ARVINMERITOR INC
Form PRE 14A
November 18, 2010

SCHEDULE 14A

(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant [x]
Filed by a Party other than the Registrant [_]

Check the appropriate box:

[x] Preliminary Proxy Statement
[_] Confidential, For Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
[_] Definitive Proxy Statement
[_] Definitive Additional Materials
[_] Soliciting Material Under Rule 14a-12

ArvinMeritor, Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

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[x] No fee required.
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PRELIMINARY PROXY STATEMENT—SUBJECT TO COMPLETION

Letter to Shareowners Notice of 2011 Annual Meeting and Proxy Statement

PRELIMINARY PROXY STATEMENT—SUBJECT TO COMPLETION

December [3,] 2010

Dear Shareowner:

You are cordially invited to attend the 2011 annual meeting of shareowners of ArvinMeritor, Inc.

The meeting will be held at ArvinMeritor's World Headquarters in Troy, Michigan, on Thursday, January 20, 2011, at 9 a.m. At the meeting there will be a current report on the activities of the Company followed by discussion and action on the matters described in the Proxy Statement. Shareowners will have an opportunity to comment on or to inquire about the affairs of the Company that may be of interest to shareowners generally.

If you plan to attend the meeting, please indicate your intention to attend when voting by Internet or telephone or mark the box on your proxy card.

We hope that as many shareowners as can conveniently attend will do so.

Sincerely yours,

Charles G. McClure, Jr.
Chairman of the Board, Chief Executive Officer
and President

PRELIMINARY PROXY STATEMENT—SUBJECT TO COMPLETION

ARVINMERITOR, INC.
2135 West Maple Road
Troy, Michigan 48084-7186

Notice of 2011 Annual Meeting of Shareowners

To the Shareowners of ARVINMERITOR, INC.:

Notice is Hereby Given that the 2011 Annual Meeting of Shareowners of ArvinMeritor, Inc. (the "Company") will be held at the Company's World Headquarters at 2135 West Maple Road, Troy, Michigan 48084, on Thursday, January 20, 2011, at 9 a.m. (Eastern Standard Time) for the following purposes:

1. to elect three members of the Board of Directors of the Company with terms expiring at the Annual Meeting in 2014;
2. to consider and vote upon a proposal to approve the selection by the Audit Committee of the Board of Directors of the firm of Deloitte & Touche LLP as auditors of the Company;
3. to consider and vote upon a proposal to approve the amended and restated 2010 Long-Term Incentive Plan to increase the maximum shares authorized to be issued thereunder by 3.7 million shares;
4. to consider and vote upon an amendment to the Company's Restated Articles of Incorporation to change the name of the Company to "Meritor, Inc." and
5. to transact such other business as may properly come before the meeting.

Only shareowners of record at the close of business on November 12, 2010 will be entitled to notice of, and to vote at, the meeting.

By order of the Board of Directors.

Barbara Novak
Secretary

December [3,] 2010

PRELIMINARY PROXY STATEMENT—SUBJECT TO COMPLETION

PROXY STATEMENT

The 2011 Annual Meeting of Shareowners of ArvinMeritor, Inc. (the “Company” or “ArvinMeritor”) will be held on January 20, 2011, for the purposes set forth in the accompanying Notice of 2011 Annual Meeting of Shareowners. The Board of Directors of ArvinMeritor is soliciting proxies to be used at the Annual Meeting and any adjournment, and is furnishing this proxy statement in connection with its solicitation.

As permitted by Securities and Exchange Commission (“SEC”) rules, ArvinMeritor is making this proxy statement, the proxy card and the annual report to shareowners (the “proxy materials”) available to you electronically via the Internet. On December [3,] 2010, we mailed to our shareowners a notice (the “Notice”) containing instructions on how to access and review the proxy materials and how to vote online. If you received a Notice by mail, you will not receive a printed copy of the proxy materials in the mail unless you request it. If you would like a printed copy of the proxy materials, follow the instructions for requesting them that are included in the Notice.

Shareowners of record may vote in any of three ways: (a) via the Internet; (b) by calling a toll-free telephone number; or (c) if you received your proxy materials by mail, by executing and returning a proxy card. Instructions for Internet voting are included on the Notice, and instructions for telephone and Internet voting are included on the proxy card. If you vote by telephone or Internet, it is not necessary to return a proxy card. If you properly give a proxy (including a written proxy or a proxy via telephone or Internet), your shares will be voted as you specify in the proxy. If no specification is made, the shares will be voted in accordance with the recommendations of the Board of Directors. You may revoke your proxy prior to its exercise by delivering written notice of revocation to the Secretary of the Company, by giving a valid, later dated proxy, by voting via telephone or Internet at a later date than the date of the proxy, or by attending the meeting and voting in person.

If your shares are held in “street name” by a bank, broker or other nominee holder on your behalf, you must follow the directions that you receive from your bank, broker or other nominee holder in order to direct the vote or change the vote of your shares. If you wish to vote in person at the meeting, you must obtain a legal proxy from the nominee holding your ArvinMeritor shares.

Our policy is to keep confidential proxy cards, ballots and voting tabulations that identify individual shareowners. However, exceptions to this policy may be necessary in some instances to comply with legal requirements and, in the case of any contested proxy solicitation, to verify the validity of proxies presented by any person and the results of the voting. Inspectors of election and any employees associated with processing proxy cards or ballots and tabulating the vote must acknowledge their responsibility to comply with this policy of confidentiality.

VOTING SECURITIES

Only shareowners of record at the close of business on November 12, 2010 are entitled to receive notice of, and to vote at, the meeting. On November 12, 2010, we had outstanding 94,140,499 shares of Common Stock, par value $1 per share, of ArvinMeritor (“Common Stock”). Each holder of Common Stock is entitled to one vote for each share held.

As of November 12, 2010, T. Rowe Price Trust Company, as directed trustee under the ArvinMeritor savings plans for its participating employees, owned the following shares of Common Stock:

Name and address	Number of Shares	Percent of Outstanding Common Stock
T. Rowe Price Trust Company 4555 Painters Mill Road Owings Mills, MD 21117	3,912,408	4.155%

If you are a participant and hold shares of Common Stock in ArvinMeritor's savings plans, your Internet or telephone vote or your proxy card will also serve as a voting instruction for the trustee with respect to shares held in your account. Shares held on account of participants in these plans will be voted by the trustee in accordance with instructions from the participants (either in writing or by means of telephone or Internet voting procedures). Where no instructions are received, shares will be voted by the trustee in the same manner and proportion as shares for which instructions are received.

In addition, the following entities reported beneficial ownership of more than 5% of the outstanding shares of ArvinMeritor Common Stock as of the dates noted below. This information is based on Schedules 13G and 13G/A that were filed with the SEC.

Name and Address	Number of Shares	Percent of Outstanding Common Stock
FMR LLC, Fidelity Management & Research Company and Edward C. Johnson 3d 82 Devonshire Street Boston, MA 02109	12,975,249	14.45%1
Wellington Management Company, LLP 75 State Street Boston, MA 02109	10,366,839	11.01%2
Glenhill Advisors, LLC, Glenn J. Krevlin and Glenhill Capital Management, LLC 156 West 56th Street, 17th Floor New York, NY 10019	6,150,000	8.28%3
Blackrock Inc. 40 East 52nd Street New York, NY 10022	5,595,445	7.53%3
Glenview Capital Management, LLC and Lawrence M. Robbins 767 Fifth Avenue, 44th Floor New York, NY 10153	3,734,856	5.03%3

ELECTION OF DIRECTORS

Our Restated Articles of Incorporation provide that the Board of Directors consists of three classes of directors with overlapping three-year terms, and that the three classes should be as nearly equal in number as possible. One class of directors is elected each year with terms extending to the Annual Meeting of Shareowners held three years later.

The Company's Board of Directors currently consists of nine members –three directors in Class I, with terms expiring at the Annual Meeting of Shareowners in 2013; three directors in Class II, with terms expiring at the Annual Meeting of Shareowners in 2011; and three directors in Class III, with terms expiring at the 2012 Annual Meeting.

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1 As of April 12, 2010
2 As of February 28, 2010
3 As of December 31, 2009

Three directors are standing for re-election at the 2011 Annual Meeting as Class II directors, for terms expiring at the Annual Meeting of Shareowners in 2014. The three directors in Class I and the three directors in Class III continue to serve terms expiring at the Annual Meeting of Shareowners in 2013 and 2012, respectively.

Proxies will be voted at the meeting (unless authority to do so is withheld) for the election as directors of the nominees specified in Class II – Nominees for Director with Terms Expiring in 2014, under the heading Information as to Nominees for Director and Continuing Directors below. If for any reason any of the nominees is not a candidate (which is not expected) when the election occurs, it is likely that either (a) proxies would be voted for the election of the other nominees and a substitute nominee, or (b) the Board of Directors would reduce the number of directors.

No director of ArvinMeritor was selected pursuant to any arrangement or understanding between him or her and any person other than ArvinMeritor. There are no family relationships, as defined in Item 401 of Regulation S-K, between any executive officer, director or person nominated to become a director or executive officer of ArvinMeritor. No person who has served as a director or executive officer of ArvinMeritor at any time since October 1, 2009 has any substantial interest, direct or indirect, in any matter to be acted on at the 2011 Annual Meeting, other than election of directors to office.

INFORMATION AS TO NOMINEES FOR DIRECTOR AND CONTINUING DIRECTORS

Following are the biographies for our director nominees and our directors who will continue to serve after the 2011 Annual Meeting, including information concerning the particular experience, qualifications, attributes or skills that led the Corporate Governance and Nominating Committee and the Board to conclude that the nominee or director should serve on the Board. Except as provided below, during the last five years, no director has held any directorships required to be disclosed pursuant to the rules and regulations promulgated by the SEC. For a discussion of membership guidelines that outline the desired composition of the Board as a whole, see "Director Qualifications and Nominating Procedures" below.

CLASS II – NOMINEES FOR DIRECTOR WITH TERMS EXPIRING IN 2011

JOSEPH B. ANDERSON, JR.
Chairman of the Board and Chief Executive Officer, TAG Holdings LLC (Automotive Components)

Age 67 Mr. Anderson, a director since July 2000 and a director of Meritor Automotive, Inc. from September 1997 until the merger of Meritor Automotive, Inc. and Arvin Industries, Inc. (the "merger"), is Chair of the Environmental and Social Responsibility Committee and a member of the Corporate Governance and Nominating Committee. He has served as Chairman of the Board and Chief Executive Officer of TAG Holdings LLC since 2003, and of its subsidiaries, Vibration Control Technologies, LLC since 2002; A&D Technologies, LLC and North American Assemblies, LLC since 2003; and Great Lakes Assemblies, LLC since 2005. He was Chairman of the Board and Chief Executive Officer of Chivas Industries LLC (and its predecessor, Chivas Products, Ltd.) (automotive components) from October 1994 until March 2002. From December 1992 to July 1993, Mr. Anderson was President and Chief Executive Officer of Composite Energy Management Systems, Inc. (automotive components). Mr. Anderson served in a variety of positions, primarily in manufacturing, with General Motors Corporation (automotive) from 1979 until December 1992. He also served as an assistant to the U.S. Secretary of Commerce from 1977 to 1979. Mr. Anderson currently is a director of Quaker Chemical Corporation, Rite Aid Corporation, NV Energy and Valassis Communications, Inc. In August 2010, Mr. Anderson was appointed Vice Chairman, Manufacturing Council with the U.S. Department of Commerce.

