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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 December 31, 1998 Commission file number: 1-12162

Borg-Warner Automotive, Inc.

(Exact name of registrant as specified in its charter)

Delaware

13-3404508

(State of Incorporation)

(I.R.S. Employer Identification No.)

200 South Michigan Avenue

Chicago, Illinois 60604

(312) 322-8500

(Address and telephone number of principal executive offices)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
---------------------	--

Common Stock, par value \$.01 per share	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 /X/ No

The aggregate market value of the voting stock of the registrant held by stockholders (not including voting stock held by directors and executive officers of the registrant) on March 15, 1999 was approximately \$1.1 billion. As of March 15, 1999, the registrant had 25,861,968 shares of Common Stock outstanding.

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.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the following documents are incorporated herein by reference into the Part of the Form 10-K indicated.

Document	Part of Form 10-K into which incorporated
Borg-Warner Automotive, Inc. 1998 Annual Report to Stockholders	Parts I, II and IV
Borg-Warner Automotive, Inc. Proxy Statement for the 1999 Annual Meeting of Stockholders	Part III<PAGE>

BORG-WARNER AUTOMOTIVE, INC.

FORM 10-K

YEAR ENDED DECEMBER 31, 1998

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PART I

Item 1. Business

Borg-Warner Automotive, Inc. (the "Company"), a Delaware corporation, was incorporated in 1987. The Company is a leading, global Tier I supplier of highly engineered systems and components, primarily for automotive powertrain applications. These products are manufactured and sold worldwide, primarily to original equipment manufacturers ("OEMs") of passenger cars, sport utility vehicles and light trucks. The Company, which operates 35 manufacturing facilities in 12 countries serving auto makers in North America, Europe and Asia, is an original equipment supplier to every major OEM in the world.

Financial Information About Segments

Incorporated herein by reference is Note 13 of the Notes to the Consolidated Financial Statements on pages 43 and 44 of the Company's Annual Report for the year ended December 31, 1998 (the "1998 Annual Report") filed as an exhibit to this report.

Narrative Description of Operating Segments

The Company's products fall into four operating segments: Powertrain Systems, Automatic Transmission Systems, Morse TEC and Air/Fluid Systems. During 1998, the Company completed its purchase of the European turbocharger business of AG Kuhnle, Kopp & Kausch ("AG Kuhnle"). The results of the European turbocharger business, previously presented as a separate business group, have been integrated into the Morse TEC operating segment. Net revenues by segment for the three years ended December 31, 1998, 1997 and 1996, are as follows (in millions of dollars):

<TABLE>
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	Year ended December 31,		
	1998	1997	1996
<S>	<C>	<C>	<C>
Powertrain Systems	\$ 518.8	\$ 613.6	\$ 476.8
Automatic Transmission Systems	402.6	418.2	392.2
Morse TEC	536.2	349.0	276.6
Air/Fluid Systems	351.4	342.4	242.7
Divested operations	73.5	101.4	189.2
Interbusiness eliminations	(45.7)	(57.6)	(37.4)
Net sales	\$ 1,836.8	\$1,767.0	\$1,540.1

The sales information presented above excludes the sales by the Company's unconsolidated joint ventures. See "Joint Ventures." Such sales totaled approximately \$247 million in 1998, \$336 million in 1997 and \$348 million in 1996.

Powertrain Systems

Powertrain Systems products include four-wheel drive ("4WD") and all-wheel drive transfer cases.

Transfer cases are installed primarily on light trucks and sport-utility vehicles. A transfer case attaches to the transmission and distributes torque to the front and rear axles for 4WD, improving vehicle control during off-road use and in a variety of road conditions. The Company has designed and developed an exclusive 4WD Torque-on-Demand(R) ("TOD") transfer case system, which allows vehicles to automatically shift from two-wheel drive to 4WD when electronic sensors indicate it is necessary. The TOD transfer case is available on the Ford Explorer, the best selling sport-utility vehicle in the United States in 1997 and 1998, the Ford Expedition, the Lincoln Navigator, the Isuzu Trooper and the SsangYong Musso.

Sales of 4WD transfer cases represented 27%, 34% and 30% of the Company's total revenues for 1998, 1997, and 1996, respectively. The Company believes that it is the world's leading independent manufacturer of 4WD transfer cases, producing approximately one million transfer cases in 1998. The Company's largest customer of 4WD transfer cases is Ford Motor Company ("Ford"). The Company supplies the majority of the 4WD transfer cases for Ford, including those installed in the Ford Explorer, the Ford Expedition, the Ford F-150 pick-up truck, the Mercury Mountaineer and the Lincoln Navigator.

The Company supplies transfer cases for the Mercedes-Benz 4WD vehicle, which was first made available to consumers in 1997 and is manufactured at Mercedes-Benz's United States passenger-vehicle manufacturing facility. Under a five-year agreement, which has a three-year extension provision, the Company developed and supplies Mercedes-Benz with two-speed, electronically controlled, all-wheel drive transfer cases that are compatible with its anti-skid braking system.

Automatic Transmission Systems

The Company engineers and manufactures components for automatic transmissions and the systems which combine such components around the world. Principal product lines include friction plates, one-way clutches, transmission bands, and races for automatic transmissions. The Company is a supplier to virtually every major automatic transmission manufacturer in the world. The Company's 50%-owned joint venture in Japan, NSK-Warner Kabushiki Kaisha ("NSK

Warner") is a leading producer of friction plates and one-way clutches in Japan.

Morse TEC

Morse TEC manufactures chain and chain systems, including HY-VO (R) front-wheel drive transmission chain ("FWD") and 4WD chain, MORSE GEMINI(TM) Chain Systems, timing chain and timing chain systems, crankshaft and camshaft sprockets, chain tensioners and snubbers.

HY-VO(R) chain is used in transmissions and for 4WD transfer case applications. Transmission chain is used to transfer power from the engine to the transmission. The Company's MORSE GEMINI(TM) Chain System, which is used on Chrysler's LH models, emits significantly less chain pitch frequency noise than conventional transmission chain systems. In the 1997 model year, beginning in the third quarter of 1996, GM began incorporating this system in its FWD vehicles. The chain in a transfer case distributes power between the front and rear output shafts which, in turn, drive the front and rear wheels. The Company believes it is the world's leading manufacturer of chain for FWD transmissions and 4WD transfer cases. The Company is an original equipment supplier to every major manufacturer that uses chain for such applications.

The Company's timing chain system is used on Ford's new family of overhead cam engines, including the Duratech and Triton engines, as well as Chrysler's 2.7 liter overhead cam engine. The Company has been selected to design and produce complete timing chain systems for Chrysler's 3.7 liter and 4.7 liter overhead cam engines, introduced in 1998. The Company believes that it is the world's leading manufacturer of timing chain.

In December 1998, the Company announced the completion of its purchase of the European turbocharger business of AG Kuhnle, renaming it 3K-Warner Turbosystems GmbH ("3K-Warner"). 3K-Warner supplies turbochargers to European diesel and spark ignition engine manufacturers for use in the passenger car and commercial vehicle markets as well as for industrial locomotive and marine engines. 3K-Warner's sales of turbochargers included in the Company's 1998 results of operations were \$182.9 million.

The Company continues to own approximately 63% of AG Kuhnle, which continues to manufacture compressors and turbines for use in the energy and environmental support markets. As soon as practicable, the Company intends to realize its 63% investment in AG Kuhnle.

Air/Fluid Systems

Air/Fluid Systems designs and manufactures sophisticated mechanical, electro-mechanical and electronic components and systems used for engine air intake and exhaust management, fuel and vapor management, electronically controlled automatic transmissions and steering and suspension systems. Key products for engine air intake management produced by the Company include throttle bodies, intake manifolds, throttle position sensors, and complete engine induction systems. The Company's products for emissions control and improved gas mileage include mechanical and electrical air pumps, air control valves and pressure feedback exhaust gas re-circulation valves. The fuel management and vapor recovery products include roll valves, canister purge solenoids and complete vapor recovery systems. The Company also produces oil pumps.

Acquisition of Kuhlman Corporation

On March 1, 1999, the Company acquired Kuhlman Corporation ("Kuhlman"). Kuhlman became a wholly-owned subsidiary of the Company. The total value of consideration the Company paid in the merger was approximately \$683 million. Approximately \$533 million of this amount was in cash, with the remaining in the Company's common stock.

Kuhlman is a diversified, industrial manufacturing company that currently operates in two product segments: industrial products and electrical products. Through its Schwitzer Group, which includes Kuhlman's industrial products business, Kuhlman is a leading worldwide manufacturer of proprietary engine components, including turbochargers, fans and fan drives, fuel tanks, instrumentation, heating/ventilation/air conditioning systems, and other products used primarily in commercial transportation products and industrial equipment. Kuhlman's electrical products businesses include the manufacture of transformers and other products for electrical utilities and industrial users, as well as electrical and electronic wire and cable products for use in consumer, commercial and industrial applications. The Company intends to sell the electrical products businesses. Kuhlman's products are sold to over 5,000 domestic and international customers operating in more than 60 countries worldwide.

Joint Ventures

The Company has four joint ventures in which it has a less-than-100% ownership interest. Results from two of these ventures, in which the Company is the majority owner, are consolidated as part of the Company's results. The Company's ownership interest in the two unconsolidated joint ventures, NSK-Warner and Beijing Warner Gear Co., Ltd. are 49% and 50%, respectively. These investments are reported using the equity method. During 1998, the Company sold its ownership interest in Warner-Ishi Corporation and Warner-Ishi Europe S.p.A. to its joint venture partner, Ishikawajima-Harima Heavy Industries Co., Ltd.

Management of the unconsolidated joint ventures is shared with the Company's respective joint venture partners. Certain information concerning the Company's joint ventures is set forth below:<PAGE>

<TABLE>

<CAPTION>

		Percentage		Fiscal	
<CAPTION>		Owned by		1998 Sales	
Year	Location	the	of	Joint Venture	(\$ in
Organized	Company	Operation	Partner	millions,	
<S>	<C>	<C>	<C>	<C>	<C>
Unconsolidated					
NSK-Warner K.K.	Friction products	1964 50%	Japan	Nippon Seiko K.K.	\$230
Beijing Warner					
Gear Co., Ltd.	Manual transmissions	1992 49%	China	Beijing Gear Works	\$13
Consolidated					
Borg-Warner Automotive					
Korea, Inc.	Friction products	1987 80%	Korea	NSK Warner K.K.	\$20
Divgi-Warner					
Limited	Transfer cases, manual transmissions and automatic locking hubs	1995 60%	India	Divgi Metalwares, Ltd.	\$5

</TABLE>

<PAGE>

See Note 13 of the Notes to Consolidated Financial Statements on pages 43 and 44 of the Company's Annual Report for geographic information.

Sales and Marketing

Each of the Company's four operating segments has its own sales function headed by a Vice President of Sales. Account executives for each group are assigned to serve specific OEM customers for one or more of a business group's products. Such account executives spend the majority of their time in direct

contact with OEM purchasing and engineering employees and are responsible for servicing existing business and for identifying and obtaining new business. Because of their close relationship with the OEMs, account executives are able to identify and meet customers' needs based upon their knowledge of the Company's products and design and manufacturing capabilities. Upon securing a new order, account executives participate in product launch team activities as a key interface to the customers.

Research and Development

Each of the Company's operating segments has its own research and development ("R&D") organization. Over 400 employees, including engineers, mechanics and technicians, are engaged in R&D activities at Company facilities worldwide. The Company also operates testing facilities such as prototype, measurement and calibration, life testing and dynamometer laboratories.

By working closely with the OEMs and anticipating their future product needs, the Company's R&D personnel conceive, design, develop and manufacture new proprietary automotive components and systems. R&D personnel also work to improve current products and production processes. The Company believes its commitment to R&D will allow it to obtain new orders from its OEM customers.

Consistent with its strategy of developing technologically innovative products, the Company spent approximately \$65.1 million, \$59.0 million and \$54.4 million in 1998, 1997 and 1996, respectively, on R&D activities. Not included in the reported R&D activities were customer-sponsored R&D activities that were approximately \$8.4 million, \$8.0 million and \$10.0 million in 1998, 1997 and 1996, respectively.

Patents and Licenses

The Company has approximately 2,000 active domestic and foreign patents and patent applications pending or under preparation, and receives royalties from licensing patent rights to others. While it considers its patents on the whole to be important, the Company does not consider any single patent, group of related patents or any single license essential to its operations in the aggregate or to the operations of any of the Company's business groups individually. The expiration of the patents individually and in the aggregate is not expected to have a material effect on the Company's financial position or future operating results. The Company owns numerous trademarks, some of which are valuable but none of which are essential to its business in the aggregate.

The Company owns the "Borg-Warner Automotive" trade name and housemark, which are material to the Company's business.

Competition

Each of the Company's operating segments competes worldwide with a number of other manufacturers and distributors which produce and sell similar products. Price, quality and technological innovation are the primary elements of competition. Competitors include vertically integrated units of the Company's major OEM customers, as well as a large number of independent domestic and international suppliers. Many of these companies are larger and have greater resources than the Company.

A number of the Company's major OEM customers manufacture, for their own use and for others, products which compete with the Company's products. Although these OEM customers have indicated that they will continue to rely on outside suppliers, the OEMs could elect to manufacture products to meet their own requirements or to compete with the Company. There can be no assurance that the Company's business will not be adversely affected by increased competition in the markets in which it operates.

The competitive environment has changed dramatically over the past few

years as the Company's traditional United States OEM customers, faced with intense international competition, have expanded their worldwide sourcing of components with the stated objective of better competing with lower-cost imports. As a result, the Company has experienced competition from suppliers in other parts of the world enjoying economic advantages such as lower labor costs, lower health care costs and, in some cases, export subsidies and/or raw materials subsidies.

Employees

As of December 31, 1998, the Company and its consolidated subsidiaries had approximately 10,100 salaried and hourly employees (as compared with approximately 10,400 employees at December 31, 1997), of which approximately 7,300 were U.S. employees. Approximately 32% of the Company's domestic hourly workers are unionized. The collective bargaining agreement covering the Muncie Plant was renewed in March 1998 and the collective bargaining agreement covering the Ithaca plant was renewed in October 1998. The hourly workers at the Company's European facilities are also unionized. The Company believes its present relations with employees to be satisfactory.

Raw Materials

Each of the Company's operating segments believes that its supplies of raw materials for manufacturing requirements in 1999 are adequate and are available from multiple sources. It is common, however, for customers to require their prior approval before certain raw materials or components can be used, thereby reducing sources of supply that would otherwise be available. Manufacturing operations for each of the Company's operating segments are dependent upon natural gas, fuel oil, propane and electricity.

Environmental Regulation and Proceedings

The Company's operations are subject to federal, state, local and foreign laws and regulations governing, among other things, emissions to air, discharge to waters and the generation, handling, storage, transportation, treatment and disposal of waste and other materials. The Company believes that its business, operations and facilities have been and are being operated in compliance in all material respects with applicable environmental and health and safety laws and regulations, many of which provide for substantial fines and criminal sanctions for violations. However, the operation of automotive parts manufacturing plants entails risks in these areas, and there can be no assurance that the Company will not incur material costs or liabilities. In addition, potentially significant expenditures could be required in order to comply with evolving environmental and health and safety laws, regulations or requirements that may be adopted or imposed in the future.

The Company believes that the overall impact of compliance with regulations and legislation protecting the environment will not have a material effect on its financial position or future operating results, although no assurance can be given in this regard. Capital expenditures and expenses in 1998 attributable to compliance with such legislation were not material.

The Company and certain of its current and former direct and indirect corporate predecessors, subsidiaries and divisions have been identified by the United States Environmental Protection Agency and certain state environmental agencies and private parties as potentially responsible parties ("PRPs") at various hazardous waste disposal sites under the Comprehensive Environmental Response, Compensation and Liability Act ("Superfund") and equivalent state laws and, as such, may presently be liable for the cost of cleanup and other remedial activities at 26 such sites. Responsibility for cleanup and other remedial activities at a Superfund site is typically shared among PRPs based on an allocation formula.

Based on information available to the Company which, in most cases,

includes: an estimate of allocation of liability among PRPs; the probability that other PRPs, many of whom are large, solvent public companies, will fully pay the costs apportioned to them; currently available information from PRPs and/or federal or state environmental agencies concerning the scope of contamination and estimated remediation costs; remediation alternatives; estimated legal fees; and other factors, the Company has established a reserve for indicated environmental liabilities in the aggregate amount of approximately \$7.9 million at December 31, 1998. The Company expects this amount to be expended over the next three to five years.

The Company entered into a Settlement Agreement and Specific Mutual Release dated as of May 31, 1998 (the "Settlement Agreement") with Borg-Warner Security Corporation ("BWSC"), the successor corporation to its former parent. The previously-reported dispute involved whether BWSC was entitled to indemnification from the Company for certain environmental liabilities under a Distribution and Indemnity Agreement dated January 27, 1993.

Pursuant to the Settlement Agreement, the Company and BWSC agreed to dismiss and vacate any and all arbitration awards resulting from the arbitration proceeding and to dismiss with prejudice the lawsuit filed by the Company in the Circuit Court of Cook County, Illinois on January 27, 1998. Under the Settlement Agreement, the Company agreed to indemnify BWSC for the first \$2.9 million BWSC pays in environmental costs after April 30, 1998 and 50% of any amounts in excess of \$2.9 million. At present, the Company does not have sufficient information to determine the extent of its liability under the Settlement Agreement, but does not anticipate that such amount will have a material adverse effect on its financial position or future operating results. It is expected that indemnification payments will be made by the Company over the course of several years as the environmental costs are incurred.

The Company believes that none of these matters, individually or in the aggregate, will have a material adverse effect on its financial position or future operating results, generally either because estimates of the maximum potential liability at a site are not large or because liability will be shared with other PRPs, although no assurance can be given with respect to the ultimate outcome of any such matter.

Executive Officers

Set forth below are the names, ages, positions and certain other information concerning the executive officers of the Company as of March 15, 1999.

<TABLE>

<CAPTION>

Name	Age	Position with Company
<S>	<C>	<C>
John F. Fiedler	60	Chairman and Chief Executive Officer
Robin J. Adams	45	Vice President and Treasurer
William C. Cline	49	Vice President and Controller
Gary P. Fukayama	51	Executive Vice President
Christopher A. Gebelein	52	Vice President--Business Development
Laurene H. Horiszny	43	Vice President, Secretary and General Counsel
John A. Kalina	53	Vice President, Chief Information Officer
Geraldine Kinsella	51	Vice President--Human Resources
Timothy Manganello	49	Vice President
Ronald M. Ruzic	60	Executive Vice President
Robert D. Welding	50	Executive Vice President

</TABLE>

Mr. Fiedler has been Chairman of the Board of Directors since March 1996 and has been Chief Executive Officer of the Company since January 1995. He was President from June 1994 to March 1996. He was Chief Operating Officer from June 1994 to December 1994. Mr. Fiedler was Executive Vice President of Goodyear Tire

& Rubber Company, in charge of the North American Tire division, from 1991 to 1994.

Mr. Adams has been Vice President and Treasurer of the Company since May 1993. He was Assistant Treasurer of the Company from 1991 to 1993.

Mr. Cline has been Vice President and Controller of the Company since May 1993. He was Assistant Controller of Borg-Warner Security Corporation from 1987 to 1993.

Mr. Fukayama has been Executive Vice President of the Company since November 1992 and is Group President and General Manager of Borg-Warner Automotive Air/Fluid Systems Corporation. He was President and General Manager of Borg-Warner Automotive Automatic Transmission Systems Corporation from January 1995 to April 1996. He was President and General Manager of Borg-Warner Automotive Transmission & Engine Components Corporation, Automatic Transmission Systems from November 1992 to December 1994.

Mr. Gebelein has been Vice President-Business Development of the Company since January 1995. He was General Manager of Corporate Development of Inland Steel Industries from 1987 to 1994.

Ms. Horiszny has been Vice President, Secretary and General Counsel of the Company since May 1993. She was Assistant General Counsel of the Company from December 1991 to 1993, and Senior Attorney from 1988 to December 1991.

Mr. Kalina has been Vice President, Chief Information Officer of the Company since January 1999. He was an Executive IT Consultant for IBM from August 1997 until January 1999 and was Chief Information Officer for Walbro Corporation from September 1995 until December 1996. He was Chief Information Officer of Robert Bosch Corporation from October 1985 until December 1994.

Ms. Kinsella has been Vice President-Human Resources of the Company since May 1993. She was Vice President-Human Resources of Borg-Warner Automotive Transmission & Engine Components Corporation, Automatic Transmission Systems from November 1990 to 1993.

Mr. Manganello has been Vice President of the Company and President and General Manager of Borg-Warner Automotive Powertrain Systems Corporation since February 1999. He was Vice President, Operations of Borg-Warner Automotive Powertrain Systems Corporation, Muncie Plant from December 1995 until January 1999. He was Vice President, Business Development of Borg-Warner Automotive Powertrain Systems Corporation, from October 1994 until November 1995. He was Vice President of Sales of Borg-Warner Automotive Morse Chain Systems from January 1989 to October 1994.

Mr. Ruzic has been Executive Vice President of the Company and Group President of Borg-Warner Automotive Morse TEC Corporation since October 1992, Chairman of 3K-Warner Turbosystems GmbH since September 1998 and Vice Chairman of AG Kuhnle, Kopp & Kausch since September 1997.

Mr. Welding has been Executive Vice President of the Company since November 1998 and has been President of Borg-Warner Automotive Automatic Transmission Systems Corporation since May 1996. He was Vice President of the Company from May 1996 until October 1998 and was Vice President-Operations of Borg-Warner Automotive Automatic Transmission Systems Corporation, Bellwood Plant, from November 1993 to May 1996.

Item 2. Properties

As of December 31, 1998, the Company had 35 manufacturing facilities strategically located throughout the United States and worldwide. In addition to its domestic manufacturing facilities, the Company has three facilities in Germany, two facilities in Japan and India, and one facility in each of Canada,

Italy, Mexico, China, France, Korea, Taiwan and Wales. The Company also has numerous sales offices, warehouses and technical centers. The Company's executive offices, which are leased, are located in Chicago, Illinois. In general, the Company believes that its properties are in good condition and are adequate to meet its current and reasonably anticipated needs.

The following is additional information concerning the headquarters and the major manufacturing plants operated by the Company and its consolidated subsidiaries. Unless otherwise noted, these plants are owned by the Company.

	1998 Percent of Capacity Utilization Locations (1)(2)
Air/Fluid Systems	77.9%
Headquarters: Warren, Michigan	
Blytheville, Arkansas (leased)	
Dixon, Illinois	
Sallisaw, Oklahoma	
Tulle, France	
Water Valley, Mississippi	
Automatic Transmission Systems	130.7%
Headquarters: Lombard, Illinois	
Bellwood, Illinois	
Coldwater, Michigan	
Eumsung, Korea (80% JV)	
Frankfort, Illinois	
Gallipolis, Ohio	
Heidelberg, Germany	
Ketsch, Germany	
Lombard, Illinois (aftermarket)	
Margam, Wales	
Morse TEC	120.7%
Headquarters: Ithaca, New York	
Arcore, Italy	
Guadalajara, Mexico	
Ithaca, New York	
Nabari City, Japan	
Simcoe, Ontario, Canada	
Tainan Shien, Taiwan	
Frankenthal, Germany	
Kirchheimbolanden, Germany	
Powertrain Systems	105.1%
Headquarters: Sterling Heights, Michigan	
Cary, North Carolina	
Livonia, Michigan	
Longview, Texas (leased)	
Margam, Wales	
Muncie, Indiana	
Pune, India (60% JV)	
Seneca, South Carolina	
Sirsi, India (60% JV)	

(1) The figure shown in each case is a weighted average of the percentage utilization of each major plant within the category, with an individual plant weighted in proportion to the number of employees employed when such plant runs at 100% capacity. Capacity utilization at the 100% level is defined as operating five days per week, with two eight-hour shifts per day and normal vacation schedules. Excluded from this figure is the Sterling Heights facility which the Company is in the process of selling.

(2) The table excludes joint ventures owned 50% or less.

Item 3. Legal Proceedings

The Company is presently, and is from time to time, subject to claims and suits arising in the ordinary course of its business. In certain such actions, plaintiffs request punitive or other damages that may not be covered by insurance. The Company believes that it has established adequate provisions for litigation liabilities in its financial statements in accordance with generally accepted accounting principles. These provisions include both legal fees and possible outcomes of legal proceedings.

It is the opinion of the Company that the various asserted claims and litigation in which the Company is currently involved will not materially affect its financial position or future operating results, although no assurance can be given with respect to the ultimate outcome for any such claim or litigation.

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

There were no matters submitted to the security holders of the Company during the fourth quarter of 1998.

PART II

Item 5. Market for the Registrant's Common Equity and Related Stockholder Matters

The Company's Common Stock is listed for trading on the New York Stock Exchange. As of March 15, 1999, there were approximately 1,682 holders of record of Common Stock.

The Company has paid cash dividends of \$.15 per share on its Common Stock and Non-Voting Common Stock during each quarter for the last two fiscal years. While the Company currently expects that comparable quarterly cash dividends will continue to be paid in the future, the dividend policy is subject to review and change at the discretion of the Board of Directors.

High and low sales prices (as reported on the New York Stock Exchange composite tape) for the Common Stock for each quarter in 1997 and 1998 were:

Quarter ended	High	Low
March 31, 1997	\$42.625	\$38.375
June 30, 1997	\$53.250	\$42.000
September 30, 1997	\$57.750	\$50.438
December 31, 1997	\$60.875	\$46.125
March 31, 1998	\$64.500	\$49.625
June 30, 1998	\$68.125	\$43.688
September 30, 1998	\$51.563	\$37.063
December 31, 1998	\$55.813	\$33.313

Item 6. Selected Financial Data

The Selected Financial Data for the five years ended December 31, 1998 with respect to the following line items set forth on page 45 of the Company's Annual

Report is incorporated herein by reference and made a part of this report: net sales; net earnings; net earnings per share; total assets; total debt; and cash dividend declared per share. See the material incorporated herein by reference in response to Item 7 of this report for a discussion of the factors that materially affect the comparability of the information contained in such data.

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

The Management's Discussion and Analysis of Financial Condition and Results of Operations set forth on pages 21 through 26 in the Company's Annual Report are incorporated herein by reference and made a part of this report.

Item 7a. Market Risk Disclosure

Information with respect to the levels of indebtedness subject to interest rate fluctuation is contained in Note 5 of the Notes to Consolidated Financial Statements on pages 35 or 36 of the Company's Annual Report and is incorporated herein by reference and made a part of this report. Information with respect to the Company's level of business outside the United States which is subject to foreign currency exchange rate market risk is contained in Note 13 of the Notes to Consolidated Financial Statements on page 44 under the caption "Geographic Information."

The Company is subject to market risk associated with adverse changes in interest rates and foreign currency exchange rates, but does not hold any market risk sensitive instruments for trading purposes. Principal exposed to interest rate risk at December 31, 1998 is limited to \$237 million in variable rate debt. The Company measures its interest rate risk by estimating the net amount by which potential future net earnings would be impacted by hypothetical changes in market interest rates related to all interest rate sensitive assets and liabilities. Assuming a hypothetical 20% increase in interest rates as of December 31, 1998, the estimated reduction in future earnings, net of tax, would be approximately \$2 million.

The Company mitigates its foreign currency exchange rate risk principally by establishing local production facilities in the markets it serves, by invoicing customers in the same currency as the source of the products and by funding its investments in foreign markets through local currency loans. The Company also monitors its foreign currency exposure in each country and implements strategies to respond to changing economic and political environments. In the aggregate, the Company's exposure related to such transactions is not material to the Company's financial position, results of operations or cash flows.

Item 8. Financial Statements and Supplementary Data

The consolidated financial statements (including the notes thereto) of the Company and the Independent Auditors' Report as set forth on pages 27 through 44 in the Company's Annual Report are incorporated herein by reference and made a part of this report. Supplementary financial information regarding quarterly results of operations (unaudited) for the years ended December 31, 1998 and 1997 is set forth in Note 9 of the Notes to Consolidated Financial Statements on page 40 of the Company's Annual Report. For a list of financial statements filed as part of this report, see Item 14, "Exhibits, Financial Statement Schedules, and Reports on Form 8-K" beginning on page 13.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

Not applicable.

PART III

Item 10. Directors and Executive Officers of the Registrant

Information with respect to directors and nominees for election as directors of the Company under the caption "Election of Directors" on pages 1 through 3 of the Company's Proxy Statement and information under the caption "Section 16(a) Beneficial Ownership Reporting Compliance" on page 6 of the Company's Proxy Statement is incorporated herein by reference and made a part of this report. Information with respect to executive officers of the Company is set forth in Part I of this report.

Item 11. Executive Compensation

Information with respect to compensation of executive officers and directors of the Company under the captions "Compensation of Directors" on page 4 of the Company's Proxy Statement and "Executive Compensation," "Stock Options," "Long-Term Incentive Plans," and "Employment Agreements" on pages 7 through 10 of the Company's Proxy Statement is incorporated herein by reference and made a part of this report.

Item 12. Security Ownership of Certain Beneficial Owners and Management

Information with respect to security ownership by persons known to the Company to beneficially own more than five percent of the Company's Common Stock, by directors and nominees for directors of the Company and by all directors and executive officers of the Company as a group under the caption "Stock Ownership" on page 5 of the Company's Proxy Statement is incorporated herein by reference and made a part of this report.

Item 13. Certain Relationships and Related Transactions

Information with respect to certain relationships and related transactions under the caption "Certain Relationships and Related Transactions" on page 16 of the Company's Proxy Statement is incorporated herein by reference and made a part of this report.

PART IV

Item 14. Exhibits, Financial Statement Schedules, and Reports on Form 8-K

(a) 1. The following consolidated financial statements of the Company on pages 27 through 44 of the Company's Annual Report are incorporated herein by reference:

Independent Auditors' Report

Consolidated Statements of Operations--years ended December 31, 1998, 1997 and 1996

Consolidated Balance Sheets--December 31, 1998 and 1997

Consolidated Statements of Cash Flows--years ended December 31, 1998, 1997 and 1996

Consolidated Statements of Stockholders' Equity--years ended December 31, 1998, 1997 and 1996

Notes to Consolidated Financial Statements

2. Certain schedules for which provisions are made in the applicable accounting regulations of the Securities and Exchange Commission are not required under the related instructions or are inapplicable, and therefore have been omitted.

3. The exhibits filed in response to Item 601 of Regulation S-K are listed

in the Exhibit Index on page A-1.

(b) Reports on Form 8-K.

(1) On December 11, 1998, the Company filed a report on Form 8-K announcing that it had completed the purchase of the turbocharger systems division of AG Kuhnle, Kopp & Kausch.

(2) On December 21, 1998, the Company announced that it had entered into an Agreement and Plan of Merger with Kuhlman Corporation, pursuant to which BWA Merger Corp., a newly formed wholly-owned subsidiary of the Company, will be merged with and into Kuhlman.

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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.

BORG-WARNER AUTOMOTIVE, INC.

/s/ John F. Fiedler

By:-----

John F. Fiedler
Chairman and Chief Executive Officer

Date: March 19, 1999

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated on this 19th day of March, 1999.

Signature	Title
/s/ John F. Fiedler ----- John F. Fiedler	Chairman of the Board of Directors and Chief Executive Officer (Principal Executive Officer)
/s/ Robin J. Adams ----- Robin J. Adams	Vice President and Treasurer (Principal Financial Officer)
/s/ William C. Cline ----- William C. Cline *	Vice President and Controller (Principal Accounting Officer)
----- Andrew F. Brimmer *	Director
----- William E. Butler *	Director
----- Jere A. Drummond *	Director
----- Paul E. Glaske *	Director
----- Ivan W. Gorr *	Director
----- James J. Kerley *	Director

 Alexis P. Michas

Director

*

 John Rau

Director

/s/ John F. Fiedler

 John F. Fiedler

As attorney-in-fact for the directors
 marked by an asterisk.<PAGE>

EXHIBIT INDEX

Exhibit Number	Document Description
*3.1	Restated Certificate of Incorporation of the Company (incorporated by reference to Exhibit No. 3.1 of the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1993).
*3.2	By-laws of the Company (incorporated by reference to Exhibit No. 3.2 of the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1993).
3.3	Certificate of Designation, Preferences and Rights of Series A Junior Participating Preferred Stock.
*4.1	Indenture, dated as of November 1, 1996, between Borg-Warner Automotive, Inc. and The First National Bank of Chicago (incorporated by reference to Exhibit No. 4.1 to Registration Statement No. 333-14717).
*4.2	Indenture, dated as of February __, 1999, between Borg-Warner Automotive, Inc. and The First National Bank of Chicago (incorporated by reference to Exhibit No. 4.1 to Amendment No. 1 to Registration Statement No. 333-66879).
*4.3	Rights Agreement, dated as of July 22, 1998, between Borg-Warner Automotive, Inc. and ChaseMellon Shareholder Services, L.L.C. (incorporated by reference to Exhibit 4.1 to the Registration Statement on Form 8-A filed on July 24, 1998).
*10.1	Credit Agreement dated as of December 7, 1994 among Borg-Warner Automotive, Inc., as Borrower, the Lenders listed therein, as Lenders, Chemical Bank and the Bank of Nova Scotia, as Co-Arrangers, Chemical Bank, as Administrative Agent and The Bank of Nova Scotia as Documentation Agent (incorporated by reference to Exhibit No. 10.1 to the Company's Annual Report on Form 10-K for the year ended December 31, 1994).
*10.2	First Amendment of Credit Agreement dated as of December 15, 1995 (incorporated by reference to Exhibit 10.2 of the Company's Annual Report on Form 10-K for the year ended December 31, 1995).
*10.3	Second Amendment of Credit Agreement dated as of January 16, 1996 (incorporated by reference to Exhibit 10.3 of the Company's Annual Report on Form 10-K for the year ended December 31, 1996).
*10.4	Replacement and Restatement Agreement dated as of October 10, 1996 to the Credit Agreement dated as of December 7, 1994 (incorporated by reference to Exhibit 10.1 on Form 10-Q for the quarter ended September 30, 1996).
10.5	Amendment to Credit Agreement dated as of February 2, 1999 to the

Credit Agreement dated as of December 7, 1994.

- *10.6 Distribution and Indemnity Agreement dated January 27, 1993 between Borg-Warner Automotive, Inc. and Borg-Warner Security Corporation (incorporated by reference to Exhibit No. 10.2 to Registration Statement No. 33-64934).
- *10.7 Tax Sharing Agreement dated January 27, 1993 between Borg-Warner Automotive, Inc. and Borg-Warner Security Corporation (incorporated by reference to Exhibit No. 10.3 to Registration Statement No. 33-64934).

Exhibit Number	Document Description
+*10.8	Borg-Warner Automotive, Inc. Management Stock Option Plan, as amended (incorporated by reference to Exhibit No. 10.6 to Registration Statement No. 33-64934).
+*10.9	Borg-Warner Automotive, Inc. 1993 Stock Incentive Plan as amended effective November 8, 1995 (incorporated by reference to Appendix A of the Company's Proxy Statement dated March 21, 1997).
*10.10	Receivables Transfer Agreement dated as of January 28, 1994 among BWA Receivables Corporation, ABN AMRO Bank N.V. as Agent and the Program LOC Provider and Windmill Funding Corporation (incorporated by reference to Exhibit No. 10.12 to the Company's Annual Report on Form 10-K for the year ended December 31, 1993).
10.11	Amended and Restated Receivables Loan Agreement dated as of December 23, 1998 among BWA Receivables Corporation, as Borrower, Borg-Warner Automotive, Inc., as Collection Agent, ABN AMRO Bank N.V., as Agent, the Banks from time to time party hereto, ABN AMRO Bank N.V., as the Program LOC Provider and the Program LOC Provider and Windmill Funding Corporation.
*10.12	Service Agreement, dated as of December 31, 1992, by and between Borg-Warner Security Corporation and Borg-Warner Automotive, Inc. (incorporated by reference to Exhibit No. 10.10 to Registration Statement No. 33-64934).
+*10.13	Borg-Warner Automotive, Inc. Transitional Income Guidelines for Executive Officers amended as of May 1, 1989 (incorporated by reference to Exhibit 10.16 to the Company's Annual Report on Form 10-K for the year ended December 31, 1993).
+*10.14	Borg-Warner Automotive, Inc. Management Incentive Bonus Plan dated January 1, 1994 (incorporated by reference to Exhibit No. 10.18 to the Company's Annual Report on Form 10-K for the year ended December 31, 1993).
+*10.15	Borg-Warner Automotive, Inc. Retirement Savings Excess Benefit Plan dated January 27, 1993 (incorporated by reference to Exhibit No. 10.20 of the Company's Annual Report on Form 10-K for the year ended December 31, 1993).
+*10.16	Borg-Warner Automotive, Inc. Retirement Savings Plan dated January 27, 1993 as further amended and restated effective as of April 1, 1994 (incorporated by reference to Exhibit 10.18 to the Company's Annual Report on Form 10-K for the year ended December 31, 1995).
+*10.17	Borg-Warner Automotive, Inc. Deferred Compensation Plan dated January 1, 1994 (incorporated by reference to Exhibit No. 10.24 of the

Company's Annual Report on Form 10-K for the year ended December 31, 1993).

- +*10.18 Form of Employment Agreement for John F. Fiedler (incorporated by reference to Exhibit No. 10.0 of the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 1994).
- +*10.19 Amended Form of Employment Agreement for John F. Fiedler dated January 27, 1998 (incorporated by reference to Exhibit 10.21 of the Company's Annual Report on Form 10-K for the year ended December 31, 1997).

Exhibit Number	Document Description
+*10.20	Form of Change of Control Employment Agreement for Executive Officers (incorporated by reference to Exhibit No. 10.1 to the Company's Quarterly Report on Form 10-Q for the Quarter ended September 30, 1997).
+*10.21	Amendment to the Change of Control Employment Agreement between the Company and John F. Fiedler dated effective January 30, 1998 (incorporated by reference to Exhibit 10.23 of the Company's Annual Report on Form 10-K for the year ended December 31, 1997).
*10.22	Assignment of Trademarks and License Agreement (incorporated by reference to Exhibit No. 10.0 of the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1994).
10.23	Amendment to Assignment of Trademarks and License Agreement.
+*10.24	Borg-Warner Automotive, Inc. Executive Stock Performance Plan (incorporated by reference to Exhibit No. 10.23 of the Company's Annual Report on Form 10-K for the year ended December 31, 1995).
*10.25	Agreement of Purchase and Sale dated as of May 31, 1996 by and among Coltec Industries Inc., Holley Automotive Group, Ltd., Holley Automotive Inc., Coltec Automotive Inc., and Holley Automotive Systems GmbH and Borg-Warner Automotive, Inc., Borg-Warner Automotive Air/Fluid Systems Corporation and Borg-Warner Automotive Air/Fluid Systems Corporation of Michigan (incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K dated as of June 17, 1996).
*10.26	Agreement and Plan of Merger dated as of December 17, 1998 by and between Borg-Warner Automotive, Inc., BWA Merger Corp. and Kuhlman Corporation (incorporated by reference to Exhibit 2 of the Company's Current Report on Form 8-K dated as of December 21, 1998).
13.1	Annual Report to Stockholders for the year ended December 31, 1998 with manually signed Independent Auditors' Report. (The Annual Report, except for those portions which are expressly incorporated by reference in the Form 10-K, is furnished for the information of the Commission and is not deemed filed as part of the Form 10-K).
21.1	Subsidiaries of the Company.
23.1	Independent Auditors' Consent.
24.1	Power of Attorney.
27.1	Financial Data Schedule.

99.1 Cautionary Statements.

* Incorporated by reference.

+Indicates a management contract or compensatory plan or arrangement required to be filed pursuant to Item 14(c).

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AMENDMENT TO CREDIT AGREEMENT

Amendment dated as of February 2, 1999 to the Credit Agreement dated as of December 7, 1994 (as amended and restated by the Replacement and Restatement Amendment, dated as of October 10, 1996 and as may be amended, restated, supplemented or otherwise modified from time to time, the "Credit Agreement"; terms not otherwise defined herein shall be used herein as therein defined) among:

- (i) Borg-Warner Automotive, Inc., a Delaware corporation (the "Borrower");
- (ii) the several banks and other financial institutions from time to time parties to the Credit Agreement (the "Lenders");
- (iii) BANK OF MONTREAL, CREDIT LYONNAIS, CHICAGO AND CAYMAN ISLAND BRANCHES, THE INDUSTRIAL BANK OF JAPAN, LTD., THE LONG-TERM CREDIT BANK OF JAPAN, LIMITED, NATIONSBANK, N.A., THE SUMITOMO BANK, LIMITED, CHICAGO BRANCH, BANK OF AMERICA NT&SA, AND THE FUJI BANK, LIMITED, as lead managers thereunder (the "Lead Managers");
- (iv) THE CHASE MANHATTAN BANK, a New York banking corporation ("Chase"), and THE BANK OF NOVA SCOTIA, a Canadian chartered bank ("Scotiabank"), as co-arrangers thereunder (in such capacity, the "Co-Arrangers");
- (v) SCOTIABANK, as documentation agent for the Lenders thereunder (in such capacity, the "Documentation Agent"); and
- (vi) CHASE, as administrative agent for the Lenders thereunder (in such capacity, the "Administrative Agent").

WITNESSETH:

WHEREAS, the parties hereto desire to amend the Credit Agreement.

NOW, THEREFORE, for and in consideration of the premises and other valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree, on the terms and subject to the conditions set forth herein, as follows:

1. Amendment to Subsection 10.1. Subsection 10.1 of the Credit Agreement is hereby amended by deleting paragraph (b) thereof in its entirety and substituting therefor the following:

(b) Leverage Ratio. Permit the ratio (the "Leverage Ratio") of (i) Consolidated Funded Debt on the last day of any fiscal quarter of the Borrower ending during any period set forth below to (ii) Consolidated Capitalization as at such date to exceed:

Period	Ratio
--------	-------

09/30/98 - 12/31/99	0.58 to 1.00
01/01/00 - 12/31/00	0.52 to 1.00
Thereafter	0.50 to 1.00

2. Amendment to Subsection 10.6. Subsection 10.6 of the Credit Agreement is hereby amended by deleting it in its entirety and substituting in lieu thereof the following:

10.6 Limitation on Sale of Assets. Convey, sell, lease, assign, transfer or otherwise dispose of all or any substantial part of its property, business or assets, whether now owned or hereafter acquired.

3. Amendment to Subsection 10.12. Subsection 10.12 of the Credit Agreement is hereby amended by adding the following clause immediately before the period at the end of such subsection:

; provided that (i) the Borrower's \$150,000,000 7% senior unsecured notes due 2006, the terms of which are no more restrictive than the terms of this Agreement, may contain a prohibition or limitation on the creation of Liens substantially similar to that in subsection 10.3 of this Agreement and (ii) the Borrower's proposed \$400,000,000 senior unsecured notes to be issued in connection with its acquisition of Kuhlman Corporation, the terms of which will be no more restrictive than the terms of this Agreement, may contain a prohibition or limitation on the creation of Liens substantially similar to that in subsection 10.3 of this Agreement.

4. Amendment to Subsection 10.13. Subsection 10.13 of the Credit Agreement is hereby amended by deleting it in its entirety and substituting in lieu thereof the phrase "10.13 [\"Reserved\"]".

5. Replacement of Pricing Grid. Annex A to Schedule 1A of the Credit Agreement is hereby amended by deleting such Annex A to Schedule 1A in its entirety and substituting in lieu thereof the Pricing Grid attached as Annex A to Schedule 1A hereto.

6. Conditions to Effectiveness. This Amendment shall become effective on and as of the date (the "Amendment Effective Date") that both (a) the Administrative Agent shall have received counterparts of this Amendment duly executed and delivered by a duly authorized officer of each of the Borrower, the Administrative Agent and the Majority Lenders and (b) Kuhlman Corporation shall have been acquired by the Borrower pursuant to a merger transaction.

7. Representations and Warranties. (a) The Borrower hereby represents and warrants as of the date hereof and as of the Amendment Effective Date that each of the representations and warranties made by it in the Credit Agreement, as amended by this Amendment, is true and correct in all material respects on and as of each such date as if made on and as of each such date (except to the extent such representations and warranties specifically relate to an earlier date, in which case such representations and warranties shall have been true and correct in all material respects on and as of such earlier date), with all references therein to "this Agreement" being deemed to refer to the Credit Agreement, as amended by this Amendment; and (b) the Borrower hereby represents and warrants as of the date hereof and as of the Amendment Effective Date that no Default or Event of Default has occurred or is continuing.

8. Scope. This Amendment is to be narrowly construed. Except as expressly amended herein, all of the covenants and provisions of the Credit Agreement are and shall continue to be in full force and effect, except as amended by this Amendment.

9. GOVERNING LAW. THIS AMENDMENT SHALL BE GOVERNED BY AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

10. Counterparts. This Amendment may be executed by one or more of the

parties hereto on any number of separate counterparts (including telecopied counterparts), and all of said counterparts taken together shall be deemed to constitute one and the same instrument.

IN WITNESS WHEREOF, the undersigned have caused this Amendment to be duly executed and delivered as of the date first above written.

BORG-WARNER AUTOMOTIVE, INC.

By:-----

Title:

THE CHASE MANHATTAN BANK, as
Administrative Agent, as a Co-Arranger and as a Lender

By:-----

Title:

BANK OF AMERICA NT&SA, as a Lead Manager
and as a Lender

By:-----

Title:

BANK OF MONTREAL, as a Lead Manager
and as a Lender

By:-----

Title:

CREDIT LYONNAIS, CHICAGO BRANCH, as a Lead
Manager and as a Lender

By:-----

Title:

THE FIRST NATIONAL BANK OF CHICAGO, as
Lead Manager and as a Lender

By:-----

Title:

THE FUJI BANK, LIMITED, as a Lead Manager and as
a Lender

By:-----

Title:

THE INDUSTRIAL BANK OF JAPAN, LIMITED, as
a Lead Manager and as a Lender

By:-----

Title:

THE LONG-TERM CREDIT BANK OF JAPAN, LTD.,
as a Lead Manager and as a Lender

By:-----

Title:

NATIONSBANK, N.A., as a Lead Manager and

as a Lender

By:-----
Title:

THE SUMITOMO BANK, LIMITED, CHICAGO
BRANCH, as a Lead Manager and as a Lender

By:-----
Title:

BANK OF HAWAII

By:-----
Title:

THE BANK OF NEW YORK

By:-----
Title:

THE BANK OF TOKYO-MITSUBISHI LTD.,
CHICAGO BRANCH

By:-----
Title:

CREDIT AGRICOLE INDOSUEZ

By:-----
Title:

ISTITUTO BANCARIO SAN PAOLO DI TORINO,
SPA NEW YORK

By:-----
Title:

MELLON BANK, N.A.

By:-----
Title:

THE NORTHERN TRUST COMPANY
THE SANWA BANK, LIMITED, CHICAGO BRANCH

By:-----
Title:

BARCLAYS BANK PLC

By:-----
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Amended and Restated Receivables Loan Agreement

Dated as of December 23, 1998

Among

BWA Receivables Corporation,
as Borrower,

Borg-Warner Automotive, Inc.,
as Collection Agent,

ABN AMRO Bank N.V.,
as Agent,

The Banks from time to time party hereto,

ABN AMRO Bank N.V.,
as the Program LOC Provider,

and

Windmill Funding Corporation

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Exhibits

- Exhibit A Credit and Collection Policy

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 Exhibit B-2 Contract Terms
 Exhibit C Lock-Boxes and Lock-Box Banks
 Exhibit D Form of Lock-Box Letter
 Exhibit E Form of Periodic Report
 Exhibit F-1 Form of Assignment-From Windmill to a Bank or the Program LOC Provider
 Exhibit F-2 Form of Assignment-From a Bank or the Program LOC Provider to Windmill
 Exhibit G Addresses of Borrower and Originators
 Exhibit H Borrowers and Borg-Warner Entities Corporate Names; Trade Names; Assumed Names
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 Exhibit J Form of Compliance Certificate
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AMENDED AND RESTATED RECEIVABLES LOAN AGREEMENT

Amended and Restated Receivables Loan Agreement, dated as of December 23, 1998, among the banks which are or may become a party to this Agreement (the "Banks"), Windmill Funding Corporation, a Delaware corporation ("Windmill"); ABN AMRO Bank N.V., as provider of the Program LOC (the "Program LOC Provider"); ABN AMRO Bank N.V., as agent for the Lenders (the "Agent"), BWA Receivables Corporation, a Delaware corporation (the "Borrower") and Borg-Warner Automotive, Inc., a Delaware corporation (the "Collection Agent").

Preliminary Statements

The parties hereto are currently parties to that certain Receivables Transfer Agreement (the "Receivables Transfer Agreement") dated as of January 28, 1994 among the Borrower, the Agent, the Banks from time to time party thereto, the Program LOC Provider and Windmill. The Borrower desires to borrow money from the Lenders and to secure such borrowings with Receivables, and the Borrower has requested that necessary amendments be made to the Receivables Sale Agreement, the Lenders desire to make Loans to the Borrower subject to the terms and conditions of this Amended and Restated Receivables Loan Agreement, and, for the sake of clarity and convenience, that the Receivables Transfer Agreement be restated in its entirety as so amended. This Amended and Restated Receivables Loan Agreement amends and replaces in its entirety the Receivables Transfer Agreement. All references to the Receivables Transfer Agreement in any Transaction Document or in any other instrument or document shall, without notice, be deemed to refer to this Amended and Restated Receivables Loan Agreement.

The parties hereto agree as follows:

Article I Definitions

Section 1.1. Certain Defined Terms. As used in this Agreement, the following terms shall have the following meanings:

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

"ABN AMRO Prime Rate" shall mean at the time any determination thereof is to be made, a rate per annum equal to the greater (redetermined daily) of: (i) the floating commercial loan rate of ABN AMRO for Dollars announced from time to

time, changing as and when said rate changes, and (ii) the Federal Funds Effective Rate plus three fourths of one percent (0.75%). The ABN AMRO Prime Rate is a reference rate and does not necessarily represent the lowest or best rate actually charged to any customer by ABN AMRO. ABN AMRO may make commercial loans or other loans at rates of interest at, above or below the ABN AMRO Prime Rate.

"ABN AMRO Roles" shall have the meaning ascribed to such term in Section 10.10.

"Administration Agreement" shall mean that certain Amended and Restated Administration Agreement by and between the Management Company and the Administrator, dated as of November 15, 1994.

"Administrator" shall mean ABN AMRO, in its capacity as Administrator under the Administration Agreement.

"Adverse Claim" shall mean a lien, security interest, charge, mortgage, pledge, hypothecation, assignment or encumbrance, or any other right or claim, in, of or on any Persons assets or properties in favor of any other Person.

"Affected Assets" shall mean each and every Receivable, Related Account and Related Security, if any, with respect thereto, each and every Collection, with respect thereto, and proceeds of any of the foregoing.

"Affected Bank" shall have the meaning ascribed to such term in Section 11.6(d).

"Affiliate" shall mean, with respect to any Person, any other Person which, directly or indirectly, is in control of, is controlled by, or is under common control with, such Person or a Subsidiary of such Person. For purposes of this definition, a Person shall be deemed to be "controlled by" another Person if such other Person possesses, directly or indirectly, power to either (i) vote ten percent (10%) or more of the securities having ordinary voting power for the election of directors of such Person or (ii) direct or cause the direction of the management and policies of such Person whether by contract or otherwise.

"Agent" shall have the meaning ascribed to such term in the first paragraph of this Agreement.

"Agent's Account" means the account designated to the Borrower and the Lenders by the Agent.

"Aggregate Bank Commitment" shall mean an amount equal to One Hundred Fourteen Million Seven Hundred Fifty Thousand Dollars (\$114,750,000), as such amount may be reduced pursuant to Section 2.6.

"Aggregate Bank Commitment Percentage" shall mean ninety percent (90%).

"Aggregate Commitment" shall mean an amount equal to One Hundred Twenty Seven Million Five Hundred Thousand Dollars (\$127,500,000), as such amount may be reduced pursuant to Section 2.6.

"Aggregate Loan Amount" means the sum of the Loan Amounts of all Lenders.

"Aggregate Unpays" shall mean, at any time, an amount equal to the sum of (i) the aggregate accrued and unpaid Interest with respect to all Tranche Periods at such time, plus (ii) the Aggregate Loan Amount at such time, plus (iii) all other amounts owed (whether due or accrued) hereunder by the Borrower to the Agent, Windmill, the Program LOC Provider, any Bank, the Collection Agent or any other Person at such time.

"Agreement" shall mean this Receivables Loan Agreement.

"Approved Obligor" shall mean each of Ford Motor Company, General Motors

Corporation, Daimler Chrysler Corporation, New Venture Gear, and the wholly-owned Subsidiaries of each of the foregoing.

"Approved Obligor Limit" shall mean, (a) with respect to Ford Motor Company, \$67,000,000; (b) with respect to General Motors Corporation, \$40,000,000, (c) with respect to Daimler Chrysler Corporation, \$42,000,000 and (d) with respect to New Venture Gear, \$10,000,000; provided, however, that the Agent may designate a lesser amount as the Approved Obligor Limit for any Approved Obligor, upon the request of any Bank or the Program LOC Provider following the occurrence of a Downgrading Event with respect to such Approved Obligor or any Subsidiary of such Approved Obligor.

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

"Average Collection Period" shall mean, at any time, a period of days equal to the product of (a) a fraction (i) the numerator of which shall be the amount set forth in the most recent Periodic Report with respect to the preceding month as the "Beginning Balance" (ii) and the denominator of which shall be the Collections received during such preceding month as set forth in such Periodic Report, multiplied by (b) thirty (30).

