agents under the Transaction Documents have been paid in full;

(vi) sixth, to any other Person to whom any amounts are owed under the Transaction Documents until all such amounts have been paid in full; and

(vii) seventh, to the Seller (or as otherwise required by applicable law).

Unless an Interim Liquidation has ended by such date (in which case Reinvestment Purchases shall resume to the extent provided in Section 1.1(d)), on the last day of each Tranche Period (unless otherwise instructed by a Purchaser Agent pursuant to Section 3.2(a)), the Collection Agent shall pay to the appropriate parties, from such set aside Collections, all amounts allocated to such Tranche Period and all Tranche Periods that ended before such date that are due in accordance with the priorities in clauses (ii) and (iii) above. No distributions shall be made to pay amounts under clauses (iv), (v), (vi) and (vii) above until sufficient Collections have been set aside to pay all amounts described in clauses (ii) and (iii) that may become payable for all outstanding Tranche Periods. All distributions by the Agent shall be made ratably within each priority level in accordance with the respective amounts then due each Person included in such level unless otherwise agreed by all Purchaser Agents. If any part of the Sold Interest in any Collections is applied to pay any amounts, payable hereunder that are obligations of the Seller pursuant to Section 1.4(b) and after giving effect to such application the Sold Interest is greater than 100%, the Seller shall pay for distribution in respect of each applicable Purchaser's Investment as part of the Sold Interest in Collections, to the Collection Agent the amount so applied to the extent necessary so that after giving effect to such payment the Sold Interest is no greater than 100%.

ARTICLE III

ADMINISTRATION AND COLLECTIONS

Section 3.1. Appointment of Collection Agent. (a) The servicing, administering and collecting of the Receivables shall be conducted by a Person (the "Collection Agent") designated to so act on behalf of the Purchasers under this Article III. As the Initial Collection Agent, the Parent is hereby designated as, and agrees to perform the duties and obligations of, the Collection Agent. The Initial Collection Agent acknowledges that the Agent, each Purchaser

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Agent, and each Purchaser have relied on the Initial Collection Agent's agreement to act as Collection Agent (and the agreement of any of the sub-collection agents to so act) in making the decision to execute and deliver this Agreement and agrees that it will not voluntarily resign as Collection Agent nor permit any sub-collection agent to voluntarily resign as a sub-collection agent. At any time after the occurrence and during the continuance of a Termination Event, the Agent may designate a new Collection Agent to succeed the Initial Collection Agent (or any successor Collection Agent).

(b) The Initial Collection Agent may, and if requested by the Agent shall, delegate its duties and obligations as Collection Agent to an Affiliate of the Initial Collection Agent (acting as a sub-collection agent). The Initial Collection Agent shall delegate certain duties with respect to Receivables originated by such respective Originator to that respective Originator pursuant to the terms of the Letter Agreement. Notwithstanding such delegation, the Initial Collection Agent shall remain primarily liable for the performance of the duties and obligations so delegated, and the Agent, each Purchaser Agent and each Purchaser shall have the right to look solely to the Initial Collection Agent for such performance. The Agent may at any time remove or replace any sub-collection agent.

(c) If replaced, the Collection Agent agrees it will terminate, and will cause each existing sub-collection agent to terminate, its collection activities in a manner requested by the Agent to facilitate the transition to a new Collection Agent. The Collection Agent shall cooperate with and assist any new Collection Agent (including providing access to, and transferring, all Records and allowing (to the extent permitted by applicable law and contract) the new

Collection Agent to use all licenses, hardware or software necessary or desirable to collect the Receivables). The Initial Collection Agent irrevocably agrees to act (if requested to do so) as the data-processing agent for any new Collection Agent (in substantially the same manner as the Initial Collection Agent conducted such data-processing functions while it acted as the Collection Agent).

Section 3.2. Duties of Collection Agent. (a) The Collection Agent shall take, or cause to be taken, all action necessary or advisable to collect each Receivable in accordance with this Agreement, the Credit and Collection Policy and all applicable laws, rules and regulations using the skill and attention the Collection Agent exercises in collecting other receivables or obligations owed solely to it. The Collection Agent shall, in accordance herewith, set aside all Collections to which a Purchaser is entitled and pay from such Collections all Discount and the fees set forth in the Fee Letters when due. If so instructed by the Agent, the Collection Agent shall transfer to the Agent the amount of Collections to which the Agent, each Purchaser Agent and the Purchasers are entitled by the Business Day following receipt. Each party hereto hereby appoints the Collection Agent to enforce such Person's rights and interests in the Receivables, but (notwithstanding any other provision in any Transaction Document) the Agent shall at all times have the sole right to direct the Collection Agent to commence or settle any legal action to enforce collection of any Receivable.

(b) If no Termination Event exists and the Collection Agent determines that such action is appropriate in order to maximize the Collections, the Collection Agent may, in accordance with the applicable Credit and Collection Policy, extend the maturity of any Receivable, and

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extend the maturity or adjust the outstanding balance of any Defaulted Receivables as the Collection Agent may determine to be appropriate to maximize collections thereof; provided, however, that if a Termination Event has occurred the Collection Agent may make such extension or adjustment only upon written approval of the Agent. Any such extension or adjustment shall not alter the status of a Receivable as a Defaulted Receivable, affect the computation of the Delinquency Ratio or limit any rights of the Agent or the Purchasers hereunder. If a Termination Event exists, the Collection Agent may make such extensions or adjustments only with the prior consent of the Instructing Group.

(c) The Collection Agent shall turn over to the Seller (i) any percentage of Collections in excess of the Sold Interest, less all reasonable costs and expenses of the Collection Agent for servicing, collecting and administering the Receivables and (ii) subject to Section 1.5(d), the collections and records for any indebtedness owed to the Seller that is not a Receivable. The Collection Agent shall have no obligation to remit any such funds or records to the Seller until the Collection Agent receives evidence (satisfactory to the Agent) that the Seller is entitled to such items. The Collection Agent has no obligations concerning indebtedness that is not a Receivable other than to deliver the collections and records for such indebtedness to the Seller when required by this Section 3.2(c).

Section 3.3. Reports. On or before the 25th day of each month, and at such other times covering such other periods as is requested by the Agent or the Instructing Group (which such other periods shall not be shorter than a calendar month if no Termination Event has occurred), the Collection Agent shall deliver to the Agent and each Purchaser Agent a report reflecting information as of the close of business of the Collection Agent for the immediately preceding calendar month or such other preceding period as is requested (each a "Periodic Report"), containing the information described on Exhibit B (with such modifications or additional information as requested by the Agent or the Instructing Group).

Section 3.4. Lock-Box Arrangements. The Agent is hereby authorized to give notice at any time to any or all Lock-Box Banks that the Agent is exercising its

rights under the Lock-Box Letters and to take all actions permitted under the Lock-Box Letters. The Seller agrees to take any action requested by the Agent to facilitate the foregoing. After the Agent takes any such action under the Lock-Box Letters, the Seller shall immediately deliver to the Agent any Collections received by the Seller. If the Agent takes control of any Lock-Box Account, the Agent shall distribute Collections it receives in accordance herewith and shall deliver to the Collection Agent, for distribution under Section 3.2, all other amounts it receives from such Lock-Box Account.

Section 3.5. Enforcement Rights. (a) The Agent may, at any time, direct the Obligors and the Lock-Box Banks to make all payments on the Receivables directly to the Agent or its designee. The Agent may, and the Seller shall at the Agent's request, withhold the identity of the Purchasers from the Obligors and Lock-Box Banks. Upon the Agent's request and only after a Potential Termination Event, the Seller (at the Seller's expense) shall (i) give notice to each Obligor of the Purchasers' ownership of the Sold Interest and direct that payments on Receivables be made directly to the Agent or its designee, (ii) assemble for the Agent all Records and collateral security for the Receivables and the Related Security and transfer to the Agent (or

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its designee), or (to the extent permitted by applicable law and contract) license to the Agent (or its designee) the use of, all software useful to collect the Receivables and (iii) segregate in a manner acceptable to the Agent all Collections the Seller receives and, promptly upon receipt, remit such Collections in the form received, duly endorsed or with duly executed instruments of transfer, to the Agent or its designee.

(b) The Seller hereby irrevocably appoints the Agent as its attorney-in-fact coupled with an interest, with full power of substitution and with full authority in the place of the Seller, to take any and all steps deemed desirable by the Agent, in the name and on behalf of the Seller to (i) collect any amounts due under any Receivable, including endorsing the name of the Seller on checks and other instruments representing Collections and enforcing such Receivables and the Related Security, and (ii) exercise any and all of the Seller's rights and remedies under the Purchase Agreement. The Agent's powers under this Section 3.5(b) shall not subject the Agent to any liability if any action taken by it proves to be inadequate or invalid, nor shall such powers confer any obligation whatsoever upon the Agent.

(c) None of the Agent, any Purchaser Agent or any Purchaser shall have any obligation to take or consent to any action to realize upon any Receivable or Related Security or to enforce any rights or remedies related thereto.

Section 3.6. Collection Agent Fee. On or before the 25th day of each calendar month, the Seller shall pay to the Collection Agent a fee for the immediately preceding calendar month as compensation for its services (the "Collection Agent Fee") equal to (a) at all times the Initial Collection Agent or an Affiliate of the Initial Collection Agent is the Collection Agent, the Seller Servicing Fee, the sufficiency of which is hereby acknowledged, and (b) at all times any other Person is the Collection Agent, the Outside Servicing Fee. The Agent may, with the consent of the Instructing Group, pay the Collection Agent Fee to the Collection Agent from the Sold Interest in Collections. The Seller shall be obligated to reimburse any such payment to the extent required by Section 1.5 or 2.3.

Section 3.7. Responsibilities of the Seller. The Seller shall pay when due all Taxes payable in connection with the Receivables and the Related Security or their creation or satisfaction. The Seller shall cause each Originator to perform all of its obligations under agreements related to the Receivables and the Related Security to the same extent as if interests in the Receivables and the Related Security had not been transferred hereunder or under the Purchase Agreement. The Agent's or any Purchaser's exercise of any rights hereunder shall not relieve the Seller or an Originator from such obligations. None of the

Agent, any Purchaser Agent or any Purchaser shall have any obligation to perform any obligation of the Seller or an Originator or any other obligation or liability in connection with the Receivables or the Related Security.

Section 3.8. Actions by Seller. If any goods related to a Receivable are repossessed, the Seller agrees to resell, or to have the related Originator or another Affiliate resell, such goods in a commercially reasonable manner for the account of the Agent and remit, or have remitted, to the Agent the Purchasers' share in the gross sale proceeds thereof net of any out-of-pocket expenses and any equity of redemption of the Obligor thereon. Any such moneys collected by

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the Seller or the related Originator or other Affiliate of the Seller pursuant to this Section 3.8 shall be segregated and held in trust for the Agent and remitted to the Agent's Account within one Business Day of receipt as part of the Sold Interest in Collections for application as provided herein.

Section 3.9. Indemnities by the Collection Agent. Without limiting any other rights any Person may have hereunder or under applicable law, the Collection Agent hereby indemnifies and holds harmless the Agent, each Purchaser Agent and each Purchaser and their respective officers, directors, agents and employees (each a "Collection Agent Indemnified Party") from and against any and all damages, losses, claims, liabilities, penalties, Taxes, costs and expenses (including reasonable attorneys' fees and court costs) (all of the foregoing collectively, the "Collection Agent Indemnified Losses") at any time imposed on or incurred by any Collection Agent Indemnified Party arising out of or otherwise relating to:

(i) any representation or warranty made by, on behalf of or in respect of, the Collection Agent in this Agreement, any other Transaction Document, any Periodic Report or any other information or report delivered by the Collection Agent pursuant hereto, which shall have been false or incorrect in any material respect when made;

(ii) the failure by the Collection Agent to comply with any applicable law, rule or regulation related to any Receivable or the Related Security;

(iii) any loss of a perfected security interest (or in the priority of such security interest) as a result of any commingling by the Collection Agent of funds to which the Agent, any Purchaser Agent or any Purchaser is entitled hereunder with any other funds;

(iv) the imposition of any Adverse Claim with respect to any Receivable, Related Security or Lock-Box Account as a result of any action taken by the Collection Agent; or

(v) any failure of the Collection Agent to perform its duties or obligations in accordance with the provisions of this Agreement (including, without limitation, compliance with the Credit and Collection Policy) or any other Transaction Document to which the Collection Agent is a party;

whether arising by reason of the acts to be performed by the Collection Agent hereunder or otherwise, excluding only Collection Agent Indemnified Losses to the extent (a) a final judgment of a court of competent jurisdiction determined that such Collection Agent Indemnified Losses resulted from gross negligence or willful misconduct of the Collection Agent Indemnified Party seeking indemnification, (b) solely due to the credit risk of the Obligor and for which reimbursement would constitute recourse to the Collection Agent for uncollected or uncollectible Receivables, or (c) such Collection Agent Indemnified Losses include Taxes on, or measured by, the overall net income of the Agent or any Purchaser computed in accordance with the Intended Tax Characterization; provided, however, that nothing contained in this sentence shall limit the liability of the Collection Agent or limit the recourse of the Agent, any Purchaser Agent and each

Purchaser to the Collection Agent for any amounts otherwise specifically provided to be paid by the Collection Agent hereunder.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES

Section 4.1. Representations and Warranties of the Seller. The Seller represents and warrants to the Agent, each Purchaser Agent and each Purchaser that:

(a) Corporate Existence and Power. The Seller is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware and in each jurisdiction in which the conduct of its business requires that it be qualified to do business in such jurisdiction and has all corporate power and authority and all governmental licenses, authorizations, consents and approvals required to carry on its business in each jurisdiction in which its business is now conducted, except where failure to obtain such license, authorization, consent or approval would not have a material adverse effect on (i) its ability to perform its obligations under, or the enforceability of, any Transaction Document, (ii) its business or financial condition, (iii) the interests of the Agent, any Purchaser Agent or any Purchaser under any Transaction Document or (iv) the enforceability or collectibility of any material portion of the Receivables.

(b) Corporate Authorization and No Contravention. The execution, delivery and performance by the Seller of each Transaction Document to which it is a party (i) are within its corporate powers, (ii) have been duly authorized by all necessary corporate action, (iii) do not contravene or constitute a default under (A) any applicable law, rule or regulation, (B) its charter or by-laws or (C) any agreement, order or other instrument to which it is a party or its property is subject and (iv) will not result in any Adverse Claim on any Receivable, the Related Security or Collections (other than the Sold Interest) or give cause for the acceleration of any indebtedness of the Seller.

(c) No Consent Required. No approval, authorization or other action by, or filings with, any Governmental Authority or other Person is required in connection with the execution, delivery and performance by the Seller of any Transaction Document or any transaction contemplated thereby.

(d) Binding Effect. Each Transaction Document to which the Seller is a party constitutes the legal, valid and binding obligation of the Seller enforceable against it in accordance with its terms, except as may be limited by applicable bankruptcy, insolvency, reorganization, moratorium and similar laws affecting the enforcement of creditor's rights generally.

(e) Perfection of Ownership Interest. The Seller owns the Receivables free of any Adverse Claim other than the interests of the Agent, the Purchaser Agent and the Purchasers therein that are created hereby, and each Purchaser shall at all times have a

valid undivided percentage ownership interest, which shall be a first priority perfected security interest for purposes of Article 9 of the applicable Uniform Commercial Code, in the Receivables, the Related Security and Collections to the extent of its Purchase Interest then in effect.

(f) Accuracy of Information. All written information furnished by the Seller to the Agent, any Purchaser Agent or any Purchaser in connection with any Transaction Document, or any transaction contemplated thereby, is true and accurate in all material respects as of the date of such information or the date furnished, as applicable (and is not incomplete by omitting any information necessary to prevent such information from being materially misleading as of the date of such information or the date furnished, as applicable).

(g) No Actions, Suits. There are no actions, suits or other proceedings (including matters relating to environmental liability) pending or threatened against or affecting the Seller or any of its properties, that (i) if adversely determined (individually or in the aggregate), may have a material adverse effect on the financial condition of the Seller or on the collectibility of the Receivables or (ii) involve any Transaction Document or any transaction contemplated thereby. The Seller is not in default of any contractual obligation or in violation of any order, rule or regulation of any Governmental Authority, which default or violation may have a material adverse effect upon (i) the financial condition of the Seller or (ii) the collectibility of the Receivables.

(h) No Material Adverse Change. Since the date of its formation there has been no material adverse change in the collectibility of the Receivables or the Seller's (i) financial condition, business, operations or prospects or (ii) ability to perform its obligations under any Transaction Document.

(i) Accuracy of Exhibits; Lock-Box Arrangements. All information on Exhibits C-D (listing offices and states of organization of the Seller and the Originators and where they maintain Records; and Lock-Boxes) is true and complete, subject to any changes permitted by, and notified to the Agent in accordance with, Article V. The Seller has not granted any interest in any Lock-Box or Lock-Box Account to any Person other than the Agent and, upon execution and delivery of the Lock-Box Agreements and delivery to a Lock-Box Bank of the related Lock-Box Letter, the Seller will have title to each Lock-Box Account and the Agent will have exclusive ownership and control of the Lock-Box Account at such Lock-Box Bank.

(j) Sales by an Originator. Each sale by each Originator to the Seller of an interest in Receivables originated by such Originator and Collections thereof has been made in accordance with the terms of the Purchase Agreement, including the payment by the Seller to such Originator of the purchase price described in the Purchase Agreement. Each such sale has been made for "reasonably equivalent value" (as such term is used in Section 548 of the Bankruptcy Code) and not for or on account of "antecedent debt" (as such term is used in Section 547 of the Bankruptcy Code) owed by such Originator to the Seller.

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(k) No Potential Termination Event. No Potential Termination Event has occurred and is continuing.

(l) Eligible Receivables. Each Receivable included in the Eligible Receivables Balance as an Eligible Receivable on the date of any Purchase or Incremental Purchase or listed as such on a Periodic Report is an Eligible Receivable.

(m) Underwriting/Collection Practices. To the extent that the Initial Collection Agent is the Collection Agent and the Originators are sub-collection agents, it has complied with the Credit and Collection Policy in all material respects, and such policy has not changed in any material respect since the date hereof.

Section 4.2. Representations and Warrants of the Initial Collection Agent. The Initial Collection Agent represents and warrants to the Agent, each Purchaser Agent and each Purchaser that:

(a) Corporate Existence and Power. The Initial Collection Agent is a corporation duly organized, validly existing and in good standing under the laws of the State of Indiana and in each jurisdiction in which the conduct of its business requires that it be qualified to do business in such jurisdiction and has all corporate power and authority and all governmental licenses, authorizations, consents and approvals required to carry on its business in each jurisdiction in which its business is now conducted, except where failure to obtain such license, authorization, consent or approval would not have a material adverse effect on (i) its ability to perform its obligations under, or the enforceability of, any Transaction Document, (ii) its business or financial condition, (iii) the interests of the Agent, any Purchaser Agent or any Purchaser under any Transaction Document or (iv) the enforceability or collectibility of any material portion of the Receivables.

(b) Corporate Authorization and No Contravention. The execution, delivery and performance by the Initial Collection Agent of each Transaction Document to which it is a party (i) are within its corporate powers, (ii) have been duly authorized by all necessary corporate action, (iii) do not contravene or constitute a default under (A) any applicable law, rule or regulation, (B) its charter or by-laws or (C) any agreement, order or other instrument to which it is a party or its property is subject where the contravention or default would have a material adverse effect on (w) its ability to perform its obligations under, or the enforceability of, any Transaction Document, (x) its business or financial condition, (y) the interests of the Agent, any Purchaser Agent or any Purchaser under any Transaction Document or (z) the enforceability or collectibility of any material portion of the Receivables and (iv) will not result in any Adverse Claim on any Receivable, the Related Security or Collections other than the Sold Interest or give cause for the acceleration of any indebtedness of the Initial Collection Agent.

(c) No Consent Required. No approval, authorization or other action by, or filings with, any Governmental Authority or other Person is required in connection with

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the execution, delivery and performance by the Initial Collection Agent of any Transaction Document or any transaction contemplated thereby.

(d) Binding Effect. Each Transaction Document to which the Initial Collection Agent is a party constitutes the legal, valid and binding obligation of the Initial Collection Agent enforceable against it in accordance with its terms, except as may be limited by applicable bankruptcy, insolvency, reorganization, moratorium and similar laws affecting the enforcement of creditor's rights generally.

(e) Accuracy of Information. All written information furnished by the Initial Collection Agent to the Agent, any Purchaser Agent or any Purchaser in connection with any Transaction Document, or any transaction contemplated thereby, is true and accurate in all material

respects as of the date of such information or the date furnished, as applicable (and is not incomplete by omitting any information necessary to prevent such information from being materially misleading as of the date of such information or the date furnished, as applicable).

(f) No Actions, Suits. There are no actions, suits or other proceedings (including matters relating to environmental liability) pending or threatened against or affecting the Initial Collection Agent, or any of its properties, that (i) if adversely determined (individually or in the aggregate), is likely to have a material adverse effect on the financial condition of the Initial Collection Agent and its Subsidiaries, taken as whole, or on the collectibility of the Receivables or (ii) involve any Transaction Document or any transaction contemplated thereby. The Initial Collection Agent is not in default of any contractual obligation or in violation of any order, rule or regulation of any Governmental Authority, which default or violation is likely to have a material adverse effect upon (i) the financial condition of the Initial Collection Agent and its Subsidiaries, taken as whole, or (ii) the collectibility of the Receivables.