Board Qualifications: Mr. Anderson's qualifications to serve on our Board include financial and business insight gleaned from his long history as an owner, executive officer and director of public and private companies, experience in the transportation and manufacturing industries in which we operate and leadership capabilities from serving as CEO of several large organizations. His professional and civic affiliations (including the National Association of Black Automotive Suppliers) have also enabled Mr. Anderson to become a leader with regard to business and diversity matters, which provides valuable perspective to our Board on matters of import to the Company.

RHONDA L. BROOKS

President, R. Brooks Advisors, Inc. (Business Consultant)

Age 58 Ms. Brooks, a director since July 2000 and a director of Meritor from July 1999 until the merger, is Chair of the Corporate Governance and Nominating Committee and a member of the Environmental and Social Responsibility Committee. She is currently the President of R. Brooks Advisors, Inc., a consultant for start-up firms and an advisor for a private equity company. She served Owens Corning, Inc. (building materials and fiberglass composites) as President of the Exterior Systems Business from June 2000 to July 2002; as President of the Roofing Systems Business from December 1997 to June 2000; as Vice President, Investor Relations from January to December 1997; and as Vice President-Marketing of the Composites Division from 1995 to 1996. She served as Senior Vice President and General Manager of PlyGem Industries, Inc. (building and remodeling products) from 1994 to 1995, and as Vice President –Oral Care and New Product Strategies, and Vice President – Marketing and Sales of Warner Lambert Company (pharmaceuticals and consumer products) from 1990 to 1994. She was with General Electric Company from 1976 to 1990. She is a director of Menasha Corporation. She is a former director of Central Vermont Public Service Corp.

Board Qualifications: Ms. Brooks brings to our Board strong communication, collaboration and leadership skills from a decades long career as an executive at several complex organizations, including at name brand companies such as General Electric and Owens Corning. Her extensive business experience is diverse and well-rounded, encompassing marketing, running a manufacturing business and consulting. This provides her with the skills, solid foundation and valuable business acumen that qualify her to sit on our Board.

STEVEN G. ROTHMEIER

Chairman, Great Northern Capital (Investment Management Firm)

Age 64 Mr. Rothmeier, a director since November 2004, is Chair of the Audit Committee and a member of the Compensation and Management Development Committee. He is the Chairman of Great Northern Capital and was its Chief Executive officer from its inception until 2010. He founded the St. Paul, Minnesota investment management firm in 1993, after serving as president of a Twin Cities venture capital and merchant banking firm from 1990 to 1993. Mr. Rothmeier began his career with Northwest Airlines, Inc. in 1973 as a corporate financial analyst and served in a number of positions of increasing leadership, including Director of Economic Planning in the Regulatory Proceedings Division; Vice President of Finance and Treasurer; Executive Vice President of Finance and Administration; Chief Financial Officer; and President and Chief Operating Officer. He was named Chairman and Chief Executive Officer of NWA, Inc. and the airline in 1985 and served in that position until 1989. He is also a director of Precision Castparts, Inc. and Waste Management, Inc. He is a Trustee of the University of Chicago and serves on the boards of a number of civic, business and charitable organizations.

Board Qualifications: Mr. Rothmeier's strong background in executive operational and finance positions at a large airline (including as its chief executive officer) and his experience as an executive of investment management, venture capital and merchant banking firms gives him financial insight and leadership skills that qualify him to sit on our Board. This expertise in particular serves the Board well in his capacity as Audit Committee Chairman. Mr. Rothmeier also serves as a director of other public companies, including on the Audit Committees of such companies, which gives our Board the benefit of his wider outlook on financial, accounting and other public company issues.

The Board recommends that you vote "FOR" the election of these nominees, which is presented as item (1).

CLASS I – CONTINUING DIRECTORS WITH TERMS EXPIRING IN 2013

IVOR J. EVANS
Retired Vice Chairman, Union Pacific Corporation (Railroad Company)

Age 68	Mr. Evans, a director since May 2005, is a member of the Audit Committee and the Corporate Governance and Nominating Committee. He served as Vice Chairman of Union Pacific Corporation from January 2004 until his retirement in March 2005, and served as a member of the Union Pacific board of directors from 1999 to 2005. He had served as President and Chief Operating Officer of Union Pacific Railroad from 1998 until January 2004. From 1989 to 1998, he served in various executive positions at Emerson Electric Company (technology and engineering applications), including Senior Vice President, Industrial Components and Equipment. Prior to that, he was President of Blackstone Corp. (automotive components and systems) from 1985 to 1989 and, prior to that, spent 20 years serving in key operations roles for General Motors Corporation (automotive). He is also a director of Textron Inc., Cooper Industries and Spirit AeroSystems and an operating partner of Thayer Capital Partners. He is a former director of Suntron Corporation and Union Pacific Corporation.
	Board Qualifications: Mr. Evan's qualifications to serve on our Board include extensive operational and manufacturing experience from his years as a chief operating officer and senior executive of large public companies, including some in the automotive and transportation markets in which we operate. He also has considerable transactional and corporate finance experience as an operating partner in a private equity firm. Mr. Evan's service as a director of other public companies also widens his perspective with respect to corporate governance, audit issues, strategy and other matters that confront public companies.

CHARLES G. McCLURE, JR.
Chairman of the Board, Chief Executive Officer and President of ArvinMeritor

Age 57	Mr. McClure has been a director since August 2004 when he was elected to his current position. Prior to joining the Company, he served Federal-Mogul Corporation (automotive supplier) as Chief Executive Officer and a member of the Board of Directors from July 2003 to July 2004, and as President and Chief Operating Officer and a member of the Board of Directors from January 2001 to July 2003. He served Detroit Diesel Corporation (designer and manufacturer of diesel engines) as President, Chief Executive Officer and a member of the Board of Directors from 1997 to December 2000, and held a number of management positions with Johnson Controls, Inc. (automotive supplier) from 1983 to 1997, including President of the Americas Region; Vice President and Managing Director of European Operations; and Vice President and General Manager of Joint Ventures. From 1983 to 1985, Mr. McClure was employed at Hoover Universal (which was acquired by Johnson Controls in 1985) as Operations Director of Material Handling Products. Before that, he spent four years at Ford Motor Company (automotive) as a heavy-duty truck sales engineer and field service engineer. He served as a lieutenant (jg) on a U.S. Navy destroyer from 1975 to 1979. Mr. McClure is a director of R. L. Polk & Company and General Cable Corp. and serves on the boards of various business and civic organizations.
	Board Qualifications: Mr. McClure has a deep understanding of the vehicle industry, having spent his entire career (after his service in the U.S. Navy) in this arena. His achievement of increasingly senior management roles at automotive supply companies has afforded him the leadership skills that serve the Company well in the challenging sector in which we operate. He has lived overseas running international businesses, which experience is key for leading an international company like ArvinMeritor. Mr. McClure's wealth of knowledge of our business and industry, together with his proven talents and leadership, situate him well to serve as our Chairman and Chief Executive Officer.

WILLIAM R. NEWLIN
Chairman, Newlin Investment Company, LLC (Equity Investment Firm)

Age 70 Mr. Newlin, a director since July 2003, is the Board's Presiding Director, Chair of the Compensation and Management Development Committee and a member of the Corporate Governance and Nominating Committee. He is currently the Chairman of Newlin Investment Company, LLC and the Chairman of Plextronics, Inc., (a private international technology company specializing in printed solar, lighting and other electronics) since May 2008 and a director since June 2005. He served Dick's Sporting Goods, Inc. (sporting goods) as Executive Vice President and Chief Administrative Officer from October 2003 until his retirement in March 2007. He served as Chairman and CEO of Buchanan Ingersoll Professional Corporation (law firm) from 1980 to October 2003. Mr. Newlin is a director of Kennametal Inc. and Calgon Carbon Corporation.

Board Qualifications: Mr. Newlin's wide experience in corporate transactions and in serving as a counselor providing strategic advice to complex organizations qualifies him to sit on our Board. In particular, his legal and business insight (as well as his extensive experience in executive leadership) provides Mr. Newlin with the skills that make him an effective Presiding Director. Mr. Newlin's service as a director of other public companies also affords our Board the benefit of his broader exposure to corporate governance issues, compensation issues and other matters facing public companies.

CLASS III –CONTINUING DIRECTORS WITH TERMS EXPIRING IN 2012

DAVID W. DEVONSHIRE
Retired Executive Vice President and Chief Financial Officer, Motorola, Inc. (Communications Technologies and Electronics Products)

Age 65 Mr. Devonshire, a director since July 2004, is a member of the Audit Committee and the Compensation and Management Development Committee. He was Executive Vice President and Chief Financial Officer of Motorola, Inc. from 2002 to March 2007, and Executive Vice President of Motorola from March 2007 until his retirement in December 2007. He had previously served as Executive Vice President and Chief Financial Officer for Ingersoll-Rand Company (industrial components) from 1998 to 2002; Senior Vice President and Chief Financial Officer for Owens Corning, Inc. (building materials and fiberglass composites) from 1993 to 1998; Corporate Vice President of Finance for Honeywell (diversified manufacturing and technology) from 1992 to 1993; and Corporate Vice President and Controller for Honeywell from 1990 to 1992. Prior to that, Mr. Devonshire served in financial positions with Mead Corporation (forest products), Baxter International, Inc. (medical devices and biotechnology) and KPMG (public accounting), where he began his career in 1968. Mr. Devonshire serves on the boards and audit committees of Roper Industries (where he is the chairman), Arbitron Inc. and Career Education and the advisory boards of CFO Magazine and LEK Consulting, and is a member of the Board of Trustees of the John G. Shedd Aquarium of Chicago. In addition, Mr. Devonshire provides financial consulting services to Harrison Street Capital, a private equity firm.

Board Qualifications: With a career in finance and accounting spanning 40 years (including 15 as a public company chief financial officer), Mr. Devonshire brings a wealth of financial and accounting knowledge to our Board. In particular, the depth of his experience in this field allows him to give valuable insights into Audit Committee meetings as well as Board finance and strategy discussions. Mr. Devonshire's service as a director of other public companies, especially his service on the Audit Committees of such companies, also affords him additional insight to the forefront of financial and accounting issues facing public companies.