"Bank Commitment" shall mean at any time, for any Bank, the amount set forth opposite such Bank's name on Schedule I under the heading "Bank Commitment" and adjusted in accordance with Section 11.6(c), as such amount may be reduced pursuant to Section 2.6.

"Bank Termination Date" shall mean the earliest to occur of (i) the date of the occurrence of a Termination Event described in Section 8.1(f), (ii) the date that the Agent designates as the Bank Termination Date in a written notice to the Borrower given at any time after the occurrence of any other Termination Event, (iii) that Business Day designated by the Borrower as the Bank Termination Date with no less than five (5) Business Days prior written notice to the Agent, and (iv) December 22, 1999.

"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, 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 (b) such Person takes any corporate action to authorize any such action.

"Banks" shall have the meaning ascribed to such term in the first paragraph of this Agreement.

"Borg-Warner Entities" shall mean the Parent, each Originator and the Borrower.

"Borrower" shall have the meaning ascribed to such term in the first paragraph of this Agreement.

"Borrower Account" shall mean the Borrower's account number 92-35671 at The First National Bank of Chicago or such other account designated by the Borrower in writing to the Agent with at least ten (10) days prior notice.

"Borrowing" shall mean the incurrence by the Borrower of a Loan.

"Business Day" shall mean generally any day excluding Saturday, Sunday and any day which is a day on which banking institutions located in New York, New York or Chicago, Illinois are authorized or required by law or other

governmental action to close and excluding any day which is a holiday on the Federal Reserve calendar and with respect to any matters relating to the Eurodollar Rate or a Eurodollar Tranche Period, a Business Day on which dealings in Dollars are carried on in the London interbank market.

"Capitalized Lease" shall mean any lease of property, real or personal, by a Person as lessee which would be capitalized on a balance sheet of such Person prepared in accordance with GAAP.

"Charge-Off" shall mean any Receivable that has been (in accordance with the objective criteria of the Credit and Collection Policy then in effect) or should have been charged-off or written-off by the Borrower.

"Collection" shall mean, with respect to each Receivable, any cash collections or other cash proceeds of such Receivable, including any Finance Charges paid thereon and any cash proceeds received from the Related Security with respect to such Receivable and any amount deemed to have been received by the Borrower or the Collection Agent with respect to such Receivable pursuant to Section 2.5(b) or otherwise.

"Collection Agent" shall have the meaning ascribed to such term in Section 7.1.

"Collection Agent Fee" shall mean a fee equal to Two Thousand Dollars (\$2,000) per month payable in accordance with Section 7.6.

"Collection Reserve Percentage" shall mean, at any time, two percent (2%).

"Commitment" means, for each Bank, its Bank Commitment and for the Program LOC Provider, the Program LOC Provider Commitment.

"Committed Lenders" is defined in Section 2.1(b).

"Concentration Factor" shall mean, at any time, an amount equal to three and thirty three hundredths of one percent (3.33%) of the Aggregate Loan Amount at such time.

"Contract" shall mean, with respect to any Receivable, any and all contracts, understandings, instruments, agreements, leases, invoices, notes, or other writings pursuant to which such Receivable arises or which evidences such Receivable or under which an Obligor becomes or is obligated to make payment in respect of such Receivable.

"Coverage Percentage" shall mean at any time a percentage equal to the sum of (i) one hundred percent (100%), plus (ii) the Reserve Percentage, redetermined each time the Aggregate Loan Amount is redetermined.

"CP Dealers" shall mean each Person which Windmill elects to hire as a placement agent or commercial paper dealer as of and after the effective date of such hiring.

"CP Rate" shall mean, with respect to any CP Tranche Period, the rate equivalent to the rate per annum (or if more than one rate, the weighted average of the rates) at which commercial paper having a term equal to such CP Tranche Period may be sold by any CP Dealer selected by Windmill, as agreed between each such CP Dealer and Windmill; provided, however, that if the rate (or rates) as agreed between any such CP Dealer and Windmill is a discount rate (or rates), the "CP Rate" for such CP Tranche Period shall be the rate (or, if more than one rate, the weighted average of the rates) resulting from Windmill's converting such discount rate (or rates) to an interest-bearing equivalent rate per annum. The CP Rate shall be calculated in a manner which includes the costs and expenses to Windmill of issuing the related commercial paper notes, including all dealer commissions thereon and note issuance costs in connection therewith.

"CP Tranche" shall mean a Tranche as to which Interest is calculated at, or by reference to, a CP Rate.

"CP Tranche Period" shall mean, with respect to a CP Tranche, a period of days commencing on a Business Day as selected by the Borrower or the Agent (but not to exceed two hundred seventy (270) days).

"Credit and Collection Policy" shall mean the Borrower's credit and collection policy and practices relating to Contracts and Receivables existing on the date hereof and attached as Exhibit A, as modified in writing from time to time in accordance with the terms of this Agreement.

"Deemed Collections" is defined in Section 2.5(c).

"Default Ratio" shall mean, at any time of determination, the ratio (expressed as a percentage) of (i) the aggregate Outstanding Balance of all Defaulted Receivables (other than Charge-Offs and Excluded Receivables) at such time, to (ii) the aggregate Outstanding Balance of all Receivables (other than Charge-Offs and Excluded Receivables) at such time.

"Defaulted Receivable" shall mean any Receivable (i) as to which all or any portion of any amount payable thereon remains unpaid for more than ninety (90) days from the original due date for such payment, or (ii) as to which the Obligor thereof has taken any action, or suffered any event to occur, of the type described in Section 8.1(f) (as if references to any Borg-Warner Entity therein referred to such Obligor).

"Delinquency Ratio" shall mean, at any time of determination, the ratio (expressed as a percentage) of (i) the aggregate Outstanding Balance of all Delinquent Receivables (other than Excluded Receivables) at such time, to (ii) the aggregate Outstanding Balance of all Receivables (other than Charge-Offs and Excluded Receivables) at such time.

"Delinquent Receivable" shall mean a Receivable as to which any payment, or part thereof, remains unpaid for more than thirty (30) days but no more than ninety (90) days from the original due date for such payment.

"Depository" shall mean The Chase Manhattan Bank, in its capacity as Depository under that certain Amended and Restated Depository Agreement between Windmill and the Depository, dated as of November 14, 1994.

"Designated Financial Officer" shall mean, with respect to any Person, the controller, assistant controller, treasurer, assistant treasurer or chief financial officer of such Person.

"Designated Obligor" shall mean, at any time, each Obligor other than any Obligor that the Agent (upon the direction of the Required Banks or the Program LOC Provider) has notified the Borrower in writing at least three (3) Business Days prior to such time shall not be considered a Designated Obligor, which writing shall describe the basis for such determination.

"Desired Increase" shall have the meaning ascribed to such term in Section 3.2.

"Dilution Ratio" shall mean, for any period of determination, the ratio (expressed as a percentage) of (a) the aggregate amount of payments owed by the Borrower pursuant to Section 2.5 (other than amounts owed with respect to Tooling Receivables and Retroactive Pricing Adjustment Receivables) during such period, to (b) the aggregate amount of Collections (other than Collections from Tooling Receivables or Retroactive Pricing Adjustment Receivables) received during such period.

"Dilution Reserve Percentage" shall mean, at any time, the Dilution Ratio at such time measured for the three (3) month period ending on the last day of

the month covered by the most recent Periodic Report delivered by the Borrower hereunder.

"Dollar" and "\$" shall mean lawful money of the United States of America.

"Downgrading Event" shall mean, with respect to any Person, that any one of the following has occurred with respect to such Person: (a) any long-term unsecured indebtedness of such Person (that is not subordinated to the general indebtedness of such Person) is rated less than BBB by S&P or Baa2 by Moody's or BBB by D&P, (b) any short-term indebtedness of such Person is rated less than A-2 by S&P or P-2 by Moody's or (c) such Person does not have indebtedness of the type described in clauses (a) and (b) above respectively rated by each of the rating agencies specified in such clauses (a) and (b).

"D&P" shall mean Duff and Phelps Credit Rating Co.

"Early Collection Fee" shall mean, for each Lender and each CP Tranche Period or Eurodollar Tranche Period during which any Loan Amount allocated to such Tranche Period is reduced, or which is terminated prior to the end of the period for which it was originally scheduled to last (the amount of such reduction or, in the case of a termination of a Tranche Period, the amount of the Loan Amount allocated to such Tranche Period being referred to as the "Allocated Amount"), the excess, if any, of (i) the Interest that would have accrued during the remainder of such Tranche Period subsequent to the date of such reduction or termination on the Allocated Amount if such reduction or termination had not occurred, over (ii) the sum of (a) to the extent the Allocated Amount is allocated to another Tranche Period, the Interest actually accrued on the portion of the Allocated Amount so allocated during the remainder of such Tranche Period, plus (b) to the extent the Allocated Amount is not allocated to another Tranche Period, the income, if any, actually received by such Lender from investing the portion of the Allocated Amount not so allocated.

"Effective Date" shall have the meaning ascribed to such term in Section 5.1.

"Eligible Receivable" means, at any time, any Receivable:

(i) the Obligor of which: (a) if a natural person, is a resident of the USA or, if a corporation or other business organization, is organized under the laws of the USA and has its chief executive office in the USA; (b) is not an Affiliate of any of the parties hereto; (c) is a Designated Obligor; and (d) is not a government, or governmental subdivision or agency,

(ii) the Obligor of which is not the Obligor of any Charge-Off,

(iii) the Obligor of which is not the Obligor of Receivables (other than Retroactive Pricing Adjustment Receivables) for which any payment, or part thereof, remains unpaid for more than sixty (60) days from the original due date for such payment, which Receivables have an aggregate Outstanding Balance in excess of ten percent (10%) of the aggregate Outstanding Balance of all such Obligor's Receivables (other than Retroactive Pricing Adjustment Receivables),

(iv) which is not a Tooling Receivable, a Retroactive Pricing Adjustment Receivable, a Defaulted Receivable, a Charge-Off, or a Receivable for which any payment, or part thereof, remains unpaid for more than sixty (60) days from the original due date for such payment,

(v) which, according to the Contract related thereto, requires a payment within sixty (60) days of the original billing date (which shall not be later than the date on which the goods giving rise to such Receivable are shipped or delivered to the related Obligor or the services giving rise to such Receivable are rendered to the related Obligor) therefor,

(vi) which is an (account) within the meaning of Section 9-106 of the UCC

of all applicable jurisdictions,

(vii) which is denominated and payable only in Dollars in the USA,

(viii) which arises under a duly authorized Contract which either is in substantially the form of one of the forms of contract set forth on Exhibit B-1 or complies with the Contract terms set forth on Exhibit B-2 or is otherwise approved by the Agent in writing, and, in any case, which Contract has not been modified or restructured and 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, counterclaim or other defense,

(ix) which arises under a Contract which (A) does not require the Obligor under such Contract to consent to the transfer, sale or assignment of the rights of the applicable Originator under such Contract and (B) does not contain a confidentiality provision that purports to restrict the ability of the Agent or any Lender to exercise its rights under this Agreement, including its right to review the Contract,

(x) which arises under a Contract that contains an obligation of the related Obligor to pay a specified sum of money, which obligation has been fully earned by the sale of goods or the provision of services by an Originator and is subject to no contingencies, and which Contract is not an executory contract or unexpired lease, in each case, within the meaning of Section 365 of the Federal Bankruptcy Code,

(xi) which, together with the Contract related thereto, does not contravene any laws, rules or regulations applicable thereto (including laws, rules and regulations relating to truth in lending, fair credit billing, fair credit reporting, equal credit opportunity, fair debt collection practices and privacy) and with respect to which no part of the Contract related thereto is in violation of any such law, rule or regulation,

(xii) which (A) satisfies all applicable objective requirements of the Credit and Collection Policy, and (B) complies with such other objective criteria and requirements that the Agent deems necessary, as the Agent may from time to time specify to the Borrower in a written notice at least five (5) days prior to the effectiveness of such other objective criteria and requirements,

(xiii) which arises in the ordinary course of business of an Originator,

(xiv) which was validly purchased by the Borrower from an Originator pursuant to a Purchase Agreement, which purchase is not voidable, including pursuant to Section 548 of the Federal Bankruptcy Code or similar laws regarding fraudulent conveyances or fraudulent transfers, and which purchase vests in the Borrower a valid and perfected first priority ownership interest therein,

(xv) which arises solely from the sale of goods or the rendering of services to the related Obligor by an Originator and not by any other Person (in whole or in part),

(xvi) as to which the Agent has not notified the Borrower in writing that the Agent, Windmill, the Program LOC Provider or the Required Banks have determined, in its or their reasonable business judgment, that such Receivable or class of Receivables of which such Receivable is a part is not acceptable as an Eligible Receivable, including because such Receivable arises under a Contract that is not acceptable to the Agent, Windmill, the Program LOC Provider or such Required Banks but excluding any determination based upon the credit quality of an Approved Obligor if a Downgrading Event has not occurred with respect to such Approved Obligor or any Subsidiary of such Approved Obligor,

(xvii) which is an account receivable representing all or part of the sales price of merchandise, insurance and services within the meaning of Section

3(c)(5) of the Investment Company Act of 1940, as amended, and

(xviii) a purchase of which with the proceeds of notes would constitute a "current transaction" within the meaning of Section 3(a)(3) of the Securities Act of 1933, as amended.

"Eurodollar Rate" shall mean, with respect to any Eurodollar Tranche Period, the sum of (i) the quotient of (a) the rate determined by the Agent to be the rate at which deposits in Dollars are offered by ABN AMRO to first-class banks in the London interbank market at approximately 11:00 a.m. (London time) two (2) Business Days prior to the first day of such Eurodollar Tranche Period, such deposits being in the approximate amount of ABN AMRO's Pro Rata Share of the Bank Loan Amount allocated to such Eurodollar Tranche Period or the Program LOC Provider Loan Amount allocated to such Eurodollar Tranche Period, whichever Loan Amount is greater, and having a maturity approximately equal to such Eurodollar Tranche Period, divided by (b) one (1) minus the Reserve Requirement (expressed as a decimal), as defined below, applicable to such Eurodollar Tranche Period, plus (ii) as to all applications affecting the Banks, one and one quarter percent (1.25%) per annum and as to all applications affecting the Program LOC Provider, the amount specified in the Fee Letter. The Eurodollar Rate shall be rounded up, if necessary, to the next higher one sixteenth of one percent (0.0625%). The "Reserve Requirement" means the maximum aggregate reserve requirement (including all basic, supplemental, marginal and other reserves) which may be imposed in respect of Eurocurrency liabilities, under and as defined in Regulation D of the Board of Governors of the Federal Reserve System, as in effect from time to time.

"Eurodollar Tranche" shall mean a Tranche as to which Interest is calculated at, or by reference to, a Eurodollar Rate.

"Eurodollar Tranche Period" shall mean, with respect to a Eurodollar Tranche, a period of one (1) month, two (2) months or three (3) months, or such other period as may be mutually agreeable to the parties hereto, commencing on a Business Day selected by the Borrower or the Agent pursuant to the terms hereof. Such Eurodollar Tranche Period shall end on the day in the succeeding calendar month which corresponds numerically to the beginning day of such Eurodollar Tranche Period, provided, however, that if there is no such numerically corresponding day in such succeeding month, such Eurodollar Tranche Period shall end on the last Business Day of such succeeding month. If a Eurodollar Tranche Period would otherwise end on a day which is not a Business Day, such Eurodollar Tranche Period shall end on the next succeeding Business Day, provided, however, that if said next succeeding Business Day falls in a new month, such Eurodollar Tranche Period shall end on the immediately preceding Business Day.

"Excess Funds" shall have the meaning ascribed to such term in Section 11.18.

"Excluded Receivable" shall mean all Tooling Receivables, Retroactive Pricing Adjustment Receivables, Intercompany Receivables and Foreign Receivables.

"Face Amount" shall mean the face amount of a Windmill commercial paper note issued on a discount basis or, with respect to any Windmill commercial paper note not issued at a discount, the principal amount of such note together with interest thereon to stated maturity.

"Federal Bankruptcy Code" shall mean the bankruptcy code of the United States of America codified in Title 11 of the United States Code.

"Federal Funds Effective Rate" shall mean for any period, a fluctuating interest rate per annum equal for each day during such period to the weighted average of the rates on overnight federal funds transactions with members of the Federal Reserve System arranged by federal funds brokers, as published for such day (or, if such day is not a Business Day, for the next preceding Business Day)

by the Federal Reserve Bank of New York, or, if such rate is not so published for any day which is a Business Day, the average of the quotations at approximately 10:00 a.m. (Chicago time) for such day on transactions received by ABN AMRO from three (3) federal funds brokers of recognized standing selected by it.

"Fee Letter" means the letter agreement dated as of the date hereof among the Borrower, the Agent, Windmill and the Program LOC Provider.

"Filing Assets" shall have the meaning ascribed to such term in Section 5.1(e).

"Finance Charges" shall mean, with respect to a Contract, any finance, interest, late or similar or other charges owing by an Obligor pursuant to such Contract.

"Financial Investment" shall mean, with respect to any Person, any direct or indirect investment by such Person in any other Person, whether by means of share purchase, capital contribution, loan or otherwise, excluding the incurrence of receivables arising from sales or services rendered in the ordinary course of business.

"Foreign Receivable" shall mean any Receivable the Obligor of which, if a natural person, is not a resident of the USA or, if a corporation or other business organization, is not organized under the laws of the USA or does not have its chief executive office or principal place of business in the USA.

"Funding Agreement" shall mean any agreement or instrument executed by Windmill and executed by or in favor of any Windmill Funding Source.

"GAAP" shall mean generally accepted accounting principles set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or in such other statements by such other Person as may be approved by a significant segment of the accounting profession, which are applicable to the circumstances as of the date of determination; provided, however, that for purposes of those certain financial covenants set forth in Exhibit A to the Indemnity Agreement, the term GAAP shall be GAAP as applicable on September 30, 1992.

"Governmental Authority" shall mean any Federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality, or any court, in each case whether in the USA or foreign.

"Guaranty" shall mean any agreement, undertaking or arrangement by which a Person assumes, guarantees, endorses, contingently agrees to purchase or provide funds for the payment of, or otherwise becomes liable upon, the obligation, Indebtedness or liability of any other Person, or agrees to maintain the net worth or working capital or other financial condition (including dividends or other distributions) of any other Person or otherwise assures any creditor of such other Person against loss, including any comfort letter, operating agreement or take-or-pay contract and shall include the contingent liability of such Person in connection with any application for a letter of credit.

"IMF" shall have the meaning ascribed to such term in Section 11.6(c).

"Income Taxes" shall have the meaning ascribed to such term in Section 9.2(a).

"Indebtedness" shall mean a Person's (i) obligations for borrowed money, (ii) obligations representing the deferred purchase price of property other than accounts payable arising in the ordinary course of such Person's business on terms customary in the trade, (iii) obligations (including leases), whether or not assumed, secured by a lien on, or payable out of the proceeds or production

from, property now or hereafter owned or acquired by such Person, (iv) obligations which are evidenced by bonds, debentures, notes, acceptances, or other instruments, (v) Capitalized Lease obligations and (vi) obligations for which such Person is obligated pursuant to a Guaranty.

"Indemnity Agreement" shall mean that certain Indemnity Agreement dated as of the date hereof among, the Parent, each Originator and the Agent for the benefit of the Agent, the Lenders and each Person to whom any of the Aggregate Unpaid is owed.

"Indemnified Losses" shall have the meaning ascribed to such term in Section 9.1.

"Indemnified Party" shall have the meaning ascribed to such term in Section 9.1.

"Insufficiency" shall have the meaning ascribed to such term in Section 11.18.

"Intended Characterization" shall have the meaning ascribed to such term in Section 9.2(c).

"Intercompany Receivable" shall mean a Receivable the Obligor of which is an Affiliate of the Borrower or any Originator.

"Interest" shall mean, with respect to any Tranche Period:

$$\text{TR} \times \text{TA} \times \frac{\text{AD}}{\text{Year}}$$

Where: is equal to the Tranche Rate applicable to such Tranche Period;

"TA" is equal to the portion of the Loan Amount allocated to such Tranche Period;

"AD" is equal to the actual number of days elapsed during such Tranche Period; and

"Year" is equal to the number three hundred sixty (360); provided, however, that no provision of this Agreement shall require the payment or permit the collection of Interest in excess of the maximum permitted by applicable law; and provided, further, however, that Interest shall not be considered paid by any payment if at any time such payment is rescinded or must be returned for any reason.

"Interest Rate" means, for any Tranche Period or Interest Period, the CP Rate, the Eurodollar Rate or the Prime Rate.

"Interest Reserve" shall mean, at any time, the sum of (a) the accrued and unpaid Interest for all Tranche Periods at such time, plus (b) the product of (i) a percentage equal to the highest Tranche Rate, for any Tranche Period outstanding at such time (or, if greater, the Eurodollar Rate) plus five percent (5%), multiplied by (ii) the Aggregate Loan Amount at such time, multiplied by (iii) a fraction (A) the numerator of which is the product of the Average Collection Period multiplied by one and one half (1.5), and (B) the denominator of which is three hundred sixty (360).

"Interest Reserve Percentage" shall mean, at any time, the quotient of (i) the Interest Reserve at such time, divided by (ii) the Aggregate Loan Amount at such time.

"Interim Liquidation" means any time before the Loan Amortization Date during which Collections shall be used to pay Loan Amounts as described in Section 3.3, as established pursuant to Section 2.2.

"Interim Liquidation Period" shall mean any period beginning and ending on

any day designated by the Borrower in a written notice to the Agent in each case given on or prior to, respectively, such beginning and ending day.

"Lenders" means the Committed Lenders and Windmill.

"Letter of Credit Agreement" shall mean that certain Amended and Restated Master Letter of Credit Agreement between Windmill and ABN AMRO, dated as of November 15, 1994.

"Limited Guaranty" shall mean that certain Amended and Restated Limited Guaranty dated the date hereof from the Parent and each of the Originators for the benefit of the Borrower.

"Liquidation Period" means, for Windmill only, all times when Windmill is not making Loans pursuant to Article II and, for all Lenders, all times (x) during an Interim Liquidation and (y) on and after the Loan Amortization.

"Loan" is defined in Section 2.1(a).

"Loan Amortization Date" means the earlier to occur of (i) December 23, 2001 or (ii) the date on which a Termination Event occurs.

"Loan Amount" means, for each Lender, (a) the sum of (i) all Loans by such Lender and (ii) the aggregate amount of any payments or exchanges made by, or on behalf of, such Lender to any other Lender under Article III minus (b) all Collections, amounts received from any Lenders under Article III, and other amounts received or exchanged and, in each case, applied by the Agent or such Lender to reduce such Lender's Loan Amount. A Lender's Loan Amount shall be restored to the extent any amounts so received or exchanged and applied are rescinded or must be returned for any reason.

"Loan Interest" is defined in Section 2.1(a).

"Loan Limit" means \$125,000,000.

"Loan Price" means, for each Committed Lender for any Put, such Committed Lender's Purchased Percentage for such Put multiplied by the sum of (a) (i) for the Program LOC Provider, the amount of Windmill's Loan Amount being transferred pursuant to such Put (the "Put Loan Amount") and (ii) for each Bank, the lesser of (A), the Put Loan Amount and (B) the sum of (I) the product of (1) the amount of Windmill Loan Amount being transferred pursuant to such Put divided by the Windmill Loan Amount (before giving effect to such Put), (2) Windmill's Loan Interest at such time, (3) the Net Receivables Balance as most recently calculated, provided, however, that Collections used to reduce such most recently computed Net Receivables Balance but not yet received by the Agent shall be added back to the Net Receivables Balance, and (II) the amount of Windmill Settlement being transferred pursuant to such Put plus (b) (i) all unpaid Interest owed to Windmill (whether or not then due) to the end of each applicable Tranche Period to which any Loan Amount being Put has been allocated, (ii) all accrued but unpaid fees (whether or not then due) payable to Windmill in connection herewith at the time of such purchase and (iii) all accrued and unpaid costs, expenses and indemnities due to Windmill from the Borrower in connection herewith. Windmill shall calculate the Loan Price on the date of such Put based on the information then available to it, and, regardless of whether such information is complete, such calculation shall be conclusive and binding absent manifest error; provided, however, that if such purchase occurs due to the occurrence of a Termination Event, the Loan Price shall be determined as of the date such Termination Event first occurred (without regard to any grace periods), adjusted to reflect amounts received by Windmill. In making any such calculation, Windmill shall be entitled to rely on information provided to it by the Borrower without any obligation to investigate the accuracy or completeness of such information.

"Loans" shall mean advances made to the Borrower hereunder secured by the Receivables.

"Loans Supplement" shall have the meaning ascribed to such term in Sections 11.6(c), 11.6(e)(ii) and 11.6(f).

"Lenders" shall mean the Banks, the Program LOC Provider and Windmill.

"Lock-Box" shall mean each post office box or bank box listed on Exhibit C and such other boxes as such boxes may be added or deleted pursuant to the terms hereof.

"Lock-Box Account" shall mean an account maintained by the Collection Agent at a Lock-Box Bank for the purpose of receiving, collecting or concentrating Collections from Receivables.

"Lock-Box Agreement" shall mean each agreement between the Borrower and a Lock-Box Bank with respect to the Lock-Box Accounts.

"Lock-Box Bank" shall mean each of the banks set forth in Exhibit C and such other banks as may be added hereto or deleted herefrom as a LockBox Bank pursuant to the terms hereof.

"Lock-Box Letter" shall mean a letter in substantially the form of Exhibit D (with such changes therein as are acceptable to the Agent) from the Borrower to each Lock-Box Bank, acknowledged and accepted by such Lock-Box Bank and the Agent.

"Loss Reserve Percentage" shall mean, at any time, the product of (a) three multiplied by (b) the average Loss-to-Liquidation Ratio for each of the last three calendar months.

"Loss-to-Liquidation Ratio" shall mean, for any period of determination, the ratio (expressed as a percentage) of (i) the Outstanding Balance of Charge-Offs which became Charge-Offs during such period, to (ii) the aggregate amount of Collections during such period.

"Management Company" shall mean Securitization Services, LLC, a Delaware limited liability company.

"Mandatory Put Event" shall mean the occurrence of any one or more of the following: (a) a Termination Event; (b) the Windmill Termination Date; or (c) a Windmill Event.

"Matured Aggregate Loan Amount" means, at any time, the Matured Value of Windmill's Loan Amount plus the total Loan Amounts of all other Lenders then outstanding.

"Matured Value" means, for any Loan Amount, the sum of such Loan Amount and all unpaid Interest, fees and other amounts scheduled to become due (whether or not then due) on such Loan Amount during all Tranche Periods to which any portion of such Loan Amount has been allocated.

"Maximum Incremental Loan Amount" means, at any time, the lesser of (a) the difference between the Loan Limit and the Aggregate Loan Amount then outstanding and (b) the difference between the Aggregate Commitment and the Matured Aggregate Loan Amount then outstanding.

"Moody's" shall mean Moody's Investors Service, Inc.

"Net Receivables Balance" shall mean, at any time, the Outstanding Balance of all Eligible Receivables at such time reduced by the sum of (a) the amount by which the Outstanding Balance of all Eligible Receivables of any Obligor (other than an Approved Obligor) and its Affiliates exceeds the Concentration Factor at

such time, plus (b) the amount by which the Outstanding Balance of all Eligible Receivables of any Approved Obligor and its Affiliates exceeds its Approved Obligor Limit.

"Non-Excluded Taxes" shall have the meaning ascribed to such term in Section 9.5.

"Obligor" shall mean, with respect to any Receivable, the Person obligated to make payments on such Receivable or any guarantor of such obligation.

"OECD Country" shall have the meaning ascribed to such term in Section 11.6(c).

"Originator" shall mean each of the following Delaware corporations: Borg-Warner Automotive Diversified Transmission Products Corporation; Borg-Warner Automotive Air/Fluid Systems Corporation; Borg-Warner Automotive Morse TEC Corporation; Borg-Warner Automotive Automatic Transmission Systems Corporation; and Borg-Warner Automotive Powertrain Systems Corporation.

"Other Costs" shall have the meaning ascribed to such term in Section 9.4.

"Other Borrowers" shall have the meaning ascribed to such term in Section 9.1.

"Outstanding Balance" of any Receivable shall mean, at any time, the aggregate of all amounts required to be paid by the related Obligor and not then paid, whether or not then due, including any accrued and unpaid Finance Charges but excluding any unaccrued Finance Charges.

"Parent" shall mean Borg-Warner Automotive, Inc., a Delaware corporation.

"Participant" shall have the meaning ascribed to such term in Section 11.6(b).

"Payment" shall mean any payment of funds hereunder by or on behalf of any Lender to the Borrower.

"Payment Date" shall mean, with respect to each Payment, the Business Day on which such Payment is made.

"Periodic Report" shall mean a monthly report, substantially in the form of Exhibit E or in such other form as mutually agreed to by the Collection Agent and the Agent.

"Permitted Investments" shall mean (a) evidences of indebtedness, maturing not more than thirty (30) days after the date of purchase thereof, issued by, or guaranteed by the full faith and credit of, the federal government of the USA, (b) repurchase agreements with banking institutions or broker-dealers registered under the Securities Exchange Act of 1934, as amended, fully secured by obligations of the kind specified in (a) above, or (c) money market funds rated not lower than the highest rating category from Moody's and AAAM or AAAM-g from S&P or otherwise acceptable to the Rating Agencies or (d) commercial paper issued by any corporation incorporated under the laws of the USA, provided that such commercial paper is rated at least A-1+ or the equivalent thereof by S&P and at least P-1 or the equivalent thereof by Moody's.

"Person" shall mean individuals, partnerships, corporations, business trusts, joint stock companies, trusts, unincorporated associations, joint ventures, Governmental Authorities, or any other entity of whatever nature.

"Potential Termination Event" shall mean any event or condition which but for the lapse of time or the giving of notice, or both, would constitute a Termination Event.

"Prime Rate" shall mean (a) prior to the occurrence of a Termination Event except with respect to any Tranche Period to which all or any portion of the Loan Amount of the Banks has been allocated, a rate per annum equal to the ABN AMRO Prime Rate, (b) prior to the occurrence of a Termination Event with respect to any Tranche Period to which all or any portion of the Loan Amount of the Program LOC Provider has been allocated, the ABN AMRO Prime Rate plus one percent (1%) per annum and (c) on or after the occurrence of a Termination Event, the ABN AMRO Prime Rate plus two percent (2%) per annum.

"Prime Tranche" shall mean a Tranche as to which Interest is calculated at, or by reference to, the Prime Rate.

"Prime Tranche Period" shall mean, with respect to a Prime Tranche a period of one (1) day or any other period selected by the Borrower or otherwise determined, and approved by the Agent and commencing on a Business Day.

"Pro Rata Share" shall mean, as to any Bank, a fraction (expressed as a percentage) (a) the numerator of which shall be the amount of its Bank Commitment, and (b) the denominator of which shall be the Aggregate Bank Commitment.

"Probable Loss Determination Notice" shall mean the notice given by the Administrator to the Depositary in which the Administrator states that the Administrator has determined that Windmill may not have sufficient monies to pay the Face Amount to any holder of a Windmill commercial paper note.

"Program Documents" shall mean each of the placement agreements between Windmill and the CP Dealers; that certain Amended and Restated Depositary Agreement, dated as of November 15, 1994, between Windmill and the Depositary; that certain Amended and Restated Management Agreement, dated as of November 15, 1994, between the Management Company and Windmill; the Letter of Credit Agreement; that certain Amended and Restated Referral Agreement, dated as of November 15, 1994, among Windmill, ABN AMRO, as a referral agent, and the other Persons who become referral agents thereunder; the Swingline and Backup Purchase Agreement; and the Administration Agreement.

"Program LOC" shall mean that certain irrevocable transferable letter of credit issued by the Program LOC Provider pursuant to the Letter of Credit Agreement, and each letter of credit issued in substitution or replacement therefore.

"Program LOC Provider" shall have the meaning ascribed to such term in the first paragraph of this Agreement.

"Program LOC Provider Commitment" shall mean an amount equal to Twelve Million Seven Hundred Fifty Thousand Dollars (\$12,750,000), as such amount may be reduced pursuant to Section 2.6.

"Program LOC Provider Commitment Percentage" shall mean ten percent (10%).

"Program LOC Provider Termination Date" shall mean the earliest to occur of (a) the third (3rd) Business Day following the Bank Termination Date, (b) that Business Day designated by the Borrower as the Program LOC Provider Termination Date in a written notice to the Agent effectively given at least five (5) Business Days prior to such designated Business Day (which may not occur prior to three (3) Business Days following the Bank Termination Date), and (c) December 22, 1999.

"Program LOC Provider Unused Commitment" shall mean, in each case as of the date of the determination thereof, the excess, if any, of (a) the Program LOC Provider Commitment, minus (b) the sum of (i) that portion of the Program LOC Provider Windmill Exposure determined by the Administrator (in accordance with the Program Documents) to be attributable to the Borrower under this Agreement, plus (ii) the Program LOC Provider Loan Amount.

"Program LOC Provider Windmill Exposure" shall mean, as of the date of any determination, the sum of (a) the amount available to the Depository under the Program LOC, plus (b) the Program Unreimbursed Draw Amount, plus (c) the outstanding principal amount of all Swingline Advances (as that term is used and defined in the Swingline and Backup Purchase Agreement), together with all unpaid, accrued interest thereon (whether or not then due and payable).

"Program Unreimbursed Draw Amount" shall mean, as of the date of any determination, the sum of all draws under the Program LOC in connection with this Agreement which have not been reimbursed (whether through the payment of cash or the exchange of assets) by, or on behalf of, Windmill, together with all interest thereon and all other amounts, if any, payable in connection therewith.

"Purchase Agreement" shall mean that certain Purchase Agreement, dated as of December 23, 1998, among the Borrower and each Originator.

"Purchased Asset" shall have the meaning ascribed to such term in the Purchase Agreement.

"Purchased Percentage" means, for any Put, for each Committed Lender, its Ratable Share or such lesser percentage as is necessary to prevent the Loan Price of such Committed Lender from exceeding its Unused Commitment (unless, in the case of the Program LOC Provider, it elects not to reduce its Purchased Percentage in whole or in part).

"Purchasing Banks" shall have the meaning ascribed to such term in Section 11.6(c).

"Put" is defined in Section 3.1(a).

"Ratable Share" means, for each Committed Lender, such Committed Lender's Commitment divided by the Aggregate Commitment. If, however, on the date any Loan or payment for any Put is to be made by the Committed Lenders, the Program LOC Provider has outstanding Loan Amount plus Program Unreimbursed Draw Amount in excess of its Ratable Share of the outstanding Loan Amount and Program Unreimbursed Draw Amount of all Committed Lenders, then for purposes of such Loan or Put the Ratable Share of each Committed Lender shall be replaced with a percentage equal for each Committed Lender to (a) its Commitment minus its Loan Amount and Program Unreimbursed Draw Amount before such Loan or Put (its "Existing Loan Amount") divided by (b) the Aggregate Commitment minus the sum of the Existing Loan Amounts of all Committed Lenders.

"Rating" shall mean the ratings by a Rating Agency of the commercial paper notes issued by Windmill.

"Rating Agency" shall mean (i) if Windmill's commercial paper notes are then rated by Moody's, Moody's, (ii) if Windmill's commercial paper notes are then rated by S&P, S&P, and (iii) if Windmill's commercial paper notes are then rated by any other rating agency, such rating agency.

"Receivable" shall mean any indebtedness and other obligations owed to an Originator (without giving effect to any sale or conveyance to the Borrower pursuant to the Purchase Agreement or to the Agent for the benefit of the Lenders hereunder) or any right of such an Originator to payment from or on behalf of an Obligor whether constituting an account, chattel paper, instrument or general intangible, arising in connection with the sale or lease of goods or the rendering of services by such Originator (and conveyed by such Originator to the Borrower), including the obligation to pay any Finance Charges with respect thereto. Indebtedness and other rights and obligations arising from any one transaction, including indebtedness and other rights and obligations represented by an individual invoice or agreement, shall constitute a receivable separate from a receivable consisting of the indebtedness and other rights and obligations arising from any other transaction.

"Records" shall mean, with respect to any Receivable, all Contracts and other documents, books, records and other information (including computer programs, tapes, disks, punch cards, media, data processing software and related property and rights) relating to such Receivable and the related Obligor.

"Referral Agent" shall mean ABN AMRO, in its capacity as a referral agent, and the other Persons who become referral agents under that certain Amended and Restated Referral Agreement, dated as of November 15, 1994, between Windmill and the Referral Agent.

"Register" shall have the meaning ascribed to in such term Section 11.6(g).

"Regulatory Change" shall have the meaning ascribed to such term in Section 9.3(a).

"Related Accounts" shall mean, with respect to any Receivable, all deposit accounts and investment accounts into which any Collections or other proceeds of such Receivable are deposited, including all Lock-Box Accounts, and all monies and other funds, certificates, securities, other instruments, general intangibles and other items credited thereto from time to time.

"Related Security" shall mean, with respect to any Receivable: (i) all of the Borrower's right, title and interest in goods (including returned goods), if any, the sale or lease of which by an Originator gave rise to such Receivable, and all insurance contracts with respect thereto; (ii) all other security interests or liens and property subject thereto from time to time, if any, purporting to secure payment of such Receivable, whether pursuant to the Contract related to such Receivable or otherwise, together with all financing statements signed by an Obligor describing any collateral securing such Receivable; (iii) all Guaranties, letters of credit, insurance and other agreements or arrangements of whatever character from time to time supporting or securing payment of such Receivable whether pursuant to the Contract related to such Receivable or otherwise; (iv) all service contracts and other contracts and agreements related to such Receivable; and (v) all Records related to such Receivable.

"Replacement Bank" shall have the meaning ascribed to such term in Section 11.6(d).

"Required Banks" shall mean, at any time, Banks having an aggregate Bank Commitment in excess of sixty-six and two-thirds percent (66-2/3%) of the Aggregate Bank Commitment then in effect or, if the Aggregate Bank Commitments shall then have been terminated, such Banks as together shall then own in excess of sixty-six and two-thirds percent (66-2/3%) of the Bank Loan Amount at such time.

"Reserve" shall for each Lender mean, at any time that such Lender's Loan Amount is greater than zero, an amount equal to the product of (a) the Reserve Percentage at such time, multiplied by (b) such Lender's Loan Amount at such time, and otherwise zero.

"Reserve Percentage" shall mean the greater of (a) ten percent (10%), or (b) the sum of (i) the Loss Reserve Percentage, plus (ii) the Interest Reserve Percentage, plus (iii) the Collection Reserve Percentage, plus (iv) the Dilution Reserve Percentage.

"Retroactive Pricing Adjustment Receivable" shall mean any Receivable owed in connection with a price adjustment for the goods giving rise to such Receivable subsequent to the original invoice sent in respect of such goods.

"Section 9.3 Costs" shall have the meaning ascribed to such term in Section 9.3(c).

"Secured Interest" is defined in Section 2.1(a).

"Special Borrower Subaccount" shall mean the special Borrower subaccount for the Borrower established pursuant to that certain Amended and Restated Depositary Agreement between Windmill and the Depositary, dated as of November 15, 1994.

"S&P" shall mean Standard & Poor's Corporation.

"Subordination Agreement" shall mean that certain Subordination Agreement dated as of the date hereof among each Originator and the Agent for the benefit of the Lenders.

"Subsidiary" shall mean, for any Person, any corporation or other business organization fifty percent (50%) or more of the outstanding voting securities of which shall at the time be owned or controlled, directly or indirectly, by such Person or by one or more such corporations or organizations or by such Person and one or more such corporations or organizations, and any partnership of which such Person or any such corporation or organization is a general partner; provided, however, NSK-Warner K.K. shall not be considered a Subsidiary of any Person unless such Person shall own or control, directly or indirectly, more than fifty percent (50%) of the outstanding voting securities of NSK-Warner K.K. For purposes of this definition, the term "voting securities" shall mean capital stock or other ownership interests having ordinary voting power under ordinary circumstances for the election of directors (or the equivalent of such corporate association, business organization or other entity).

"Successor Program LOC Provider" shall have the meaning ascribed to such term in Section 11.6(f).

"Swingline and Backup Purchase Agreement" shall mean that certain Amended and Restated Swingline and Backup Purchase Agreement, dated as of November 15, 1994, between Windmill and ABN AMRO.

"Taxes" shall mean all taxes, charges, fees, levies or other assessments including income, gross receipts, profits, withholding, excise, property, sales, use, license, occupation and franchise taxes (including, in each such case, any interest, penalties or additions attributable to or imposed on or with respect to any such taxes, charges, fees or other assessments) imposed by the USA or any foreign government or any other jurisdiction or taxing authority.

"Termination Date" shall mean (a) with respect to Windmill, the Windmill Termination Date, (b) with respect to the Banks, the Bank Termination Date and (c) with respect to the Program LOC Provider, the Program LOC Provider Termination Date.

"Termination Event" shall mean an event or condition described in Section 8.1.

"Tooling Receivable" shall mean any Receivable arising in connection with the tooling of equipment utilized to manufacture the related goods (the sale of which gave rise to such Receivable) or other start-up costs or items related thereto which the Obligor must reimburse the Originator therefor.

"Tranche" shall mean a portion of the Aggregate Loan Amount allocated to a Tranche Period.

"Tranche Maturity Date" shall mean the last day of a Tranche Period, whether such date is the originally scheduled last day of such Tranche Period or occurs by reason of early termination of such Tranche Period or otherwise; provided, however, that, if any Tranche Maturity Date shall occur on any day which is not a Business Day, such Tranche Maturity Date shall be extended to the next following Business Day and all applicable Interest, interest and fees shall give effect to such extension of such Tranche Maturity Date.

"Tranche Period" shall mean a CP Tranche Period, a Eurodollar Tranche Period or a Prime Tranche Period.

"Tranche Rate" shall mean the CP Rate, the Eurodollar Rate or the Prime Rate.

"Transaction Documents" shall mean this Agreement, the Fee Letter, the Purchase Agreement, the Indemnity Agreement, the Limited Guaranty, the Subordination Agreement, and all other documents, instruments and agreements executed in connection herewith and therewith.

"UCC" shall mean, with respect to any state, the Uniform Commercial Code as from time to time in effect in such state.

"Unpaid Amount" shall have the meaning ascribed to such term in Section 3.1(b).

"Unused Commitment" means, for any Committed Lender at any time, the difference between its Commitment and its Loan Amount then outstanding.

"USA" shall mean the United States of America, including all states and political subdivisions thereof.

"Windmill" shall have the meaning ascribed to such term in the first paragraph of this Agreement.

"Windmill Event" shall mean the occurrence of any one or more of the following: (a) Windmill becomes an "investment company" within the meaning of the Investment Company Act of 1940, as amended; (b) the Depositary has received a Probable Loss Determination Notice that has not been revoked; (c) either (i) Windmill's commercial paper notes have been (A) rated by S&P less than A-1, or (B) rated by Moody's less than P-1, or (ii) S&P or Moody's has withdrawn or suspended its Rating; or (d) the Program LOC shall fail to be the binding and enforceable obligation of the Program LOC Provider.

"Windmill Funding Source" shall mean any insurance company, bank or other financial institution providing liquidity, back-up purchase or credit support for Windmill.

"Windmill Settlement" means the sum of all claims and rights to payment pursuant to Section 2.5 or 2.7 or any other provision owed to Windmill (or owed to the Agent or the Collection Agent for the benefit of Windmill) by the Borrower that, if paid, would be applied to reduce Windmill's Loan Amount.

"Windmill Termination Date" means the earliest of (a) the Business Day designated by the Borrower with no less than five (5) Business Days prior notice to the Agent, (b) the Business Day designated by Windmill at any time to the Borrower and (c) the Bank Termination Date.

Section 1.2. Other Terms. Except as otherwise specified in this Agreement, all references in this Agreement (i) to any Person (other than the Parent, any Originator or the Borrower) shall be deemed to include such Person's successors and assigns, and (ii) to any law, agreement, statute or contract specifically defined or referred to in this Agreement shall be deemed references to such law, agreement, statute or contract as the same may be supplemented, amended, waived, consolidated, replaced or modified from time to time, but only to the extent permitted by, and effected in accordance with, the terms thereof. The words "herein", "hereof" and "hereunder" and words of similar import, when used in this Agreement, shall refer to this Agreement as a whole and not to any provision of this Agreement, and references to "Article," "Section," "paragraph," "Exhibit," "Schedule" and "Appendix" are references to this Agreement unless otherwise specified. Whenever the context so requires, words importing any gender include the other gender. Any of the defined terms may,

unless the context otherwise requires, be used in the singular or the plural depending on the reference; the singular includes the plural and the plural includes the singular. The word "or" shall not be exclusive.

All defined terms shall have the defined meanings when used in the Transaction Documents or, except as otherwise expressly stated therein, any certificate, opinion or other document delivered pursuant to a Transaction Document. In the event of a conflict in the defined meanings in a Transaction Document and this Agreement, this Agreement shall govern.

For purposes of the Transaction Documents, all accounting terms not otherwise defined in this Agreement or in the relevant Transaction Document shall have the meanings assigned them in conformity with GAAP.

For purposes of the Transaction Documents, all terms used in Article 9 of the UCC and not specifically defined in this Agreement or in the relevant Transaction Document shall be defined herein and in the Transaction Documents as such terms are defined in the UCC as in effect in the State of Illinois.

For purposes of the Transaction Documents, each reference to this Agreement, any other Transaction Document, the Program LOC, any Program Document or any other agreement shall be a reference to such agreement together with all exhibits, schedules, attachments and appendices thereto, in each case as amended, restated, supplemented or otherwise modified from time to time in accordance with the terms thereof and hereof.

References to "writing" include telecopying, printing, typing, lithography and other means of reproducing words in a tangible visible form including computer generated information accessible in tangible visible form. References to "written" include faxed, printed, typed, lithographed and other means of reproducing words or symbols in a tangible visible form consistent with the preceding sentence. The words "including," "includes" and "include" shall be deemed to be followed by the words "without limitation."

Section 1.3. Computation of Time Periods. Unless otherwise expressly provided herein, any period of time (including each Tranche Period) ending on a day which is not a Business Day shall end on the next succeeding Business Day. Unless otherwise stated in this Agreement or the other Transaction Documents, in the computation of a period of time from a specified date to a later specified date, the word "from" means "from and including" and the words "to" and "until" each means "to but excluding."

Article II Loans to Borrower and Settlements

Section 2.1. Loans.

(a) The Secured Interest. Subject to the terms and conditions hereof, the Borrower may, from time to time before the Bank Termination Date, request Windmill or, only if Windmill denies such request, ratably request that the Committed Lenders make loans secured by an undivided percentage ownership interest in the Receivables and all related Collections. Any such loan made by Windmill or the Committed Lenders (a "Loan") shall be made by each relevant Lender remitting funds to the Borrower, through the Agent, pursuant to Section 2.1(c) or by the Collection Agent remitting Collections to the Borrower pursuant to Section 2.1(d). The aggregate percentage security interest so acquired by a Lender in the Receivables and related Collections (its "Loan Interest") shall equal at any time the following quotient:

$$\frac{\text{aaaaaaaLA} + \text{Raaaaaaa}}{\text{aaaaaaaNRB}}$$

where:

LA = the outstanding Loan Amount of such Lender at such time;

R = the Reserve for such Lender at such time; and

NRB = the Net Receivables Balance at such time.

Except during a Liquidation Period for a Lender, such Lender's Loan Interest will change whenever its Loan Amount, its Reserve or the Net Receivables Balance changes. During a Liquidation Period for a Lender its Loan Interest shall remain constant, except for redeterminations of the Loan Interests of Lenders to reflect Loan Amounts acquired from or transferred to another Lender under Article III. The sum of all Loan Interests of the Lenders at any time is referred to herein as the "Secured Interest", which at any time is the aggregate percentage ownership interest then held by such Lenders in the Receivables and Collections.

(b) Windmill Loan Option and Committed Lenders' Commitments. At no time will Windmill have any obligation to make a Loan. Each Bank and the Program LOC Provider (together the "Committed Lenders" and each a "Committed Lender") severally hereby agrees, subject to the terms and conditions hereof, to make Loans before the Bank Termination Date, based on its Ratable Share of each Loan by the Committed Lenders, to the extent its Loan Amount would not thereby exceed its Commitment, the Aggregate Loan Amount would not thereby exceed the Loan Limit, and the Matured Aggregate Loan Amount would not thereby exceed the Aggregate Commitments.

(c) Loans. In order to request a Loan from a Lender, the Borrower must provide to the Agent an irrevocable written request (including by telecopier or other facsimile communication) substantially in the form of Exhibit K, by 10:00 a.m. (Chicago time) three Business Days before the requested date (the "Loan Date") of such Loan, the requested Loan Date (which must be a Business Day) and the requested amount of such Loan, which must be in a minimum amount of \$1,000,000 and multiples thereof (or, if less, an amount equal to the Maximum Incremental Loan Amount). A Loan may only be requested from Windmill unless Windmill, in its sole discretion, determines not to make such Loan (and the Borrower shall be notified of such determination by not later than 10:45 a.m. on the date of such request), in which case the Borrower may request such Loan from the Committed Lenders. The Agent shall promptly notify the contents of any such request to each Lender from which the Loan is requested. If the Loan is requested from Windmill and Windmill determines, in its sole discretion, to make the requested Loan, Windmill shall transfer to the Agent's Account the amount of such Loan on the requested Loan Date. If the Loan is requested from the Committed Lenders, subject to the terms and conditions hereof, each Committed Lender shall transfer its Ratable Share of the requested Loan Amount into the Agent's Account by no later than 12:00 noon (Chicago time) on the Loan Date. The Agent shall transfer to the Borrower Account the proceeds of any Loan delivered into the Agent's Account.

(d) Security Interest. To secure all of the Borrower's obligations under the Transaction Documents, the Borrower hereby grants to the Agent (for the benefit of the Lenders) a security interest in all of the Borrower's rights in the Receivables, the Collections, and the Lock-Box Accounts.

Section 2.2. Optional Liquidations. The Borrower may at any time direct that an Interim Liquidation commence for all Lenders by giving the Agent and the Collection Agent at least three Business Days' 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 before the Loan Amortization Date (identified as a specific date or as when the Aggregate Loan Amount is reduced to a specified amount). If the Borrower 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 Loan Amortization Date by notifying the 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.

Section 2.3. Selection of Interest Rates and Tranche Periods. (a) Each Loan Amount shall be allocated to one or more Tranches reflecting the Interest Rates at which such Loan Amount accrues Interest and the Tranche Periods for which such Interest Rates apply. In each request for a Loan and three Business Days before the expiration of any Tranche Period applicable to any Loan Amount of any Lender, the Borrower may request the Interest Rate(s) and Tranche Period(s) to be applicable to such Loan Amount. All Loan Amounts (i) of Windmill shall accrue Interest at the CPRate and (ii) of the Committed Lenders may accrue Interest at either the Eurodollar Rate or the Prime Rate, in all cases as established for each Tranche Period applicable to such Loan Amount. Each Tranche shall be in the minimum amount of \$1,000,000 and in multiples thereof or, in the case of Interest accruing at the Prime Rate, in any amount of the Loan Amount that otherwise has not been allocated to another Tranche Period. Any Loan Amount not allocated to a Tranche Period shall be a Prime Tranche. During the pendency of a Termination Event, the Agent may reallocate any outstanding Loans to a Prime Tranche. All Interest accrued during a Tranche Period shall be payable by the Borrower on the last day of such Tranche Period or, for a Eurodollar Tranche with a Tranche Period of more than three months, 90 days after the commencement, and on the last day, of such Tranche Period.

(b) If, by the time required in Section 2.3(a), the Borrower fails to select a Tranche Period for any Loan Amount of Windmill, the Agent may, in its sole discretion, select such Tranche Period. If, by the time required in Section 2.3(a), the Borrower fails to select a Interest Rate or Tranche Period for any Loan Amount of the Committed Lenders, such Loan Amount shall automatically accrue Interest at the Prime Rate for a three Business Day Tranche Period. Any Loan Amounts purchased from Windmill pursuant to Section 3.1 shall have a Prime Tranche Period of three Business Days.

(c) If the Agent or any Committed Lender determines (i) that maintenance of any Eurodollar Tranche would violate any applicable law or regulation or (ii) that deposits of a type and maturity appropriate to match fund any of such Committed Lender's Eurodollar Tranches are not available, then the Agent, upon the direction of such Committed Lender shall suspend the availability of, and terminate any outstanding, Eurodollar Tranche so affected. All Loan Amounts allocated to any such terminated Eurodollar Tranche shall be reallocated to a Prime Tranche.

Section 2.4. Fees and Other Costs and Expenses. (a) The Borrower shall pay to the Agent for the account of the Program LOC Provider and the Agent, such amounts as agreed to with the Program LOC Provider and the Agent in the Fee Letter.

(b) If any Loan Amount allocated to any CP or Eurodollar Tranche is reduced before the last day of its Tranche Period, or if a requested Loan at the Eurodollar Rate does not take place on its scheduled Loan Date, the Borrower shall pay the Early Collection Fee to each Lender that had its Loan Amount so reduced or scheduled Loan not made.

(c) Each Loan Amount shall be payable solely from Collections and from amounts payable under Sections 2.5 and 2.7 (to the extent amounts paid under Section 7.1 indemnify against reductions in or nonpayment of Receivables). The Borrower shall pay, as a full recourse obligation, all other amounts payable hereunder, including, without limitation, all Interest, fees described in clauses (a) and (b) above and amounts payable under Article IX.