(g) No Material Adverse Change. Since December 31, 2000, there has been no material adverse change in the collectibility of the Receivables or the Initial Collection Agent's (i) financial condition, business, operations or prospects other than as publicly disclosed prior to the date hereof or (ii) ability to perform its obligations under any Transaction Document.

(h) Accuracy of Exhibits; Lock-Box Arrangements. All information on Exhibits C-D (listing offices of the Initial Collection Agent and the Originators and where they maintain Records; and Lock-Boxes) is true and complete, subject to any changes permitted by, and notified to the Agent in accordance with, Article V.

(i) No Potential Termination Event. No Potential Termination Event has occurred and is continuing.

(j) Underwriting/Collection Practices. To the extent that the Initial Collection Agent is the Collection Agent and the Originators are sub-collection agents, it

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has complied with the Credit and Collection Policy in all material respects, and such policy has not changed in any material respect since the date hereof.

ARTICLE V

COVENANTS

Section 5.1. Covenants of the Seller. The Seller hereby covenants and agrees to comply with the following covenants and agreements, unless the Agent (with the consent of the Instructing Group) shall otherwise consent:

(a) Financial Reporting. The Seller will maintain a system of accounting established and administered in accordance with GAAP and will furnish to the Agent, each Purchaser Agent and each Purchaser:

(i) Annual Financial Statements. Within 120 days after each fiscal year of the Seller copies of its annual balance sheet (and an annual profit and loss statement), certified by a Designated Financial Officer thereof, prepared on a consolidated basis in conformity with GAAP;

(ii) Quarterly Financial Statements. Within 60 days after each (except the last) fiscal quarter of each fiscal year of the Seller, copies of its quarterly balance sheet (and a profit and loss statement) for the period from the beginning of the fiscal year to the close of such quarter), certified by a Designated Financial Officer and prepared in a manner consistent with the financial statements described in clause (i) of this Section 5.1(a);

(iii) Officer's Certificate. Each time financial statements are furnished pursuant to clause (i) or (ii) of Section 5.1(a), a compliance certificate (in substantially the form of Exhibit F) signed by a Designated Financial Officer, dated the date of such financial statements;

(iv) Public Reports. Promptly upon becoming available, a copy of each report or proxy statement filed by the Parent with the Securities and Exchange Commission or any securities exchange; and

(v) Other Information. With reasonable promptness, such other information (including non-financial information) respecting the Receivables or the conditions and operations, financial or otherwise, of the Seller and any Seller Entity as the Agent or any Purchaser Agent from time to time reasonably may request in order to protect the interests of the Agent or Committed Purchasers under this Agreement.

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(b) Notices. As soon as possible and in any event within 5 Business Days of becoming actually aware of any of the following the Seller will notify the Agent and each Purchaser Agent and provide a description of:

(i) Potential Termination Events. The occurrence of any Potential Termination Event;

(ii) Downgrading. The downgrading, withdrawal or suspension of any rating by any rating agency of any indebtedness of any Special Obligor or of the Parent; or

(iii) Further Information. Any other information that the Parent is required to deliver pursuant to the Credit Agreement at the same time the Parent delivers such information to the required parties pursuant to the Credit Agreement.

(c) Conduct of Business. The Seller will perform all actions necessary to remain duly incorporated, validly existing and in good standing in its jurisdiction of incorporation and to maintain all requisite authority to conduct its business in each jurisdiction in which it conducts business.

(d) Compliance with Laws. The Seller will comply with all laws, regulations, judgments and other directions or orders imposed by any Governmental Authority to which it or any Receivable, any Related Security or Collection may be subject.

(e) Furnishing Information and Inspection of Records. The Seller will furnish to the Agent, the Purchaser Agents and the Purchasers such information concerning the Receivables and the Related Security as the Agent, a Purchaser Agent or a Purchaser may request. The Seller will, and will cause each Originator to, permit, at any time during regular business hours upon reasonable notice to the Seller, the Agent, any Purchaser (or any representatives thereof) (i) to examine and make

copies of all Records, (ii) to visit the offices and properties of the Seller and each Originator for the purpose of examining the Records and (iii) to discuss matters relating hereto with any of the Seller's or such Originator's officers, directors, employees or independent public accountants having knowledge of such matters. No more than once a calendar year or any time after the occurrence of a Termination Event, the Agent may (at the expense of the Seller) or at any time (at the expense of the Purchasers) have an independent public accounting firm conduct an audit of the Records or make test verifications of the Receivables and Collections.

(f) Keeping Records. (i) The Seller will, and will cause each Originator to, have and maintain (A) administrative and operating procedures (including an ability to recreate Records if originals are destroyed), (B) adequate facilities, personnel and equipment and (C) all Records and other information necessary or advisable for collecting the Receivables (including Records adequate to permit the immediate identification of each new Receivable and all Collections of, and adjustments to, each

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existing Receivable). The Seller will give the Agent prior notice of any material change in such administrative and operating procedures.

(ii) The Seller will, (A) at all times from and after the date hereof, clearly and conspicuously mark its computer and master data processing books and records with a legend describing the Agent's and the Purchasers' interest in the Receivables and the Collections and (B) upon the request of the Agent, so mark each contract relating to a Receivable and deliver to the Agent all such contracts (including all multiple originals of such contracts), with any appropriate endorsement or assignment, or segregate (from all other receivables then owned or being serviced by the Seller) the Receivables and all contracts relating to each Receivable and hold in trust and safely keep such contracts so legended in separate filing cabinets or other suitable containers at such locations as the Agent may specify.

(g) Perfection. (i) The Seller will, and will cause each Originator to, at its expense, promptly execute and deliver all instruments and documents and take all action necessary or requested by the Agent (including the execution and filing of financing or continuation statements, amendments thereto or assignments thereof) to enable the Agent to exercise and enforce all its rights hereunder and to vest and maintain vested in the Agent a valid, first priority perfected security interest in the Receivables, the Collections, the Related Security, the Purchase Agreement, the Lock-Box Accounts and proceeds thereof free and clear of any Adverse Claim other than the Seller's interest therein (and a perfected ownership interest in the Receivables, Related Security and Collections to the extent of the Sold Interest). The Agent will be permitted to sign and file any continuation statements, amendments thereto and assignments thereof without the Seller's signature, but shall provide prompt notice to the Seller of any such filing.

(ii) The Seller will only change its name, identity or corporate structure or relocate its state of organization or its chief executive office or the Records following notice to the Agent and the delivery to the Agent of all financing statements, instruments and other documents (including direction letters) requested by the Agent.

(iii) The Seller will at all times maintain its chief executive offices within a jurisdiction in the USA (other than in the states of Alabama, Florida, Maryland and Tennessee) in which Article 9 of the UCC is in effect. If the Seller or an Originator moves its chief executive

office to a location that imposes Taxes, fees or other charges to perfect the Agent's and the Purchasers' interests hereunder or the Seller's interests under the Purchase Agreement, the Seller will pay all such amounts and any other costs and expenses incurred in order to maintain the enforceability of the Transaction Documents, the Sold Interest and the interests of the Agent, the Purchaser Agents and the Purchasers in the Receivables, the Related Security, Collections, Purchase Agreement and Lock-Box Accounts.

(h) Performance of Duties. The Seller will perform its duties or obligations in accordance with the provisions of each of the Transaction Documents. The Seller (at its expense) will (i) fully and timely perform in all material respects all agreements required

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to be observed by it in connection with each Receivable, (ii) comply in all material respects with the Credit and Collection Policy, and (iii) refrain from any action that may impair the rights of the Agent, the Purchaser Agents or the Purchasers in the Receivables, the Related Security, Collections, Purchase Agreement or Lock-Box Accounts.

(i) Payments on Receivables, Lock-Box Accounts. The Seller will, and will cause each Originator to, at all times instruct all Obligor to deliver payments on the Receivables (including Deemed Collections) to a Lock-Box or Lock-Box Account and will not change any such instructions without the prior written consent of the Agent. If any such payments or other Collections are received by the Seller, it shall hold such payments in trust for the benefit of the Agent, the Purchaser Agents and the Purchasers and promptly (but in any event within two Business Days after receipt) remit such funds into a Lock-Box Account. The Seller will cause each Lock-Box Bank to comply with the terms of each applicable Lock-Box Letter. The Seller will only permit Collections to be deposited into any Lock-Box Account, except with respect to the AM Canada Account, but only through November 30, 2001. If such funds are nevertheless deposited into any Lock-Box Account, the Seller will promptly identify and separate such funds for segregation. The Seller will not, and will not permit any Collection Agent or other Person to, commingle Collections or other funds to which the Agent or any Purchaser is entitled with any other funds (other than funds of Affiliates of the Seller in concentration accounts). The Seller shall only add a Lock-Box Bank, Lock-Box, or Lock-Box Account to those listed on Exhibit D if the Agent has received notice of and has consented to such addition, a copy of any new Lock-Box Agreement and an executed and acknowledged copy of a Lock-Box Letter substantially in the form of Exhibit E (with such changes as are acceptable to the Agent) from any new Lock-Box Bank. The Seller shall only terminate a Lock-Box Bank or Lock-Box, or close a Lock-Box Account, upon 30 days advance notice to the Agent.

(j) Sales and Adverse Claims Relating to Receivables or Related Security. Except as otherwise provided herein, the Seller will not (by operation of law or otherwise), dispose of or otherwise transfer, or create or suffer to exist any Adverse Claim upon, any Receivables, Related Security or any proceeds thereof.

(k) Extension or Amendment of Receivables. Except as otherwise permitted in Section 3.2(b) and then subject to Section 1.5, the Seller will not extend, amend, rescind or cancel any Receivable.

(l) Change in Credit and Collection Policy. The Seller will not make any change in its Credit and Collection Policy which change would impair the collectibility of any Receivable.

(m) Accounting for Sale. The Seller will not, account for, or otherwise treat, the transactions contemplated hereby other than as a

sale of Receivables or inconsistent with the Purchasers' ownership interests in the Receivables, Related Security and Collections.

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(n) Certain Agreements. Except as otherwise permitted by this Agreement, the Seller will not amend, modify, waive, revoke or terminate any Transaction Document to which it is a party or any provision of Seller's certificate of incorporation or by-laws.

(o) Other Business. The Seller will not: (i) engage in any business other than the transactions contemplated by the Transaction Documents, (ii) create, incur or permit to exist any Debt of any kind (or cause or permit to be issued for its account any letters of credit or bankers' acceptances) other than pursuant to this Agreement and the Subordinated Notes, or (iii) form any Subsidiary or make any investments in any other Person; provided, however, that the Seller shall be permitted to incur minimal obligations to the extent necessary for the day-to-day operations of the Seller (such as expenses for stationery, audits, maintenance of legal status, etc.).

(p) Net Worth. The Seller shall not, as of the last day of each calendar quarter, permit Net Worth to be less than \$9,000,000.

(q) Nonconsolidation. The Seller will operate in such a manner that the separate corporate existence of the Seller and each Seller Entity and Affiliate thereof would not be disregarded in the event of the bankruptcy or insolvency of any Seller Entity and Affiliate thereof and, without limiting the generality of the foregoing:

(i) the Seller will not engage in any activity other than those activities expressly permitted under the Seller's organizational documents and the Transaction Documents, nor will the Seller enter into any agreement other than this Agreement, the other Transaction Documents to which it is a party and, with the prior written consent of the Agent, any other agreement necessary to carry out more effectively the provisions and purposes hereof or thereof;

(ii) the Seller will cause the financial statements and books and records of the Seller and each Seller Entity to reflect the separate corporate existence of the Seller;

(iii) except as otherwise expressly permitted hereunder, under the other Transaction Documents and under the Seller's organizational documents, the Seller will not permit any Seller Entity or Affiliate thereof to (A) pay the Seller's expenses, (B) guarantee the Seller's obligations, or (C) advance funds to the Seller for the payment of expenses or otherwise;

(iv) the Seller will not act as agent for any Seller Entity or Affiliate, but instead will present itself to the public as a corporation separate from each such Person and independently engaged in the business of purchasing and financing Receivables; and

(v) the Seller will always have an independent director on its Board of Directors.

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(r) Lock-Box Letters. Not later than October 30, 2001 the Seller shall deliver to the Agent fully executed Lock-Box Letters with respect to each Lock-Box set forth on Exhibit D hereto.

Section 5.2. Covenants of the Initial Collection Agent. The Initial Collection Agent hereby covenants and agrees to comply with the following covenants and agreements, unless the Agent (with the consent of the Instructing Group) shall otherwise consent:

(a) Financial Reporting. The Initial Collection Agent will maintain a system of accounting established and administered in accordance with GAAP and will furnish to the Agent, each Purchaser Agent and each Purchaser:

(i) Annual Financial Statements. Within 120 days after each fiscal year of the Parent copies of its annual audited financial statements (including a consolidated balance sheet, consolidated statement of income and retained earnings and statement of cash flows, with related footnotes) certified by Deloitte & Touche, LLP or another firm of independent certified public accountants of nationally recognized standing (which accountants shall have acknowledged the reliance of the Agent, the Purchaser Agents and the Purchasers on the financial statements audited by such accountants) and prepared on a consolidated basis in conformity with GAAP;

(ii) Quarterly Financial Statements. Within 60 days after each (except the last) fiscal quarter of each fiscal year of the Parent, copies of its unaudited financial statements (including at least a consolidated balance sheet as of the close of such quarter and statements of earnings and sources and applications of funds for the period from the beginning of the fiscal year to the close of such quarter) certified by a Designated Financial Officer and prepared in a manner consistent with the financial statements described in clause (i) of this Section 5.1(a);

(iii) Officer's Certificate. Each time financial statements are furnished pursuant to clause (i) or (ii) of Section 5.1(a), a compliance certificate (in substantially the form of Exhibit F) signed by a Designated Financial Officer, dated the date of such financial statements;

(iv) Public Reports. Promptly upon becoming available, a copy of each report or proxy statement filed by the Parent with the Securities and Exchange Commission or any securities exchange; and

(v) Other Information. With reasonable promptness, such other information (including non-financial information) respecting the Receivables or the conditions and operations, financial or otherwise, of the Initial Collection Agent and any Seller Entity as the Agent from time to time reasonably may request in order to protect the interests of the Agent or Committed Purchasers under this Agreement.

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(b) Notices. As soon as possible and in any event within 5 Business Days of becoming actually aware of any of the following the Initial Collection Agent will notify the Agent and each Purchaser Agent and provide a description of:

(i) Potential Termination Events. The occurrence of any Potential Termination Event;

(ii) Downgrading. The downgrading, withdrawal or suspension of any rating by any rating agency of any indebtedness of any Special Obligor or of the Parent; or

(iii) Further Information. Any other information that the

Parent is required to deliver pursuant to the Credit Agreement at the same time the Parent delivers such information to the required parties pursuant to the Credit Agreement.

If the Agent or any Purchaser Agent receives such a notice, the Agent or such Purchaser Agent shall promptly give notice thereof to each Purchaser and, until each Conduit Purchaser has no Investment after the Termination Date, to each CP Dealer and each Rating Agency.

(c) Conduct of Business. The Initial Collection Agent will perform all actions necessary to remain duly incorporated, validly existing and in good standing in its jurisdiction of incorporation and to maintain all requisite authority to conduct its business in each jurisdiction in which it conducts business.

(d) Compliance with Laws. The Initial Collection Agent will comply with all laws, regulations, judgments and other directions or orders imposed by any Governmental Authority to which it or any Receivable, any Related Security or Collection may be subject.

(e) Furnishing Information and Inspection of Records. The Initial Collection Agent will furnish to the Agent, the Purchaser Agents and the Purchasers such information concerning the Receivables and the Related Security as the Agent, a Purchaser Agent or a Purchaser may request. The Initial Collection Agent will, and will cause each Originator to, permit, at any time during regular business hours upon reasonable notice to the Initial Collection Agent, the Agent, any Purchaser Agent or any Purchaser (or any representatives thereof) (i) to examine and make copies of all Records, (ii) to visit the offices and properties of the Initial Collection Agent and each Originator for the purpose of examining the Records and (iii) to discuss matters relating hereto with any of the Initial Collection Agent's or such Originator's officers, directors, employees or independent public accountants having knowledge of such matters. No more than once a calendar year or any time after the occurrence of a Termination Event, the Agent may (at the expense of the Initial Collection Agent) or at any time (at the expense of the Purchasers) have an independent public accounting firm conduct an audit of the Records or make test verifications of the Receivables and Collections; provided, however, that the

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Agent (may at the expense of the Initial Collection Agent) conduct its standard "due diligence" with respect to Meritor Heavy Vehicle Systems, LLC, Euclid Industries, LLC, and ArvinMeritor OE, LLC, within four months of the date hereof.

(f) Keeping Records. (i) The Initial Collection Agent will, and will cause each Originator to, have and maintain (A) administrative and operating procedures (including an ability to recreate Records if originals are destroyed), (B) adequate facilities, personnel and equipment and (C) all Records and other information necessary or advisable for collecting the Receivables (including Records adequate to permit the immediate identification of each Obligor and each new Receivable and all Collections of, and adjustments to, each existing Receivable). The Initial Collection Agent will give the Agent prior notice of any material change in such administrative and operating procedures.

(ii) The Initial Collection Agent will, (A) at all times from and after the date hereof, clearly and conspicuously mark its computer and master data processing books and records with a legend describing the Agent's and the Purchasers' interest in the Receivables and the Collections and (B) upon the request of the Agent, so mark each contract relating to a Receivable and deliver to the Agent all such contracts (including all multiple originals of such contracts), with any appropriate endorsement or assignment, or segregate (from all other

receivables then owned or being serviced by the Initial Collection Agent) the Receivables and all contracts relating to each Receivable and hold in trust and safely keep such contracts so legended in separate filing cabinets or other suitable containers at such locations as the Agent may specify.

(g) Performance of Duties. The Initial Collection Agent will perform its duties or obligations in accordance with the provisions of each of the Transaction Documents. The Initial Collection Agent (at its expense) will (i) fully and timely perform in all material respects all agreements required to be observed by it in connection with each Receivable, (ii) comply in all material respects with the Credit and Collection Policy, and (iii) refrain from any action that may impair the rights of the Agent, the Purchaser Agents or the Purchasers in the Receivables, the Related Security, Collections, Purchase Agreement or Lock-Box Accounts.

(h) Payments on Receivables, Lock-Box Accounts. If any payments on Receivables or other Collections are received by the Initial Collection Agent, it shall hold such payments in trust for the benefit of the Agent, the Purchaser Agents and the Purchasers and promptly (but in any event within two Business Days after receipt) remit such funds into a Lock-Box Account. Except as set forth in Section 5.1(i) hereof, the Initial Collection Agent will only permit Collections to be deposited into any Lock-Box Account, except with respect to the AM Canada Account, but only through November 30, 2001. If such funds of any Affiliate or Seller Entity are deposited into any Lock-Box Account, the Initial Collection Agent will promptly identify and separate such funds for segregation. Except as set forth in Section 5.1(i) hereof, the Initial Collection Agent will not, and will not permit any other Person to, commingle Collections or other funds to which the Agent or any Purchaser is entitled with any other funds.

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(i) Extension or Amendment of Receivables. Except as otherwise permitted in Section 3.2(b) and then subject to Section 1.5, the Initial Collection Agent will not extend, amend, rescind or cancel any Receivable.

(j) Change in Business or Credit and Collection Policy. The Initial Collection Agent will not make any change in its business or in the Originator's Credit and Collection Policy which change would impair the collectibility of any Receivable.

