

BORGWARNER INC
Form 11-K
June 10, 2011

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 11-K

ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

x Annual Report pursuant to Section 15(d) of the Securities and Exchange Act of 1934

For the fiscal year ended December 31, 2010

Or

q Transition Report pursuant to Section 15(d) of the Securities Exchange Act of 1934

For the transition period from to

Commission File Number 333-118201, 333-124086, 333-150569

A. Full title of the plan and the address of the plan, if different from that of the issuer named below:

BorgWarner Diversified Transmission Products Inc.,

Muncie Plant Retirement Savings Plan

B. Name of issuer of the securities held pursuant to the plan and the address of its principal executive office:

BorgWarner Inc.
3850 Hamlin Road
Auburn Hills, MI 48326

Required Information

Item 4.

Financial Statements as of December 31, 2010 and 2009 and for the Year Ended December 31, 2010, and Report of Independent Registered Public Accounting Firm

BorgWarner Diversified
Transmissions Products Inc.,
Muncie Plant Retirement
Savings Plan
Financial Statements as of December 31, 2010 and 2009, and for
the Year Ended December 31, 2010, and Report of
Independent Registered Public Accounting Firm

BORGWARNER DIVERSIFIED TRANSMISSION PRODUCTS INC.,
MUNCIE PLANT RETIREMENT SAVINGS PLAN

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Note:

All schedules required by section 2520.103-10 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974 have been omitted due to the absence of conditions under which they are required.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Participants and Administrator
of the BorgWarner Diversified
Transmission Products Inc., Muncie
Plant Retirement Savings Plan

In our opinion, the accompanying statements of net assets available for benefits and the related statement of changes in net assets available for benefits present fairly, in all material respects, the net assets available for benefits of the BorgWarner Diversified Transmission Products Inc., Muncie Plant Retirement Savings Plan (the "Plan") at December 31, 2010 and 2009, and the changes in net assets available for benefits for the year ended December 31, 2010 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1 to the accompanying financial statements, the Plan was amended to merge the Plan into the BorgWarner Inc. Retirement Savings Plan ("the Surviving Plan"), and provided that the assets attributable to the Plan be transferred and merged with those of the Surviving Plan effective December 31, 2010. All Plan assets were transferred to the Surviving Plan on December 31, 2010.

/s/ PricewaterhouseCoopers LLP
Detroit, Michigan
June 10, 2011

BORGWARNER DIVERSIFIED TRANSMISSION PRODUCTS INC.,
MUNCIE PLANT RETIREMENT SAVINGS PLAN

STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS
AS OF DECEMBER 31, 2010 AND 2009
(in thousands)

	2010	2009
NET ASSETS:		
Participant-directed investments in BorgWarner Inc. Retirement Savings Master Trust ("Master Trust")	\$—	\$6,713
Notes receivable from participants	—	66
NET ASSETS AVAILABLE FOR BENEFITS AT FAIR VALUE	—	6,779
Adjustment from fair value to contract value for the Master Trust's interest in common trust relating to fully benefit-responsive investment contracts	—	(42)
NET ASSETS AVAILABLE FOR BENEFITS	\$—	\$6,737

See accompanying notes to financial statements.

BORGWARNER DIVERSIFIED TRANSMISSION PRODUCTS INC.,
MUNCIE PLANT RETIREMENT SAVINGS PLAN

STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
FOR THE YEAR ENDED DECEMBER 31, 2010

(in thousands)

ADDITIONS TO NET ASSETS:

Investment income from the Master Trust	\$1,292
Interest income on notes receivable from participants	2
Total additions	1,294

DEDUCTIONS FROM NET ASSETS:

Participants' withdrawals	2,261
Administrative expenses	9
Total deductions	2,270

NET TRANSFER FROM MERGER WITH OTHER BORGWARNER INC. PLANS	(5,761)
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NET DECREASE	(6,737)
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NET ASSETS AVAILABLE FOR BENEFITS — Beginning of year	6,737
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NET ASSETS AVAILABLE FOR BENEFITS — End of year	\$—
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See accompanying notes to financial statements.

BORGWARNER DIVERSIFIED TRANSMISSION PRODUCTS INC.,
MUNCIE PLANT RETIREMENT SAVINGS PLAN

NOTES TO FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2010 AND 2009, AND FOR THE YEAR ENDED DECEMBER 31, 2010

1. DESCRIPTION OF PLAN

The following description of the BorgWarner Diversified Transmission Products Inc., Muncie Plant Retirement Savings Plan (the "Plan") provides only general information. Participants should refer to the Plan document for a more complete description of the Plan's provisions.

