

Edgar Filing: MERITOR INC - Form 10-K/A

MERITOR INC  
Form 10-K/A  
December 12, 2014

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
FORM 10-K/A (Amendment no. 1)  
ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the Fiscal Year Ended September 28, 2014  
Commission file number 1-15983

---

MERITOR, INC.

(Exact name of registrant as specified in its charter)

Indiana 38-3354643  
(State or other jurisdiction of incorporation or (I.R.S. Employer  
organization) Identification No.)

2135 West Maple Road 48084-7186  
Troy, Michigan (Zip Code)

(Address of principal executive offices)  
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	New York Stock Exchange

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

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

Yes  No

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

Yes  No

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 whether the registrant has submitted electronically and posted on its corporate web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding twelve months (or for such shorter period that the registrant was required to submit and post such files).

Yes  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.

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

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>

(Do not check if a smaller reporting company)

Edgar Filing: MERITOR INC - Form 10-K/A

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).  
Yes  No

The aggregate market value of the registrant's voting and non-voting common equity held by non-affiliates of the registrant on March 28, 2014 (the last business day of the most recently completed second fiscal quarter) was approximately \$1,147,375,565.

98,737,231 shares of the registrant's Common Stock, par value \$1 per share, were outstanding on December 9, 2014.

**DOCUMENTS INCORPORATED BY REFERENCE**

Certain information contained in the definitive Proxy Statement for the Annual Meeting of Shareowners of the registrant to be held on January 22, 2015 is incorporated by reference into Part III.

---

EXPLANATORY NOTE - AMENDMENT

Meritor, Inc. ("Meritor") is filing this Amendment No.1 on Form 10-K/A (this "Form 10-K/A") to include in its Annual Report on Form 10-K for the fiscal year ended September 28, 2014 (the "Annual Report"), pursuant to Rule 3-09 of Regulation S-X under the Securities Exchange Act of 1934, financial statements and related notes of Meritor WABCO Vehicle Control Systems ("MWVCS") in which Meritor owns a 50% interest.

Rule 3-09 of Regulation S-X provides that if a 50% or less-owned person accounted for by the equity method meets the first or third condition of the significant subsidiary tests set forth in Rule 1-02(w) of Regulation S-X, substituting 20% for 10%, separate annual financial statements for such 50% or less-owned person corresponding to the periods covered by the financial statements of Meritor included in the Annual Report shall be filed. Such statements are required to be audited only for the years in which such person met such test.

MWVCS did not meet the significance test for Meritor's 2014 or 2012 fiscal year. Therefore, Meritor is only required to file unaudited financial statements of MWVCS as of and for the fiscal years ended September 28, 2014 and September 30, 2012. MWVCS met the significance test for the 2013 fiscal year. Therefore, Meritor is required to file audited financial statements of MWVCS as of and for the fiscal year ended September 29, 2013. As a result, Meritor has included in this Form 10-K/A the required audited and unaudited financial statements of MWVCS for the 2014, 2013 and 2012 fiscal years.

Item 15 is the only portion of the Annual Report being supplemented or amended by this Form 10-K/A. Additionally, in connection with the filing of this Form 10-K/A and pursuant to SEC rules, Meritor is including the consent of the independent auditors of MWVCS and currently dated certifications. This Form 10-K/A does not otherwise update any exhibits as originally filed and does not otherwise reflect events occurring after the original filing date of the Annual Report. Accordingly, this Form 10-K/A should be read in conjunction with Meritor's filings with the SEC subsequent to the filing of the Annual Report.

PART IV

Item 15. Exhibits and Financial Statement Schedules.

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

(1) Financial Statements.

Meritor

The following financial statements and related notes were filed as part of the Annual Report filed with the SEC on November 19, 2014 (all financial statements listed below are those of the company and its consolidated subsidiaries):

Consolidated Statement of Operations, years ended September 30, 2014, 2013 and 2012.

Consolidated Statement of Comprehensive Income (Loss), years ended September 30, 2014, 2013 and 2012.

Consolidated Balance Sheet, September 30, 2014 and 2013.

Consolidated Statement of Cash Flows, years ended September 30, 2014, 2013 and 2012.

Consolidated Statement of Equity (Deficit), years ended September 30, 2014, 2013 and 2012.

Notes to Consolidated Financial Statements.

Report of Independent Registered Public Accounting Firm.