ARTICLE VI

INDEMNIFICATION

Section 6.1. Indemnities by the Seller. Without limiting any other rights any such Person may have hereunder or under applicable law, the Seller hereby indemnifies and holds harmless, on an after-Tax basis, the Agent, each Purchaser Agent and each Purchaser and their respective officers, directors, agents and employees (each an "Indemnified Party") from and against any and all damages, losses, claims, liabilities, penalties, Taxes, costs and expenses (including reasonable attorneys' fees and court costs) (all of the foregoing collectively, the "Indemnified Losses") at any time imposed on or incurred by any Indemnified Party arising out of or otherwise relating to any Transaction Document, the transactions contemplated thereby or the acquisition of any portion of the Sold Interest, any commingling of funds, any failure of a Lock-Box Bank to comply with the terms of a Lock-Box Letter, any Receivables or Collections, or any action taken or omitted by any of the Indemnified Parties (including any action taken by the Agent as attorney-in-fact for the Seller pursuant to Section 3.5(b)), whether arising by reason of the acts to be performed by the Seller

hereunder or otherwise, excluding only Indemnified Losses to the extent (a) such Indemnified Losses to the extent such losses result from gross negligence or willful misconduct of the Indemnified Party seeking indemnification, (b) solely due to the credit risk of the Obligor and for which reimbursement would constitute recourse to the Seller or the Collection Agent for uncollected or uncollectible Receivables or (c) such Indemnified Losses are, or include Taxes on, or measured by, the overall net income or gross receipts of the Agent, any Purchaser Agent or any Purchaser computed in accordance with the Intended Tax Characterization; provided, however, that nothing contained in this sentence shall limit the liability of the Seller or the Collection Agent or limit the recourse of the Agent, each Purchaser Agent and each Purchaser to the Seller or the Collection Agent for any amounts otherwise specifically provided to be paid by the Seller or the Collection Agent hereunder. Without limiting the foregoing indemnification, but subject to the limitation set forth in clauses (a), (b) and (c) of the previous sentence, the Seller shall indemnify the Agent, each Purchaser Agent and each Purchaser for Indemnified Losses (including losses in respect of uncollectible Receivables, regardless of whether reimbursement therefor would constitute recourse to the Seller or the Collection Agent) relating to or resulting from:

(i) reliance on any representation or warranty made by the Seller or Collection Agent (or any officers of the Seller or the Collection Agent) under or in connection with this Agreement, any Periodic Report or any other information or report

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delivered by the Seller or the Collection Agent pursuant hereto, which shall have been false or incorrect in any material respect when made or deemed made;

(ii) the failure by the Seller or any Seller Entity to comply with any applicable law, rule or regulation with respect to any Receivable, or the nonconformity of any Receivable with any such applicable law, rule or regulation;

(iii) the failure of the Seller to vest and maintain vested in the Agent, for the benefit of the Purchaser Agents and the Purchasers, a perfected interest in the Sold Interest and the property conveyed pursuant to Section 1.1(a) and Section 1.8, free and clear of any Adverse Claim;

(iv) any commingling of funds to which the Agent, any Purchaser Agent or any Purchaser is entitled hereunder with any other funds;

(v) failure of any Lock Box Bank (if appointed or designated by the Seller or if otherwise a Lock Box Bank on the date hereof) to comply with the terms of the applicable Lock Box Letter;

(vi) any dispute, claim, offset or defense (other than discharge in bankruptcy of the Obligor) of the Obligor to the payment of any Receivable resulting from the sale or lease of goods or the rendering of services related to such Receivable or the furnishing or failure to furnish any such goods or services;

(vii) any failure of the Seller or any Seller Entity to perform its duties or obligations in accordance with the provisions of this Agreement and each of the other Transaction Documents to which it is a party; or

(viii) any environmental liability claim, products liability claim or personal injury or property damage suit or other similar or related claim or action of whatever sort, arising out of or in connection with any Receivable or any other suit, claim or action of whatever sort relating to any of the Transaction Documents.

Section 6.2. Increased Cost and Reduced Return. By way of clarification, and not of limitation, of Section 6.1, if the adoption of any applicable law, rule or regulation not in effect as of the date hereof, or any change therein, or any change in the interpretation or administration thereof by any Governmental Authority charged with the interpretation or administration thereof, or compliance by any Funding Source, the Agent, any Purchaser Agent or any Purchaser (collectively, the "Funding Parties") with any request or directive (whether or not having the force of law) of any such Governmental Authority (a "Regulatory Change") (a) subjects any Funding Party to any charge or withholding on or in connection with a Funding Agreement or this Agreement (collectively, the "Funding Documents") or any Receivable, (b) changes the basis of taxation of payments to any of the Funding Parties of any amounts payable under any of the Funding Documents (except for changes in the rate of Tax on the overall net income of such Funding Party), (c) imposes, modifies or deems applicable any reserve, assessment, insurance charge, special deposit or similar requirement against assets of, deposits with or for the account

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of, or any credit extended by, any of the Funding Parties, (d) has the effect of reducing the rate of return on such Funding Party's capital to a level below that which such Funding Party could have achieved but for such adoption, change or compliance (taking into consideration such Funding Party's policies concerning capital adequacy) or (e) imposes any other condition, and the result of any of the foregoing is (x) to impose a cost on, or increase the cost to, any Funding Party of its commitment under any Funding Document or of purchasing, maintaining or funding any interest acquired under any Funding Document, (y) to reduce the amount of any sum received or receivable by, or to reduce the rate of return of, any Funding Party under any Funding Document or (z) to require any payment calculated by reference to the amount of interests held or amounts received by it hereunder, then, upon demand by the Agent, the Seller shall pay to the Agent for the account of the Person such additional amounts as will compensate such Agent, such Purchaser Agent or such Purchaser (or, in the case of a Conduit Purchaser, will enable a Conduit Purchaser to compensate any Funding Source) for such increased cost or reduction. Without limiting the foregoing, the Seller acknowledges and agrees that the fees and other amounts payable by the Seller to the Purchasers and the Agent have been negotiated on the basis that the unused portion of each Committed Purchaser's Commitment is treated as a "short term commitment" for which there is no regulatory capital requirement. If any Committed Purchaser determines it is required to maintain capital against its Unused Commitment (or any Purchaser is required to maintain capital against its Investment) in excess of the amount of capital it would be required to maintain against a funded loan in the same amount, such Purchaser shall be entitled to compensation under this Section 6.2.

Section 6.3. Other Costs and Expenses. Also by way of clarification, and not of limitation, of Section 6.1, the Seller shall pay to the Agent (with respect to amounts owed to it) or the applicable Purchaser Agent (with respect to amounts owed to it or any Purchaser in its Purchaser Group) on demand all costs and expenses in connection with (a) the preparation, execution, delivery and administration (including amendments of any provision) of the Transaction Documents, (b) the sale of the Sold Interest, (c) the perfection of the Agent's rights in the Receivables, Related Security and Collections, (d) the enforcement by the Agent, any Purchaser Agent or the Purchasers of the obligations of the Seller under the Transaction Documents or of any Obligor under a Receivable and (e) the maintenance by the Agent of the Lock-Boxes and Lock-Box Accounts, including fees, costs and expenses of legal counsel for the Agent and each Purchaser Agent relating to any of the foregoing or to advising the Agent, any Purchaser Agent and any Funding Source about its rights and remedies under any Transaction Document or any related Funding Agreement and all costs and expenses (including counsel fees and expenses) of the Agent, each Purchaser Agent, each Purchaser and each Funding Source in connection with the enforcement of the Transaction Documents or any Funding Agreement and in connection with the administration of the Transaction Documents following a Termination Event. The

Seller shall reimburse the Agent and each Conduit Purchaser for the cost of the Agent's or such Conduit Purchaser's auditors (which may be employees of such Person) auditing the books, records and procedures of the Seller. The Seller shall reimburse each Conduit Purchaser for any amounts such Conduit Purchaser must pay to any Committed Purchaser pursuant to the related Transfer Agreement, this Agreement and the Funding Agreements related thereto on account of any Tax. The Seller shall reimburse each Conduit Purchaser on demand for all other costs and expenses incurred by such Conduit Purchaser or any shareholder of such Conduit Purchaser in connection with the Transaction Documents or the transactions

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contemplated thereby, including the cost of auditing such Conduit Purchaser's books by certified public accountants, the cost of the Ratings and the fees and out-of-pocket expenses of counsel of the Agent, each Conduit Purchaser or any shareholder, or administrator, of such Conduit Purchaser for advice relating to such Conduit Purchaser's operation.

Section 6.4. Withholding Taxes. (a) All payments made by the Seller hereunder shall be made without withholding for or on account of any present or future taxes (other than overall net income taxes on the recipient). If any such withholding is so required, the Seller shall make the withholding, pay the amount withheld to the appropriate authority before penalties attach thereto or interest accrues thereon and pay such additional amount as may be necessary to ensure that the net amount actually received by each Purchaser, each Purchaser Agent and the Agent free and clear of such taxes (including such taxes on such additional amount) is equal to the amount that such Purchaser, such Purchaser Agent or the Agent (as the case may be) would have received had such withholding not been made. If the Agent, any Purchaser Agent or any Purchaser pays any such taxes, penalties or interest the Seller shall reimburse the Agent, Purchaser Agent or such Purchaser for that payment on demand. If the Seller pays any such taxes, penalties or interest, it shall deliver official tax receipts evidencing that payment or certified copies thereof to the Purchaser, each Purchaser Agent or the Agent on whose account such withholding was made (with a copy to the Agent if not the recipient of the original) on or before the thirtieth day after payment.

(b) Before the first date on which any amount is payable hereunder for the account of any Purchaser not incorporated under the laws of the USA such Purchaser shall deliver to the Seller and the Agent each two (2) duly completed copies of United States Internal Revenue Service Form W-8BEN or W-8ECI (or successor applicable form) certifying that such Purchaser is entitled to receive payments hereunder without deduction or withholding of any United States federal income taxes. Each such Purchaser shall replace or update such forms when necessary to maintain any applicable exemption and as requested by the Agent or the Seller.

Section 6.5. Payments and Allocations. If any Person seeks compensation pursuant to this Article VI, such Person shall deliver to the Seller and its Purchaser Agent a certificate setting forth the amount due to such Person, a description of the circumstance giving rise thereto and the basis of the calculations of such amount, which certificate shall be conclusive absent manifest error. The Seller shall pay to the Agent amounts owed to it or to the applicable Purchaser Agent amounts owed to such Purchaser Agent or owed to any Purchaser in its Purchase Group, for the account of such Person the amount shown as due on any such certificate within thirty (30) days after receipt of the notice.

ARTICLE VII

CONDITIONS PRECEDENT

Section 7.1. Conditions to Closing. This Agreement shall become effective on the first date all conditions in this Section 7.1 are satisfied. On or before such date, the Seller (or, in the

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case of Section 7.1(e)(ii), the Committed Purchasers) shall deliver to the Agent the following documents in form, substance and quantity acceptable to the Agent:

(a) A certificate of the Secretary of the Seller and each Seller Entity certifying (i) the resolutions of the Seller's and each Seller Entity's board of directors approving each Transaction Document to which it is a party, (ii) the name, signature, and authority of each officer who executes on the Seller's or each Seller Entity's behalf a Transaction Document (on which certificate the Agent, each Purchaser Agent and each Purchaser may conclusively rely until a revised certificate is received), (iii) the Seller's and each Seller Entity's certificate or articles of incorporation or limited liability company agreement, as applicable, certified by the Secretary or Assistant Secretary of such entity, (iv) a copy of the Seller's and each Seller Entity's by-laws and (v) good standing certificates issued by the Secretaries of State of each jurisdiction where the Seller and each Seller Entity is organized.

(b) All instruments and other documents required, or deemed desirable by the Agent, to perfect the Agent's first priority interest in the Receivables, Related Security, Collections, the Purchase Agreement and the Lock-Box Accounts in all appropriate jurisdictions.

(c) UCC search reports from all jurisdictions the Agent requests.

(d) Executed copies of (i) all consents and authorizations necessary in connection with the Transaction Documents (ii) direction letters executed by the Seller authorizing the Agent to inspect and make copies from the Seller's books and records maintained at any off-site data processing or storage facilities, (iii) a Periodic Report covering the month ended August 31, 2001, and (iv) each Transaction Document.

(e) Favorable opinions of counsel to the Seller and each Seller Entity covering such matters as any Purchaser Agent or the Agent may request.

(f) Such other approvals, opinions or documents as the Agent or any Purchaser Agent may reasonably request.

Section 7.2. Conditions to Each Purchase. The obligation of each Committed Purchaser to make any Purchase, and the right of the Seller to request or accept any Purchase, are subject to the conditions (and each Purchase shall evidence the Seller's representation and warranty that clauses (a)-(d) of this Section 7.2 have been satisfied) that on the date of such Purchase before and after giving effect to the Purchase:

(a) no Potential Termination Event shall then exist or shall occur as a result of the Purchase;

(b) the Termination Date has not occurred and, after giving effect to the application of the proceeds of such Purchase, the outstanding Matured Aggregate Investment would not exceed the Aggregate Commitment;

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(c) the representations and warranties of the Seller, each Originator and the Collection Agent contained herein or in any other Transaction Document are true and correct in all material respects on and as of such date (except to the extent such representations and warranties relate solely to an earlier date and then as of such earlier date);

(d) each of the Seller and each Seller Entity is in full compliance with the Transaction Documents to which it is a party (including all covenants and agreements in Article V); and

(e) all legal matters related to the Purchase are reasonably satisfactory to the Purchasers.

Nothing in this Section 7.2 limits the obligations (including those in Section 2.1) of each Related Committed Purchaser to its related Conduit Purchaser (including any applicable Transfer Agreement).

ARTICLE VIII

THE AGENT

Section 8.1. Appointment and Authorization. (a) Each Purchaser and each Purchaser Agent hereby irrevocably designates and appoints ABN AMRO Bank N.V. as the "Agent" under the Transaction Documents and authorizes the Agent to take such actions and to exercise such powers as are delegated to the Agent hereby and to exercise such other powers as are reasonably incidental thereto. The Agent shall hold, in its name, for the benefit of each Purchaser, the Purchase Interest of such Purchaser. The Agent shall not have any duties other than those expressly set forth in the Transaction Documents or any fiduciary relationship with any Purchaser, and no implied obligations or liabilities shall be read into any Transaction Document, or otherwise exist, against the Agent. The Agent does not assume, nor shall it be deemed to have assumed, any obligation to, or relationship of trust or agency with, the Seller. Notwithstanding any provision of this Agreement or any other Transaction Document, in no event shall the Agent ever be required to take any action which exposes the Agent to personal liability or which is contrary to the provision of any Transaction Document or applicable law.

(b) Each Purchaser hereby irrevocably designates and appoints the respective institution identified on the applicable signature page hereto or in the related Transfer Supplement (as applicable) as its Purchaser Agent hereunder, and each authorizes such Purchaser Agent to take such action on its behalf under the provisions of this Agreement and to exercise such powers and perform such duties as are expressly delegated to such Purchaser Agent by the terms of this Agreement, if any, together with such other powers as are reasonably incidental thereto. Notwithstanding any provision to the contrary elsewhere in this Agreement, no Purchaser Agent shall have any duties or responsibilities, except those expressly set forth herein, or any fiduciary relationship with any Purchaser or other Purchaser Agent or the Agent, and no implied obligations or liabilities on the part of such Purchaser Agent shall be read into this Agreement or

otherwise exist against such Purchaser Agent. No Purchaser Agent assumes, nor shall it be deemed to have assumed, any obligation to, or relationship of trust or agency with, the Seller.

Section 8.2. Delegation of Duties. The Agent and each Purchaser Agent may execute any of its duties through agents or attorneys-in-fact and shall be entitled to advice of counsel concerning all matters pertaining to such duties. Neither the Agent nor any Purchaser Agent shall be responsible for the

negligence or misconduct of any agents or attorneys-in-fact selected by it with reasonable care.

Section 8.3. Exculpatory Provisions. None of the Agent, any Purchaser Agent or any of their respective directors, officers, agents or employees shall be liable for any action taken or omitted (i) with the consent or at the direction of the Instructing Group or (ii) in the absence of such Persons gross negligence or willful misconduct. Neither the Agent nor any Purchaser Agent shall be responsible to any Purchaser or other Person for any recitals, representations, warranties or other statements made by the Seller, any Seller Entity or any of its Affiliates, (ii) the value, validity, effectiveness, genuineness, enforceability or sufficiency of any Transaction Document, (iii) any failure of the Seller, and Seller Entity or any of its Affiliates to perform any obligation or (iv) the satisfaction of any condition specified in Article VII. Neither the Agent nor any Purchaser Agent shall have any obligation to any Purchaser to ascertain or inquire about the observance or performance of any agreement contained in any Transaction Document or to inspect the properties, books or records of the Seller, any Seller Entity or any of its Affiliates.

Section 8.4. Reliance by Agent and Purchaser Agents. (a) The Agent and each Purchaser Agent shall in all cases be entitled to rely, and shall be fully protected in relying, upon any document, other writing or conversation believed by it to be genuine and correct and to have been signed, sent or made by the proper Person and upon advice and statements of legal counsel (including counsel to the Seller), independent accountants and other experts selected by the Agent or such Purchaser Agent. The Agent and each Purchaser Agent shall in all cases be fully justified in failing or refusing to take any action under any Transaction Document unless it shall first receive such advice or concurrence of the Purchasers, and assurance of its indemnification, as it deems appropriate.

(b) The Agent shall in all cases be fully protected in acting, or in refraining from acting, under this Agreement in accordance with a request of the Instructing Group, and such request and any action taken or failure to act pursuant thereto shall be binding upon all Purchasers, the Agent and Purchaser Agents.

(c) Each Purchaser Agent shall determine with its Purchaser Group the number of such Purchasers (each, a "Voting Block"), which shall be required to request or direct such Purchaser Agent to take action, or refrain from taking action, under this Agreement on behalf of such Purchasers. Such Purchaser Agent shall in all cases be fully protected in acting, or in refraining from acting, under this Agreement in accordance with a request of its appropriate Voting Block, and such request and any action taken or failure to act pursuant thereto shall be binding upon all of such Purchaser Agent's Purchasers.

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(d) Unless otherwise advised in writing by a Purchaser Agent or by any Purchaser on whose behalf such Purchaser Agent is purportedly acting, each party to this Agreement may assume that (i) such Purchaser Agent is acting for the benefit and on behalf of each of the Purchasers in respect of which such Purchaser Agent is identified as being the "Purchaser Agent" in the definition of "Purchaser Agent" hereto, as well as for the benefit of each assignee or other transferee from any such Person, and (ii) each action taken by such Purchaser Agent has been duly authorized and approved by all necessary action on the part of the Purchasers on whose behalf it is purportedly acting. Each Purchaser Agent and the Purchasers in its Purchaser Group shall agree amongst themselves as to the circumstances and procedures for removal and resignation of such Purchaser Agent.

Section 8.5. Assumed Payments. Unless the Agent shall have received notice from the applicable Purchaser Agent before the date of any Incremental Purchase that the applicable Purchaser Group will not make available to the Agent the amount it is scheduled to remit as part of such Incremental Purchase, the Agent may assume such Purchaser Group has made such amount available to the Agent when

due (an "Assumed Payment") and, in reliance upon such assumption, the Agent may (but shall have no obligation to) make available such amount to the appropriate Person. If and to the extent that any Purchaser in a Purchaser Group shall not have made its Assumed Payment available to the Agent, such Purchaser and the Seller hereby agree to pay the Agent forthwith on demand such unpaid portion of such Assumed Payment up to the amount of funds actually paid by the Agent, together with interest thereon for each day from the date of such payment by the Agent until the date the requisite amount is repaid to the Agent, at a rate per annum equal to the Federal Funds Rate for the first three days such amounts are past due and thereafter at a rate per annum equal to the Federal Funds Rate plus 2%.

Section 8.6. Notice of Termination Events. Neither any Purchaser Agent nor the Agent shall be deemed to have knowledge or notice of the occurrence of any Potential Termination Event unless the Agent or such Purchaser Agent has received notice from any Purchaser or the Seller stating that a Potential Termination Event has occurred hereunder and describing such Potential Termination Event. If the Agent receives such a notice, it shall promptly give notice thereof to each Purchaser Agent whereupon each Purchaser Agent shall promptly give notice thereof to the members of its Purchaser Group. If a Purchaser Agent receives such a notice from any Person other than the Agent, it shall promptly give notice thereof to the Agent and each Purchaser Agent whereupon each Purchaser Agent shall promptly give notice thereof to the members of its Purchaser Group. The Agent shall take such action concerning a Potential Termination Event as may be directed by the Instructing Group (or, if required for such action, all of the Purchasers), but until the Agent receives such directions, the Agent may (but shall not be obligated to) take such action, or refrain from taking such action, as the Agent deems advisable and in the best interests of the Purchasers.

Section 8.7. Non-Reliance on Agent and Other Purchasers. Each Purchaser expressly acknowledges that none of the Agent, the Purchaser Agents nor any of their respective officers, directors, employees, agents, attorneys-in-fact or Affiliates has made any representations or warranties to it and that no act by the Agent hereafter taken, including any review of the affairs of the Seller or any Seller Entity, shall be deemed to constitute any representation or warranty by the Agent. Each Purchaser represents and warrants to the Agent and the Purchaser Agents that,

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independently and without reliance upon the Agent, any Purchaser Agent or any other Purchaser and based on such documents and information as it has deemed appropriate, it has made and will continue to make its own appraisal of and investigation into the business, operations, property, prospects, financial and other conditions and creditworthiness of the Seller, the Seller Entities and the Receivables and its own decision to enter into this Agreement and to take, or omit, action under any Transaction Document. The Agent shall deliver each month to any Purchaser that so requests a copy of the Periodic Report(s) received covering the preceding calendar month. Except for items specifically required to be delivered hereunder, the Agent shall not have any duty or responsibility to provide any Purchaser or any Purchaser Agent with any information concerning the Seller, any Seller Entity or any of its Affiliates that comes into the possession of the Agent or any of its officers, directors, employees, agents, attorneys-in-fact or Affiliates.

Section 8.8. Agent, Purchaser Agents and Affiliates. The Agent, each Purchaser Agent and their respective Affiliates may extend credit to, accept deposits from and generally engage in any kind of business with the Seller, any Seller Entity or any of their Affiliates and ABN AMRO may exercise or refrain from exercising its rights and powers as if it were not the Agent. The parties acknowledge that ABN AMRO acts as agent for Amsterdam and subagent for Amsterdam's management company in various capacities, as well as providing credit facilities and other support for Amsterdam not contained in the Transaction Documents.