General - The Plan was established on January 1, 1991, and is a participating plan under the BorgWarner Inc. Retirement Savings Master Trust (the "Master Trust"). The Plan sponsor is BorgWarner Diversified Transmission Products Inc. (the "Company"), a wholly owned subsidiary of BorgWarner Inc. (the "Corporation").

The Plan was established as a defined contribution plan under Section 401(a) of the Internal Revenue Code (IRC), designed to provide eligible employees of the Company with systematic savings and tax advantaged long-term savings for retirement. The Corporation has assigned the Employee Benefit Committee (the "Committee") to oversee the Plan and the Master Trust.

The Committee appointed T. Rowe Price Retirement Plan Services, Inc. and T. Rowe Price Trust Co. (the "Trustee") to perform the administrative, investment, and trustee services for the Plan and the Master Trust.

On February 26, 2009, the Company entered into a Plant Shutdown Agreement with the United Auto Workers ("UAW") for its Muncie, Indiana automotive component plant. The contract between the Company and the UAW expired on April 24, 2009. The impact of the Plant Shutdown Agreement on the Plan is that there were no new contributions or new loans after the expiration of the UAW contract.

The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

2010 Plan Merger - On December 31, 2010, the Plan was amended to merge the Plan into the BorgWarner Inc. Retirement Savings Plan ("the Surviving Plan"), and provided that the assets attributable to the Plan be transferred and merged with those of the Surviving Plan effective as of the close of business December 31, 2010. Each Plan participant has an accrued benefit in the Surviving Plan that is no less than his or her accrued benefit under the Plan immediately prior to the merger. All Plan assets were transferred to the Surviving Plan at the close of business on December 31, 2010.

Eligibility - Prior to the expiration of the UAW contract, hourly employees of the Company's Muncie plant who were covered by the collective bargaining agreement between the Company and UAW Local 287, hired or rehired on or after September 7, 1989, were eligible to make contributions as of their date of hire or rehire.

Hourly employees covered by the agreement, hired or rehired before September 7, 1989, have been able to participate, once attaining the earlier of: (i) seniority as defined in the collective bargaining agreement; or (ii) one year of vested service, provided, in either case, such employee (a) was ineligible to retire as of December 31, 1990, under the Borg-Warner Diversified Transmission Products Inc., Muncie Plant Local 287 Retirement Investment Plan (RIP), and (b) had elected that any accrued benefits under the RIP be frozen at the time of beginning participation in the Plan and that any account balance in the RIP be transferred to the Plan.

Participants' Accounts - Individual accounts are maintained for each Plan participant. Each participant's account is credited with the participant's contributions, the Company's contributions and an allocation of Plan earnings, and charged with withdrawals and an allocation of Plan expenses and losses. Allocations are based on participant earnings or account balances. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account, including:

Company Retirement Account - Prior to April 24,2009 and the expiration of the UAW contract, the Company contributed the following to this account, based on a participant's age and years of service.

\$0.33 for each hour for which the participant receives compensation from the Company, if the participant (i) has not attained age 35 as of the preceding January 1, or (ii) has not completed 10 years of vested service;

\$0.54 for each hour for which the participant receives compensation from the Company, if the participant is (i) at least age 35, but less than age 40, as of the preceding January 1, or (ii) has completed at least 10 but less than 20 years of vested service; and

\$0.65 for each hour for which the participant receives compensation from the Company, if the participant is (i) at least age 40 as of the preceding January 1, or (ii) has completed 20 or more years of vested service.

No employee contributions are made to this account.

Savings Account - Prior to April 24,2009 and the expiration of the UAW contract, participants could voluntarily contribute from 1% to 28% of eligible compensation to this account, subject to IRC limitations. The Company matched 75% of the first 4% of pre-tax participant contributions.

Retiree Health Account - Prior to April 24,2009 and the expiration of the UAW contract, participants hired or rehired on or after January 1, 1993 could voluntarily contribute from \$0.05 to \$0.20 per hour worked of their eligible compensation to this account. The Company matched 100% of participant contributions, up to \$500 per year. No after-tax contributions are allowed.