Section 2.5. Maintenance of Secured Interest; Deemed Collection. (a) General. If at any time before the Loan Amortization Date the Net Receivables Balance is less than the sum of 100% plus the Reserve Percentage multiplied by the Aggregate Loan Amount (or, if a Termination Event exists, the Matured Aggregate Loan Amount), the Borrower shall pay to the Agent an amount equal to such deficiency for application to reduce the Loan Amounts of the Lenders ratably in accordance with the principal amount of their respective Loan

Amounts, applied first to Prime Tranches and second to the other Tranches with the shortest remaining maturities unless otherwise specified by the Borrower. Any amount so applied to reduce Windmill's Loan Amount shall be deposited in the Special Borrower Subaccount.

(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 other similar reason not arising from the financial inability of the Obligor to pay undisputed indebtedness, the Borrower 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 Borrower related to a Receivable is not true or is not satisfied, the Borrower 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 Borrower under this Section 2.5(b) shall be remitted by the Borrower to the Collection Agent in accordance with Section 3.3.

(c) Adjustment to Secured Interest. At any time before the Loan Amortization Date that the Borrower is deemed to have received any Collection under Section 2.5(b) ("Deemed Collections") that derive from a Receivable that is otherwise reported as an Eligible Receivable, so long as no Liquidation Period then exists, the Borrower may satisfy its obligation to deliver such amount to the Collection Agent by instead notifying the Agent that the Secured Interest should be recalculated by decreasing the Net Receivables Balance by the amount of such Deemed Collections, so long as such adjustment does not cause the Secured 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 Borrower 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 2.6. Reduction in Commitments. The Borrower may, upon 30 days' notice to the Agent, reduce the Aggregate Commitment in increments of \$1,000,000, so long as the Aggregate Commitment at all times equals at least the outstanding Matured Aggregate Loan Amount. Each such reduction in the Aggregate Commitment shall reduce the Commitment of each Committed Lender in accordance with its Ratable Share and shall ratably reduce the Loan Limit so that the Aggregate Commitment remains equal to 102% of the Loan Limit.

Section 2.7. Optional Prepayments. At any time that the Aggregate Loan Amount is less than 10% of the Aggregate Commitment in effect on the date hereof, the Borrower may, upon thirty days' notice to the Agent, prepay the entire Loan Amount at a price equal to the outstanding Matured Aggregate Loan Amount and all other amounts then owed to the Lenders hereunder.

Section 2.8. Assignment of Purchase Agreement. The Borrower hereby assigns and otherwise transfers to the Agent (for the benefit of the Agent, each Lender and any other Person to whom any amount is owed hereunder), all of the Borrowers right, title and interest in, to and under the Purchase Agreement. The Borrower 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 Borrower 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 agreement) and (b) all rights, remedies, powers, privileges and claims of the Borrower 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 Lender 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 Borrower's rights and remedies under the Purchase Agreement to the same extent as the Borrower could absent this assignment, but without any obligation on the part of the Agent, any Lender or any other such Person to perform any of the obligations of the Borrower under the Purchase Agreement (or any of the promissory notes executed thereunder). All amounts distributed to the Borrower under the Purchase Agreement from Receivables sold to the Borrower thereunder shall constitute Collections hereunder and shall be applied in accordance herewith.

Article III Sales to and from Windmill; Allocations

Section 3.1. Required Loans from Windmill. (a) Windmill may, at any time, and on the earlier of the Windmill Termination Date and 10 Business Days following the Agent and Windmill learning of a continuing Termination Event, Windmill shall, sell to the Committed Lenders any percentage designated by Windmill of Windmill's Loan Amount and its related Windmill Settlement (each, a "Put"). If the Put occurs due to the Windmill Termination Date or a Termination Event, the designated percentage shall be 100% or such lesser percentage as is necessary to obtain the maximum available Loan Price from each Committed Lender. Immediately upon notice of a Put from Windmill to the Agent, the Agent shall deliver to each Lender a notification of assignment in substantially the form of Exhibit F-1, and each Committed Lender shall purchase from Windmill its Pro Rata Share of Windmill's Loan Amount and related Windmill Settlement by transferring to the Agent's Account an amount equal to such Committed Lender's Loan Price by not later than 1:00 p.m. (Chicago time) on the date such funds are requested; provided, however, that the Program LOC Provider may exchange for part or all of the Loan Price payable by it an equal amount of the Program Unreimbursed Draw Amount.

(b) If a Bank fails to transfer to the Agent its full Loan Price when required by Section 3.1(a) (the aggregate amount not made available to the Agent by each such Bank being the "Unpaid Amount"), then, upon notice from the Agent by not later than 1:15 p.m. (Chicago time), each Bank not owing an Unpaid Amount shall transfer to the Agent's Account, by not later than 1:45 p.m. (Chicago time), an amount equal to the lesser of such Bank's proportionate share (based on its Commitment divided by the Commitments of all Banks that have not so failed to pay their full Loan Price) of the Unpaid Amount and its Unused Commitment. If the Agent does not then receive the Unpaid Amount in full, upon notice from the Agent by not later than 2:00 p.m. (Chicago time) on such day, each Bank that has not failed to fund any part of its obligations on such day under this Section 3.1 shall pay to the Agent, by not later than 2:30 p.m. (Chicago time), its proportionate share (determined as described above) of the amount of such remaining deficiency up to the amount of its Unused Commitment. Any Bank that fails to make a payment under this Section 3.1 on the date of a Put shall pay on demand to each other Bank that makes a payment under this subsection (b) the amount paid by it to cover such failure, together with interest thereon, for each day from the date such payment was made until the date such other Bank has been paid such amount in full, at a rate per annum equal to the Federal Funds Rate plus two percent (2%) per annum. In addition, without prejudice to any other rights Windmill may have under applicable law, any Bank that has failed to transfer to the Agent under Section 3.1(a) its full Loan Price shall pay on demand to Windmill the difference between such unpaid Loan Price and the amount paid by other Banks or the Agent to cover such failure, together with interest thereon, for each day from the date such Loan Price was due until the date paid, at a rate per annum equal to the Federal Funds Rate plus two percent (2%) per annum.

(c) Any portion of Windmill's Loan Amount and related Windmill Settlement purchased by a Committed Lender (including any purchased under Section 3.1(b) in fulfillment of another Bank's obligation unless such purchase is reimbursed in full, with interest, by such other Bank under Section 3.1(b)) shall be

considered part of such Lender's Loan Amount and related Windmill Settlement from the date of the relevant Put. Each such sale by Windmill to a Committed Lender shall be without recourse, representation or warranty except for the representation and warranty that such Loan Amount and related amounts are being sold by Windmill free and clear of any Adverse Claim created or granted by Windmill. Immediately upon any purchase by the Committed Lenders of any portion of Windmill's Loan Amount, the Borrower shall pay to the Agent (for the ratable benefit of such Lenders) an amount equal to the sum of the Assigned Windmill Settlement and the amount calculated for all such Lenders pursuant to clause (b) of the definition of Loan Price.

(d) The proceeds from each Put received by Windmill (other than amounts described in clauses (b)(ii) and (iii) of the definition of Loan Price), shall be transferred into the Special Borrower Subaccount and used solely to pay that portion of the outstanding commercial paper of Windmill issued to fund or maintain the Loan Amount of Windmill so transferred. Until used to pay commercial paper notes, all proceeds of any Put pursuant to this Section shall be invested in Permitted Investments. All earnings on such Permitted Investments shall be promptly remitted to the Borrower.

(e) The obligation of each Committed Lender to make any purchase from Windmill pursuant to this Section 3.1 shall be several, not joint, and shall be absolute and unconditional; provided, however, that no Committed Lender shall have any obligation to make such a purchase at a time that (i) Windmill shall have voluntarily commenced any proceeding or filed any petition under any bankruptcy, insolvency or similar law seeking the dissolution, liquidation or reorganization of Windmill or (ii) involuntary proceedings or an involuntary petition shall have been commenced or filed against Windmill under any bankruptcy, insolvency or similar law seeking the dissolution, liquidation or reorganization of Windmill and such proceeding or petition shall not have been dismissed or stayed for a period of thirty (30) days, or any of the actions sought in such proceeding or petition (including the entry of an order for relief against, or the appointment of a receiver, trustee, custodian or other similar official for, Windmill or for any substantial part of Windmill's property) shall occur.

Section 3.2. Loans by Windmill. If the Borrower requests an increase in Windmill's Loan Amount when any Committed Lender has any outstanding Loan Amount, Windmill shall determine the amount, if any, by which it desires to increase its Loan Amount (the "Desired Increase") and shall so notify the Agent. If Windmill has a Desired Increase, the Agent shall deliver to the Committed Lenders a notification of assignment in substantially the form of Exhibit F-2 and, before purchasing any additional Loan Amount from the Borrower, Windmill shall purchase in full the Loan Amount of the Committed Lenders, at a purchase price equal to such Loan Amount plus accrued and unpaid Interest thereon. If the Desired Increase is less than the sum of the total Loan Amount of the Committed Lenders and accrued Interest, Windmill shall purchase a ratable portion of each Bank's Loan Amount and only after all such Loan Amount and accrued Interest thereon is purchased may Windmill purchase Loan Amount of the Program LOC Provider and Interest thereon. As a condition to any such sale of Loan Amount by Committed Lenders to Windmill, the Borrower must pay the Early Collection Fee then owed to such Committed Lenders. Any sale from any Committed Lender to Windmill pursuant to this Section 3.2 shall be without recourse, representation or warranty except for the representation and warranty that the Loan Amount sold by such Committed Lender is free and clear of any Adverse Claim created or granted by such Committed Lender and that such Lender has not suffered a Bankruptcy Event.

Section 3.3. Allocations and Distributions.

(a) Windmill Termination and Liquidation Periods. Before the Bank Termination Date unless an Interim Liquidation is in effect and at all times on and after the Windmill Termination Date, the Collection Agent (i) shall set aside and hold solely for the benefit of Windmill, Windmill's Loan Interest in

all Collections received on such day and (ii) shall distribute on the last day of each CP Tranche Period to the Agent (for the benefit of Windmill) the amounts so set aside up to the amount of Windmill's Loan Amount allocated to such Tranche Period and, to the extent not already paid in full, all Interest thereon and all other amounts then due from the Borrower in connection with such Loan Amount and Tranche Period. The Secured Interest, and the Loan Interest of the Lenders, shall be recalculated to give effect to any application of any portion of the Secured Interest in Collections to pay Interest or other amounts (except Loan Amount) under this Section 3.3(a), and the Borrower shall comply with Section 2.5(a) after such recalculation.

(b) Loan Amortization Date and Interim Liquidations. On each day on and after the Bank Termination Date, and during any Interim Liquidation, the Collection Agent shall set aside and hold solely for the account of the Agent, for the benefit of the Lenders, all Collections received on such day as follows:

(i) first, only so long as (A) the sum of the Matured Value of the Windmill Loan Amount, the Matured Value of each Bank's Loan Amount, and the Program LOC Provider Loan Amount is less than (B) the product of the Secured Interest (or, if less, 100%) multiplied by the Net Receivables Balance, to the payment of all Interest then due and not paid to the Program LOC Provider;

(ii) second, to Windmill and to the Banks (ratably, based on the Matured Value of their Loan Amounts) until all Loan Amounts of, and Interest due but not already paid to, the Banks and Windmill has been paid in full;

(iii) third, to the Program LOC Provider until all Loan Amounts of, and Interest due but not already paid to, the Program LOC Provider has been paid in full;

(iv) fourth, to the Lenders until all other amounts owed to the Lenders have been paid in full;

(v) fifth, to the Agent until all amounts owed to the Agent 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 Borrower (or as otherwise required by applicable law). Unless an Interim Liquidation has ended by such date, the Collection Agent shall deposit into the Agent's Account, from such set aside Collections, all amounts allocated to such Tranche Period and all Tranche Periods that ended before such date, due in accordance with the priorities in clauses (i)-(iii) above. No distributions shall be made to pay amounts under clauses (iv) - (vii) until sufficient Collections have been set aside to pay all amounts described in clauses (i) - (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 the Agent and all Lenders. As provided in Section 2.4(c) all Interest and other amounts payable hereunder other than Loan Amounts are payable by the Borrower. If any part of the Secured Interest in any Collections is applied to pay any such amounts pursuant to this Section 3.3(b), the Borrower shall pay to the Collection Agent the amount so applied for distribution as part of the Secured Interest in Collections.

Article IV

Representations and Warranties

Section 4.1. Representations and Warranties. The Borrower represents and warrants to the Agent and each Lender that:

(a) Corporate Existence and Power. Each of the Borg-Warner Entities is a

corporation duly organized, validly existing and in good standing under the laws of its state of incorporation and has all corporate power and all governmental licenses, authorizations, consent and approvals required to carry on its business in each jurisdiction in which its business is now conducted except where failure to obtain such licenses, authorizations, consents and approvals would not have (i) an adverse effect on its ability to perform its obligations under each of the Transaction Documents to which it is a party, (ii) an adverse effect on the enforceability of any of the Transaction Documents, (iii) a material adverse effect on its business or financial condition, (iv) a material adverse effect on the interests of the Agent or any Lender hereunder or under any of the other Transaction Documents, or (v) a material adverse effect on the enforceability or collectibility of any Receivable.

(b) Corporate and Governmental Authorization; Contravention. The execution, delivery and performance by each of the Borg-Warner Entities of each Transaction Document to which it is (or is stated to be) a party are within its corporate powers, have been duly authorized by all necessary corporate action, require no action by or in respect of, or filing with, any Governmental Authority, and do not contravene, or constitute a default under, any provision of applicable law or regulation or of the certificate of incorporation or by-laws of any such Borg-Warner Entity or of any agreement, judgment, injunction, order, decree or other instrument binding upon it or result in the creation or imposition of any lien on assets of any Borg-Warner Entity or any of its Subsidiaries.

(c) Binding Effect. Each of the Transaction Documents constitutes the legal, valid and binding obligation of each Borg-Warner Entity which is (or is stated to be) a party thereto enforceable against each such Borg-Warner Entity in accordance with its terms, except to the extent that such enforcement may be limited by bankruptcy, insolvency or similar laws affecting the enforcement of creditors' rights generally and by general principles of equity.

(d) Perfection. Immediately preceding the Loans hereunder, each Originator shall have been the owner and shall have effectively sold all receivables and other property that constitute Purchase Assets to the Borrower, free of any Adverse Claim, and the Borrower shall be the owner of all of the receivables purported to be transferred as Receivables hereunder. On or prior to the date hereof and prior to the Borrower's acquisition of any new receivable from an Originator, all financing statements and other documents required to be recorded or filed in order to perfect and maintain the Agent's (for the benefit of the Lender's) interest in the Secured Interest and in any additional property conveyed pursuant to Article II against all creditors of and purchasers from the Borrower and all creditors of and purchasers from any Originator will have been duly filed in each filing office necessary for such purpose and all filing fees and Taxes, if any, payable in connection with such filings shall have been paid in full. Notwithstanding the foregoing, nothing in this Section 4.1(d) shall constitute a representation with respect to any Receivable the Obligor of which is a government or governmental subdivision or agency to the extent that such representation requires compliance with any federal laws of the USA relating to the transfer or perfection of such Receivable.

(e) Accuracy of Information. All information heretofore furnished by any Borg-Warner Entity to Windmill, the Program LOC Provider, the Agent or any Bank for purposes of or in connection with this Agreement, any of the other Transaction Documents or any transaction contemplated hereby or thereby is, and all such information hereafter furnished by any Borg-Warner Entity to Windmill, the Program LOC Provider, the Agent or any Bank will be, true and accurate in every material respect and will not omit any information necessary to make the statements therein not materially misleading, on the date such information is stated or certified.

(f) Eligible Receivables. Each Receivable at any time included in the Net Receivables Balance as an Eligible Receivable at the time of any computation hereunder shall in fact be an Eligible Receivable at such time.

(g) Actions, Suits. There are no actions, suits or proceedings pending, or to the knowledge of the Borrower threatened, against or affecting the Borrower or any other Borg-Warner Entity or any Subsidiary of any Borg-Warner Entity or any of their respective properties, in or before any Governmental Authority, arbitrator or other body, which may materially adversely affect the financial condition of the Borrower or any other Borg-Warner Entity or the collectibility of the Receivables or materially adversely affect the ability of any Borg-Warner Entity to perform its obligations under each of the Transaction Documents to which it is (or is stated to be) a party; the Borrower is not in default with respect to any contractual obligation or any order of any court, arbitrator or Governmental Authority; and no Borg-Warner Entity nor any Subsidiary of any Borg-Warner Entity is in material default with respect to any material contractual obligation or any order of any court, arbitrator or Governmental Authority.

(h) No Material Adverse Change. Since September 30, 1998, there has been no material adverse change in the financial condition, business, operations or prospects of any Borg-Warner Entity, or in the ability of any Borg-Warner Entity to perform its obligations hereunder or under any other Transaction Document or in the collectibility of the Receivables.

(i) Credit and Collection Policy. The Borrower and each Originator has complied in all material respects with the Credit and Collection Policy in regard to each Receivable and related Contract and since September 30, 1998, there has been no material change in such Credit and Collection Policy.

(j) Use of Proceeds. No proceeds of the Loans will be used by any Borg-Warner Entity to acquire any security in any transaction which is subject to Section 13 or 14 of the Securities Exchange Act of 1934, as amended.

(k) Place of Business. The chief place of business and chief executive office of the Borrower and each Originator are located at the respective addresses of each such Person set forth on Exhibit G and such offices have been so located for six months prior to the date hereof.

(l) Lock-Box Arrangements. All Lock-Box Banks, Lock-Box numbers and Lock Box Account numbers are listed on Exhibit C or described in a notice provided by the Borrower to the Agent. The Borrower has sent a copy of all Lock-Box Agreements to the Agent.

(m) Payments on Receivables. Each Obligor is required to send all payments with respect to each Receivable (other than Tooling Receivables) to a Lock-Box in the exclusive control of the Lock-Box Bank for deposit in a Lock-Box Account, and no funds other than payments with respect to the Receivables (which may be Tooling Receivables) are deposited in any such Lock-Box Account.

(n) Good Title. Upon the Loans and upon each Payment, the Agent shall have, for the benefit of the Lenders, a valid and perfected first priority interest in each item comprising the Secured Interest as it exists at the time of the Loans or such Payment and in any additional property conveyed pursuant to Article II, free and clear at all such times of any Adverse Claim.

(o) Names. Except as described in Exhibit H, the Borrower has not used any corporate names, tradenames or assumed names other than its name set forth on the signature pages of this Agreement.

(p) Coverage Requirement. The product of the Secured Interest (expressed as a percentage) multiplied by the Net Receivables Balance equals or exceeds the Coverage Amount.

(q) Net Worth. The Borrower has a positive tangible net worth of at least One Million Dollars (\$1,000,000) as determined in accordance with GAAP.

(r) Subsidiaries. The Borrower has no Subsidiaries and does not own or hold, directly or indirectly, any capital stock or equity security of, or equity interest in, any Person.

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

(t) 1933 and 1940 Acts. Each Receivable is an account receivable representing all or part of the sale prices of merchandise, insurance and services within the meaning of Section 3(c)(5) of the Investment Company Act of 1940, as amended, and a purchase price of each Receivable with the proceeds of notes would constitute a "current transaction" within the meaning of Section 3(a)(3) of the Securities Act of 1933, as amended.

Section 4.2. Reaffirmation of Representations and Warranties. On each day that a Payment is made hereunder, the Borrower, by accepting such Payment, shall be deemed to have certified that (i) all representations and warranties described in Section 4.1 are correct in all material respects on and as of such day as though made on and as of such day and (ii) no event has occurred or is continuing, or would result from any such Payment, which constitutes a Termination Event or a Potential Termination Event.

Article V

Conditions Precedent and Subsequent

Section 5.1. Conditions to Closing. This Agreement shall become effective on the first date (the "Effective Date") on which all of the conditions set forth in this Section 5.1 shall have been satisfied. On or prior to the Effective Date, the Borrower shall deliver to the Agent, with a copy to each Lender, the following documents, instruments and opinions, all of which shall be in form and substance acceptable to the Agent and each Lender:

(a) Originals of proper financing statements, if any, necessary to release all Adverse Claims of any Person in the Filing Assets previously granted by the Borrower or any Originator.

(b) Certified copies of requests for information or copies (Form UCC-11) (or a similar search report certified by parties acceptable to the Agent) dated a date reasonably near the date of the Loans listing all effective financing statements which name the Borrower or any Originator (under its present name and any previous name) as seller, Borrower or debtor and which are filed in jurisdictions in which the filings were made pursuant to Section 5.1(e) together with copies of such financing statements (none of which shall cover any Filing Assets).

(c) A certificate in the form of Exhibit J executed by a Designated Financial Officer of the Borrower.

(d) Any fee payable on the date hereof pursuant to the Fee Letter in accordance with Section 2.4.

(e) A Periodic Report for November, 1998 (prepared as if this Agreement and the Purchase Agreement had been in effect during such month).

(f) An executed copy of the Fee Letter.

(g) An executed copy of each of the other Transaction Documents.

(h) Executed copies of (i) all consents from and authorizations by any Persons and (ii) all waivers and amendments to existing credit facilities, that are necessary in connection with this Agreement.

(i) Such other approvals, opinions or documents as the Agent may

reasonably request.

Section 5.2. Conditions Subsequent. Within 30 days after the Effective Date, the Borrower shall deliver to the Agent, with a copy to each Lender, the following documents, instruments and opinions, all of which shall be in a form and substance acceptable to the Agent and each Lender:

(a) Originals of proper UCC continuation statements with respect to each Originator and the Borrower.

(b) Copy of the resolutions of the board of directors of each of the Borg-Warner Entities, certified by its secretary or any assistant secretary, approving each of the Transaction Documents to which it is (or is stated to be) a party.

(c) Certificate of incorporation of each of the Borg-Warner Entities certified by the Secretary of State of its state of incorporation.

(d) Good standing certificates for each of the Borg-Warner Entities issued by the Secretaries of State of each jurisdiction where it has material operations.

(e) A certificate of the secretary or any assistant secretary of each of the Borg-Warner Entities certifying (i) the names and signatures of the officers authorized on its behalf to execute each Transaction Document to which it is (or is stated to be) a party (on which certificate the Agent and each Lender may conclusively rely until such time as the Agent and each Lender shall receive from it a revised certificate meeting the requirements of this Section 5.1(d)) and (ii) a copy of its by-laws.

(f) Favorable opinions of counsel to each of the Borg-Warner Entities in substantially the form of Exhibit I, and as to such other matters as the Agent may reasonably request.

Section 5.3. Condition to Each Loan. Neither the Agent nor Windmill shall have any obligation to make a Loan hereunder. Neither the Program LOC Provider nor any Bank shall have any obligation to make any Loan, if at the time of such Loan and after giving effect thereto, there shall exist a Termination Event or Potential Termination Event. Nothing in this Section 5.2 shall be construed as a condition to or a limitation of the obligation to Windmill of the Program LOC Provider to pay, or exchange any Program Unreimbursed Draw Amount in connection with, its Loan Price, or of each Bank to pay its respective Loan Price, pursuant to Article III.

Article VI

Covenants

Section 6.1. Affirmative Covenants of the Borrower. The Borrower hereby covenants, undertakes and agrees that at all times from the date hereof until the termination of this Agreement pursuant to Section 11.1, unless the Agent, with the consent of Windmill (at any time that the Windmill Loan Amount is greater than zero), the Program LOC Provider and the Required Banks, shall otherwise consent in writing:

(a) Financial Reporting. The Borrower will maintain, and will cause each Borg-Warner Entity to maintain, for itself and each of its Subsidiaries, a system of account established and administered in accordance with GAAP, and the Borrower will furnish to the Agent and to each Lender:

(i) Annual Financial Statements. Within one hundred twenty (120) days after each fiscal year of the Parent (beginning with the fiscal year ending December 31, 1997), copies of the annual audited financial statement of the Parent certified by an independent certified public accountant satisfactory to the Agent and prepared on a consolidated basis in conformity with GAAP, together

with the certificate described in clause (iii) below. Within one hundred twenty (120) days after each fiscal year of each of the Borg-Warner Entities (other than the Parent), copies of the annual balance sheet for such Borg-Warner Entity and, in the case of the Borrower, an annual profit and loss statement, in each case certified by a Designated Financial Officer of such Borg-Warner Entity and prepared on a consolidated basis, together with the certificate described in clause (iii) below.

(ii) Quarterly Financial Statement. Within forty-five (45) days after each quarter (except the last quarter) of each fiscal year of the Parent, copies of the unaudited financial statement of the Parent prepared in the same manner as the report referred to in preceding clause (i), signed by a Designated Financial Officer of the Parent and consisting of at least a balance sheet as at the close of such quarter and statements of earnings and source and application of funds for the period from the beginning of such fiscal year to the close of such quarter, together with the certificate described in clause (iii) below. Within forty-five (45) days after each quarter (except the last quarter) of each fiscal year of the Borrower, a quarterly balance sheet and profit and loss statement of the Borrower for the period from the beginning of such fiscal year to the close of such quarter certified by a Designated Financial Officer of the Borrower, together with the certificate described in clause (iii) below.

(iii) Officer's Certificate. Together with the balance sheet or financial statements furnished with respect to the Borrower and the Parent under preceding clauses (i) and (ii), a compliance certificate in substantially the form of Exhibit J, signed by a Designated Financial Officer of the Borrower or the Parent, as the case may be, and dated the date of such annual balance sheet or financial statement or such quarterly balance sheet or financial statement, as the case may be, to the effect that no Termination Event or Potential Termination Event has occurred and is continuing, or, if there is any such event, describing it and the steps, if any, being taken to cure it, and containing a computation of, and showing compliance with, each of the financial ratios and restrictions contained in this Agreement and the Indemnity Agreement respectively.

(iv) Other Information. Such other information (including non-financial information) as the Agent or any Lender may from time to time reasonably request.

(b) Notices. The Borrower will notify the Agent in writing of any of the following immediately upon learning of the occurrence thereof, describing the same and, if applicable, the steps being taken by the Person(s) affected with respect thereto:

(i) Termination Events or Potential Termination Events. The occurrence of any Termination Event or Potential Termination Event, and such notice shall include a statement of a Designated Financial Officer of the Borrower, setting forth the date of such occurrence and the nature thereof.

(ii) Representations and Warranties. The failure of any representation or warranty to be true (when made or at any time thereafter) in any material respect with respect to any Receivable.

(iii) Downgrading. Any lowering in the rating of any indebtedness below the rating that it has on the date hereof of any Approved Obligor or any Borg-Warner Entity or any Subsidiary of any of the foregoing by any rating agency, setting forth the indebtedness affected and the nature of such change.

(iv) Litigation. The institution of any litigation, arbitration proceeding or governmental proceeding which is reasonably likely to be material to any Borg-Warner Entity.

(v) Judgment. The entry of any judgment or decree against any Borg-Warner Entity or any of their respective Subsidiaries if the aggregate amount of all

judgments and decrees then outstanding against the Borg-Warner Entities and their Subsidiaries exceeds Ten Million Dollars (\$10,000,000) after deducting (a) the amount with respect to which any Borg-Warner Entity or any such Subsidiary is insured and with respect to which the insurer has assumed responsibility in writing, and (b) the amount for which any Borg-Warner Entity or any such Subsidiary is otherwise indemnified if the terms of such indemnification are satisfactory to the Agent. Promptly upon receipt of any such notice, the Agent will deliver copies thereof to each of the Lenders.

(c) Conduct of Business. The Borrower will, and will cause each other Borg-Warner Entity to, do all things necessary to remain duly incorporated, validly existing and in good standing as domestic corporations in its jurisdiction of incorporation and maintain all requisite authority to conduct its business in each jurisdiction in which its business is conducted.

(d) Compliance with Laws. The Borrower will, and will cause each other Borg-Warner Entity (in all material respects and in all respects that could have an effect on the enforceability of any Transaction Document) to, comply with all laws, rules, regulations, orders, writs, judgments, injunctions, decrees or awards to which it may be subject.

(e) Furnishing of Information and Inspection of Records. The Borrower will furnish to the Agent and the Lenders from time to time such information with respect to the Receivables as the Agent or any Lender shall reasonably request, including listings identifying the Obligor and the Outstanding Balance for each Receivable. The Borrower will permit, at any time and from time to time either (i) upon two (2) days prior notice or (ii) after the occurrence of a Potential Termination Event or a Termination Event, during regular business hours, the Agent or any Lender, or any of their respective agents or representatives, (i) to examine and make copies of and abstracts from all Records and (ii) to visit the offices and properties of the Borrower for the purpose of examining such Records, and to discuss matters relating to Receivables or the Borrower's performance hereunder with any of the officers or employees of the Borrower having knowledge of such matters. The agent will, within sixty (60) days of the receipt of the annual balance sheet of the Borrower delivered pursuant to Section 6.1(a), utilize the services of an independent certified public accounting firm or auditing firm to conduct an annual audit of the Records of the Borrower and/or to make test verifications of the Receivables (at the expense of the Borrower pursuant to Section 9.4).

(f) Keeping of Records and Books.

(i) The Borrower will, and will cause each Originator as sub-collection agent to, maintain and implement administrative and operating procedures (including an ability to recreate records evidencing Receivables in the event of the destruction of the originals thereof), and keep and maintain all documents, books, records and other information reasonably necessary or advisable for the collection of all Receivables (including records adequate to permit the immediate identification of each new Receivable and all Collections of and adjustments to each existing Receivable). The Borrower will give the Agent notice of any material change in the administrative and operating procedures referred to in the previous sentence.

(ii) The Borrower will, and will cause each other Borg-Warner Entity to, keep true books of record and account of itself and its Subsidiaries in which full, true and correct entries in accordance with GAAP will be made of all dealings or transactions in relation to its business and activities, including the setting up on its books, from income, reserves which, on a consolidated basis, are adequate in the judgment of such Person for obsolescence, depreciation, depletion and amortization of its properties during each year.

(g) Separate Corporate Existence. The Borrower will take all actions necessary to maintain its identity as a separate legal entity from each other Borg-Warner Entity, including each of the activities listed on Exhibit L.

(h) Performance and Compliance with Receivables and Contracts. The Borrower will, and will cause each Originator to, at its expense timely and fully perform and comply in all material respects with all provisions, covenants and other promises required to be observed by it under the Contracts related to the Receivables.

(i) Credit and Collection Policy. The Borrower will, and will cause each Originator to, comply in all material respects with the Credit and Collection Policy in regard to each Receivable and the related Contract.

Section 6.2. Negative Covenants of the Borrower. Until the termination of this Agreement pursuant to Section 11.1, unless the Agent, with the consent of Windmill (at any time that the Windmill Loan Amount is greater than zero), the Program LOC Provider and the Required Banks, shall otherwise consent in writing:

(a) Sales and Liens Relating to Receivables. Except as otherwise provided herein, the Borrower will not transfer, convey, sell, assign (by operation of law or otherwise) or otherwise dispose of, or create or suffer to exist any Adverse Claim upon (including the filing of any financing statement) or with respect to (i) any inventory or goods (other than sales in the ordinary course of business), the sale of which may give rise to a Receivable, (ii) any Receivable or (iii) any related Contract, Related Security, Collection or Related Account with respect to any Receivable, or assign any right to receive income in respect to any of the foregoing.

(b) Extension or Amendment of Receivables. Except as otherwise permitted in Section 7.2, the Borrower will not extend, amend or otherwise modify the terms of any Receivable, or amend, modify or waive any term or condition of any Contract related thereto.

(c) Change in Business or Credit and Collection Policy. The Borrower will not, and will not permit any Originator to, make any change in the character of its business or in its Credit and Collection Policy, which change would, in either case, impair the collectibility of any Receivable.

(d) Merger, etc. The Borrower will not merge with or into or consolidate with or into, or convey, transfer, lease or otherwise dispose of (whether in one transaction or in a series of transactions), any of its assets (whether now owned or hereafter acquired), or acquire any of the assets or capital stock or other ownership interest of, any Person (other than in connection with asset dispositions and acquisitions contemplated hereunder or in connection herewith or under or in connection with any of the other Transaction Documents), or otherwise enter into any partnership or joint venture arrangement with any other Person.

(e) Accounting of Sales under the Purchase Agreement. The Borrower will not, nor will it permit any Originator to, prepare any financial statements which shall account for the transactions contemplated by the Purchase Agreement in any manner other than as a sale of Receivables by the Originators to the Borrower, and will not in any other respect account for or treat the transactions contemplated thereby (including but not limited to for accounting and tax purposes) in any manner other than as a sale of Receivables by the Originators to the Borrower.

(f) Change in Purchase Agreement. The Borrower will not amend, modify, waive or terminate any terms or conditions of the Purchase Agreement, which right to amend, modify, waive or terminate has been assigned to the Agent for the benefit of the Agent and the Lenders.

(g) Contingent Liabilities. The Borrower will not guarantee, endorse or otherwise be or become contingently liable (including by agreement to maintain balance sheet tests) in connection with the obligations of any other Person,

except endorsements of negotiable instruments for collection in the ordinary course of business and reimbursement or indemnification obligations in favor of the Agent or the Lenders as provided for under this Agreement.

(h) Limitation on Investments. The Borrower will not make any Financial Investment in any person, including any of its Affiliates, except for:

(i) Permitted Investments; and

(ii) endorsements of instruments or items of payment for deposit to the Borrower's bank accounts.

(i) Limitation on Transactions with Affiliates. The Borrower will not enter into, or be a party to, any transaction with any Affiliate of the Borrower, except for:

(i) the transactions contemplated by the Transaction Documents; and

(ii) other transactions upon fair and reasonable terms materially no less favorable to the Borrower than would be obtained in a comparable arm's-length transaction with a Person not an Affiliate.

(j) Bank Accounts. The Borrower will not maintain any bank accounts other than the Lock-Box Accounts and the Borrower Account.

(k) Expenditures. The Borrower will not make any expenditure (by long-term or operating lease or otherwise) for capital assets (both realty and personalty) or any other assets if such expenditure, when added to other such expenditures made by the Borrower during the same calendar year (including as contemplated by Section 6.2(n)) would, in the aggregate, exceed Ten Thousand Dollars (\$10,000).

(l) Incurrence of Indebtedness. The Borrower shall not incur, assume, suffer to exist or otherwise become or remain directly or indirectly liable with respect to any Indebtedness other than (i) Indebtedness to the Agent or any Lender pursuant to the terms and provisions of this Agreement, (ii) Indebtedness to the Collection Agent hereunder or, if it is then serving as Collection Agent, to any Originator in its capacity as sub-collection agent for the amount of any reasonable collection agency fee, (iii) Indebtedness to each Originator (that is payable solely to the extent that the Borrower has funds that are not necessary to satisfy any obligation hereunder) in connection with the purchase of such Originator's receivables pursuant to the terms and provisions of the Purchase Agreement and (iv) Indebtedness to any Borg-Warner Entity that is expressly subordinated to Indebtedness to the Agent and the Lenders on terms satisfactory to the Agent.

(m) Prohibition of Dividends. The Borrower will not declare any dividends on, or make any payment on account of, or set apart assets for a sinking or other analogous fund for, the purchase, redemption, retirement or other acquisition of any shares of stock of the Borrower, whether now or hereafter outstanding, or make any other distribution in respect thereof, either directly or indirectly, whether in cash or property or in obligations of the Borrower.

(n) Business Activities. The Borrower will not carry on any business or engage in any business transactions other than the business and transactions contemplated by or related to this Agreement or the other Transaction Documents or incidental to the purposes hereof. The Borrower will not be a party to any documents, agreements or instruments other than the Transaction Documents and any office or equipment leases necessary in connection herewith or incidental to the purposes hereof which office or equipment leases shall not create or evidence an obligation of the Borrower that, when added to the other expenditures made by the Borrower during the same calendar year (including as contemplated by Section 6.2(k)) would, in the aggregate, exceed Ten Thousand Dollars (\$10,000).

(o) Net Worth. The Borrower shall, at all times, have a tangible net worth of not less than One Million Dollars (\$1,000,000) determined in accordance with GAAP.

Article VII

Administration and Collections

Section 7.1. Appointment of Collection Agent. (a) The servicing, administering and collection of the Receivables shall be conducted by the Person (the "Collection Agent") so designated from time to time in accordance with this Section 7.1. Initially, Borg-Warner Automotive Inc., shall be the Collection Agent. Until the Agent gives notice to the Borrower (in accordance with this Section 7.1) of the designation of a new Collection Agent, the Parent is hereby designated as, and hereby agrees to perform the duties and obligations of, the Collection Agent pursuant to the terms hereof. Either (i) upon thirty (30) days prior written notice to the Borrower or (ii) upon the occurrence and during the continuance of a Termination Event, the Agent may designate as Collection Agent any Person (including itself, any Bank or the Program LOC Provider) to succeed the Parent or any successor Collection Agent, on the condition in each case that any such Person so designated shall agree to perform the duties and obligations of the Collection Agent. Whether or not it is then serving as Collection Agent, upon the occurrence and during the continuance of a Termination Event, the Agent may notify any Obligor of the transfer to the Agent of the Secured Interest.

(b) In the case of Receivables arising out of the sale or lease of goods or the rendering of services by any Originator, the Parent may, and if requested by the Agent shall, delegate its duties and obligations as Collection Agent with respect to such Receivables to such Originator (acting as sub-collection agent), on the condition in each case that such Originator shall agree in writing to perform the duties and obligations of the Collection Agent; provided, however, that notwithstanding such delegation, the Parent shall remain primarily liable to the Agent and the Lenders for the performance of the duties and obligations so delegated and the Agent and each Lender shall have the right to look solely to the Parent for such performance; provided, further, however, that either (i) upon thirty (30) days prior written notice to the Parent or (ii) upon the occurrence and during the continuance of a Termination Event, the Agent may replace an Originator as sub-collection agent.

(c) The Parent agrees that it will terminate its activities as Collection Agent and cause each Originator to terminate such Originator's activities as sub-collection agent in a manner which the Agent determines will facilitate the transition of the performance of such activities to the new Collection Agent, and the Parent shall cooperate with and assist such new Collection Agent. Such cooperation shall include access to, and transfer of, all Records and use by the new Collection Agent of all licenses, hardware or software necessary or desirable to collect the Affected Assets if permitted or not prohibited by the applicable contract. The Parent hereby agrees that if at any time it shall cease to be the Collection Agent, it shall act (if the then current Collection Agent so requests) as the data-processing agent of the Collection Agent and, in such capacity, the Parent shall conduct the data-processing functions of the administration of the Receivables and the Collections in substantially the same way that the Parent conducted such data-processing functions while it acted as the Collection Agent.

(d) The Parent acknowledges that the Agent and each Lender have relied on the Borrower's agreement to act as Collection Agent and on each Originator's agreement to act as sub-collection agent with respect to Receivables originated by each such Originator in making their decision to execute and deliver this Agreement. Accordingly, the Parent agrees that it will not voluntarily resign as Collection Agent nor will it permit any Originator to voluntarily resign as a sub-collection agent.

Section 7.2. Duties of Collection Agent. (a) The Collection Agent shall take or cause to be taken all such action as may be necessary or advisable to collect each Receivable from time to time, all in accordance with this Agreement and all applicable laws, rules and regulations, with reasonable care and diligence, and in accordance with the Credit and Collection Policy. Each of the Borrower, the Agent and each Lender hereby appoints as its agent the Collection Agent, from time to time designated pursuant to Section 7.1, to enforce its respective rights and interests in and under the Affected Assets. The Collection Agent shall set aside for the accounts of the Borrower, the Agent, the Lenders and any other Person entitled thereto the amount of the Collections to which each is entitled in accordance with Article III. If the amount of the Collections held by the Collection Agent is not sufficient to pay the amount to which a group or class of the Lenders are entitled hereunder, the Collection Agent shall distribute such Collections as provided in Article III on a pro rata basis according to the respective claims of each of the members of such class or group. If instructed by the Agent, the Collection Agent shall segregate and deposit with the Agent the amount of Collections to which all Lenders are entitled pursuant to Article III, on the first (1st) Business Day following receipt by the Collection Agent of such Collections and the Agent shall distribute such amounts in accordance with Article III. So long as no Termination Event shall have occurred and be continuing, the Parent, while it is the Collection Agent may, in accordance with the Credit and Collection Policy, extend the maturity of any Receivable (but not beyond thirty (30) days) and extend the maturity or adjust the Outstanding Balance of any Defaulted Receivable as the Collection Agent may determine to be appropriate to maximize Collections thereof; provided, however, that such extension or adjustment shall not alter the status of such Receivable as a Delinquent Receivable or a Defaulted Receivable or limit the rights of the Agent or the Lenders under any other provision of this Agreement. If a Termination Event has occurred and the Parent is still serving as Collection Agent, the Parent may make such extension or adjustment only upon the prior written approval of the Agent and the Lenders. The Borrower shall deliver to the Collection Agent and the Collection Agent shall hold in trust for the benefit of the Borrower, the Agent and the Lenders in accordance with their respective interests, all Records with respect to each Receivable. Notwithstanding anything to the contrary contained herein, the Agent shall have the absolute, unlimited and unconditional right to, and may, direct the Collection Agent (whether the Collection Agent is the Parent or any other Person) to commence or settle any legal action to enforce collection of any Receivable or to foreclose upon or repossess any Related Security; provided, however, that no such direction may be given unless either (i) a Potential Termination Event or a Termination Event has occurred and is continuing hereunder or (ii) such legal action, foreclosure or repossession shall affect a material portion of the Receivables.

(b) The Collection Agent shall, as soon as practicable following receipt, turn over to the Borrower (i) that portion of all Collections which is not part of the Secured Interest, less, in the event the Parent is not the Collection Agent, all reasonable and appropriate out-of-pocket costs and expenses of such Collection Agent of servicing, collecting and administering the Receivables and (ii) the collections of any indebtedness that is not a Receivable; provided, however, that if the Parent is not the Collection Agent, the Collection Agent shall not be under any obligation to remit any such funds to the Borrower unless and until the Collection Agent has received from the Borrower evidence satisfactory to the Agent and the Collection Agent that the Borrower is entitled to such funds hereunder and under applicable law. The Collection Agent, if other than the Parent, shall as soon as practicable upon demand, deliver to the Borrower all records in its possession which evidence or relate to any indebtedness that is not a Receivable, and copies of Records in its possession which evidence or relate to any indebtedness that is a Receivable.

(c) Notwithstanding anything to the contrary contained in this Article VII, the Collection Agent, if not the Parent, shall have no obligation to collect, enforce or take any other action described in this Article VII with respect to any indebtedness that is not a Receivable other than to deliver to

the Borrower the collections and records with respect to any such indebtedness as described in Section 7.2(b).

Section 7.3. Lock-Box Arrangements. The Agent is hereby authorized by all of the other parties hereto, and it is hereby agreed to by such other parties that the Agent shall be entitled, whether or not it is then serving as Collection Agent, to, at any time, do any or all of the following: (i) give notice to each Lock-Box Bank that the Agent is exercising its rights under the Lock-Box Letters, (ii) have the exclusive ownership and control of the Lock-Box Accounts (and all funds deposited, or to be deposited, therein) transferred to the Agent and to exercise exclusive dominion and control over the funds deposited therein, (iii) have the proceeds that are sent to the respective Lock-Boxes be redirected pursuant to its instructions rather than deposited in the applicable Lock-Box Account, and (iv) take all other actions permitted under such Lock-Box Letter. If the Agent, at any time, takes the actions set forth in the preceding sentence, the Agent shall have exclusive ownership and control of the accounts and post office boxes to which the Obligor shall make payments and in which Collections may be concentrated and control of the proceeds (including Collections) of all Receivables and the Borrower agrees to take any action that the Agent may reasonably request to transfer such control. In case any authorized signatory of the Borrower whose signature shall appear on any Lock-Box Letter shall cease to have such authority before the delivery of such Lock-Box Letter, such signature shall nevertheless be valid and sufficient for all purposes as if such authority had remained in force at the time of such delivery. Any proceeds of Receivables received by the Borrower thereafter shall be sent immediately to the Agent. The parties hereto acknowledge that if at any time the Agent takes control of any Lock-Box Account, the Agent shall not have any rights to the funds therein in excess of the Aggregate Unpaid and the Agent shall distribute or cause to be distributed such funds in accordance with Section 7.2(b) and Article II; provided, however, that the Agent shall not be under any obligation to remit any such funds to the Borrower or any other Person unless and until the Agent has received from the Borrower or such Person evidence satisfactory to the Agent that the Borrower or such Person is entitled to such funds hereunder and under applicable law. In the event that the Agent shall then be receiving disbursements from a Lock-Box Account, whether because it is then the Collection Agent or because it has submitted Lock-Box Letters or for any other reason, the Agent shall promptly remit to the Borrower any amounts received by it from a Lock-Box Bank (i) upon its receipt of evidence reasonably satisfactory to it that such amounts do not constitute Collections with respect to Receivables or the proceeds of other Affected Assets and (ii) to the extent of the Borrower's residual interest, if any, therein after accounting for each Interest. In determining whether the Borrower has, in any instance, presented reasonably satisfactory evidence of its ownership of items that do not constitute Collections or the proceeds of other Affected Assets, the Agent shall be entitled to the presumption that, in respect of any collections or other items for which the remitting Obligor has not expressly indicated its intended application on the face of the payment item or the accompanying documentation, the appropriate application thereof shall be to Receivables of such Obligor, and thus subject to the Secured Interest hereunder, and, if there shall be more than one Receivable of such Obligor, to the oldest first.

Section 7.4. Enforcement Rights. (a) At any time following the designation of a Collection Agent (other than the Borrower or any of the Borrower's Affiliates) pursuant to Section 7.1:

(i) Upon the occurrence and during the continuance of a Termination Event, the Agent may direct the Obligor and the Lock-Box Banks that payment of all amounts payable under any Receivable be made directly to the Agent or its designee. The Agent may, and the Borrower shall at the Agent's request, withhold the identity of the Lenders from any Lock-Box Bank or Obligor.

(ii) Upon the occurrence and during the continuance of a Termination Event, the Agent may instruct the Borrower to give, and upon such request the Borrower shall give, at the Borrower's expense notice of the Agent's ownership of the

Secured Interest, to each Obligor and direct that payments be made directly to the Agent or its designee. The Borrower shall, at the Agent's request, withhold the identity of the Lenders in any such notification.

(iii) The Agent may request the Borrower to, and upon such request the Borrower shall, (A) assemble all of the Records, the Related Security and transfer, or license the use of, to the new Collection Agent all software necessary or desirable to collect the Receivables and the Related Security, and shall make the same available to the Agent or its designee at a place selected by the Agent, and (B) segregate all cash, checks and other instruments received by it from time to time constituting Collections with respect to the Receivables in a manner acceptable to the Agent and shall, promptly upon receipt, remit all such cash, checks and instruments, duly endorsed or with duly executed instruments of transfer, to the Agent or its designee.

(b) The Borrower hereby authorizes, and 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 and stead of the Borrower, to take any and all steps in the name of the Borrower and on behalf of the Borrower necessary or desirable, in the determination of the Agent, (i) to collect any and all amounts or portions thereof due under any and all Receivables or Related Security, including endorsing the name of the Borrower on checks and other instruments representing Collections and enforcing such Receivables, Related Security and the related Contracts and (ii) upon the occurrence and during the continuance of a Termination Event, to exercise any and all of the Borrower's rights and remedies under the Purchase Agreement and the Limited Guaranty. The Borrower's conferring of powers upon the Agent under this Section 7.4(b) shall not subject the Agent to any liability if any action taken by it shall prove to be inadequate or invalid, nor shall they confer any obligations upon the Agent in any manner whatsoever.

(c) Neither the Agent nor the Lenders shall have any obligation to take any action or commence any proceedings to realize upon any Receivable (including any Defaulted Receivables) or to enforce any of their respective rights, powers, privileges or remedies with respect thereto.

Section 7.5. Responsibilities of the Borrower. (a) Anything herein to the contrary notwithstanding, the Borrower shall, and shall cause each Originator to, (i) perform all of its obligations under the Contracts related to the Receivables to the same extent as if interests in such Receivables had not been transferred hereunder and the exercise by the Agent or any Lender of its rights hereunder, shall not relieve the Borrower from such obligations, and (ii) pay when due any and all Taxes, including any and all sales Taxes payable in connection with the Receivables and their creation and satisfaction. The Agent and the Lenders shall not have any obligation or liability with respect to any Receivable, any Related Security or any related Contract, nor shall any of them be obligated to perform any of the obligations of the Borrower under any of the foregoing.

(b) The Borrower irrevocably agrees that if at any time it shall cease to be the Collection Agent, it shall act (if the then current Collection Agent so requests) as the data-processing agent of the Collection Agent and, in such capacity, the Borrower shall conduct the data-processing functions of the administration of the Receivables and the Collections in substantially the same way that the Borrower conducted such data-processing functions while it acted as the Collection Agent.

Section 7.6. Collection Agent Fee. On or prior to the twenty-fifth (25th) day of each month, the Borrower shall pay to the Collection Agent the Collection Agent Fee with respect to the immediately preceding month as compensation for its services. The Collection Agent may apply only Collections that are not part of the Secured Interest (or that have been reinvested pursuant to Section 2.1(d)) to the payment of the Collection Agent Fee. The Agent may, in its sole and absolute discretion with the prior written consent of the

Required Banks, Windmill and the Program LOC Provider, pay all or any portion of the Collection Agent Fee to the Collection Agent from Collections that are part of the Secured Interest. Any Collections so applied by the Agent pursuant to the immediately preceding sentence shall not be distributed to the Lenders or to any other Person pursuant to Section 3.3.

Section 7.7. 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 and each Lender 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 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:

(i) any written representation or warranty made by the Collection Agent (or any employee or agent 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 nonconformity of any Receivable with any such applicable law, rule or regulation;

(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 or any Lender is entitled hereunder with any other funds; or

(iv) any failure of the Collection Agent, to perform its duties or obligations in accordance with the provisions of this Agreement 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 Indemnified Losses to the extent (a) such Indemnified Losses resulted solely from 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 Collection Agent for uncollectible Receivables, (c) such Indemnified Losses include Taxes on, or measured by, the overall net income of the Agent or any Lender computed in accordance with the Intended Characterization, (d) the applicable Originator is the plaintiff and the Indemnified Party is the defendant unless such Indemnified Party prevails in such legal action or (e) such Indemnified Losses arise from events occurring after another Person has been designated as a successor Collection Agent; provided, however, that nothing contained in this sentence shall limit the liability of the Collection Agent or limit the recourse of the Agent and each Lender to the Collection Agent for any amounts otherwise specifically provided to be paid by the Collection Agent hereunder.

Article VIII

Termination Events

Section 8.1. Termination Events. The occurrence of any one or more of the following events shall constitute a Termination Event:

(a) (i) the Collection Agent (or any sub-collection agent) shall fail to perform or observe any term, covenant or agreement hereunder (other than as referred to in clause (ii) of this Section 8.1(a)) and such failure shall remain unremedied for three (3) Business Days or (ii) either the Collection Agent or the Borrower shall fail to make any payment or deposit to be made by it hereunder when due; or

(b) the Borrower shall default in the observance or performance of any agreement contained in Sections 5.2 or 6.2 or the Parent shall default in the observance or performance of any financial covenant set forth in the Indemnity Agreement; or

(c) any representation, warranty, certification or statement made by any Borg-Warner Entity in this Agreement or in any other Transaction Document shall prove to have been incorrect in any material respect when made or deemed made; provided, however, that, with respect to any representation, warranty, certification or statement made pursuant to Section 4.1(p) which shall prove to have been incorrect in any material respect when made or deemed made, a Termination Event shall only occur if such incorrect representation, warranty, certification or statement remains incorrect for more than one (1) day; or

(d) any Borg-Warner Entity shall default in the performance of any undertaking hereunder or under any other Transaction Document (other than those covered by Section 7.1(a) or 7.1(b)) and such default shall continue for ten (10) days; or

(e) failure of any Borg-Warner Entity or any of their respective Subsidiaries to pay any Indebtedness when due (except for any such payments on account of any such Indebtedness in any aggregate principal amount at any one time outstanding of up to Ten Million Dollars (\$10,000,000)); or the default by any Borg-Warner Entity or any of their respective Subsidiaries in the performance of any term, provision or condition contained in any agreement under which any Indebtedness (except for any such Indebtedness in an aggregate principal amount at any one time outstanding of up to Ten Million Dollars (\$10,000,000)) was created or is governed, the effect of which is to cause such Indebtedness to become due prior to its stated maturity; or any Indebtedness shall be declared to be due and payable or required to be prepaid (other than by a regularly scheduled payment) prior to the date of maturity thereof; or there shall occur a default, termination event or similar event by or with respect to any Borg-Warner Entity or any of their respective Subsidiaries under any agreement providing for the sale, transfer or conveyance by any Borg-Warner Entity or any of their respective Subsidiaries of any of its financial assets; or

(f) (i) any Borg-Warner Entity or any of their respective Subsidiaries shall make a general assignment for the benefit of creditors; or any proceeding shall be instituted by or against any Borg-Warner Entity or any of their respective Subsidiaries seeking to adjudicate it bankrupt or insolvent, or seeking 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, 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 which remains unvacated or unstayed for a period of 30 days or (ii) any Borg-Warner Entity or any of their respective Subsidiaries shall take any corporate action to authorize any of the actions set forth in clause (i) above in this Section 8.1(f); or

(g) any Borg-Warner Entity or any of their respective Subsidiaries shall generally not pay its debts as such debts become due or shall admit in writing its inability to pay its debts generally; or

(h) the Delinquency Ratio at any time shall exceed six and one half percent (6.5%), the Default Ratio at any time shall exceed four percent (4%), or the Loss-to-Liquidation Ratio at the end of any calendar month measured for the three (3) month period then ending shall exceed one percent (1%); or

(i) the product of the Secured Interest (expressed as a percentage) multiplied by the Net Receivables Balance at any time shall fail to be greater than or equal to the Coverage Amount at such time and such failure shall continue for one (1) day after the Borrower has knowledge thereof; or

(j) there shall occur a material adverse change in the financial condition, business, operations or prospects of the Parent and its Subsidiaries taken as a whole or in the Borrower, or in the ability of any Borg-Warner Entity to perform its obligations under any Transaction Document to which it is (or is stated to be) a party, including, but not limited to, the collection of the Receivables or in the collectibility of the Receivables; or

(k) any Borg-Warner Entity shall, directly or indirectly, disaffirm or contest in any manner the effectiveness, validity, binding nature or enforceability of any of the Transaction Documents, or any of the Transaction Documents shall fail to be the binding and enforceable obligation of any Borg-Warner Entity that is (or is stated to be) a party thereto; or

(l) the Parent shall cease to own or control, directly or indirectly, one hundred percent (100%) of the issued and outstanding voting stock of the Borrower and each Originator or the Parent shall enter into any agreement or take any action that would result in such event; or

(m) individuals who constitute the board of directors of the Parent on the Effective Date (or individuals whose election or nomination for election was approved by a vote of at least seventy-five percent (75%) of the directors then in office who either were directors on the Effective Date or whose election was previously so approved) cease for any reason to constitute at least a majority of the board of directors of the Parent at any time; or

(n) any Borg-Warner Entity shall (i) sell, convey, transfer or otherwise dispose of all or any substantial part of its assets in a single transaction or in a series of related transactions or (ii) enter into any transaction of merger or consolidation (other than a merger or consolidation with respect to any Originator in which such Originator is the surviving Person); or

(o) the financial condition of the Parent shall be materially different than the most-recent written projections of the financial condition of the Parent given by any Borg-Warner Entity to the Agent on or prior to the date hereof; or

(p) there shall be any amendment to the certificate of incorporation of the Borrower without the prior written consent of the Agent, the Program LOC Provider and the Required Banks; or

(q) the Purchase Agreement shall fail to vest and maintain vested in the Borrower a valid first priority perfected ownership interest in the receivables (other than receivables the Obligor of which is a government or governmental subdivision or agency to the extent that the transfer thereof requires compliance with any federal laws of the USA) and other assets purported to be sold thereunder; or

(r) this Agreement shall fail to vest and maintain vested in the Agent for the benefit of the Lenders a valid first priority perfected interest in the Secured Interest.