Section 8.9. Indemnification. Each Purchaser Group shall indemnify and hold harmless the Agent and its officers, directors, employees, representatives and agents (to the extent not reimbursed by the Seller or any Seller Entity and without limiting the obligation of the Seller or any Seller Entity to do so), ratably in accordance with its Ratable Share from and against any and all liabilities, claims, obligations, losses, damages, penalties, costs, expenses and disbursements of any kind whatsoever that may at any time be imposed on, incurred by or asserted against the Agent or such Person as a result of or related to, any of the transactions contemplated by the Transaction Documents or the execution, delivery or performance of the Transaction Documents or any other document furnished in connection therewith (but excluding any such liabilities, claims, obligations, losses, damages, penalties, costs, expenses or disbursements resulting solely from the gross negligence or willful misconduct of the Agent or such Person as finally determined by a court of competent jurisdiction).

Section 8.10. Successor Agent. The Agent may, upon at least five (5) days notice to the Seller and each Purchaser Agent, resign as Agent. Such resignation shall not become effective until a successor agent is appointed by an Instructing Group and has accepted such appointment. Upon such acceptance of its appointment as Agent hereunder by a successor Agent, such successor Agent shall succeed to and become vested with all the rights and duties of the retiring Agent, and the retiring Agent shall be discharged from its duties and obligations under the Transaction Documents. After any retiring Agent's resignation hereunder, the provisions of Article VI and this Article VIII shall inure to its benefit as to any actions taken or omitted to be taken by it while it was the Agent.

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ARTICLE IX

MISCELLANEOUS

Section 9.1. Termination. Each Conduit Purchaser shall cease to be a party hereto when the Termination Date has occurred, such Conduit Purchaser holds no Investment and all amounts payable to it hereunder have been indefeasibly paid in full. This Agreement shall terminate following the Termination Date when no Investment is held by a Purchaser and all other amounts payable hereunder have been indefeasibly paid in full, but the rights and remedies of the Agent, each Purchaser Agent and each Purchaser concerning any representation, warranty or covenant made, or deemed to be made, by the Seller, and under Section 3.9, Article VI, Section 8.9, Section 9.12 and Section 9.13, shall survive such termination.

Section 9.2. Notices. Unless otherwise specified, all notices and other communications hereunder shall be in writing (including by telecopier or other facsimile communication), given to the appropriate Person at its address or telecopy number set forth on the signature pages hereof or at such other address or telecopy number as such Person may specify, and effective when received at the address specified by such Person. Each party hereto, however, authorizes the Agent and each Purchaser Agent to act on telephone notices of Purchases and Discount Rate and Tranche Period selections from any person the Agent or such Purchaser Agent in good faith believes to be acting on behalf of the relevant party and, at the Agent's or such Purchaser Agent's option, to tape record any such telephone conversation. Each party hereto agrees to deliver promptly to the Agent and each Purchaser Agent a confirmation of each telephone notice given or received by such party (signed by an authorized officer of such party), but the absence of such confirmation shall not affect the validity of the telephone notice. The Agent's or such Purchaser Agent's records of all such conversations shall be deemed correct and, if the confirmation of a conversation differs in any material respect from the action taken by the Agent or such Purchaser Agent, the records of the Agent or such Purchaser Agent shall govern absent manifest error. The number of days for any advance notice required hereunder may be

waived (orally or in writing) by the Person receiving such notice and, in the case of notices to the Agent or such Purchaser Agent, the consent of each Person to which the Agent or such Purchaser Agent is required to forward such notice.

Section 9.3. Payments and Computations. Notwithstanding anything herein to the contrary, any amounts to be paid or transferred by the Seller or the Collection Agent to, or for the benefit of, any Purchaser, or any other Person shall be paid or transferred to the Agent or the appropriate Purchaser Agent (for the benefit of such Purchaser or other Person). The Agent or the appropriate Purchaser Agent shall promptly (and, if reasonably practicable, on the day it receives such amounts) forward each such amount to the Person entitled thereto and such Person shall apply the amount in accordance herewith. All amounts to be paid or deposited hereunder shall be paid or transferred on the day when due in immediately available Dollars (and, if due from the Seller or Collection Agent, by 11:00 a.m. (Chicago time), with amounts received after such time being deemed paid on the Business Day following such receipt). The Seller hereby authorizes the Agent to debit the Seller Account for application to any amounts owed by the Seller hereunder. The Seller shall, to the extent permitted by law, pay to the Agent or the appropriate Purchaser Agent upon demand, for the account of the applicable Person, interest on

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all amounts not paid or transferred by the Seller or the Collection Agent when due hereunder at a rate equal to the Prime Rate plus 1%, calculated from the date any such amount became due until the date paid in full. Any payment or other transfer of funds scheduled to be made on a day that is not a Business Day shall be made on the next Business Day, and any Discount Rate or interest rate accruing on such amount to be paid or transferred shall continue to accrue to such next Business Day. All computations of interest, fees and Discount shall be calculated for the actual days elapsed based on a 360 day year.

Section 9.4. Sharing of Recoveries. Each Purchaser agrees that if it receives any recovery, through set-off, judicial action or otherwise, on any amount payable or recoverable hereunder in a greater proportion than should have been received hereunder or otherwise inconsistent with the provisions hereof, then the recipient of such recovery shall purchase for cash an interest in amounts owing to the other Purchasers (as return of Investment or otherwise), without representation or warranty except for the representation and warranty that such interest is being sold by each such other Purchaser free and clear of any Adverse Claim created or granted by such other Purchaser, in the amount necessary to create proportional participation by the Purchasers in such recovery (as if such recovery were distributed pursuant to Section 2.3). If all or any portion of such amount is thereafter recovered from the recipient, such purchase shall be rescinded and the purchase price restored to the extent of such recovery, but without interest.

Section 9.5. Right of Setoff. During a Termination Event, each Purchaser is hereby authorized (in addition to any other rights it may have) to setoff, appropriate and apply (without presentment, demand, protest or other notice which are hereby expressly waived) any deposits and any other indebtedness held or owing by such Purchaser (including by any branches or agencies of such Purchaser) to, or for the account of, the Seller against amounts owing by the Seller hereunder (even if contingent or unmatured).

Section 9.6. Amendments. Except as otherwise expressly provided herein, no amendment or waiver hereof shall be effective unless signed by the Seller and the Instructing Group. In addition, no amendment of any Transaction Document shall, without the consent of (a) all the Related Committed Purchasers, (i) extend the Termination Date (including an extension effected through a waiver of a Termination Event) or the date of any payment or transfer of Collections by the Seller to the Collection Agent or by the Collection Agent to the Agent, (ii) reduce the rate or extend the time of payment of Discount for any Eurodollar Tranche or Prime Tranche, (iii) reduce or extend the time of payment of any fee payable to the Related Committed Purchasers, (iv) except as provided herein,

release, transfer or modify any Committed Purchaser's Purchase Interest or change any Commitment, (v) amend the definition of Instructing Group, Termination Event or Section 1.1, 1.2, 1.5, 1.8, 2.1, 2.2, 2.3, 6.1, 6.2, 6.3, 6.4, 7.2 or 9.6 or any provision of the Limited Guaranty, (vi) consent to the assignment or transfer by the Seller or any Originator of any interest in the Receivables other than transfers hereunder, or (vii) amend any defined term relevant to the restrictions in clauses (i) through (vi) in a manner which would circumvent the intention of such restrictions or (b) the Agent and each affected Purchaser Agent, amend any provision hereof if the effect thereof is to affect the indemnities to, or the rights or duties of, the Agent or any Purchaser Agent or to reduce any fee payable for the Agent's or such Purchaser Agent's own account. Notwithstanding the foregoing, the amount of any fee or other payment due and payable from the Seller to any Person may be

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changed or otherwise adjusted solely with the consent of the Seller and the party to which such payment is payable. Any amendment hereof shall apply to each Purchaser equally and shall be binding upon the Seller, the Purchasers, each Purchaser Agent and the Agent. If required by the Rating Agencies for any Conduit Purchaser, no material amendment hereof or assignment, termination, resignation or removal hereunder shall be effective unless a statement is obtained from the applicable Rating Agencies that its Rating will not be downgraded, withdrawn or suspended as a result of such amendment, assignment, termination, resignation or removal.

Section 9.7. Waivers. No failure or delay of the Agent, any Purchaser Agent or any Purchaser in exercising any power, right, privilege or remedy hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such power, right, privilege or remedy preclude any other or further exercise thereof or the exercise of any other power, right, privilege or remedy. Any waiver hereof shall be effective only in the specific instance and for the specific purpose for which such waiver was given; provided that any waiver of a Termination Event shall be in writing. After any waiver, the Seller, the Purchasers, the Purchaser Agents and the Agent shall be restored to their former position and rights and any Potential Termination Event waived shall be deemed to be cured and not continuing, but no such waiver shall extend to (or impair any right consequent upon) any subsequent or other Potential Termination Event. Any additional Discount that has accrued after a Termination Event before the execution of a waiver thereof, solely as a result of the occurrence of such Termination Event, may be waived by the Agent or related Purchaser Agent at the direction of the Purchaser entitled thereto.

Section 9.8. Successors and Assigns; Participations; Assignments. (a) Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns. Except as otherwise provided herein, the Seller may not assign or transfer any of its rights or delegate any of its duties without the prior consent of the Agent and the Purchasers Agents.

(b) Participations. Any Purchaser may sell to one or more Persons affiliated with the Purchaser without the prior consent of the Seller, and to one or more other Persons with the prior consent of the Seller (which consent shall not be unreasonably withheld) (each a "Participant") participating interests in the interests of such Purchaser hereunder and under the applicable Transfer Agreement. Such Purchaser shall remain solely responsible for performing its obligations hereunder, and the Seller, the applicable Purchaser Agent and the Agent shall continue to deal solely and directly with such Purchaser in connection with such Purchaser's rights and obligations hereunder and under the applicable Transfer Agreement. Each Participant shall be entitled to the benefits of Article VI and shall have the right of setoff through its participation in amounts owing hereunder and under the applicable Transfer Agreement to the same extent as if it were a Purchaser hereunder and under the applicable Transfer Agreement, which right of setoff is subject to such Participant's obligation to share with the Purchasers as provided in Section

9.4. A Purchaser shall not agree with a Participant to restrict such Purchaser's right to agree to any amendment hereto or to the applicable Transfer Agreement, except amendments described in clause (a) of Section 9.6.

(c) Assignments by Related Committed Purchasers. Any Related Committed Purchaser may assign to one or more Persons ("Purchasing Committed Purchasers"), acceptable to the

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applicable Purchaser Agent in its sole discretion and, prior to the occurrence of a Termination Event, subject to the prior written consent of the Seller (which consent will not be unreasonably withheld) any portion of its Commitment as a Related Committed Purchaser hereunder and under the applicable Transfer Agreement and Purchase Interest pursuant to a supplement hereto and to the Transfer Agreement (a "Transfer Supplement") in form satisfactory to the applicable Purchaser Agent executed by each such Purchasing Committed Purchaser, such selling Committed Purchaser and the applicable Purchaser Agent. Any such assignment by a Related Committed Purchaser must be for an amount of at least Ten Million Dollars. Each Purchasing Committed Purchaser shall pay a fee of Three Thousand Dollars to the applicable Purchaser Agent. Any partial assignment shall be an assignment of an identical percentage of such selling Related Committed Purchaser Investment and its Commitment as a Related Committed Purchaser hereunder and under any applicable Transfer Agreement. Upon the execution and delivery to the applicable Purchaser Agent of the Transfer Supplement and payment by the Purchasing Committed Purchaser to the selling Related Committed Purchaser of the agreed purchase price, such selling Related Committed Purchaser shall be released from its obligations hereunder and under the applicable Transfer Agreement to the extent of such assignment and such Purchasing Committed Purchaser shall for all purposes be a Related Committed Purchaser party hereto and shall have all the rights and obligations of a Related Committed Purchaser hereunder to the same extent as if it were an original party hereto and to the applicable Transfer Agreement with a Commitment as a Related Committed Purchaser, any Investment and any related Assigned Settlement described in the Transfer Supplement.

(d) Replaceable Related Committed Purchaser. If any Related Committed Purchaser other than a Committed Purchaser (including ABN AMRO) that provides program enhancement to a Conduit Purchaser (a "Replaceable Purchaser") shall (i) petition the Seller for any amounts under Section 6.2 or 6.4 or (ii) have a short-term debt rating lower than the "A-1" by S&P and "P-1" by Moody's, and, if the commercial paper of the applicable Conduit Purchaser is rated by Fitch, "F1" by Fitch, the Seller or applicable Conduit Purchaser may designate a replacement financial institution (a "Replacement Related Committed Purchaser") acceptable to the Agent and the applicable Conduit Purchaser, in its sole discretion and, prior to the occurrence of a Termination Event, subject to the prior written consent of the Seller (which consent will not be unreasonably withheld) to which such Replaceable Related Committed Purchaser shall, subject to its receipt of an amount equal to its Investment, any related Assigned Settlement, and accrued Discount and fees thereon (plus, from the Seller, any Early Payment Fee that would have been payable if such transferred Investment had been paid on such date) and all amounts payable under Section 6.2, promptly assign all of its rights, obligations and Commitment hereunder and under the applicable Transfer Agreement, together with all of its Purchase Interest, and any related Assigned Settlement, to the Replacement Related Committed Purchaser in accordance with Section 9.8(c).

(e) Assignment by Conduit Purchasers. Each party hereto agrees and consents (i) to each Conduit Purchaser's assignment, participation, grant of security interests in or other transfers of any portion of not less than \$25,000,000 of, or any of its beneficial interest in, the Purchase Interest and the related Assigned Settlement and (ii) to the complete assignment by such Conduit Purchaser of all of its rights and obligations hereunder to any Person reasonably acceptable to Agent, and upon such assignment such Conduit Purchaser shall be released from

all obligations and duties hereunder; provided, however, that a Conduit Purchaser may not, without the prior consent of its Related Committed Purchaser, transfer any of its rights under the related Transfer Agreement to cause its Related Committed Purchaser to purchase the Purchaser Interest of such Conduit Purchaser and the Assigned Settlement unless the assignee (i) is a corporation whose principal business is the purchase of assets similar to the Receivables, (ii) has the related Purchaser Agent as its administrative agent and (iii) issues commercial paper with credit ratings substantially comparable to the then current ratings of such Conduit Purchaser. Each new Conduit Purchaser shall pay a fee of Three Thousand Dollars to the Agent. Each Conduit Purchaser shall notify the Seller prior to any such assignment and shall promptly notify each other party hereto of any such assignment. Upon such an assignment of any portion of a Conduit Purchaser's Purchase Interest and the related Assigned Settlement and the payment to the Agent of the fee specified above, the assignee shall have all of the rights of such Conduit Purchaser hereunder relate to such Purchase Interest and related Assigned Settlement.

(f) Opinions of Counsel. If required by the Agent or any Purchaser Agent or to maintain the Ratings, each Transfer Supplement must be accompanied by an opinion of counsel of the assignee as to such matters as the Agent or such Purchaser Agent may reasonably request.

Section 9.9. Waiver of Confidentiality. The Seller hereby consents to the disclosure of any nonpublic information relating thereto among the Agent, the Purchaser Agents and the Purchasers and by the Agent, the Purchaser Agents or the Purchasers to (i) any officers, directors, members, managers, employees or outside accountants, auditors or attorneys thereof, (ii) any prospective or actual assignee or participant, (iii) any rating agency, surety, guarantor or credit or liquidity enhancer to the Agent, any Purchaser Agent or any Purchaser, (iv) any entity organized to purchase, or make loans secured by, financial assets for which a Purchaser Agent provides managerial services or acts as an administrative agent, (v) any Conduit Purchaser's administrator, management company, referral agents, issuing agents or depositories or CP Dealers and (vi) Governmental Authorities with appropriate jurisdiction.

Section 9.10. Confidentiality of Agreement. (a) Unless otherwise required by applicable law, order of any court or administrative agency, or otherwise by any governmental authority, the Seller agrees to maintain the confidentiality of the Transaction Documents (and all drafts thereof) in its communications with third parties and otherwise; provided, however, that the Transaction Documents may be disclosed to third parties to the extent such disclosure is (i) required in connection with a sale of receivables of Seller, (ii) made solely to Persons who are legal counsel for the purchaser of such receivables, and (iii) made pursuant to a written agreement of confidentiality in form and substance reasonably satisfactory to the Agent and each Purchaser Agent; provided further, however, that the Transaction Documents may be disclosed to the Seller's legal counsel and independent auditors; and provided further, however, that neither the Seller nor the Collection Agent have any obligation of confidentiality in respect of any information which may be generally available to the public or becomes available to the public through no fault of the Seller or the Collection Agent.

(b) Unless otherwise required by applicable law, order of any court or administrative agency, or otherwise by any Governmental Authority, the Agent and each Purchaser Agent agree to maintain the confidentiality, in its communications with third parties and otherwise, of any

information regarding the Seller obtained in connection with the Transaction

Documents which has been identified by the Seller to the Agent as confidential in nature (the "Confidential Material"); provided, however, that the Confidential Material may be disclosed to third parties to the extent such disclosure is (i) to a Rating Agency, (ii) required in connection with the exercise of any remedy hereunder or under any related documents, instruments and agreements, or (iii) to any actual or proposed participant or assignee of all or part of its rights hereunder, or an actual or proposed liquidity or enhancement provider, in each case which has agreed in writing to be bound by the provisions of this Section, or (iv) to any Committed Purchaser; provided further, however, that the Transaction Documents may be disclosed to each of the Purchaser Agent's and the Agent's respective legal counsel and independent auditors; and provided further, however, that the Agent and each Purchaser Agent shall not have any obligation of confidentiality in respect of any information which may be generally available to the public or becomes available to the public through no fault of such Person.

Section 9.11. Agreement Not to Petition. Each party hereto agrees, for the benefit of the holders of the privately or publicly placed indebtedness for borrowed money for each Conduit Purchaser, not, prior to the date which is one (1) year and one (1) day after the payment in full of all such indebtedness, to acquiesce, petition or otherwise, directly or indirectly, encourage, assist, join, invoke, or cause such Conduit Purchaser to invoke, the process of any Governmental Authority for the purpose of (a) commencing or sustaining a case against such Conduit Purchaser under any federal or state bankruptcy, insolvency or similar law (including the Federal Bankruptcy Code), (b) appointing a receiver, liquidator, assignee, trustee, custodian, sequestrator or other similar official for such Conduit Purchaser, or any substantial part of its property, or (c) ordering the winding up or liquidation of the affairs of such Conduit Purchaser.

Section 9.12. Excess Funds. Other than amounts payable under Section 9.4, each Conduit Purchaser shall be required to make payment of the amounts required to be paid pursuant hereto only if such Conduit Purchaser has Excess Funds (as defined below). If such Conduit Purchaser does not have Excess Funds, the excess of the amount due hereunder (other than pursuant to Section 9.4) over the amount paid shall not constitute a "claim" (as defined in Section 101(5) of the Federal Bankruptcy Code) against such Conduit Purchaser until such time as such Conduit Purchaser has Excess Funds. If such Conduit Purchaser does not have sufficient Excess Funds to make any payment due hereunder (other than pursuant to Section 9.4), then such Conduit Purchaser may pay a lesser amount and make additional payments that in the aggregate equal the amount of deficiency as soon as possible thereafter. The term "Excess Funds" means the excess of (a) the aggregate projected value of such Conduit Purchaser's assets and other property (including cash and cash equivalents), over (b) the sum of (i) the sum of all scheduled payments of principal, interest and other amounts payable on publicly or privately placed indebtedness of such Conduit Purchaser for borrowed money, plus (ii) the sum of all other liabilities, indebtedness and other obligations of such Conduit Purchaser for borrowed money or owed to any credit or liquidity provider, together with all unpaid interest then accrued thereon, plus (iii) all taxes payable by such Conduit Purchaser to the Internal Revenue Service, plus (iv) all other indebtedness, liabilities and obligations of such Conduit Purchaser then due and payable, but the amount of any liability, indebtedness or obligation of such Conduit Purchaser shall not exceed the projected value of the assets to which recourse for such liability, indebtedness or obligation is limited. Excess Funds shall be calculated once each Business Day.

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Section 9.13. No Recourse. The obligations of each Conduit Purchaser, their respective management companies, their respective administrators and referral agents (each a "Program Administrator") under any Transaction Document or other document (each, a "Program Document") to which a Program Administrator is a party are solely the corporate obligations of such Program Administrator and no recourse shall be had for such obligations against any Affiliate, director, officer, member, manager, employee, attorney or agent of any Program Administrator.

Section 9.14. Headings; Counterparts. Article and Section Headings in this Agreement are for reference only and shall not affect the construction of this Agreement. This Agreement may be executed by different parties on any number of counterparts, each of which shall constitute an original and all of which, taken together, shall constitute one and the same agreement.

Section 9.15. Cumulative Rights and Severability. All rights and remedies of the Purchasers, the Purchaser Agents and Agent hereunder shall be cumulative and non-exclusive of any rights or remedies such Persons have under law or otherwise. Any provision hereof that is prohibited or unenforceable in any jurisdiction shall, in such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof and without affecting such provision in any other jurisdiction.