VICTORIA B. JACKSON
President, Victoria Bellé, Inc. (Design, Manufacturing and Marketing of Specialty Retail Products)

Age 55 Ms. Jackson, a director since July 2000 and a director of Meritor from July 1999 until the merger, is a member of the Audit Committee and the Environmental and Social Responsibility Committee. She currently serves as President of Victoria Bellé, Inc., a designer, manufacturer and marketer of specialty retail products. She was President and Chief Executive Officer of DSS/Prodiesel, Inc. (transportation components) from 1979 until 1998, when the company was sold to TransCom USA. She served as a consultant to TransCom USA from 1998 to February 2000. Ms. Jackson is a member of the Advisory Board of Stratco Global.

Board Qualifications: Ms. Jackson's qualifications to serve on our Board include her leadership skills and operational expertise derived from almost 20 years as CEO of a transportation components company. That background, and her subsequent business experience, honed her focus on the human resources and people development side of a company, which is extremely valuable in Board discussions. Her unique experience as a woman heading a company in a traditionally male dominated industry (manufacturing/transportation) also contributes a diverse perspective to our Board.

JAMES E. MARLEY

Retired Chairman of the Board, AMP Inc. (Electrical and Electronics Components and Cabling Products)

Age 75 Mr. Marley, a director since July 2000 and a director of Meritor from April 1999 until the merger, is a member of the Compensation and Management Development Committee and a member of the Environmental and Social Responsibility Committee. He is the retired Chairman of the Board of AMP Inc. (now Tyco Electronics), serving in that position from 1993 to 1998. He served AMP as President and Chief Operating Officer from 1990 to 1992, as President from 1986 to 1990, and in a variety of engineering and executive positions from 1963, when he joined AMP, until 1986. He is a director of a number of businesses, educational and civic organizations, and is a member of a number of engineering and management professional associations. Mr. Marley is a former director of Armstrong Holdings, Inc.

Board Qualifications: Mr. Marley's qualifications to serve on our board include extensive engineering, managerial and operational experience derived from an almost 40 year corporate career. In addition to the leadership qualities he honed from his years heading AMP, Mr. Marley's background at AMP also brings to our Board his in-depth understanding of the automotive and truck business as a quarter of AMP's worldwide business was auto and truck related. Mr. Marley founded and continues to own and operate a used car business, which also provides him with a current perspective on the automotive business. His long history of wide-ranging educational and community involvement contributes to the Board's focus on social responsibility.

BOARD OF DIRECTORS AND COMMITTEES

The Board of Directors manages or directs the management of the business of ArvinMeritor. In fiscal year 2010, the Board of Directors held five regularly scheduled meetings and no special meetings. Each director attended at least 75% of the aggregate number of meetings of the Board and the standing and special committees on which he or she served in fiscal year 2010. ArvinMeritor encourages each director to attend the Annual Meeting of Shareowners. All of the directors attended the 2010 Annual Meeting.

The Board of Directors has established independence standards for directors, which are set forth in the Company's Guidelines on Corporate Governance and are identical to the standards prescribed in the corporate governance rules of the New York Stock Exchange. The Board determined that Ms. Brooks, Ms. Jackson, and Messrs. Anderson, Devonshire, Evans, Marley, Newlin, and Rothmeier have no material relationship with ArvinMeritor, either directly or as a partner, shareholder or officer of an organization that has a relationship with ArvinMeritor, and are therefore independent within the meaning of the Guidelines on Corporate Governance and the New York Stock Exchange listing standards. In addition, although Mr. Devonshire serves on the audit committee of more than three publicly traded companies, the Board of Directors determined that such simultaneous service does not impair his ability to serve on ArvinMeritor's Audit Committee. There were no transactions, relationships or arrangements involving the Company and any director in fiscal year 2010 that were considered by the Board in determining the independence of these directors under the Guidelines on Corporate Governance and the New York Stock Exchange listing standards.

Board's Role in Risk Oversight

While risk management is primarily the responsibility of the Company's management, the Board provides overall risk oversight with a focus on the most significant risks facing the Company. Throughout the year, in conjunction with its regular business presentations to the Board and its committees, management highlights any significant related risks and provides updates on other relevant matters including issues in the industries in which the Company operates that may impact the Company, operations reviews, the Company's short- and long-term strategies and treasury related updates. The Board has delegated responsibility for the oversight of certain risks to the Audit Committee, which oversees the Company's policies with respect to risk assessment and risk management, including financial and accounting risk exposures and management's initiatives to monitor and control such exposures. In that role, the Company's management discusses with the Audit Committee the Company's major risk exposures and how these risks are managed and monitored. The Audit Committee receives regular reports on the Company's ethics helpline from the Company's Vice President of Internal Audit. In addition to receiving regular internal audit reports and updates on Sarbanes-Oxley Act compliance, the Audit Committee regularly meets in private session with our Vice President of Internal Audit and, separately, with our external auditors which provides the opportunity for confidential discussion. The Audit Committee also receives reports on fraud investigations that may arise. In addition, on an annual basis we conduct an Enterprise Risk Assessment and report thereon to the Audit Committee. This assessment is utilized throughout the year as circumstances change. Within the Company, risk responsibilities are aligned to functional expertise and shared among the senior management.

Risk Assessment in Compensation Programs

We have assessed ArvinMeritor's compensation programs and have concluded that our compensation policies and practices do not create risks that are reasonably likely to have a material adverse effect on ArvinMeritor. Representatives from Internal Audit, Human Resources and Legal, with the concurrence of the Compensation and Management Development Committee, developed and carried out a process for evaluation of compensation risks. The process assessed the Company's executive and broad-based compensation and benefits programs to determine if the programs' provisions and operations create undesired or unintentional risk of a material nature. The focus was on the programs with variability of payout, in which the participant can directly affect payout, and on the controls that exist on such participant action and payout. To the extent that risks were identified, controls or mitigations of such risks and their effectiveness were discussed. The representatives also took into account ArvinMeritor's balance between short- and long-term incentives, the alignment of performance metrics with shareowner interests, the existence of share ownership guidelines and other considerations relevant to assessing risks. Based upon the foregoing, we believe that our compensation policies and practices do not create risks that are reasonably likely to have a material adverse effect on the company.

Board Leadership Structure

Our Board of Directors currently consists of nine members, eight of whom are independent. The Board believes that this preponderance of outside directors represents a commitment to the independence of the Board and a focus on matters of importance to ArvinMeritor's stockholders. The Board has no policy with respect to separation of the offices of Chairman and Chief Executive Officer. Our Guidelines on Corporate Governance provide that the Chairman is, in most circumstances, the Chief Executive Officer. However, the Guidelines provide that unless an outside director is serving in the role of Chairman, the Board will appoint a Presiding Director. The Presiding Director (a) serves as a liaison between the Board and the Chief Executive Officer; (b) acts as chair of private executive sessions of the Board and in other circumstances where the outside directors meet without the Chief Executive Officer; (c) advises management in developing Board meeting agenda; and (d) performs such other duties as specified by the Board of Directors from time to time. The Board believes that having one individual function as Chairman and CEO is appropriate for the Company at this time since it supports cohesive leadership and direction for the Company, with a sole, clear focus for management to execute the Company's strategy and business plans, particularly as ArvinMeritor transitions to a solely commercial and industrial company after the divestiture of its light vehicle business. The Board believes that this governance structure of combined Chairman and CEO, along with the role of the Presiding Director and the preponderance of independent directors on the Board, allows the Board to work effectively and properly oversee risk while avoiding added costs and possible inefficiencies that could result from mandating an independent Chairman.

Committees

The Board has established four standing committees (Audit; Compensation and Management Development; Corporate Governance and Nominating; and Environmental and Social Responsibility), the principal functions of which are briefly described below. The charters of these committees are posted on our website, www.arvinmeritor.com, in the section headed "Investors – Corporate Governance". The Board also establishes special committees from time to time for specific limited purposes or duration.

Audit Committee. ArvinMeritor has a separately designated standing audit committee established in compliance with applicable provisions of the Securities Exchange Act of 1934, as amended ("Exchange Act") and New York Stock Exchange listing rules. The Audit Committee is currently composed of four non-employee directors, Steven G. Rothmeier (chair), David W. Devonshire, Ivor J. Evans and Victoria B. Jackson, each of whom meets the criteria for independence specified in the listing standards of the New York Stock Exchange. The Board of Directors has determined that the Company has at least two individuals who qualify as an "audit committee financial expert" (as defined by the SEC), David W. Devonshire and Steven G. Rothmeier, serving on the Audit Committee. The Board of Directors has adopted a written charter for the Audit Committee, which is reviewed and reassessed annually for compliance with rules of the New York Stock Exchange. The Audit Committee held five regularly scheduled meetings in fiscal year 2010.

The Audit Committee is charged with monitoring the integrity of the Company's financial statements, compliance with legal and regulatory requirements, and the independence, qualifications and performance of the Company's internal audit function and independent accountants. The Audit Committee has sole authority to select and employ (subject to approval of the shareowners), and to terminate and replace where appropriate, the independent public accountants for the Company and also has authority to:

- approve and cause the Company to pay all audit engagement fees;
- review the scope of and procedures used in audits and reviews of the Company's financial statements by the independent public accountants;
- review the Company's annual and quarterly financial statements before their release;
- review any significant issues related to the audit activities of the independent public accountants and oversee the resolution of any disagreements between them and management;
- review at least annually a report from the independent public accountants describing the firm's internal quality control procedures;
- review and approve in advance the scope and extent of any non-audit services performed by the independent public accountants and the fees charged for these services, and receive and evaluate at least annually a report by the independent public accountants as to their independence;
- review significant internal control matters, the adequacy of the Company's system of internal controls and recommendations of the independent public accountants with respect to internal controls;
- review the internal audit charter, the scope of the annual internal audit plan and the results of internal audits;
- consult with management as to the appointment and removal of the internal auditor charged with auditing and evaluating the Company's system of internal controls;
- review in advance the type and presentation of financial information and earnings guidance provided to analysts and rating agencies;
- monitor matters related to compliance by employees with the Company's standards of business conduct policies;
- monitor policies with respect to risk assessment and risk management and initiatives to control risk exposures;
- review any disclosure made in connection with annual and quarterly certifications by the chief executive officer and chief financial officer in filed documents;

- consult with the Company's general counsel regarding significant contingencies that could impact the financial statements and regarding legal compliance matters;
- review any findings by regulatory agencies with respect to the Company's activities;
- investigate matters brought to its attention within the scope of its duties;
- engage outside consultants, independent counsel or other advisors;
- establish procedures for the receipt, retention and handling of complaints regarding accounting, internal controls or auditing matters, including procedures for the confidential and anonymous submission by employees of concerns regarding accounting or auditing matters;
- establish the Company's policies with respect to hiring former employees of the independent public accountants;
- consult with management on the structure and composition of the finance organization;
- review and approve all related-party transactions defined as those transactions required to be disclosed under Item 404 of Regulation S-K of the rules and regulations under the Exchange Act; and
- review annually the Committee's performance.