If (x) such event is a Termination Event described in Section 8.1(f) with respect to any Borg-Warner Entity or any of their respective Subsidiaries, then automatically all of the Bank Commitments to purchase Bank Interests shall thereupon terminate without notice of any kind, which is hereby waived by the Borrower, and (y) such event is any other Termination Event, then the Agent may, and at the direction of the Required Banks or the Program LOC Provider shall, by notice to the Borrower terminate all of the Bank Commitments to purchase Bank Interests. Upon the termination of all of the Bank Commitments to purchase Bank Interests, whether pursuant to this Article VIII or otherwise, and the collection or other final resolution of the Secured Interest such that the Aggregate Unpays and the Loan Amount in respect of each Lender shall have been reduced to zero, the Agent shall, at the expense of the Borrower, execute such

UCC termination statements and such other documents as the Borrower may reasonably request to evidence the termination of the Secured Interest. It is expressly understood that the termination of the Bank Commitments under this Section 8.1 shall relate solely to the commitment of the Banks to make purchases from the Borrower. No termination of the Bank Commitments under this Section 8.1 shall waive, release or otherwise affect the commitment of the Banks to make purchases from Windmill under Article III.

Article IX

Indemnification

Section 9.1. Indemnities by the Borrower. Without limiting any other rights that the Agent or any Lender may have hereunder or under applicable law, the Borrower hereby agrees to indemnify the Agent and each Lender and its respective officers, directors, agents and employees (each an "Indemnified Party") from and against any and all damages, losses, claims, liabilities, costs and expenses, including reasonable attorneys' fees (which such attorneys may be employees of the Agent, any Lender, or any assignee, if any) and disbursements (all of the foregoing being collectively referred to as "Indemnified Losses") awarded against or incurred by any of them arising out of or as a result of this Agreement or any other Transaction Document or the acquisition, either directly or indirectly, by the Agent, for the benefit of the Lenders, of the Secured Interest or in respect of any action taken by the Borrower or any Originator (whether acting as Collection Agent or otherwise) relative to any Receivable, excluding, however, (i) Indemnified Losses to the extent final judgment of a court of competent jurisdiction holds such Indemnified Losses resulted solely from gross negligence or willful misconduct on the part of the Indemnified Party seeking indemnification or (ii) Indemnified Losses to the extent the same include losses in respect of uncollectible Receivables solely due to the credit risk of the Obligor and reimbursement therefor would constitute recourse to the Borrower or the Collection Agent for the amount of uncollectible Receivables; provided, however, that nothing contained in this sentence shall limit the liability of the Borrower or the Collection Agent or limit the recourse of the Agent and each Lender to the Borrower or the Collection Agent for any amounts otherwise specifically provided to be paid by the Borrower or the Collection Agent under the terms of this Agreement, including under the terms of the next succeeding sentence. Without limiting the generality of the foregoing indemnification, the Borrower shall indemnify the Agent and each Lender for Indemnified Losses (including losses in respect of uncollectible Receivables, regardless of whether reimbursement therefor would constitute recourse to the Borrower or the Collection Agent) relating to or resulting from:

(a) the transfer to the Agent, for the benefit of the Lenders, of an undivided percentage interest in any Receivable other than an Eligible Receivable, if, on the date of the most recent transfer of any interest in a Receivable or a transfer of an Interest from one Lender to another Lender, the product of the Secured Interest multiplied by the Net Receivables Balance was less than the Coverage Amount;

(b) any representation or warranty made by any Borg-Warner Entity or the Collection Agent (or any officers of any Borg-Warner Entity or the Collection Agent) under or in connection with any of the Transaction Documents, including any Periodic Report or any other information or report delivered by any Borg-Warner Entity or the Collection Agent pursuant hereto or thereto, that shall have been false or incorrect in any material respect when made or deemed made;

(c) any alleged failure by the Borrower, the Collection Agent (if the Collection Agent is the Borrower or any Affiliate of the Borrower), any Originator or any other Person (acting for, on behalf of, or together with, the Borrower or the Collection Agent (if the Collection Agent is the Borrower or any Affiliate of the Borrower)) to comply with any applicable law, rule or regulation with respect to any Receivable, or the collectability thereof, or any Contract related thereto, or imposed by any governmental or regulatory body,

including any requirements of licensing, registration, authorizations, consents and approvals necessary or desirable to enter into any Contract or create any Receivable or the transfer to the Agent for the benefit of the Lenders hereunder and including laws, rules and regulations relating to usury, disclosures, truth in lending, fair credit billing, fair credit reporting, equal credit opportunity, fair debt collection practices, trade practices, consumer protection and privacy, or any of the foregoing which may affect the enforceability of any Receivable, or the nonconformity of any Receivable or Contract included therein or transfer to the Agent, for the benefit of the Lenders, with any such applicable law, rule or regulation;

(d) the failure of the Borrower to vest and maintain vested in the Agent, for the benefit of the Lenders, a perfected interest in the Secured Interest and the property conveyed pursuant to Section 2.8, free and clear of any Adverse Claim;

(e) the failure of the Borrower to vest and maintain vested in the Agent, for the benefit of the Lenders, a perfected security interest in all of the property listed in Sections 2.1(d) and 2.8, free and clear of any Adverse Claim;

(f) the failure of any Originator to vest and maintain vested in the Borrower a perfected ownership interest in and to the Purchased Assets free and clear of any Adverse Claim;

(g) the failure of the Borrower, the Collection Agent, any Originator or any sub-collection agent to file, or any delay in filing, financing statements or other similar instruments or documents under the UCC of any applicable jurisdiction or other applicable laws with respect to the Filing Assets;

(h) any commingling of funds to which the Agent or any Lender is entitled hereunder with any other funds;

(i) failure of any Lock-Box Bank to comply with the terms of the applicable Lock-Box Letter;

(j) any dispute, claim, offset or defense (other than discharge in bankruptcy of the Obligor) of the Obligor to the payment of any Receivable included in the Affected Assets (including a defense based on such Receivable or the Contract relating to such Receivable not being a legal, valid and binding obligation of such Obligor enforceable against it in accordance with its terms), 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;

(k) any failure of any Borg-Warner Entity to perform its duties or obligations in accordance with the provisions of this Agreement and each of the other Transaction Documents to which such Borg-Warner Entity is (or is stated to be) a party;

(l) any action taken by the Agent as attorney-in-fact for the Borrower pursuant to Section 7.4(b); or

(m) 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, whether sounding in tort, contract or other legal theory, arising out of or in connection with any Receivable or the Related Security therefor or any other suit, claim or action of whatever sort relating to any of the Transaction Documents; provided, however, that if any Lender enters into agreements for the transfer of interests in receivables from one or more other Persons ("Other Borrowers"), such Lender shall allocate such Indemnified Losses that are attributable to the Borrower and to the Other Borrowers to the Borrower and to each Other Borrower; and provided, further, that if such Indemnified Losses are attributable to the Borrower and not attributable to any Other Borrower, the Borrower shall be solely liable for such

Indemnified Losses, or if such Indemnified Losses are attributable to Other Borrowers and not attributable to the Borrower, such Other Borrowers shall be solely liable for such Indemnified Losses.

Section 9.2. Tax Indemnification and Characterization. (a) The Borrower hereby agrees to pay, and to indemnify, protect, save and hold harmless, on an after-Tax basis, the Agent and each Lender from and against any and all (i) Taxes that may at any time be imposed or asserted by reason of, in connection with or in respect of the Receivables or any transactions contemplated hereby or by any of the Transaction Documents or the receipt of payment under this Section 9.2, whether imposed on the Agent, any Lender, the Borrower, the Receivables, any other corporation or entity or otherwise, and whether arising by reason of the acts to be performed by the Borrower hereunder or otherwise and (ii) damages, losses, claims, liabilities and related costs and expenses of the Agent and each Lender in connection with the imposition or assertion of any Tax described in clause (i) above; provided, however, this Section 9.2(a) shall not apply with respect to Taxes on or measured by the overall net income of the Agent or any Lender ("Income Taxes") to the extent that the computation of such Income Taxes is consistent with the Intended Characterization.

(b) In addition to and not in limitation of the indemnifications contained in Section 9.2(a), the Borrower hereby agrees to pay to, and to indemnify, protect, save and hold harmless, the Agent and each Lender, on an after-Tax basis from and against, (i) the excess of (x) the aggregate state and local Taxes on or measured by net income or profits (and Taxes in lieu thereof) payable by the Agent and any Lender in connection with or in respect of the Receivables or any transactions contemplated hereby or the receipt of payment under this Section 9.2, over (y) the amount of such state and local Income Taxes that would have been payable on the Agent's and any Lender's net income in connection with or in respect of the Receivables or any transactions contemplated hereby, had the entire amount of such income been subject to Tax in the jurisdiction in which the Agent's and any Lender's respective principal executive office is located, and only in such jurisdiction and (ii) any and all damages, losses, claims, liabilities and related costs and expenses of the Agent and each Lender in connection with clause (i) above.

(c) It is the intention of the parties hereto that for the purposes of all Taxes, the transactions with respect to the Borrower, the Agent and the Lenders contemplated hereby shall be treated as a loan by the Agent (on behalf of the Lenders) or the Lenders to the Borrower that is secured by the Receivables (the "Intended Characterization"). The parties hereby agree to report such transactions for the purposes of all Taxes, and otherwise to act for the purposes of all Taxes, in a manner consistent with the Intended Characterization.

(d) All payments due pursuant to this Section 9.2 shall be paid no later than ten (10) days after demand for such payment has been made by the Agent or any Lender. Without in any way limiting the Agent's and any Lender's remedies, any such amount not paid when due shall bear interest at a rate equal to the ABN AMRO Prime Rate plus two percent (2%) per annum. Any claim that the Agent or any Lender makes for payment pursuant to this Section 9.2 shall be accompanied by a statement of the Agent's or such Lender's accountants which attests that the claim has been computed in conformity with the requirements of this Section 9.2.

Section 9.3. Increased Cost and Reduced Return. (a) If after the date hereof, the adoption of any applicable law, rule or regulation, or any change therein, or any change in the interpretation or administration thereof by any Governmental Authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by any Windmill Funding Source, the Agent or any Lender with any request or directive (whether or not having the force of law) of any such Governmental Authority, central bank or comparable agency (a "Regulatory Change"): (i) shall subject any Windmill Funding Source, the Agent or any Lender to any charge or withholding on or with

respect to the applicable Funding Agreement or this Agreement in connection with the Secured Interest or other property conveyed hereunder or funds advanced in connection therewith, or such Person's obligations under the applicable Funding Agreement or this Agreement, as the case may be, or shall change the basis of taxation of payments to any Windmill Funding Source, the Agent or any Lender of any amounts payable under the applicable Funding Agreement or this Agreement, as the case may be (except for changes in the rate of Tax on the overall net income of such Windmill Funding Source, the Agent or any Lender), (ii) shall impose, modify or deem applicable any reserve, assessment, insurance charge, special deposit or similar requirement against assets of, deposits with or for the account of any Windmill Funding Source, the Agent or any Lender, or credit extended by such Person or (iii) shall impose any other condition, and the result of any of the foregoing is to impose a cost on or increase the cost to any Windmill Funding Source, the Agent or any Lender of its commitment under the applicable Funding Agreement or hereunder, as the case may be, or purchasing, maintaining or funding of any property interests under the applicable Funding Agreement or of the Secured Interest or other property interests hereunder, as the case may be, or to reduce the amount of any sum received or receivable by any Windmill Funding Source, the Agent or any Lender under this Agreement or under the applicable Funding Agreement, as the case may be, or to require any payment calculated by reference to the amount of interests or loans held or interest received by it, then, upon demand by the Agent or any Lender, the Borrower shall pay to the Agent or such Lender such additional amount or amounts as will compensate the Agent or such Lender for such increased cost or reduction or, in the case of Windmill, will enable Windmill to compensate any Windmill Funding Source for such increased cost or reduction.

(b) If after the date hereof, any Windmill Funding Source, the Agent or any Lender shall have determined that any Regulatory Change, including any such Regulatory Change that results in or results from or otherwise relates to any transaction in connection with any Funding Agreement or this Agreement or any commitment thereunder or hereunder being classified as a highly leveraged transaction for regulatory or other purposes, has or would have the effect of reducing the rate of return on such Windmill Funding Source's, the Agent's or such Lender's capital as a consequence of such Windmill Funding Source's, the Agent's or such Lender's obligations or commitment under the applicable Funding Agreement or this Agreement, to a level below that which such Windmill Funding Source, the Agent or such Lender could have achieved but for such Regulatory Change (taking into consideration such Windmill Funding Source's, the Agent's or such Lender's policies with respect to capital adequacy), then from time to time, upon demand by the Agent or any Lender, the Borrower shall pay to the Agent or such Lender such additional amount or amounts as will compensate the Agent or such Lender for such reduction or, in the case of Windmill, will enable Windmill to compensate any Windmill Funding Source for such reduction.

(c) Anything in this Section 9.3 to the contrary notwithstanding, if the Agent or any Lender enters into agreements with Other Borrowers, the Agent (upon consultation with any applicable Lender) shall allocate the liability for any amounts under this Section 9.3 ("Section 9.3 Costs") to the Borrower and to each Other Borrower; provided, however, that if such Section 9.3 Costs are attributable to the Borrower and not attributable to any Other Borrower, the Borrower shall be solely liable for such Section 9.3 Costs or if such Section 9.3 Costs are attributable to Other Borrowers and not attributable to the Borrower, such Other Borrowers shall be solely liable for such Section 9.3 Costs.

Section 9.4. Other Costs and Expenses. The Borrower shall pay to the Agent and Windmill on demand all costs and expenses in connection with the preparation, execution, delivery and administration of this Agreement and the other Transaction Documents, including reasonable fees and out-of-pocket expenses of legal counsel for the Agent and Windmill (which such counsel may be employees of the Agent or Windmill) with respect thereto and with respect to advising the Agent, Windmill and any financial institution providing funding to Windmill as to its rights and remedies under this Agreement, any other

Transaction Document or any related funding agreement and all costs and expenses, if any, including reasonable counsel fees and expenses of the Agent, each Lender and each such financial institution in connection with the enforcement of this Agreement, the other Transaction Documents and any such funding agreement and in connection with any restructuring or workout of this Agreement or such other Transaction Documents or the administration of this Agreement and the other Transaction Documents following a Termination Event; provided, however, that the Borrower shall have no obligation to pay any such amounts to the extent such amounts are expressly stated in the Fee Letter not to be payable by the Borrower. The Borrower shall reimburse the Agent for the cost of the Agent's auditors (which such auditors may be employees of the Agent) auditing the books, records and procedures of the Borrower. The Borrower shall reimburse Windmill for any amounts Windmill must pay to any Windmill Funding Source pursuant to any Funding Agreement on account of any Tax described in Section 9.2 and applicable to such Windmill Funding Source. The Borrower shall reimburse Windmill on demand for any and all issuing and paying agents' agent fees and rating agency fees and commissions of placement agents and commercial paper dealers in respect of commercial paper notes issued by Windmill to fund any CP Tranche hereunder. The Borrower shall reimburse Windmill on demand for all other reasonable costs and expenses incurred by Windmill or any shareholder of Windmill ("Other Costs") including the cost of auditing Windmill's books by certified public accountants, the cost of the Ratings, and the reasonable fees and out-of-pocket expenses of counsel for Windmill or any counsel for any shareholder of Windmill with respect to advising Windmill or such shareholder as to matters relating to Windmill's operation; provided, however, that if Windmill enters into agreement with Other Borrowers, Windmill shall allocate the liability for such Other Costs to the Borrower and to each Other Borrower; and provided, further, that if such Other Costs are attributable to the Borrower and not attributable to any Other Borrower, the Borrower shall be solely liable for such Other Costs, or if such Other Costs are attributable to Other Borrowers and not attributable to the Borrower, such Other Borrowers shall be solely liable for such Other Costs.

Section 9.5. Withholding Taxes. (a) All payments made by the Borrower under this Agreement shall be made free and clear of, and without reduction or withholding for or on account of, any present or future Taxes, now or hereafter imposed, levied, collected, withheld or assessed by any Governmental Authority or other taxing authority excluding, in the case of the Agent and each Lender, net income taxes imposed on the Agent or such Lender by the jurisdiction under the laws of which the Agent or such Lender is organized or any political subdivision or taxing authority thereof or therein (such non-excluded Taxes being hereinafter called "Non-Excluded Taxes"). If any Non-Excluded Taxes are required to be withheld from any amounts payable to the Agent or any Lender hereunder, the amounts so payable to the Agent or such Lender shall be increased to the extent necessary to yield to the Agent or such Lender (after payment of all Taxes) all such amounts payable hereunder at the rates or in the amounts specified in this Agreement. Whenever any NonExcluded Taxes are payable by the Borrower, as promptly as possible thereafter the Borrower shall send to the Agent for its own account or for the account of such Lender, as the case may be, a certified copy of an original official receipt received by the Borrower showing payment thereof. If the Borrower fails to pay any Non-Excluded Taxes when due to the appropriate taxing authority or fails to remit to the Agent the required documentary evidence, the Borrower shall indemnify the Agent and the Lenders for such Non-Excluded Taxes and any incremental Taxes that may become payable by the Agent or any Lender as a result of any such failure. The agreements in this Section 9.5(a) shall survive the termination of this Agreement.

(b) At least five (5) Business Days prior to the first (1st) date on which any payments, including Interest or fees, are payable under this Agreement for the account of any Lender, each Lender (including each Purchasing Bank that becomes party to this Agreement pursuant to Section 11.6(c)) that is not incorporated under the laws of the United States of America, or a state thereof, agrees that it will deliver to each of the Borrower and the Agent two (2) duly

completed copies of (i) United States Internal Revenue Service Form 1001 or 4224, certifying in either case that such Lender is entitled to receive payments under this Agreement without deduction or withholding of any United States federal income taxes, and (ii) United States Internal Revenue Service Form W-8 or W-9 or successor applicable form, as the case may be, to establish an exemption from United States backup withholding tax. Each Lender which so delivers a Form 1001 or 4224 and Form W-8 or W-9 further undertakes to deliver to each of the Borrower and the Agent two (2) additional copies of such form (or a successor form) on or before the date that such form expires or becomes obsolete or after the occurrence of any event requiring a change in the most recent forms so delivered by it, and such amendments thereto or extensions or renewals thereof as may be reasonably requested by the Borrower or the Agent, in each case certifying that such Lender is entitled to receive payments under this Agreement without deduction or withholding of any United States federal income taxes, unless an event (including any change in treaty, law or regulation) has occurred prior to the date on which any such delivery would otherwise be required which renders all such forms inapplicable or which would prevent such Lender from duly completing and delivering any such form with respect to it and such Lender advises the Borrower and the Agent that it is not capable of receiving payments without any deduction or withholding of United States federal income tax, and in the case of Form W-8 or W-9, establish an exemption from United States backup withholding tax. If a Lender that is not incorporated under the laws of the United States of America, or a state thereof, does not deliver the forms described in this Section 9.5(b), the Borrower or the Agent shall withhold United States federal income taxes from any payments made under this Agreement at the applicable statutory rate. Each Lender agrees to indemnify and hold the Borrower and the Agent harmless for any United States federal income taxes, penalties, interest and other costs and losses incurred or payable by the Borrower or the Agent as a result of either (i) such Lender's failure to submit any form that it is required to provide pursuant to this Section 9.5(b) or (ii) the Borrower's or Agent's reliance on any such form that such Lender has provided pursuant to this Section 9.5(b).

Section 9.6. Allocations. All allocations to be made pursuant to the foregoing provisions of this Article IX shall be made by the Agent in its reasonable discretion and shall be binding on the Borrower and each Lender. Upon the reasonable request of the Borrower, the Agent shall provide the Borrower with the basis of any calculations made pursuant to the foregoing provisions of this Article IX (or, to the extent that the Agent determines in its sole discretion that such calculations do not contain proprietary information, such calculations) which, in the absence of manifest error, shall be conclusive and binding for all purposes.

Article X

The Agent

Section 10.1. Appointment. Each Lender hereby irrevocably designates and appoints ABN AMRO Bank N.V. as Agent hereunder, and authorizes the 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 the Agent by the terms of this Agreement, together with such other powers as are reasonably incidental thereto. Notwithstanding any provision to the contrary elsewhere in this Agreement, the Agent shall not have any duties or responsibilities, except those expressly set forth herein, or any fiduciary relationship with any Lender, and no implied covenants, functions, responsibilities, duties, obligations or liabilities on the part of the Agent shall be read into this Agreement or otherwise exist against the Agent. The provisions of this Article X are solely for the benefit of the Agent and the Lenders and the Borrower shall not have any rights as a third-party beneficiary or otherwise under this Article X. In performing its functions and duties, the Agent shall act solely as the agent of the Lenders and does not assume nor shall be deemed to have assumed any obligation or relationship of trust or agency with or for the Borrower or any of its respective successors and assigns. The Agent shall not be required to

expend its funds if repayment or adequate indemnity is not assured to it under terms and conditions acceptable to the Agent. The Agent shall hold that portion of the Secured Interest consisting of the Interest of a Lender for the benefit of such Lender.

Section 10.2. Delegation of Duties. The Agent may execute any of its duties under this Agreement by or through agents or attorneys-in-fact and shall be entitled to advice of counsel concerning all matters pertaining to such duties. The Agent shall not be responsible for the negligence or misconduct of any agents or attorneys-in-fact selected by it with reasonable care.

Section 10.3. Exculpatory Provisions. Neither the Agent nor any of its directors, officers, agents or employees shall be (i) liable for any action lawfully taken or omitted to be taken by it or them or any Person described in Section 10.2 under, or in connection with, this Agreement (except for its, their or such Person's own gross negligence or willful misconduct), or (ii) responsible in any manner to any of the Lenders for any recitals, statements, representations or warranties made by the Borrower contained in this Agreement, any other Transaction Document or in any certificate, report, statement or other document referred to or provided for in, or received under or in connection with, this Agreement or any other Transaction Document or for the value, validity, effectiveness, genuineness, enforceability or sufficiency of this Agreement, any other Transaction Document or any other document furnished in connection herewith or for any failure of the Borrower to perform its obligations or for the satisfaction of any condition specified in Article V, except receipt of items required to be delivered to the Agent. The Agent shall not be under any obligation to any Lender to ascertain or to inquire as to the observance or performance of any of the agreements or covenants contained in, or conditions of, this Agreement, or to inspect the properties, books or records of the Borrower. This Section 10.3 is intended solely to govern the relationship between the Agent, on the one hand, and the Lenders, on the other.

Section 10.4. Reliance by Agent. The Agent shall in all cases be entitled to rely, and shall be fully protected in relying, upon any note, writing, resolution, notice, consent, certificate, affidavit, letter, cablegram, telegram, facsimile, telecopy, telex or teletype message, statement, order or other document 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 Borrower), independent accountants and other experts selected by the Agent. The Agent shall in all cases be fully justified in failing or refusing to take any action under this Agreement or any other document furnished in connection herewith unless it shall first receive such advice or concurrence of Windmill, the Program LOC Provider, any Bank, the Required Banks or all of the Lenders, as applicable, as it deems appropriate or it shall first be indemnified to its satisfaction by the Program LOC Provider and the Banks against any and all liability, cost and expense which may be incurred by it by reason of taking or continuing to take any such action (excluding any such liability, cost or expense which shall have been incurred by the Agent as a result of its own gross negligence or willful misconduct in the taking of any such action). 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 Windmill, any Bank, the Program LOC Provider, the Required Banks or all of the Lenders, as applicable, and such request and any action taken or failure to act pursuant thereto shall be binding upon all the Lenders.

Section 10.5. Notice of Termination. The Agent shall not be deemed to have knowledge or notice of the occurrence of any Termination Event or Potential Termination Event unless the Agent has received notice from any Lender or the Borrower referring to this Agreement, stating that a Termination Event or Potential Termination Event has occurred hereunder and describing such Termination Event or Potential Termination Event. In the event that the Agent receives such a notice, the Agent shall promptly give notice thereof to each Lender and at all times prior to the Windmill Termination Date and thereafter until the Windmill Interest is reduced to zero, to each CP Dealer and each

Rating Agency. The Agent shall take such action with respect to such Termination Event or Potential Termination Event as shall be directed by Windmill, the Program LOC Provider and the Required Banks (or, if applicable, all of the Lenders); provided, however, that unless and until the Agent shall have received such directions, the Agent may (but shall not be obligated to) take such action, or refrain from taking such action, with respect to such Termination Event or Potential Termination Event as the Agent shall deem advisable and in the best interests of the Lenders.

Section 10.6. Non-Reliance on Agent and Other Lenders. Each Lender expressly acknowledges that neither the Agent, nor any of its 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 Borrower, shall be deemed to constitute any representation or warranty by the Agent. Each Lender represents and warrants to the Agent that it has, independently and without reliance upon the Agent or any other Lender and based on such documents and information as it has deemed appropriate, made its own appraisal of and investigation into the business, operations, property, prospects, financial and other conditions and creditworthiness of the Borrower, the other Borg-Warner Entities and the Affected Assets and made its own decision to enter into this Agreement. Each Lender also represents that it will, independently and without reliance upon the Agent or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit analysis, appraisals and decisions in taking or not taking action under any Transaction Document, and to make such investigation as it deems necessary to inform itself as to the business, operations, property, prospects, financial and other condition and creditworthiness of the Borg-Warner Entities. The Agent shall not have any duty or responsibility to provide any Lender with any credit or other information concerning the business, operations, property, prospects, financial and other condition or creditworthiness of the Borrower or any other Person which may come into the possession of the Agent or any of its officers, directors, employees, agents, attorneys-in-fact or affiliates other than the Periodic Reports provided by the Borrower or the Collection Agent, information received by the Agent pursuant to Section 6.1(a) or 6.1(b) and such additional information as a Lender may reasonably request and which the Agent has obtained on any inspection conducted under Section 6.1(e).

Section 10.7. Indemnification. The Program LOC Provider and the Banks agree to indemnify, defend, protect, save and hold harmless the Agent and its officers, directors, employees, representatives and agents (to the extent not reimbursed by the Borrower and without limiting the obligation of the Borrower), ratably according to the percentage its Program LOC Provider Commitment or Bank Commitment is of the Aggregate Commitment, from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, court costs, settlements, expenses or disbursements of any kind or nature whatsoever (including the fees and disbursements of counsel for the Agent or such Person in connection with any investigative, administrative or judicial proceeding commenced or threatened, whether or not the Agent or such Person shall be designated a party thereto, which counsel may include employees of the Agent or such Person) that may at any time be imposed on, incurred by or asserted against the Agent or such Person as a result of, or arising out of, or in any way related to or by reason of, any of the transactions contemplated under any of the Transaction Documents or the execution, delivery or performance of the Transaction Documents or any other document furnished in connection herewith (but excluding any such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, court costs, settlements, 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). The obligations of the Banks and the Program LOC Provider under this Section 10.7 shall survive the termination of this Agreement.

Section 10.8. Agent in Its Individual Capacity. The Agent and its

affiliates may make loans to, accept deposits from and generally engage in any kind of business with the Borrower or any Affiliate of the Borrower as though the Agent were not the Agent. With respect to the acquisition of the Secured Interest, the Agent shall have the same rights and powers under this Agreement as any Bank and the Program LOC Provider, as the case may be, and may exercise the same as though it were not the Agent, and the terms Bank, Program LOC Provider and Lender (as the case may be) shall include the Agent in its individual capacity. Moreover, the Agent, in its capacity as Agent, shall be considered a Lender for all purposes and benefits hereunder to the extent that it has advanced funds pursuant to Article II on behalf of any Lender and has not been reimbursed therefor by the Borrower or such Lender.

Section 10.9. Successor Agent. The Agent may, upon at least five (5) days written notice to the Borrower and each of the Lenders, and the Agent will, upon the direction of all of the Lenders (for purposes of this reference to Lenders, Lenders shall not include the Agent, in its individual capacity, nor any Lender that is an Affiliate of the then Agent) and with the consent of the Borrower (which consent shall not be unreasonably withheld) resign as Agent; provided, however, that the resignation of the Agent may not become effective until a successor agent is appointed and has succeeded to the rights, powers and duties of the Agent as provided in this Section 10.9. If the Agent shall resign as Agent, then Windmill, the Program LOC Provider and the Required Banks, during such notice period, shall, with the consent of the Borrower (which consent shall be unreasonably withheld), appoint from among the Program LOC Provider and the Banks a successor agent, whereupon such successor agent shall succeed to the rights, powers and duties of the Agent and the term "Agent" shall mean such successor agent, effective upon its appointment, and the former Agent's rights, powers and duties as Agent shall be terminated, without any other or further act or deed on the part of such former Agent or any of the parties to this Agreement. After any retiring Agent's resignation hereunder as Agent, the provisions of this Article X and Article IX shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Agent.

Section 10.10. ABN AMRO Conflict Waiver. ABN AMRO, as agent for Windmill and subagent of the Management Company, acts as Administrator for Windmill, acts as the Program LOC Provider, acts as Referral Agent, provides other backup credit facilities for Windmill, and may provide other services or facilities from time to time (the "ABN AMRO Roles"). Without limiting the generality of Section 10.8, each Lender acknowledges and consents to any and all ABN AMRO Roles, waives any objections it may have to any actual or potential conflict of interest caused by ABN AMRO's acting as Agent and acting as or maintaining any of the ABN AMRO Roles, and agrees that in connection with any ABN AMRO Role, ABN AMRO may take, or refrain from taking, any action which it in its discretion deems appropriate, including in its role as administrative agent for Windmill the giving of notice to the Agent of mandatory or voluntary purchases pursuant to Article III. Nothing contained in this Article X shall limit or alter the duties and obligations that ABN AMRO otherwise owes to Windmill in its role as agent for Windmill under any other agreement or arrangement.

Section 10.11. Certain Actions. Upon the direction of Windmill (at any time the Windmill Loan Amount is greater than zero), the Program LOC Provider or the Required Banks, the Agent shall make or give any requests, designations, instructions, directions or notices or exercise any other rights it is otherwise entitled to make, give or exercise; provided, however, that the Agent, unless it has obtained the written consent of the Program LOC Provider and the Required Banks, shall not give its consent under Section 6.1, 4.1(i) or 6.2(b). Upon the request of any Lender, the Agent shall (i) request information pursuant to Section 6.1(a) or 6.1(e) and (ii) exercise the rights described in Section 6.1(e) (and give any notice required to exercise the same). Following a Termination Event, the Agent promptly shall give a written notice to the Borrower specifying the Bank Termination Date if requested to do so by the Required Banks, whereupon the Bank Commitments shall terminate. Promptly upon receipt of any notice or information received by the Agent pursuant to Section 6.1(b) or 6.1(e), the Agent will deliver copies thereof to each of the Lenders

and at all times prior to the Windmill Termination Date and at all times thereafter until the Windmill Interest is reduced to zero, to each CP Dealer and each Rating Agency.

Article XI

Miscellaneous

Section 11.1. Term of Agreement. Windmill shall cease to be a party to this Agreement on the first (1st) Business Day following the Windmill Termination Date on which the Matured Value of the Windmill Loan Amount has been reduced to zero and all Aggregate Unpaid payables to Windmill have been paid in full. This Agreement shall terminate following the Loan Amortization Date when all amounts payable hereunder have been indefeasibly paid in full. Notwithstanding the foregoing, (i) the rights and remedies of the Agent and each Lender with respect to any representation and warranty made, or deemed to be made, by the Borrower, (ii) the indemnification and payment provisions of Article IX and Article X, and (iii) any other provision which by its own terms survives the termination of this Agreement (including Sections 11.11, 11.16, 11.17 and 11.18), shall be continuing and shall survive any termination of this Agreement.

Section 11.2. Waivers; Amendments. (a) No failure or delay on the part of the Agent or any Lender in exercising any power, right, privilege or remedy under this Agreement 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. The rights, powers, privileges and remedies herein provided shall be cumulative and not exclusive of any rights, powers, privileges or remedies provided by law. Any waiver of this Agreement shall be effective only in the specific instance and for the specific purpose for which given.

(b) This Agreement may not be amended, supplemented, modified or waived except in accordance with the provisions of Section 11.2(b), 11.6(c), 11.6(e) or 11.6(f). No amendment, supplement or other modification to this Agreement shall be effective unless the Borrower, the Required Banks and the Program LOC Provider are parties thereto and it is signed by the other required parties. Notwithstanding the foregoing, no amendment, supplement, modification or waiver shall without the written consent of: (i) all the Banks, (A) extend the Bank Termination Date, the Program LOC Provider Termination Date or the date of any payment or deposit of Collections by the Borrower to the Collection Agent or by the Collection Agent to the Agent for the benefit of the Lenders, (B) reduce the rate or extend the time of payment of Interest (or any component thereof) for any Tranche other than a CP Tranche, (C) reduce or extend the time of payment of any fee payable to the Agent for the benefit of the Lenders, (D) release or transfer all or any portion of, or otherwise change (other than as provided herein) the amount of, the Bank Interest or the Program LOC Provider Interest, (E) change the amount of any Bank Commitment or the Program LOC Provider Commitment or increase the Aggregate Commitment, other than as provided herein, (F) amend, modify or waive any provision of the definition of Required Banks or Termination Event or Sections 2.1, 5.2, 9.1, 9.2, 9.3 or 11.2(b) or any provision of the Indemnity Agreement or any obligation of any Borg-Warner Entity thereunder, (G) consent to or permit the assignment or transfer by the Borrower of any of its rights and obligations under this Agreement or of any of its right, title or interest in or to the Receivables, (H) amend, modify or waive any defined term (or any defined term used directly or indirectly in such defined term) used in clauses (A) through (G) above in a manner which would circumvent the intention of the restrictions set forth in such clauses; or (ii) the Agent, amend, modify or waive any provision of this Agreement if the effect thereof is to affect the indemnities to, or the rights or duties of, such Agent or reduce any fee payable to the Agent's own account; or (iii) Windmill, amend, supplement or otherwise modify (A) Sections 11.2(b)(iii), or 11.3 or Articles II or IX or (B) any other provision if the effect of such modification in such other provision shall be to limit the discretion of, or impose any new

commitment or obligation on, Windmill. Notwithstanding the foregoing, without the prior consent of the Program LOC Provider or any of the Banks (but only with the prior written consent of the Borrower), the Agent or Windmill, as the case may be, may change the amount of any fee or other payment due and payable to either the Agent (solely in its capacity as Agent) or Windmill, as the case may be, from the Borrower under this Agreement, the Fee Letter or any other agreement in connection herewith or therewith. Windmill shall not knowingly issue any waiver of any condition precedent set forth in Article V in respect of any purchase then being made by it without the prior written consent of the Required Banks and the Program LOC Provider. Any amendment, supplement, modification or waiver entered into in accordance with this Section 11.2(b) shall apply to each of the Lenders equally and shall be binding upon the Borrower, the Lenders and the Agent. In the case of any waiver, the Borrower, the Lenders and the Agent shall be restored to their former position and rights and any Potential Termination Event or Termination Event waived shall be deemed to be cured and not continuing, but no such waiver shall extend to any subsequent or other Potential Termination Event or Termination Event, or impair any right consequent upon such subsequent or other Potential Termination Event or Termination Event. Notwithstanding the foregoing, any additional Interest that has accrued after a Termination Event prior to the execution of a waiver thereof, solely as a result of the occurrence of such Termination Event, may be waived by the Agent at the direction of Windmill or the Program LOC Provider or the Required Banks (in each case, to the extent such additional Interest is payable to such Lender or the Banks, as the case may be). Notwithstanding the foregoing, at all times prior to the Windmill Termination Date and thereafter until the Windmill Interest is reduced to zero, no (a) material amendment, waiver, alteration, modification or supplement of or to any provision of this Agreement, (b) assignment contemplated by Section 11.6, or (c) termination, resignation or removal contemplated by Article V, Section 11.1 or Article X shall be effective unless a written statement is obtained from each Rating Agency that the Rating will not be downgraded or withdrawn or suspended as a result of such amendment, waiver, alteration, modification, supplement, assignment, termination, resignation or removal. At all times prior to the Windmill Termination Date and thereafter until the Windmill Interest is reduced to zero, Windmill shall provide each CP Dealer and each Rating Agency with at least ten (10) Business Days prior notice of each event described in clauses (a), (b) and (c) of the prior sentence, together with a copy of the form of the proposed amendment, waiver, alteration, modification or supplement (other than the Fee Letter).

Section 11.3. Notices. Except as provided below, all communications, demands and notices provided for hereunder shall be in writing (including bank wire, telex, telecopy or electronic facsimile transmission or similar writing) and shall be given to each other party at its address, telecopy number or telex number set forth on the signature page hereof or at such other address, telecopy number or telex number as such party may hereafter specify for the purposes of notice to such party. Each such notice or other communication shall be effective (i) if given by telecopy, upon the receipt thereof, (ii) if given by telex, when such telex is transmitted to the telex number specified in this Section 11.3 and the appropriate answerback is received, (iii) if given by mail, three (3) Business Days after the time such communication is deposited in the mails with first-class postage prepaid or (iv) if given by any other means, when received at the address specified in this Section 11.3; provided, however, that, in the case of any notice to be given under Article III, such notice shall not be effective until receipt thereof by the Person to whom such notice is to be given. However, anything in this Section 11.3 to the contrary notwithstanding, the Borrower hereby authorizes the Agent to effect Loans, Payments and Tranche Period and Tranche Rate selections based on telephonic notices made by any Person which the Agent in good faith believes to be acting on behalf of the Borrower. The Borrower agrees to deliver promptly to the Agent a written confirmation of each telephonic notice signed by an authorized officer of the Borrower. However, anything in this Section 11.3 to the contrary notwithstanding, each Lender hereby authorizes the Agent to effect the purchases described in Article II based on telephonic notices made by any Person which the

Agent in good faith believes to be acting on behalf of the Lenders. The Borrower and each of the Lenders hereby authorize the Agent, at the Agent's option, to tape record all or any part of telephonic notices and any other related conversations. The Agent's records as to all such matters shall be deemed correct. Each Lender agrees to deliver promptly to the Agent a written confirmation of each telephonic notice signed by an authorized office of said Lender. The absence of any written confirmation shall not affect the validity of the notice. If the written confirmation differs in any material respect from the action taken by the Agent, the records of the Agent shall govern absent manifest error.

Section 11.4. Governing Law; Submission to Jurisdiction; Integration. 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 Person party hereto hereby submits to the nonexclusive jurisdiction of any 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 this Agreement or the transactions contemplated hereby. Each Person party hereto hereby irrevocably waives, to the fullest extent it may effectively do so, any objection which it may now or hereafter have to the laying of the venue of any such proceeding brought in such a court and any claim that any such proceeding brought in such a court has been brought in an inconvenient forum.

Section 11.5. Severability; Counterparts. Any provisions of this Agreement which are prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction. This Agreement may be executed in any number of counterparts and by different parties hereto 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 11.6. 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, provided, however, that, except as otherwise provided herein, the Borrower may not assign or transfer any of its rights or delegate any of its duties without the prior written consent of the Agent and all the Lenders. The Banks and the Program LOC Provider may not participate, assign, transfer or sell any of its Bank Commitment or Program LOC Provider Commitment, as the case may be, except as required by operation of law, in connection with the merger, consolidation or dissolution of such Person or as provided in this Section 11.6.

(b) Participations. Any Lender may, in the ordinary course of its business and in accordance with applicable law, at any time sell to one or more Persons (each a "Participant") participating interests in the interests of such Lender hereunder. Notwithstanding any such sale by a Lender of participating interests to a Participant, such Lender's rights and obligations under this Agreement shall remain unchanged, such Lender shall remain solely responsible for the performance thereof, and the Borrower and the Agent shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement. The Borrower hereby agrees that if any of the Aggregate Unpays are due and unpaid, or shall have been declared or shall have become due and payable upon the occurrence and during the continuance of a Termination Event, each Participant shall be deemed to have the right of setoff in respect of its participating interest in amounts owing under this Agreement to the same extent as if the amount of its participating interest were owing directly to it as a Lender under this Agreement; provided, however, that such right of setoff shall be subject to the obligations of such Participant to share with the Lenders, and the Lenders agree to share with such Participant. The Borrower also agrees that each Participant shall be entitled to the benefits

of Article IX. Each Lender agrees that any agreement between such Lender and any such Participant in respect of such participating interest shall not restrict such Lender's right to agree to any amendment, supplement, waiver or modification to this Agreement, except for any amendment, supplement, waiver or modification described in subclauses (A), (B), (C), (D), (F), (G) or (H) of clause (i) in the third sentence of Section 11.2(b).

(c) Assignments to Purchasing Banks. Any Bank may at any time and from time to time, (i) without the consent of the Borrower or the Agent, to any Person that at such time is a Lender or that is an Affiliate of such Lender and (ii) with the prior written consent of the Borrower, which consent shall not be unreasonably withheld, and the prior written consent of the Agent, assign to one or more Persons ("Purchasing Banks") all or any part of its Bank Commitment and all or any portion of the Bank Interest of such Bank relating to such Bank Commitment pursuant to a supplement to this Agreement, substantially in the form of Exhibit M with any changes as have been approved by the parties thereto (a "Loans Supplement"), executed by such Purchasing Bank, such selling Bank and the Agent. If required in connection with the maintenance of the Rating, each such Loans Supplement must be accompanied by an opinion of counsel of the Purchasing Bank as to such matters as Windmill and the Agent may reasonably request. Any such assignment of the Bank Commitment cannot be for an amount less than Five Million Dollars (\$5,000,000). Such Purchasing Bank must be a depository institution organized under the laws of a country (each an "OECD Country") which is a full member of the Organization of Economic Cooperation and Development, or which has concluded special lending arrangements with the International Monetary Fund (the "IMF") associated with the IMF's General Arrangements to Borrow. Each such Purchasing Bank shall pay a fee of Two Thousand Five Hundred Dollars (\$2,500) to the Agent. Any such partial assignment shall be an assignment of an identical percentage of such selling Bank's Interest and its Bank Commitment. Upon (i) such execution of such Loans Supplement, (ii) delivery of an executed copy thereof to the Borrower and the Agent and (iii) payment by such Purchasing Bank to such selling Bank of an amount equal to the purchase price agreed between such selling Bank and such Purchasing Bank, such selling Bank shall be released from its obligations hereunder to the extent of such assignment and such Purchasing Bank shall for all purposes be a Bank party to this Agreement and shall have all the rights and obligations of a Bank under this Agreement to the same extent as if it were an original party hereto, and no further consent or action by the Borrower, the Lenders or the Agent shall be required. The amount of the Bank Interest allocable to such Purchasing Bank shall be equal to the amount of the Bank Interest transferred regardless of the purchase price paid therefor. Such Loans Supplement shall be an amendment of this Agreement to the extent, and only to the extent, necessary to reflect the addition of such Purchasing Bank as a Bank and the resulting adjustment of the Bank Commitments, if any, arising from the purchase by such Purchasing Bank of all or a portion of the Bank Commitment of such selling Bank.

(d) Affected Bank. In the event that any Bank or the Program LOC Provider shall cease to have a short-term debt rating of A-1+ or better by S&P and P-1 or better by Moody's (an "Affected Bank"), Windmill may direct the Agent to obtain a replacement Bank (a "Replacement Bank") or a replacement Program LOC Provider (as the case may be) acceptable to Windmill for such Affected Bank. Upon notice to an Affected Bank by the Agent of the identification of a Replacement Bank willing to accept such assignment, the Affected Bank shall promptly assign all of its rights and obligations hereunder to such Replacement Bank in accordance with Section 11.6(c) or 11.6(f), as the case may be.

(e) Windmill. (i) General. Windmill may assign, participate, grant security interests in, or otherwise transfer all or any portion of its beneficial interest in the Windmill Interest, including any such transfer pursuant to Article III. The Borrower, the Agent, the Program LOC Provider and each of the Banks further agree and consent to the complete assignment by Windmill of all of its rights under, interest in, title to and obligations under this Agreement to ABN AMRO or any other Person, and upon such assignment Windmill shall be released from all obligations and duties under this Agreement.

(ii) Assignment. Except as provided in Article III and 11.6(e)(i), Windmill may, without the consent of the Borrower, assign to any other Person all or any portion of the Windmill Interest. As between Windmill and any such assignee, each such assignment shall be upon such terms and conditions as Windmill and such assignee may mutually agree. Windmill may not, without the prior written consent of the Required Banks and the Program LOC Provider, transfer any of its rights under Article III to cause the Banks or the Program LOC Provider to purchase the Windmill Interest unless the Lender (A) is a corporation the principal business of which is the purchase of assets of a type like the receivables with the proceeds of commercial paper issued by such corporation, (B) has requested that ABN AMRO agree, and ABN AMRO has agreed, to act as the administrative agent therefor and (C) issues commercial paper with credit ratings assigned by nationally recognized rating agencies in respect thereof which are substantially comparable to the ratings assigned by such rating agencies to the commercial paper issued by Windmill. Windmill shall deliver to the assignee a supplement to this Agreement, substantially in the form of Exhibit O with any changes as have been approved by the parties thereto (also, a "Loans Supplement"), duly executed by Windmill, assigning any such Windmill Interest, or portion thereof, to the assignee, and Windmill shall promptly execute and deliver all further instruments and documents, and take all further action, that the assignee may reasonably request, in order to perfect, protect or more fully evidence the assignee's right, title and interest in and to such Windmill Interest (or portion thereof) and to enable the assignee to exercise or enforce any rights hereunder. Upon the assignment of any Windmill Interest (or portion thereof) from Windmill as described above, the respective assignee receiving such assignment shall have all of the rights of Windmill hereunder with respect to such Windmill Interest, except that the Interest therefor shall thereafter accrue at the rate, or shall be in the amount, determined in accordance with Article II unless the Borrower and the assignee shall have agreed in writing upon a different Interest. Windmill shall promptly notify the Agent of any such assignment by Windmill and the Agent shall in turn give prompt notice thereof to the Borrower. Windmill authorizes the Agent to, and the Agent agrees that it shall, enter an appropriate entry on the Register to reflect any assignments.

(f) Assignments to Successor Program LOC Provider. The Program LOC Provider may at any time and from time to time, upon the prior written consent of the Borrower, which consent shall not be unreasonably withheld, the Agent and all of the Banks and the Agent's receipt of written confirmation from each Rating Agency that its Rating shall not be adversely affected thereby, assign to one Person (the "Successor Program LOC Provider") all (but not part) of its Program LOC Provider Commitment and all (but not part) of the Program LOC Provider Interest pursuant to a supplement to this Agreement, substantially in the form of Exhibit N with any changes as have been approved by the parties thereto (also, a "Loans Supplement"), executed by the Successor Program LOC Provider, the Program LOC Provider and the Agent. If required in connection with the maintenance of the Rating, any such Loans Supplement must be accompanied by an opinion of counsel of the Successor Program LOC Provider as to such matters as Windmill, the Agent and the Required Banks may reasonably request. The Successor Program LOC Provider must be a depository institution organized under the laws of an OECD Country. Upon (i) such execution of such Loans Supplement, (ii) delivery of an executed copy thereof to the Borrower and the Agent and (iii) payment by the Successor Program LOC Provider to the Program LOC Provider of an amount equal to the purchase price agreed between the Successor Program LOC Provider and the Program LOC Provider, the Program LOC Provider shall be released from its obligations hereunder to the extent of such assignment and the Successor Program LOC Provider shall for all purposes be the Program LOC Provider party to this Agreement and shall have all the rights and obligations of the Program LOC Provider under this Agreement to the same extent as if it were an original party hereto, and no further consent or action by the Borrower, the Lenders or the Agent shall be required. The amount of the Program LOC Provider Interest allocable to the Successor Program LOC Provider shall be equal to the amount of the Program LOC Provider Interest transferred hereunder

regardless of the purchase price paid therefor. Such Loans Supplement shall amend this Agreement to the extent, and only to the extent, necessary to reflect the addition of the Successor Program LOC Provider as the Program LOC Provider, arising from the purchase by the Successor Program LOC Provider of all of the Program LOC Provider Commitment.

(g) The parties to each assignment permitted under Section 11.6 shall execute and deliver a Loans Supplement in respect thereof to the Agent, for its acceptance and recording in its books and records (the "Register"). The Agent shall not be required to deliver any payment hereunder to any Person that is not known by the Agent to be a party hereto unless the Agent shall have received a Loans Supplement reflecting the assignment to such Person hereunder. From and after its receipt of a Loans Supplement that purports on its face to be permitted and to have been duly executed and delivered in accordance with the terms of this Agreement, the Agent shall be entitled to rely on the directions set forth therein as to the appropriate allocation of payments as between the assignee and assignor thereunder. The Agent shall maintain at its address at Suite 611, 135 South LaSalle Street, Chicago, Illinois 60603 a copy of each Loans Supplement delivered to and accepted by it. The entries in the Register shall be conclusive and binding for all purposes, absent manifest error, and each of the parties hereto may treat each Person whose name is recorded in the Register as a Lender hereunder for all purposes of this Agreement. The Register shall be available for inspection by the Borrower and each Lender at any reasonable time and from time to time upon reasonable prior notice.

Section 11.7. Further Assurances. The Borrower agrees, from time to time, to do and perform any and all acts and to execute any and all further instruments required or reasonably requested by the Agent to more fully effect the purposes of this Agreement and the transfer of the Secured Interest, including the execution of any financing statements or continuation statements relating to the Affected Assets for filing under the provisions of the UCC of any applicable jurisdiction.

Section 11.8. Right of Setoff. In addition to any rights now or hereafter granted under applicable law or otherwise, and not by way of limitation of any such rights, upon the occurrence and during the continuance of any Termination Event, each Lender is hereby authorized at any time or from time to time, without presentment, demand, protest or other notice of any kind to the Borrower or to any other Person, any such notice being hereby expressly waived, to setoff and to appropriate and apply any and all deposits (general or special, time or demand, provisional or final, and in whatever currency denominated) and any other indebtedness at any time held or owing by such Lender (including by branches and agencies of such Lender wherever located) to or for the credit or the account of the Borrower against and on account of the Aggregate Unpaid of the Borrower to such Lender under this Agreement, including all interests in Aggregate Unpaid purchased by such Lender pursuant to Section 2.6(j), and all other claims of any nature or description arising out of or connected with this Agreement, irrespective of whether or not such Lender shall have made any demand hereunder and although said Aggregate Unpaid, liabilities or claims, or any of them, shall be contingent or unmatured.

Section 11.9. Waiver of Confidentiality. Anything herein to the contrary notwithstanding, the Borrower hereby consents to the disclosure of any nonpublic information with respect to it (i) to the Agent or the Lenders by the other, and (ii) by the Agent or the Lenders to any prospective or actual assignee or participant of any of them (only if such nonpublic information is accompanied by a statement that such prospective or actual assignee or participant agrees, by receipt of such information, to maintain the confidentiality of such information) or any rating agency or provider of a surety, guaranty or credit or liquidity enhancement to any of them or any entity organized for the purpose of purchasing, or making loans secured by, financial assets for which ABN AMRO provides managerial services or acts as the administrative agent, or the Administrator, the Management Company, the Referral Agent, the Depositary, any commercial paper dealer or placement agent, or any officers, directors,

employees, outside accountants, auditors, Governmental Authorities having jurisdiction over them or lawyers of any of the foregoing. In addition, the Agent and/or the Lenders may disclose any such nonpublic information pursuant to any law, rule, regulation, direction, request or order of any judicial, administrative or regulatory authority or proceedings (whether or not having the force and effect of law).

Section 11.10. Confidentiality of Agreement. Unless otherwise agreed to in writing by the Agent, the Borrower hereby agrees that it will not disclose the contents of this Agreement, or any other confidential or proprietary information furnished by the Agent or any Lender to any other Person except (i) its auditors and attorneys or (ii) as otherwise required by applicable law or order of a court of competent jurisdiction.