Section 9.16. Governing Law; Submission to Jurisdiction. THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE INTERNAL LAWS (AND NOT THE LAW OF CONFLICTS) OF THE STATE OF ILLINOIS. THE SELLER HEREBY SUBMITS TO THE NONEXCLUSIVE JURISDICTION OF THE UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF ILLINOIS AND OF ANY ILLINOIS STATE COURT SITTING IN CHICAGO, ILLINOIS FOR PURPOSES OF ALL LEGAL PROCEEDINGS ARISING OUT OF, OR RELATING TO, THE TRANSACTION DOCUMENTS OR THE TRANSACTIONS CONTEMPLATED THEREBY. The Seller hereby irrevocably waives, to the fullest extent permitted by law, any objection it may now or hereafter have to the venue of any such proceeding and any claim that any such proceeding has been brought in an inconvenient forum. Nothing in this Section 9.16 shall affect the right of the Agent, any Purchaser Agent or any Purchaser to bring any action or proceeding against the Seller or its property in the courts of other jurisdictions.

Section 9.17. Waiver of Trial by Jury. To the extent permitted by applicable law, each party hereto irrevocably waives all right of trial by jury in any action, proceeding or counterclaim arising out of, or in connection with, any transaction document or any matter arising thereunder.

Section 9.18. Intended Tax Characterization. It is the intention of the parties hereto that, for the purposes of all Taxes, the transactions contemplated hereby shall be treated as a loan by the Purchasers (through the Agent) to the Seller that is secured by the Receivables (the "Intended Tax Characterization"). The parties hereto agree to report and otherwise to act for the purposes of all Taxes in a manner consistent with the Intended Tax Characterization.

Section 9.19. Entire Agreement. The Transaction Documents constitute the entire understanding of the parties thereto concerning the subject matter thereof. Any previous or

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contemporaneous agreements, whether written or oral, concerning such matters are superceded thereby.

Section 9.20. Extensions of Scheduled Termination Date. Not more than 90 days, but prior to 75 days before the Scheduled Termination Date then in effect, the Seller may request that each Committed Purchaser extend its Commitment for an additional 364 days. Each Committed Purchaser shall respond to such request not later than 45 days before the then Scheduled Termination Date. If, by the date 45 days before the then Scheduled Termination Date, any Committed Purchaser (a "Non-Consenting Purchaser") has not notified the Agent it agrees to so extend its Commitment for an additional 364 day period, unless any other Committed Purchaser (including any Person who thereby becomes a Committed Purchaser) assumes the Commitment of each such Non-Consenting Lender on or before the date 45 days before the then Scheduled Termination Date and agrees to extend such Commitment for an additional 364 day period, the Scheduled Termination Date shall not be extended. If all Committed Purchasers agree to extend the Scheduled Termination Date, or if the Commitment of each Non-Consenting Purchaser is

assumed by another Committed Purchaser pursuant to the preceding sentence, the Scheduled Termination Date shall be extended for an additional 364 day period. Otherwise the Scheduled Termination Date shall take place as scheduled.

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IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed and delivered by their duly authorized officers as of the date hereof.

ABN AMRO BANK N.V., as the Agent

AMSTERDAM FUNDING CORPORATION,
as a Conduit Purchaser

By: _____
Title: _____

By: _____
Title: _____

By: _____
Title: _____

Address:

Structured Finance, Asset Securitization
135 South LaSalle Street
Chicago, Illinois 60674-9135
Attention: Purchaser Agent-Amsterdam
Telephone: (312) 904-2737
Telecopy: (312) 904-6376

Address:

Global Securitization Services, LLC
114 West 47th Street
New York, New York 10036
Attention: Andrew Stidd
Telephone: (212) 302-5151
Telecopy: (212) 302-8767

ABN AMRO BANK N.V., as a
Committed Purchaser

with a copy to:
ABN AMRO BANK N.V.
Address: Structured Finance,
Asset Securitization
135 South LaSalle Street
Chicago, Illinois 60674-9135
Attention: Administrator-
Amsterdam
Telephone: (312) 904-2737
Telecopy: (312) 904-6376

By: _____
Title: _____

By: _____
Title: _____

Address:

Structured Finance, Asset Securitization
135 South LaSalle Street
Chicago, Illinois 60674-9135
Attention: Purchaser Agent-Amsterdam
Telephone: (312) 904-2737
Telecopy: (312) 904-6376

Signature Page for
Receivables Sale Agreement

GIRO BALANCED FUNDING CORPORATION,
as a Conduit Purchaser

BAYERISCHE LANDESBANK, New York Branch,
as a Purchaser Agent

By: _____
Title: _____

By: _____
Title: _____

Address: 114 West 47th Street, Suite 1715
New York, New York 10036
Attention: Tony Wong -
Vice President
Telephone: (212) 302-5151
Telecopy: (212) 302-8767

By: _____
Title: _____
Address: 560 Lexington Avenue
New York, New York 10022
Attention: Corporate Lending
Telephone: (212) 230-9012
Telecopy: (212) 310-9868

BAYERISCHE LANDESBANK, Cayman Islands Branch,
as a Committed Purchaser

By: _____
Title: _____

By: _____
Title: _____

Address: 560 Lexington Avenue
New York, New York 10022
Attention: Corporate Lending
Telephone: (212) 230-9012
Telecopy: (212) 310-9868

Signature Page for
Receivables Sale Agreement

ATLANTIC ASSET SECURITIZATION
CORP., as a Conduit Purchaser

CREDIT LYONNAIS, acting through its
New York Branch, as a Purchaser Agent and a
Committed Purchaser

By: _____
Title: _____

By: _____
Title: _____

Address: c/o Credit Lyonnais
1301 Avenue of the Americas

Address: 1301 Avenue of the Americas
New York, New York 10019-6022

New York, New York 10019-6022
Attn: Ms. Konstantina Kourmpetis-
Transaction Manager/Structured
Finance
Telephone: 212-261-7814
Telecopy: 212-459-3258

Attn: Ms. Konstantina Kourmpetis-
Transaction Manager /
Structured Finance
Telephone: 212-261-7814
Telecopy: 212-459-3258

Signature Page for
Receivables Sale Agreement

ARVINMERITOR RECEIVABLES
CORPORATION, as the Seller

By: _____
Title: _____

Address: 2135 West Maple Road
Troy, Michigan 48084

Attention: _____
Telephone: _____
Telecopy: _____

ARVINMERITOR, INC., as the Initial
Collection Agent

By: _____
Title: _____

Address: 2135 West Maple Road
Troy, Michigan 48084

Attention: _____
Telephone: _____
Telecopy: _____

Signature Page for
Receivables Sale Agreement

SCHEDULE I

DEFINITIONS

The following terms have the meanings set forth, or referred to, below:

"ABN AMRO" means ABN AMRO Bank N.V. in its individual capacity and not in its capacity as the Agent.

"Adverse Claim" means, for any asset or property of a Person, a lien, security interest, charge, mortgage, pledge, hypothecation, assignment or encumbrance, or any other right or claim, in, of or on such asset or property in favor of any other Person, except those in favor of the Seller and the Agent and each Purchaser Agent and Purchaser Group in connection with the Transaction Documents.

"Affiliate" means, for any Person, any other Person which, directly or indirectly, is in control of, is controlled by, or is under common control with such Person. For purposes of this definition, "control" means the power, directly or indirectly, to either (i) vote ten percent (10%) or more of the securities having ordinary voting power for the election of directors of a Person or (ii) cause the direction of the management and policies of a Person.

"Agent" is defined in the first paragraph hereof.

"Agent's Account" means the account designated to the Seller and the Purchasers by the Agent.

"Aggregate Commitment" means the aggregate of all Commitments of each Purchaser Group, as such amount may be reduced pursuant to Section 1.6.

"Aggregate Investment" means the sum of the Investments of all Purchasers.

"AM Canada Account" means Lock-Box Account # 77654 held by Bank One, Detroit pursuant to which certain funds of ArvinMeritor Canada are deposited.

"Amsterdam" is defined in the first paragraph hereof.

"Assigned Settlement" means, for each Related Committed Purchaser for a Conduit Purchaser for any Put, the product of such Related Committed Purchaser's Purchased Percentage and the amount of the Conduit Purchaser Settlement being transferred pursuant to such Put.

"Average Receivables Turnover Ratio" means, at any time, the average of the Receivables Turnover Ratios calculated for the most recent three calendar months.

"Bankruptcy Event" means, for any Person, that (a) such Person makes a general assignment for the benefit of creditors or any proceeding is instituted by or against such Person seeking to adjudicate it bankrupt or insolvent, or seeking the liquidation, winding up,

reorganization, arrangement, adjustment, protection, relief or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors and, if instituted against such Person, such proceeding remains undismissed and unstayed for a period of 30 days, or seeking the entry of an order for relief or the appointment of a receiver, trustee or other similar official for it or any substantial part of its property or such Person generally does not pay its debts as such debts become due or admits in writing its inability to pay its debts generally or (b) such Person takes any corporate action to authorize any such action.

"Business Day" means any day other than (a) a Saturday, Sunday or other

day on which banks in New York, New York or Chicago, Illinois are authorized or required to close, (b) a holiday on the Federal Reserve calendar and, solely for matters relating to a Eurodollar Tranche, (c) a day on which dealings in Dollars are not carried on in the London interbank market.

"Changeover Receivable" means a Receivable generated from the sale of merchandise not manufactured by Parent or one of its Subsidiaries which has been purchased by one of Seller Entities from one of its customers.

"Charge-Off" means any Receivable that has or should have been (in accordance with the Credit and Collection Policy) (i) charged off or written off by the Seller, or (ii) reserved against as a doubtful account by the Seller.

"Collection" means any amount paid, or deemed paid, on a Receivable, including from the proceeds of collateral securing such Receivables or paid by the Seller as a Deemed Collection under Section 1.5(b).

"Collection Agent" is defined in Section 3.1(a).

"Collection Agent Fee" is defined in Section 3.6.

"Commitment" means, for each Committed Purchaser, the amount set forth on Schedule II for such Committed Purchaser or in a Transfer Supplement, and, for each Purchaser Group, the amount set forth on Schedule II for such Purchaser Group, in each case, as adjusted in accordance with Sections 1.6 and 9.8.

"Commitment Percentage" means, for each Related Committed Purchaser in a Purchaser Group, such Related Committed Purchaser's Commitment divided by the total of all Commitments of all Related Committed Purchasers in such Purchaser Group.

"Committed Conduit Purchaser" means each Person party to this Agreement and listed as such on Schedule II hereto and each other Person that becomes a Conduit Purchaser pursuant to a Transfer Supplement.

"Committed Purchaser" means each Related Committed Purchaser for a Conduit Purchaser.

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"Concentration Limit" means (i) an amount not to exceed 10% of the aggregate outstanding principal balance of all Eligible Receivables for Obligors with unsecured debt ratings of at least A- and A3 by S&P and/or Moody's, respectively, (ii) an amount not to exceed 5% of the aggregate outstanding principal balance of all Eligible Receivables for Obligors with unsecured debt ratings of at least BBB- and Baa3 but less than A- and A3 by S&P and/or Moody's, respectively, and (iii) an amount not to exceed 2.5% of the aggregate outstanding principal balance of all Eligible Receivables for Obligors with unsecured debt ratings of below BBB- and Baa3 by S&P and Moody's, respectively, or Obligors that are not rated by S&P or Moody's.

"Conduit Purchaser" means each Person party to this Agreement and listed as such on Schedule II hereto and each other Person that becomes a Conduit Purchaser pursuant to a Transfer Supplement.

"Conduit Purchaser Investment Percentage" means a fraction, expressed as a decimal, obtained by dividing the Investment of a Conduit Purchaser by the Investment of all Purchasers.

"Conduit Purchaser Settlement" means the sum of all claims and rights to payment pursuant to Section 1.5 or 1.7 or any other provision owed to a Conduit Purchaser (or owed to the Agent or Purchaser Agent or the Collection Agent for the benefit of a Conduit Purchaser) by the Seller that, if paid, would be applied to reduce Investment.

"CP Dealer" means, at any time, each Person a Conduit Purchaser then

engages as a placement agent or commercial paper dealer.

"CP Discount" means, for any Discount Period, the amount of interest or discount accrued, during such Discount Period on all the outstanding commercial paper, or portion thereof, issued by a Conduit Purchaser to fund its Investment, including all dealer commissions and other costs of issuing commercial paper, whether any such commercial paper was issued specifically to fund such Investment or is allocated, in whole or in part, to such funding.

"CP Rate" means, for any CP Tranche, a rate per annum as established pursuant to the applicable Rate Supplement.

"Credit Agreement" means that certain Amended and Restated 5-Year Revolving Credit Agreement dated as of June 27, 2001, among the Parent, certain foreign subsidiaries, the lenders from time to time party thereto, Bank One, NA, as administrative agent, The Chase Manhattan Bank, as syndication agent, and Citicorp USA, Inc. and Bank of America, N.A., as documentation agents, as in effect on the date hereof.

"Credit and Collection Policy" means the Seller's credit and collection policy and practices relating to Receivables attached hereto as Exhibit G.

"Deemed Collections" is defined in Section 1.5(b).

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"Default Ratio" means the average, for the most recent three calendar month period, of the ratios for each calendar month in such period of (i) the aggregate outstanding balance of all Defaulted Receivables (minus Charge-Offs) for such calendar month to (ii) the sum of the aggregate outstanding balance of all Receivables at the end of such calendar month.

"Defaulted Receivable" means any Receivable (a) on which any amount is unpaid more than 90 days past its original due date or (b) the Obligor on which has suffered a Bankruptcy Event.

"Delinquency Ratio" means the average, for the most recent three calendar month period, of the ratios for each calendar month in such period of (a) the aggregate outstanding balance of all Delinquent Receivables on the last day of such calendar month to (b) the aggregate outstanding balance of all Receivables on the last day of such calendar month.

"Delinquent Receivable" means any Receivable (other than a Defaulted Receivable), the outstanding balance on which any amount is 31 to 90 days past due.

"Designated Financial Officer" means any Vice President and the Treasurer of the Seller.

"Dilution Ratio" means the average, for the most recent three calendar month period, of the ratios for each calendar month in such period of (a) the aggregate amount of payments owed by the Seller pursuant to the first sentence of Section 1.5(b) during such calendar month to (b) the aggregate amount of Collections during such calendar month.

"Dilution Reserve Percentage" means the greater of (i) 5% and (ii) the product of (a) the highest Dilution Ratio during the most recent twelve calendar months and (b) 3.

"Discount" means, for any Tranche Period, (a) the product of (i) the Discount Rate for such Tranche Period, (ii) the total amount of Investment allocated to such Tranche Period, and (iii) the number of days elapsed during the Tranche Period divided by (b) 360.

"Discount Period" means either (A), with respect to any Settlement Date or the Termination Date, the period from and including the preceding Settlement

Date (or if none, the date that the first Incremental Purchase is made hereunder) to but not including such Settlement Date or Termination Date, as applicable, or (B), with respect to Atlantic, from the first day to the last day of the Tranche Period.

"Discount Rate" means, for any Tranche Period, the CP Rate, the Eurodollar Rate or the Prime Rate, as applicable, but after the occurrence of a Termination Event each such rate shall be increased by 1.50% per annum with respect to the Investment of the Purchasers.

"Discount Reserve Percentage" means (a) the product of (i) the Prime Rate plus 1.50%, (ii) the average Receivables Turnover Ratio of the three calendar months preceding the date the Discount Rate Percentage is to be determined and (iii) 1.5 divided by (b) 360.

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"Downgrade" means, for any Person at any time, the downgrade of such Person's long-term unsecured, unsubordinated indebtedness by Moody's below "A3" or by S&P below "A-" (or Moody's or S&P has withdrawn or suspended such rating.).

"Dollar" and "\$" means lawful currency of the United States of America.

"Early Payment Fee" is defined in the applicable Rate Supplement.

"Eligible Receivable" means, at any time, any Receivable:

(i) the Obligor of which (a) is a resident of, or organized under the laws of, or with its chief executive office in, the USA; (b) is not an Affiliate of any of the parties hereto or any Originator; (c) is not a government or a governmental subdivision or agency; and (d) has not suffered a Bankruptcy Event;

(ii) evidenced by a purchase order and a conforming invoice or a conforming notice of shipment and due and payable within 60 days after the invoice therefor; provided, however, up to 10% of the aggregate outstanding principal balance of all Eligible Receivables may be stated to be due and payable within 120 days after the invoice therefor;

(iii) which is not a Defaulted Receivable, a Delinquent Receivable or a Charge-Off;

(iv) which is an "account" or "chattel paper" within the meaning of Section 9-102 of the UCC of all applicable jurisdictions;

(v) which is denominated and payable only in Dollars in the USA;

(vi) which arises under a contract that is in full force and effect and constitutes the legal, valid and binding obligation of the related Obligor enforceable against such Obligor in accordance with its terms subject to no offset (whether or not relating to the delivered goods giving rise to the Receivable, including partial offsets), counterclaim, defense or other Adverse Claim, and is not an executory contract or unexpired lease within the meaning of Section 365 of the Bankruptcy Code;

(vii) which arises under a contract that (A) contains an obligation to pay a specified sum of money, contingent only upon the sale or lease of goods or the provision of services by the Originator, (B) does not require the Obligor under such contract to consent to the transfer, sale or assignment of the rights of the related Originator under such contract, (C) does not contain a confidentiality provision that purports to restrict any Purchaser's exercise of rights under this Agreement, including, without limitation, the right to review such contract, and (D) directs that payment be made to a Lock-Box or other

collection account;

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(viii) which does not, in whole or in part, contravene any law, rule or regulation applicable thereto (including, without limitation, those relating to usury, truth in lending, fair credit billing, fair credit reporting, equal credit opportunity, fair debt collection practices and privacy);

(ix) which satisfies all applicable requirements of the Credit and Collection Policy and was generated in the ordinary course of the related Originator's business from the sale of goods or provision of services to a related Obligor solely by such Originator;

(x) is not evidenced by any promissory note or other instrument;

(xi) does not represent any amount due with respect to any sales or similar tax;

(xii) is not a Changeover Receivable;

(xiii) is not due from any Obligor the Defaulted Receivables of which exceed 25% of such Obligor's Receivables; and

(xiv) which is not a re-billing of a previously performed and invoiced delivery of goods with a date different from the original invoice date.

"Eligible Receivables Balance" means, at any time, the aggregate outstanding principal balance of all Eligible Receivables at such time, less the portion of the aggregate outstanding principal balance of (a) Eligible Receivables of any Obligor (other than a Special Obligor) at such time which exceed the Concentration Limit, and (b) Eligible Receivables of any Special Obligor which exceed the Special Limit, at such time.

"Eurodollar Rate" means, for any Tranche Period for a LIBOR Tranche, a rate established pursuant to the applicable Rate Supplement.

"Face Amount" means the face amount of any Conduit Purchaser commercial paper issued on a discount basis or, if not issued on a discount basis, the principal amount of such note and interest accrued and scheduled to accrue thereon to its stated maturity.

"Federal Funds Rate" means for any day the greater of (i) the average rate per annum as determined by ABN AMRO at which overnight Federal funds are offered to ABN AMRO for such day by major banks in the interbank market, and (ii) if ABN AMRO is borrowing overnight funds from a Federal Reserve Bank that day, the average rate per annum at which such overnight borrowings are made on that day. Each determination of the Federal Funds Rate by ABN AMRO shall be conclusive and binding on the Seller except in the case of manifest error.

"Fee Letter" means, for each Purchaser Group, the letter agreement, if any, between the Seller and the Purchaser Agent for the applicable Purchaser Group.

"Fitch" means Fitch, Inc., and its successors in interest.

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"Funding Agreement" means any agreement or instrument executed by a Conduit Purchaser and executed by or in favor of any Funding Source or executed by any Funding Source at the request of a Conduit Purchaser.

"Funding Source" means, for a Conduit Purchaser, any insurance company, bank or other financial institution providing liquidity, back-up purchase or credit support for such Conduit Purchaser.

"GAAP" means generally accepted accounting principles in the USA, applied on a consistent basis.

"Governmental Authority" means any (a) Federal, state, municipal or other governmental entity, board, bureau, agency or instrumentality, (b) administrative or regulatory authority (including any central bank or similar authority) or (c) court, judicial authority or arbitrator, in each case, whether foreign or domestic.

"Incremental Purchase" is defined in Section 1.1(b).

"Initial Collection Agent" is defined in the first paragraph hereof.

"Instructing Group" means (i) at any time there are three or more Purchaser Groups, the Purchaser Agents representing Purchaser Groups with at least 662/3% of the Commitments and (ii) at any time there are fewer than three Purchaser Groups, the Purchaser Agents representing Purchaser Groups with 100% of the Commitments.

"Intended Tax Characterization" is defined in Section 9.18.

"Interim Liquidation" means that no Reinvestment Purchases are made by any Purchaser at a time before the Termination Date, as established pursuant to Section 1.2.

"Investment" means, for each Purchaser (or Purchaser Group), (a) the sum of (i) all Incremental Purchases by such Purchaser (or Purchaser Group) and (ii) the aggregate amount of any payments or exchanges made by, or on behalf of, such Purchaser (or Purchaser Group) to any other Purchaser (or Purchaser Group) to acquire Investment from such other Purchaser minus (b) all Collections, amounts received from other Purchasers and other amounts received or exchanged and, in each case, applied by the Agent or such Purchaser (or Purchaser Group) to reduce such Purchaser's (or Purchaser Group's) Investment. A Purchaser's (or Purchaser Group's) Investment shall be restored to the extent any amounts so received or exchanged and applied are rescinded or must be returned for any reason.

"Letter Agreement" means that certain Letter Agreement dated as of September 27, 2001 between ArvinMeritor, Inc. and the Originators.

"Limited Guaranty" means the Limited Guaranty, dated the date hereof, by the Parent in favor of the Agent.