As part of each regularly scheduled meeting, the Audit Committee meets in separate executive sessions with the independent public accountants, the internal auditors and senior management, and as a Committee without members of management.

Compensation and Management Development Committee. The four members of the Compensation and Management Development Committee (the "Compensation Committee"), William R. Newlin (chair), David W. Devonshire, James E. Marley and Steven G. Rothmeier, are non-employee directors who meet the criteria for independence specified in the listing standards of the New York Stock Exchange and are not eligible to participate in any of the plans or programs that are administered by the Committee. The Compensation Committee held four regularly scheduled meetings in fiscal year 2010 and one telephonic meeting. Under the terms of its charter, the Compensation Committee has the authority to:

- review and approve the goals and objectives relevant to the Chief Executive Officer's compensation,evaluate his performance against these goals and objectives, and set his compensation accordingly;
- fix salaries of all of the Company's other officers and review the salary plan for other Companyexecutives;
- evaluate the performance of the Company's senior executives and plans for management successionand development;
- review the design and competitiveness of the Company's compensation plans and medical benefitplans, and make recommendations to the Board of Directors;
- administer the Company's incentive, deferred compensation, stock option and long-term incentivesplans (except with respect to any equity grants to directors, which are administered by the Corporate Governance and Nominating Committee);
- review all material amendments to the Company's pension plans and make recommendations to the Board concerning these amendments;
- hire outside consultants and independent counsel; and
- review annually the Committee's performance.

See Executive Compensation - Compensation Discussion and Analysis below for further information on the scope of authority of the Compensation Committee and the role of management and compensation consultants in determining or recommending the amount or form of executive compensation.

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Corporate Governance and Nominating Committee. The Corporate Governance and Nominating Committee is currently composed of four non-employee directors, Rhonda L. Brooks (chair), Joseph B. Anderson, Jr., Ivor J. Evans and William R. Newlin, all of whom meet the criteria for independence specified in the listing standards of the New York Stock Exchange. The Corporate Governance and Nominating Committee held four regularly scheduled meetings in fiscal year 2010. Under the terms of its charter, this Committee has the authority to:

- screen and recommend to the Board qualified candidates for election as directors of the Company;
- periodically prepare and submit to the Board for adoption the Committee's selection criteria for director nominees;
- recommend to the Board and management a process for new Board member orientation;
- periodically assess the performance of the Board;
- consider matters of corporate governance and Board practices and recommend improvements to the Board;
- review periodically the Company's charter and by-laws in light of statutory changes and current best practices;
- review periodically the charter, responsibilities, membership and chairmanship of each committee of the Board and recommend appropriate changes;
- review periodically outside directors' compensation and make recommendations to the Board;
- review director independence, conflicts of interest, qualifications and conduct and recommend to the Board removal of a director when appropriate;
- engage search firms and other consultants and independent counsel; and
- review annually the Committee's performance.

See "Nominating Procedures" below for further information on the nominating process.

In discharging its duties with respect to review of director compensation, the Corporate Governance and Nominating Committee from time to time retains a compensation consultant to provide information on current trends, develop market data and provide objective recommendations as to the amount and form of director compensation. In 2010, the compensation consultant was Hewitt Associates L.L.C. for a portion of the year and Meridian Compensation Partners, LLC (a spin-off of the executive consulting portion of Hewitt Associates L.L.C.) for the remainder. Management has no role in determining or recommending the amount or form of director compensation.

Environmental and Social Responsibility Committee. The Environmental and Social Responsibility Committee is composed of four non-employee directors, Joseph B. Anderson, Jr. (chair), Rhonda L. Brooks, Victoria B. Jackson and James E. Marley. This Committee held three regularly scheduled meetings in fiscal year 2010. Under the terms of its charter, the Committee reviews and assesses the Company's policies and practices in the following areas and recommends revisions as appropriate: employee relations, with emphasis on equal employment opportunity and advancement; the protection and enhancement of the environment and energy resources; product integrity and safety; employee health and safety; and community and civic relations, including programs for and contributions to health, educational, cultural and other social institutions. The Committee also reviews its performance annually.

DIRECTOR QUALIFICATIONS AND NOMINATING PROCEDURES

As described above, ArvinMeritor has a standing nominating committee, the Corporate Governance and Nominating Committee, currently composed of four non-employee directors who meet the criteria for independence in the listing standards of the New York Stock Exchange. The Corporate Governance and Nominating Committee's charter is posted on our website, www.arvinmeritor.com, in the section headed "Investors – Corporate Governance."

The individual biographies of each of our current directors and nominees set forth above outlines each individual's specific experiences, attributes and skills that qualify that person to serve on our Board. In addition, the Board has adopted membership guidelines that outline the desired composition of the Board as a whole and the criteria to be used in selecting directors. These guidelines provide that the Board should be composed of directors with a variety of experience and backgrounds who have high-level managerial experience in a complex organization and who represent the balanced interests of shareowners as a whole rather than those of special interest groups. Other important factors in Board composition include age, international background and experience, and specialized expertise. While the Board does not have a formal policy with respect to diversity, enhancement of diversity of the Board (which the Board considers in terms of all aspects of diversity, such as diversity of experience, background and strengths as well as diversity of gender and race) is also considered a positive factor. A significant majority of the Board should be directors who are not past or present employees of the Company or of a significant shareowner, customer or supplier.

In considering candidates for the Board, the Corporate Governance and Nominating Committee considers the entirety of each candidate's credentials and does not have any specific minimum qualifications that must be met by a Board nominee. The Committee is guided by the membership guidelines set forth above, and by the following basic selection criteria: highest character and integrity; experience with and understanding of strategy and policy-setting; reputation for working constructively with others; sufficient time to devote to Board matters; and no conflict of interest that would interfere with performance as a director. With respect to nomination of continuing directors for re-election, the individual's contributions to the Board are also considered.

The Committee has the authority under its charter to hire and pay a fee to consultants or search firms to assist in the process of identifying and evaluating candidates. In fiscal year 2010, the Committee did not pay any fees to any search firm to assist in locating Board candidates, nor did it reimburse any search firm for expenses incurred in consideration of possible Board candidates.

Shareowners may recommend candidates for consideration by the Committee by writing to the Secretary of the Company at its headquarters in Troy, Michigan, giving the candidate's name, biographical data and qualifications. A written statement from the candidate, consenting to be named as a candidate and, if nominated and elected, to serve as a director, should accompany any such recommendation. No candidates for Board membership have been put forward by security holders or groups of security holders holding 5% or more of voting stock who have held such shares for over a year for election at the 2011 Annual Meeting.

DIRECTOR COMPENSATION

The following table reflects compensation for the fiscal year ended September 30, 2010* awarded to, earned by or paid to each non-employee director who served during the fiscal year. Mr. McClure did not receive any compensation for his service as a director.

Name	Fees Earned or Paid in Cash1 ($)	Stock Awards2,3 ($)	All Other Compensation4 ($)	Total ($)
Joseph B. Anderson, Jr.	89,000	79,998	36,125	205,123
Rhonda L. Brooks	90,500	79,998	33,063	203,561
David W. Devonshire	93,750	79,998	33,063	206,811
Ivor J. Evans	85,500	79,998	36,125	201,623
Victoria B. Jackson	87,000	79,998	33,063	200,061
James E. Marley	86,250	79,998	33,063	199,311
William R. Newlin	114,750	79,998	33,063	227,811
Steven G. Rothmeier	103,000	79,998	33,063	216,061

* Please note that the Company's fiscal year ends on the Sunday nearest September 30. For example, fiscal year2010 ended on October 3, 2010, fiscal year 2009 ended on September 27, 2009 and fiscal year 2008 ended on September 28, 2008. For ease of presentation, September 30 is utilized consistently throughout this Proxy Statement to represent the fiscal year end.

1 This column includes retainer fees, chairman fees, meeting fees and, for Mr. Newlin, the presiding director fee. This column does not include cash amounts paid in 2010 if such amounts were earned and reported in prior years, but deferred for future payment pursuant to the Deferred Compensation Policy for Non-Employee Directors.

2 Represents the grant date fair value of restricted shares and restricted share units computed in accordance with the Financial Accounting Standards Board Accounting Standards Codification ("FASB ASC") Topic 718. Information on the assumptions used in valuation of the grants is included in Note 19 of the Notes to Consolidated Financial Statements in the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2010 ("Form 10-K"), which is incorporated herein by reference. These amounts may not reflect the actual value realized upon settlement or vesting.

3 The non-employee directors held the following restricted shares of Common Stock, restricted share units and options to purchase Common Stock, granted under the 1997 Directors Stock Plan, the 2004 Directors Stock Plan or the 2010 Long-Term Incentive Plan ("2010 LTIP"), as applicable, at fiscal year end 2010. The Company has not granted stock options to non-employee directors since fiscal year 2003.

Name	Restricted Shares	Restricted Share Units	Stock Options
Joseph B. Anderson, Jr.	8,710	13,500	7,500
Rhonda L. Brooks	7,960	13,500	9,000
David W. Devonshire	18,067	13,500	0
Ivor J. Evans	0	26,942	0
Victoria B. Jackson	1,000	21,460	9,000
James E. Marley	16,423	21,460	9,000
William R. Newlin	19,778	13,500	2,250
Steven G. Rothmeier	0	28,667	0

4 This column includes the cash amount paid in fiscal 2010 in lieu of the balance of the annual equity award for 2009. Since there were insufficient shares left remaining under the 2004 Directors Stock Plan to make the annual grant of equity to the directors in January 2009, the balance of the award was paid in cash quarterly. Perquisites did not exceed a value of $10,000 for any director in fiscal year 2010 and therefore are not included in this column.

Narrative Description of Director Compensation

Only non-employee directors receive compensation for Board service. Directors who are also employees of ArvinMeritor or a subsidiary do not receive compensation for serving as a director. The Company also reimburses its directors for their travel and related expenses in connection with attending Board, committee and stockholders' meetings. In addition, from time to time the Company invites spouses of the directors to attend as well. In such case, the Company pays for the spouse's travel and certain other non-business expenses.

The following types of compensation were earned by or paid to non-employee directors in fiscal year 2010.