Section 11.11. Bankruptcy Petition Against Windmill. Each of the Lenders, (excluding Windmill), the Agent, the Borrower and the Collection Agent hereby covenants and agrees that, prior to the date which is one (1) year and one (1) day after the payment in full of all outstanding commercial paper of Windmill, such party will not institute against, or join any other Person in instituting against, Windmill any bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings or other similar proceeding under the laws of the USA. The provisions of this Section 11.11 shall survive the termination of this Agreement.

Section 11.12. Limitation of Liability. No claim may be made by the Borrower, the Collection Agent or any other Person against the Agent or any Lender or their respective Affiliates, directors, officers, employees, attorneys or agents for any special, indirect, consequential or punitive damages in respect of any claim for breach of contract or any other theory of liability arising out of or related to the transactions contemplated by this Agreement, or any act, omission or event occurring in connection therewith; and the Borrower, for itself, the Collection Agent and all other Persons claiming by or through the Borrower, hereby waives, releases and agrees not to sue upon any claim for any such damages, whether or not accrued and whether or not known or suspected to exist in its favor.

Section 11.13. Headings. Article and Section headings used herein are for convenience and reference only, are not part of this Agreement and are not to affect the construction of, or to be taken into consideration in interpreting this Agreement.

Section 11.14. Waiver of Trial by Jury. To the extent permitted by applicable law, each of the parties hereto irrevocably waives all right of trial by jury in any action, proceeding or counterclaim arising out of or in connection with this Agreement or any matter arising hereunder.

Section 11.15. Administrator. Each of the parties hereto acknowledges and agrees that each and every responsibility, function, duty and agreement of Windmill may be performed by the Administrator for, in the name of and on behalf of Windmill, as Windmill's agent. It is further acknowledged and agreed that notwithstanding the Administrator's undertaking to so perform Windmill's responsibilities, functions, duties and agreements for, in the name of and on behalf of Windmill, as Windmill's agent, Windmill's responsibilities, functions, duties and agreements shall remain obligations of Windmill and shall not constitute obligations of the Administrator.

Section 11.16. No Recourse. The obligations of each of the Management Company, the Administrator, Windmill and the Referral Agent are solely the corporate obligations of such Person. No recourse shall be had with respect to this Agreement, any of the Program Documents or any of the other Transaction Documents, including the enforcement of the obligations of the Management Company, the Administrator, Windmill or the Referral Agent thereunder or for the payment of any fee or other amount payable thereunder for any claim based on, arising out of or relating to any provision of this Agreement, any of the

Program Documents or any of the other Transaction Documents, against any stockholder, employee, officer, director, incorporator, affiliate, agent or servant of any of the Management Company, the Administrator, Windmill or the Referral Agent. Each of the parties hereto agrees to look solely to the Management Company, the Administrator, Windmill or the Referral Agent for payment or performance of all obligations of such Person and claims against the Management Company, the Administrator, Windmill or the Referral Agent based on, arising out of or relating to this Agreement, any Program Document to which such Person is (or is intended to be) a party or any other Transaction Document. The provisions of this Section 11.16 shall survive the termination of this Agreement.

Section 11.17. Reliance on Information Obtained from Third Parties. Each of the parties hereto recognizes that the accuracy and completeness of the records maintained and the information supplied by Windmill and supplied by the Referral Agent, the Management Company and the Administrator, for, in the name of and on behalf of Windmill as Windmill's agent is dependent upon the accuracy and completeness of the information obtained by Windmill, the Referral Agent, the Management Company and the Administrator from other Persons and other sources and neither Windmill, the Referral Agent, the Management Company nor the Administrator shall be responsible for any inaccuracy in the information so obtained or for any inaccuracy in the records maintained by Windmill, the Referral Agent, the Management Company or the Administrator which may result therefrom. All calculations and determinations made by Windmill or by the Referral Agent, the Management Company or the Administrator for, in the name of or on behalf of Windmill, are based on the most recent information provided to Windmill, the Referral Agent, the Management Company and the Administrator and entered into the Administrator's or the Referral Agent's computerized information system. Consequently, some of the information relied upon in making such calculations and determinations may not reflect the actual current facts and neither Windmill, the Referral Agent, the Management Company nor the Administrator shall be liable for any loss, cost or expense arising, directly or indirectly, as a result of or in connection with any discrepancy attributable to such timing differential. The provisions of this Section 11.17 shall survive the termination of the Agreement.

Section 11.18. Excess Funds. Other than amounts Windmill has become obligated to pay pursuant to Section 3.2 (other than interest becoming due from Windmill in connection with its failure to timely make the purchase price available to the Agent), Windmill shall be required to make payment of the amounts required to be paid pursuant to this Agreement only if Windmill has Excess Funds. In the event that Windmill does not have Excess Funds, the excess of the amount due hereunder over the amount paid (the "Insufficiency") shall not constitute a "claim" against Windmill as defined in Section 101(5) of the Federal Bankruptcy Code until such time, if any, as Windmill shall have Excess Funds. If at any time Windmill does not have sufficient funds to make any payment due under this Agreement other than amounts Windmill has become obligated to pay pursuant to Section 3.2 (other than interest becoming due from Windmill in connection with its failure to timely make the purchase price available to the Agent), then Windmill may pay a lesser amount and make an additional payment (or payments) in the amount of deficiency as soon as possible thereafter. No party to this Agreement shall cause or require any fees, costs, expenses or any other amount, the amount of which is not expressly provided for herein, to be paid out of Windmill's funds, or require Windmill to reimburse it for any fees, costs, expenses or any other amount paid by it, without prior review by the Administrator to determine the reasonableness of such fees, costs, expenses and other amounts. For purposes of this Section 11.18, "Excess Funds" shall mean the excess (redetermined daily based on the most current available information) of (a) the sum of (i) the funds on deposit in, or otherwise credited to, the commercial paper account or the special account established and maintained pursuant to that certain Amended and Restated Depositary Agreement, dated as of November 15, 1994, between Windmill and the Depositary, plus (ii) the projected value of Windmill's assets (other than cash and cash equivalents) (determined by the Administrator in accordance with the Administration

Agreement), plus (iii) all other cash and cash equivalents then owned by Windmill, minus (b) the sum of (i) the sum of the Face Amount of all commercial paper notes of Windmill that have been properly authorized, issued, authenticated and delivered in accordance with that certain Amended and Restated Depositary Agreement, dated as of November 15, 1994, between Windmill and the Depositary which have not been paid in full, plus (ii) the Program Unreimbursed Draw Amount, together with all unpaid interest then accrued thereon, plus (iii) the Backup Purchase Facility Usage (as that term is used and defined in the Swingline and Backup Purchase Agreement), together with all unpaid interest then accrued thereon, plus (iv) all outstanding Swingline Advances (as that term is used and defined in the Swingline and Backup Purchase Agreement), together with all unpaid interest then accrued thereon, plus (v) all taxes payable by Windmill to the Internal Revenue Service, plus (vi) all other unpaid indebtedness, liabilities, and obligations of Windmill then due and payable. A determination of Excess Funds will be made by the Administrator once each Business Day. So long as there is any Excess Funds, then all amounts reflected in such calculation may be paid on such Business Day if then due and payable. If there are no Excess Funds, then the payment of any amount limited to an Excess Funds test shall not be paid until there are Excess Funds. The provisions of this Section 11.18 shall survive the termination of this Agreement.

Section 11.19. Enforceability of Receivables. The obligations of the Borrower under this Agreement shall not be affected by reason of any invalidity, illegality or irregularity of any Receivable or any transfer of a Secured Interest.

Section 11.20. Integration. This Agreement contains the final and complete integration of all prior expressions by the parties hereto with respect to the subject matter hereof and shall constitute the entire agreement among the parties hereto with respect to the subject matter hereof superseding all prior oral or written understandings.

[the remainder of this page intentionally left blank]

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 a Bank

By:

Title:

By:

Title:

Address: Suite 725
135 South LaSalle Street
Chicago, Illinois 60674
Attention: Lender Agent-
Windmill
Telephone: (312) 904-6263
Telecopy: (312) 904-6376

ABN AMRO Bank N.V., as the Agent

By:

Title:

By:

Title:
Address: Structured Finance, Asset
Securitization
Suite 725
135 South LaSalle Street
Chicago, Illinois 60674
Attention: Lender Agent-
Windmill
Telephone: (312) 904-6263
Telecopy: (312) 904-6376

BWA Receivables Corporation

By:

Title:
Address: 200 South Michigan Avenue
Chicago, Illinois 60604
Attention: Vice President and
Treasurer
Telephone: (312) 322-8500
Telecopy: (312) 322-8712

Borg-Warner Automotive, Inc.

By:

Title:
Address: 200 South Michigan Avenue
Chicago, Illinois 60604
Attention: Vice President and
Treasurer
Telephone: (312) 322-8500
Telecopy: (312) 322-8712

<PAGE>

ABN AMRO Bank N.V., as the Program LOC Provider

By:

Title:

By:

Title:
Address: Structured Finance, Asset
Securitization
Suite 725
135 South LaSalle Street
Chicago, Illinois 60674
Attention: Program LOC
Provider - Windmill
Telephone: (312) 904-6263
Telecopy: (312) 904-6376

Windmill Funding Corporation

By:

Title:
Address: c/o Global Securitization

Services, LLC
 25 West 43rd Street,
 Suite 704
 New York, New York 10036
 Attention: Andrew L. Stidd
 Telephone: (212) 302-8330
 Telecopy: (212) 302-8767

With a copy to:

ABN AMRO Bank N.V.
 Structured Finance, Asset
 Securitization
 Suite 725
 135 South LaSalle Street
 Chicago, Illinois 60674
 Attention: Administrator -
 Windmill
 Telephone: (312) 904-6263
 Telecopy: (312) 904-6376

<PAGE>

Exhibit A

To

Receivables Loan Agreement
 BWA Receivables Corporation
 Credit and Collection Policy

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Exhibit B-1

To

Receivables Loan Agreement
 Form of Contract

<PAGE>

Exhibit B-2

To

Receivables Loan Agreement
 Contract Terms

<PAGE>

Exhibit C

To

Receivables Loan Agreement
 Lockboxes and Lockbox Banks

<PAGE>

Exhibit D

to

Receivables Loan Agreement
 Form of Lock-Box Letter

[Lock-Box Bank]

Ladies and Gentlemen:

Reference is made to the lockbox numbers ----- and -----in -----
 - ----- and the lockbox account numbers ----- and -----respec-
 tively maintained with you (such lockboxes and lockbox accounts being collec-
 tively referred to herein as the "Accounts"), each in the name of [Originator].
 [Originator] hereby unconditionally transfers exclusive ownership of the
 Accounts to BWA Receivables Corporation and confirms that [Originator] has sold
 all Receivables (as defined below) to BWA Receivables Corporation. [Originator]
 hereby authorizes and directs you to endorse all checks, drafts and other
 payments remitted to the Accounts to BWA Receivables Corporation. [Originator]
 shall have control of and access to the Accounts prior to delivery of the
 Agent's Notice (defined below) solely in its role as collection agent.

In connection with a receivables transaction entered into by BWA
 Receivables Corporation pursuant to a Receivables Loan Agreement, dated as of

December 23, 1998, among BWA Receivables Corporation (the "Borrower"), Borg-Warner Automotive, Inc., as Collection Agent, the banks from time to time party thereto (collectively, the "Banks"), Windmill Funding Corporation ("Windmill"), ABN AMRO Bank N.V., as provider of the program letter of credit (the "Program LOC Provider"), and ABN AMRO Bank N.V., as agent (the "Agent") for Windmill, the Banks and the Program LOC Provider (collectively, the "Lenders"), as amended or otherwise modified from time to time (the "Receivables Loan Agreement"), BWA Receivables Corporation has assigned to the Agent for the benefit of the Lenders an undivided percentage interest in the accounts, chattel paper, instruments or general intangibles (collectively, the "Receivables") with respect to which payments are or may hereafter be made to the Accounts, and has granted to the Agent for the benefit of the Lenders a security interest in its retained interest in such Receivables, and as is the customary practice in this type of transaction, we hereby request that you execute this letter agreement. All references herein to "we" and "us" refer to [Originator] and BWA Receivables Corporation. Your execution hereof is a condition precedent to our continued maintenance of the Accounts with you.

We hereby transfer exclusive ownership and control of the Accounts to the Agent, subject only to the condition subsequent that the Agent shall have given you notice of its election to assume such ownership and control, which notice may be in the form attached hereto as Annex A or in any other form that gives you reasonable notice of such election (the "Agent's Notice").

We hereby irrevocably instruct you, at all times from and after the date of your receipt of the Agent's Notice as described above, to make all payments to be made by you out of or in connection with the Accounts directly to the Agent, at its address set forth below its signature hereto or as the Agent otherwise notifies you, or otherwise in accordance with the instructions of the Agent.

We also hereby notify you that, at all times from and after the date of your receipt of the Agent's Notice as described above, the Agent shall be irrevocably entitled to exercise in our place and stead any and all rights in respect of or in connection with the Accounts, including, without limitation, (a) the right to specify, when payments are to be made out of or in connection with the Accounts and (b) the right to require preparation of duplicate monthly bank statements on the Accounts for the Agent's audit purposes and mailing of such statements directly to an address specified by the Agent. At all times from and after the date of your receipt of the Agent's notice, neither we nor any of our affiliates shall be given any access to the Accounts.

The Agent's Notice may be personally served or sent by Telex, facsimile or U.S. mail, certified return receipt requested, to the address, Telex or facsimile number set forth under your signature to this letter agreement (or to such other address, Telex or facsimile number as to which you shall notify the Agent in writing). If the Agent's Notice is given by Telex or facsimile, it will be deemed to have been received when the Agent's Notice is sent and the answerback is received (in the case of Telex) or receipt is confirmed by telephone or other electronic means (in the case of facsimile). All other notices will be deemed to have been received when actually received or, in the case of personal delivery, delivered.

By executing this letter agreement, you acknowledge the existence of the Agent's right to ownership and control of the Accounts and its ownership of and security interest in the amounts from time to time on deposit therein and agree that from the date hereof the Accounts shall be maintained by you for the benefit of, and amounts from time to time therein held by you as agent for, the Agent on the terms provided herein. The Accounts are to be entitled "BWA Receivables Corporation and ABN AMRO Bank N.V., as Agent for the Lenders." Except as otherwise provided in this letter agreement, payments to the Accounts are to be processed in accordance with the standard procedures currently in effect. All service charges and fees with respect to the Accounts shall continue to be payable by us as under the arrangements currently in effect.

By executing this letter agreement, you irrevocably waive and agree not to assert, claim or endeavor to exercise, irrevocably bar and estop yourself from asserting, claiming or exercising, and acknowledge that you have not heretofore received a notice, writ, order or any form of legal process from any other party asserting, claiming or exercising, any right of set-off, banker's lien or other purported form of claim with respect to the Accounts or any funds from time to time therein. Except for your right to payment of your service charges and fees and to make deductions for returned items, you shall have no rights in the Accounts or funds therein. To the extent you may ever have such rights, you hereby expressly subordinate all such rights to all rights of the Agent. To the extent that the Agent actually receives funds from you relating directly to a returned item, the Agent agrees to remit such funds to you up to the actual returned amount relating to such returned item (the provisions of this sentence shall survive the termination of the Accounts and this letter agreement).

Notwithstanding any other provision of this letter agreement, unless you are grossly negligent or engaged in willful misconduct in performance or nonperformance in connection with this letter agreement and the Accounts, we and the Agent agree to hold you harmless and we and the Agent agree not to assert a claim against you for any claims, damages, losses or expenses incurred by any party in connection herewith; in the event you breach the standard of care set forth herein, we and the Agent expressly agree that your liability shall be limited to damages directly caused by such breach and in no event shall you be liable for any incidental, indirect, punitive or consequential damages whatsoever. In performing your functions and duties under this letter agreement, you shall not be deemed to have assumed any fiduciary obligation towards or relationship of trust with or for us or the Agent.

You may terminate this letter agreement by canceling the Accounts maintained with you, which cancellation and termination shall become effective only upon thirty (30) days prior written notice thereof from you to the Agent. Incoming mail addressed to the Accounts (including, without limitation, any direct funds transfer to the Accounts) received after such cancellation shall be forwarded in accordance with the Agent's instructions. This letter agreement may also be terminated upon written notice to you by the Agent stating that the Receivables Loan Agreement is no longer in effect. Except as otherwise provided in this paragraph, this letter agreement may not be terminated without the prior written consent of the Agent.

This letter agreement contains the entire agreement between the parties with respect to the subject matter hereof, and may not be altered, modified or amended in any respect, nor may any right, power or privilege of any party hereunder be waived or released or discharged, except upon execution by you, us and the Agent of a written instrument so providing. The terms and conditions of any agreement between us and you (a "LockBox Service Agreement") (whether now existing or executed hereafter) with respect to the lockbox arrangements, to the extent not inconsistent with this letter agreement, are made part of this letter agreement with respect to matters not explicitly covered in this letter agreement. In the event that any provision in this letter agreement is in conflict with, or inconsistent with, any provision of any such LockBox Service Agreement, this letter agreement will exclusively govern and control. Each party agrees to take all actions reasonably requested by any other party to carry out the purposes of this letter agreement or to preserve and protect the rights of each party hereunder.

This letter agreement and the rights and obligations of the parties hereunder will be governed by and construed and interpreted in accordance with the laws of State of Illinois. This letter agreement may be executed in any number of counterparts and all of such counterparts taken together will be deemed to constitute one and the same instrument.

Please indicate your agreement to the terms of this letter agreement by signing in the space provided below. This letter agreement will become effective immediately upon execution of a counterpart of this letter agreement

by all parties hereto.

Very truly yours,

[Originator]

By:
Title:

BWA Receivables Corporation

By:
Title:

Accepted and confirmed as of
the date first written above:

By: ABN AMRO Bank N.V., as Agent

By:-----
Title:-----

By:-----
Title:-----

Address of notice:

ABN AMRO Bank N.V.
Structured Finance, Asset Securitization
Suite 725
135 South LaSalle Street
Chicago, Illinois 60674
Attention: Lender Agent-Windmill
Telephone Number: (312) 904-6263
Telecopy Number: (312) 904-6376
Acknowledged and agreed to as of
the date first written above:
[Lock-Box Bank]

By:-----
Title:-----

Address for notice:

<PAGE>
Annex A to

LockBox Letter
[Lock-Box Bank]

Re: BWA Receivables Corporation
Lock-Box Numbers ----- and -----
and Lock-Box Account Numbers -----
and -----

Ladies and Gentlemen:

Reference is made to the letter agreement dated ----- (the "Letter Agreement") among [Originator], BWA Receivables Corporation, the undersigned, as Agent, and you concerning the above-described lockboxes, and lockbox accounts (collectively, the "Accounts"). We hereby give you notice of our assumption of ownership and control of the Accounts as provided in the Letter Agreement.

We hereby instruct you not to permit any other party to have access to the Accounts and to make all payments to be made by you out of or in connection with the Accounts directly to the undersigned upon our instructions, at our address set forth above.

Very truly yours,

ABN AMRO Bank N.V., as Agent

By:
Title:

By:
Title: -
<PAGE>
Exhibit E
To

Receivables Loan Agreement
Form of Periodic Report
<PAGE>
Exhibit F-1
to
Receivables Loan Agreement

Form of Assignment
[Windmill to a Bank or The Program LOC Provider]

This Assignment (this "Assignment"), dated -----, 19--, is by and between [insert name of Bank or Program LOC Provider] (the "Assignee") and Windmill Funding Corporation ("Windmill"). Reference is hereby made to that certain Amended and Restated Receivables Loan Agreement (as amended, supplemented or otherwise modified through the date hereof, the "Loan Agreement"), dated as of December 23, 1998, by and among Windmill, BWA Receivables Corporation (the "Borrower"), Borg-Warner Automotive, Inc., as Collection Agent, the banks from time to time party thereto (collectively, the "Banks"), ABN AMRO Bank N.V., as provider of the program letter of credit (the "Program LOC Provider"), and ABN AMRO Bank N.V., as agent (the "Agent") for the Banks, the Program LOC Provider and Windmill. Unless otherwise defined herein, capitalized terms used herein shall have the meaning ascribed to such term in the Loan Agreement.

W i t n e s s e t h T h a t:

Whereas, this Assignment is being executed and delivered in accordance with Section 3.1(a) of the Loan Agreement,

Now, Therefore, the parties hereto hereby agree as follows:

1. On the terms and subject to the conditions of this Assignment and the Loan Agreement, Windmill hereby sells, transfers, assigns, sets over and otherwise conveys to the Assignee, and the Assignee hereby acquires from Windmill, all of Windmill's right, title and interest in and to the Interest and related Assigned

Windmill Settlement with respect thereto designated in the Windmill Notice attached hereto after giving effect to the payment (or exchange) of the Windmill Loan Price (the "Purchased Interest"), all without recourse, representation or warranty (except as explicitly described below).

2. Each of the parties to this Assignment agrees that at any time and from time to time upon the written request of any other party it will execute and deliver such further documents and do such further acts and things as such other party may reasonably request in order to effect the purposes of this Assignment.

3. By executing and delivering this Assignment, each of Windmill and the Assignee confirms and agrees with the other as follows: other than the representation and warranty that Windmill is transferring the Purchased Interest free and clear of any Adverse Claim created or granted by Windmill, Windmill makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with the Purchased Interest or the Loan Agreement or the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Purchased Interest or the Loan Agreement or any other instrument or document furnished pursuant thereto or in connection therewith.

4. This assignment shall be governed by, and construed in accordance with, the laws of the State of Illinois.

In Witness Whereof, the parties hereto have caused this Assignment to be executed by their respective duly authorized officers.

Windmill Funding Corporation

By:
Title:

[Insert Name of Assignee]

By:
Title:

[By:
Title:]

Acknowledged:

ABN AMRO Bank N.V., as
Agent under the Loan Agreement

By:
Title:

By:
Title:

<PAGE>
Form of Section 3.1(a) Windmill Notice
Dated -----, 199-
ABN AMRO Bank N.V.,
as Agent for the Lenders
Asset Securitization, Structured Finance
Suite 725
135 South LaSalle Street

Chicago, Illinois 60674
 Attention: Lender Agent - Windmill

BWA Receivables Corporation
 200 South Michigan Avenue
 Chicago, Illinois 60604
 Attention: Vice President and Treasurer
 Ladies and Gentlemen:

Reference is made to the Amended and Restated Receivables Loan Agreement, dated as of December 23, 1998 (as amended, the "Loan Agreement"), among BWA Receivables Corporation, a Delaware corporation (the "Borrower"), Borg-Warner Automotive, Inc., a Delaware corporation, as Collection Agent, Windmill Funding Corporation, a Delaware corporation ("Windmill"), the banks from time to time party thereto (collectively, the "Banks"), ABN AMRO Bank N.V., as provider of the program letter of credit (the "Program LOC Provider"), and ABN AMRO Bank N.V., as agent (the "Agent") for Windmill, the Program LOC Provider and the Banks. Unless expressly otherwise defined herein, terms defined in the Loan Agreement are used herein with the same meaning.

This notice constitutes a "Windmill Notice." Windmill hereby advises the Agent and the Borrower that it intends to exercise its right under Section 3.1 of the Loan Agreement to transfer the portion of Windmill's Interest identified below on -----, 199-- (the "Windmill Put Date"). The Windmill Loan Price in the amount of ----- Dollars (\$-----) shall be payable in full to the Agent, for the account of Windmill, on such Windmill Put Date. Such Windmill Loan Price has been calculated in the manner described on Schedule I attached hereto and made a part hereof.

In connection with the transfer of the Interest described above (the "Assigned Interest"), Windmill agrees as follows:

1. Windmill hereby assigns to the Agent for the account of [insert name of appropriate Lenders], effective as of the Windmill Put Date specified above, all right, title and interest of Windmill in the Assigned Interest in consideration of the payment to Windmill of the Windmill Loan Price specified above.

2. Windmill (i) represents and warrants that it is the legal and beneficial owner of the Assigned Interest and that such interest is free and clear of any Adverse Claim created by Windmill; (ii) represents and warrants that, on and as of the Windmill Put Date, it is not the subject of any bankruptcy, insolvency or other similar proceeding, (iii) makes no representation and warranty and assumes no responsibility with respect to any statements, warranties, or representations made in or in connection with the Loan Agreement or the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Loan Agreement, any Interest (whether the Assigned Interest or otherwise), any Receivables, or Related Security or any other instrument or document or other Affected Asset related to the foregoing; and (iv) makes no representation or warranty and assumes no responsibility with respect to the financial condition of the Borrower, the Parent, any Originator or any Obligor, the collectibility of any Receivable or the performance or observance by the Borrower of any of its obligations under the Loan Agreement or any other instrument or document related thereto.

3. This Windmill Notice is delivered to the Agent for, among other purposes, recording by the Agent. From and after the later to occur of the Windmill Put Date specified above, the date Windmill shall receive payment in full of the Windmill Loan Price specified above, and the execution and delivery of an Assignment in the form of Exhibit F-1 of the Loan Agreement, the Agent shall make all payments under the Loan Agreement in respect of the Assigned Interest (including, without limitation, all payments on account of the Receivables and of Interest with respect thereto) to [insert name of appropriate Lender].

4. This Windmill Notice shall be governed by, and construed in accordance

with, the laws of the State of Illinois.

In Witness Whereof, Windmill has caused this Windmill Notice to be executed by an authorized signatory as of the date first above written.

Windmill Funding Corporation

By:
Title:
<PAGE>
Schedule I
to
Windmill Notice

Dated -----, 199-
Calculation of Windmill Loan Price
(as defined in Section 1.1 of the Loan Agreement)

(To be attached at the time Windmill Notice is submitted, demonstrating compliance with the requirements for calculation set forth in the Loan Agreement)
<PAGE>

Exhibit F-2
to
Receivables Loan Agreement

Form of Assignment
[From a Bank or The Program LOC Provider to Windmill]

This Assignment (this "Assignment"), dated -----, 19--, is by and between [insert name of Bank or Program LOC Provider] (the "Assignor") and Windmill Funding Corporation ("Windmill"). Reference is hereby made to that certain Amended and Restated Receivables Loan Agreement (as amended, supplemented or otherwise modified through the date hereof, the "Loan Agreement"), dated as of December 23, 1998, by and among Windmill, BWA Receivables Corporation (the "Borrower"), Borg-Warner Automotive, Inc., as Collection Agent, the banks from time to time party thereto (collectively, the "Banks"), ABN AMRO Bank N.V., as provider of the program letter of credit (the "Program LOC Provider"), and ABN AMRO Bank N.V., as agent (the "Agent") for the Banks, the Program LOC Provider and Windmill. Unless otherwise defined herein, capitalized terms used herein shall have the meaning ascribed to such term in the Loan Agreement.

W i t n e s s e t h T h a t:

Whereas, this Assignment is being executed and delivered in accordance with Section 3.2 of the Loan Agreement,

Now, Therefore, the parties hereto hereby agree as follows:

1. On the terms and subject to the conditions of this Assignment and the Loan Agreement, the Assignor hereby sells, transfers, assigns, sets over and otherwise conveys to Windmill, and Windmill hereby acquires from the Assignor, all of the Assignor's right, title and interest in and to the Interest designated in the Notice attached hereto (the "Purchased Interest"), after giving effect to the payment (or exchange) of the purchase price as calculated in accordance with Section 3.2 of the Loan Agreement (the "Loan Price"), all without recourse, representation or warranty (except as explicitly described below).

2. Each of the parties to this Assignment agrees that at any time and from time to time upon the written request of any other party it will execute

and deliver such further documents and do such further acts and things as such other party may reasonably request in order to effect the purposes of this Assignment.

3. By executing and delivering this Assignment, each of Windmill and the Assignor confirms and agrees with the other as follows: other than the representation and warranty that the Assignor is transferring the Purchased Interest free and clear of any Adverse Claim created or granted by the Assignor, the Assignor makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with the Purchased Interest or the Loan Agreement or the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Purchased Interest or the Loan Agreement or any other instrument or document furnished pursuant thereto or in connection therewith.

4. This assignment shall be governed by, and construed in accordance with, the laws of the State of Illinois.

In Witness Whereof, the parties hereto have caused this Assignment to be executed by their respective duly authorized officers.

Windmill Funding Corporation

By:
Title: -

[Insert Name of Assignor]

By:
Title:

[By:
Title:]

Acknowledged:

ABN AMRO Bank N.V., as
Agent under the Loan Agreement

By:
Title:

By:
Title:

<PAGE>
Form of Section 3.2 Windmill Purchase Notice
Dated -----, 199--

ABN AMRO Bank N.V.,
as Agent for the Lenders
Asset Securitization, Structured Finance
Suite 725
135 South LaSalle Street
Chicago, Illinois 60674
Attention: Lender Agent - Windmill

BWA Receivables Corporation
200 South Michigan Avenue
Chicago, Illinois 60604

Attention: Vice President and Treasurer

Ladies and Gentlemen:

Reference is made to the Amended and Restated Receivables Loan Agreement, dated as of December 23, 1998 (as amended, the "Loan Agreement"), among BWA Receivables Corporation, a Delaware corporation (the "Borrower"), Borg-Warner Automotive, Inc., a Delaware corporation, as Collection Agent, Windmill Funding Corporation, a Delaware corporation ("Windmill"), the banks from time to time party thereto (collectively, the "Banks"), ABN AMRO Bank N.V., as provider of the program letter of credit (the "Program LOC Provider"), and ABN AMRO Bank N.V., as agent (the "Agent") for Windmill, the Program LOC Provider and the Banks. Unless expressly otherwise defined herein, terms defined in the Loan Agreement are used herein with the same meaning.

Windmill hereby advises the Agent that, at the request of the Borrower, it intends to exercise its right under Section 3.2 of the Loan Agreement to acquire the portion of the other Lenders' Interest identified below on -----, 199-- (the "Windmill Purchase Date"). The purchase price as calculated in accordance with Section 3.2 of the Loan Agreement (the "Loan Price") in the amount of ----- Dollars (\$-----) shall be payable in full to the Agent, for the account of the applicable Lender, on such Windmill Purchase Date. The Loan Price has been calculated in the manner described on Schedule I attached hereto and made a part hereof.

In connection with the transfer of the Interest described above (the "Assigned Interest"), the undersigned Assignor agrees as follows:

1. The Assignor hereby assigns to the Agent for the account of Windmill, effective as of the Windmill Purchase Date specified above, all right, title and interest of the Assignor in the Assigned Interest in consideration of the payment to the Assignor of the Loan Price specified above.

2. The Assignor (i) represents and warrants that it is the legal and beneficial owner of the Assigned Interest and that such interest is free and clear of any Adverse Claim created by the Assignor; (ii) represents and warrants that, on and as of the Windmill Purchase Date, it is not the subject of any bankruptcy, insolvency or other similar proceeding, (iii) makes no representation and warranty and assumes no responsibility with respect to any statements, warranties, or representations made in or in connection with the Loan Agreement or the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Loan Agreement, any Interest (whether the Assigned Interest or otherwise), any Receivables, or Related Security or any other instrument or document or other Affected Asset related to the foregoing; and (iv) makes no representation or warranty and assumes no responsibility with respect to the financial condition of the Borrower, the Parent, any Originator or any Obligor, the collectibility of any Receivable or the performance or observance by the Borrower (whether as the Borrower, in its capacity as Collection Agent or otherwise) of any of its obligations under the Loan Agreement or any other instrument or document related thereto.

3. This notice is delivered to the Agent for, among other purposes, recording by the Agent. From and after the later to occur of the Windmill Purchase Date specified above, the date the Assignor shall receive payment in full of the Loan Price specified above, and the execution and delivery of an Assignment in the form of Exhibit F2 of the Loan Agreement, the Agent shall make all payments under the Loan Agreement in respect of the Assigned Interest (including, without limitation, all payments on account of the Receivables and of Interest with respect thereto) to Windmill.

4. This notice shall be governed by, and construed in accordance with, the laws of the State of Illinois.

In Witness Whereof, the Assignor and Windmill have caused this notice to be

executed by an authorized signatory as of the date first above written.

Windmill Funding Corporation

By:
Title:

Assignor:

[Insert Name of Assignor]

By:
Title:

{By:
Title: }

<PAGE>

Schedule I
to
Notice

Dated-----, 199-

Calculation of the Loan Price
(as specified in Section 3.2 of the Loan Agreement)

(To be attached at the time the notice is submitted, demonstrating compliance with the requirements for calculation set forth in the Loan Agreement)

<PAGE>
Exhibit G
To
Receivables Loan Agreement
Addresses of Borrower And Originator
<PAGE>
Exhibit H
to
Receivables Loan Agreement

Borrower's and Borg-Warner Entities' Corporate Names; Trade Names; Assumed Names

- 1.) Borg-Warner Automotive, Inc.
- 2.) Borg-Warner Automotive Powertrain Systems Corporation
Borg-Warner Powertrain Assemblies
- 3.) Borg-Warner Automotive Diversified Transmission Products Corporation
Borg-Warner Powertrain Assemblies
- 4.) Borg-Warner Automotive Air/Fluid Systems Corporation
Borg-Warner Automotive Electronic & Mechanical Systems Corporation
Borg-Warner Control Systems
- 5.) Borg-Warner Automotive Morse TEC Corporation
-Borg-Warner Automotive Transmission & Engine Components Corporation
-Morse Chain Systems
- 6.) Borg-Warner Automotive Automatic Transmission Systems Corporation

-Borg-Warner Automotive Transmission & Engine Components Corporation
 -Borg-Warner Automotive Automatic Transmission Systems (ATS)
 -Borg & Beck

7.) BWA Receivables Corporation

<PAGE>

Exhibit I

to

Receivables Loan Agreement

Form of Opinion for Borg-Warner Entities

[To Be Provided By Borrower at a Later Date]

<PAGE>

Exhibit J

Form of Compliance Certificate

To: ABN AMRO Bank N.V., as Agent, and
 each Lender

This Compliance Certificate is furnished pursuant to Section [5.1(d)], [6.1(a)(iii)] of that certain Amended and Restated Receivables Loan Agreement, dated as of December 23, 1998 (as amended, supplemented or otherwise modified through the date hereof, the "Loan Agreement"), among BWA Receivables Corporation (the "Borrower"), Borg-Warner Automotive, Inc., as Collection Agent, the banks from time to time party thereto (collectively, the "Banks"), Windmill Funding Corporation ("Windmill") and ABN AMRO Bank N.V., as the provider of the program letter of credit (the "Program LOC Provider" and together with the Banks and Windmill, the "Lenders"), and ABN AMRO Bank N.V. as agent for the Lenders (in such capacity, the "Agent"). Terms used in this Compliance Certificate and not otherwise defined herein shall have the respective meanings ascribed thereto in the Loan Agreement.

The undersigned hereby represents, warrants, certifies and confirms that:

1. I am a duly elected Designated Financial Officer of -----.

2. Attached hereto is a copy of the [balance sheet] [financial statements] described in Section 6.1(a)(i) or 6.1(a)(ii) of the Loan Agreement.

3. I have reviewed the terms of the Transaction Documents and I have made, or have caused to be made under my supervision, a detailed review of the transactions and the conditions of the Borrower and each other Borg-Warner Entity during and at the end of the accounting period covered by the attached [balance sheet] [financial statements].

4. The examinations described in paragraph 3 hereof did not disclose, and I have no knowledge of, the existence of any condition or event which constitutes a Termination Event or Potential Termination Event, during or at the end of the accounting period covered by the attached [balance sheet] [financial statements] or as of the date of this Compliance Certificate, except as set forth below.

[5. Schedule I attached hereto sets forth data and computations with respect to the financial covenants set forth in the Loan Agreement and/or in Section 4.2 of the Indemnity Agreement, evidencing the compliance with each such financial covenant, all of which data and computations are true, complete and correct, and all information which is based on estimates has been calculated using methods of estimation on a consistent basis and without any intent to change or distort such information to show compliance with such financial covenants.]

Described below are the exceptions, if any, to paragraph 4 listing, in

detail, the nature of the condition or event, the period during which it has existed and the action which ----- has taken, is taking or proposes to take with respect to each such condition or event:

The foregoing certifications, together with the computations set forth in Schedule I hereto and the [balance sheet] [financial statements] delivered with this Compliance Certificate in support hereof, are made and delivered this _____ day of -----, 19--.

[Name of Borrower or Parent]

By:
Designated Financial Officer
<PAGE>

Exhibit K
to
Receivables Loan Agreement

Form of Loan Request
-----, 199-

ABN AMRO Bank N.V., as Agent
Asset Securitization, Structured Finance
Suite 725
135 South LaSalle Street
Chicago, Illinois 60674
Attn: Lender Agent Windmill

re: BWA Receivables Corporation

Ladies and Gentlemen:

The undersigned, BWA Receivables Corporation, a Delaware corporation (the "Borrower"), hereby refers to the Amended and Restated Receivables Loan Agreement, dated as of December 23, 1998 (the "Loan Agreement"; capitalized terms used and not otherwise defined herein shall have the meanings ascribed to such terms in the Loan Agreement), among the Borrower, Borg-Warner Automotive, Inc., a Delaware corporation, as Collection Agent, the banks from time to time party thereto (collectively, the "Banks"), Windmill Funding Corporation, a Delaware corporation ("Windmill"), ABN AMRO Bank N.V., as provider of the program letter of credit (the "Program LOC Provider"), and ABN AMRO Bank N.V., as agent (the "Agent") for the Banks, the Program LOC Provider and Windmill, and hereby gives the Agent notice, irrevocably, pursuant to Section 2.1(c) of the Loan Agreement, of a proposed (the "Proposed Loan(s)"). In connection therewith, please find attached hereto as Exhibit A, the information relating to the Proposed Loan(s) required by Section 2.1(c) of the Loan Agreement. In the event that, on the date of this Loan Request ("Notice"), any Interim Liquidation shall then be in effect, this Notice shall be revoked, effective immediately, and Collections shall be set aside in accordance with Section 3.3(b) of the Loan Agreement.

The Borrower hereby certifies that the following statements are true on the date hereof, and will be true on [each of] the proposed Loan Date(s) referenced on Exhibit A:

(i) Both before and after giving effect to [each of] the Proposed Loan[s] contemplated hereby and the use of the proceeds therefrom, the representations and warranties contained in Section 4.1 of the Loan Agreement are true and correct in all material respects on and as of such Loan Date as though made on and as of such Loan Date;

(ii) Both before and after giving effect to [each of] the Proposed Loan[s] contemplated hereby, no Termination Event or Potential Termination Event has

occurred and is continuing, or would result in connection with such Proposed Loan or the use of the proceeds therefrom; and

(iii) All of the requirements of Section 5.2 of the Loan Agreement have been satisfied in connection with each Loan.

Very truly yours,

BWA Receivables Corporation

By:

Title:

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Exhibit A
to
Loan Requests

Summary of Information Relating to Proposed Loan(s)

1. Dates, Amounts, Lender(s), Proposed Tranche Periods

A1	Date of Notice	-----			
A2	Measurement Date (the last Business Day of the week immediately preceding the week in which the Date of Notice occurs)	-----			
A3	Proposed Loan Dates	-----	-----	-----	-----
	(each of which is a Business Day)				
A4	Respective Proposed Loan on each such Loan Date				
	\$-----	\$-----	\$-----	\$-----	
	(A4A)	(A4B)	(A4C)	(A4D)	
A5	Proposed Allocation among Lenders				
	Windmill	\$-----	\$-----	\$-----	\$-----
	Banks	\$-----	\$-----	\$-----	\$-----
	Program LOC Provider	\$-----	\$-----	\$-----	\$-----
A6	Tranche Period				
	Starting Date	-----	-----	-----	-----
	Ending Date	-----	-----	-----	-----
	Number of Days	-----	-----	-----	-----
	Notes:				

(i) Each proposed Loan Date must be a Business Day, and must occur no later than two (2) weeks after the Measurement Date set forth above. The choice of Measurement Date is a risk undertaken by the Borrower. If a selected Measurement Date is other than the applicable Loan Date, notwithstanding the disclosure of such choice herein, such choice shall not in any manner diminish, waive, reduce or otherwise affect the obligation of the Borrower to assure the Lenders that, after giving effect to the Proposed Loan, the actual Percentage Factor (including the aggregate for all Lenders), as of the date of such Proposed Transfer shall not exceed one hundred percent (100%), such assurance being a fundamental condition on which the willingness of any Lender to make the related purchase shall be based.

(ii) Except as set forth in Section 2.1(c) of the Loan Agreement, each Loan shall not be less than One Million Dollars (\$1,000,000).

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Exhibit L
To
Receivables Loan Agreement

Activities to Maintain Separate Corporate
Existence of Borg-Warner Entities

The Borrower shall:

1. compensate all employees, consultants and agents directly, from the Borrower's bank accounts, for services provided to the Borrower by such employees, consultants and agents and, to the extent any employee, consultant or agent of the Borrower is also an employee, consultant or agent of any other BorgWarner Entity, allocate the compensation of such employee, consultant or agent between the Borrower and such BorgWarner Entity on a basis which reflects the services rendered to the Borrower and such BorgWarner Entity;
2. clearly identify and occupy space that is separate and distinct from any space occupied by any other BorgWarner Entity even if such space is leased or subleased from, or is on or near premises occupied by, any other BorgWarner Entity;
3. have separate stationery and other business forms;
4. conduct its business solely in its own name through its duly authorized officers or agents including, without limitation, in all oral and written communications such as letters, invoices, purchase orders, contracts, statements and applications;
5. make independent decisions with respect to its daily business and affairs and not be controlled in making such decisions by any other BorgWarner Entity;
6. allocate all overhead expenses (including, without limitation, telephone and other utility charges) for items shared between the Borrower and any other BorgWarner Entity on the basis of actual use to the extent practicable and, to the extent such allocation is not practicable, on a basis reasonably related to actual use;
7. at all times have at least two member of its board of directors (each, an "Independent Director") (which Independent Director shall have a fiduciary duty to creditors of the Borrower) who is not (A) a director, officer or employee of any other BorgWarner Entity, (B) a person related to any officer or director of any BorgWarner Entity, (C) a holder (directly or indirectly) of more than one percent (1%) of any voting securities of any BorgWarner Entity, or (D) a person related to a holder (directly or indirectly) of more than one percent (1%) of any voting securities of any other BorgWarner Entity;
8. ensure that all corporate actions with respect to (i) the filing for any petition of bankruptcy of the Borrower, (ii) transactions with Affiliates of the Borrower and (iii) compensation of officers of the Borrower, are duly authorized by unanimous vote of its board of directors (and duly authorized by its stockholders when necessary);
9. maintain complete and correct books and records of account and minutes of meetings and other proceedings of its stockholder and board of directors;
10. maintain its financial, corporate and other books and records separate from those of any other BorgWarner Entity;
11. prepare its financial statements separately from those of other BorgWarner Entities and insure that any consolidated financial statements of any other BorgWarner Entity that include the Borrower have detailed notes clearly stating that the Borrower is a separate corporate entity;
12. maintain a cash management system separate from any other BorgWarner Entity and not commingle funds or other assets of Borrower with those of any other BorgWarner Entity and not maintain bank accounts or other depository accounts to which any other BorgWarner Entity is an account party, into which any other BorgWarner Entity makes deposits or from which any other BorgWarner Entity has the power to make withdrawals (except as agent to the special purpose corporation as specifically contemplated by any servicing agreement between such parties approved by Windmill);

13. pay operating expenses and liabilities from its own funds and not permit any other BorgWarner Entity to pay any of the Borrower's operating expenses or liabilities (except pursuant to allocation arrangements that comply with the requirements of paragraph 2 above);
 14. maintain adequate capitalization in light of its business and purpose;
 15. not hold itself out or permit itself to be held out as having agreed to pay or as being liable for the debts of any other BorgWarner Entity nor will it hold any other BorgWarner Entity out or permit any other BorgWarner Entity to be held out as having agreed to pay or as being liable for the debts of the Borrower (except as contemplated by the Receivables Loan Agreement) nor will it fail to correct any known misrepresentation with respect to the foregoing;
 16. not operate or purport to operate as an integrated, single economic unit with one or more of the other BorgWarner Entities;
 17. not seek or obtain credit or incur any obligation to any third party based upon the assets of one or more of the other BorgWarner Entities or induce any such third party to reasonably rely on the creditworthiness of one or more of the other BorgWarner Entities;
 18. not guaranty or otherwise become liable with respect to indebtedness of any other BorgWarner Entity nor permit guaranties or liability by any other BorgWarner Entity of the indebtedness of the Borrower (except as contemplated by the Receivables Loan Agreement);
 19. maintain an arm's-length relationship with each other BorgWarner Entity, including, without limitation, payment of an arm's-length servicing fee for any receivables-servicing functions performed by any other BorgWarner Entity on behalf of the Borrower; and
 20. not, directly or indirectly, be named and shall not enter into any agreement to be named as a direct or contingent beneficiary or loss payee on any insurance policy covering the property of any other BorgWarner Entity.
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Exhibit M
to
Receivables Loan Agreement

Loans Supplement
[Form of Assignment for Bank Commitment]

Loans Supplement, dated as of the date set forth in Item 1 of Schedule I hereto, between the Selling Bank set forth in Item 2 of Schedule I hereto (the "Selling Bank"), and the Purchasing Bank set forth in Item 3 of Schedule I hereto (the "Purchasing Bank").

W i t n e s s e t h:

Whereas, this Loans Supplement is being executed and delivered in accordance with Section 11.6(c) of the Amended and Restated Receivables Loan Agreement, dated as of December 23, 1998, among BWA Receivables Corporation, a Delaware corporation (the "Borrower"), Borg-Warner Automotive, Inc., a Delaware corporation, as Collection Agent, ABN AMRO Bank N.V., as agent for the Lenders (in such capacity on behalf of the Lenders, the "Agent"), and the banks from time to time party thereto (collectively the "Banks"), ABN AMRO Bank N.V., as provider of the program letter of credit (the "Program LOC Provider"), and Windmill Funding Corporation, a Delaware corporation ("Windmill") (Windmill together with the Program LOC Provider and the Banks, the "Lenders") (as amended, supplemented or otherwise modified from time to time, the "Loan Agreement"). Terms defined therein being used herein (and in the Schedules hereto) have the same meaning as defined in the Loan Agreement).

Whereas, the Purchasing Bank wishes to become a Bank party to the Loan Agreement; and

Whereas, the Selling Bank is selling and assigning to the Purchasing Bank certain rights and obligations under the Loan Agreement as set forth herein;

Now, Therefore, the parties hereto hereby agree as follows:

1. Upon receipt by the Agent of ten (10) counterparts of this Loans Supplement, to each of which is attached a fully completed Schedule I and Schedule II, and each of which has been executed by the Selling Bank, the Purchasing Bank, the Agent and the Borrower, and upon the satisfaction of all of the requirements set forth in clauses (i) through (iii) of Section 11.6(c) of the Loan Agreement and delivery of an opinion of counsel of the Purchasing Bank as described therein, the Agent will transmit to the Borrower, the Selling Bank and the Purchasing Bank a Transfer Effective Notice, substantially in the form of Schedule III to this Loans Supplement (a "Transfer Effective Notice"). Such Transfer Effective Notice shall set forth, inter alia, the date on which the transfer effected by this Loans Supplement shall become effective (the "Transfer Effective Date"), which date shall be two (2) Business Days following the date of such Transfer Effective Notice (or such other date selected by the Agent in its sole discretion). From and after the Transfer Effective Date, the Purchasing Bank shall be a Bank party to the Loan Agreement for all purposes thereof as if the Purchasing Bank were an original party thereto and the Purchasing Bank agrees to be bound by all of the terms and provisions contained therein.

2. At or before 12:00 noon, local time of the Selling Bank, on the Transfer Effective Date, if the Selling Bank owns any Loan Amount under the Loan Agreement, the Purchasing Bank shall pay to the Selling Bank, in immediately available funds, an amount equal to the sum of (i) that portion of the Selling Bank's Loan Amount based upon that portion of its Bank Commitment hereby transferred (the "Purchasing Bank Investment"), plus (ii) all accrued but unpaid (whether or not then due) Interest attributable to such Purchasing Bank Investment, plus (iii) all accrued but unpaid fees and other costs and expenses (whether or not then due) payable in respect of the Bank Commitment hereby transferred, plus (iv) any breakfunding cost incurred by the Selling Bank as a result of any reduction in such Selling Bank's Loan Amount in a Eurodollar Tranche due to the reduction of such Selling Bank's allocable portion of the Bank Loan Amount pursuant hereto (the "Loan Price"). Effective upon receipt by the Selling Bank of the Loan Price from the Purchasing Bank, the Selling Bank hereby transfers and assigns to the Purchasing Bank, without recourse, representation or warranty (except as explicitly set forth below), and the Purchasing Bank hereby irrevocably takes, receives and assumes from the Selling Bank, that portion of the Selling Bank's beneficial interest in the Secured Interest held by the Agent on its behalf, if any, allocable to the portion of the Bank Commitment hereby transferred.

3. Concurrently with the execution and delivery hereof, the Selling Bank will provide to the Purchasing Bank copies of all documents requested by such Purchasing Bank which were delivered to such Selling Bank pursuant to the conditions precedent set forth in Article V of the Loan Agreement.

4. Each of the parties to this Loans Supplement agrees that at any time and from time to time upon the written request of any other party, it will execute and deliver such further documents and do such further acts and things as such other party may reasonably request in order to effect the purposes of this Loans Supplement.

5. By executing and delivering this Loans Supplement, the Selling Bank and the Purchasing Bank confirm to and agree with each other and the Agent and the other Lenders as follows: (i) other than the representation and warranty that it has not created any Adverse Claim upon any interest being transferred hereunder, the Selling Bank makes no representation or warranty and assumes no

responsibility with respect to any statements, warranties or representations made in or in connection with the Loan Agreement or any other Transaction Document or the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Loan Agreement, any other Transaction Document, any Interest, any Receivable, or any other Affected Asset or any other instrument or document furnished pursuant thereto or the perfection, priority, condition, value or sufficiency of any collateral; (ii) the Selling Bank makes no representation or warranty and assumes no responsibility with respect to the financial condition of the Borrower or any other Borg-Warner Entity or any other Affiliate of the Borrower or any other Borg-Warner Entity or any Obligor or the performance or observance by the Borrower or any other Borg-Warner Entity or any other Affiliate of the Borrower or any other Borg-Warner Entity of any of its obligations under the Loan Agreement, any other Transaction Document or any other instrument or document furnished pursuant thereto or the collectibility of any Receivable; (iii) the Purchasing Bank confirms that it has received a copy of the Loan Agreement (other than the Fee Letter), together with such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Loans Supplement; (iv) the Purchasing Bank will, independently and without reliance upon the Agent, the Selling Bank or any other and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under, or in connection with, the Loan Agreement; (v) the Purchasing Bank appoints and authorizes the Agent to take such action as agent on its behalf and to exercise such powers under, or in connection with, the Loan Agreement as are delegated to the Agent by the terms thereof, together with such powers as are reasonably incidental thereto, all in accordance with Article X of the Loan Agreement; (vi) the Purchasing Bank agrees that it will perform in accordance with their terms all of the obligations which by the terms of the Loan Agreement are required to be performed by it as a Bank; and (vii) the Purchasing Bank specifies as its address for notices the address set forth in Schedule II hereto.

6. Each party hereto represents and warrants to and agrees with the Agent that each party hereto is aware of and will comply with all of the provisions of the Loan Agreement.

7. Schedule II hereto sets forth the revised Bank Commitment of the Selling Bank and the Purchasing Bank, respectively, as well as administrative information with respect to the Purchasing Bank.

8. Following the execution of this Loans Supplement by the Selling Bank and the Purchasing Bank, it will be delivered to the Agent for acceptance and recording by the Agent. This Loans Supplement shall be effective as of the Transfer Effective Date but only after it has been accepted and recorded by the Agent.

9. Upon acceptance and recording of this Loans Supplement by the Agent, as of the Transfer Effective Date, (i) the Purchasing Bank shall be a party to the Loan Agreement and, to the extent provided in this Loans Supplement and in the Loan Agreement and to the extent transferred hereunder, have the rights and obligations of the Selling Bank thereunder and (ii) the Selling Bank shall, to the extent provided in this Loans Supplement and the Loan Agreement, relinquish its rights and be released from its obligations under the Loan Agreement.

10. From and after the later of the Transfer Effective Date and the date of acceptance and recording of this Loans Supplement by the Agent, the Agent shall make all payments under the Loan Agreement in respect of the interest assigned hereby (including, without limitation, all payments on account of the Purchasing Bank Investment and of Interest with respect thereto) to the Purchasing Bank. The Selling Bank and the Purchasing Bank shall make directly between themselves all appropriate adjustments in payments under the Transfer Agreement for periods, if any, prior to the later of the dates specified in the preceding sentence.

11. The Selling Bank and the Purchasing Bank hereby advise the Agent that, to the extent the consent of the Borrower or any other Person is required for the transfer contemplated herein, such consent has been duly obtained and remains in full force and effect.

12. This Loans Supplement may be executed in any number of counterparts and by different parties hereto 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 Loans Supplement.

13. This Loans Supplement shall be governed by, and construed in accordance with, the laws of the State of Illinois.

In Witness Whereof, the parties hereto have caused this Loans Supplement to be executed by their respective duly authorized officers on Schedule I hereto as of the date set forth in Item 1 of Schedule I hereto.<PAGE>

Schedule I
to Loans
Supplement
Completion of Information
and Signatures for
Loans Supplement

Re: Amended and Restated Receivables Loan Agreement, dated as of December 23, 1998, with BWA Receivables Corporation

Item 1 Date of Loans Supplement:
Item 2 Selling Bank:
Item 3 Purchasing Bank:
-----, as
Selling Bank

By:
Title:

[By:
Title:]

-----, as
Purchasing Bank

By:
Title:
Consented To and Acknowledged:
ABN AMRO Bank N.V.,
as Agent

By:
Title:

By:
Title:

BWA Receivables Corporation
By:

Title:<PAGE>
Schedule II
to Loans
Supplement

List of Offices and Addresses
for Notices and Commitment Amounts

Selling Bank: Revised Bank Commitment:

Purchasing Bank: Bank Commitment:

Address for Notices for Purchasing Bank:

Attention:

Telephone:

Telecopy:

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Schedule III

to Loans

Supplement

Transfer Effective Notice

To: The Purchasing Bank Listed
on Schedule I Hereto

The undersigned, as Agent under the Amended and Restated Receivables Loan Agreement, dated as of December 23, 1998, among BWA Receivables Corporation, Borg-Warner Automotive, Inc., as Collection Agent, ABN AMRO Bank N.V., as Agent and Program LOC Provider, the banks from time to time party thereto and Windmill Funding Corporation (as amended, supplemented, or otherwise modified from time to time, the "Loan Agreement") acknowledges receipt of ten (10) executed counterparts of a completed Loans Supplement, dated as of the date set forth in Item 1 of Schedule I hereto, between the Selling Bank set forth in Item 2 of Schedule I hereto and the Purchasing Bank set forth in Item 3 of Schedule I hereto, and schedules thereto. Terms defined in such Loans Supplement are used herein as therein defined.

1. Pursuant to such Loans Supplement, you are advised that the Transfer Effective Date will be -----.

2. Pursuant to such Loans Supplement the Purchasing Bank is required to pay its Loan Price, if any, to the Selling Bank at or before 12:00 noon, local time of the Selling Bank, on the Transfer Effective Date in immediately available funds.

Very truly yours,

ABN AMRO Bank N.V., as
Agent

By:

Title:

By:

Title:

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Exhibit N

to

Receivables Loan Agreement

Loans Supplement

[Form of Assignment for Program LOC Provider]

Loans Supplement, dated as of the date set forth in Item 1 of Schedule I hereto, between the Program LOC Provider set forth in Item 2 of Schedule I hereto (the "Program LOC Provider"), and the Successor Program LOC Provider set forth in Item 3 of Schedule I hereto (the "Successor Program LOC Provider").

W i t n e s s e t h:

Whereas, this Loans Supplement is being executed and delivered in accordance with Section 11.6(f) of the Amended and Restated Receivables Loan Agreement, dated as of December 23, 1998, among BWA Receivables Corporation, a Delaware corporation (the "Borrower"), Borg-Warner Automotive, Inc., a Delaware corporation, as Collection Agent, ABN AMRO Bank N.V., as agent for the Lenders (in such capacity on behalf of the Lenders, the "Agent"), and the banks from time to time party thereto (collectively the "Banks"), ABN AMRO Bank N.V., as provider of the program letter of credit, and Windmill Funding Corporation, a Delaware corporation ("Windmill") (Windmill together with the Program LOC Provider and the Banks, the "Lenders") (as amended, supplemented or otherwise modified from time to time, the "Loan Agreement"). Terms defined therein being used herein (and in the Schedules hereto) have the same meaning as defined in the Loan Agreement).

Whereas, the Successor Program LOC Provider wishes to become a party to the Loan Agreement; and

Whereas, the Program LOC Provider is selling and assigning to the Successor Program LOC Provider all of its Program LOC Provider Commitment, Loan Amount and Interest and all rights and obligations related thereto under the Loan Agreement as set forth herein;

Now, Therefore, the parties hereto hereby agree as follows:

1. Upon receipt by the Agent of ten (10) counterparts of this Loans Supplement, to each of which is attached a fully completed Schedule I and Schedule II, and each of which has been executed by the Program LOC Provider, the Successor Program LOC Provider, the Agent and the Borrower, and upon the satisfaction of all of the requirements set forth in Section 11.6(f) of the Loan Agreement, including delivery of an opinion of counsel of the Successor Program LOC Provider as described therein, the Agent will transmit to the Borrower, the Program LOC Provider and the Successor Program LOC Provider a Transfer Effective Notice, substantially in the form of Schedule III to this Loans Supplement (a "Transfer Effective Notice"). Such Transfer Effective Notice shall set forth, inter alia, the date on which the transfer effected by this Loans Supplement shall become effective (the "Transfer Effective Date"), which date shall be two (2) Business Days following the date of such Transfer Effective Notice (or such other date selected by the Agent in its sole discretion). From and after the Transfer Effective Date, (i) the Successor Program LOC Provider shall be a party to the Loan Agreement for all purposes thereof as if the Successor Program LOC Provider were an original party thereto and the Successor Program LOC Provider agrees to be bound by all of the terms and provisions contained therein, and the Program LOC Provider shall be substituted, released and discharged from any further obligations under the Loan Agreement.

2. At or before 12:00 noon, local time of the Program LOC Provider, on the Transfer Effective Date, if the Program LOC Provider owns any Loan Amount under the Loan Agreement, the Successor Program LOC Provider shall pay to the Program LOC Provider, in immediately available funds, an amount equal to the sum of (i) the Program LOC Provider Investment hereby transferred, plus (ii) all accrued but unpaid (whether or not then due) Interest attributable to such Program LOC Provider Loan Amount, plus (iii) all accrued but unpaid fees and other costs and expenses (whether or not then due) payable in respect of the Program LOC Provider Commitment hereby transferred, plus (iv) any breakfunding cost incurred by the Program LOC Provider as a result of any reduction in such Program LOC Provider's Loan Amount in a Eurodollar Tranche due to the reduction of such Program LOC Provider's Loan Amount pursuant hereto (the "Loan Price"). Effective upon receipt by the Program LOC Provider of the Loan Price from the Successor Program LOC Provider, the Program LOC Provider hereby transfers and assigns to the Successor Program LOC Provider, without recourse, representation or warranty (except as explicitly set forth below), and the Successor Program LOC Provider hereby irrevocably takes, receives and assumes from the Program LOC

Provider, all of the Program LOC Provider's beneficial interest in the Secured Interest held by the Agent on its behalf, if any, allocable to the Program LOC Provider Commitment.

3. Concurrently with the execution and delivery hereof, the Program LOC Provider will provide to the Successor Program LOC Provider copies of all documents requested by such Successor Program LOC Provider which were delivered to such Program LOC Provider pursuant to the conditions precedent set forth in Article V of the Loan Agreement.

4. Each of the parties to this Loans Supplement agrees that at any time and from time to time upon the written request of any other party, it will execute and deliver such further documents and do such further acts and things as such other party may reasonably request in order to effect the purposes of this Loans Supplement.

5. By executing and delivering this Loans Supplement, the Program LOC Provider and the Successor Program LOC Provider confirm to and agree with each other and the Agent and the other Lenders as follows: (i) other than the representation and warranty that it has not created any Adverse Claim upon any interest being transferred hereunder, the Program LOC Provider makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with the Loan Agreement or any other Transaction Document or the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Loan Agreement, any other Transaction Document, any Interest, any Receivable, or any other Affected Asset or any other instrument or document furnished pursuant thereto or the perfection, priority, condition, value or sufficiency of any collateral; (ii) the Program LOC Provider makes no representation or warranty and assumes no responsibility with respect to the financial condition of the Borrower or any other Borg-Warner Entity or any other Affiliate of the Borrower or any other Borg-Warner Entity or any Obligor or the performance or observance by the Borrower or any other Borg-Warner Entity or any other Affiliate of the Borrower or any Borg-Warner Entity of any of its obligations under the Loan Agreement, any other Transaction Document or any other instrument or document furnished pursuant thereto or the collectibility of any Receivable; (iii) the Successor Program LOC Provider confirms that it has received a copy of the Loan Agreement (other than the Fee Letter), together with such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Loans Supplement; (iv) the Successor Program LOC Provider will, independently and without reliance upon the Agent, the Program LOC Provider or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under, or in connection with, the Loan Agreement; (v) the Successor Program LOC Provider appoints and authorizes the Agent to take such action as agent on its behalf and to exercise such powers under, or in connection with, the Loan Agreement as are delegated to the Agent by the terms thereof, together with such powers as are reasonably incidental thereto, all in accordance with Article X of the Loan Agreement; (vi) the Successor Program LOC Provider agrees that it will perform in accordance with their terms all of the obligations which by the terms of the Loan Agreement are required to be performed by it as the "Program LOC Provider" under the Loan Agreement; and (vii) the Successor Program LOC Provider specifies as its address for notices the address set forth in Schedule II hereto.

6. Each party hereto represents and warrants to and agrees with the Agent that each party hereto is aware of and will comply with all of the provisions of the Loan Agreement.

7. Schedule II hereto sets forth administrative information with respect to the Successor Program LOC Provider.

8. Following the execution of this Loans Supplement by the Program LOC Provider and the Successor Program LOC Provider, it will be delivered to the

Agent for acceptance and recording by the Agent. This Loans Supplement shall be effective as of the Transfer Effective Date but only after it has been accepted and recorded by the Agent.

9. Upon acceptance and recording of this Loans Supplement by the Agent, as of the Transfer Effective Date, (i) the Successor Program LOC Provider shall be a party to the Loan Agreement and, to the extent provided in this Loans Supplement and in the Loan Agreement and to the extent transferred hereunder, have the rights and obligations of the "Program LOC Provider" thereunder and (ii) the Program LOC Provider shall, to the extent provided in this Loans Supplement and the Loan Agreement, relinquish its rights and be released from its obligations under the Loan Agreement.

10. From and after the later of the Transfer Effective Date and the date of acceptance and recording of this Loans Supplement by the Agent, the Agent shall make all payments under the Loan Agreement in respect of the interest assigned hereby (including, without limitation, all payments on account of the Program LOC Provider and of Interest with respect thereto) to the Successor Program LOC Provider. The Program LOC Provider and the Successor Program LOC Provider shall make directly between themselves all appropriate adjustments in payments under the Loan Agreement for periods, if any, prior to the later of the dates specified in the preceding sentence.

11. The Program LOC Provider and the Successor Program LOC Provider hereby advise the Agent that, to the extent the consent of the Borrower or any other Person is required for the transfer contemplated herein, such consent has been duly obtained and remains in full force and effect.

12. This Loans Supplement may be executed in any number of counterparts and by different parties hereto 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 Loans Supplement.

13. This Loans Supplement shall be governed by, and construed in accordance with, the laws of the State of Illinois.

In Witness Whereof, the parties hereto have caused this Loans Supplement to be executed by their respective duly authorized officers on Schedule I hereto as of the date set forth in Item 1 of Schedule I hereto.<PAGE>

Schedule I to Loans Supplement

Completion of Information
and Signatures for
Loans Supplement

Re: Amended and Restated Receivables Loan Agreement, dated as of December 23, 1998, with BWA Receivables Corporation

Item	1	Date of Loans Supplement:
Item	2	Program LOC Provider:
Item	3	Successor Program LOC Provider:

-----, as
Program LOC Provider

By:
Title:

[By:
Title:]

-----, as
Successor Program LOC Provider

By:
 Title:
 Consented To and Acknowledged:
 ABN AMRO Bank N.V.,
 as Agent

By: Title:
 By: Title:

BWA Receivables Corporation
 By: Title:<PAGE>

Schedule II

to Loans
 Supplement

List of Offices and Addresses
 for Notices

Address for Notices:

Attention:
 Telephone:
 Telecopy:<PAGE>

Schedule III

to Loans
 Supplement
 Transfer Effective Notice
 To: The Successor Program LOC Provider Listed
 on Schedule I Hereto

The undersigned, as Agent under the Amended and Restated Receivables Loan Agreement, dated as of December 23, 1998, among BWA Receivables Corporation, BorgWarner Automotive, Inc., as Collection Agent, ABN AMRO Bank N.V., as Agent and Program LOC Provider, the banks from time to time party thereto and Windmill Funding Corporation (as amended, supplemented, or otherwise modified from time to time, the "Loan Agreement"), acknowledges receipt of ten (10) executed counterparts of a completed Loans Supplement, dated as of the date set forth in Item 1 of Schedule I hereto, between the Program LOC Provider set forth in Item 2 of Schedule I hereto, and the Successor Program LOC Provider set forth in Item 3 of Schedule I hereto, and schedules thereto. Terms defined in such Loans Supplement are used herein as therein defined.

1. Pursuant to such Loans Supplement, you are advised that the Transfer Effective Date will be -----.

2. Pursuant to such Loans Supplement the Successor Program LOC Provider is required to pay its Loan Price, if any, to the Program LOC Provider at or before 12:00 noon, local time of the Program LOC Provider, on the Transfer Effective Date in immediately available funds.

Very truly yours,

ABN AMRO Bank N.V., as
 Agent

By:
 Title:

By:
Title:

<PAGE>
Exhibit O
To
Receivables Loan Agreement
Loans Supplement
[Form of Assignment for Windmill]

Loans Supplement, dated as of the date set forth in Item 1 of Schedule I hereto, between the Assignor set forth in Item 2 of Schedule I hereto (the "Assignor"), and the Assignee set forth in Item 3 of Schedule I hereto (the "Assignee").

W i t n e s s e t h:

Whereas, this Loans Supplement is being executed and delivered in accordance with Section 11.6(e)(ii) of the Amended and Restated Receivables Loan Agreement, dated as of December 23, 1998, among BWA Receivables Corporation, a Delaware corporation (the "Borrower"), BorgWarner Automotive, Inc., a Delaware corporation, as Collection Agent, ABN AMRO Bank N.V., as agent for the Lenders (in such capacity on behalf of the Lenders, the "Agent"), and the banks from time to time party thereto (collectively the "Banks"), ABN AMRO Bank N.V., as provider of the program letter of credit (the "Program LOC Provider"), and Windmill Funding Corporation, a Delaware corporation ("Windmill") (Windmill together with the Program LOC Provider and the Banks, the "Lenders") (as amended, supplemented or otherwise modified from time to time, the "Loan Agreement"). Terms defined therein being used herein (and in the Schedules hereto) have the same meaning as defined in the Loan Agreement).

Whereas, the Assignee wishes to become a party to the Loan Agreement; and

Whereas, the Assignor is selling and assigning to the Assignee all of its Loan Amount and Interest and all rights and obligations related thereto under the Loan Agreement as set forth herein;

Now, Therefore, the parties hereto hereby agree as follows:

1. Upon receipt by the Agent of ten (10) counterparts of this Loans Supplement, to each of which is attached a fully completed Schedule I and Schedule II, and each of which has been executed by the Assignor, the Assignee, the Agent and the Borrower, and upon the satisfaction of all of the requirements set forth in Section 11.6(e)(ii) of the Loan Agreement, including delivery of an opinion of counsel of the Assignee as described therein, the Agent will transmit to the Borrower, the Assignor and the Assignee a Transfer Effective Notice, substantially in the form of Schedule III to this Loans Supplement (a "Transfer Effective Notice"). Such Transfer Effective Notice shall set forth, inter alia, the date on which the transfer effected by this Loans Supplement shall become effective (the "Transfer Effective Date"), which date shall be two (2) Business Days following the date of such Transfer Effective Notice (or such other date selected by the Agent in its sole discretion). From and after the Transfer Effective Date, (i) the Assignee shall be a party to the Loan Agreement for all purposes thereof as if the Assignee were an original party thereto, all references to "Windmill" in the Loan Agreement and all other Transaction Documents shall be references to the Assignee and the Assignee agrees to be bound by all of the terms and provisions contained therein, and the Assignor shall be substituted, released and discharged from any further obligations under the Loan Agreement.

2. At or before 12:00 noon, local time of the Assignor, on the Transfer Effective Date, if the Assignor owns any Loan Amount under the Loan Agreement, the Assignee shall pay to the Assignor, in immediately available funds, an

amount equal to the sum of (i) the Loan Amount of the Assignor, plus (ii) all unpaid Interest owed to, or which may become payable to, the Assignor under the Loan Agreement to the end of all Tranche Periods applicable to such Loan Amount, plus (iii) all accrued but unpaid fees and other costs and expenses (whether or not then due) payable to the Assignor under or in connection with the Loan Agreement (the "Loan Price"). Effective upon receipt by the Assignor of the Loan Price from the Assignee, the Assignor hereby transfers and assigns to the Assignee, without recourse, representation or warranty (except as explicitly set forth below), and the Assignee hereby irrevocably takes, receives and assumes from the Assignor, all of the Assignor's beneficial interest in the Secured Interest held by the Agent on its behalf, if any.

3. Concurrently with the execution and delivery hereof, the Assignor will provide to the Assignee copies of all documents requested by the Assignee which were delivered to the Assignor pursuant to the conditions precedent set forth in Article V of the Loan Agreement.

4. Each of the parties to this Loans Supplement agrees that at any time and from time to time upon the written request of any other party, it will execute and deliver such further documents and do such further acts and things as such other party may reasonably request in order to effect the purposes of this Loans Supplement.

5. By executing and delivering this Loans Supplement, the Assignor and the Assignee confirm to and agree with each other and the Agent and the other Lenders as follows: (i) other than the representation and warranty that it has not created any Adverse Claim upon any interest being transferred hereunder, the Assignor makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with the Loan Agreement or any other Transaction Document or the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Loan Agreement, any other Transaction Document, any Interest, any Receivable, or any other Affected Asset or any other instrument or document furnished pursuant thereto or the perfection, priority, condition, value or sufficiency of any collateral; (ii) the Assignor makes no representation or warranty and assumes no responsibility with respect to the financial condition of the Borrower or any other Borg-Warner Entity or any other Affiliate of the Borrower or any other Borg-Warner Entity or any Obligor or the performance or observance by the Borrower or any other Borg-Warner Entity or any other Affiliate of the Borrower or any other Borg-Warner Entity of any of its obligations under the Loan Agreement, any other Transaction Document or any other instrument or document furnished pursuant thereto or the collectibility of any Receivable; (iii) the Assignee confirms that it has received a copy of the Loan Agreement (other than the Fee Letter), together with such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Loans Supplement; (iv) the Assignee will, independently and without reliance upon the Agent, the Assignor or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under, or in connection with, the Loan Agreement; (v) the Assignee appoints and authorizes the Agent to take such action as agent on its behalf and to exercise such powers under, or in connection with, the Loan Agreement as are delegated to the Agent by the terms thereof, together with such powers as are reasonably incidental thereto, all in accordance with Article X of the Loan Agreement; (vi) the Assignee agrees that it will perform in accordance with their terms all of the obligations which by the terms of the Loan Agreement are required to be performed by it as "Windmill" under the Loan Agreement; and (vii) the Assignee specifies as its address for notices the address set forth in Schedule II hereto.

6. Each party hereto represents and warrants to and agrees with the Agent that each party hereto is aware of and will comply with all of the provisions of the Loan Agreement.

7. Schedule II hereto sets forth administrative information with respect to the Assignee.

8. Following the execution of this Loans Supplement by the Assignor and the Assignee, it will be delivered to the Agent for acceptance and recording by the Agent. This Loans Supplement shall be effective as of the Transfer Effective Date but only after it has been accepted and recorded by the Agent.

9. Upon acceptance and recording of this Loans Supplement by the Agent, as of the Transfer Effective Date, (i) the Assignee shall be a party to the Loan Agreement and, to the extent provided in this Loans Supplement and in the Loan Agreement and to the extent transferred hereunder, have the rights and obligations of the Assignor thereunder and (ii) the Assignor shall, to the extent provided in this Loans Supplement and the Loan Agreement, relinquish its rights and be released from its obligations under the Loan Agreement.

10. From and after the later of the Transfer Effective Date and the date of acceptance and recording of this Loans Supplement by the Agent, the Agent shall make all payments under the Loan Agreement in respect of the interest assigned hereby (including, without limitation, all payments on account of the Assignor and of Interest with respect thereto) to the Assignee. The Assignor and the Assignee shall make directly between themselves all appropriate adjustments in payments under the Loan Agreement for periods, if any, prior to the later of the dates specified in the preceding sentence.

11. The Assignor and the Assignee hereby advise the Agent that, to the extent the consent of the Borrower or any other Person is required for the transfer contemplated herein, such consent has been duly obtained and remains in full force and effect.

12. This Loans Supplement may be executed in any number of counterparts and by different parties hereto 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 Loans Supplement.

13. This Loans Supplement shall be governed by, and construed in accordance with, the laws of the State of Illinois.

In Witness Whereof, the parties hereto have caused this Loans Supplement to be executed by their respective duly authorized officers on Schedule I hereto as of the date set forth in Item 1 of Schedule I hereto.<PAGE>

Schedule I
to Loans
Supplement
Completion of Information
and Signatures for
Loans Supplement

Re:Receivables Loan Agreement, dated as of December 23, 1998, with BWA
Receivables Corporation

Item	1	Date of Loans Supplement:
Item	2	Assignor:
Item	3	Assignee:

-----, as
Assignor

By:
Title:

-----, as
Assignee

By:
 Title:
 Consented To and Acknowledged:
 ABN AMRO Bank N.V.,
 as Agent

By:
 Title:

By:
 Title:

BWA Receivables Corporation
 By:
 Title:<PAGE>

Schedule II

to Loans
 Supplement
 List of Offices and Addresses
 for Notices

Address for Notices:

Attention: -
 Telephone:
 Telecopy:<PAGE>

Schedule III

to Loans
 Supplement
 Transfer Effective Notice
 To: The Assignee Listed
 on Schedule I Hereto

The undersigned, as Agent under the Receivables Loan Agreement, dated as of December 23, 1998, among BWA Receivables Corporation, BorgWarner Automotive, Inc., as Collection Agent, ABN AMRO Bank N.V., as Agent and Program LOC Provider, the banks from time to time party thereto and Windmill Funding Corporation (as amended, supplemented, or otherwise modified from time to time, the "Loan Agreement"), acknowledges receipt of ten (10) executed counterparts of a completed Loans Supplement, dated as of the date set forth in Item 1 of Schedule I hereto, between the Assignor set forth in Item 2 of Schedule I hereto, and the Assignee set forth in Item 3 of Schedule I hereto, and schedules thereto. Terms defined in such Loans Supplement are used herein as therein defined.

1. Pursuant to such Loans Supplement, you are advised that the Transfer Effective Date will be -----.
2. Pursuant to such Loans Supplement the Assignee is required to pay its Loan Price, if any, to the Assignor at or before 12:00 noon, local time of the Assignor, on the Transfer Effective Date in immediately available funds.

Very truly yours,

ABN AMRO Bank N.V., as
 Agent

By:
 Title:

By:
 Title:

<PAGE>
 Schedule I
 To
 Receivables Loan Agreement
 Banks and Bank Commitments

Name of Bank Bank Commitment

ABN AMRO Bank N.V. \$114,750,000

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AMENDMENT TO ASSIGNMENT OF TRADEMARKS AND LICENSE AGREEMENT

This Amendment to Assignment of Trademarks and License Agreement ("Amendment") is entered into as of the 31st day of July, 1998, by and between Borg-Warner Security Corporation ("BWSC") and Borg-Warner Automotive, Inc. ("BWA") (collectively referred to as the "Parties").

WHEREAS, the Parties entered into an Assignment of Trademarks and License Agreement dated November 2, 1994 (the "1994 Agreement") which relates to the use and ownership of the Borg-Warner Trademarks, as therein defined, by BWSC and BWA.

WHEREAS, the Parties desire upon the terms and conditions set forth herein to prospectively modify the 1994 Agreement and for BWSC to transfer its remaining interest in the Borg-Warner Trademarks to BWA.

WHEREAS, the Parties desire that BWA license back to BWSC usage rights in transferred trademarks and trade names on a royalty-free basis for a period of time.

WHEREAS, BWSC recognizes that BWA has already paid to BWSC the amounts required under Paragraph 5.1 of the 1994 Agreement and BWSC acknowledges that effective with this Amendment, Paragraph 5.2 will be deleted.

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

1. BWA hereby agrees to pay BWSC on July 31, 1998 the sum of Three Million Six Hundred Fifty Thousand Six Hundred Fifty Dollars and no cents (\$3,650,650).

2. Effective July 31, 1998, the 1994 Agreement is amended as follows:

a. Delete Paragraph 2.2 in its entirety and replaced with the following:

2.2) Security hereby assigns to Automotive all of its right, title and interest worldwide in and to the Base Trademarks, Automotive Trademarks and Bow Tie Trademarks outside the Automotive Field, together with the goodwill of the business associated with such marks, and all United States and Foreign Registrations and Registration Applications therefor. Security Agrees that it will not challenge or contest the validity of the Base

Trademarks, Automotive Trademarks or Bow Tie Trademarks used or licensed by Automotive outside the Automotive Field.

b. Paragraphs 2.3 and 2.4 are added as follows:

2.3) Security hereby assigns to Automotive all of its right, title and interest worldwide in and to the trademarks and trade names identified in the "Revised Schedule B" to this Amendment ("Security Trademarks"), together with the goodwill of the business associated with such marks, and all United States and Foreign Registrations and Registration Applications therefor. Security Agrees that it will not challenge or contest the validity of the Security Trademarks.

2.4) Promptly after the earlier of (a) receipt by Automotive of written request by Security or (b) the expiration or termination of the trademark license of the Security Trademarks under the Trademark and Trade Name Licencing Agreement between Borg-Warner Security Corporation and Borg-Warner Automotive, Inc. dated as of July 31, 1998 ("1998 Agreement"), Automotive will expressly abandon the following United States Registrations and Registration Applications resulting therefrom:

(i) United States Registration No. 2,084,200

"BORG-WARNER SECURITY" and the horse & rider design

(ii) United States Registration No. 2,037,366

"BORG-WARNER SECURITY CORPORATION"

(iii) United States Registration No. 2,021,122

"BORG-WARNER SECURITY"

c. Delete Article III, including Paragraphs 3.1, 3.2 and 3.3, in its entirety and replaced as follows:

ARTICLE III - REPRESENTATION, WARRANTY AND COVENANT

3.1) Security represents and warrants that, to the best of Security's knowledge, Security has not used and is not currently using any of the Borg-Warner Trademarks or derivative or variation thereof, other than those marks and names listed on Revised Schedule B attached to this Amendment.

3.2) Security agrees that it will not use "Borg Warner" or any variation thereof as, in whole or in part, a company name, trade name, trademark, service mark, or the like, except as licensed from Automotive.

d. Delete Paragraphs 5.1 and 5.2 in their entirety.

e. Delete Article VI, including Paragraphs 6.1, 6.2, 6.3 and 6.4, in its entirety.

f. Delete Paragraph 7.1 in its entirety.

3. This Amendment, and the Revised Schedule B attached hereto, together with the 1994 Agreement, constitute the entire agreement between Security and Automotive with respect to the subject matter hereof and not other representations, oral or otherwise, have been relied upon.

4. The Parties will execute such other documents as are reasonable and necessary to effectuate the purpose of this Amendment, including but not limited to the 1998 Agreement.

5. The signatories hereto represent that they have the full authority to bind their respective principals or entities for whom they are signing to the terms and provisions of this Agreement.

IN WITNESS WHEREOF, the Parties have caused this Amendment to be executed as of the date first above written.

BORG-WARNER SECURITY CORPORATION BORG-WARNER AUTOMOTIVE, INC.

By:----- By:-----

Title:----- Title:-----

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<SEQUENCE>5
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INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in Registration Statement Nos. 333-67133, 333-67131 and 333-67135 dated November 12, 1998; 333-51647 dated May 1, 1998; 333-45491, 333-45493, 333-45507, 333-45495 and 333-45499 dated February 3, 1998; 333-45423 dated February 2, 1998; 33-75564, 33-75566, 33-75568, 33-75572, 33-75574, 33-67822 and 33-67824 dated February 1, 1995; 33-92430, 33-92428, 33-92432 and 33-92426 dated May 17, 1995; 33-92862 and 33-92860 dated May 30, 1995; 33-92858 dated June 1, 1995; 333-12941, 333-12875 and 333-12939 dated September 27, 1996; and 333-17179 dated December 3, 1996 of Borg-Warner Automotive, Inc. on Form S-8 of our report, incorporated by reference in the Annual Report on Form 10-K of Borg-Warner Automotive, Inc. for the year ended December 31, 1998.

/s/ DELOITTE & TOUCHE LLP

Deloitte & Touche LLP

Chicago, Illinois
March 19, 1999

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<SEQUENCE>6
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BORG-WARNER AUTOMOTIVE, INC.
AS OF MARCH 1, 1999

NAME OF SUBSIDIARY	% VOTING SECURITIES OWNED BY PARENT
Borg-Warner Automotive Powertrain Systems Corporation	100
Borg-Warner Automotive South Asia Corporation	100
Divgi-Warner PVT Limited	60
Huazhong (Automotive) Transmission Company, Ltd.	60

Borg-Warner Automotive PTS Korea Service, Inc.	100
Borg-Warner Automotive Powdered Metals Corporation	100
Borg-Warner Automotive Diversified Transmission Products Corporation	100
Borg-Warner Automotive Air/Fluid Systems Corporation	100
Borg-Warner Automotive Air/Fluid Systems Corporation of Michigan	100
Borg-Warner Automotive Air/Fluid Systems Holding Corporation	100
Borg-Warner Automotive Air/Fluid Systems Europe S.A.S.	90
Borg-Warner Automotive Air/Fluid Systems, Tulle SA	100
Borg-Warner Automotive Morse TEC Corporation	100
Borg-Warner Automotive (Canada) Ltd.	100
Borg-Warner Automotive Japan Corporation	100
Borg-Warner Automotive K.K.	100
Borg-Warner Automotive Taiwan Co., Ltd.	100
B.W. Componentes Mexicanos de Transmisiones S.A. de C.V.	100
Morse TEC Europe Sp.A	100
Borg-Warner Automotive Foreign Sales Corporation	100
Borg-Warner Automotive Automatic Transmission Systems Corporation	100
Borg-Warner Automotive-Europe Corporation	100
AG Kuhnle, Kopp & Kausch	63
Borg-Warner Automotive GmbH	100
Borg-Warner Automotive Europa V&V GmbH	100
3K Warner Turbosystems GmbH	100
Borg-Warner Automotive Europe GmbH	100
Borg & Beck Torque Systems, Inc.	100
Borg-Warner Automotive-NW Corporation	100
Borg-Warner Automotive Korea, Inc.	60
Creon Insurance Agency, Ltd.	100
Creon Trustees, Ltd.	100
Kuhlman Corporation	100
Coleman Cable Systems Inc.	100
The DeKalb Works Company	100
Interflex de Mexico S.A. de C.V.	100
Baron Wire & Cable Corp.	100
Kuhlman Electric Corporation	100
Kuhlman Plastics of Canada, Ltd.	100
Kuhlman Industrial Products, Inc.	100
Bronson Specialties, Inc.	100
Borse Plastic Products Corp.	100
Associated Engineering Company	100
EMTEC Products Corporation	100
Schwitzer, Inc.	100
Schwitzer U.S. Inc.	100
Kysor Asia Limited	100
Schwitzer Manufacturing Canada, Inc.	100
Lacom Schwitzer Equipamentos, Ltda.	100
Kysor DO BRZSIL LTDA	100
Schwitzer (Europe) Holdings Limited	100
Schwitzer (Europe) Limited	100
Kysor Industries, S.A.	100
Kysor Snyder Corporation	100
Snyder Tank Foreign Sales Corporation	100

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<TYPE>EX-24.1

<SEQUENCE>7

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POWER OF ATTORNEY

The undersigned directors of Borg-Warner Automotive, Inc. (the "Corporation"), hereby appoint John F. Fiedler as their true and lawful attorney-in-fact, with full power for and on their behalf to execute, in their names and capacities as directors of the Corporation, and to file with the Securities and Exchange Commission on behalf of the Corporation under the Securities Exchange Act of 1934, as amended, the Annual Report on Form 10-K for the fiscal year ended December 31, 1998.

This Power of Attorney shall automatically terminate at the close of business on March 31, 1999.

In witness whereof, the undersigned has executed this Power of Attorney on this 12th day of March, 1999.

/s/ Jere A. Drummond

JERE A. DRUMMOND

/s/ Andrew F. Brimmer

ANDREW F. BRIMMER

/s/ Ivan W. Gorr

IVAN W. GORR

/s/ William E. Butler

WILLIAM E. BUTLER

/s/ Paul E. Glaske

PAUL E. GLASKE

/s/ John Rau

JOHN RAU

/s/ Alexis P. Michas

ALEXIS P. MICHAS

/s/ James J. Kerley

JAMES J. KERLEY

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CAUTIONARY STATEMENTS

Information provided by the Company from time to time may contain "forward-looking statements" as defined by the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are subject to risks and uncertainties including, but not limited to, those discussed below, which could cause actual results to differ materially from those expressed, projected or implied in the forward-looking statement.

1. The Company's principal operations are cyclical, because they are directly related to domestic and foreign automotive production, which is itself cyclical and dependent on general economic conditions and other factors. Any significant reduction in automotive production would have an adverse effect on the level of

the Company's sales to automotive original equipment manufacturers ("OEMs") and the Company's financial position and operating results.

2. Some of the Company's products are currently used exclusively in sport-utility vehicles and light trucks, the most rapidly growing segment in the overall automotive market. Any significant reduction in production in this market segment would have an adverse effect on the level of the Company's sales to OEMs and the Company's financial position and operating results.

3. A number of the Company's major OEM customers manufacture products for their own use that compete with the Company's products. Although these OEM customers have indicated that they will continue to rely on outside suppliers, the OEMs could elect to manufacture products for their own use and in place of the products now supplied by the Company.

4. The Company has a stated goal of increasing its revenues through the expansion of existing business and select acquisitions. Failure to grow existing business in sufficient volume because of changes in the automotive market and/or the unavailability of suitable acquisition candidates could result in nonattainment of this goal.

5. Annual price reductions to OEM customers have become a permanent feature of the Company's business environment. To maintain its profit margins, the Company, among other things, seeks price reductions from its own suppliers, adopts improved production processes to increase manufacturing efficiency, updates product designs to reduce costs and develops new products whose benefits support increased pricing. The Company's ability to pass through increased raw material costs to its OEM customers is also limited, with cost recovery less than 100% and often on a delayed basis. There can be no assurance that the Company will be able to reduce costs in an amount equal to the annual price reductions and the increase in raw material costs.

6. The Company makes a significant annual investment in research and development activities to develop new and improved products and manufacturing processes. There can be no assurance that research and development activities will yield new or improved products or products which will be purchased by the OEMs, or new and improved manufacturing processes.

7. The Company has a stated goal to expand its operations in all significant global markets to balance the cyclical nature of the automotive business. There can be no assurance that the Company will be able to expand its existing business or acquire new business outside of North America to balance its sales. In addition, there can be no assurance that automotive production in North America, Europe and Asia will not decline simultaneously.

8. The Company has a stated goal of continuing to increase revenues and operating earnings at a rate greater than overall world automotive production by increasing its content per vehicle with innovative new components and systems. Any of the following factors could cause the Company to fail to outperform world automotive production: (a) a significant drop in production of sport utility vehicles and light trucks, high content vehicles for the Company's products; (b) a failure of research and development spending to result in new components and systems which will be purchased by the OEMs; (c) technology changes which could render the Company's components and systems obsolete; and (d) a reversal of the trend of supplying systems (which allows the Company to increase content per vehicle) instead of components.

9. With operations and sales in countries outside the United States, the Company could be affected by changes in trade, monetary and fiscal policies (both in the United States and elsewhere), trade restrictions or prohibitions, import and other charges or taxes, and fluctuations in foreign currency and foreign exchange rates, and political instability and disputes.

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CERTIFICATE OF DESIGNATIONS
 of
 SERIES A JUNIOR PARTICIPATING PREFERRED STOCK
 of
 BORG-WARNER AUTOMOTIVE, INC.
 (Pursuant to Section 151 of the
 Delaware General Corporation Law)

Borg-Warner Automotive, Inc., a corporation organized and existing under the General Corporation Law of the State of Delaware (hereinafter called the "Corporation"), hereby certifies that the following resolution was adopted by the Board of Directors of the Corporation as required by Section 151 of the General Corporation Law at a meeting duly called and held on July 21, 1998:

RESOLVED, that pursuant to the authority granted to and vested in the Board of Directors of this Corporation (hereinafter called the "Board of Directors" or the "Board") in accordance with the provisions of the Certificate of Incorporation, the Board of Directors hereby creates a series of Preferred Stock, par value \$.01 per share (the "Preferred Stock"), of the Corporation and hereby states the designation and number of shares, and fixes the relative rights, preferences, and limitations thereof as follows:

Series A Junior Participating Preferred Stock:

Section 1. Designation and Amount. The shares of such series shall be designated as "Series A Junior Participating Preferred Stock" (the "Series A Preferred Stock") and the number of shares constituting the Series A Preferred Stock shall be 500,000. Such number of shares may be increased or decreased by resolution of the Board of Directors; provided, that no decrease shall reduce the number of shares of Series A Preferred Stock to a number less than the number of shares then outstanding plus the number of shares reserved for issuance upon the exercise of outstanding options, rights or warrants or upon the conversion of any outstanding securities issued by the Corporation convertible into Series A Preferred Stock.

Section 2. Dividends and Distributions.

(A) Subject to the rights of the holders of any shares of any series of Preferred Stock (or any similar stock) ranking prior and superior to the Series A Preferred Stock with respect to dividends, the holders of shares of Series A Preferred Stock, in preference to the holders of Voting Common Stock, par value \$.01 per share ("Voting Common Stock") and Non-Voting Common Stock, par value \$.01 per share ("Non-Voting Common Stock", and together with the Voting Common Stock, "Common Stock"), of the Corporation, and of any other junior stock, shall be entitled to receive, when, as and if declared by the Board of Directors out of funds legally available for the purpose, quarterly dividends payable in cash on the first day of March, June, September and December in each year (each such date being referred to herein as a "Quarterly Dividend Payment Date"), commencing on the first Quarterly Dividend Payment Date after the first issuance of a share or fraction of a share of Series A Preferred Stock, in an amount per share (rounded to the nearest cent) equal to the greater of (a) \$1 or (b) subject to the provision for adjustment hereinafter set forth, 100 times the aggregate per share amount of all cash dividends, and 100 times the aggregate per share amount (payable in kind) of all non-cash dividends or other distributions, other than a dividend payable in shares of Common Stock or a subdivision of the outstanding shares of Common Stock (by reclassification or otherwise), declared on the Common Stock since the immediately preceding

Quarterly Dividend Payment Date or, with respect to the first Quarterly Dividend Payment Date, since the first issuance of any share or fraction of a share of Series A Preferred Stock. In the event the Corporation shall at any time declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the amount to which holders of shares of Series A Preferred Stock were entitled immediately prior to such event under clause (b) of the preceding sentence shall be adjusted by multiplying such amount by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(B) The Corporation shall declare a dividend or distribution on the Series A Preferred Stock as provided in paragraph (A) of this Section immediately after it declares a dividend or distribution on the Common Stock (other than a dividend payable in shares of Common Stock); provided that, in the event no dividend or distribution shall have been declared on the Common Stock during the period between any Quarterly Dividend Payment Date and the next subsequent Quarterly Dividend Payment Date, a dividend of \$1 per share on the Series A Preferred Stock shall nevertheless be payable on such subsequent Quarterly Dividend Payment Date.

(C) Dividends shall begin to accrue and be cumulative on outstanding shares of Series A Preferred Stock from the Quarterly Dividend Payment Date next preceding the date of issue of such shares, unless the date of issue of such shares is prior to the record date for the first Quarterly Dividend Payment Date, in which case dividends on such shares shall begin to accrue from the date of issue of such shares, or unless the date of issue is a Quarterly Dividend Payment Date or is a date after the record date for the determination of holders of shares of Series A Preferred Stock entitled to receive a quarterly dividend and before such Quarterly Dividend Payment Date, in either of which events such dividends shall begin to accrue and be cumulative from such Quarterly Dividend Payment Date. Accrued but unpaid dividends shall not bear interest. Dividends paid on the shares of Series A Preferred Stock in an amount less than the total amount of such dividends at the time accrued and payable on such shares shall be allocated pro rata on a share-by-share basis among all such shares at the time outstanding. The Board of Directors may fix a record date for the determination of holders of shares of Series A Preferred Stock entitled to receive payment of a dividend or distribution declared thereon, which record date shall be not more than 60 days prior to the date fixed for the payment thereof.

Section 3. Voting Rights. The holders of shares of Series A Preferred Stock shall have the following voting rights:

(A) Subject to the provision for adjustment hereinafter set forth, each share of Series A Preferred Stock shall entitle the holder thereof to 100 votes on all matters submitted to a vote of the stockholders of the Corporation. In the event the Corporation shall at any time declare or pay any dividend on the Voting Common Stock payable in shares of Voting Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Voting Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Voting Common Stock) into a greater or lesser number of shares of Voting Common Stock, then in each such case the number of votes per share to which holders of shares of Series A Preferred Stock were entitled immediately prior to such event shall be adjusted by multiplying such number by a fraction, the numerator of which is the number of shares of Voting Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Voting Common Stock that were outstanding immediately prior to such event.

(B) Except as otherwise provided herein, in any other Certificate of

Designations creating a series of Preferred Stock or any similar stock, or by law, the holders of shares of Series A Preferred Stock and the holders of shares of Common Stock and any other capital stock of the Corporation having general voting rights shall vote together as one class on all matters submitted to a vote of stockholders of the Corporation.

(C) Except as set forth herein, or as otherwise provided by law, holders of Series A Preferred Stock shall have no special voting rights and their consent shall not be required (except to the extent they are entitled to vote with holders of Common Stock as set forth herein) for taking any corporate action.

Section 4. Certain Restrictions.

(A) Whenever quarterly dividends or other dividends or distributions payable on the Series A Preferred Stock as provided in Section 2 are in arrears, thereafter and until all accrued and unpaid dividends and distributions, whether or not declared, on shares of Series A Preferred Stock outstanding shall have been paid in full, the Corporation shall not:

(i) declare or pay dividends, or make any other distributions, on any shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Preferred Stock;

(ii) declare or pay dividends, or make any other distributions, on any shares of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series A Preferred Stock, except dividends paid ratably on the Series A Preferred Stock and all such parity stock on which dividends are payable or in arrears in proportion to the total amounts to which the holders of all such shares are then entitled;

(iii) redeem or purchase or otherwise acquire for consideration shares of any stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Preferred Stock, provided that the Corporation may at any time redeem, purchase or otherwise acquire shares of any such junior stock in exchange for shares of any stock of the Corporation ranking junior (either as to dividends or upon dissolution, liquidation or winding up) to the Series A Preferred Stock; or

(iv) redeem or purchase or otherwise acquire for consideration any shares of Series A Preferred Stock, or any shares of stock ranking on a parity with the Series A Preferred Stock, except in accordance with a purchase offer made in writing or by publication (as determined by the Board of Directors) to all holders of such shares upon such terms as the Board of Directors, after consideration of the respective annual dividend rates and other relative rights and preferences of the respective series and classes, shall determine in good faith will result in fair and equitable treatment among the respective series or classes.

(B) The Corporation shall not permit any subsidiary of the Corporation to purchase or otherwise acquire for consideration any shares of stock of the Corporation unless the Corporation could, under paragraph (A) of this Section 4, purchase or otherwise acquire such shares at such time and in such manner.

Section 5. Reacquired Shares. Any shares of Series A Preferred Stock purchased or otherwise acquired by the Corporation in any manner whatsoever shall be retired and cancelled promptly after the acquisition thereof. All such shares shall upon their cancellation become authorized but unissued shares of Preferred Stock and may be reissued as part of a new series of Preferred Stock subject to the conditions and restrictions on issuance set forth herein, in the Certificate of Incorporation, or in any other Certificate of Designations creating a series of Preferred Stock or any similar stock or as otherwise required by law.

Section 6. Liquidation, Dissolution or Winding Up. Upon any liquidation, dissolution or winding up of the Corporation, no distribution shall be made (1) to the holders of shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Preferred Stock unless, prior thereto, the holders of shares of Series A Preferred Stock shall have received \$100 per share, plus an amount equal to accrued and unpaid dividends and distributions thereon, whether or not declared, to the date of such payment, provided that the holders of shares of Series A Preferred Stock shall be entitled to receive an aggregate amount per share, subject to the provision for adjustment hereinafter set forth, equal to 100 times the aggregate amount to be distributed per share to holders of shares of Common Stock, or (2) to the holders of shares of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series A Preferred Stock, except distributions made ratably on the Series A Preferred Stock and all such parity stock in proportion to the total amounts to which the holders of all such shares are entitled upon such liquidation, dissolution or winding up. In the event the Corporation shall at any time declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the aggregate amount to which holders of shares of Series A Preferred Stock were entitled immediately prior to such event under the proviso in clause (1) of the preceding sentence shall be adjusted by multiplying such amount by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

Section 7. Consolidation, Merger, etc. In case the Corporation shall enter into any consolidation, merger, combination or other transaction in which the shares of Common Stock are exchanged for or changed into other stock or securities, cash and/or any other property, then in any such case each share of Series A Preferred Stock shall at the same time be similarly exchanged or changed into an amount per share, subject to the provision for adjustment hereinafter set forth, equal to 100 times the aggregate amount of stock, securities, cash and/or any other property (payable in kind), as the case may be, into which or for which each share of Voting Common Stock is changed or exchanged. In the event the Corporation shall at any time declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the amount set forth in the preceding sentence with respect to the exchange or change of shares of Series A Preferred Stock shall be adjusted by multiplying such amount by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

Section 8. No Redemption. The shares of Series A Preferred Stock shall not be redeemable.

Section 9. Rank. The Series A Preferred Stock shall rank, with respect to the payment of dividends and the distribution of assets, junior to all series of any other class of the Corporation's Preferred Stock.

Section 10. Amendment. The Certificate of Incorporation of the Corporation shall not be amended in any manner which would materially alter or change the powers, preferences or special rights of the Series A Preferred Stock so as to affect them adversely without the affirmative vote of the holders of at least two-thirds of the outstanding shares of Series A Preferred Stock, voting together as a single class.

IN WITNESS WHEREOF, this Certificate of Designations is executed on behalf of the Corporation by its Vice President and General Counsel and attested by its Assistant Secretary this 4th day of January, 1999.

Attest:

/s/ Vincent M. Lichtenberger

/s/ Laurene H. Horiszny

Name: Vincent M. Lichtenberger

Name: Laurene H. Horiszny

Title: Assistant Secretary

Title: Vice President and General Counsel

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This schedule contains summary financial information extracted from the Consolidated Statements of Financial Condition at December 31, 1998 and the Consolidated Statements of Income for the Twelve Months Ended December 31, 1998 and is qualified in its entirety by reference to such financial statements.

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Borg-Warner Automotive
 is driven

1998 Annual Report

Trends - Technology -. Growth

The accelerating pace of change in powertrain technology is driving growth at Borg-Warner Automotive. Change sets the stage for joint development with our automaker customers of new engines, automated transmissions and four-wheel drive systems. Our customers gain innovative and cost-effective solutions while we increase BWA content in each vehicle they produce. Our job is to stay ahead of the curve. The pursuit of product leadership drives our growth. At BWA-driven is a state of mind.

Contents

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Business Profile	Page 4
4-Wheel Drive - Automated Transmissions - Engines	Page 5-19
Financial Review	Page 20-43
Investor Information	Page 46
Board of Directors and Officers	Inside Back Cover

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Financial Highlights
 Borg-Warner Automotive, Inc. and Consolidated Subsidiaries

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December 31,	1998	1997
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Net sales	\$1,836.8	\$1,767.0
Net earnings	94.7	103.2
Net earnings per share - basic	4.03	4.35
Net earnings per share - diluted	4.00	4.31
Average number of shares outstan- ding - basic {millions}	23.5	23.7
Average number of shares outstan- ding - diluted {millions}	23.7	23.9
Number of employees	10,100	10,400

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To Our Shareholders

DRIVEN

We ended 1998 on a strong note, completing a year that challenged us. While we fell short of our goals, our second half improvement affirms the value of our

growth strategy.

Our challenges in the first part of the year included a difficult Asian economy, soft four-wheel drive sales and a strike at General Motors. Overreaction to these temporary issues caused a weakness in our stock price.

We rebounded in the second part of the year. Our Asian business stabilized; four-wheel drive sales improved and the GM strike was settled. More importantly, significant new business with increased BWA content came on stream including Chrysler engine and transmission programs. Demand in Europe for engine timing systems and turbochargers accelerated. Sales there have doubled to 17% of our combined worldwide revenue.

We ended the year with our stock price up 7% while the average price of auto parts suppliers was down 10%. Our resurgence indicates our ability to outpace our peers, regardless of size, and deliver a strong performance based on our focused, technology-driven strategy.

Throughout the year, engine programs drove our growth. There is no doubt that changing engine technology is replacing four-wheel drive as our near-term growth catalyst.

We saw some shifts in our customer base as well. Ford now represents 32% of sales. DaimlerChrysler moves up to number two, at 17% of sales. GM is next at 14%, followed by Toyota at 7%. Volkswagen/Audi is now at 4% by virtue of our turbocharger sales to them.

Growth Goals

Although we were able to grow revenues during the year despite the challenges we faced, we did not achieve the expected progress toward our long-term growth objectives. We want to double our size over the next few years, an ambitious goal.

During 1998 we recommitted ourselves to this goal, establishing a clear road map to follow and milestones to track our progress. Our path to growth through powertrain product leadership has three components: current business, internal growth and acquisitions. Key to our success is internal growth from new products that exploit our expertise and leverage our knowledge across our operating groups.

Leveraging Our Expertise

The most exciting piece of this growth model for me is our cross-business opportunities. We are tapping the ideas, talents and collective expertise of all of our groups, identifying and funding innovations that we would not have undertaken as individual business units.

Two great new cross-business projects are already underway. The first is a project in Europe that blends our transmission and electromechanical know-how to automate the shifting of manual transmissions. The second is addressing the move to high voltage electrical systems in tomorrow's vehicles as well as serving as a pilot for our innovation process.

By working across our businesses, we have already captured the best thinking of our people on hundreds of potential products and opportunities, giving us a tremendous backlog of innovative ideas for the future.

In developing our growth model, we have also outlined a strategic acquisitions program. Our pending purchase of a major U.S. turbocharger business is an important part of this program. We believe that with proprietary technology, we can thrive in a consolidating industry, as long as we continue to grow steadily in those areas that use technology to add value - like engines, transmissions and torque management. Technology should give us more of an edge than just sheer

size.

Pioneering Innovation

BWA has a proud 70 year history of pioneering innovation in the automotive industry. Our commitment to growth through powertrain product leadership is a reaffirmation of the potential of our heritage. This is an exciting time in our industry as we rethink some of the basic technologies in our business. Our 1998 report looks at BWA expertise as it applies to engines, transmissions and four-wheel drive systems.

But technology is nothing without people. We work in an industry where we can never become complacent. Our people challenge themselves every day to find a better way, to ask "what if" and "why not." Because of our people, I continue to believe that if you own just one automotive stock, it should be BWA.

[signature]
John F. Fiedler

Chairman and Chief Executive Officer

[FIEDLER PHOTO]

Manufacturing is one of the four pillars that support BWA's drive for product leadership. Our people search for and implement "best-of-the-best" practices everyday. Their efforts were recognized by Industry Week which named two of our facilities as among the 25 best plants in America. CEO John Fiedler is shown here in our Frankfort, Illinois, facility where our people earned a Top 10 distinction.

BWA History of Innovation

1880

Morse Equalizing Spring Company, forerunner of Morse Chain, is founded.

1901

Warner Gear is founded.

1904

Borg & Beck is founded. George and Earl Holley begin producing carburetors.

1906

Morse begins manufacturing automobile chain.

1909

First manual transmission is manufactured by Warner Gear.

1928

Borg-Warner Corporation is formed.

1929

Borg-Warner acquires Morse Chain.

1936

The Borg-Warner Indianapolis 500 Trophy makes its debut when it is presented to race winner Louis Meyer.

1940

Warner Gear begins manufacturing four-wheel drive transfer cases.

1950

Borg-Warner introduces a three-speed, automatically shifted transmission for passenger cars, the "Ford-O-Matic."

1964

Borg-Warner and NSK Limited establish NSK-Warner, a joint venture, to supply the rapidly growing Japanese automotive industry.

1973

Borg-Warner develops a modern, full-time 4WD transfer case, which incorporates HY-VO(r) drive chain and a torque-biasing differential.

1983

Borg-Warner develops lightweight MAJI-BAND(r) brake band assembly for automatic transmissions.

1993

Borg-Warner Automotive, Inc. becomes a separate, independent company.

Morse Gemini(tm) Chain System is developed and goes into production.

1994

Production of Torque-on-Demand(r) [TOD] four-wheel drive transfer case begins.

1996

Three automotive businesses are acquired from Coltec Industries, including Holley Automotive.

1997

Ownership interest in German turbo-charger business is acquired.

NSK-Warner introduces carbon-impregnated friction materials for all Lexus V-8 engine models.

1998

Plastic air induction modules are produced for Chrysler vehicles.

FWD/4WD system is patented.

Agreement is made to purchase U.S. turbocharger manufacturer.

BUSINESS PROFILE

Air/Fluid Systems

[PIE CHART]

17% 1998 Combined Sales

Business Description

Full service supplier of air induction and fluid control systems and electromechanical components, for enhanced engine and transmission performance, reduced emissions, fuel vapor recovery, and increased vehicle safety.

1998 Highlights

Sales are up 3%. Air induction systems and transmission control module content on new DaimlerChrysler LH and Jeep platforms fuel growth. R&D efforts focus on European opportunities and new role of electromechanical systems and components in engine and transmission design.

Growth Opportunities

- - Market consolidation of suppliers in strong strategic product segments
- - Phase-in of new emission regulations in Europe and North America
- - Direct injected gasoline and diesel engines
- - Increased use of electronics and transition to higher voltage electrical systems

Plant Locations

Headquarters: Warren, Michigan
 Blytheville, Arkansas
 Dixon, Illinois
 Sallisaw, Oklahoma
 Tulle, France
 Water Valley, Mississippi

[BAR CHART]

Sales

Millions of dollars

1994 91.0
 1995 97.8
 1996 242.7
 1997 342.4
 1998 351.4

Automatic Transmission Systems

[PIE CHART]

32% 1998 Combined Sales

Business Description

Supplies "shift quality" components and systems including one-way clutches and races; clutch-packs; and friction plates and bands to virtually every automatic transmission maker in the world.

1998 Highlights

The impact of the GM strike and weak demand in Asia for vehicles with automatic transmissions push sales down 4%. Demand is strong in Europe. New business in North America boosts production. Two facilities win honors from Industry Week as "America's Best Plants" finalists.

Growth Opportunities

- - Move from three- to four- to five- to six-speed transmissions
- - Shift from components to sub-systems strategy
- - Development of continuously variable transmissions (CVT)
- - Automation of manual transmissions

Plant Locations

Headquarters: Lombard, Illinois
 Bellwood, Illinois
 Coldwater, Michigan
 Eumsung, Korea (80% JV)
 Frankfort, Illinois
 Fukuroi City, Japan (50% JV)
 Gallipolis, Ohio
 Heidelberg, Germany
 Ketsch, Germany

Lombard, Illinois (aftermarket)
Margam, Wales

[BAR CHART]
Sales
Millions of dollars

1994 321.8
1995 378.1
1996 392.2
1997 418.2
1998 402.6

Morse TEC

[PIE CHART]
17% 1998 Combined Sales

Business Description

Global leader in the design and manufacturing of automotive chain systems and components for engine timing, automatic transmission and four-wheel drive applications.

1998 Highlights

Sales rise 9%. Continued strong demand in North America and Europe for engine components and systems offsets weakness in Asia and the impact of the GM strike. New European headquarters opens in Italy. Expansion begins in Japan to accommodate new engine timing systems business.

Growth Opportunities

- - Timing chain systems for direct injected diesel engines
- - Engine timing systems moving from belts to chains in Japan and Europe
- - Growth of overhead cam engines
- - Systems integration; alternative technologies

Plant Locations

Headquarters: Ithaca, New York
Arcore, Italy
Guadalajara, Mexico
Ithaca, New York
Nabari City, Japan
Simcoe, Ontario, Canada
Tainan Shien, Taiwan

[BAR CHART]
Sales
Millions of dollars

1994 239.9
1995 257.6
1996 276.5
1997 324.1
1998 353.3

Powertrain Systems

[PIE CHART]
25% 1998 Combined Sales

Business Description

Largest independent global designer and producer of transfer cases and systems for four-wheel and all-wheel drive vehicles for the sport-utility and light truck markets. Systems enhance driver safety, security, driveability and ease of use.

1998 Highlights

Production of 4WD systems for the popular Mercedes M-Class AAV and freshened Ford Ranger are strong. No new Ford applications are added, however, and shipments of 4WD transfer cases for Ford F-150 trucks are off due to a shortage of V-8 engines. Transfer case exports to Korea are down significantly due to economic conditions. Sales are off 15%.

Growth Opportunities

- - Continued popularity of 4WD in an established market segment
- - Growing popularity of passenger car-based 4WD
- - European and emerging markets
- - Application of torque management expertise in alternative technologies

Plant Locations

Headquarters: Sterling Heights, Michigan
 Beijing, China (49% JV)
 Cary, North Carolina
 Livonia, Michigan
 Longview, Texas
 Margam, Wales
 Muncie, Indiana
 Pune, India (60% JV)
 Seneca, South Carolina
 Sirsi, India (60% JV)

[BAR CHART]

Sales

Millions of dollars

1994	364.9
1995	405.5
1996	476.8
1997	613.5
1998	518.8

Turbo Systems

[PIE CHART]

9% 1998 Combined Sales

Business Description

Leading manufacturer of turbochargers for the passenger car and light commercial vehicle markets.

1998 Highlights

Strong demand for turbochargers on direct injected diesel engines for European passenger cars accelerates. The purchase of the turbocharger division of AG Kuhnle, Kopp & Kausch was completed in Europe. A definitive agreement to acquire Kuhlman Corporation, a major US supplier of turbochargers, is signed.

Growth Opportunities

- - Direct injected diesel engines
- - Emissions/fuel economy needs
- - Emerging applications on light trucks and sport-utility vehicles
- - New technologies such as variable geometry

Plant Locations

Headquarters: Frankenthal, Germany
Kirchheimbolanden, Germany

[BAR CHART]

Sales

Millions of dollars

1997 24.8*

1998 182.9

*Business bought at the end of October 1997.

4-WHEEL DRIVE

[MANGANELLO PHOTO]

Tim Manganello
President, BWA Powertrain Systems

4WD = Safety -

It used to be that there were cars, and there were trucks.

With the growth of the sport-utility vehicle (SUV) and introduction of BWA electronically controlled four-wheel drive (4WD) technology, car buyers benefited from the security and versatility that were traditionally associated with trucks and pre-oil crisis passenger cars. Add comfortable interiors and better handling, and drivers flocked to SUVs.

Far from being a fad, light truck and SUV sales continue to outpace sales of cars and now account for about 50% of North American vehicle production. More drivers than ever are being exposed to the benefits of four-wheel/all-wheel drive. While off-road requirements for most drivers are infrequent, safety and versatility are paramount. Drivers value the drive-ability, comfort, convenience and reliability of 4WD.

In response to this demand, BWA is helping automakers develop better and more fuel efficient 4WD vehicles. Beyond this traditional market, new patented technology will move us into rapidly emerging cross-over vehicles - four-wheel drive vehicles based on front-wheel drive (FWD) passenger car platforms.

Why drivers like sport-utility vehicles

[SUV PHOTO]

- - Vehicle size
- - Functionality
- - Reliability
- - Perceived Safety
- - Technology

Our Strength

BWA offers a broad spectrum of mechanical and electronic solutions to move from two- to four-wheel drive. A pioneer in fully automatic systems, our patented Torque-on-Demand (TOD) system for rear-wheel drive (RWD) based on 4WD systems

offers four driver-selection modes: 2WD for normal road conditions; electronically controlled automatic 4WD; full-time 4WD-high for off-road operation; and 4WD-low for extreme off-road conditions. The system's distinguishing feature is its ability to deliver optimal torque automatically using BWA electronic sensors and microcomputer controls. In the automatic 4WD mode, when the system senses wheel slippage, it automatically transfers power between front and rear axles and reduces the front-wheel power when it is no longer needed. The result is a significant handling benefit as compared to conventional full-time and part-time systems.

BWA / FWD

New Traction Control System

In keeping with our history of innovation, BWA has extended our Torque-on-Demand (TOD) technology. We've created a new traction control and vehicle stability enhancement product targeted for front-wheel drive applications that seek the security and responsiveness of four-wheel drive. This product provides the option of 2WD or AWD and the automatic transfer of power between the front and rear axles, while offering side-to-side rear-axle torque management. The system is capable of distributing 100% of available torque to either rear wheel independently. As with TOD, the benefits to the driver are greater stability, control, safety, and driving ease.

Vehicle Market
Millions of units

[CHART]

Worldwide Growth Opportunities

In North America, 4WD remains highly desirable for its security and convenience, and automakers are focused on improving fuel economy to assure continued sales of these popular vehicles. The truck/SUV segment is anticipated to outpace passenger cars, with a 5% growth rate over the next five years. > Significant growth will occur with the emergence of FWD/4WD vehicles. All automakers are expected to build these vehicles on global platforms within the next five years, with 100% estimated market growth by 2004. Growth will be most dramatic in North America, where an estimated 900,000 FWD/4WD units will exist in 2004 - five-year growth of some 6,000%. > In Europe, where cars are driven at relatively high speeds and all-wheel drive is viewed as a critical safety feature, the market for FWD/4WD systems is expected to grow 47% in five years. Rear-wheel/4WD vehicles like the new Mercedes AAV will also take a piece of the market. > Japan, a market that is technology- and feature-driven, is the current leader in passenger car-derived SUVs with all-wheel drive. Japanese automakers are expected to increase FWD/4WD production 43% over the next five years.

[TATA SAFARI PHOTO]

Tata Safari from India

AUTOMATED TRANSMISSIONS

4 - 5 - 6 - ?

INCREASED SPEEDS = INCREASED CONTENT

What's the future for the traditional automatic transmission (AT) that shifts

almost half of the world's new vehicles? For many years, drivers have had essentially two transmission choices: automatic or manual. Today, alternative technologies like automated manual transmissions and continuously variable transmissions (CVTs) are emerging as additional options with great promise for the future. The traditional AT, however, will continue to be the technology of choice in markets like North America, Japan, Korea, and a growing portion of Europe.

The push is on to improve the fuel efficiency and performance of the traditional, or step ratio automatic. As a pioneer in early automatics and the market leader in "shift quality" technology, no one knows transmissions better than BWA. On the horizon are six-speed transmissions, more outsourcing of subsystems, advanced friction materials, and "smart" transmissions that incorporate our electromechanical expertise.

[TRANSMISSION PARTS PHOTO]

[WELDING PHOTO]

Bob Welding, President, BWA Automatic Transmission Systems

AUTOMATED MANUALS

Take a manual transmission. Add BWA wet clutch, solenoid and controls technology. The result - a transmission that approaches the efficiency of a manual, while providing the comfort and convenience of an automatic. That's good news in Europe where drivers deal with congested cities, use cellular telephones and like the driving experience of the open road. It is also good news for European automakers who have extensive manual transmission production facilities.

The idea of automating clutch and/or shifting functions in a manual transmission is not new. Electronic advances are spurring new interest in this technology in Europe where fuel is costly and drivers value the feel of the manual shift.

BWA expertise puts us at the leading edge of this growth opportunity. Over the next ten years, automated manuals could grow to 35% of the European light vehicle market.

CVT

Improved Fuel Economy

Continuously variable transmissions (CVTs) are another way to improve fuel economy. While various approaches to CVTs are under development, the most common uses two variable sheaves and a metal belt to transfer torque. BWA developed several early CVT prototypes in the 1970s and 1980s and currently has a number of development programs underway for key CVT systems and components. Until recently, the CVT has remained a niche product, best suited for small vehicles in stop-and-go urban driving. With the advent of electronic controls, however, CVTs are becoming a viable alternative in mainstream vehicle segments. In 1998, a new milestone was reached, with CVT production worldwide exceeding 500,000 units for the first time. CVT production and sales to date have been concentrated in Japan. However, major European and North American automakers are developing the technology as well. BWA content on a CVT could surpass that on a traditional automatic.

A.T. Growth (Europe)

[BAR CHART]

The traditional automatic transmission will be transformed with BWA technology

[TRANSMISSION CUTAWAY ILLUSTRATION]

Electronics:
Reinventing Transmissions

As developments in electronics permit manufacturers to rethink traditional transmissions and experiment with alternatives, BWA engineers are creating the critical electromechanical interfaces that convert electrical signals into transmission functions and gear changes. Our solenoid technology advances are creating smaller, lighter, less costly and better performing actuators.

In new transmission programs, we are developing entire control modules that integrate sensors, solenoids and control functions into complete "plug-in" sub-assemblies, increasing BWA electromechanical content per transmission ten-fold. And where the computerized "brain" function is built right into a new transmission, we can become the integrator of the electronic and mechanical control strategies.

ENGINES

[RUZIC PHOTO]

Ron Ruzic

Group President
BWA Morse Tec and BWA Turbo Systems

The exciting pace of change in and around the engine is driving near-term BWA growth. These changes are fueled by demand for improved efficiency and emissions, and are influenced by regional issues such as fuel types and prices, and driving habits. We add value as a partner in the design and development of new engines, resulting in added content for BWA, and better performing, more cost-effective systems for our automaker customers.

In North America, the development of overhead cam engines for improved efficiency, performance and air quality continues. With it comes the move from simple engine timing chains to complete BWA timing systems and air management systems.

Engine technology is moving fast in Europe where concerns for fuel economy and reducing emissions are paramount. Direct injected engines - both gas and diesel - are quieter, cleaner, and more efficient. Both types of engines benefit from BWA chain and engine charge management systems. The market represents a \$1 billion opportunity for our type of systems, from turbochargers and timing systems to electromechanical controls for air management systems.

Beginning in 1999, a new generation of engines from Japanese automakers will be introduced with chain-driven timing systems. Automakers are converting to specially designed BWA chain systems from rubber belts for better durability, reliability and reduced ownership costs.

As engine technology continues to advance, BWA remains an active participant. Our product involvement with chain systems designed for today's hybrid powered cars is the next step in solidifying engines as an important growth platform for BWA. As traditionally fueled vehicles begin to share the road with these gas/electric hybrids and, some predict, vehicles powered by fuel cells, BWA product technology will be there to meet the challenges in the years beyond.

DIRECT INJECTED ENGINES

What are they: In a direct injected engine, highly pressurized fuel is delivered directly into the firing chamber where it is mixed with air for ignition. This replaces indirect injection where fuel and air are mixed outside of the ring chamber. Improving the delivery of the air/fuel mixture improves engine

efficiency. A turbocharger helps create an ideal high-pressure air/fuel mix to achieve these results. **DI Diesel Engines:** Use is accelerating in Europe where diesel fuel is common. These turbocharged engines have been designed to provide more power and lower fuel consumption for smaller vehicles. In the US, there is an emerging opportunity for these engines on light trucks and SUVs to improve fuel performance, and to allow automakers to meet their corporate fuel efficiency targets. **DI Gas Engines:** Currently available in Japan and growing in popularity in Europe. These engines can improve fuel performance 20%, reduce CO2 emissions by 20% and provide 10% more torque.

Price Per Gallon - Europe
\$4.00

[ENGINE PHOTO]

Fuel Performance
Turbochargers

A turbocharger uses the energy in a vehicle's hot exhaust gases to compress cold intake air. This pressurized air along with fuel is thrust into the firing chamber of an engine. The turbocharger must work in an environment of extreme temperatures, pressure and vibration, so precise engineering and top quality materials are required. Worldwide turbocharger growth for both trucks and cars over the next five years is anticipated to be 30%. In Europe alone, sales of turbocharged direct injected diesel passenger cars are expected to grow from 1.7 million units today to 3.7 million in 2003. Passenger cars with turbocharged direct injected gasoline engines, while small in number, are expected to grow six-fold in the next five years to 1.4 million units worldwide. With 100% ownership of a European turbocharger business completed in the fall of 1998, and the anticipated acquisition of Kuhlman Corporation, BWA will become a global leader in this exciting growth area.

[CAR PHOTO]

European passenger cars are the fastest growing market for turbochargers.

Turbocharger Growth Worldwide

[DIAGRAM]

Current Market 1998
7.1 million units:
5.1 million passenger cars
2.0 million commercial vehicles

Expected By 2004
9.7 million units:
7.0 million passenger cars
2.7 million commercial vehicles

Building a Global Turbocharger Business

In early March 1999, Borg-Warner Automotive acquired Kuhlman Corporation, for \$680 million in cash and stock. As a leading supplier of turbochargers and other highly engineered components for commercial vehicles, Kuhlman's products are complementary to ours. The acquisition continues to position us to take advantage of the growth of direct injected diesel engines worldwide and provides immediate new growth opportunities in air and fluid components for commercial vehicles. Like BWA, Kuhlman is a respected technology leader with excellent profitability in its businesses. The combination of our expertise in automotive engine systems and Kuhlman's knowledge of turbochargers for commercial vehicles will significantly strengthen BWA's opportunities, expand our customer base and enhance our ability to outpace vehicle industry growth in both sales and

earnings. As a result of the acquisition, we also expect our engine components and systems businesses to increase from 15% to about half of our revenue.

Best use of World's Resources: As the world's concern grows over the best use of our natural resources, the area of vehicle air and fluid management is poised for innovation. We are moving from add-on devices that meet requirements to innovating integrated solutions that improve performance and fuel economy, and reduce emissions. These include electronic EGR valves and turbocharger wastegate controls for more precise control; more responsive electronic throttle control systems for gasoline engines; active air induction systems for all types of engines; and specialized oil pumps that facilitate higher powertrain efficiency and technology such as variable valve timing. And as vehicle demands push the limits of current 12-volt electrical systems, the move to higher voltage systems means changing the entire electrical architecture of vehicles. BWA electromechanical expertise will help enable the use of these systems.

[FUKAYAMA PHOTO]

Gary Fukayama
Group President, BWA Air/Fluid Systems

Engine Technology is Changing Worldwide

[WORLD MAP ILLUSTRATION]

[BAR CHART]

Engine Growth
Borg-Warner Automotive expects to gain significant content increases as engines move from push rod to overhead cam technology.

[AIR INDUCTION MODULE PHOTO]

Air Management
Active manifold systems allow engines to burn cleaner and perform better.

[BAR CHART]

Diesel Engines
Use of direct injected diesel engines is expected to double over the next few years in response to emission requirements and fuel economy needs.

[AIR CONTROL PRODUCT AND TIMING CHAIN PHOTO]

Direct Injection
The demands of direct injected diesel and gas engines are creating opportunities for BWA exhaust gas recirculation [EGR] devices, chain timing systems and turbochargers.

[BAR CHART]

Chain Drive Market
Japanese automakers are switching to chain systems from rubber belts for the timing of their new engines, more than doubling our potential market growth.

[ENGINE PHOTO]

Hybrid

Electric-and-gasoline hybrid engines, like this one built by Toyota with BWA chain, can significantly boost fuel economy.

98 FINANCIAL REVIEW

Sales Distribution by Market

[PIE CHART]

14% Asia
17% Europe
69% North America

Sales Distribution by Customer

[PIE CHART]

2% Nissan
4% VW/Audi
7% Toyota
14% GM
17% DaimlerChrysler
32% Ford
24% All Others

Management's Discussion and Analysis of Financial Condition and Results of Operations

Introduction

Borg-Warner Automotive, Inc. (the "Company") operates as a leading global supplier of highly engineered systems and components for powertrain and other automotive applications. Its products are manufactured and sold worldwide, primarily to original equipment manufacturers ("OEMs") of passenger cars, sport-utility vehicles and light trucks. The Company operates 35 manufacturing facilities in 12 countries serving automakers in North America, Europe and Asia, and is an original equipment supplier to every major OEM in the world.

Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with the Consolidated Financial Statements of the Company. The Results of Operations section first discusses results by operating segment for 1998 versus 1997 and 1996, then discusses other factors affecting the Company's results of operations between 1998 and 1997, and between 1997 and 1996.

RESULTS OF OPERATIONS

Results by Operating Segment

The Company's products fall into four operating segments: Powertrain Systems, Automatic Transmission Systems, Morse TEC and Air/Fluid Systems. The Company's German turbocharger business, previously presented as a separate business group, has been integrated into the Morse TEC operating segment. Refer to page 4 for a business profile of each segment, including a business description, 1998 highlights, growth opportunities and plant locations. The following tables detail sales and earnings before interest and taxes ("EBIT") by segment for each of the last three years.

<TABLE>

<CAPTION>

	millions of dollars		
Year Ended December 31,	1998	1997	1996

<S>	<C>	<C>	<C>
Powertrain Systems	\$ 518.8	\$613.6	\$476.8
Automatic Transmission Systems	402.6	418.2	392.2
Morse TEC	536.2	349.0	276.6
Air/Fluid Systems	351.4	342.4	242.7
Divested operations	73.5	101.4	189.2
Intersegment eliminations	(45.7)	(57.6)	(37.4)
Net sales	\$1,836.8	\$1,767.0	\$1,540.1

millions of dollars

Year Ended December 31,	1998	1997	1996
Powertrain Systems	\$ 28.4	\$ 46.4	\$ 38.5
Automatic Transmission Systems	40.0	51.7	46.4
Morse TEC	78.5	64.7	48.4
Air/Fluid Systems	25.1	15.1	13.2
Divested operations	4.7	1.5	(18.9)
Earnings before interest and taxes	\$176.7	\$179.4	\$127.6

</TABLE>

Powertrain Systems' sales and EBIT were down \$94.8 million and \$18.0 million, or 15.4% and 38.8%, respectively, from 1997's exceptional results. Three significant issues caused the declines: no new four-wheel drive ("4WD") applications for Ford trucks in 1998, significant reductions in 4WD transfer case shipments for the Ford F-150 truck and a decline in 4WD transfer case shipments to Ssangyong in Korea due to the sluggish Asian economy. Increased 4x4 installation rates on the Ford Ranger and a full year of sales on the Mercedes-Benz M-Class All-Activity Vehicle launched in 1997 were only able to partially offset the shortfalls. Overall, the Company sold 654,000 small and 367,000 large transfer cases in 1998, as compared with 541,000 small and 652,000 large transfer cases in 1997 and 481,000 small and 480,000 large transfer cases in 1996. Large transfer case sales were unusually high in 1997 because of the build out of an application.

Powertrain Systems had been benefiting in recent years from the industry trend toward sport-utility vehicles and light trucks. 1997 sales and EBIT were exceptionally strong, with sales up 28.7% over 1996. The business had been realizing unprecedented demand for its various 4WD products on applications for Ford, Lincoln, Mercury, Rover, Isuzu and Ssangyong. The comparisons for 1997 versus 1996 were also aided by a full year of Expedition sales, the introduction of the Navigator and the successful launch of the 4WD system on the Mercedes-Benz M-Class All-Activity Vehicle in 1997.

Installation rates at Ford and shipments to Ssangyong in Korea showed signs of improvement late in 1998 and are expected to continue at somewhat stronger levels into 1999. While expected to remain strong, the revenue growth for Powertrain Systems is not expected to return to 1997 levels.

Automatic Transmission Systems experienced decreases in sales and EBIT of \$15.6 million and \$11.7 million, or 3.7% and 22.6%, respectively, compared to the prior year. Strong sales in Europe were unable to offset the negative impact of the nearly two-month long North American General Motors ("GM") strike and the weakness of the Asian economy. Customer product mix issues also heavily impacted this segment, particularly the industry-wide shift in emphasis from passenger cars to trucks. The ramp-up of a new one-way clutch system for Chrysler and the start-up of production on a significant portion of friction plate business for GM in 1998 show promise for the coming years.

The segment also continued to benefit from some of the trends that were driving sales growth of 6.6% in 1997 versus 1996. Increased penetration of automatic transmissions and increased content as automatic transmissions trended from three- to four-speed and from four- to five-speed transmissions have presented growth opportunities for this segment. Sales in 1997 of \$418.2 million were driven by volume gains in each of North America, Europe and Asia. The business

also realized a full year of sales in 1997 on one of its first systems, a one-way clutch and drum combination for Ford of Europe.

With the effects of the GM strike in the past, and the Asian economy showing signs of stabilizing, Automatic Transmission Systems is expecting strong results in the coming years. The business is a supplier to virtually every major manufacturer of automatic transmissions in the world and has invested heavily in technology to increase understanding of transmission functioning. This should improve the Company's ability to develop and provide entire subsystems for future generations of automatic transmissions and system solutions for alternative drivetrain configurations, including continuously variable transmissions and automated manual transmissions.

The Morse TEC operating segment experienced continued growth in 1998 as sales and EBIT increased by \$187.2 million and \$13.8 million, respectively. Net of the effect of the turbocharger business acquired in 1997, sales increased by \$29.2 million, or 9.0%, and EBIT improved by \$4.7 million, or 7.6%. This segment continued to benefit from the trends of the prior year, including strong North American demand, mainly from new content on Chrysler engine timing systems and increased penetration on GM passenger cars and Ford engines. These positive factors more than offset weakness in Asia and the impact of the GM strike.

Morse TEC sales revenue increased \$72.4 million from 1997 to 1996, and net of the turbocharger business, sales increased by \$47.6 million, or 17.2%. The overall growth was the result of a number of new applications in engine timing systems and front-wheel drive automatic transmissions, and the continued expansion of the 4WD market. Both Ford and Chrysler expanded their line-ups of overhead cam engines with Morse TEC timing systems. A full year's sales of the MORSE GEMINI(tm) systems to GM also contributed heavily to the growth.

The strong positive trend at Morse TEC is expected to continue in the coming years as new products, including timing systems for the new Chrysler 3.7 liter and 4.7 liter overhead cam engines, powder metal sprockets for both timing system and transmission applications, and drive chain for the new Toyota hybrid engine, are introduced. Also, trends in engine timing systems from belts to chains in Europe and Japan are expected to offer further opportunities. The turbocharger business has already been aided by strong demand for turbochargers on direct injected diesel engines for European passenger cars, and expansion into emerging applications on light trucks and sport-utility vehicles appears promising.

Air/Fluid Systems' sales increased \$9.0 million in 1998, a 2.6% increase versus 1997, while EBIT increased \$10.0 million, or 66.2%. The sales increase is due to changes in transmission solenoid production for the new Chrysler transmission and increased demand for air induction modules on Chrysler LH vehicles. Three businesses acquired in mid-1996 from Coltec Industries, Inc (the "Coltec Acquisition") have begun showing the growth that was expected of them at the time of the acquisition. The year-over-year comparison of EBIT is skewed slightly by inventory adjustments recorded in 1997.

The increase in 1997 sales to \$342.4 million was almost solely due to the inclusion of a full year of sales from the Coltec Acquisition in 1996. The remainder of the business was virtually flat as certain components reaching the end of their life cycles were replaced by newer generations. Ramp-ups of new programs were relatively slow in 1997, resulting in slower sales growth than anticipated.

Air/Fluid Systems continues to offer a substantial opportunity for growth into the next century because of the increased worldwide emphasis on improved operating efficiency and reduced emissions, both of which can be realized through improved engine air and fuel management. Furthermore, the fragmented nature of the supplier base in this segment creates an opportunity to meet fuel economy and emission requirements through system solutions.

Divested operations included the sales of two Automatic Transmission Systems businesses completed in 1998. Substantially all of the remaining assets of the torque converter business were sold in 1998 after one of the product lines was sold in 1997. The Company also sold the precision forged powder metal connecting rod business in 1998. These businesses did not fit the strategic goals of the Company and management believes the Company's resources will be better spent on its core technologies in highly engineered components and systems. The sales of these businesses did not result in a significant gain or loss in either 1998 or 1997. They contributed sales of \$73.5 million, \$101.4 million and \$89.5 million and EBIT of \$4.7 million, \$1.5 million and \$3.2 million to 1998, 1997 and 1996, respectively. In 1996, the Company sold its Powertrain Systems North American manual transmission business to Transmisiones Y Equipos Mecanicos S.A. De C.V. at a pretax loss of \$61.5 million, which net of a tax benefit of \$26.5 million, resulted in a net charge of \$35.0 million. 1996 sales and EBIT of the North American manual transmission business recognized in the Company's consolidated operations totaled \$99.7 million and \$(22.1) million, respectively.

The Company's top ten customers in 1998 accounted for approximately 81% of consolidated sales compared to 84% in 1997 and 83% in 1996. Ford continues to be the Company's largest customer with 36% of consolidated sales in 1998, compared to 43% and 42% in 1997 and 1996, respectively. DaimlerChrysler overtook GM as the Company's second largest customer in 1998, in large part due to a full year of sales by the turbocharger business in Europe. The Coltec Acquisition in mid-1996 has also increased sales to DaimlerChrysler. In 1998, 1997 and 1996, DaimlerChrysler represented 19%, 10% and 9% of consolidated sales, respectively, and GM accounted for 16%, 20% and 21%, respectively. No other customer accounts for more than 10% of sales.

OTHER FACTORS AFFECTING RESULTS OF OPERATIONS

The following table details the Company's results of operations as a percentage of sales:

<TABLE>

<CAPTION>

Year Ended December 31,	1998	1997	1996
<S>	<C>	<C>	<C>
Net sales	100.0%	100.0%	100.0%
Cost of sales	79.0	77.8	78.3
Depreciation	4.1	4.0	4.6
Selling, general and administrative expenses	7.4	7.5	8.0
Goodwill amortization	0.9	1.0	0.9
Loss on sale of business	-	-	4.0
Minority interest, affiliate earnings and other income, net	(0.5)	(0.6)	(0.7)
Earnings before interest and taxes	9.1%	10.3%	4.9%

</TABLE>

1998 compared with 1997

1998 proved to be a roller-coaster year for the Company as a number of external events caused the Company's results to fluctuate. Still, the Company realized a 4.0% sales growth in 1998 versus 1997 against a backdrop of essentially flat worldwide automobile and light truck production, with North American and Japanese production decreasing 1.4% and 8.5%, respectively, and European production increasing 6.5%. However, for businesses held throughout both years, the Company's sales declined 3.7%. The German turbocharger business, AG Kuhnle, Kopp & Kausch ("AG Kuhnle"), contributed \$182.9 million to 1998 sales, an increase of \$158.1 million over the two months the business was owned in 1997. Two product lines sold during 1998, as discussed above, contributed \$73.5 million to 1998 sales, a decrease of \$27.9 million from the prior year. Factors cutting across each of the business segments which negatively impacted the Company's 1998 sales included the GM strike in June and July of 1998 and the

weakness of the Asian economy. These external events deflated sales by approximately \$25 million and \$33 million, respectively.

Net earnings for 1998 totaling \$94.7 million, or \$4.00 per diluted share, were 8.2% below 1997 earnings of \$103.2 million, or \$4.31 per diluted share. The factors discussed above are responsible for the changes. In particular, the weakness of the Asian economy impacted earnings by approximately \$0.60 per share, while the GM strike cost the Company approximately \$0.30 per share in earnings. The effects of the Asian downturn were most damaging to the Automatic Transmission Systems and Morse TEC business segments, as well as to affiliate earnings; the other segments were less affected by Asia. The strike affected each of the business segments, most significantly Automatic Transmission Systems and Morse TEC.

Gross margin for 1998 was 21.0%, down from 22.2% in 1997 and 21.7% (24.2% excluding the manual transmission business) in 1996. The margin trend reflects the difficulty in achieving cost reductions and productivity improvements sufficient to offset both increases in costs and annual price reductions given to customers. In 1998, price reductions to customers totaled approximately \$23 million as compared to \$18 million and \$10 million in 1997 and 1996, respectively. To offset the impact of price reductions, the Company actively pursues offsetting reductions from its suppliers and changes in product design to remove cost and/or improve manufacturability. The Company implemented a significant material cost reduction program in 1998 in a further attempt to maintain margins. The Company's ability to pass through increased costs to its OEM customers is severely limited, with cost recovery at less than 100% and often on a delayed basis.

The Company experienced a decline in consolidated EBIT of 8.2% to \$167.6 million for 1998. For businesses held throughout both years, the decrease was 14.9%. Depreciation continued to increase in 1998 due mainly to a full year of results from the turbocharger business and increases in capital spending in recent years. Selling, general and administrative expenses ("SG&A") as a percentage of sales declined slightly to 7.4% from 7.5% as the Company continued its commitment to keeping spending down in this area, apart from research and development ("R&D"). The Company views spending on R&D as a key corporate strategy in order to develop proprietary new products and enhancements to existing products. In 1998, R&D spending represented 3.5% of sales versus 3.3% and 3.5%, respectively, in 1997 and 1996. In order to support its commitment to product leadership, the Company plans to increase R&D spending in the future.

Equity in affiliates and other income was down \$2.9 million from 1997, including an \$8.5 million decline in equity in affiliate earnings. The decrease in equity in affiliate earnings is largely attributable to the weakness of the Asian economy in 1998. The Company's equity in the earnings of its 50% owned joint venture, NSK-Warner, were hit particularly hard, falling to \$7.6 million in 1998 from \$13.7 million in 1997. Partially offsetting the reductions in affiliate earnings were certain transactions of a non-recurring or non-operating nature. The Company recorded a \$3.3 million gain on sale of its 50% share of Warner-Ishi in 1998 and recorded a \$4.3 million charge in 1997 to reduce the carrying value of certain joint venture investments in China and Korea.

Interest expense and finance charges increased by \$2.3 million versus 1997. The Company incurred additional interest on its borrowings to purchase the turbocharger business in October 1998 and also needed to maintain slightly higher debt levels to finance operations because cash flow from operations trailed prior year levels throughout much of 1998.

The effective tax rate for 1998 was 32.7% compared with a rate of 34.6% for 1997. The tax rates for both years were below the standard federal and state rates due to the realization of R&D and foreign tax credits.

1997 compared with 1996

The Company realized 14.7% growth in revenues in 1997 versus 1996. This growth was against a backdrop of a minimal increase in the worldwide automobile and light truck production. North American, European and Japanese production in 1997 was up 3%, 5%, and 6%, respectively. The Company's sales growth included a 13% gain for businesses held throughout both years. The three operations acquired in the Coltec Acquisition contributed \$116 million for the first half of 1997; the German turbocharger business, AG Kuhnle, 63% of which was acquired in October 1997, contributed \$25 million; and the manual transmission business sold at the end of 1996 had contributed \$100 million to 1996 sales. The Company was able to increase sales by increasing its content per vehicle by developing and offering improved components and system solutions for customer needs.

Net earnings for 1997 totaled \$103.2 million, or \$4.31 per diluted share. Earnings were almost two and one-half times the 1996 level of \$41.8 million. In 1996, the Company incurred a one-time after-tax charge of \$35 million (\$61.5 million on a pretax basis) for the loss on the sale of the North American manual transmission business. Excluding this charge, 1997 earnings were 34%, or \$26.4 million, higher than 1996. The improvement in earnings was also helped by the elimination of the loss from the manual transmission business, which reported a \$22.1 million operating loss in 1996.

Consolidated EBIT improved to \$182.5 million in 1997, a 33% increase over 1996, excluding the one-time manual transmission loss. The improvement was 14% excluding both the operating loss on the manual transmission business and the one-time loss on the sale. The increase in volume more than offset the margin compression. The Company also benefited from an entire year of the Coltec Acquisition versus one-half year in 1996. Depreciation, excluding that related to the manual transmission business, was up \$3 million due to increased capital spending in recent years. SG&A expenses, although up by \$9 million, represented only 7.5% of sales in 1997 versus 8% in 1996. The increase in spending was due to increased R&D spending which reached \$59 million in 1997 compared with \$54 million in 1996. The Company also spent \$8 million on research projects that were reimbursed by customers. The minimal increase in the remainder of SG&A expenses reflected the Company's ability to control spending not directly related to products despite continuing revenue growth. The Company is committed to keeping its overall SG&A spending in the 7.5% of sales range. At the same time, the Company is committed to spending on R&D as a key corporate strategy to develop proprietary new products, allowing it to remain competitive. In 1997, R&D spending represented 3.3% of sales versus 3.5% in 1996. Major programs included new engine timing systems, powder metal sprockets, advanced 4WD systems, new air induction systems, advanced transmission solenoids, increased systems development for automatic transmissions, and advanced friction material research.

Equity in affiliates and other income was up slightly in 1997 at \$13.2 million versus \$13.1 million in 1996. The Company's equity in the earnings of its 50% owned Japanese joint venture, NSK-Warner, was off slightly in U.S. dollars at \$13.7 million versus \$14.3 million in 1996. This was due to continued weakness of the Japanese yen, which in 1997 was 10% below 1996.

Included in EBIT for 1997 are certain transactions of a non-recurring or non-operating nature. The Company recorded a \$4.3 million charge to reduce the value of certain joint venture investments in China and Korea. Approximately \$3 million was spent to relocate product lines from one facility to another during 1997. Also, during 1997 the Company reduced its reserve for loss on the sale of the manual transmission business by approximately \$6 million as the result of favorable experience for certain elements of the reserve.

Interest expense and finance charges increased by \$3.2 million in 1997. The Company incurred interest on its borrowing for the Coltec Acquisition for a full year in 1997 versus one-half year in 1996. In addition, interest was incurred for the turbocharger business. Offsetting these items was a continuing reduction in interest rates on the Company's variable rate bank borrowings.

The effective tax rate for 1997 was 34.6% compared with a rate of 33.9% in 1996, excluding the manual transmission sale loss. The tax rate for both years was below the standard federal and state rates due to the realization of R&D and foreign tax credits.

FINANCIAL CONDITION AND LIQUIDITY

The Company's cash and cash equivalents increased \$30.6 million at December 31, 1998 compared with December 31, 1997. Of the increase, \$30.3 million was related to the cash held on the residual balance sheet of AG Kuhnle (discussed further below) at December 31, 1998.

Operating cash flow of \$132.6 million, although \$34.8 million less than 1997 operating cash flow, was sufficient to cover the \$127.6 million cash used in investing activities. Operating cash flow consisted of \$94.7 million of net earnings and non-cash charges of \$96.9 million, including \$74.8 million of depreciation, offset by a \$59.0 million increase in net operating assets and liabilities. The increase in depreciation was due to a full year of results from the turbocharger business and increases in capital spending in recent years. The increased investment in net operating assets reflected in the December 31, 1998 balance sheet was primarily due to increased receivables and decreased income taxes payable. The cash flow effect from an increase in receivables was \$29.3 million in 1998 due to a major customer deferring \$33 million in payments at the end of the year. This represented a one-time reversing cash flow item as the payment was received in early January. Income taxes payable was impacted by significant payments during 1998 for accrued income taxes.

Capital spending totaling \$122.2 million in 1998 was \$12.9 million lower than in 1997, despite a full year of spending by the turbocharger business. Spending levels were reduced to compensate for operating cash flow shortfalls throughout the year. Approximately 65% of the 1998 spending was related to expansion, as opposed to renewal and replacement, cost reduction and other. Major 1997 projects carrying over extensive spending into 1998 included spending to increase capacity for larger transfer cases for Ford, to upgrade powder metal sprocket capability and to complete programs for timing systems for Chrysler's new 3.7 and 4.7 liter engines. Major new capital projects included the expansion of the Company's facility in Japan and a capacity uplift for friction plate production in Automatic Transmission Systems. The Company anticipates returning to higher capital spending levels in 1999 to drive expansion.

In October 1997, the Company purchased a 63% interest in AG Kuhnle for \$42.4 million. AG Kuhnle consisted of a turbocharger business that the Company began consolidating November 1, 1997 and a turbomachinery business that was accounted for in prepayments and other current assets. In 1998, the Company purchased 100% of the turbocharger business from AG Kuhnle, renaming it 3K-Warner Turbosystems GmbH. The purchase price was \$95.7 million, subject to final settlement. As soon as practicable, the Company intends to realize its 63% interest in AG Kuhnle, which consists principally of the net carrying value of the turbomachinery business at \$16.8 million, \$30.3 million in cash, representing 63% of the excess cash held on the residual balance sheet of AG Kuhnle, less certain income tax and other liabilities. The \$30.3 million of cash is netted against payments for businesses acquired in the 1998 Consolidated Statement of Cash Flows. The increase in the net carrying value of the turbomachinery business from 1997 of \$6.5 million represents increased operating investment during the course of the year. The Company used short-term borrowings to finance the purchase of 3K-Warner Turbosystems GmbH, and expects to repay a portion of the debt in the first half of 1999 with the proceeds from an anticipated dividend from AG Kuhnle. Proceeds from the sales of the torque converter and connecting rod businesses, amounting to \$10.0 million and \$41.8 million, respectively, were primarily used to lower the Company's long-term debt.

Stockholders' equity increased by \$83.6 million in 1998. Net income of \$94.7 million was offset by dividends of \$14.1 million and stock repurchases of \$13.0 million. In relation to the dollar, the currencies in foreign countries where

the Company conducts business strengthened, causing the currency translation component of other comprehensive income to increase by \$11.8 million in 1998. Finally, given the continued favorable performance of the Company's pension fund investments, the Company was able to eliminate the additional minimum pension liability adjustment.

The Company believes that the combination of cash from its operations and available credit facilities will be sufficient to satisfy cash needs for its current level of operations and planned operations for the foreseeable future.

OTHER MATTERS

Sale of Connecting Rod Business

In September 1998, the Company sold its precision forged powder metal connecting rod business unit to GKN Sinter Metals, Inc., a subsidiary of UK-based GKN plc. GKN initially paid the Company \$41.8 million in the third quarter. The final selling price determined in February 1999 was \$42.0 million. The connecting rod product line was originally acquired as part of the Company's purchase of the Precision Forged Products Division of Federal-Mogul Corporation in 1995.

Sale of Torque Converter Business

In April 1998, the Company entered into an agreement to sell substantially all the remaining assets of its torque converter business, exclusive of land and buildings, to Mannesmann Sachs AG. One product line of the torque converter business was previously sold in June 1997. In accordance with the agreement, operations were phased out during the course of 1998, with Mannesmann Sachs making multiple progress payments totaling \$10.0 million to the Company as the assets were transferred. The Company expects to recover the remainder of its investment in the business through the sale of the land and buildings in 1999.

Pending Acquisition of Kuhlman Corporation and Related Debt Financing

On December 17, 1998, the Company entered into a merger agreement with Kuhlman Corporation, which provides that Kuhlman will become a wholly owned subsidiary of Borg-Warner Automotive. The total value of consideration to be paid in the merger, based on the number of shares of Kuhlman common stock outstanding on December 31, 1998, is approximately \$677.8 million. Approximately \$527.8 million of the consideration will be in cash, with the remaining \$150.0 million in Borg-Warner Automotive common stock. This acquisition is expected to close in March, 1999.

Kuhlman is a diversified industrial manufacturing company that currently operates two product segments: industrial products and electrical products. Their products are sold to over 5,000 domestic and international customers operating in more than 60 countries. Kuhlman's Schwitzer Group, which includes the industrial products business, is a leading worldwide manufacturer of proprietary engine components, including turbochargers, fans and fan drives, fuel tanks, instrumentation, heating/ventilation/air conditioning systems, and other products used primarily in commercial transportation products and industrial equipment. Kuhlman's electrical products businesses include the manufacture of transformers and other products for electrical utilities and industrial users, as well as electrical and electronic wire and cable products for use in consumer, commercial and industrial applications. Following the completion of the merger, the Company intends to sell the electrical products businesses and plans to achieve significant synergies through the integration of the Schwitzer Group.

On February 22, 1999, the Company issued \$200 million of 6.5% senior unsecured notes maturing in February 2009 and \$200 million of 7.125% unsecured notes maturing in February 2029 to partially fund the impending Kuhlman acquisition.

Litigation

The Company and certain of its current and former direct and indirect corporate predecessors, subsidiaries and divisions have been identified by the United States Environmental Protection Agency and certain state environmental agencies and private parties as potentially responsible parties ("PRPs") at various hazardous waste disposal sites under the Comprehensive Environmental Response, Compensation and Liability Act ("Superfund") and equivalent state laws and, as such, may presently be liable for the cost of clean-up and other remedial activities at 26 such sites. Responsibility for clean-up and other remedial activities at a Superfund site is typically shared among PRPs based on an allocation formula.

Based on information available to the Company, which in most cases includes: an estimate of allocation of liability among PRPs; the probability that other PRPs, many of whom are large, solvent public companies, will fully pay the cost apportioned to them; currently available information from PRPs and/or federal or state environmental agencies concerning the scope of contamination and estimated remediation costs; remediation alternatives; estimated legal fees; and other factors, the Company has established a reserve for indicated environmental liabilities with a balance at December 31, 1998 of approximately \$7.9 million. The Company expects this amount to be expended over the next three to _ve years.

The Company entered into a Settlement Agreement and Specific Mutual Release dated as of May 31, 1998 (the "Settlement Agreement") with Borg-Warner Security Corporation ("BWSC"), the successor corporation to its former parent. The previously-reported dispute involved whether BWSC was entitled to indemnification from the Company for certain environmental liabilities under a Distribution and Indemnity Agreement dated January 27, 1993.

Pursuant to the Settlement Agreement, the Company and BWSC agreed to dismiss and vacate all arbitration awards resulting from the arbitration proceeding and to dismiss with prejudice the lawsuit settled by the Company in the Circuit Court of Cook County, Illinois, on January 27, 1998. Under the Settlement Agreement, the Company agreed to indemnify BWSC for the first \$2.9 million BWSC pays in certain environmental costs after April 30, 1998 and 50% of any amounts in excess of that \$2.9 million. At present, the Company does not have sufficient information to determine the extent of its liability under the Settlement Agreement, but does not anticipate that such amount will have a material adverse effect on its financial position or future operating results. It is expected that indemnification payments will be made by the Company over the course of several years as the environmental costs are incurred.

The Company believes that none of these matters, individually or in the aggregate, will have a material adverse effect on its financial position or future operating results, generally either because estimates of the maximum potential liability at a site are not large or because liability will be shared with other PRPs, although no assurance can be given with respect to the ultimate outcome of any such matter.

Year 2000 Issues

The Company is in the process of upgrading certain aspects of its operations to ensure that business systems do not fail to function when the Year 2000 arrives or at other date intervals. The Company has completed an inventory of key systems and equipment with potential Year 2000 issues in the areas of business operating systems, manufacturing operations, operating infrastructure, customers and suppliers. This included an identification of mission critical systems, an assessment of the readiness of applications for Year 2000 and the corrective action needed, if any.

The Company is also participating in the process coordinated by the Automotive Industries Action Group ("AIAG"), a group sponsored by the major U.S. automakers. The process consists of ongoing surveys to measure a company's state of readiness and its progress on the assessment and remediation stages of its

program. The survey results are used to monitor progress against remediation action plans.

The Company's program to become Year 2000 compliant is being operated on an enterprise-wide basis. A coordinator has been assigned overall administrative responsibility; however, each operating unit is responsible for compliance at its location. Inventories and assessments have been completed at substantially all locations. Corrective action is underway. The majority of items identified as non-compliant would not significantly interfere with the Company's operations if not updated. In addition, the exposure to an enterprise-wide failure is less likely because of the relative autonomy of the operating units. The Company is operating on a schedule to have substantially all non-compliant items remedied by mid-1999 and is also seeking confirmation from key suppliers and other third parties that their systems and applications that affect the Company will be Year 2000 compliant by mid-1999.

Concurrent with the Year 2000 effort, the process of upgrading certain business operating systems at a number of operating units to improve both business operations and control is underway. Any new system acquired is required to be certified as Year 2000 compliant. The Company will spend approximately \$11.5 million for new systems, to upgrade systems and equipment and for other efforts to ensure compliance with Year 2000 between 1997 and 1999. These costs will be paid for with cash from operations. The bulk of such spending will provide for system improvements and enhancements including compliance with Year 2000. Through 1998, spending has totaled approximately \$9.5 million. Spending solely related to Year 2000 compliance is not expected to be material to either the financial position or results of operations for any given year.

As with any program to upgrade business systems, there are risks that programs will not be completed on schedule and that programs will not accomplish all that they were supposed to accomplish. The chance of this happening throughout the Company is remote. For individual occurrences, the impact would most likely be a reduced level of quality control for operations and a substantial increase in the amount of manual intervention in areas such as material planning and inventory control, statistical process control, and financial and operational recordkeeping.

Substantial contingency plans are not in place because the Company believes that its efforts will be successful. However, specific procedures required to keep operations functioning in the event of delays or machine failures have been identified. As mentioned above, the Company has identified key suppliers and requested confirmation as to their Year 2000 compliance. Supplier responses are currently being verified, including supplier audits and other actions as appropriate. The Company is also considering the availability of alternative supply sources in the event that they are needed.

The Company cannot provide any assurance that the corrective actions being implemented will prevent dating systems problems or that the cost of doing so will not be material. In addition, disruptions with respect to the computer systems of vendors or customers, including both information technology ("IT") and non-IT systems could impair the Company's ability to obtain necessary materials or products to sell to or serve its customers. Disruptions of computer systems or the computer systems of vendors or customers, as well as the cost of avoiding such disruption, could have a material adverse effect upon the financial position or operating results of the Company.

Euro Conversion

On January 1, 1999, 11 of the 15 member countries of the European Union established fixed conversion rates between their existing currencies and a new common currency (the "euro"). The participating countries have adopted the euro as their common legal currency. The Company has begun consideration of the effects of the euro conversion on operations, but is currently unsure of the potential impact that the euro conversion will have on the financial position or

operating results. Because of the nature of the Company's business and customers, the effect is not expected to be significant.

New Accounting Pronouncements

In June 1998, FASB issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS 133"), which is required to be adopted in fiscal years beginning after June 15, 1999. SFAS 133 requires that all derivatives be recognized as either assets or liabilities in the balance sheet and that derivative instruments be measured at fair value. The Company has not yet determined the effect SFAS 133 will have on its financial position or results of operations.

In March 1998, the American Institute of Certified Public Accountants issued Statement of Position 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use," ("SOP 98-1"). SOP 98-1 provides guidance on accounting for the costs of computer software developed or obtained for internal use and is effective for fiscal years beginning after December 15, 1998. The Company is currently assessing the potential effects of SOP 98-1 on its results of operations and financial position.

Disclosure Regarding Forward-Looking Statements

Statements contained in this Management's Discussion and Analysis of Financial Condition and Results of Operations may contain forward-looking statements as contemplated by the 1995 Private Securities Litigation Reform Act that are based on management's current expectations, estimates and projections. Words such as "expects," "anticipates," "intends," "plans," "believes," "estimates," variations of such words and similar expressions are intended to identify such forward-looking statements. Forward-looking statements are subject to risks and uncertainties, which could cause actual results to differ materially from those projected or implied in the forward-looking statements. Such risks and uncertainties include: the fluctuations in domestic or foreign automotive production, the continued use of outside suppliers, fluctuations in demand for vehicles containing the Company's products, general economic conditions, as well as other risks detailed in the Company's filings with the Securities and Exchange Commission, including the Cautionary Statements filed as Exhibit 99.1 to the Form 10-K for the fiscal year ended December 31, 1998.

Management's Responsibility for Consolidated Financial Statements

The information in this report is the responsibility of management. Borg-Warner Automotive, Inc. (the "Company") has in place reporting guidelines and policies designed to ensure that the statements and other information contained in this report present a fair and accurate financial picture of the Company. In fulfilling this management responsibility, we make informed judgments and estimates conforming with generally accepted accounting principles.

The accompanying financial statements have been audited by Deloitte & Touche LLP, independent auditors. Management has made available all the Company's financial records and related information deemed necessary by Deloitte & Touche LLP. Furthermore, management believes that all representations made by it to Deloitte & Touche LLP during its audit were valid and appropriate.

Management is responsible for maintaining a comprehensive system of internal control through its operations that provides reasonable assurance that assets are protected from improper use, that material errors are prevented or detected within a timely period and that records are sufficient to produce reliable financial reports. The system of internal control is supported by written policies and procedures that are updated by management as necessary. The system is reviewed and evaluated regularly by the Company's internal auditors as well as by the independent auditors in connection with their annual audit of the financial statements. The independent auditors conduct their evaluation in accordance with generally accepted auditing standards and perform such tests of

transactions and balances as they deem necessary. Management considers the recommendations of its internal auditors and independent auditors concerning the Company's system of internal control and takes the necessary actions that are cost-effective in the circumstances. Management believes that, as of December 31, 1998, the Company's system of internal control was adequate to accomplish the objectives set forth in the first sentence of this paragraph.

The Company's Finance and Audit Committee, composed entirely of directors of the Company who are not employees, meets periodically with the Company's management and independent auditors to review financial results and procedures, internal financial controls and internal and external audit plans and recommendations. To guarantee independence, the Finance and Audit Committee and the independent auditors have unrestricted access to each other with or without the presence of management representatives.

[SIGNATURE] [SIGNATURE]

John F. Fiedler William C. Cline
Chairman and Vice President and
Chief Executive Officer Controller

January 30, 1999

Independent Auditors' Report

The Board of Directors and Stockholders of Borg-Warner Automotive, Inc.

We have audited the consolidated balance sheets of Borg-Warner Automotive, Inc. and subsidiaries as of December 31, 1998 and 1997, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 1998. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. 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 Borg-Warner Automotive, Inc. and subsidiaries at December 31, 1998 and 1997, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1998 in conformity with generally accepted accounting principles.

[SIGNATURE]

DELOITTE & TOUCHE LLP

Chicago, Illinois
January 30, 1999
(February 22, 1999 as to the third paragraph of Note 14)

Consolidated Statements of Operations

<TABLE>
<CAPTION>

millions of dollars except per share amounts			
For the Year Ended December 31,	1998	1997	1996
<S>	<C>	<C>	<C>
Net sales	\$1,836.8	\$1,767.0	\$1,540.1
Cost of sales	1,450.7	1,375.4	1,205.5
Depreciation	74.8	70.4	71.3
Selling, general and administrative expenses	135.1	132.0	122.7
Minority interest	2.1	3.2	2.6
Goodwill amortization	16.8	16.7	13.5
Loss on sale of business	-	-	61.5
Equity in affiliate earnings and other income	(10.3)	(13.2)	(13.1)
Earnings before interest expense, finance charges and income taxes	167.6	182.5	76.1
Interest expense and finance charges	26.9	24.6	21.4
Earnings before income taxes	140.7	157.9	54.7
Provision for income taxes	46.0	54.7	12.9
Net earnings	\$ 94.7	\$ 103.2	\$ 41.8
Net earnings per share			
Basic	\$ 4.03	\$ 4.35	\$ 1.77
Diluted	\$ 4.00	\$ 4.31	\$ 1.75
Average shares outstanding (thousands)			
Basic	23,479	23,683	23,564
Diluted	23,676	23,934	23,830

</TABLE>

See accompanying Notes to Consolidated Financial Statements.

Consolidated Balance Sheets

<TABLE>
<CAPTION>

millions of dollars		
December 31,	1998	1997
<S>	<C>	<C>
Assets		
Cash	\$ 37.8	\$ 10.6
Short-term securities	6.2	2.8
Receivables	185.4	158.6
Inventories	115.7	108.0
Deferred income tax asset	4.7	8.5
Prepayments and other current assets	26.3	18.4
Total current assets	376.1	306.9
Land	24.0	21.6
Buildings	199.7	195.2
Machinery and equipment	692.6	657.3
Capital leases	5.7	5.5
Construction in progress	82.9	91.6
	1,004.9	971.2
Less accumulated depreciation	370.4	359.5
Net property, plant and equipment	634.5	611.7
Investments and advances	141.9	132.9
Goodwill	560.4	545.6
Deferred income tax asset	7.7	20.6
Other noncurrent assets	125.5	118.6
Total other assets	835.5	817.7

	\$1,846.1	\$1,736.3
Liabilities and Stockholders' Equity		
Notes payable	\$ 145.0	\$ 67.7
Accounts payable and accrued expenses	276.9	273.6
Income taxes payable	32.2	53.9
Total current liabilities	454.1	395.2
Long-term debt	248.5	270.4
Long-term liabilities:		
Retirement-related liabilities	318.6	314.0
Other	39.1	42.3
Total long-term liabilities	357.7	356.3
Minority stockholders' interest in consolidated subsidiaries	8.5	20.7
Capital stock:		
Preferred stock, \$.01 par value; authorized shares: 5,000,000; None issued	-	-
Common stock, \$.01 par value; authorized shares: 50,000,000; issued shares: 1998 and 1997, 23,753,365; outstanding shares: 1998, 23,387,173; 1997, 23,542,765	0.2	0.2
Non-voting common stock, \$.01 par value; authorized shares: 25,000,000; issued and outstanding shares: 1998, none; 1997, 1,500	-	-
Capital in excess of par value	566.0	566.0
Retained earnings	230.2	150.7
Management shareholder note	(2.0)	-
Accumulated other comprehensive income	0.5	(13.0)
Common stock held in treasury, at cost:		
1998, 366,192 shares; 1997, 210,600 shares	(17.6)	(10.2)
Total stockholders' equity	777.3	693.7
	\$1,846.1	\$1,736.3

</TABLE>

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

<TABLE>

<CAPTION>

millions of dollars			
For the Year Ended December 31,	1998	1997	1996
<S>	<C>	<C>	<C>
Operating			
Net earnings	\$ 94.7	\$ 103.2	\$ 41.8
Adjustments to reconcile net earnings to net cash flows from operations:			
Non-cash charges (credits) to operations:			
Depreciation	74.8	70.4	71.3
Goodwill amortization	16.8	16.7	13.5
Loss on sale of business	-	-	61.5
Deferred income tax provision	16.7	24.1	(12.4)
Other, principally equity in affiliate earnings	(11.4)	(11.8)	(14.8)
Changes in assets and liabilities, net of effects of acquisitions and divestitures:			
(Increase) decrease in receivables	(29.3)	(13.6)	4.0
Increase in inventories	(9.1)	(8.9)	(8.7)
(Increase) decrease in prepayments and deferred income tax asset	(7.6)	(1.3)	3.5

Increase (decrease) in accounts payable and accrued expenses	3.0	(3.9)	7.5
Increase (decrease) in income taxes payable	(22.3)	23.9	4.2
Net change in other long-term assets and liabilities	6.3	(31.4)	6.5
Net cash provided by operating activities	132.6	167.4	177.9
Investing			
Capital expenditures	(122.2)	(135.1)	(91.9)
Investment in affiliates	(5.7)	(0.1)	(0.5)
Payments for businesses acquired	(65.4)	(42.4)	(287.8)
Proceeds from sales of businesses	51.8	5.8	20.3
Proceeds from other assets	13.9	2.7	8.1
Net cash used in investing activities	(127.6)	(169.1)	(351.8)
Financing			
Net increase (decrease) in notes payable	73.3	31.8	(7.4)
Additions to long-term debt	2.4	37.6	192.4
Reductions in long-term debt	(26.1)	(42.5)	-
Payments for purchase of treasury stock	(13.0)	(10.2)	-
Proceeds from stock options exercised	0.7	2.1	2.6
Dividends paid	(14.1)	(14.3)	(14.1)
Net cash provided by financing activities	23.2	4.5	173.5
Effect of exchange rate changes on cash and cash equivalents	2.4	(0.9)	(0.2)
Net increase (decrease) in cash and cash equivalents	30.6	1.9	(0.6)
Cash and cash equivalents at beginning of year	13.4	11.5	12.1
Cash and cash equivalents at end of year	\$44.0	\$13.4	\$11.5
Supplemental Cash Flow Information			
Net cash paid during the year for:			
Interest	\$30.3	\$27.1	\$20.8
Income taxes	36.8	28.9	33.4

</TABLE>

See accompanying Notes to Consolidated Financial Statements.

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Consolidated Statements of Shareholders' Equity

<TABLE>

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Number of Shares		millions of dollars Stockholders' Equity					Comprehensive Income	
Issued common stock	Common stock in treasury	Issued common stock	Capital in excess of par value	in Treas- ury stock	Management shareholder note	Retained earnings	Accumulated other comprehensive income	
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Balance, January 1, 1996	23,467,056	-	\$0.2	\$560.1	\$ -	\$ -	\$ 34.1	\$.5.6
Dividends declared	-	-	-	-	-	-	(14.1)	-
Shares issued under stock option plans	177,784	-	-	3.8	-	-	-	-
Net income	-	-	-	-	-	-	41.8	-
Adjustment								\$41.8

for minimum pension liability	-	-	-	-	-	-	-	-	9.3	9.3
Currency translation adjustment	-	-	-	-	-	-	-	-	(12.0)	(12.0)
Balance, December 31, 1996	23,644,840	-	\$0.2	\$563.9	\$ -	\$ -	\$ -	\$ 61.8	\$ 2.9	\$ 39.1
Purchase of treasury stock	-	(212,100)	-	-	(10.2)	-	-	-	-	-
Dividends declared	-	-	-	-	-	-	-	(14.3)	-	-
Shares issued under stock option plans	110,025	1,500	-	2.1	-	-	-	-	-	-
Net income	-	-	-	-	-	-	-	103.2	-	\$103.2
Adjustment for minimum pension liability	-	-	-	-	-	-	-	-	5.7	5.7
Currency translation adjustment	-	-	-	-	-	-	-	-	(21.6)	(21.6)
Balance, December 31, 1997	23,754,865	(210,600)	\$0.2	\$566.0	\$(10.2)	\$ -	\$ -	\$150.7	\$(13.0)	\$87.3
Purchase of treasury stock	-	(273,200)	-	-	(13.0)	-	-	-	-	-
Dividends declared	-	-	-	-	-	-	-	(14.1)	-	-
Shares issued for management shareholder note	36,930	-	0.3	1.7	(2.0)	-	-	-	-	-
Shares issued under stock option plans	43,614	-	(0.3)	2.1	-	-	(1.1)	-	-	-
Shares issued under executive stock plan	35,564	-	-	1.8	-	-	-	-	-	-
Non-voting common stock converted to voting common stock (1,500)	1,500	-	-	-	-	-	-	-	-	-
Net income	-	-	-	-	-	-	94.7	-	-	\$ 94.7
Adjustment for minimum pension liability	-	-	-	-	-	-	-	1.7	-	1.7
Currency translation adjustment	-	-	-	-	-	-	-	11.8	-	11.8
Balance, December 31, 1998	23,753,365	(366,192)	\$0.2	\$566.0	\$(17.6)	\$(2.0)	\$230.2	\$ 0.5	\$108.2	

</TABLE>

See accompanying Notes to Consolidated Financial Statements.

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Notes to Consolidated Financial Statements

Introduction

The Company is a leading global supplier of highly engineered systems and components primarily for automotive powertrain applications. These products are manufactured and sold worldwide, primarily to original equipment manufacturers ("OEMs") of passenger cars, sport-utility vehicles and light trucks. The Company, which operates 35 manufacturing facilities in 12 countries serving automakers in North America, Europe and Asia, is an original equipment supplier to every major OEM in the world. Its products fall into four operating segments: Automatic Transmission Systems, Air/Fluid Systems, Morse TEC and Powertrain Systems.

1 Summary of Significant Accounting Policies

The following paragraphs briefly describe significant accounting policies.

Estimates The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Principles of consolidation The consolidated financial statements include all significant majority-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation. Certain prior year amounts have been reclassified to conform to the current year presentation.

Short-term securities Short-term securities are valued at cost, which approximates market. It is the Company's policy to classify investments with original maturities of three months or less as cash equivalents for purposes of preparing the Consolidated Statements of Cash Flows. All short-term securities meet this criterion.

Accounts receivable In 1998, an agreement with a financial institution to sell, without recourse, eligible receivables was amended from \$102.0 million to \$127.5 million. Accounts receivable are recorded net of this agreement, under which \$125 million was sold at December 31, 1998 and \$100 million was sold at December 31, 1997. The agreement extends to December 1999.

Inventories Inventories are valued at the lower of cost or market. Cost of U.S. inventories is determined by the last-in, first-out (LIFO) method, while the foreign operations use the first-in, first-out (FIFO) method.

Property, plant and equipment and depreciation Property, plant and equipment are valued at cost less accumulated depreciation. Expenditures for maintenance, repairs and renewals of relatively minor items are generally charged to expense as incurred. Renewals of significant items are capitalized. Depreciation is computed generally on a straight-line basis over the estimated useful lives of related assets ranging from 3 to 30 years. For income tax purposes, accelerated methods of depreciation are generally used.

Goodwill Goodwill is being amortized on a straight-line basis over periods not exceeding 40 years. The Company periodically reviews its operations to determine whether there has been a diminution in value of its goodwill. If the review indicated a decline in the carrying value, the Company would adjust the amortization accordingly.

Revenue recognition The Company recognizes revenue upon shipment of product. Although the Company may enter into long-term supply agreements with its major customers, each shipment of goods is treated as a separate sale. Although the Company has entered into long-term supply agreements, the price is not fixed over the life of the agreements.

Financial instruments Financial instruments consist primarily of investments in cash, short-term securities, and receivables and obligations under accounts payable and accrued expenses and debt instruments, much of which is variable rate debt. The fair value of debt is estimated based on current borrowing rates for loans with similar terms and maturities. The Company believes that the fair value of the financial instruments approximates the carrying value.

Comprehensive income The Company adopted Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income" ("SFAS 130") in 1998. SFAS 130 requires presentation of comprehensive income (net income plus all other changes in net assets from non-owner sources) and its components in the financial statements. The Company has changed the format of its Consolidated Statements of Stockholders' Equity to present the required disclosures regarding comprehensive income. Additional information is presented in Note 3.

Segment information The Company adopted Statement of Financial Accounting Standards No. 131, "Disclosures about Segments of an Enterprise and Related Information" ("SFAS 131") as of December 31, 1998. SFAS 131 requires the presentation of descriptive and quantitative information about reportable segments which is consistent with the information made available to the management of the Company to assess performance. The required disclosures are presented in Note 13.

Pensions and other postretirement benefit plans Effective December 31, 1998, the Company adopted Statement of Financial Accounting Standards No. 132, "Employers' Disclosures about Pensions and Other Postretirement Benefits" ("SFAS 132"). SFAS 132 revises employers' disclosures about pension and other postretirement benefit plans, but does not change the measurement or recognition of these plans. The required disclosures are presented in Note 6.

New accounting pronouncements In June 1998, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS 133"), which is required to be adopted in fiscal years beginning after June 15, 1999. SFAS 133 requires that all derivatives be recognized as either assets or liabilities in the balance sheet and that derivative instruments be measured at fair value. The Company has not yet determined the effect SFAS 133 will have on its financial position or results of operations.

In March 1998, the American Institute of Certified Public Accountants issued Statement of Position 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use" ("SOP 98-1"). SOP 98-1 provides guidance on accounting for the costs of computer software developed or obtained for internal use and is effective for fiscal years beginning after December 15, 1998. The Company is currently assessing the potential effects of SOP 98-1 on its results of operations and financial position.

2 Balance Sheet Information

Detailed balance sheet data are as follows:

<TABLE>

<CAPTION>

	millions of dollars		
<S>		<C>	<C>
December 31,	1998		1997

Receivables:		
Customers	\$147.5	\$118.6
Other	40.6	42.2
	188.1	160.8
Less allowance for losses	2.7	2.2
Net receivables	\$185.4	\$158.6
Inventories:		
Raw material	\$ 57.3	\$ 53.9
Work in progress	32.7	33.9
Finished goods	25.7	20.2
Total inventories	\$115.7	\$108.0
Prepayments and other current assets:		
Investment in business		
held for disposition	\$ 16.8	\$ 10.3
Other	9.5	8.1
Total prepayments and		
other current assets	\$ 26.3	\$ 18.4
Investments and advances:		
NSK-Warner	\$133.6	\$124.1
Other	8.3	8.8
Total investments and		
advances	\$141.9	\$132.9
Other noncurrent assets:		
Deferred pension assets	\$ 54.1	\$ 41.0
Deferred tooling	53.1	59.3
Other	18.3	18.3
Total other noncurrent		
assets	\$125.5	\$118.6
Accounts payable and		
accrued expenses:		
Trade payables	\$164.3	\$166.7
Payroll and related	34.2	33.3
Insurance	18.4	18.3
Accrued costs related to		
divested operations	13.9	22.8
Other	46.1	32.5
Total accounts payable		
and accrued expenses	\$276.9	\$273.6
Other long-term liabilities:		
Environmental reserve	\$ 7.9	\$ 7.2
Other	31.2	35.1
Total other long-term		
liabilities	\$ 39.1	\$ 42.3

</TABLE>

Inventory held by U.S. operations was \$66.3 million in 1998 and \$69.7 million in 1997. Such inventories, if valued at current cost instead of LIFO, would have been greater by \$6.3 million in 1998 and \$8.7 million in 1997.

Dividends received from affiliates accounted for under the equity method totaled \$3.9 million in 1998, \$4.8 million in 1997 and \$5.0 million in 1996.

Accumulated amortization related to capital leases amounted to \$4.5 million in 1998 and \$4.3 million in 1997. Accumulated amortization of goodwill amounted to \$117.8 million in 1998 and \$101.4 million in 1997.

The Company has a 50% interest in NSK-Warner, a joint venture based in Japan that manufactures automatic transmission components. The Company's share of the earnings or losses reported by NSK-Warner is accounted for using the equity method of accounting. NSK-Warner has a fiscal year-end of March 31. The Company's equity in the earnings of NSK-Warner consists of the 12 months ended November 30 so as to reflect earnings on as current a basis as is reasonably feasible.

Following are summarized financial data for NSK-Warner, translated using the ending or periodic rates as of and for the years ended March 31, 1998, 1997 and 1996:

<TABLE>
<CAPTION>

millions of dollars

Year Ended March 31,	1998	1997	1996
<S>	<C>	<C>	<C>
Balance sheets:			
Current assets	\$139.0	\$145.7	\$156.5
Noncurrent assets	119.4	124.7	152.0
Current liabilities	68.0	74.1	85.8
Noncurrent liabilities	7.0	8.1	11.1
Statements of operations:			
Net sales	\$264.1	\$296.5	\$334.7
Gross profit	64.7	82.6	91.8
Net income	21.5	29.0	32.3

</TABLE>

3 Other Comprehensive Income

The components of other comprehensive income in the Consolidated Statements of Shareholders' Equity are as follows:

millions of dollars

Year Ended December 31,	1998	1997	1996
<S>	<C>	<C>	<C>
Foreign currency translation adjustment	\$17.6	\$(33.0)	\$(15.7)
Income taxes	(5.8)	11.4	3.7
Net foreign currency translation adjustment	11.8	(21.6)	(12.0)
Minimum pension liability adjustment	2.5	8.7	12.2
Income taxes	(0.8)	(3.0)	(2.9)
Net minimum pension liability adjustment	1.7	5.7	9.3
Other comprehensive income	\$13.5	\$(15.9)	\$(2.7)

</TABLE>

The components of accumulated other comprehensive income (net of tax) in the Consolidated Balance Sheets are as follows:

millions of dollars

December 31,	1998	1997
<S>	<C>	<C>
Foreign currency translation adjustment	\$0.5	\$(11.3)
Minimum pension liability adjustment	-	(1.7)
Accumulated other comprehensive income	\$0.5	\$(13.0)

</TABLE>

4 Contingent Liabilities

The Company and certain of its current and former direct and indirect corporate predecessors, subsidiaries and divisions have been identified by the United States Environmental Protection Agency and certain state environmental agencies and private parties as potentially responsible parties ("PRPs") at various hazardous waste disposal sites under the Comprehensive Environmental Response, Compensation and Liability Act ("Superfund") and equivalent state laws and, as such, may presently be liable for the cost of clean-up and other remedial activities at 26 such sites. Responsibility for clean-up and other remedial activities at a Superfund site is typically shared among PRPs based on an allocation formula.

Based on information available to the Company, which in most cases, includes: an estimate of allocation of liability among PRPs; the probability that other PRPs, many of whom are large, solvent public companies, will fully pay the cost apportioned to them; currently available information from PRPs and/or federal or state environmental agencies concerning the scope of contamination and estimated remediation costs; remediation alternatives; estimated legal fees; and other factors, the Company has established a reserve for indicated environmental liabilities with a balance at December 31, 1998 of approximately \$7.9 million. The Company expects this amount to be expended over the next three to five years.

The Company entered into a Settlement Agreement and Specific Mutual Release dated as of May 31, 1998 (the "Settlement Agreement") with Borg-Warner Security Corporation ("BWSC"), the successor corporation to its former parent. The previously-reported dispute involved whether BWSC was entitled to indemnification from the Company for certain environmental liabilities under a Distribution and Indemnity Agreement dated January 27, 1993.

Pursuant to the Settlement Agreement, the Company and BWSC agreed to dismiss and vacate all arbitration awards resulting from the arbitration proceeding and to dismiss with prejudice the lawsuit filed by the Company in the Circuit Court of Cook County, Illinois, on January 27, 1998. Under the Settlement Agreement, the Company agreed to indemnify BWSC for the first \$2.9 million BWSC pays in certain environmental costs after April 30, 1998 and 50% of any amounts in excess of that \$2.9 million. At present, the Company does not have sufficient information to determine the extent of its liability under the Settlement Agreement, but does not anticipate that such amount will have a material adverse effect on its financial position or future operating results. It is expected that indemnification payments will be made by the Company over the course of several years as the environmental costs are incurred.

The Company believes that none of these matters, individually or in the aggregate, will have a material adverse effect on its financial position or future operating results, generally either because estimates of the maximum potential liability at a site are not large or because liability will be shared with other PRPs, although no assurance can be given with respect to the ultimate outcome of any such matter.

5 Notes Payable and Long-Term Debt

Following is a summary of notes payable and long-term debt.

<TABLE>

<CAPTION>

millions of dollars

December 31,	Current	1998 Long-Term	1997 Current	Long-Term
<S>	<C>	<C>	<C>	<C>
Bank borrowings	\$144.4	\$ 69.5	\$36.1	\$ 94.9
Bank term loans due through 2003				
(at an average rate of 5.3% in 1998				
and 5.2% in 1997; and 4.6% at				

December 1998)	0.2	25.5	30.2	21.8
7% Senior Notes due 2006, net of unamortized discount	-	149.7	-	149.6
Capital lease liabilities (at an average rate of 7.2% in 1998 and 6.5% in 1997)	0.4	3.8	1.4	4.1
Total notes payable and long- term debt	\$145.0	\$248.5	\$67.7	\$270.4

</TABLE>

Annual principal payments required as of December 31, 1998 are as follows (in millions of dollars):

1999	\$145.0
2000	7.4
2001	88.3
2002	1.2
2003	-
after 2003	151.6

The Company has a revolving credit facility which provides for borrowings up to \$350 million through September, 2001. At December 31, 1998, the facility was unused; at December 31, 1997, \$25.0 million of borrowings under the facility were outstanding. The credit agreement contains numerous financial and operating covenants including, among others, covenants requiring the Company to maintain certain financial ratios and restricting its ability to incur additional foreign indebtedness.

In November 1996, the Company issued \$150 million of 7% senior unsecured notes due 2006. Interest is payable semiannually on May 1 and November 1. The indenture contains certain covenants including, among others, covenants limiting liens, sale/leaseback transactions, mergers and the sale of substantially all of the Company's assets.

Bank term loans of \$25.7 million outstanding at December 31, 1998 are subject to annual reductions of \$0.2 million in 1999, \$7.4 million in 2000, \$16.7 million in 2001, \$1.2 million in 2002 and \$0.2 million for 2003 and thereafter.

6 Retirement Benefit Plans

The Company has a number of defined benefit pension plans and other postretirement benefit plans covering eligible salaried and hourly employees. The other postretirement benefit plans, which provide medical and life insurance benefits, are unfunded plans. The following provides a reconciliation of the plans' benefit obligations, plan assets, funded status and recognition in the Consolidated Balance Sheets.

<TABLE>

<CAPTION>

	millions of dollars			
	Pension Benefits		Postretirement Benefits	
December 31,	1998	1997	1998	1997
<S>	<C>	<C>	<C>	<C>
Change in benefit obligation:				
Benefit obligation at				
beginning of year	\$330.1	\$309.1	\$ 271.2	\$ 261.2
Service cost	5.4	4.5	4.5	4.1
Interest cost	21.7	21.8	18.7	19.0
Plan participants'				
contributions	0.3	0.2	-	-
Amendments	0.3	-	(0.1)	-

Actuarial loss	13.2	15.2	28.6	2.8
Acquisition/divestiture	-	6.0	-	-
Currency translation	2.8	(4.1)	-	-
Curtailments	(3.8)	-	(6.8)	-
Settlements	(3.5)	-	(2.7)	-
Special termination benefits	1.8	-	0.9	-
Benefits paid	(22.5)	(22.6)	(17.6)	(15.9)
Benefit obligation at end of year	345.8	330.1	296.8	271.2
Change in plan assets:				
Fair value of plan assets at beginning of year	328.2	271.2		
Actual return on plan assets	63.7	67.0		
Employer contributions	12.5	12.3		
Plan participants' contributions	0.3	0.2		
Currency translation	0.6	-		
Settlements	(4.1)	-		
Benefits paid	(22.5)	(22.6)		
Fair value of plan assets at end of year	378.7	328.1		
Funded status	32.9	(2.0)	(296.8)	(271.2)
Unrecognized net actuarial (gain) loss	(23.0)	(1.3)	23.1	1.0
Unrecognized transition asset	(0.9)	(1.2)	-	-
Unrecognized prior service cost	7.6	6.4	(0.3)	(0.2)
Net amount recognized	\$ 16.6	\$ 1.9	\$ (274.0)	\$ (270.4)

Amounts recognized in the consolidated balance sheets:

Prepaid benefit cost	\$ 54.1	\$ 41.0	\$ -	\$ -
Accrued benefit liability	(37.5)	(43.0)	(274.0)	(270.4)
Intangible asset	-	1.1	-	-
Accumulated other comprehensive income	-	2.8	-	-
Net amount recognized	\$ 16.6	\$ 1.9	\$ (274.0)	\$ (270.4)

</TABLE>

The funded status of pension plans included above with accumulated benefit obligations in excess of plan assets is as follows:

	millions of dollars	
December 31,	1998	1997
Accumulated benefit obligations	\$52.0	\$219.4
Plan assets	26.4	177.5
Deficiency	\$25.6	\$ 41.9

<TABLE>

<CAPTION>

	millions of dollars					
	Other			Postretirement Benefits		
Year Ended December 31,	1998	1997	1996	1998	1997	1996
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Components of net benefit cost:						
Service cost	\$ 5.4	\$4.5	\$ 4.3	\$ 4.5	\$ 4.1	\$ 4.4
Interest cost	21.7	21.8	21.4	18.7	19.0	19.7
Expected return on plan assets	(28.6)	(24.6)	(22.5)	-	-	-

Amortization of unrecognized transition asset	(0.2)	(0.2)	(0.1)	-	-	-
Amortization of unrecognized prior service cost	1.5	1.5	1.6	-	-	-
Amortization of unrecognized loss	-	0.5	1.5	-	-	-
Curtailment gain	(0.8)	-	-	-	-	-
Net benefit cost (credit)	\$ (1.0)	\$ 3.5	\$ 6.2	\$23.3	\$23.1	\$24.1

The Company's weighted-average assumptions used in determining the pension costs and pension liabilities shown above were as follows:

December 31,	percent			Other		
	Pension Benefits			Postretirement Benefits		
	1998	1997	1996	1998	1997	1996
U.S. plans:						
Discount rate	6.75	7.0	7.5	6.75	7.0	7.5
Rate of salary progression	4.5	4.5	4.5			
Expected return on plan assets	9.5	9.5	9.5			
Foreign plans:						
Discount rate	5.0-6.0	6.0-6.75	6.0-7.5			
Rate of compensation increase	2.5-4.5	2.5-5.5	3.0-6.0			
Expected return on plan assets	6.0	6.0-7.0	7.75			

For measurement purposes, a 5.25% health care cost inflation rate was assumed for 1999 and subsequent years. Assumed health care cost trend rates have a significant effect on the amounts reported for health care plans. A one-percentage point change in the assumed rate would have the following effects:

	millions of dollars	
	One Percentage Point Increase	One Percentage Point Decrease
Change in benefit obligation as of December 31, 1998	\$40.8	\$(32.4)
Increase (decrease) in service and interest cost	\$ 3.9	\$(3.3)

7 Equity in Affiliate Earnings and Other Income

Items included in equity in affiliate earnings and other income consist of:

<TABLE>
<CAPTION>

Year Ended December 31,	millions of dollars		
	1998	1997	1996
<S>	<C>	<C>	<C>
Equity in affiliate earnings	\$ 5.5	\$14.0	\$14.3
Gain on sale of affiliate	3.3	-	-
Interest income	0.4	0.4	0.3
Loss on asset disposals, net	(0.1)	(3.7)	(2.4)
Other	1.2	2.5	0.9
	\$10.3	\$13.2	\$13.1

</TABLE>

8 Stock Incentive Plans

Stock option plans Under the Company's 1993 Stock Incentive Plan, the Company may grant options to purchase up to 1,500,000 shares of the Company's common stock. Options granted to date under this plan carry exercise prices ranging

from \$22.50 to \$57.31 per share, equal to the market price of the Company's common stock on the date of grant. The options vest over periods up to three years and have a term of ten years from date of grant. There are 561,475 outstanding options at December 31, 1998. There are also 92,300 fully vested options outstanding at December 31, 1998 that were granted under a predecessor plan. The exercise prices of the predecessor plan range from \$13.91 to \$18.33 per share.

The Company accounts for stock options in accordance with Accounting Principles Board Opinion No. 25, under which no compensation cost has been recognized for stock options grants.

A summary of the two plans' shares under option at December 31, 1998, 1997 and 1996 follows:

	Shares (thousands)	Weighted-average exercise price
1998		
Outstanding at beginning of year	471	\$30.72
Granted	242	51.76
Exercised	(44)	17.44
Forfeited	(15)	53.42
Outstanding at end of year	654	38.85
Options exercisable at year-end	294	
Shares available for future grants	746	

	Shares (thousands)	Weighted-average exercise price
1997		
Outstanding at beginning of year	461	\$21.57
Granted	130	53.48
Exercised	(111)	19.14
Forfeited	(9)	35.34
Outstanding at end of year	471	30.72
Options exercisable at year-end	323	

	Shares (thousands)	Weighted-average exercise price
1996		
Outstanding at beginning of year	632	\$19.39
Granted	16	32.41
Exercised	(178)	14.72
Forfeited	(9)	23.09
Outstanding at end of year	461	21.57
Options exercisable at year-end	395	

The following table summarizes information about the options outstanding at December 31, 1998:

Range of exercise prices	Options Outstanding		
	Shares outstanding (thousands)	Weighted- average remaining contractual life	Weighted- average exercise price
\$13.91-18.83	92	2.5	\$17.76
\$22.50-25.00	178	4.7	24.81
\$25.31-38.94	37	6.8	30.55
\$40.44-57.31	347	9.2	52.56
\$13.91-57.31	654	6.9	38.85

Range of	Options Exercisable	
	Shares exercisable	Weighted- average

exercise prices	(thousands)	exercise price
\$13.91-18.83	92	\$17.76
\$22.50-25.00	178	24.81
\$25.31-38.94	24	27.82
\$40.44-57.31	--	--
\$13.91-57.31	294	22.83

Pro forma information regarding net income and earnings per share is required by Statement of Financial Accounting Standards No. 123, and has been determined as if the Company had accounted for its employee stock options under the fair value method of that Statement. The fair value for these options was estimated at the date of grant using a Black-Scholes options pricing model with the following weighted average assumptions:

	1998	1997	1996
Risk-free interest rate	5.57%	6.35%	5.73%
Dividend yield	1.16%	1.67%	1.88%
Volatility factor	31.37%	27.64%	27.62%
Weighted average expected life	6.5 years	7 years	7 years

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including the expected stock price volatility. Because the Company's employee stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its employee stock options.

For purposes of pro forma disclosures, the estimated fair value of the options is amortized to expense over the options' vesting period. The Company's pro forma net earnings and earnings per share, adjusted to include pro forma expense related to options, are as follows:

<TABLE>

<CAPTION>

millions of dollars
except per share amounts

	1998	1997	1996
<S>	<C>	<C>	<C>
Net earnings - as reported	\$94.7	\$103.2	\$41.8
Net earnings - pro forma	93.1	102.9	41.8
Earnings per share - as reported (basic)	4.03	4.35	1.77
Earnings per share - as reported (diluted)	4.00	4.31	1.75
Earnings per share - pro forma (basic)	3.96	4.34	1.77
Earnings per share - pro forma (diluted)	3.93	4.30	1.75
Weighted average fair value of options granted during the year	18.52	19.60	10.81

</TABLE>

Executive stock performance plan The Company has an executive stock performance plan which provides payouts at the end of successive three-year periods based on the Company's performance in terms of total stockholder return relative to a peer group of automotive companies. Payouts earned are payable 40% in cash and 60% in the Company's common stock. For the three-year measurement periods ended December 31, 1998 and 1997, the amounts earned under the plan and accrued over the three-year periods were \$4.3 million and \$3.0 million, respectively.

Estimated shares issuable under the plan are included in the computation of diluted earnings per share as earned.

Earnings per share In calculating earnings per share, earnings are the same for the basic and diluted calculations. Shares increased for diluted earnings per share by 197,000, 251,000 and 266,000 for 1998, 1997 and 1996, respectively, due to the effects of stock options and shares issuable under an executive stock performance plan.

9 Interim Financial Information (Unaudited)

The following information includes all adjustments, as well as normal recurring items, that the Company considers necessary for a fair presentation of 1998 and 1997 interim results of operations. Certain 1998 and 1997 quarterly amounts have been reclassified to conform to the annual presentation.

<PAGE>

<TABLE>

<CAPTION>

millions of dollars										
1998						1997				
Quarter Ended						Quarter Ended				
March 31	June 30	Sept. 30	Dec. 31	Year		March 31	June 30	Sept. 30	Dec. 31	Year
				1998						1997
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Net										
sales	\$464.7	\$451.3	\$431.6	\$489.2	\$1,836.8	\$443.5	\$449.7	\$406.8	\$467.0	\$1,767.0
Cost of										
sales	365.7	359.4	340.4	385.2	1,450.7	345.7	346.9	323.7	359.1	1,375.4
Depre-										
ciation	19.3	19.3	18.9	17.3	74.8	16.8	17.7	17.0	18.9	70.4
Selling, general										
and administra-										
tive ex-										
penses	37.2	34.5	34.1	29.3	135.1	36.0	34.0	25.5	36.5	132.0
Minority in-										
terest	0.7	0.8	0.9	(0.3)	2.1	0.7	0.5	0.6	1.4	3.2
Goodwill										
amort-										
ization	4.2	4.2	4.3	4.1	16.8	4.1	4.1	4.2	4.3	16.7
Equity in										
affiliate										
earnings and										
other										
income	(5.5)	(2.9)	(0.5)	(1.4)	(10.3)	(4.0)	(4.6)	(3.1)	(1.5)	(13.2)
Earnings before										
interest expense										
and finance										
charges and										
income										
taxes	43.1	36.0	33.5	55.0	167.6	44.2	51.1	38.9	48.3	182.5
Interest expense										
and finance										
charges	6.0	7.0	7.6	6.3	26.9	6.5	6.3	6.2	5.6	24.6
Earnings before										
income										
taxes	37.1	29.0	25.9	48.7	140.7	37.7	44.8	32.7	42.7	157.9
Provision for										
income										
taxes	11.1	9.4	8.6	16.9	46.0	12.9	15.2	11.1	15.5	54.7
Net ear-										
nings	\$26.0	\$19.6	\$17.3	\$ 31.8	\$ 94.7	\$ 24.8	\$ 29.6	\$ 21.6	\$27.2	\$103.2
Net ear-										
nings per share										
- basic	\$1.10	\$ 0.84	\$0.74	\$ 1.35	\$ 4.03	\$ 1.05	\$ 1.25	\$0.91	\$1.14	\$4.35

Net earnings
per share

- diluted \$1.09 \$ 0.83 \$ 0.73 \$ 1.35 \$ 4.00 \$ 1.04 \$ 1.23 \$ 0.90 \$ 1.14 \$ 4.31

</TABLE>

10 Income Taxes

Income before taxes and provision for taxes consist of:

<TABLE>

<CAPTION>

millions of dollars
1998 1997 1996

	U.S.	Non-U.S.	Total	U.S.	Non-U.S.	Total	U.S.	Non-U.S.	Total
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Income before taxes	\$99.3	\$41.4	\$140.7	\$115.7	\$42.2	\$157.9	\$25.1	\$29.6	\$54.7
Income taxes:									
Current:									
Federal/foreign	\$6.4	\$18.5	\$24.9	\$19.8	\$7.2	\$27.0	\$12.0	\$11.0	\$23.0
State	4.4	-	4.4	3.6	-	3.6	2.3	-	2.3
	10.8	18.5	29.4	23.4	7.2	30.6	14.3	11.0	25.3
Deferred	14.8	1.9	16.7	19.0	5.1	24.1	(13.4)	1.0	(12.4)
Total income taxes	\$25.6	\$20.4	\$46.0	\$42.4	\$12.3	\$54.7	\$0.9	\$12.0	\$12.9

/TABLE

<PAGE>

The analysis of the variance of income taxes as reported from income taxes computed at the U.S. statutory rate for consolidated operations is as follows:

<TABLE>

<CAPTION>

millions of dollars

	1998	1997	1996
<S>	<C>	<C>	<C>
Income taxes at U.S. statutory rate of 35%	\$49.2	\$55.3	\$19.1
Increases (decreases) resulting from:			
Income from non-U.S. sources	6.7	1.7	2.7
State taxes, net of federal benefit	2.9	2.3	1.5
Business tax credits, net	(8.5)	(2.5)	(3.8)
Affiliate earnings	(1.9)	(4.9)	(5.0)
Nontemporary differences	(2.4)	2.8	2.5
Basis difference on assets sold	-	-	(4.2)
Other, net	-	-	0.1
Income taxes as reported	\$46.0	\$54.7	\$12.9

</TABLE>

The Company has not provided deferred income taxes on the excess of the carrying value of its investment in foreign joint ventures and subsidiaries over its tax basis in these investments as the differences are essentially permanent in nature. It is not practicable to estimate the amount of unrecognized deferred tax liability.

Following are the gross components of deferred tax assets and liabilities as of December 31, 1998 and 1997:

<TABLE>

<CAPTION>

millions of dollars

	1998	1997
<S>	<C>	<C>
Deferred tax assets - current:		
Accrued costs related to divested operations	\$ 4.7	\$ 8.5
Deferred tax assets - noncurrent:		
Postretirement benefits	\$104.2	\$102.8
Pension	4.5	4.7
Other long-term liabilities and reserves	18.9	19.5
Foreign tax credits	9.2	18.6

Valuation allowance	(9.2)	(18.8)
Other	12.6	15.5
	140.2	142.3
Deferred tax liabilities - noncurrent:		
Fixed assets	77.1	73.8
Pension	20.6	16.0
Other	34.8	31.9
	132.5	121.7
Net deferred tax asset - noncurrent	\$ 7.7	\$ 20.6

</TABLE>

11 Research and Development Costs

The Company spent approximately \$65.1 million, \$59.0 million and \$54.4 million in 1998, 1997 and 1996, respectively, on research and development activities. Not included in these amounts were customer-sponsored R&D activities of approximately \$8.4 million, \$8.0 million and \$10.0 million in 1998, 1997 and 1996, respectively.

12 Acquisitions and Divestitures

Acquisitions

AG Kuhnle, Kopp & Kausch On October 31, 1997, the Company acquired 63% of the capital stock of AG Kuhnle, Kopp & Kausch, ("AG Kuhnle") a German manufacturer of turbochargers and turbomachinery, for \$42.4 million. The Company accounted for the acquisition of the turbocharger business as a purchase and began consolidating it on November 1, 1997. Because AG Kuhnle's turbomachinery business did not fit the Company's strategic plan, the turbomachinery business was not consolidated and the net carrying value, \$10.3 million, was included in prepayments and other current assets.

On October 31, 1998, the Company purchased 100% of the net assets of the turbocharger business from AG Kuhnle, renaming it 3K-Warner Turbosystems GmbH. The purchase price was \$95.7 million, subject to final settlement. Included in 1998 results of operations are sales of \$182.9 million and net earnings of \$3.3 million (net of minority interest of \$1.1 million that existed prior to November 1, 1998). As soon as is practicable, the Company intends to realize its 63% interest in AG Kuhnle, which consists principally of the turbomachinery business and excess cash held on the residual balance sheet of AG Kuhnle, less certain income tax and other liabilities. The Company's investment in AG Kuhnle is included in the December 31, 1998 Consolidated Balance Sheet as \$30.3 million of cash and \$16.8 million of prepayments and other current assets, representing the carrying value of the Company's 63% interest in the turbomachinery business.

The following unaudited pro forma information has been prepared assuming that the 100% acquisition of 3K-Warner Turbosystems GmbH had occurred at the beginning of 1997, and includes adjustments for estimated amounts of goodwill amortization and increased interest expense. The unaudited pro forma financial information is not necessarily indicative of the results of operations that would have occurred had the transactions been consummated at the beginning of 1997 nor is it necessarily indicative of results of operations that may occur in the future.

	millions of dollars except per share amounts	
Year Ended December 31,	1998	1997
Net sales	\$1,836.8	\$1,884.1
Net earnings	94.0	103.3
Net earnings per share - basic	4.00	4.36
Net earnings per share - diluted	3.97	4.32

Coltec On June 17, 1996, the Company acquired for \$283 million the operations and substantially all of the operating assets of three of Coltec Industries

Inc's automotive OEM businesses: Holley Automotive, Coltec Automotive and Performance Friction Products which manufactured a broad base of air and fluid management products. Since the acquisition was accounted for as a purchase, the purchase price was allocated to the assets acquired based upon their estimated fair values, resulting in goodwill of \$242 million. Included in the 1996 Consolidated Statement of Earnings were sales of \$123 million and pretax operating income of \$13 million.

Divestiture

North American Manual Transmission Business On December 31, 1996, the Company sold its North American manual transmission business located in Muncie, Indiana, to Transmisiones Y Equipos Mecanicos S.A. De C.V. Under the agreement, the Company received \$20.3 million at closing for certain assets of the business and approximately \$20 million during a transition period for the value of inventory and certain services provided. The Company recorded a pretax loss on the sale of \$61.5 million in 1996, which, net of tax benefit of \$26.5 million, resulted in an after-tax charge of \$35 million or \$1.49 per share.

13 Operating Segments and Related Information

Operating segments The Company's business comprises four operating segments: Powertrain Systems, Automatic Transmission Systems, Morse TEC, and Air/Fluid Systems. These reportable segments are strategic business units which are managed separately because each represents a specific grouping of automotive components and systems. Borg-Warner Automotive evaluates performance based on earnings before interest and taxes, which emphasizes realization of a satisfactory return on the total capital invested in each operating unit. Intersegment sales, which are not significant, are recorded at market prices.

<TABLE>

<CAPTION>

		millions of dollars						
Sales								
	Inter- Customers segment	segment	Net	Earnings Before Interest and Taxes	Year End Assets	Long-Lived Depr./ Assets Amort. Expend.		
1998								
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Powertrain Systems	\$ 516.4	\$ 2.4	\$ 518.8	\$ 28.4	\$ 288.1	\$ 17.7	\$ 13.4	
Automatic Transmission Systems	391.7	10.9	402.6	40.0	434.8	23.8	29.8	
Morse TEC	511.4	24.8	536.2	78.5	649.0	29.0	60.3	
Air/Fluid Systems	343.9	7.5	351.4	25.1	380.0	17.2	21.0	
Divested operations(a)	73.4	0.1	73.5	4.7	13.9	2.3	8.8	
Intersegment elimin- ations	-	(45.7)	(45.7)	-	(4.9)	-	-	
Total	1,836.8	-	1,836.8	176.7	1,760.9	90.0	133.3	
Corporate, including equity in affiliates	-	-	-	(9.1)	85.2(c)	1.6	3.7	
Consolidated	\$ 1,836.8	\$-	\$ 1,836.8	\$ 167.6	\$ 1,846.1	\$ 91.6	\$137.0	
1997								
Powertrain Systems	\$ 610.8	\$ 2.8	\$ 613.6	\$ 46.4	\$ 270.3	\$ 17.5	\$ 41.7	
Automatic Transmission Systems	406.6	11.6	418.2	51.7	421.4	23.8	41.5	
Morse TEC	318.3	30.7	349.0	64.7	488.8	24.8	47.8	
Air/Fluid Systems	330.0	12.4	342.4	15.1	383.6	16.2	20.0	
Divested operations(a)	101.3	0.1	101.4	1.5	61.3	2.9	15.4	
Intersegment elimin- ations	-	(57.6)	(57.6)	-	(5.3)	-	-	
Total	1,767.0	-	1,767.0	179.4	1,620.1	85.2	166.4	
Corporate, including								

equity in affiliates	-	-	-	3.1	116.2(c)	1.9	-
Consolidated	\$1,767.0	\$ -	\$1,767.0	\$182.5	\$1,736.3	\$87.1	\$166.4
1996							
Powertrain Systems	\$ 474.8	\$ 2.0	\$ 476.8	\$ 38.5	\$ 229.7	\$15.2	\$ 36.7
Automatic Trans-							
mission Systems	385.3	6.9	392.2	46.4	430.8	24.8	24.3
Morse TEC	252.9	23.7	276.6	48.4	376.2	24.2	28.7
Air/Fluid Systems	237.9	4.8	242.7	13.2	403.5	13.4	11.2
Divested operations(a)	189.2	-	189.2	(18.9)	57.7	5.9	0.3
Intersegment eli-							
minations	-	(37.4)	(37.4)	-	(7.2)	-	-
Total	1,540.1	-	1,540.1	127.6	1,490.7	83.5	101.2
Corporate, including							
equity in affiliates	-	-	-	(51.5)(b)	132.9(c)	1.3	1.8
Consolidated	\$1,540.1	\$ -	\$1,540.1	\$ 76.1	\$1,623.6	\$84.8	\$103.0

</TABLE>

(a) The torque converter and connecting rod businesses were sold in 1998. The North American manual transmission business was sold in 1996.

(b) A \$61.5 million loss was recognized on the sale of the North American manual transmission business.

(c) Corporate assets, including equity in affiliates, are net of trade receivables sold to third parties, and include cash, marketable securities, deferred tax assets and investments and advances.

The following table reconciles segments' earnings before interest and income taxes to consolidated earnings before income taxes.

<PAGE>

	millions of dollars		
	1998	1997	1996
Earnings before interest and income taxes	\$167.6	\$182.5	\$ 76.1
Interest expense and finance charges	(26.9)	(24.6)	(21.4)
Earnings before income taxes	\$140.7	\$157.9	\$ 54.7

Geographic information No country outside the U.S., other than Germany, accounts for as much as 5% of consolidated net sales, attributing sales to the sources of the product rather than the location of the customer. For this purpose, the Company's 50% equity investment in NSK-Warner (Note 2) amounting to \$133.6 million at December 31, 1998 is excluded from the definition of long-lived assets, as is goodwill.

<TABLE>

<CAPTION>

	millions of dollars					
	Net Sales			Long-Lived Assets		
	1998	1997	1996	1998	1997	1996
<S>	<C>	<C>	<C>	<C>	<C>	<C>
United States	\$1,410.0	\$1,485.2	\$1,309.2	\$494.9	\$508.7	\$447.0
Germany	264.4	98.9	70.1	91.7	76.1	45.3
Other Europe	93.6	89.6	72.2	55.5	51.6	39.3
Total Europe	357.8	188.5	142.3	147.2	127.7	84.6
Other Foreign	69.0	93.3	88.6	56.3	43.2	50.8
Total	\$1,836.8	\$1,767.0	\$1,540.1	\$698.4	\$679.9	\$582.4

Sales to major customers Consolidated sales included sales to Ford Motor Company of approximately 36%, 43% and 42%; to DaimlerChrysler of approximately 19%, 14% and 12%; and to General Motors Corporation of approximately 16%, 20% and 21% for the years ended December 31, 1998, 1997 and 1996, respectively. No other single customer accounted for 10% or more of consolidated sales in any year between

1996 and 1998. Such sales consisted of a variety of products to a variety of customer locations worldwide. Each of the four operating segments had significant sales to all three of the customers listed above.

14 Pending Acquisition of Kuhlman Corporation and Related Debt Financing

On December 17, 1998, the Company entered into a merger agreement with Kuhlman Corporation, which provides that Kuhlman will become a wholly owned subsidiary of Borg-Warner Automotive. The total value of consideration to be paid in the merger, based on the number of shares of Kuhlman common stock outstanding on December 31, 1998 is approximately \$677.8 million. Approximately \$527.8 million of the consideration will be in cash, with the remaining \$150 million in Borg-Warner Automotive common stock. This acquisition is expected to close in March, 1999.

Kuhlman is a diversified industrial manufacturing company that currently operates two product segments: industrial products and electrical products. Their products are sold to over 5,000 domestic and international customers operating in more than 60 countries. Kuhlman's Schwitzer Group, which includes the industrial products business, is a leading worldwide manufacturer of proprietary engine components, including turbochargers, fans and fan drives, fuel tanks, instrumentation, heating/ventilation/air conditioning systems, and other products used primarily in commercial transportation products and industrial equipment. Kuhlman's electrical products businesses include the manufacture of transformers and other products for electrical utilities and industrial users, as well as electrical and electronic wire and cable products for use in consumer, commercial and industrial applications. Following the completion of the merger, the Company intends to sell the electrical products businesses and integrate the Schwitzer Group into the Company.

On February 22, 1999, the Company issued \$200 million of 6.5% senior unsecured notes maturing in February 2009 and \$200 million of 7.125% unsecured notes maturing in February 2029 to partially fund the impending Kuhlman acquisition.

<PAGE>

Selected Financial Data

</TABLE>

<TABLE>

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millions of dollars except per share amounts					
Year Ended December 31,	1998	1997	1996	1995	1994
Statement of Operations Data					
<S>	<C>	<C>	<C>	<C>	<C>
Net sales	\$1,836.8	\$1,767.0	\$1,540.1	\$1,329.1	\$1,223.4
Cost of sales	1,450.7	1,375.4	1,205.5	1,044.9	948.4
Depreciation	74.8	70.4	71.3	68.0	60.9
Selling, general and administrative expenses	135.1	132.0	122.7	97.8	92.1
Minority interest	2.1	3.2	2.6	2.0	1.4
Goodwill amortization	16.8	16.7	13.5	9.6	9.6
Loss on sale of business	-	-	61.5(a)	-	-
Equity in affiliate earnings and other income	(10.3)	(13.2)	(13.1)	(18.6)	(10.6)
Interest expense and finance charges	26.9	24.6	21.4	14.2	13.9
Provision for income taxes	46.0	54.7	12.9	37.0	43.3
Net earnings	\$ 94.7	\$ 103.2	\$ 41.8	\$ 74.2	\$ 64.4
Net earnings per share - basic	\$ 4.03	\$ 4.35	\$ 1.77(a)	\$ 3.18	\$ 2.79
Average shares outstanding (thousands) - basic	23,479	23,683	23,564	23,303	23,048

Net earnings per share - diluted	\$ 4.00	\$ 4.31	\$ 1.75(a)	\$ 3.15	\$ 2.75
Average shares outstanding (thousands)					
- diluted	23,676	23,934	23,830	23,570	23,424
Cash dividend declared per share	\$ 0.60	\$ 0.60	\$ 0.60	\$ 0.60	\$ 0.45
Balance Sheet Data (at end of period)					
Total assets	\$ 1,846.1	\$ 1,736.3	\$ 1,623.6	\$ 1,335.2	\$ 1,240.3
Total debt	393.5	338.1	317.3	134.7	107.3

/TABLE

<PAGE>

(f) The Company recorded a pretax loss on the sale of the North American manual transmission business of \$61.5 million, which, net of tax benefit of \$26.5 million, results in an after-tax charge of \$35.0 million, or \$1.49 per share. See Note 12 to the Company's Consolidated Financial Statements for additional information.

Corporate Information

Company Information

Borg-Warner Automotive, Inc.
200 South Michigan Avenue
Chicago, IL 60604
312-322-8500

Stock Listing

Borg-Warner Automotive shares are listed and traded on the New York Stock Exchange.
Ticker symbol: BWA.

	High	Low
Fourth Quarter 1998	\$ 55 13/16	\$ 33 5/16
Third Quarter 1998	51 9/16	37 1/16
Second Quarter 1998	68 1/8	43 11/16
First Quarter 1998	64 1/2	49 5/8
	High	Low
Fourth Quarter 1997	\$ 60 7/8	\$ 46 1/8
Third Quarter 1997	57 3/4	50 7/16
Second Quarter 1997	53 1/4	42
First Quarter 1997	42 5/8	38 3/8

Dividends

The current dividend practice established by the directors is to declare regular quarterly dividends. The last such dividend of 15 cents per share of common stock was declared on January 22, 1999, payable February 16, 1999, to stockholders of record on February 1, 1999. The current practice is subject to review and change at the discretion of the Board of Directors.

Stockholders

As of December 31, 1998, there were 369 holders of record and an estimated 10,000 beneficial holders.

Annual Meeting of Stockholders

The 1999 annual meeting of stockholders will be held on Tuesday, April 27, 1999,

beginning at 11:00 a.m. on the 19th floor of the Company's headquarters at 200 South Michigan Avenue in Chicago.

Securities Information

ChaseMellon Shareholder Services is the transfer agent, registrar and dividend dispersing agent for Borg-Warner Automotive common stock. Communications concerning stock transfer, change of address, lost stock certificates or proxy statements for the annual meeting should be directed to:

ChaseMellon Shareholder Services
450 West 33rd Street, 15th Floor
New York, NY 10001
800-851-9677
<http://www.cmssonline.com>

Investor Inquiries

Financial investors and securities analysts requiring financial reports, interviews or other information should contact Mary Brevard, Director of Investor Relations and Communications, at the Company headquarters, 312-322-8683.

Form 10-K Report

A copy of the Company's annual report on Form 10-K, filed with the Securities and Exchange Commission, is available to stockholders without charge by writing the Investor Relations and Communications Department at the Company headquarters or calling 312-322-8524.

Dividend Reinvestment and Stock Purchase Plan

- The Borg-Warner Automotive Dividend Reinvestment and Stock Purchase Plan has been established so that anyone can make direct purchases of Borg-Warner Automotive common stock and reinvest dividends. The Company pays the brokerage commissions on purchases. To receive a prospectus and enrollment package, contact ChaseMellon at 800-842-7629. Questions about the plan can be directed to ChaseMellon at 800-851-4229.

Internet Homepage

For current news, stock quotes and other information on Borg-Warner Automotive, visit our new Internet Homepage: www.bwauto.com.

"BorgWarner Automotive," Torque-on-Demand and the Borg-Warner Indianapolis 500 Trophy are registered trademarks of Borg-Warner Automotive, Inc.

[TROPHY PHOTO]

Since 1936, the Borg-Warner Indianapolis 500 Trophy has been synonymous with top performance, speed and leading-edge automotive technology, the same qualities that continue to characterize Borg-Warner Automotive today.

Directors

Dr. Andrew F. Brimmer (2)
President
Brimmer & Company, Inc.

William E. Butler (3,4)
Chairman and Chief Executive Officer, Retired
Eaton Corporation

Jere A. Drummond (1,3,4)
President and Chief Executive Officer
BellSouth Communications Group
BellSouth Corporation

John F. Fiedler (1)
Chairman and Chief Executive Officer
Borg-Warner Automotive

Paul E. Glaske (3,4)
Chairman, President and Chief Executive Officer
Blue Bird Corporation

Ivan W. Gorr (4)
Chairman and Chief Executive Officer, Retired
Cooper Tire & Rubber Company

James J. Kerley (2)
Chairman, Retired
Rohr, Inc.

Alexis P. Michas (1,2)
Managing Partner and Director
Stonington Partners, Inc.

John Rau (2,3)-
President and Chief Executive Officer
Chicago Title and Trust Company

Committees of the Board
(1) Executive Committee
(2) Finance and Audit Committee
(3) Compensation Committee
(4) Board Affairs Committee

Executive Officers

John F. Fiedler
Chairman and Chief Executive Officer

Gary P. Fukayama
Executive Vice President
Group President and General Manager,
Air/Fluid Systems

Ronald M. Ruzic
Executive Vice President
Group President and General Manager,
Morse TEC and Turbo Systems

Robert D. Welding
Executive Vice President
President and General Manager,
Automatic Transmission Systems

Timothy M. Manganello
Vice President
President and General Manager,
Powertrain Systems

Robin J. Adams
Vice President and Treasurer

William C. Cline
Vice President and Controller

Christopher A. Gebelein
Vice President, Business Development

Laurene H. Horiszny
Vice President, General Counsel and Secretary

John A. Kalina
Vice President and Chief Information Officer

Geraldine Kinsella
Vice President, Human Resources

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-----END PRIVACY-ENHANCED MESSAGE-----