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"Liquidation Period" for any Purchaser means all times (x) during an Interim Liquidation and (y) on and after the Termination Date and, for a Conduit Purchaser only, also means all times when such Conduit Purchaser is not making Reinvestment Purchases pursuant to Section 1.1(d).

"Lock-Box" means each post office box or bank box listed on Exhibit D, as revised pursuant to Section 5.1(i).

"Lock-Box Account" means each account maintained by the Seller at a Lock-Box Bank for the purpose of receiving or concentrating Collections.

"Lock-Box Agreement" means each agreement between the Seller and/or an Originator(s) and a Lock-Box Bank concerning a Lock-Box Account.

"Lock-Box Bank" means each bank listed on Exhibit D, as revised pursuant to Section 5.1(i).

"Lock-Box Letter" means a letter in substantially the form of Exhibit E

(or otherwise acceptable to the Agent) from the Seller to each Lock-Box Bank, acknowledged and accepted by such Lock-Box Bank and the Agent.

"Loss Reserve Percentage" means the greater of (i) 12.5% and (ii) the highest Delinquency Ratio during the most recent twelve calendar months times 4.

"Loss-to-Liquidation Ratio" means, for the most recent calendar month, the ratio of the outstanding balance of Receivables that become Charge-Offs during such month to the aggregate amount of Collections during such calendar month.

"Matured Aggregate Investment" means, at any time, the aggregate Matured Value of all Conduit Purchasers' Investments plus the total Investments of all other Purchasers then outstanding.

"Matured Value" means, of any Investment, the sum of such Investment and all unpaid Discount, fees and other amounts scheduled to become due (whether or not then due) on such Investment during all Tranche Periods to which any portion of such Investment has been allocated.

"Maximum Incremental Purchase Amount" means, at any time, the lesser of (a) the difference between the Aggregate Commitment and the Aggregate Investment then outstanding and (b) the difference between the Aggregate Commitment and the Matured Aggregate Investment then outstanding.

"Moody's" means Moody's Investors Service, Inc., and its successors in interest.

"Net Worth" means, at any time the same is to be determined, the total shareholders' equity (including capital stock, additional paid-in capital and retained earnings after deducting

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treasury stock) which would appear on the balance sheet of the Seller determined in accordance with GAAP.

"Obligor" means, for any Receivable, each Person obligated to pay such Receivable and each guarantor of such obligation.

"Originator" means Arvin Exhaust LLC, an Indiana limited liability company, Maremont Exhaust Products, Inc., a Delaware corporation, Purolator Products NA, Inc., a Delaware corporation, Gabriel Ride Control Products, Inc., a Delaware corporation, Meritor Light Vehicle Systems, Inc., a Delaware corporation, Meritor Heavy Vehicle Systems, LLC, a Delaware limited liability company, Meritor Heavy Vehicle Braking Systems (USA), Inc., a Delaware corporation, Euclid Industries, LLC, a Delaware limited liability company, and ArvinMeritor OE, LLC, a Delaware limited liability company.

"Outside Servicing Fee" means the fee agreed to by the Collection Agent, the Seller and the Agent.

"Parent" means ArvinMeritor, Inc., an Indiana corporation.

"Periodic Report" is defined in Section 3.3.

"Person" means an individual, partnership, corporation, limited liability company, association, joint venture, Governmental Authority or other entity of any kind.

"Potential Termination Event" means any Termination Event or any event or condition that with the lapse of time or giving of notice, or both, would constitute a Termination Event.

"Prime Rate" means, (A) for any period, the daily average during such period of the greater of (i) the floating commercial loan rate per annum of ABN

AMRO (which rate is a reference rate and does not necessarily represent the lowest or best rate actually charged to any customer by ABN AMRO) announced from time to time as its prime rate or equivalent for Dollar loans in the USA, changing as and when said rate changes and (ii) the Federal Funds Rate plus 0.50% or (B) in reference to a Prime Tranche, the "Prime Rate" specified in the applicable Rate Supplement.

"Purchase" is defined in Section 1.1(a).

"Purchase Agreement" means the Amended and Restated Purchase and Sale Agreement dated as of the date hereof between the Seller and the Originators.

"Purchase Amount" is defined in Section 1.1(c).

"Purchase Date" is defined in Section 1.1(c).

"Purchase Interest" means, for a Purchaser, the percentage ownership interest in the Receivables and Collections held by such Purchaser, calculated when and as described in

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Section 1.1(a); provided, however, that (except for purposes of computing a Purchase Interest or the Sold Interest in Section 1.5, 1.7 or the last sentence in Section 2.3 (a) and (b)) at any time the Sold Interest would otherwise exceed 100% each Purchaser then holding any Investment shall have its Purchase Interest reduced by multiplying such Purchase Interest by a fraction equal to 100% divided by the Sold Interest otherwise then in effect, so that the Sold Interest is thereby reduced to 100%.

"Purchased Percentage" means, for any Put, for each Committed Purchaser, its Commitment Percentage or such lesser percentage as is necessary to prevent the Purchase Price of such Purchaser from exceeding its Unused Commitment.

"Purchaser" means each Conduit Purchaser and the Related Committed Purchasers.

"Purchaser Agent" means each Person party to this Agreement and listed as such on Schedule II hereto and each other Person who becomes a party to this Agreement as a Purchaser Agent pursuant to a Transfer Supplement.

"Purchaser Group" means, for each Conduit Purchaser, such Conduit Purchaser, its Related Committed Purchasers (if any), and the Purchasers party to its Transfer Agreement.

"Purchaser Reserve Percentage" means, for each Purchaser, the Reserve Percentage multiplied by a fraction, the numerator of which is such Purchaser's outstanding Investment and the denominator of which is the Aggregate Investment.

"Put" is defined in Section 2.1(a).

"Ratable Share" means, for each Purchaser Group, such Purchaser Group's aggregate Commitments divided by the aggregate Commitments of all Purchaser Groups.

"Rate Supplement" means each agreement among the Seller, the Collection Agent, a Purchaser Agent and the applicable Related Committed Purchasers designated a "Rate Supplement" for purposes of this Agreement.

"Rating Agency" means, for any Conduit Purchaser, each rating agency such Conduit Purchaser chooses to rate its commercial paper notes at any time.

"Ratings" means, for any Conduit Purchaser, the ratings by the Rating Agencies of the indebtedness for borrowed money of such Conduit Purchaser.

"Receivable" means the obligation of an Obligor to pay for merchandise

sold or services rendered by an Originator and includes the Seller's rights to payment of any interest or finance charges and in the merchandise (including returned goods) and contracts relating to such Receivable, all security interests, guaranties and property securing or supporting payment of such Receivable, all Records and all proceeds of the foregoing. During any Interim Liquidation and on and after the Termination Date, the term "Receivable" shall only include receivables existing on the date such Interim Liquidation commenced or Termination Date occurred, as applicable.

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Deemed Collections shall reduce the outstanding balance of Receivables hereunder, so that any Receivable that has its outstanding balance deemed collected shall cease to be a Receivable hereunder after (x) the Collection Agent receives payment of such Deemed Collections under Section 1.5(b) or (y) if such Deemed Collection is received before the Termination Date, an adjustment to the Sold Interest permitted by Section 1.5(c) is made.

"Receivables Turnover Ratio" means, with respect to a calendar month, an amount, expressed in days, obtained by multiplying (a) a fraction, (i) the numerator of which is equal to the aggregate outstanding principal balance of all Receivables as of the first day of such calendar month and (ii) the denominator of which is equal to Collections during the same such calendar month; times (b) 30.

"Records" means, for any Receivable, all contracts, books, records and other documents or information (including computer programs, tapes, disks, software and related property and rights) relating to such Receivable or the related Obligor.

"Reinvestment Purchase" is defined in Section 1.1(b).

"Related Committed Purchaser" means each Person party to this Agreement and listed as such on Schedule II hereto and each other Person that becomes a Related Committed Purchaser pursuant to a Transfer Supplement.

"Related Security" means all of each Originator's rights in the merchandise (including returned goods) and contracts relating to the Receivables, all security interests, guaranties and property securing or supporting payment of the Receivables, all Records and all proceeds of the foregoing and all of the Seller's rights under the Purchase Agreement.

"Reserve Percentage" means, at any time, the quotient obtained by dividing (a) the Total Reserve by (b) the Eligible Receivables Balance.

"Scheduled Termination Date" means September 26, 2002.

"Seller" is defined in the first paragraph hereof.

"Seller Account" means an account designated by the Seller to the Agent with at least ten (10) days prior notice.

"Seller Entity" means the Parent and each Originator.

"Seller Servicing Fee" means, for each month, the fee agreed to by the Collection Agent, the Seller and the Agent.

"Servicer Reserve Percentage" means the greater of (i) the Seller Servicing Fee or the Outside Servicing Fee, as applicable, and (ii) 0.50%.

"Settlement Date" means the 25th day of each calendar month.

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"Sold Interest" is defined in Section 1.1(a).

"Special Limit" means an amount not to exceed 35% (or such higher percentage as requested by the Seller and as agreed to in writing by the Agent and all of the Purchaser Agents on behalf of their respective Purchaser Group and that would also not cause the downgrading or withdrawal of the then current rating of any Conduit Purchaser's commercial paper) of the aggregate outstanding principal balance of all Eligible Receivables for each of the Special Obligors.

"Special Obligors" means Ford Motor Company, General Motors Corporation and Daimler Chrysler Corporation; provided, however, that if at any time any such entity becomes subject to a Downgrade, such entity shall no longer be treated as a Special Obligor hereunder.

"S&P" means Standard & Poor's Ratings Services and its successors in interest.

"Subordinated Note" means each revolving promissory note issued by the Seller to an Originator under the Purchase Agreement.

"Subsidiary" means any Person of which at least a majority of the voting stock (or equivalent equity interests) is owned or controlled by the Parent or any Originator or by one or more other Subsidiaries of the Parent or any Originator.

"Taxes" means all taxes, charges, fees, levies or other assessments (including income, gross receipts, profits, withholding, excise, property, sales, use, license, occupation and franchise taxes and including any related interest, penalties or other additions) imposed by any jurisdiction or taxing authority (whether foreign or domestic).

"Termination Date" means the earliest of (a) the date of the occurrence of a Termination Event described in clause (e) of the definition of Termination Event, (b) the date designated by the Agent to the Seller at any time after the occurrence and during the continuance of any other Termination Event, (c) the Business Day designated by the Seller with no less than thirty (30) Business Days prior notice to the Agent and (d) the Scheduled Termination Date.

"Termination Event" means the occurrence of any one or more of the following:

(a) any representation, warranty, certification or statement made, or deemed made by the Seller, any Seller Entity or the Collection Agent in, or pursuant to, any Transaction Document proves to have been incorrect in any material respect when made or deemed made; or

(b) the Collection Agent or the Seller fails to make any payment or other transfer of funds hereunder that is to be applied to (i) Aggregate Investment when due (which shall include, without limitation, any payment required to be made by the Seller pursuant to Section 1.5 hereof), (ii) Discount within five (5) days when due or (iii) any and all other amounts due hereunder within ten (10) days when due; or

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(c) the Seller fails to observe or perform any covenant or agreement contained in Sections 5.1(b), (g), (i), (j), (k) or (p), the Collection Agent fails to observe or perform any covenant or agreement contained in Sections 3.3, 5.2(b), (g), (i) or (j) or an Originator fails to perform any covenant or agreement in Sections 5.1(b), (g), (h), (i) or (j) of the Purchase Agreement; or

(d) the Seller, any Seller Entity or the Collection Agent (or any sub-collection agent) fails to observe or perform any other term, covenant or agreement under any Transaction Document not otherwise governed by the provisions of clause (b) or (c) above, and such failure

remains unremedied for ten Business Days; or

(e) the Seller, the Collection Agent, any Seller Entity or any Subsidiary suffers a Bankruptcy Event; or

(f) the Delinquency Ratio exceeds 6%, the Default Ratio exceeds 6%, the Dilution Ratio exceeds 10%, the Loss-to Liquidation Ratio exceeds 2.5% or the Average Receivables Turnover Ratio exceeds 90 days; or

(g) (i) the Seller, any Seller Entity or any Affiliate, directly or indirectly, disaffirms or contests the validity or enforceability of any Transaction Document or (ii) any Transaction Document fails to be the enforceable obligation of the Seller, any Seller Entity or any Affiliate party thereto; or

(h) the Seller, any Seller Entity or any Subsidiary generally does not pay its debts as such debts become due or admits in writing its inability to pay its debts generally; or

(i) the occurrence of any event or the existence of any condition which is specified as a Default under the Credit Agreement shall constitute a "Termination Event" hereunder (regardless of whether any indebtedness is now or hereafter remains outstanding thereunder or whether the Credit Agreement shall have terminated); or

(j) (i) the Parent's long-term unsecured, unsubordinated indebtedness is rated less than "BBB-" by S&P and "Baa3" by Moody's (or S&P and Moody's has withdrawn or suspended such ratings) or (ii) the Parent's long-term unsecured, unsubordinated indebtedness is rated less than "BB+" by S&P or "Ba1" by Moody's (or S&P or Moody's has withdrawn or suspended such rating); or

(k) the Parent shall fail to own and control, directly or indirectly, 100% of the outstanding voting stock of the Seller and each Originator.

Notwithstanding the foregoing, a failure of a representation or warranty or breach of any covenant described in clause (a), (c) or (d) above shall not constitute a Termination Event if (i) the Seller has been deemed to have collected the affected Receivable pursuant to Section 1.5(b) or (ii) such failure or breach was by any Originator and the Parent shall have remedied such failure or breach pursuant to the terms of the Limited Guaranty.

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"Total Reserve" means an amount equal to the sum of (i) the Discount Reserve Percentage multiplied by the Aggregate Commitment, (ii) the Dilution Reserve Percentage multiplied by the Eligible Receivables Balance, (iii) the Loss Reserve Percentage multiplied by the Eligible Receivables Balance and (iv) the Servicing Reserve Percentage multiplied by the Eligible Receivables Balance.

"Tranche" means a portion of the Investment of a Conduit Purchaser or of the Committed Purchasers allocated to a Tranche Period pursuant to Section 1.3. A Tranche is a (i) CP Tranche, (ii) LIBOR Tranche or (iii) Prime Tranche depending whether Discount accrues during its Tranche Period based on a (i) CP Rate, (ii) Eurodollar Rate or (iii) Prime Rate.

"Tranche Period" means a period of days ending on a Business Day selected pursuant to Section 1.3, which (i) for a CP Tranche shall not exceed 270 days, (ii) for a LIBOR Tranche shall not exceed 180 days, and (iii) for a Prime Tranche shall not be less than 2 days and shall not exceed 30 days.

"Transaction Documents" means this Agreement, the Fee Letter, the Limited Guaranty, the Purchase Agreement, the Subordinated Note(s), the Transfer Agreements, the Rate Supplements and all other documents, instruments and

agreements executed or furnished in connection herewith and therewith.

"Transfer Agreement" means each transfer, liquidity or asset purchase agreement entered into among a Conduit Purchaser, its Purchaser Agent and its Related Committed Purchasers in connection with this Agreement.

"Transfer Supplement" is defined in Section 9.8.

"UCC" means, for any state, the Uniform Commercial Code as in effect in such state.

"Unused Aggregate Commitment" means, at any time, the difference between the Aggregate Commitment then in effect and the outstanding Matured Aggregate Investment.

"Unused Commitment" means, for any Committed Purchaser at any time, the difference between its Commitment and its Investment then outstanding.

"USA" means the United States of America (including all states and political subdivisions thereof).

The foregoing definitions shall be equally applicable to both the singular and plural forms of the defined terms. Unless otherwise inconsistent with the terms of this Agreement, all accounting terms used herein shall be interpreted, and all accounting determinations hereunder shall be made, in accordance with GAAP. Amounts to be calculated hereunder shall be continuously recalculated at the time any information relevant to such calculation changes.

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EXHIBIT 10-m

SCHEDULE II

PURCHASERS

CONDUIT PURCHASER	RELATED PURCHASER AGENT AND RELATED COMMITTED PURCHASER	COMMITMENTS OF RELATED COMMITTED PURCHASER
Amsterdam Funding Corporation	ABN AMRO Bank N.V.	\$100,000,000
Giro Balanced Funding Corporation	Bayerische Landesbank, New York Branch, as Purchaser Agent	
	Bayerische Landesbank, Cayman Islands Branch, as Committed Purchaser	\$75,000,000
Atlantic Asset Securitization Corp.	Credit Lyonnais, acting through its New York Branch	\$75,000,000

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AMENDED AND RESTATED PURCHASE AND SALE AGREEMENT

Dated as of September 27, 2001

among

ARVIN EXHAUST LLC,
GABRIEL RIDE CONTROL PRODUCTS, INC.,
MAREMONT EXHAUST PRODUCTS, INC.,
PUROLATOR PRODUCTS NA, INC.,
MERITOR HEAVY VEHICLE SYSTEMS, LLC,
MERITOR LIGHT VEHICLE SYSTEMS, INC.,
MERITOR HEAVY VEHICLE BRAKING SYSTEMS (USA), INC.,
EUCLID INDUSTRIES, LLC,
and
ARVINMERITOR OE, LLC
as Originators,

and

ARVINMERITOR RECEIVABLES CORPORATION,
as Buyer

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Exhibit A Purchase Price

THIS AMENDED AND RESTATED PURCHASE AND SALE AGREEMENT dated as of September 27, 2001 (this "Agreement") is among ARVIN EXHAUST LLC, an Indiana limited liability company ("Arvin Exhaust"), GABRIEL RIDE CONTROL PRODUCTS, INC., a Delaware corporation ("Gabriel"), MAREMONT EXHAUST PRODUCTS, INC., a Delaware corporation ("Maremont"), PUROLATOR PRODUCTS NA, INC., a Delaware corporation ("Purolator"), MERITOR HEAVY VEHICLE SYSTEMS, LLC, a Delaware limited liability company, MERITOR LIGHT VEHICLE SYSTEMS, INC., a Delaware corporation ("Light Vehicle"), MERITOR HEAVY VEHICLE BRAKING SYSTEMS (USA), INC., a Delaware corporation, EUCLID INDUSTRIES, LLC, a Delaware limited liability company, and ARVINMERITOR OE, LLC, a Delaware limited liability company ("AOE") (each an "Originator" and collectively, the "Originators"), and ARVINMERITOR RECEIVABLES CORPORATION, a Delaware corporation ("Buyer"). The parties agree as follows:

PRELIMINARY STATEMENT

The Buyer, Arvin Exhaust, Gabriel, Maremont and Purolator are parties to a Purchase and Sale Agreement, dated as of March 30, 2001 (the "Original Agreement"); and

Subject to and upon the terms and conditions set forth herein, the parties desire to amend and restate the Original Agreement in the form of this Agreement;

NOW, THEREFORE, in consideration of the mutual agreements contained herein and the other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

SECTION 1. DEFINITIONS AND RELATED MATTERS.

Section 1.1. Defined Terms. In this Agreement, unless otherwise specified or defined herein: (a) capitalized terms are used as defined in Schedule I to the Amended and Restated Receivables Sale Agreement dated as of the date hereof (as amended or modified from time to time, the "Second Tier Agreement") among Buyer, ArvinMeritor, Inc., as collection agent (the "Initial Collection Agent"), the Purchaser Agents from time to time party thereto, the Related Committed Purchasers from time to time party thereto, the Conduit Purchasers from time to time party thereto and ABN AMRO Bank N.V. as the Agent, as such agreement may be amended or modified from time to time; and (b) terms defined in Article 9 of the UCC and not otherwise defined herein are used as defined in such Article 9 as in effect on the date hereof.

In addition, the following terms will have the meanings specified below:

"Available Funds" is defined in Section 2.3(b) hereof.

"Closing Date" means the date on which this Agreement and the Second Tier Agreement become effective in accordance with their terms.

"Excluded Losses" is defined in Section 7.1 hereof.

"Initial Funding Date" means September 27, 2001.

"Settlement Date" means, with respect to any Settlement Period, the 25th day of the immediately succeeding calendar month (or, if such day is not a Business Day, the next preceding Business Day).

"Settlement Period" means a calendar month (or, in the case of the first Settlement Period, the period from the Initial Funding Date to the end of the next succeeding calendar month following the calendar month in which the Initial Funding Date occurs).

"Trigger Event" means that (x) the outstanding principal amount of the

Subordinated Note exceeds the value of Buyer's interest in the Receivables (determined in accordance with GAAP), and (y) such condition has continued for five Business Days.

Section 1.2. Other Interpretive Matters. In this Agreement, unless otherwise specified: (a) references to any Section or Annex refer to such Section of, or Annex to, this Agreement, and references in any Section or definition to any subsection or clause refer to such subsection or clause of such Section or definition; (b) "herein," "hereof," "hereto," "hereunder" and similar terms refer to this Agreement as a whole and not to any particular provision of this Agreement; (c) "including" means including without limitation, and other forms of the verb "to include" have correlative meanings; (d) the word "or" is not exclusive; and (e) captions are solely for convenience of reference and shall not affect the meaning of this Agreement.

SECTION 2. AGREEMENT TO CONTRIBUTE, PURCHASE AND SELL.