Retainer Fees. Non-employee directors of ArvinMeritor receive a cash retainer at the rate of $75,000 per year for Board service. The chairs of the four standing Board committees receive additional cash retainers in the following amounts per year: Audit Committee - $10,000; Compensation Committee - $7,000; and Corporate Governance and Nominating Committee and Environmental and Social Responsibility Committee - $5,000. The Presiding Director receives an additional annual retainer in the amount of $20,000.

Committee Meeting Fees. Non-employee directors receive fees of $1,500 for attendance at each standing and special committee meeting ($750 for each telephone meeting).

Equity-Based Awards. As part of our director compensation, each non-employee director is entitled to receive, immediately after the Annual Meeting of Shareowners, an equity grant equal to a value of approximately $80,000, in the form of shares of common stock, restricted stock or restricted share units, at the director’s discretion. The restricted stock and restricted share units are granted under the 2010 LTIP and vest upon the earliest of (a) three years from the date of grant or (b) the date the director resigns or ceases to be a director under circumstances the Board determines not to be adverse to the best interests of the Company. Upon vesting, the holder of restricted share units is entitled to one share of Common Stock for each unit, and non-employee directors generally are entitled to receive a cash payment for dividend equivalents, if any dividends are paid, plus interest accrued during the vesting period. The equity grant to directors in 2010 was made on January 28, 2010 in the amount of 7,960 shares of common stock, restricted stock or restricted share units, at the director’s discretion.

Reduction in Compensation. In January 2009, in response to worsening economic conditions, the Board of Directors of ArvinMeritor reduced the amount of their annual compensation (consisting of their annual cash retainer and the value of the annual equity grant) by 10%. In November 2009, the Board of Directors voted to reinstate their previous compensation.

Deferrals. A director may elect to defer payment of all or part of the cash retainer and meeting fees to a later date, with interest on deferred amounts accruing quarterly at a rate equal to 120% of the Federal long-term rate set each month by the Secretary of the Treasury. Each director also has the option each year (provided sufficient shares are available under a plan covering director equity grants to accommodate this deferral option at the time of its election) to defer all or any portion of the cash retainer and meeting fees by electing to receive restricted shares of Common Stock or restricted share units that could be forfeited if certain conditions are not satisfied. The restricted shares or restricted share units in lieu of the cash retainer and meeting fees are valued at the closing price of ArvinMeritor Common Stock on the New York Stock Exchange – Composite Transactions reporting system (the “NYSE Closing Price”) on the date the fee payment would otherwise be made in cash. In fiscal year 2010, no director deferred cash payments to a later date (although one director received cash payments due to prior deferrals), and no directors elected to receive restricted shares or restricted share units in lieu of cash payments.

INVOLVEMENT IN CERTAIN LEGAL PROCEEDINGS

On October 1, 2001, Federal-Mogul Corporation filed a petition for Reorganization under Chapter 11 of the Bankruptcy Code in the U.S. Bankruptcy Court in Wilmington, Delaware, and filed for administration in the courts of the United Kingdom. Federal-Mogul stated that the purpose of its reorganization would be to separate its asbestos-related liabilities from its operating businesses. Charles G. McClure, Jr., Chairman of the Board, Chief Executive Officer and President and a director of the Company, was Chief Executive Officer of Federal-Mogul from July 2003 to July 2004, and President and Chief Operating Officer from January 2001 to July 2003.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Since October 1, 2009 (the beginning of fiscal year 2010), there have been no transactions or currently proposed transactions, in which the Company was or is to be a participant and the amount involved exceeds $120,000, and in which any director, officer or member of their immediate family had or will have a direct or indirect material interest.

Various means are employed to solicit information about relationships or transactions involving officers and directors that could raise questions of conflict of interest. Annual questionnaires solicit information from directors and officers regarding transactions and relationships that could trigger SEC rules on disclosure of related person transactions, as well as relationships and transactions that could impair a director’s independence under the rules of the New York Stock Exchange. Directors and officers have a continuing duty to update the information should any changes occur during the year. In addition, all salaried employees, including officers and directors, have a duty to report any known conflicts of interest that would violate the Company’s code of ethics (including policies regarding standards of business conduct and conflicts of interest; see Code of Ethics below). A toll-free employee Helpline is available for that purpose. Salaried employees, including officers, are also required to complete an annual certification that they are unaware of, or have reported, any such conflict of interest.

Although we have no written policy regarding review, approval or ratification of related person transactions, the Audit Committee under its Charter has the authority to review and approve all related-party transactions defined as those transactions required to be disclosed under Item 404 of Regulation S-K of the rules and regulations under the Exchange Act. The Business Standards Compliance Committee (which is made up of management personnel) and the Audit Committee have responsibility for review of compliance by officers and other employees with the code of ethics, including conflict of interest provisions, and the Corporate Governance and Nominating Committee has similar responsibility with respect to compliance by directors. If a transaction or relationship involving an officer or director were to be reported through the employee Helpline, annual compliance certifications, questionnaires or otherwise, the Audit Committee, with the assistance of the Business Standards Compliance Committee, would investigate and consider all relevant facts and circumstances, including the nature, amount and terms of the transaction; the nature and amount of the related person's interest in the transaction; the importance of the transaction to the related person and to the Company; whether the transaction would impair the judgment of a director or officer to act in the Company's best interest; and any other facts involving the transaction that the Committee deems significant, and would then take appropriate action. Transactions will not be approved under the code of ethics if they are not in the Company's best interests. Any Committee member who is a related person in connection with a transaction would not participate in the Committee's consideration.

CORPORATE GOVERNANCE AT ARVINMERITOR

ArvinMeritor is committed to good corporate governance. The foundation of our corporate governance principles and practices is the independent nature of our Board of Directors and its primary responsibility to ArvinMeritor's shareowners. Our corporate governance guidelines have been in place since the Company's creation in 1997. The guidelines are reviewed periodically by the Corporate Governance and Nominating Committee and changes are recommended to the Board for approval as appropriate. We will continue to monitor developments and review our guidelines periodically, and will modify or supplement them when and as appropriate. Our current Guidelines on Corporate Governance are posted on our website, www.arvinmeritor.com, in the section headed "Investors – Corporate Governance". Our policies and practices are summarized below.

Board Independence

- Independent directors must comprise at least a majority of the Board and, as a matter of policy, a substantial majority of the Board should be independent directors. The Board has adopted criteria for independence based on the definition used in the listing requirements of the New York Stock Exchange.
- The Corporate Governance and Nominating Committee reviews the independence of each director annually.
- Only independent directors serve on the Board's standing committees.

Board Composition

- Board nominees are screened and recommended by the Corporate Governance and Nominating Committee and approved by the full Board (see Nominating Procedures above for information on Board selection criteria).
- Committee membership is reviewed periodically to assure that each committee has the benefit of both experience and fresh perspectives.
- Committee chairs and the Presiding Director are normally rotated at least once every four years. A director usually serves on a committee at least 12 months before becoming its chair, and a former chair normally serves on a committee for at least 12 months after retiring as chair. Exceptions are made in appropriate circumstances.

- The Board has established term limits that provide that each director shall serve no more than 12 consecutive years, beginning the later of his initial election to the Board or the date of adoption of the provision (November 12, 2003). The Board, by affirmative vote of at least 2/3 of the directors, may make exceptions to this provision in appropriate cases.

- Directors should not serve on the boards of more than three other public companies, unless the Board has determined that such service does not impair the ability of the director to serve effectively.

- The Guidelines on Corporate Governance establish the following expectations regarding director tenure:

- Non-employee directors are required to offer not to stand for re-election if they are age 70 at the time of re-election or will reach age 70 during their new term. The Corporate Governance and Nominating Committee decides whether continued Board service is appropriate and, if so, the length of the next term.

- Directors whose job responsibilities change significantly during their Board service, or who retire from the position they held when elected to the Board, are required to offer to resign. The Corporate Governance and Nominating Committee reviews the appropriateness of continued Board membership.

- When the Chief Executive Officer retires or resigns from that position, he is expected to offer his resignation from the Board. The Board and the successor Chief Executive Officer determine whether continued Board service is desirable and appropriate.

- Under the Company's majority vote policy, any nominee for director who receives a greater number of "withheld" votes than "for" votes in an uncontested election is required to tender his resignation after the certification of the shareowner vote. The Corporate Governance and Nominating Committee considers the resignation and recommends to the Board what action should be taken. The Board is required to take action and publicly disclose the decision and its underlying rationale within 90 days of certification of the shareowner vote.

Key Responsibilities of the Board

- The Company's long-term strategic goals and plans are discussed in depth by the Board at least annually.

- The non-management directors select the Chief Executive Officer of the Company and meet at least annually to evaluate the Chief Executive Officer's performance against long-term goals and objectives established by the Compensation Committee.

- Management development and succession plans are reviewed annually, including CEO succession plans.

Board and Committee Meetings

- The Board has appointed a Presiding Director to chair executive sessions, serve as liaison with the chief executive officer and participate in development of meeting agenda.

- Board and committee meeting agendas are developed through discussions with management and the Presiding Director, and are focused on business performance and strategic issues, leadership, and recent developments.

- Presentation materials are generally made available to Board and committee members for review in advance of each meeting.

- Directors are expected to attend, prepare for and participate in meetings. The Corporate Governance and Nominating Committee monitors each director's attendance and addresses issues when appropriate.

- Non-management directors meet in private executive sessions during each regular Board meeting. The Presiding Director chairs these meetings and communicates the results of the sessions to the Chief Executive Officer.

- Minutes of each committee meeting are provided to each board member, and the chair of each committee reports at Board meetings on significant committee matters.

- Information and data important to understanding of the business, including financial and operating information, are distributed regularly to the Board.

Board Performance and Operations

- The Corporate Governance and Nominating Committee, which is composed solely of independent directors, is responsible for corporate governance and Board practices, and formally evaluates these areas periodically.

- Each Board committee has a detailed charter outlining its responsibilities, as described above under the heading Board of Directors and Committees.

- The Board and its committees have the authority to hire such outside counsel, advisors and consultants as they choose with respect to any issue related to Board activities. Directors also have full access to Company officers and employees and the Company's outside counsel and auditors.

- To enhance Board effectiveness, the Corporate Governance and Nominating Committee conducts annual self-evaluations of the Board's performance. In addition, informal reviews of individual performance are conducted periodically. Results are shared with the Board, and action plans are formulated to address any areas for improvement.

Director Education

- Each new director is provided a program of orientation to the Company's business, which includes discussions with each business and functional head, background materials on the Company's financial condition and business, and a facility tour.

- The continuing education process for Board members includes extensive informational materials, meetings with key management and visits to Company facilities.

- Meeting agenda regularly include discussions of business environment, outlook, performance and action plans for the various business segments.