Meritor WABCO Vehicle Control Systems

The following financial statements and related notes of Meritor WABCO Vehicle Control Systems are included in this Amendment No. 1 on Form 10-K/A pursuant to Rule 3-09 of Regulation S-X:

Balance Sheets, September 30, 2014 (Unaudited) and 2013 (Audited).

Statements of Net Income, years ended September 30, 2014 (Unaudited), 2013 (Audited) and 2012 (Unaudited).

Statement of Cash Flows, years ended September 30, 2014 (Unaudited), 2013 (Audited) and 2012 (Unaudited).

Independent Auditors' Report.

Meritor WABCO Vehicle Control Systems

Financial Statements

as of

September 30, 2014 (Unaudited) and 2013, and for the Years Ended September 30, 2014 (Unaudited), 2013, and 2012 (Unaudited), and Independent Auditor's Report

4

---

INDEPENDENT AUDITORS' REPORT

To Meritor WABCO Vehicle Control Systems:

We have audited the accompanying financial statements of Meritor WABCO Vehicle Control Systems (the "Company"), which comprise the balance sheet as of September 30, 2013, and the related statements of net income and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of September 30, 2013, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Detroit, Michigan  
December 10, 2013

/s/ DELOITTE & TOUCHE LLP  
DELOITTE & TOUCHE LLP

## MERITOR WABCO VEHICLE CONTROL SYSTEMS

BALANCE SHEETS AS OF SEPTEMBER 30, 2014 (Unaudited) and 2013

	2014 Unaudited	2013
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$4,982,861	\$5,760,406
Accounts Receivable:		
Trade -- net of allowance for doubtful accounts of \$40,765 and \$57,157 as of September 30, 2014 (unaudited) and 2013, respectively	24,904,495	22,450,932
Related parties:		
Meritor Brake Systems, Inc.	7,053,900	6,195,704
WABCO Automotive Control Systems, Inc.	659,191	529,712
Inventories	39,818,161	41,203,526
Prepaid and other current assets	235,190	303,589
Total current assets	77,653,798	76,443,869
<b>PROPERTY AND EQUIPMENT:</b>		
Machinery and equipment	5,495,053	7,324,811
Autos and trailers	1,588,793	1,648,800
Furniture and fixtures	5,415,161	4,779,576
Facility improvements	1,341,263	1,253,248
Construction in progress	15,660	47,175
Total Property and equipment	13,855,930	15,053,610
Less accumulated depreciation	(11,697,540 )	(12,774,056 )
Property and equipment - net	2,158,390	2,279,554
<b>OTHER ASSETS - Warranty recoveries:</b>		
Vendor responsibility	50,921	200,958
WABCO Automotive Control Systems, Inc.	4,796,653	1,947,789
<b>TOTAL</b>	<b>\$84,659,762</b>	<b>\$80,872,170</b>

## LIABILITIES AND PARTNERS' CAPITAL

## CURRENT LIABILITIES:

Accounts payable:		
Trade	\$2,644,266	\$3,763,740
Related parties:		
Meritor Brake Systems, Inc.	4,653,970	4,055,498
WABCO Automotive Control Systems, Inc.	29,174,005	27,200,388
Accrued liabilities:		
Warranty and policy	7,212,620	4,765,938
Compensation	1,673,900	1,799,250
Customer incentives	675,612	282,119
Other	1,942,825	3,710,689
Total current liabilities	47,977,198	45,577,622

## CONTINGENCIES AND COMMITMENTS (Note 7)

OTHER LIABILITIES - Warranty and policy	6,618,048	3,719,384
PARTNERS' CAPITAL:		
Meritor Brake Systems, Inc.	15,032,258	15,787,582
WABCO Automotive Control Systems, Inc.	15,032,258	15,787,582
Total partners' capital	30,064,516	31,575,164
TOTAL	\$84,659,762	\$80,872,170
See notes to financial statements		

6

---



## MERITOR WABCO VEHICLE CONTROL SYSTEMS

## STATEMENTS OF NET INCOME

FOR THE YEARS ENDED SEPTEMBER 30, 2014 (Unaudited), 2013, and 2012 (Unaudited)