Section 2.1. Purchase and Sale. On the terms and subject to the conditions set forth in this Agreement, each Originator hereby sells to Buyer, and Buyer hereby purchases from each Originator, all of such Originator's right, title and interest in, to and under the Receivables originated by such Originator, all Related Security, Lock-Box Accounts and all proceeds thereof (including all Collections with respect thereto), in each case whether now existing or hereafter arising or acquired.

Section 2.2. Timing of Contribution, Purchases. All of the remaining Receivables and Related Security existing at the opening of the Originators' business on the Initial Funding Date are hereby sold to Buyer as of the Initial Funding Date. After the Initial Funding Date, each Receivable and Related Security shall be deemed to have been sold to Buyer immediately (and without further action by any Person) upon the creation of such Receivable. The proceeds with respect to each Receivable (including all Collections with respect thereto) shall be sold at the same time as such Receivable, whether such proceeds (or Collections) exist at such time or arise or are acquired thereafter.

Section 2.3. Purchase Price. (a) The aggregate purchase price for the Receivables originated by an Originator sold on the Initial Funding Date shall be such amount as agreed upon prior to the Initial Funding Date between such Originator and Buyer to be the fair market value

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of such Receivables on such date, which shall equal the excess of the (i) estimated aggregate outstanding balance of such Receivables over (ii) an amount agreed upon by Buyer and such Originator representing the uncertainty of payment and cost of purchase of such Receivables. The purchase price for Receivables subsequently sold during any Settlement Period shall be calculated in accordance with the provisions set forth in Exhibit A hereto.

(b) On the Initial Funding Date, Buyer shall pay each Originator the purchase price for the Receivables originated by it sold on that date. On each Business Day after the Initial Funding Date on which an Originator sells any Receivables originated by it to Buyer pursuant to the terms of Section 2.1, until the termination of the purchase and sale of Receivables under Section 6 hereof, Buyer shall pay to such Originator the purchase price of such Receivables (i) by depositing into such account as such Originator shall specify immediately available funds from monies then held by or on behalf of Buyer solely to the extent that such monies do not constitute Collections that are required to be identified or are deemed to be held by the Collection Agent pursuant to the Second Tier Agreement for the benefit of, or required to be distributed to, the Agent or the Purchasers pursuant to the Second Tier Agreement or required to be paid to the Collection Agent as the Collection Agent Fee, or otherwise necessary to pay current expenses of Buyer (in its reasonable discretion) (such available monies, the "Available Funds") and provided that such Originator has paid all amounts then due by such Originator hereunder or (ii) by increasing the principal amount owed to such Originator under a

promissory note (as amended or modified from time to time, each a "Subordinated Note" and collectively the "Subordinated Notes") executed and delivered by Buyer to the order of such Originator as of the Initial Funding Date. The outstanding principal amount owed to an Originator under the related Subordinated Note may be reduced from time to time as provided in Section 3.2 hereof or by payments made by Buyer from Available Funds, provided that such Originator has paid all amounts then due by such Originator hereunder. Each Originator shall make all appropriate record keeping entries with respect to amounts due to such Originator under the related Subordinated Note to reflect payments by Buyer thereon and increases of the principal amount thereof, and such Originator's books and records shall constitute rebuttable presumptive evidence of the principal amount of and accrued interest owed to such Originator under the related Subordinated Note.

Section 2.4. No Recourse or Assumption of Obligations. Except as specifically provided in this Agreement, the contribution, purchase and sale of Receivables under this Agreement shall be without recourse to the Originators. Each Originator and Buyer intend the transactions hereunder to constitute true sales of Receivables by such Originator to Buyer, providing Buyer with the full risks and benefits of ownership of the Receivables originated by such Originator (such that the Receivables would not be property of such Originator's estate in the event of such Originator's bankruptcy). If, however, despite the intention of the parties, the conveyances provided for in this Agreement are determined not to be "true sales" of Receivables from the Originators to Buyer, then this Agreement shall also be deemed to be a "security agreement" within the meaning of Article 9 of the UCC and each Originator hereby grants to Buyer a "security interest" within the meaning of Article 9 of the UCC in all of such Originator's right, title and interest in and to the Receivables, all Related Security, Lock-Box Accounts and all proceeds thereof (including all Collection with respect thereto) originated by it, now existing and thereafter created, to secure a loan in an amount equal to the aggregate purchase prices therefor and each of such Originator's other payment obligations under this Agreement.

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Buyer shall not have any obligation or liability with respect to any Receivable, nor shall Buyer have any obligation or liability to any Obligor or other customer or client of an Originator (including any obligation to perform any of the obligations of such Originator under any Receivable).

SECTION 3. ADMINISTRATION AND COLLECTION.

Section 3.1. Collection Agent. The Initial Collection Agent shall be responsible for the servicing, administration and collection of the Receivables, all on the terms set out in (and subject to any rights to terminate the Initial Collection Agent as Collection Agent pursuant to) the Second Tier Agreement. Pursuant to the terms of the Second Tier Agreement, the Initial Collection Agent has the right to appoint an Affiliate of the Initial Collection Agent to perform certain services set forth in Article III of the Second Tier Agreement. The Initial Collection Agent has appointed each Originator as a sub-collection agent with respect to the Receivables originated by it to perform certain duties as more fully set forth in the Letter Agreement.

Section 3.2. Deemed Collections. If on any day the outstanding balance of a Receivable is reduced or cancelled as a result of any defective or rejected goods or services, any cash discount or adjustment (including any adjustment resulting from the application of any special refund or other discounts or any reconciliation), any setoff or credit (whether such claim or credit arises out of the same, a related, or an unrelated transaction) or other reason not arising from the financial inability of the Obligor to pay undisputed indebtedness, (i) the applicable Originator shall be deemed to have received on such day a Collection on such Receivable in the amount of such reduction or cancellation and (ii) such Receivable shall thereupon be, or be deemed to be reconveyed to an Originator. If on any day any representation, warranty, covenant or other agreement of an Originator related to a Receivable is not true or is not satisfied, (i) such Originator shall be deemed to have received on such day a

Collection in the amount of the outstanding balance of such Receivable and (ii) such Receivable shall thereupon be, or be deemed to be reconveyed to such Originator. Not later than the first Settlement Date after an Originator is deemed pursuant to this Section 3.2 to have received any Collections, such Originator shall transfer to Buyer, in immediately available funds, the amount of such deemed Collections; provided, however, that if no such application is required under the Second Tier Agreement, Buyer and such Originator may agree to reduce the outstanding principal amount of the Subordinated Note in lieu of all or part of such transfer. To the extent that Buyer subsequently collects any payment with respect to any such "receivable," Buyer shall pay the applicable Originator an amount equal to the amount so collected, such amount to be payable not later than the first Settlement Date after Buyer has so collected such amount.

Section 3.3. Application of Collections. Any payment by an Obligor in respect of any indebtedness owed by it to the related Originator shall, except as otherwise specified by such Obligor (including by reference to a particular invoice), or required by the related contracts or law, be applied, first, as a Collection of any Receivable or Receivables then outstanding of such Obligor in the order of the age of such Receivables, starting with the oldest of such Receivables, and, second, to any other indebtedness of such Obligor to such Originator.

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Section 3.4. Responsibilities of Originator. Each Originator shall pay when due all Taxes payable in connection with the Receivables originated by it or their creation or satisfaction. Each Originator shall perform all of its obligations under agreements related to the Receivables originated by it to the same extent as if interests in such Receivables had not been transferred hereunder. The Agent's or any Purchaser's exercise of any rights hereunder or under the Second Tier Agreement shall not relieve any Originator from such obligations. Neither the Agent nor any Purchaser shall have any obligation to perform any obligation of any Originator in connection with the Receivables.

SECTION 4. REPRESENTATIONS AND WARRANTIES.

Section 4.1. Mutual Representations and Warranties. Each of the Originators and Buyer represents and warrants to the others as follows:

(a) Existence and Power. It is a corporation or limited liability company, as applicable, duly organized, validly existing and in good standing under the laws of its state of organization and in each jurisdiction in which the conduct of its business requires that it be qualified to do business in such jurisdiction and has all company power and authority and all governmental licenses, authorizations, consents and approvals required to carry on its business in each jurisdiction in which its business is now conducted, except where failure to obtain such license, authorization, consent or approval would not have a material adverse effect on (i) its ability to perform its obligations under, or the enforceability of, any Transaction Document to which it is a party, (ii) its business or financial condition, (iii) the interests of Buyer or its assigns under the Transaction Documents or (iv) the enforceability or collectibility of a material portion of the Receivables.

(b) Authorization and No Contravention. Its execution, delivery and performance of each Transaction Document to which it is a party (i) are within its powers, (ii) have been duly authorized by all necessary company action, (iii) do not contravene or constitute a default under: (A) any applicable law, rule or regulation, (B) its charter or by-laws or operating agreement, as applicable, or (C) any material agreement, order or other instrument to which it is a party or its property is subject and (iv) will not result in any Adverse Claim on any Receivable, Related Security or Collection or give cause for the acceleration of any of its indebtedness.

(c) No Consent Required. Other than the filing of financing statements no approval, authorization or other action by, or filings with, any Governmental Authority or other Person is required in connection with the execution, delivery and performance by it of any Transaction Document to which it is a party or any transaction contemplated thereby.

(d) Binding Effect. Each Transaction Document to which it is a party constitutes the legal, valid and binding obligation of such Person enforceable against that Person in accordance with its terms, except as limited by bankruptcy, insolvency, or other

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similar laws of general application relating to or affecting the enforcement of creditors' rights generally and subject to general principles of equity.

(e) Accounting for Sale. It will not, account for, or otherwise treat the transactions contemplated hereby other than as a sale of Receivables or inconsistent with the Buyer's ownership interest in the Receivables, Related Security and Collections.

Section 4.2. Additional Representations by Each Originator. Each Originator further represents and warrants to Buyer as follows:

(a) Perfection of Ownership Interest. Immediately preceding its sale of Receivables to Buyer, such Originator was the owner of, and effectively sold, such Receivables to Buyer, free and clear of any Adverse Claim. Buyer owns the Receivables free and clear of any Adverse Claim other than the interests of the Purchasers and the Agent therein that are created by the Second Tier Agreement and, in the case of Receivables not designated as Eligible Receivables, other Adverse Claims.

(b) Accuracy of Information. All information furnished by each Originator in writing in connection with any Transaction Document, or any transaction contemplated thereby, is true and accurate in all material respects (and was not incomplete by omitting to state a material fact necessary to make such information not materially misleading).

(c) No Actions, Suits. There are no actions, suits or other proceedings (including matters relating to environmental liability) pending or threatened against or affecting any Originator or any of its properties, that (i) if adversely determined (individually or in the aggregate), is likely to have a material adverse effect on the financial condition of the Parent and its subsidiaries, on a consolidated basis or on the collectibility of a material portion of the Receivables or (ii) involve any Transaction Document or any transaction contemplated thereby. No Originator is in default of any contractual obligation or in violation of any material order, rule or regulation of any Governmental Authority, which default or violation is likely to have a material adverse effect upon (i) the financial condition of the Parent and its subsidiaries, on a consolidated basis or (ii) the collectibility of a material portion of the Receivables.

(d) No Material Adverse Change. Since December 31, 2000, there has been no material adverse change in (i) such Originator's financial condition, business, operations or prospects or (ii) such Originator's ability to perform its obligations under any Transaction Document.

(e) Accuracy of Exhibits. All information on Exhibits C and D of the Second Tier Agreement (to the extent describing an Originator) is true and complete, subject to any changes permitted by, and notified to

the Agent in accordance with the Second Tier Agreement.

(f) Sales by Originator. Each sale by such Originator to Buyer of an interest in Receivables has been made for "reasonably equivalent value" (as such term is used in

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Section 548 of the Bankruptcy Code) and not for or on account of "antecedent debt" (as such term is used in Section 547 of the Bankruptcy Code) owed by such Originator to Buyer.

(g) No Potential Termination Event. No Potential Termination Event has occurred and is continuing.

(h) Eligible Receivables. Each Receivable included in the Eligible Receivables Balance as an Eligible Receivable on the date of any Purchase or Incremental Purchase or listed as such on a Periodic Report is an Eligible Receivable.

(i) Underwriting Collection Practices. To the extent that the Buyer is the Collection Agent and the relevant Originator is a sub-collection agent, it has complied with the Credit and Collection Policy in all material respects, and such policy has not changed in any material respect since the date hereof.

SECTION 5. GENERAL COVENANTS.

Section 5.1. Covenants. Each Originator hereby covenants and agrees to comply with the following covenants and agreements, unless Buyer (with the consent of the Agent) shall otherwise consent:

(a) Financial Reporting. Each Originator will maintain a system of accounting established and maintained in accordance with GAAP and will furnish to Buyer:

(i) Within 120 days after each fiscal year of the Parent copies of Parent's annual audited financial statements (including a consolidated balance sheet, consolidated statement of income and retained earnings and statement of cash flows, with related footnotes) certified by Deloitte & Touche or other independent certified public accountants of nationally recognized standing and prepared on a consolidated basis in conformity with GAAP;

(ii) Within 45 days after each (except the last) fiscal quarter of each fiscal year of the Parent, copies of the Parent's unaudited financial statements (including at least a consolidated balance sheet as of the close of such quarter and statements of earnings and sources and applications of funds for the period from the beginning of the fiscal year to the close of such quarter) certified by the chief financial officer and prepared in a manner consistent with the financial statements described in part (A) of clause (i) of this Section 5.1(a);

(iii) copies of all financial statements, reports and returns which the Parent shall send to its stockholders;

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(iv) Promptly upon becoming available, a copy of each report or proxy statement filed by the Parent with the Securities and Exchange Commission or any securities exchange; and

(v) with reasonable promptness such other information (including non-financial information) as Buyer may reasonably request.

(b) Notices. Promptly and in any event within three Business Days after a Responsible Officer of an Originator obtains knowledge of any of the following, such Originator will notify Buyer and provide a description of:

(i) Potential Termination Events. The occurrence of any Potential Termination Event;

(ii) Representations and Warranties. The failure of any representations or warranty herein to be true when made in any material respect;

(iii) Litigation. The institution of any litigation, arbitration proceeding or governmental proceeding which is reasonably likely to be material to such Originator or the collectibility or quality of a material portion of the Receivables; or

(iv) Judgments. The entry of any uninsured judgment or decree against such Originator if the aggregate amount of all such uninsured judgments then outstanding against such Originator exceeds \$10,000,000.

(c) Conduct of Business. Each Originator will perform all actions necessary to remain duly incorporated or organized, validly existing and in good standing in its jurisdiction of incorporation or organization and to maintain good standing and all requisite authority to conduct its business in each jurisdiction in which it conducts business.

(d) Compliance with Laws. Each Originator will comply with all laws, regulations, judgments and other directions or orders imposed by any Governmental Authority to which each Originator or any Receivable, any Related Security or Collection may be subject.

(e) Furnishing Information and Inspection of Records. Each Originator will furnish to Buyer such information concerning the Receivables originated by it and any Related Security as Buyer may reasonably request, subject to any confidentiality restrictions. Each Originator will permit, at any time during regular business hours, Buyer (or any representatives thereof) (i) to examine and make copies of all Records, (ii) to visit the offices and properties of such Originator or office of any other Person for the purpose of examining the Records and (iii) to discuss matters relating hereto with any of such Originator's officers, directors, employees or independent public accountants having knowledge of such matters. Once a year or at any time after the occurrence and

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during the continuance of a Termination Event relating to a particular Originator, Buyer may (at the expense of the applicable Originator) have an independent public accounting firm conduct an audit of the Records or make test verification of the Receivables and Collections in connection with the audit and test verifications conducted on behalf of the Agent under the Second Tier Agreement.

(f) Keeping Records. (i) Each Originator will have and maintain (A) administrative and operating procedures (including an ability to recreate Records if originals are destroyed), (B) adequate facilities, personnel and equipment and (C) all Records and other information

necessary or advisable for collecting the Receivables originated by it (including Records adequate to permit the immediate identification of each new Receivable originated by it and all Collections of, and adjustments to, each existing Receivable originated by it). Each Originator will give Buyer prior notice of any material change in such administrative operating procedures.

(ii) Each Originator will, (A) at all times from and after the date hereof, clearly and conspicuously mark its computer and master data processing books and records with a legend describing Buyer's interest in the Receivables originated by it and the Collections and (B) upon the request of the Buyer, so mark each contract relating to a Receivable and deliver to the Buyer all such contracts (including all multiple originals of such contracts), with any appropriate endorsement or assignment, or segregate (from all other receivables then owned or being serviced by it) the Receivables and all contracts relating to each Receivable and hold in trust and safely keep such contracts so legended in separate filing cabinets or other suitable containers at such locations as the Buyer may specify.

(g) Perfection. (i) Each Originator will at its expense, promptly execute and deliver all instruments and documents and take all action necessary or requested by the Buyer (including the execution and filing of financing or continuation statements, amendments thereto or assignments thereof) to enable the Buyer to exercise and enforce all its rights against the Receivables originated by it and to vest and maintain vested in the Buyer a valid, first priority perfected security interest in such Receivables, the Related Security and the Collections, and proceeds thereof free and clear of any Adverse Claim (and a perfected ownership interest in such Receivables, Related Security and Collections to the extent of the Sold Interest). To the extent permitted by applicable law, the Buyer will be permitted to sign and file any continuation statements, amendments thereto and assignments thereof without the Originator's signature.

(ii) No Originator will change its name, identity or corporate structure or relocate its state of organization or its chief executive office or the Records except after thirty (30) days advance notice to the Buyer and the delivery to the Buyer of all financing statements, instruments and other documents (including direction letters) requested by the Buyer; provided, however, that if Arvin Exhaust and/or Light Vehicle merge into AOE whereby AOE is the surviving entity, such Originators will not have to provide the prior advance notice to the Buyer. AOE agrees that it will not originate any Receivables until

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after the merger described in the preceding sentence and only from the two entities merged into AOE.

(iii) Each Originator will at all times maintain its chief executive offices within a jurisdiction in the USA in which Article 9 of the UCC (as it may be amended from time to time) is in effect. If any Originator moves its chief executive office to a location that imposes Taxes, fees or other charges to perfect the Buyer's interests hereunder, such Originator will pay all such amounts and any other costs and expenses incurred in order to maintain the enforceability of the Transaction Documents, the Sold Interest and the interests of the Buyer in the Receivables, the Related Security and Collections.

(h) Payments on Receivables, Lock-Box Accounts. Each Originator will at all times instruct all Obligors to deliver payments on the Receivables (including Deemed Collections) to a Lock-Box a Lock-Box Account and will not change any such instructions without the prior written consent of the Buyer. If any such payments or other Collections are received by an Originator, it shall hold such payments in trust for

the benefit of the Buyer and promptly (but in any event within two Business Days after receipt) remit such funds at the direction of the Buyer. After the occurrence of a Termination Event, such Originator will not, and will not permit any Collection Agent or other Person to, commingle Collections or other funds to which the Buyer is entitled with any other funds, except with respect to the AM Canada Account, but only through November 30, 2001.

(i) Sales and Adverse Claims Relating to Receivables or Related Security. Except as otherwise provided herein, no Originator will (by operation of law or otherwise) dispose of or otherwise transfer, or create or suffer to exist any Adverse Claim upon, any Receivable, Related Security and Collections, or any proceeds thereof.

(j) Extension or Amendment of Receivables. Except as otherwise permitted in the Second Tier Agreement and then subject to Section 1.5 of the Second Tier Agreement, no Originator will extend, amend, rescind or cancel any Receivable.

(k) Performance of Duties. Each Originator will perform its duties or obligations in accordance with the provisions of each of the Transaction Documents to which it is a party. Each Originator (at its expense) will (i) fully and timely perform in all material respects all agreements, if any, required to be observed by it in connection with each Receivable originated by it, (ii) comply in all material respects with the Credit and Collection Policy, and (iii) refrain from any action that may impair the rights of Buyer in the Receivables, Collections or Lock-Box Accounts.

(l) Change in Credit and Collection Policy. No Originator will make any change in its Credit and Collection Policy which change would impair the collectibility of any Receivable.

(m) Accounting for Sale. No Originator will account for, or otherwise treat, the transactions contemplated hereby other than as a sale of Receivables or inconsistent

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with the Purchasers' ownership interests in the Receivables Related Security and Collections.

(n) Certain Agreements. Except as otherwise permitted by this Agreement, no Originator will amend, modify, waive, revoke or terminate any Transaction Document to which it is a party.

Section 5.2. Organizational Separateness. Each Originator agrees not to take any action that would cause Buyer to violate its articles of incorporation or certificate of incorporation, as appropriate, and bylaws. Buyer agrees to conduct its business in a manner consistent with its articles of incorporation or certification of incorporation, as appropriate, and bylaws or its limited liability company agreement or operating agreement, as applicable.

SECTION 6. TERMINATION OF PURCHASES.

Section 6.1. Voluntary Termination. The purchase and sale of Receivables pursuant to this Agreement may be terminated by any party, upon at least five Business Days' prior written notice to the other parties.

Section 6.2. Automatic Termination. The purchase and sale of Receivables pursuant to this Agreement shall automatically terminate upon the occurrence of (i) a Bankruptcy Event with respect to any Originator, (ii) a Trigger Event or (iii) the Termination Date.

SECTION 7. INDEMNIFICATION.