Investment Options - Participants elect to invest their account balances (including current and accumulated contributions, current and accumulated Company contributions on behalf of participants and earnings) into various investment options offered by the Plan, including collective trust funds, mutual funds, stable value fund, money market fund, and the BorgWarner Inc. Stock Fund.

Vesting - Fund assets attributable to voluntary participant contributions are fully vested at all times. Fund assets attributable to Company contributions vest 100% upon: three years of vested service; or permanent disability, death, or attaining age 65 provided the participant is employed by the Company on that date. All participants were 100% vested as of the expiration of the UAW contract.

Withdrawals - While participants are employed, no hardship withdrawals may be made from the Company Retirement Account or the Retiree Health Account. Hardship withdrawals may be made from the Savings Account at participants' discretion subject to certain limitations. Distribution of benefits is made upon retirement, death or other termination of employment as permitted by the Plan and by ERISA regulations. Participants may elect to receive distributions in installments or a lump sum.

Notes Receivable from Participants - Participants may borrow from their Savings Account a minimum of \$500 and a maximum of the lesser of (a) 50% of the vested balance or (b) \$50,000 reduced by the highest outstanding loan balance in the last 12 months. Notes receivable from participants were disallowed after April 24, 2009 as a result of the UAW contract expiring and no active employees in the Plan after April 24, 2009.

.Notes receivable from participant terms ranged from six months to five years, with interest charged at the rate established by the Trustee for similar loans on the origination date. Notes receivable from

participants are not permitted from the Company Retirement Account or the Retiree Health Account. Notes receivable from participants are secured by the remaining balance in the participant's Savings Account. Principal and interest were paid ratably through payroll deductions prior to the expiration of the UAW contract. Participants are responsible to pay the principal and interest directly to T. Rowe Price after the expiration of the UAW contract. All outstanding notes receivable from participants were transferred to the Surviving Plan upon the merger.

Priorities Upon Termination - Although the Company has expressed no intent to discontinue the Plan, it has the right to do so at any time, subject to provisions set forth in ERISA. In the event of termination, the interests of affected participants shall become fully vested. The Plan assets then remaining shall be used to pay administrative expenses and benefits equal to the balance in participant accounts.

Forfeited Accounts - At December 31, 2010, there were no forfeited nonvested accounts. At December 31, 2009, there were approximately \$19,000 in forfeited nonvested accounts. During the year ended December 31, 2010, approximately \$20,000 in forfeited nonvested accounts were transferred to the Surviving Plan forfeited nonvested accounts.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation - The financial statements of the Plan are prepared under the accrual method of accounting and in accordance with accounting principles generally accepted in the United States of America (GAAP).

Investment contracts held by a defined-contribution plan are required to be reported at fair value. However, contract value is the relevant measurement attribute for that portion of the net assets available for benefits of a defined-contribution plan attributable to fully benefit-responsive investment contracts because contract value is the amount participants would receive if they were to initiate permitted transactions under the terms of the Plan. The Statements of Net Assets Available for Benefits present the fair value of the investment in the Master Trust as well as the adjustment of the investment in the Master Trust interest in common trust relating to fully benefit-responsive investment contracts from fair value to contract value. The Statement of Changes in Net Assets Available for Benefits is prepared on a contract value basis.

Adoption of New Accounting Guidance - In September 2010, Financial Accounting Standards Board (FASB) Accounting Standard Update (ASU) No. 2010-25, Reporting Loans to Participants by Defined Contribution Pension Plans, was issued in September 2010 to amend generally accepted accounting principles (GAAP) related to how loans to participants should be classified and measured by defined contribution pension benefit plans. ASU No. 2010-25 requires that loans to participants be classified as notes receivable from participants and measured at their unpaid principal balance plus any accrued but unpaid interest. Because loans to participants are no longer measured at fair value, FASB ASC 820, Fair Value Measurements and Disclosures, requirements are not applicable. ASU No. 2010-25 should be applied retrospectively to all prior periods presented, and is effective for fiscal years ending after December 15, 2010. The adoption of this guidance did not have a material impact on the Plan's financial statements.

In January 2010, the FASB amended Topic 820, "Fair Value Measurements and Disclosures", which requires additional fair value disclosures for interim and annual reporting periods beginning after December 15, 2009. This guidance requires disclosures about transfers of financial instruments into and out of Level 1 and 2 designations and disclosures about purchases, sales, issuances and settlements of financial instruments with a Level 3 designation. The Plan adopted this guidance on January 1, 2010. The adoption did not materially impact the Plan's financial statements.

In September 2009, the FASB issued authoritative guidance requiring additional disclosures regarding

the inputs and valuation techniques used to measure fair value. The guidance also requires that the Plan disclose debt and equity securities by major category, on a more disaggregated basis than had previously been required. The adoption did not materially impact the Plan's financial statements.

Refer to Note 7, "Fair Value Measurements", for further information related to ASC Topic 820.

Investment Valuation - The Master Trust's investments are recorded at fair value, based upon the last traded or current bid prices in active markets. Where there are no readily available last traded or current bid prices, fair value estimation procedures used in determining asset values might cause differences from the values that would exist in a ready market due to the potential subjectivity in the estimates. The Plan did not have any interest in the assets of the Master Trust at December 31, 2010. Following is a description of the valuation methodologies used for assets measured at fair value.

Collective Trust Funds - The Collective Trust Funds are valued on a unit value basis either on a monthly or quarterly basis by the fund manager or general partner, and are reviewed by the Master Trust's fiduciaries for reasonableness. The fair values of these investments are determined by reference to the respective funds' underlying assets, which are primarily marketable equity and fixed income securities. In the event that a fund manager's or general partner's valuation is not deemed reasonable, fair value is determined by the fair valuation policies prescribed by the Master Trust agreement.

The fair value on a unit basis for the Master Trust's holdings in the BlackRock LifePath, US Debt Index, and Equity Index funds were approximately a combined \$308,504,000 at December 31, 2009; these funds invest in stocks, bonds, REITS, and cash to correspond with the funds' objectives and duration. Their remaining lives are 5 - 40+ years, corresponding with the expected retirement date. Redemption is permitted daily and there are no restrictions, and unfunded commitments are not applicable.

Stable Value Fund - The contract value of the T. Rowe Price Stable Value Common Trust Fund (SVF) of the Master Trust was approximately \$140,872,000 at December 31, 2009. The fair value of the SVF was approximately \$145,233,000 at December 31, 2009. The fair value of the SVF is determined based on the fair value of the underlying assets in the funds on the close of business on the valuation date.

The SVF is an open ended fund from which trust units may be redeemed on a daily basis. The trust invests primarily in Guaranteed Investment Contracts (GICs), Bank Investment Contracts (BICs), Synthetic Investment Contract (SICs), and Separate Account Contracts (SACs). Retirement plans are required to provide 12- or 30- month advance notice to the trustee prior to redemption of trust units; the notice period may be shortened or waived by fund trustee. Unfunded commitments are not applicable.

BorgWarner Inc. Common Stock - BorgWarner Inc. common stock is valued at the closing price reported on the New York Stock Exchange Composite Listing.

Mutual Funds - Mutual Funds are investment vehicles stated at fair value based on quoted market prices reported by the Trustee.

Money Market Fund - The Money Market Fund invests in high-quality short-term securities with maturities of 13 months or less. The fund is an investment vehicle valued using \$1 for the net asset value. The fund is stated at fair value, based on the fund's underlying assets, as reported by the Trustee.

Estimates - The preparation of financial statements in conformity with GAAP requires Plan management to make estimates and assumptions that affect the reported amounts of net assets available

for benefits as of the date of the financial statements, and the reported amounts of changes in net assets available for benefits during the reporting period. Actual results could differ from those estimates.

Administrative Expenses - Transfer taxes and brokerage expenses attributable to the Master Trust assets are charged to the applicable fund as a reduction of the return on that fund. Any other expenses incurred with respect to Master Trust administration are charged to participant accounts, where applicable, or are paid in such manner as the Company determines, and is in accordance with the plan documents.

Payment of Benefits - Benefits are recorded when paid. There were no amounts allocated to accounts of persons who had elected to withdraw from the Plan but had not yet been paid at December 31, 2010 or 2009.

Transfers - Other entities of the Corporation sponsor defined contribution plans, besides the Plan. When an employee transfers to any other BorgWarner entity covered by a different BorgWarner-sponsored plan, that participant's account balance is transferred to the corresponding plan. As a result of a merger, the Plan transferred approximately \$5,761,000 to the Surviving Plan for the year ended December 31, 2010.

3. EXEMPT PARTIES-IN-INTEREST TRANSACTIONS

The Master Trust invests in BorgWarner Inc. common stock and makes loans to participants, which are permitted party-in-interest transactions. Certain Master Trust investments are shares of mutual funds and other investments managed by the Trustee and, therefore, these transactions qualify as party-in-interest transactions. Fees paid by the Plan to the Trustee for administrative services amounted to approximately \$9,000 for the year ended December 31, 2010, and are included in administrative expenses. Fees paid by the Plan to the Trustee for investment management services were included as a reduction of return earned on each fund.

At December 31, 2010, the Master Trust did not hold any BorgWarner Inc. common stock, the sponsoring employer, on behalf of the Plan. At December 31, 2009, the Master Trust held approximately 32,000 shares of BorgWarner Inc. common stock, the sponsoring employer, on behalf of the Plan. These shares had a fair value of approximately \$1,068,000 at December 31, 2009.

The costs and expenses incurred by the Trustee under the Plan and the fee charged by the Trustee are charged to the Plan. The Company has the right to be reimbursed each year from the Plan for the cost to the Company of bank fees and auditing fees.

4. TAX STATUS

The Plan obtained a favorable determination letter, dated February 13, 2009, in which the Internal Revenue Service (IRS) stated the Plan complied with applicable requirements of the IRC. The Plan has been amended since the receipt of the determination letter; however, the fiduciaries believe that the Plan continues to be designed and operated in accordance with the applicable provisions of the IRC. The fiduciaries of the Plan believe that the Plan and related trust continue to be tax-exempt. Therefore, no provision for income taxes has been included in the Plan's financial statements.

Accounting principles generally accepted in the United States of America require plan management to evaluate tax positions taken by the plan and recognize a tax liability or asset if the plan has taken an uncertain position that more likely than not would not be sustained upon examination by the Department of Labor. The plan administrator has analyzed the tax positions taken by the plan, and has concluded that as of December 31, 2010, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or asset or disclosure in the financial statements. The plan is subject to audits by taxing jurisdictions; however, there are currently no audits for any tax

periods in progress.

5. RECONCILIATION OF FINANCIAL STATEMENTS TO FORM 5500

The following is a reconciliation of net assets available for benefits per the financial statements to the Form 5500 as of December 31, 2009 (in thousands).

	2010	2009
Net assets available for benefits per the financial statements	\$—	\$6,737
Adjustment from contract value to fair value for the Master Trust's interest in common trust relating to fully benefit-responsive investment contracts	—	42
Net assets available for benefits per the Form 5500	\$—	\$6,779

For the year ended December 31, 2010, the following is a reconciliation of net investment income per the financial statements to the Form 5500 (in thousands):

	2010
Total net investment income from the Master Trust per the financial statements	\$1,292
Change in adjustment from contract value to fair value for the Master Trust's interest in common trust relating to fully benefit-responsive investment contracts	(42)
Net investment income from the Master Trust investment account per the Form 5500	\$1,250

6. MASTER TRUST INFORMATION

Use of the Master Trust permits commingling of trust assets of a number of defined contribution plans of the Corporation for investment and administrative purposes. Although assets are commingled in the Master Trust, the Trustee maintains supporting records for the purpose of allocating the total investment income of the Master Trust to the various participating plans.

Purchases and sales of securities in the Master Trust are recorded on a trade-date basis. Interest income is recorded on an accrual basis. Dividends are recorded on the ex-dividend date.

On December 31, 2010, the Plan and the BorgWarner Diversified Transmission Products Inc. Muncie Plant Local 287 Retirement Investment Plan ("the Muncie Plans") were amended to merge into the Surviving Plan and provided that the assets attributable to the Muncie Plans be transferred and merged with the Plan effective as of the close of business on December 31, 2010. Therefore, at December 31, 2010 the Master Trust consisted of the investments of two defined contribution plans sponsored by the Corporation and certain of its entities.

At December 31, 2009, the Plan's interest in the participant-direct investments of the Master Trust at contract value was 1.01%. The investments held by the Master Trust are valued at fair value at the end of each business day, with the exception of the investments held in the SVF, which are valued at contract value. The investment contracts held in the SVF have been adjusted from fair value to contract value by \$(4,361,000) at December 31, 2009. The Plan did not have any interest in the assets of the Master Trust at December 31, 2010. The total investment income in the Master Trust is allocated by the Trustee to each participating plan based on the relationship of the interest of each plan to the total of the interests of all participating plans.

The following table presents the carrying value of investments of the Master Trust investments as of December 31, 2009 (in thousands):