	2014 Unaudited	2013	2012 Unaudited
NET SALES	\$321,571,051	\$266,493,848	\$271,027,804
COST OF GOODS SOLD	253,614,234	210,882,615	219,163,692
GROSS PROFIT	67,956,817	55,611,233	51,864,112
OPERATING EXPENSES:			
Services purchased from related parties:			
Salary and benefits	11,352,788	10,442,690	8,888,302
Selling and promotion	2,597,979	2,166,894	2,840,368
Research and development	1,404,276	1,778,832	283,298
Rent	407,951	409,538	408,577
Other	606,276	643,943	626,341
Total services purchased from related parties	16,369,270	15,441,897	13,046,886
Selling and promotion	1,288,150	886,611	1,098,345
Travel	914,976	836,201	741,525
Other purchased services	3,401,328	3,400,519	3,012,913
Depreciation and amortization	184,695	182,680	177,983
Other operating expenses	2,862,715	2,640,105	2,539,402
Total operating expenses	25,021,134	23,388,013	20,617,054
INCOME FROM OPERATIONS	42,935,683	32,223,220	31,247,058
OTHER INCOME (LOSS)	553,669	(417,920 )	994,436
NET INCOME	\$43,489,352	\$31,805,300	\$32,241,494

See notes to financial statements.

## MERITOR WABCO VEHICLE CONTROL SYSTEMS

## STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED SEPTEMBER 30, 2014 (Unaudited), 2013, and 2012 (Unaudited)

	2014 Unaudited	2013	2012 Unaudited
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Net income	\$43,489,352	\$31,805,300	\$32,241,494
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	871,303	707,378	573,529
Loss on disposal of assets	—	—	23,595
Changes in assets and liabilities provided by (used in) cash:			
Trade and related-party accounts receivable	(3,441,238 )	(3,400,794 )	7,495,937
Inventories	1,385,365	4,387,111	(6,610,407 )
Prepaid and other current assets	(2,630,428 )	331,922	(656,453 )
Trade and related-party accounts payable	1,452,615	1,818,890	(1,668,830 )
Accrued liabilities	3,845,625	(859,474 )	(3,062,578 )
Net cash provided by operating activities	44,972,594	34,790,333	28,336,287
<b>CASH FLOWS FROM INVESTING ACTIVITIES - Acquisition of property and equipment</b>			
Net cash used in investing activities	(750,139 )	(818,678 )	(1,225,686 )
<b>CASH FLOWS FROM FINANCING ACTIVITIES - Partners' distributions:</b>			
Meritor Brake Systems, Inc.	(22,500,000 )	(15,500,000 )	(14,000,000 )
WABCO Automotive Control Systems, Inc.	(22,500,000 )	(15,500,000 )	(14,000,000 )
Net cash used in financing activities	(45,000,000 )	(31,000,000 )	(28,000,000 )
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(777,545 )</b>	<b>2,971,655</b>	<b>(889,399 )</b>
CASH AND CASH EQUIVALENTS - Beginning of the year	5,760,406	2,788,751	3,678,150
CASH AND CASH EQUIVALENTS - End of the year	\$4,982,861	\$5,760,406	\$2,788,751

See notes to financial statements.

MERITOR WABCO VEHICLE CONTROLS SYSTEMS

NOTES TO FINANCIAL STATEMENTS

AS OF SEPTEMBER 30, 2014 (UNAUDITED) AND 2013, AND FOR THE YEARS ENDED SEPTEMBER 30, 2014 (UNAUDITED), 2013, AND 2012 (UNAUDITED)

---

1. FORMATION AND OWNERSHIP STRUCTURE

Description of the Business - Meritor WABCO Vehicle Control Systems (the "Company") (formerly Rockwell WABCO Vehicle Control Systems) was formed on December 7, 1989, as a joint venture between WABCO Automotive Control Systems, Inc. (WABCO), a subsidiary of American Standard Inc., and Rockwell Brake Systems, Inc. ("Rockwell"), a subsidiary of Rockwell International (together, the "Partners"), and began operations on February 1, 1990. In 1997, Meritor Automotive, Inc. was spun out of Rockwell. As a part of this transaction, Rockwell's partnership interest in the Company was transferred to Meritor Brake Systems, Inc. On July 31, 2007, WABCO spun from American Standard, Inc. As a part of this transaction, American Standard's partnership interest in the Company was transferred to WABCO. The Company's principal business is the sale of antilock braking and conventional air systems and other vehicle control systems for use on medium and heavy-duty trucks, buses, and trailers. Capital contributions and returns are made in equal proportions to maintain each Partner's interest in the Company at 50%. All items of income or expense are allocated to the Partners in proportion to their respective cumulative capital contributions.