Section 7.1. Originators' Indemnity. Without limiting any other rights any Person may have hereunder or under applicable law, each Originator, jointly and severally, hereby indemnifies and holds harmless Buyer and its officers, directors, agents and employees (each an "Indemnified Party") from and against any and all damages, losses, claims, liabilities, penalties, Taxes, costs and expenses (including reasonable attorneys' fees and court costs actually incurred) (all of the foregoing collectively, the "Indemnified Losses") at any time imposed on or incurred by any Indemnified Party arising out of or otherwise relating to any Transaction Document, the transactions contemplated thereby, or any action taken or omitted by any of the Indemnified Parties, whether arising by reason of the acts to be performed by such Originator hereunder or otherwise, excluding only Indemnified Losses ("Excluded Losses") to the extent (a) a final judgment of a court of competent jurisdiction holds such Indemnified Losses resulted solely from gross negligence or willful misconduct of the Indemnified Party seeking indemnification, (b) solely due to the credit risk or financial inability to pay of the Obligor and for which reimbursement would constitute recourse to such Originator or the Collection Agent for uncollected or uncollectible Receivables or (c) such Indemnified Losses include Taxes on, or measured by, the overall net income or gross receipts of the Buyer. Without limiting the foregoing indemnification, but subject to the limitations set forth in clauses (a), (b) and (c) of the previous sentence, each Originator, jointly and severally, shall indemnify each Indemnified Party for Indemnified Losses relating to or resulting from:

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(i) any representation or warranty made by or on behalf of an Originator under or in connection with this Agreement, any Periodic Report or any other information or report delivered by an Originator pursuant to the Transaction Documents, which shall have been false or incorrect in any material respect when made or deemed made;

(ii) the failure by an Originator to comply with any applicable law, rule or regulation related to any Receivable, or the nonconformity of any such Receivable with any such applicable law, rule or regulation;

(iii) the failure of an Originator to vest and maintain vested in Buyer, a perfected ownership or security interest in the Receivables and the other property conveyed pursuant hereto, free and clear of any Adverse Claim;

(iv) any commingling of funds to which Buyer is entitled hereunder with any other funds;

(v) any failure of a Lock-Box Bank to comply with the terms of the applicable Lock-Box Letter;

(vi) any dispute, claim, offset or defense (other than discharge in bankruptcy of the Obligor or financial inability of the Obligor to pay) of the Obligor to the payment of any Receivable, or any other claim resulting from the sale or lease of goods or the rendering of services related to such Receivable or the furnishing or failure to furnish any such goods or services;

(vii) any failure of an Originator to perform its duties or obligations in accordance with the provisions of this Agreement or any other Transaction Document to which an Originator is a party; or

(viii) any environmental liability claim, products liability claim or personal injury or property damage suit or other similar or related claim or action of whatever sort, arising out of or in connection with any Receivable or any other suit, claim or action of whatever sort relating to any of any Originator's obligations under the Transaction Documents.

Section 7.2. Indemnification Due to Failure to Consummate Purchase. Each

Originator will indemnify Buyer on demand and hold it harmless against all costs (including, without limitation, breakage costs) and expenses incurred by Buyer resulting from any failure by such Originator to consummate a purchase after Buyer has requested a transfer of the applicable Receivables to the Purchasers under the terms of the Second Tier Agreement.

SECTION 8. MISCELLANEOUS.

Section 8.1. Amendments, Waivers, etc. No amendment of this Agreement or waiver of any provision hereof or consent to any departure by either party therefrom shall be effective without the written consent of the party that is sought to be bound. Any such waiver or consent

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shall be effective only in the specific instance given. No failure or delay on the part of either party to exercise, and no delay in exercising, any right hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any right hereunder preclude any other or further exercise thereof or the exercise of any other right. The remedies herein provided are cumulative and not exclusive of any remedies provided by law. Each Originator agrees that the Purchasers may rely upon the terms of this Agreement, and that the terms of this Agreement may not be amended, nor any material waiver of those terms be granted, without the consent of the Agent; provided that such Originator and Buyer may agree to an adjustment of the purchase price for any Receivable originated by such Originator without the consent of the Agent provided that the purchase price paid for such Receivable shall be an amount not less than adequate consideration that represents fair value for such Receivable.

Section 8.2. Assignment of Receivables Purchase Agreement. Each Originator hereby acknowledges that on the date hereof Buyer has collaterally assigned for security purposes all of its right, title and interest in, to and under this Agreement to the Agent for the benefit of the Purchasers pursuant to the Second Tier Agreement and that the Agent and the Purchasers are third party beneficiaries hereof. Each Originator hereby further acknowledges that after the occurrence and during the continuation of a Termination Event all provisions of this Agreement shall inure to the benefit of the Agent and the Purchasers, including the enforcement of any provision hereof to the extent set forth in the Second Tier Agreement, but that neither the Agent nor any Purchaser shall have any obligations or duties under this Agreement. No purchases shall take place hereunder at any time that the Agent has exercised its right to enforce Buyer's rights hereunder pursuant to Section 1.8 of the Second Tier Agreement. Each Originator hereby further acknowledges that the execution and performance of this Agreement are conditions precedent for the Agent and the Purchasers to enter into the Second Tier Agreement and that the agreement of the Agent and Purchasers to enter into the Second Tier Agreements will directly or indirectly benefit such Originator and constitutes good and valuable consideration for the rights and remedies of the Agent and each Purchaser with respect hereto.

Section 8.3. Binding Effect; Assignment. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns and shall also, to the extent provided herein, inure to the benefit of the parties to the Second Tier Agreement. Each Originator acknowledges that Buyer's rights under this Agreement are being assigned to the Agent under the Second Tier Agreement and consents to such assignment and to the exercise of those rights directly by the Agent, to the extent permitted by the Second Tier Agreement.

Section 8.4. Survival. The rights and remedies with respect to any breach of any representation and warranty made by an Originator or Buyer pursuant to Section 4, the provisions of Section 3.2 and the indemnification provisions of Section 7 shall survive any termination of this Agreement.

Section 8.5. Costs, Expenses and Taxes. In addition to the obligations of the Originators under Section 7, each party (the Originators being one party and the Buyer the other party) hereto agrees to pay on demand all costs and

expenses incurred by the other party and its assigns (other than Excluded Losses) in connection with the enforcement of, or any actual or claimed breach of,

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this Agreement, including the reasonable fees and expenses of counsel to any of such Persons incurred in connection with any of the foregoing or in advising such Persons as to their respective rights and remedies under this Agreement in connection with any of the foregoing. Each Originator, jointly and severally, also agrees to pay on demand all stamp and other taxes and fees payable or determined to be payable in connection with the execution, delivery, filing, and recording of this Agreement.

Section 8.6. Execution in Counterparts; Integration. This Agreement may be executed in any number of counterparts and by the different parties in separate counterparts, each of which when so executed shall be deemed to be an original and all of which when taken together shall constitute one and the same Agreement.

Section 8.7. Governing Law; Submission to Jurisdiction. THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE INTERNAL LAWS (AND NOT THE LAW OF CONFLICTS) OF THE STATE OF ILLINOIS. EACH ORIGINATOR HEREBY SUBMITS TO THE NONEXCLUSIVE JURISDICTION OF THE UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF ILLINOIS AND OF ANY ILLINOIS STATE COURT SITTING IN CHICAGO FOR PURPOSES OF ALL LEGAL PROCEEDINGS ARISING OUT OF, OR RELATING TO, THE TRANSACTION DOCUMENTS OR THE TRANSACTIONS CONTEMPLATED THEREBY. Each Originator hereby irrevocably waives, to the fullest extent permitted by law, any objection it may now or hereafter have to the venue of any such proceeding and any claim that any such proceeding has been brought in an inconvenient forum. Nothing in this Section 8.7 shall affect the right of Buyer to bring any action or proceeding against an Originator or its property in the courts of other jurisdictions.

Section 8.8. No Proceedings. Each Originator agrees, for the benefit of the parties to the Second Tier Agreement, that it will not institute against Buyer, or join any other Person in instituting against Buyer, any proceeding of a type referred to in the definition of Bankruptcy Event until one year and one day after no investment, loan or commitment is outstanding under the Second Tier Agreement.

In addition, all amounts payable by Buyer to an Originator pursuant to this Agreement shall be payable solely from funds available for that purpose (after Buyer has satisfied all obligations then due and owing under the Second Tier Agreement).

Section 8.9. Loans by Buyer to Originators. Buyer may make loans to an Originator from time to time if so agreed between such parties and to the extent that Buyer has funds available for that purpose after satisfying its obligations under this Agreement and the Second Tier Agreement. Any such loan shall be payable upon demand (and may be prepaid with penalty or premium) and shall bear interest at such rate as Buyer and such Originator shall from time to time agree.

Section 8.10. Notices. Unless otherwise specified, all notices and other communications hereunder shall be in writing (including by telecopier or other facsimile communication), given to the appropriate Person at its address or telecopy number set forth in the Second Tier

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Agreement or at such other address or telecopy number as such Person may specify, and effective when received at the address specified by such Person.

Section 8.11. Entire Agreement. This Agreement constitutes the entire understanding of the parties thereto concerning the subject matter thereof. Any previous or contemporaneous agreements, whether written or oral, concerning such matters are superseded thereby.

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IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their respective officers thereunto duly authorized, as of the date first above written.

ARVIN EXHAUST LLC, as Originator

By

Name: _____
Title: _____

GABRIEL RIDE CONTROL PRODUCTS, INC., as Originator

By

Name: _____
Title: _____

MAREMONT EXHAUST PRODUCTS, INC., as Originator

By

Name: _____
Title: _____

PUROLATOR PRODUCTS NA, INC., as Originator

By

Name: _____
Title: _____

MERITOR HEAVY VEHICLE SYSTEMS, LLC

By

Name: _____
Title: _____

Signature Page for
Purchase and Sale Agreement

MERITOR LIGHT VEHICLE SYSTEMS, INC.

By

Name: _____

Title: -----

MERITOR HEAVY VEHICLE BRAKING SYSTEMS (USA), INC.

By

Name: -----

Title: -----

EUCLID INDUSTRIES, LLC

By

Name: -----

Title: -----

ARVINMERITOR OE, LLC

By

Name: -----

Title: -----

ARVINMERITOR RECEIVABLES CORPORATION, as Buyer

By

Name: -----

Title: -----

Signature Page for
Purchase and Sale Agreement

The undersigned has caused this Agreement to be executed by its officers thereunto duly authorized, as of the date first above written solely for the purposes set forth in Section 3.1 of this Agreement.

ARVINMERITOR, INC.

By

Name: -----

Title: -----

Signature Page for
Purchase and Sale Agreement

ArvinMeritor, Inc.
 Computation of Ratio of Earnings to Fixed Charges
 Fiscal Year Ended September 30, 2001

Earnings Available for Fixed Charges:

Pre-tax income from continuing operations	\$ 63
Adjustments:	
Undistributed income of affiliates	20

	83
Add fixed charges included in earnings:	
Interest expense	142
Interest element of rentals	7

Total	149

Total earnings available for fixed charges:	\$ 232

Fixed Charges:	
Fixed charges included in earnings	\$ 149
Capitalized interest	2

Total fixed charges	\$ 151

Ratio of Earnings to Fixed Charges (1)	1.54
	=====

1 = "Earnings" are defined as pre-tax income from continuing operations, adjusted for undistributed earnings of less than majority owned subsidiaries and fixed charges excluding capitalized interest.

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

ARVINMERITOR, INC.

LIST OF SUBSIDIARIES OF THE COMPANY
AS OF SEPTEMBER 30, 2001

NAME AND JURISDICTION -----	PERCENTAGE OF VOTING SECURITIES OWNED BY -----	
	ARVINMERITOR -----	SUBSIDIARY -----
Meritor Heavy Vehicle Systems, LLC (Delaware).....	100%	
ArvinMeritor OE, LLC (Delaware).....	91.79%	8.21% (1)
Meritor Finance Cayman Islands, Ltd. (Cayman Islands)....		100% (2)
Meritor Automotive Limited (England).....		100%
Meritor France (France).....		100% (3)
Meritor Holdings Netherlands B.V. (Netherlands).....		100% (4)
Arvin Canada Holding Limited (Ontario).....		100%
Arvin Ride Control Products, Inc. (Canada)...		100%
Meritor Automotive Canada Inc. (Canada).....		100%
Meritor do Brasil Ltda. (Brazil).....		100% (5)
ArvinMeritor Canada (Ontario).....		100% (6)
ArvinMeritor GmbH (Germany).....		100% (7)

-
- (1) 8.15% of the voting securities of ArvinMeritor OE, LLC are held by Arvin International Holdings, Inc. and .06% are held by Meritor LVS-Espana, S.A.
- (2) Shares of Meritor Finance Cayman Islands, Ltd. and Meritor I Acquisition Corporation (a Delaware corporation) are stapled together and treated as units, 1% of which are owned by ArvinMeritor OE, LLC and 99% of which are owned by ArvinMeritor Assembly, LLC.
- (3) Meritor France is owned indirectly, through several intervening subsidiaries, by Meritor Finance Cayman Islands, Ltd.
- (4) 1% of the voting securities of Meritor Holdings Netherlands B.V. is owned by Meritor Finance Cayman Islands, Ltd., and 99% is owned by Meritor Luxembourg s.a.r.l.
- (5) 100% of the voting securities of Meritor do Brasil Ltda. is owned by Meritor Participacoes Ltda., a holding company all of the voting securities of which is owned by Meritor Automotive Canada Inc.
- (6) ArvinMeritor Canada is a partnership owned by Meritor Automotive Canada Inc., Euclid Industries Canada Ltd., Arvin Exhaust of Canada Ltd. and Arvin Ride Control Products, Inc.
- (7) 1% of the voting securities of ArvinMeritor GmbH is owned by Meritor Heavy Vehicle Systems Limited, 75% is owned by Meritor Automotive BV and 24% is owned by Meritor Holdings Netherlands B.V.

Arvin International Holland B.V. (Netherlands)....	100%
Arvin Exhaust B.V. (Netherlands).....	100%
Arvin Exhaust S.p.A. (Italy).....	100% (8)

Arvin France SAS (France).....	100%	
Arvin Exhaust (France).....	100%	
Arvin International (U.K.), Ltd. (United Kingdom).....	100%	
Arvin Exhaust Limited (United Kingdom).....	100%	
Arvin Replacement Products Limited (United Kingdom).....	100%	
Maremont Corporation (Delaware).....	100%	
AVM, Inc. (South Carolina).....	100%	
Maremont Exhaust Products, Inc. (Delaware).....	100%	
Gabriel Ride Control Products, Inc. (Delaware).....	100%	
Arvin International Holdings, Inc. (Delaware).....	100%	
Arvin Exhaust S.A. (Spain).....	100%	
A.P. Amortiguadores S.A. (Spain).....	75%	
Arvin Replacement Products s.r.l. (Italy).....	1%	99%
Arvin Replacement Products S.A. (France).....		100% (9)
Purolator Products Company (Delaware).....	100%	
Purolator Products NA, Inc. (Delaware).....		100%
Roll Coater, Inc. (Indiana).....	100%	

Listed above are certain consolidated subsidiaries included in the financial statements of the Company at September 30, 2001.

(8) 99% of the voting securities of Arvin Exhaust S.p.A. is owned by Arvin International Holland B.V. and 1% is owned by Arvin Exhaust B.V.

(9) 100% of the voting securities of Arvin Replacement Products S.A. is owned by Financiere Rosi S.A. which is owned 100% by Arvin International Holdings, Inc.

CONSENT OF EXPERT

I consent to the reference to me under the heading "Item 3. Legal Proceedings" in the Annual Report on Form 10-K of ArvinMeritor, Inc. ("ArvinMeritor") for the year ended September 30, 2001, and to the incorporation by reference of such reference into the following Registration Statements of ArvinMeritor:

Form ----	Registration No. -----	Purpose -----
S-3	333-58760	Registration of debt securities
S-8	333-53396	ArvinMeritor, Inc. Savings Plan
S-8	333-53498	ArvinMeritor, Inc. Hourly Employees Savings Plan
S-8	333-49610	1997 Long-Term Incentives Plan
S-8	333-42012	Employee Stock Benefit Plan, 1988 Stock Benefit Plan and 1998 Employee Stock Benefit Plan
S-3	333-43110	Arvin Industries, Inc. Employee Savings Plan
S-3	333-43112	Arvin Industries, Inc. Employee Stock Benefit Plan
S-3	333-43116	Arvin Industries, Inc. 1998 Stock Benefit Plan
S-3	333-43118	Arvin Industries, Inc. 1988 Stock Benefit Plan
S-3	333-43146	Arvin Industries, Inc. Savings Plan

/s/ M. Lee Murrah

M. Lee Murrah
Chief Intellectual Property Counsel of
ArvinMeritor, Inc.

Date: December 19, 2001

CONSENT OF EXPERT

I consent to the reference to me under the headings "Item 1. Business - Environmental Matters" and "Item 3. Legal Proceedings" in the Annual Report on Form 10-K of ArvinMeritor, Inc. ("ArvinMeritor") for the year ended September 30, 2001, and to the incorporation by reference of such reference into the following Registration Statements of ArvinMeritor:

Form ----	Registration No. -----	Purpose -----
S-3	333-58760	Registration of debt securities
S-8	333-53396	ArvinMeritor, Inc. Savings Plan
S-8	333-53498	ArvinMeritor, Inc. Hourly Employees Savings Plan
S-8	333-49610	1997 Long-Term Incentives Plan
S-8	333-42012	Employee Stock Benefit Plan, 1988 Stock Benefit Plan and 1998 Employee Stock Benefit Plan
S-3	333-43110	Arvin Industries, Inc. Employee Savings Plan
S-3	333-43112	Arvin Industries, Inc. Employee Stock Benefit Plan
S-3	333-43116	Arvin Industries, Inc. 1998 Stock Benefit Plan
S-3	333-43118	Arvin Industries, Inc. 1988 Stock Benefit Plan
S-3	333-43146	Arvin Industries, Inc. Savings Plan

/s/ Vernon G. Baker, II

 Vernon G. Baker, II
 Senior Vice President and General Counsel of
 ArvinMeritor, Inc.

Date: December 19, 2001

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference of our report dated November 13, 2001, appearing in this Annual Report on Form 10-K of ArvinMeritor, Inc. for the year ended September 30, 2001 in the following Registration Statements of ArvinMeritor, Inc.:

Form ----	Registration No. -----	Purpose -----
S-3	333-58760	Registration of debt securities
S-8	333-53396	ArvinMeritor, Inc. Savings Plan
S-8	333-53498	ArvinMeritor, Inc. Hourly Employees Savings Plan
S-8	333-49610	1997 Long-Term Incentives Plan
S-8	333-42012	Employee Stock Benefit Plan, 1988 Stock Benefit Plan and 1998 Employee Stock Benefit Plan
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S-3	333-43112	Arvin Industries, Inc. Employee Stock Benefit Plan
S-3	333-43116	Arvin Industries, Inc. 1998 Stock Benefit Plan
S-3	333-43118	Arvin Industries, Inc. 1988 Stock Benefit Plan
S-3	333-43146	Arvin Industries, Inc. Savings Plan

DELOITTE & TOUCHE LLP

Detroit, Michigan
December 19, 2001

POWER OF ATTORNEY

I, the undersigned Director and/or Officer of ArvinMeritor, Inc., an Indiana corporation (the "Company"), hereby constitute VERNON G. BAKER, II, JOHN A. CRABLE and BONNIE WILKINSON, and each of them singly, my true and lawful attorneys with full power to them and each of them to sign for me, and in my name and in the capacity or capacities indicated below, the Annual Report on Form 10-K for the fiscal year ended September 30, 2001, and any amendments and supplements thereto, to be filed by the Company with the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934.

Signature -----	Title -----	Date -----
/s/ Larry D. Yost ----- Larry D. Yost	Chairman of the Board and Chief Executive Officer (principal executive officer) and Director	November 14, 2001
//s/ Joseph B. Anderson, Jr. ----- Joseph B. Anderson, Jr.	Director	November 14, 2001
/s/ Steven C. Beering ----- Steven C. Beering	Director	November 14, 2001
/s/ Rhonda L. Brooks ----- Rhonda L. Brooks	Director	November 14, 2001
/s/ Joseph P. Flannery ----- Joseph P. Flannery	Director	November 14, 2001
/s/ William D. George, Jr. ----- William D. George, Jr.	Director	November 14, 2001
/s/ Richard W. Hanselman ----- Richard W. Hanselman	Director	November 14, 2001
/s/ Charles H. Harff ----- Charles H. Harff	Director	November 14, 2001
/s/ Victoria B. Jackson ----- Victoria B. Jackson	Director	November 14, 2001

Signature

Title

Date

----- /s/ James E. Marley ----- James E. Marley	----- Director	----- November 14, 2001
----- /s/ James E. Perrella ----- James E. Perrella	----- Director	----- November 14, 2001
----- /s/ Harold A. Poling ----- Harold A. Poling	----- Director	----- November 14, 2001
----- /s/ Martin D. Walker ----- Martin D. Walker	----- Director	----- November 14, 2001
----- /s/ S. Carl Soderstrom ----- S. Carl Soderstrom	----- Senior Vice President, Finance, and Chief Financial Officer (principal financial officer)	----- November 14, 2001
----- /s/ Diane S. Bullock ----- Diane S. Bullock	----- Vice President and Controller (principal accounting officer)	----- November 14, 2001