- Board members may request presentations on particular topics and specific facility visits to educate them and update their knowledge as to the Company, its industry and markets, the responsibilities of directorship, and other topics of interest.

- Each director is encouraged to attend educational seminars and conferences to enhance his or her knowledge of the role and responsibilities of directors.

- In each fiscal year, at least one director is required to attend a director education seminar accredited by Institutional Shareholder Services. In fiscal year 2010, two directors attended such accredited seminars.

Alignment with Shareowner Interests

- A portion of director compensation is equity-based and therefore tied to the Company's stock performance. Directors can also elect to receive their cash retainer fees in the form of restricted shares of Common Stock or restricted share units.

- The Compensation Committee and the Board oversee employee compensation programs to assure that they are linked to performance and increasing shareowner value. The Compensation Committee also monitors compliance by Company executives with stock ownership guidelines. (See Compensation Discussion and Analysis below.)

- Senior management meets regularly with major institutional investors and shareowners and reports to the Board on analyst and shareowner views of the Company.

- The Board has adopted stock ownership guidelines for non-employee directors to further the direct correlation of directors' and shareowners' economic interests. Each non-employee director is required to own 26,800 shares of common stock, restricted stock or restricted share units effective the later of (i) five years from the date of his or her initial election to the Board and (ii) five years from the date of adoption of this provision in the Corporate Governance Guidelines (September 15, 2010). All of the directors are currently in compliance with this guideline.

CODE OF ETHICS

All ArvinMeritor employees, including our chief executive officer, chief financial officer, controller and other executive officers, are required to comply with our corporate policies regarding Standards of Business Conduct and Conflicts of Interest. These policies have been in place since the Company was formed in a spin-off from Rockwell International Corporation (“Rockwell”) in 1997. The purpose of these corporate policies is to ensure to the greatest possible extent that our business is conducted in a consistently legal and ethical manner. The Audit Committee has oversight responsibility with respect to compliance by employees. The Board of Directors is also required to comply with these policies, and the Corporate Governance and Nominating Committee is responsible for monitoring compliance by directors.

Employees may submit concerns or complaints regarding ethical issues on a confidential basis to our Helpline, by means of a toll-free telephone call or e-mail. The Office of the General Counsel investigates all concerns and complaints. Employees may also contact the Board of Directors directly on these issues. See Communications with the Board of Directors below.

ArvinMeritor’s ethics manual, including the text of the policies on Standards of Business Conduct and Conflicts of Interest, is posted in the section headed “Investors – Corporate Governance” on our website, www.arvinmeritor.com. We will post on our website any amendment to, or waiver from, a provision of our policies that applies to our chief executive officer, chief financial officer or controller, and that relates to any of the following elements of these policies: honest and ethical conduct; disclosure in reports or documents filed by the Company with the SEC; compliance with applicable laws, rules and regulations; prompt internal reporting of code violations; and accountability for adherence to the policies.

OWNERSHIP BY MANAGEMENT OF EQUITY SECURITIES

The following table shows the beneficial ownership, reported to us as of October 31, 2010, of ArvinMeritor Common Stock of (a) each director, (b) each executive officer listed in the table under Executive Compensation - Summary Compensation Table below and (c) such persons and other executive officers as a group. See Voting Securities above for information on beneficial holders of more than 5% of outstanding ArvinMeritor Common Stock.

Beneficial Ownership as of October 31, 2010

Name	Number of Shares(1) (2) (5)		Percent of Outstanding Common Stock(3)
Joseph B. Anderson, Jr.	28,655	(4)	*
Rhonda L. Brooks	33,779	(4)	*
David W. Devonshire	20,501	(4)	*
Ivor J. Evans	See footnote 8	below	*
Victoria B. Jackson	25,819	(4)	*
James E. Marley	35,529	(4)	*
Charles G. McClure, Jr.	620,819	(4)(6)	*
William R. Newlin	47,250	(4)(7)	*
Steven G. Rothmeier	107,100		*
Jeffrey A. Craig	68,479	(4)	*
Vernon G. Baker, II	263,179	(4)(6)	*
Mary Lehmann	63,849	(4)	*
Carsten J. Reinhardt	79,274	(4)	*
James Donlon	10,639	(6)	*
All of the above and other executive officers as a group (18 persons)	1,509,908	(4)(6)	1.6%

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* Less than one percent.

(1) Each person has sole voting and investment power with respect to the shares listed unless otherwise indicated.

(2) In accordance with Rule 13d-3(d)(1) under the Exchange Act, the number of shares owned includes the following numbers of shares of Common Stock which may be acquired upon exercise of options that were exercisable or would become exercisable within 60 days: 7,500 shares for Mr. Anderson; 9,000 shares for each of Ms. Brooks, Ms. Jackson and Mr. Marley; 0 shares for each of Messrs. Devonshire, Evans and Rothmeier; 2,250 shares for Mr. Newlin; 100,000 shares for Mr. McClure; 153,000 for Mr. Baker; and 0 shares for Messrs. Craig and Reinhardt, respectively; and 338,189 shares for all directors and executive officers as a group.

(3) For purposes of computing the percentage of outstanding shares beneficially owned by each person, the number of shares owned by that person and the number of shares outstanding include shares as to which such person has a right to acquire beneficial ownership within 60 days (for example, through the exercise of stock options, conversions of securities or through various trust arrangements), in accordance with Rule 13d-3(d)(1) under the Exchange Act.

(4) Includes restricted shares of Common Stock awarded under the directors stock plans or the Company's long-term incentive plans, as applicable. Restricted shares are held by the Company until certain conditions are satisfied.

(5) Does not include the following restricted share units granted under the Company's stock plans and held as of October 31, 2010: 13,500 units for each of Mr. Anderson, Ms. Brooks, Mr. Devonshire and Mr. Newlin; 21,460 units for each of Ms. Jackson and Mr. Marley; 26,942 units for Mr. Evans; 28,067 units for Mr. Rothmeier; 112,400 units for each of Mr. Baker and Ms. Lehmann; 188,000 units for Mr. Craig; 564,100 units for Mr. McClure; 225,880 units for Mr. Reinhardt and 1,519,209 units for all directors and executive officers as a group.

(6) Includes shares beneficially owned under the Company's Savings Plans. Does not include 18,794 share equivalents held for Mr. Baker, 170 share equivalents for Ms. Lehmann and 23,090 share equivalents for all directors and executive officers as a group under the Company's supplemental savings plan on October 31, 2010.

(7) Includes 700 shares held in the name of Mr. Newlin's spouse and 6,860 shares held by a trust of which Mr. Newlin's spouse is beneficiary. Mr. Newlin disclaims beneficial ownership of these shares. In addition, includes 3,165 shares which are pledged by Mr. Newlin to partially secure a business line of credit.

(8) Mr. Evans holds his equity interest in the Company in the form of 26,942 restricted share units, which are not included in this table.

EXECUTIVE COMPENSATION

COMPENSATION COMMITTEE REPORT

The Compensation and Management Development Committee has reviewed and discussed with management the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K, and based on such review and discussions, recommended to the Board of Directors that such Compensation Discussion and Analysis be included in this proxy statement.

Compensation and Management Development Committee

William R. Newlin, Chairman

David W. Devonshire

James E. Marley

Steven G. Rothmeier

COMPENSATION DISCUSSION AND ANALYSIS

The purpose of this section of the proxy statement is to provide the information you need to understand our compensation policies and how they relate to the compensation of the Named Executive Officers. The Named Executive Officers are the senior members of management listed or discussed in the detailed compensation tables and other data included in this proxy statement. You should read this section in conjunction with those tables and other data.

Executive Summary

The main components of ArvinMeritor's executive compensation program are annual salary, annual bonus based on earnings and cash flow for the year and long-term incentives consisting of time-based equity coupled with stock ownership requirements and cash for annual performance over a three year plan period. The Compensation Committee believes in a "pay for performance" philosophy under which executives are rewarded for performance against objective standards. Executive compensation should incentivize management to achieve goals aligned with shareowner value, but should not insulate them from the external realities of the business if they do not. ArvinMeritor's executive compensation program in the last two years has been a testimony to this philosophy.

Highlights of Recent Compensation Actions

- Salaries Reduced. Executives took 10% salary reductions from January 1, 2009 through the balance of the fiscal year and suspended the Company match to the savings plan, all as part of rigorous cost cutting measures in response to the global recession.
- No Bonus or Incentive Payments for 2009. No annual bonuses or long-term cash incentive payments were made with respect to fiscal year 2009.
  - ♦ Although the Compensation Committee felt the Company performed well in view of the economic downturn, and responded aggressively and appropriately to the downturn, the Compensation Committee's "pay for performance" philosophy meant that compensation paid (or rather not paid) to the executive officers for 2009 had to reflect the challenging environment.
  - ♦ As a result, the "direct compensation" (base salary, annual incentives and long-term incentives) paid in cash to the Named Executive Officers decreased approximately 50-70% in 2009 from their direct cash compensation in 2008.

- Bonus Targets for 2010 Higher than Annual Operating Plan. For fiscal year 2010, the Compensation Committee established that achievement of 100% of targeted financial measures in the annual operating plan, which historically had resulted in a 100% annual bonus payout, would only result in a minimum bonus achievement of 25%.
  - ♦ This reduction of the amount payable for achieving the annual operating plan reflected the economic conditions present at the beginning of the fiscal 2010 year and the associated low level of targeted earnings.
- Salary Levels Reinstated Only As Conditions Began to Recover. Full executive salaries and the savings plan match were only reinstated in November 2009 as conditions for the business recovered from crisis levels.
- Merit Increases Delayed. No merit increases in base salary were awarded in fiscal year 2009 and when merit increases were reinstated in June 2010, the Named Executive Officers were awarded 3% increases, which is the same level of increases as the general salaried population.
- Company Exceeded Bonus Target for 2010. The Company exceeded annual incentive compensation targets for fiscal year 2010 largely due to the Company's pro-active cost-reduction measures combined with a modest level of industry recovery.
  - ♦ In accordance with the pay for performance compensation philosophy, payment was made under the 2010 Incentive Compensation Plan
- Company Exceeded Threshold for Long Term Incentive Payout in 2010. Despite the effects of the recession in 2008 and 2009, a strong fiscal year 2010 performance resulted in the Company being able to exceed the threshold level for the long term cash performance plan for the three year cycle ended September 30, 2010.
  - ♦ In accordance with the pay for performance compensation philosophy, payment was made under this long term cash performance plan.
- Stock Ownership Requirements Increased. Executive stock ownership requirements were increased in September 2010.
  - ♦ Chief Executive Officer and other Named Executive Officers hold in excess of these increased targets.

Administration of Executive Compensation Program

The Compensation Committee has overall responsibility for executive compensation, including administration of equity compensation plans. (See Board of Directors and Committees above for information on the Compensation Committee's members, charter and meetings in fiscal year 2010.) As part of this responsibility, the Compensation Committee evaluates the performance of the Chief Executive Officer and determines his compensation in light of the goals and objectives of the Company and the executive compensation program.

In discharging its duties, the Compensation Committee retains a compensation consultant (the "consultant"). Through January 2010, the compensation consultant was Hewitt Associates L.L.C. Thereafter, the consultant was Meridian Compensation Partners, LLC (a spin-off of the executive consulting portion of Hewitt Associates L.L.C.). The consultant provides information on current compensation trends, develops competitive market data and provides objective recommendations as to design of the compensation program, including the form and mix of award vehicles and the nature and level of performance criteria and targets. The Compensation Committee directly engages the consultant. Management also retains Hewitt Associates L.L.C. to provide actuarial and administrative services with respect to pensions and retiree medical benefits and selected projects. In fiscal year 2010, Hewitt Associates L.L.C. was paid approximately $42,531 for services relating to executive compensation and approximately $3,361,910 for other services. The decision to engage Hewitt Associates L.L.C. for these other services was made by management and not the Compensation Committee or the Board. After January 2010, only Meridian Compensation Partners, LLC was engaged by the Compensation Committee for services relating to executive compensation and Meridian Compensation Partners, LLC perform no other services for the Company or management.

The Compensation Committee seeks and considers input from senior management in many of its decisions, and the consultant confers and collaborates with senior management in developing its compensation recommendations. Senior management regularly participates in the Committee's activities in the following specific respects:

- The Chief Executive Officer reports to the Compensation Committee with respect to his evaluation of the performance of the Company's senior executives, including the other Named Executive Officers. Together with the Senior Vice President, Human Resources, the Chief Executive Officer makes recommendations as to compensation decisions for these individuals, including base salary levels and the amount and mix of incentive awards.

- The Senior Vice President, Human Resources participates in the development of the compensation program, including formulation of performance objectives and targets for incentive compensation, and oversees its implementation and interpretation, in each case carrying out the direction of the Compensation Committee and the recommendations of the consultant. He also assists the Chairman of the Compensation Committee in developing meeting agenda and oversees preparation and distribution of pre-meeting informational materials on the matters to be considered.

- The Chief Financial Officer is responsible for evaluating the tax, financial and accounting aspects of compensation decisions. He participates in developing financial objectives and targets for performance-based incentive compensation, and oversees calculation of payout and vesting levels, in accordance with plan design and the direction of the Compensation Committee.

Executive Compensation Philosophy and Objectives

The Compensation Committee's compensation philosophy is to "pay for performance." The fundamental objectives of the Company's executive compensation program are: (1) to attract, retain and motivate high caliber of executives necessary for ArvinMeritor's leadership and growth; (2) to recognize company and individual performance through evaluation of each executive's effectiveness in meeting strategic and operating plan goals; and (3) to foster the creation of shareowner value through close alignment of the financial interests of executives with those of ArvinMeritor's shareowners.

The Compensation Committee uses several basic practices and policies to carry out its philosophy and to meet the objectives of ArvinMeritor's executive compensation program:

- Competitive Compensation Packages. In order to attract and retain talented individuals, the Compensation Committee designs total compensation packages to be competitive with those of other companies with which ArvinMeritor competes for talent, using benchmarking studies to determine market levels of compensation, as described below.

- Performance-Based Compensation. A significant portion of each Named Executive Officer's total potential compensation is at risk because it is contingent on achieving strategic and operating plan goals that are intended to improve shareowner return. These goals are established to recognize company performance against specified targets. A significant portion of the target annual compensation of the Named Executive Officers is made up of performance-based compensation, with the remainder comprised of base salary and service-based restricted shares or restricted share units.

- Equity Awards and Stock Ownership Requirements. A significant portion of incentive compensation for executives is comprised of equity and equity-based awards, or is tied to metrics that reward creation of shareowner value, which is intended to align the interests of the Company's executives with those of shareowners. In addition, senior executives are required under the Company's stock ownership guidelines to own a specified number of shares of ArvinMeritor Common Stock, which were increased in September 2010.

Market Analysis and Benchmarking

The Compensation Committee assesses the competitiveness of ArvinMeritor's compensation program, using data and studies compiled and provided by the consultant. The consultant provides a detailed competitive pay study periodically, with limited updates in the intervening years. As part of the assessment process, the Committee compares the amount of each component and the total amount of direct compensation (defined below) for each executive officer with that of other companies in the durable goods manufacturing sector, including companies in the automotive sector, which have executive officer positions comparable to the Company's and with which the Company may compete for talented executives. The peer group for the competitive analysis in fiscal year 2010 included the following 35 companies ("peer group"):

AGCO Corporation
American Axle & Manufacturing Holdings, Inc.
BorgWarner Inc.
Caterpillar Inc.
Cummins Inc.
Dana Holding Corp.
Danaher Corporation
Deere & Company
Delphi Corporation
Donaldson Co Inc.
Dover Corporation
Eaton Corporation
Federal-Mogul Corporation
Federal Signal Corporation
Fleetwood Enterprises, Inc.
Flowserve Corporation
Hayes-Lemmerz International, Inc.
Ingersoll-Rand Company Limited
ITT Corporation
Johnson Controls, Inc.
Joy Global Inc.
Kennametal Inc.
Lear Corporation
Modine Manufacturing Company
Navistar International Corporation
Oshkosh Corp.
PACCAR Inc.
Parker-Hannifin Corporation
Rockwell Automation, Inc.
Sauer-Danfoss Inc.
Tenneco Inc.
Terex Corporation
The Timken Company
TRW Automotive Holdings Corporation
Visteon Corporation

See "Elements of the ArvinMeritor Compensation Program – Overview and Analysis" below for information on how the Compensation Committee uses this peer group data in setting compensation.

The Compensation Committee (or the Board of Directors, as appropriate) may also consider practices at other companies with respect to other elements of compensation, such as perquisites, retirement plans and health and welfare benefits, in assessing the competitiveness and cost effectiveness of the Company's programs. Any such studies are done on a case-by-case basis, as needed, and may use a group of comparator companies identified at the time by the consultant or other advisors.

Elements of the ArvinMeritor Compensation Program

Overview and Analysis

The primary components of ArvinMeritor's executive compensation program are base salary, annual incentives and long-term incentives, referred to herein as "direct compensation". Each of these components, and the relative levels of equity and non-equity compensation that comprise direct compensation, are generally set in relation to competitive market rates among peer group companies, as described above.

- The Compensation Committee approves variations from peer group revenue-adjusted median, or 50th percentile, base salary levels for some individuals based on their responsibilities, experience, expertise and performance. In addition, when recruiting new executives, base salary is often set at a premium above the median of the peer group, in order to attract outstanding candidates.

- The Compensation Committee believes that individuals should have an opportunity to earn above-median rewards for superior performance over the longer term. Therefore, while the Committee looks at the median of the peer group in terms of the target long-term incentive award for each position, it identifies a maximum potential payout for each position that would be significantly above-median. The range of potential payouts on long-term incentives is described below, under the heading "Components – Long-Term Incentives." There is no particular target proportion among these components or between equity and non-equity awards. However, the program contemplates that a significant portion of each executive's direct compensation is performance-based and therefore is at risk. Performance-based awards, whether in the form of equity or non-equity, are tied to achievement of goals that are intended to improve, or reflect improvements in, shareowner value (see the performance-based awards described under the heading "Components" below).

- The Compensation Committee divides executive officers into separate "bands" for the purposes of establishing the levels of annual and long-term incentive awards. A "band" consists of officers in one or more salary grades who are grouped together for incentive compensation purposes and receive the same target incentive awards. These target awards represent a blend of the market rates for the positions within the band. The chief executive officer (Mr. McClure) is in the first band; the chief operating officer (Mr. Reinhardt) is in the second band; the chief financial officer (Mr. Craig) is in the third band; and the general counsel and head of strategy (Mr. Baker and Ms. Lehmann) are in the fourth band. The remaining executive officers are in one or more other bands. One purpose of the salary bands is to equalize incentive opportunities for individuals with similar levels of responsibility, regardless of their salary grades. This practice is intended to improve internal pay equity among the officer group. Considerations of internal pay equity among officers are also factored into the consultant's studies and the market data with respect to direct compensation.

The Committee did not specifically discuss the effect of prior years' compensation in conjunction with setting 2010 compensation. However, the Committee was aware of the potential value of outstanding long-term incentives, including the likelihood of their payout and vesting (based on achievement of performance objectives to date and on levels of payout and vesting of past awards), and this information was also implicit in the overall plan design used by the consultants in making recommendations for 2010 compensation.

In addition to direct compensation, special hiring or retention incentives have been put in place for certain executives, to motivate them to join the Company or to continue their employment. Executive officers also receive health and welfare benefits and are entitled to participate in the Company's defined benefit and defined contribution pension plans and savings plans on substantially the same basis as other employees.

Each component of the executive compensation program is discussed below.

Components

Base Salary. The Compensation Committee generally reviews base salaries for executive officers (including the Named Executive Officers) at the beginning of each fiscal year. Annual salary increases, if any, are based on evaluation of each individual's performance and on his level of pay compared to that for similar positions at peer group companies, as indicated by the consultant's reports and survey data. In recognition of worsening economic conditions, the Compensation Committee did not award any increases in the base salary of Named Executive Officers for fiscal year 2009. On the contrary, in January 2009, the salaries of all executive officers (including the Named Executive Officers) were reduced by 10% as part of the Company's cost-cutting measures, and the Company match under the qualified savings plan was suspended in February 2009. Salaries were not reinstated to their former level until November 1, 2009 and the match was not reinstated until November 16, 2009. The first annual increase in base salaries for executive officers thereafter was effective June 1, 2010 and was set at 3%, the same level of increase for salaried employees in general. The Compensation Committee from time to time also reviews and adjusts base salaries for executive officers at the time of any promotion or change in responsibilities, although in 2009 any such adjustment (including one for Mr. Craig and for Mr. Reinhardt) was delayed until after the pay reduction referenced above was discontinued.

Annual Incentives. The Incentive Compensation Plan, as amended ("ICP"), was approved by the Company's shareowners in January 2010. Under the ICP, executives (including the Named Executive Officers) can earn annual bonuses based on performance against goals established by the Compensation Committee at the beginning of the fiscal year for:

- The Company as a whole, less the body systems business as described below (the "Core Business") or
- The Company's body systems business, which is substantially all that remains of the light vehicle business and which is currently in discontinued operations ("LVS").

Executives working at LVS have their goals tied to LVS only. All other executives (including all of the Named Executive Officers) have their goals tied to the Core Business only.

The annual incentive goals for fiscal year 2010 for the Core Business and for LVS were based on their respective performances by the following two measures, which are defined as set forth below:

Adjusted EBITDA Pre-ICP	=	Adjusted EBITDA (defined as income (loss) before interest, income taxes, depreciation and amortization, loss on sale of receivables, restructuring expenses and asset impairment charges) plus the amount of incentive compensation expense (total incentive compensation expense, which is dependent on eligible compensation targets at year end)
Free cash flow	=	cash flows provided by (used for) operating activities less capital expenditures before ♦ restructuring payments in the case of the Core Business and ♦ factoring and securitization in the case of LVS

These two components (Adjusted EBITDA Pre-ICP and free cash flow) are equally weighted for the purposes of potential annual incentives. The Compensation Committee chose these measures because Adjusted EBITDA and free cash flow are commonly used by the investment community to analyze operating performance and entity valuation and, as such, are factors in the value of shareowners' investment in the Company. The Compensation Committee also established target awards, stated as a percentage of base salary, for key employees, including the Named Executive Officers. Target awards for fiscal year 2010 were 100% of base salary for Mr. McClure; 65% for Messrs. Craig and Reinhardt; and 55% for Mr. Baker and Ms. Lehmann. See the table under the heading Grants of Plan-Based Awards for information on the target, minimum and maximum awards for each Named Executive Officer for fiscal year 2010.

To determine whether bonus awards are paid, performance for the year is measured against specified target levels. Historically, the target for 100% bonus achievement was based on achieving the free cash flow and Adjusted EBITDA defined in the Company's annual operating plan ("AOP"). However, given the economic conditions present at the beginning of the fiscal 2010 year and the associated low level of targeted earnings, the Compensation Committee established that achievement of AOP Adjusted EBITDA Pre-ICP and free cash flow would only result in a minimum bonus achievement of 25%.

Accordingly, for the Core Business, no incentive compensation payment would be made until Adjusted EBITDA Pre-ICP was $191 million and free cash flow was $(22) million and at such levels the incentive compensation would be 25% of target. Once those minimums were reached, the Compensation Committee determined that any incentive compensation for performance above the minimum or threshold should in the current recessionary environment “pay for itself” up to a 100% payment of incentive compensation. Accordingly, for every dollar of performance that exceeds the threshold of $191 million of Adjusted EBITDA Pre-ICP and free cash flow of $(22) million, the incentive compensation pool is increased dollar for dollar up to a 100% payment of incentive compensation. Once 100% of the target incentive compensation is reached by this calculation, any amount by which performance exceeds the target up to the maximum increases the incentive compensation pool on a one-for two basis, or one dollar of incentive compensation for every two dollars of additional Adjusted EBITDA Pre-ICP and free cash flow. An assumption of the total amount of incentive compensation is necessary in order to implement the one-for-one and one-for-two rule. An estimate of this amount was used by the Compensation Committee in initially setting target and maximum Adjusted EBITDA Pre-ICP levels. This estimate was trued up in the final calculation to match the actual incentive compensation amounts based on eligible compensation targets at year end.

The calculation for the LVS incentive compensation payment is similar, except that the amount from threshold to target and from target to maximum is pro rata rather than dollar-for-dollar or dollar-for-two dollars. The minimum Adjusted EBITDA Pre-ICP for LVS was breakeven and the minimum free cash flow was $(40) million. No incentive compensation payment for LVS would be made until Adjusted EBITDA Pre-ICP was breakeven and free cash flow was $(40) million and at such levels the incentive compensation would be 25% of target.

The following charts summarize payout calculations for each portion of the incentive payment:

Core Business Targets

	Adjusted EBITDA Pre-ICP	Payout (% of Target Award)	Free Cash Flow
Maximum	$274 million	200%	$34 million
Target	$214 million	100%	$1 million
Threshold	$191 million	25%	$(22) million

LVS Targets

	Adjusted EBITDA Pre-ICP	Payout (% of Target Award)	Free Cash Flow
Maximum	$20 million	200%	$20 million
Target	$10 million	100%	Breakeven
Threshold	Breakeven	25%	$(40) million

The calculated award for an individual cannot exceed 200% of his target award. However, the Committee has discretion to adjust any award once it is calculated (either upward by up to 50% or downward by up to 100%), or to make an additional award, to reflect individual performance or special achievements. However, any discretionary increase in an award, or special award, to a Named Executive Officer could have tax consequences under Section 162(m) of the Internal Revenue Code of 1986, as amended (the “IRC”), as described below. Under the terms of the Company’s Deferred Compensation Plan, an executive may elect to defer receipt of all or a portion of payouts of his annual incentive bonus. Deferred bonuses accrue interest during the deferral period and are paid out either in a lump sum or in not more than ten annual installments, as elected by the executive, beginning the January after termination of employment.

The Compensation Committee approved annual incentive bonus payouts to the Named Executive Officers, based on a 200% achievement of the above performance objectives, with respect to fiscal year 2010. See the column headed "Non-Equity Incentive Plan Compensation" and the related footnote in the Summary Compensation Table below. Total payouts of annual incentive bonuses for fiscal year 2010, as a percentage of base salary, will be 200% for Mr. McClure, 130% for Messrs. Craig and Reinhardt, and 110% for Mr. Baker and Ms. Lehman.

In addition, the Compensation Committee made a special award of $75,000 to each of Mr. Craig and Mr. Reinhardt for fiscal year 2010 in recognition of special achievements in the fiscal year. These special bonuses are included in the column headed "Bonus" in the table under Summary Compensation Table below. As has been the practice in prior years, the Compensation Committee also provided a pool of $350,000 to be awarded by the Chief Executive Officer to individual employees on the basis of outstanding performance or significant achievements, none of which was allocated to the Named Executive Officers.

Long-Term Incentives

Overview. The Compensation Committee provides long-term incentives to key employees, including the Named Executive Officers, which are tied to various performance or service objectives over three-year cycles. Each year, the Compensation Committee considers the types of award vehicles to be used and the performance or service objectives and targets on which payout of each type of award depends. The Company has used a number of long-term incentive plans for awards in the past, most recently the 2007 Long-Term Incentive Plan (the "2007 LTIP") and the 2010 LTIP. The Company's shareowners approved the 2010 LTIP in January 2010 to govern awards going forward. As insufficient shares remain available under this plan, an amendment to the 2010 LTIP to increase the number of shares available for grant is being proposed for shareowner approval at this annual meeting and the proposed amended and restated 2010 LTIP is attached to this proxy statement as Appendix A.

The Compensation Committee selects the types and mix of awards for long-term incentives each year after reviewing the consultant's report and survey data on peer group compensation, market practices, shares available for grant under the Company's long-term incentive plans, and goals to be achieved. The Compensation Committee has used a combination of two types of awards in the past three years, as described below. One type of award is equity-based and the other is tied to metrics that reward creation of shareowner value, which is intended to align management's interests with those of shareowners.

- Awards under Cash Performance Plans. Historically, when the Compensation Committee establishes a performance plan, it designates a three-year performance period and establishes performance objectives for the plan. Objectives for the 2008-2010 performance period were based on return on invested capital ("ROIC") over that three-year performance period. Beginning in 2009, the global economic recession and uncertainty at the time of setting targets led the Compensation Committee to believe that, although a three year plan continued to be appropriate in order to reward long term incentives, setting a three year performance target would be extremely difficult for the time being. Accordingly, for the 2009–2011 and the 2010-2012 cash performance plans, the Compensation Committee adopted a three year plan with the flexibility of setting separate one-year or two-year targets within the three-year cycle. The targets would be determined at the beginning of the one or two year period, as the case may be. For the 2009 fiscal year, this target continued to be based on ROIC. For the 2010 fiscal year of both the 2009-2011 and the 2010-2012 plans, the Compensation Committee determined to base the target on Adjusted EBITDA (as defined above under Annual Incentives) as a percent of total sales ("EBITDA margin"). ROIC is defined to mean net income (before cumulative effect of accounting changes, gains and losses on sale or disposition of businesses, minority interest, tax-effected interest expense and tax-effected restructuring expense) divided by average invested capital (total debt, including preferred capital securities, minority interests and shareowners' equity) for the applicable period. Consistent with past practice and the adjustments to net income listed in the definition of ROIC, ROIC as calculated also excludes non-cash asset impairment charges. Targeted ROIC or EBITDA margin are believed to correlate to shareholder value and contribute to strong cash flow and debt reduction. Management changed to an EBITDA margin target during 2010 to simplify the internal reporting and provide a stronger linkage to the targeted performance of operational personnel. Each of these respective performance measures was a key corporate focus at the respective time, and was communicated to investors and analysts on a regular basis.

  The Compensation Committee also establishes target awards, stated as dollar amounts, for each of the Named Executive Officers under each performance cycle. Participants can earn awards at the end of the three-year performance period, which may vary from 0% to 200% of target awards (0% to 300% for the 2010-2012 cycle), based on actual performance against specified levels. No awards under this plan may be earned unless the threshold for payout over the period is met as set forth below. For the 2008-2010 and 2009-2011 cycles, the award payments are further multiplied by the percentage change in the price of ArvinMeritor Common Stock over the three-year performance period, which may increase the payment finally awarded up to a maximum of 200% of the original amount or reduce it down to a minimum of 50% of the original amount. This attempts to further tie payments to stock price appreciation. Although there is no stock multiplier for the 2010 fiscal year of the 2010-2012 cycle, there are additional opportunities, depending on actual performance, to earn up to 300% of targets. No earnings are accrued or paid on these awards. At the discretion of the Compensation Committee, payments may be made wholly or partly by delivering shares of Common Stock valued at the fair market value on the last trading day of the week preceding the day the Compensation Committee determines to make payments in the form of shares.

The threshold for payout of the 2008-2010 cycle under the long-term incentive cash performance plan was met and a payout was made for this performance cycle. See Fiscal Year 2010 Long-term Incentive Payouts below. The targets and potential payouts were as follows:

2008 – 2010 Performance Period

	ROIC over Performance Period ending September 30, 2010	% of Award Earned and Paid Out	Range of Possible Percentages Earned After Giving Effect to Stock Price Multiplier
Threshold for Payout	8%	50%	25 – 100%
Target Payout	10.5%	100%	50 – 200%
Maximum Payout	13% or higher	200%	100 –400%

For cycles in progress for which it is still possible to earn an award, the following charts summarize the potential payouts at different levels of performance of the applicable objective:

2009 – 2011 Performance Period

For 2009:

	ROIC for Fiscal Year 2009	% of Award Earned and Paid Out	Range of Possible Percentages Earned After Giving Effect to Stock Price Multiplier
Threshold for Payout	3.5%	50%	25 – 100%
Target Payout	5%	100%	50 – 200%
Maximum Payout	6.5% or higher	200%	100 –400%

For 2010: