AMERICAN AXLE & MANUFACTURING HOLDINGS INC
Form DEF 14A
March 22, 2007

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

SCHEDULE 14A

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

Filed by the Registrant þ
Filed by a Party other than the Registrant o

Check the appropriate box:

o Preliminary Proxy Statement
o **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
þ Definitive Proxy Statement
o Definitive Additional Materials
o Soliciting Material Pursuant to §240.14a-12

American Axle & Manufacturing Holdings, Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

þ No fee required.
o Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

1) Title of each class of securities to which transaction applies:

2) Aggregate number of securities to which transaction applies:

3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

4) Proposed maximum aggregate value of transaction:

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1) Amount Previously Paid:

2) Form, Schedule or Registration Statement No.:

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4) Date Filed:

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One Dauch Drive
Detroit, Michigan 48211-1198
www.aam.com

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

April 26, 2007

American Axle & Manufacturing Holdings, Inc. (AAM)

Time and Date	3:00 p.m., local time, Thursday, April 26, 2007
Place	AAM World Headquarters Auditorium, One Dauch Drive, Detroit, Michigan
Items of Business	(1) Elect three members of the Board of Directors to serve until the Annual Meeting of Stockholders in 2010; (2) Ratify the appointment of Deloitte & Touche LLP as AAM s independent registered public accounting firm for the year ending December 31, 2007; and (3) Attend to other business properly presented at the meeting.
Record Date	You may vote if you were an AAM stockholder (NYSE: AXL) at the close of business on March 1, 2007.
Meeting Admission	Admission may be limited to AAM stockholders as of the record date and holders of valid proxies. Please be prepared to present identification for admittance. Stockholders holding stock in brokerage accounts will need to bring a copy of a brokerage statement reflecting stock ownership as of the record date. Cameras and recording devices will not be permitted.
Voting	Your vote is very important. To be sure that your shares are properly represented at the meeting, please vote by using the telephone, the Internet, or by signing, dating and returning the enclosed proxy card in the pre-addressed envelope provided. See *Questions and Answers about Voting and the Annual Meeting* in the proxy statement and the proxy card for further information.

By Order of the Board of Directors,

Patrick S. Lancaster
Vice President, Chief Administrative Officer & Secretary
March 22, 2007

Along with the proxy statement and proxy card, we are sending you our 2006 Annual Report to Stockholders, which includes our audited, consolidated financial statements and other information that we encourage you to read. Mailing of these materials to our stockholders began on March 22, 2007.

2007 ANNUAL MEETING OF STOCKHOLDERS

PROXY STATEMENT

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PROXY STATEMENT

Annual Meeting of Stockholders
To Be Held April 26, 2007

QUESTIONS AND ANSWERS ABOUT VOTING AND THE ANNUAL MEETING

Why am I receiving this proxy statement?

The Board of Directors of American Axle & Manufacturing Holdings, Inc. (AAM or the Company) is soliciting proxies for the 2007 annual meeting of stockholders. You are receiving a proxy statement because you owned shares of AAM common stock on March 1, 2007 (record date), which entitles you to vote at the meeting. By use of a proxy, you can vote whether or not you attend the meeting. This proxy statement describes the matters on which we would like you to vote and provides related information so that you can make an informed decision.

What if I receive more than one proxy card?

Each proxy card represents shares held on the record date. You will receive multiple proxy cards if you hold your shares in different ways (e.g., trusts, AAM 401(k) plans, custodial accounts, joint tenancy) or in multiple accounts. If your shares are held in street name by a broker, bank, trustee or other custodian, follow the instructions on the proxy card(s) they provide. Vote the shares represented by each proxy card you receive.

What is the difference between holder of record and street name holder?

These terms describe how your shares are held. You are a holder of record if your shares are held directly in your name with AAM s transfer agent, Computershare Trust Company, N.A. If your shares are held in the name of a broker, bank, trustee or other record holder, or through one of the AAM 401(k) plans, you are a street name holder.

How do I vote my shares?

If you are a holder of record, you may vote in *person* at the annual meeting or by *proxy*:

By mail. Complete, sign, date and return your proxy card in the envelope provided.
By telephone. Call the toll free number shown on the enclosed proxy card.
By Internet. Use the website of Computershare Trust Company, N.A. at the website address shown on the enclosed proxy card.

If you hold shares in street name, refer to the instructions provided by your broker, bank, trustee or other record holder for voting your shares by proxy. To vote these shares in person at the annual meeting, you must obtain a proxy from your broker, bank, trustee or other record holder.

How many shares may vote at the meeting?

As of March 1, 2007, we had 52,096,286 shares of common stock outstanding and entitled to vote. A holder of common stock on the record date is entitled to one vote per share owned. Under AAM s by-laws, a majority of these shares must be present in person or by proxy to hold the annual meeting.

Can I change my vote?

You may change your vote at any time before the annual meeting by:

revoking it by written notice to AAM s Secretary at the address on the cover of this proxy statement;

voting in person at the annual meeting; or
delivering a later-dated proxy vote by mail, telephone or the Internet.

What are the Board s recommendations on how I should vote my shares?

The Board recommends that you vote your shares as follows:

Proposal 1	**FOR** the election of all three nominees with terms expiring at the 2010 annual meeting of stockholders.
Proposal 2	**FOR** the ratification of the appointment of Deloitte & Touche LLP as the Company s independent registered public accounting firm (independent auditors) for the year ending December 31, 2007.

What are my choices when voting?

Proposal 1	You may vote for or withhold your vote on one or more of the nominees.
Proposal 2	You may vote for or against the proposal, or you may abstain from voting your shares.

What vote is required to approve each proposal?

Proposal 1	Requires a plurality of the votes cast to elect a director (i.e., the three nominees receiving the greatest number of shares voted in person or by proxy will be elected).
Proposal 2	Requires the affirmative vote of a majority of the shares voted in person or by proxy.

Votes withheld and abstentions will be counted as present for purposes of determining whether a majority of shares is present to hold the annual meeting. Abstentions will not be counted in the tally of votes for or against a proposal. A withheld vote has the same effect as an abstention.

How will the votes be counted?

Representatives of Computershare Trust Company, N.A. will count the votes and serve as our inspector of election. The inspector of election will attend the annual meeting.

What if I do not vote and do not attend the annual meeting?

If you are a holder of record and you do not vote your shares, your shares will not be voted. If you sign your proxy card without giving specific instructions, your shares will be voted as the Board recommends.

If you hold shares in street name and you do not give your broker, bank, trustee or other record holder specific voting instructions, the rules of the New York Stock Exchange (NYSE) permit your record holder to vote your shares on both proposals at its discretion.

If you do not give your record holder specific voting instructions and your record holder does not vote, the votes will be *broker non-votes.* Broker non-votes will have *no effect* on the outcome of the election of directors and the other proposal. Broker non-votes will be counted as present for purposes of determining whether enough votes are present to hold the annual meeting.

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PROPOSAL 1: ELECTION OF DIRECTORS

AAM s Board is divided into three classes with three of the directors standing for election each year. The term for directors elected this year will expire at the annual meeting of stockholders in 2010. Each of the nominees below has agreed to serve that term. If any nominee becomes unavailable prior to the annual meeting to serve as a director, the Board may select a replacement nominee or reduce the number of directors to be elected.

The Board proposes that nominees John A. Casesa, Elizabeth A. (Beth) Chappell and Dr. Henry T. Yang be elected to the Board for terms expiring in 2010. The Board unanimously approved these nominations based on the outstanding achievements, special competencies and integrity of each nominee. A biographical summary of the principal occupation, professional background and experience of each nominee and returning director is provided.

Your Board recommends a vote FOR each of the nominees.

Nominees for Director

JOHN A. CASESA
Age 44
John A. Casesa has served as Managing Partner of the Casesa Shapiro Group LLC since 2006. The Group makes actively-managed investments in targeted segments of the automotive industry and provides advisory services to corporate clients. Mr. Casesa served as Global Coordinator for Automotive Research and Managing Director at Merrill Lynch & Co. from 1999 to 2006. Previously, Mr. Casesa was a Managing Director and a member of the Investment Committee at the investment bank Wertheim Schroder & Co. He also served on the Marketing and Product Planning staff of General Motors. As one of Wall Street s leading automotive analysts, Mr. Casesa has addressed numerous automotive industry conferences including the University of Michigan s Management Briefing Seminars, the SAE Global Product Development Conference and the *Automotive News* World Congress. He is a past member of the Financial Accounting Standards Board User Advisor Council, the New York Stock Exchange Research Analyst Qualification Exam Committee and is a past president of the Automotive Analysts of New York.

ELIZABETH A. CHAPPELL — Director since 2004
Age 49
Elizabeth A. (Beth) Chappell has served as President and Chief Executive Officer of the Detroit Economic Club since 2002. Previously, she served as Executive Vice President, Corporate Communications & Investor Relations for Compuware Corporation. From 1995 to 2000, Ms. Chappell was President and Chief Executive Officer of a consulting firm she founded, The Chappell Group, Inc. For 16 years, Ms. Chappell held executive positions at AT&T. Since 1999, Ms. Chappell has served on the Board of Directors of the Handleman Company. She also serves on a number of civic boards, including Brother Rice High School, Citizens Research Council, Detroit Regional Chamber, Airport Authority-Citizen s Review Council, United Way Tocqueville Committee and Michigan Economic Development Corporation. Ms. Chappell is a former board member of the Karmanos Cancer Institute, Michigan Economic Growth Authority and Hospice of Michigan.

DR. HENRY T. YANG — Director since 2004
Age 66
Dr. Henry T. Yang is the Chancellor at the University of California, Santa Barbara, where he also serves as professor of mechanical engineering. Formerly the Dean of Engineering and Neil Armstrong Distinguished Professor in Aerospace Engineering at Purdue

University, Dr. Yang is a nationally recognized expert in automotive and aerospace engineering. He holds a Ph.D. degree in engineering from Cornell University as well as four honorary doctorates. He is a member of the National Academy of Engineering. He is an active member of the Executive Committee of the American Association of Universities, the Steering Committee of the Association of Pacific Rim Universities and the Board of Trustees of University Research Association.

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Returning Directors

Directors to hold office until 2008 Annual Meeting of Stockholders

RICHARD E. DAUCH Director since 1994

Age 64

Richard E. Dauch is Co-Founder, Chairman of the Board & Chief Executive Officer of AAM, and is also Chairman of the Executive Committee of the Board of Directors. He has been Chief Executive Officer and a member of the Board of Directors since the Company began operations in March 1994. In October 1997, he was named Chairman of the Board of Directors. He was also President of AAM from March 1994 through December 2000. Prior to March 1994, he spent 12 years at Chrysler Corporation, where he established the just-in-time materials management system and the three-shift manufacturing vehicle assembly process. He is a retired officer from the Chrysler Corporation. Mr. Dauch s last position at Chrysler, in 1991, was Executive Vice President of Worldwide Manufacturing. Mr. Dauch also served as Group Vice President of Volkswagen of America, where he established the manufacturing facilities and organization for the successful launch of the first major automotive transplant in the United States. Mr. Dauch has more than 41 years of experience in the automotive industry. Mr. Dauch has been named the 1996 Worldwide Automotive Industry Leader of the Year by the Automotive Hall of Fame, the 1997 Manufacturer of the Year by the Michigan Manufacturers Association and the 1999 Michiganian of the Year by *The Detroit News.* In 2003, he received the Harvard Business School of Michigan Business Statesman Award, the Ernst & Young Entrepreneur of the Year Award and the Northwood University Outstanding Business Leader Award. Mr. Dauch currently serves as Honorary Vice Chairman of the National Association of Manufacturers (N.A.M.), where he previously served as Chairman. He has lectured extensively on the subject of manufacturing and authored the book, *Passion for Manufacturing*, which is distributed in colleges and universities globally and in several languages.

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WILLIAM P. MILLER II
Age 51

Director since 2005

William P. Miller II has served as the Senior Investment Officer, Fund Management for the Ohio Public Employees Retirement System since August 2005. Previously, he served as Senior Risk Manager for the Abu Dhabi Investment Authority from April 2003. Mr. Miller was a risk management advisor for the Rockefeller Foundation, a non-profit foundation and an advisor to Africa Global from June 2002 to April 2003. From September 1996 to May 2002, he served as Senior Vice President and Independent Risk Oversight Officer for Commonfund Group, an investment management firm for educational institutions. Mr. Miller previously served as Director, Trading Operations and Asset Mix Management with General Motors Investment Management Corp. (having also held positions in treasury and engineering since 1974) and as a Financial Analyst with the U.S. Department of Transportation. Mr. Miller is a director of the Chicago Mercantile Exchange and a director of the BTOP50 Managed Futures family of funds. He is a member of the advisory board for the Kent State University Master of Science in Financial Engineering program and the Investment Risk Committee of the International Association of Financial Engineers. Until recently, Mr. Miller was a member of the Financial Accounting Standards Board s User Advisory Council and a director of the Dubai International Financial Exchange. Mr. Miller is a chartered financial analyst and member of the Institute of Chartered Financial Analysts.

LARRY K. SWITZER
Age 63

Director since 2005

Larry K. Switzer retired as Chief Executive Officer of DANKA PLC, London, England, a global independent distributor of office equipment, in 2000. From 1994 to 1998, Mr. Switzer was Senior Executive Vice President and Chief Financial Officer of Fruit of the Loom, Inc. Previously, he served as Executive Vice President and Chief Financial Officer for Alco Standard Corporation and, from 1989 to 1992, Senior Vice President and Chief Financial Officer for S.C. Johnson & Son, Inc. Mr. Switzer has also held senior executive positions at Bendix Corp., White Motor Corp. and Gencorp.

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Directors to hold office until 2009 Annual Meeting of Stockholders

FOREST J. FARMER Age 66 Forest J. Farmer has served as Chairman of the Board, Chief Executive Officer & President of The Farmer Group, a holding company for four technology and manufacturing corporations, since 1998. Mr. Farmer is the President of Trillium Teamologies, an IT solutions provider located in Royal Oak, Michigan, and is Chairman of the Board & Chief Executive Officer of Enerflex Solutions LLC. Enerflex is a joint venture between The Farmer Group and the Woodbridge Corporation of Woodbridge, Ontario, Canada. In 1994, he retired from Chrysler Corporation after 26 years of service, which included six years as President of its Acustar automotive parts subsidiary. Mr. Farmer serves on the Boards of Directors of a number of corporations and organizations, including The Lubrizol Corporation, St. John s Hospital System and Saturn Electronics Corporation.	Director since 1999
RICHARD C. LAPPIN Age 62 Richard C. Lappin retired in 2004 as Chairman of the Board of Haynes International, Inc. Previously, he served as Senior Managing Director of The Blackstone Group L.P., where he was a member of the Private Equity Group from 1998 to 2002. He also helped monitor the operations of Blackstone Capital Partners portfolio companies and evaluated business strategy options. From 1989 to 1998, Mr. Lappin served as President of Farley Industries, which included West Point-Pepperell, Inc., Acme Boot Company, Inc., Tool and Engineering, Inc., Magnus Metals, Inc. and Fruit of the Loom, Inc. He also served as President and Chief Executive Officer of Doehler-Jarvis and Southern Fastening Systems, and he has held senior executive positions with Champion Spark Plug Company and RTE Corporation. Since 1999, Mr. Lappin has served on the Board of Directors of Clark, Inc. (Clark Consulting).	Director since 1999
THOMAS K. WALKER Age 66 Thomas K. Walker is Chairman of the Board & Chief Executive Officer of Lackawanna Acquisition Corporation and is the former President of Amcast Automotive, where from 1995 to 1999 he directed all activities for the $300 million automotive group. Previously, he held senior executive positions with ITT Automotive and Allied-Signal Automotive Catalyst Co. He also served in various manufacturing and engineering leadership positions with Volkswagen of America and with General Motors Corporation, where he began his 40-year career in the automotive industry. Mr. Walker serves on the National Advisory Board for Michigan Technological University.	Director since 1999

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CORPORATE GOVERNANCE

Corporate Governance Guidelines

The Board has adopted Corporate Governance Guidelines that meet or exceed the requirements of the NYSE listing standards. AAM s Corporate Governance Guidelines are available on our website at www.aam.com.

Board Structure and Self-Evaluation

The Board has nine members and is equally divided into three classes. Directors serve for staggered three-year terms. The Board believes that the staggered election of directors helps to maintain continuity and ensures that a majority of directors at any given time will have in-depth knowledge of the Company. The Board and the Audit Committee, Compensation Committee and Nominating/Corporate Governance Committee each conduct an annual self-evaluation in order to monitor and continuously improve the effectiveness of the Board and its committees.

Director Independence

AAM s Corporate Governance Guidelines provide that at least a majority of the members of the Board and each member of the Audit Committee, Compensation Committee and Nominating/Corporate Governance Committee meet the independence criteria of the NYSE listing standards. In addition, the Board has established Director Independence Guidelines to assist in determining the independence of our directors. No director qualifies as independent unless the Board determines that the director has no direct or indirect material relationship with the Company. The Board considers all relevant facts and circumstances of which it is aware in making an independence determination. The Director Independence Guidelines are included in AAM s Corporate Governance Guidelines, which are available on our website at www.aam.com.

Based on the independence criteria of the NYSE listing standards and our Director Independence Guidelines, the Board affirmatively determined in February 2006 that each of the following directors are independent: Elizabeth A. (Beth) Chappell, Forest J. Farmer, Richard C. Lappin, William P. Miller II, Larry K. Switzer, Thomas K. Walker and Dr. Henry T. Yang. None of the directors who qualify as independent has a business, financial, family or other type of relationship with AAM (other than as a director and stockholder of AAM), except for one relationship that is immaterial under the independence standards. One director had a relationship with an entity that was reviewed by the Board under the Company s categorical independence standard and the NYSE listing standard covering payments for properties or services exceeding the greater of $1 million or two percent of the annual consolidated gross revenues of the outside entity. In this instance, the director is an officer of a non-profit organization that received sponsorship fees from AAM that were significantly less than the NYSE listing standard or the Company s categorical standard. The Board determined that the relationship was immaterial and does not impair the director s independence.

In February 2007, applying the same standards, the Board determined that director nominee John A. Casesa is also independent from the Company. If all nominees are elected by our stockholders at the 2007 annual meeting, AAM s nine-member Board will have eight independent directors.

The Co-Founder, Chairman of the Board & CEO, Richard E. Dauch, an AAM employee, and B.G. Mathis, who is related to an AAM executive, are not independent from the Company.

Executive Sessions of Non-Management and Independent Directors

Non-management directors meet in executive session without AAM management present at the end of each scheduled Board meeting. Independent directors meet in executive session without AAM management present at least once each year. Thomas K. Walker, an independent director, has been selected by the Board to preside at each executive session.

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Stockholder Communication with the Board

Stockholders or other interested parties may communicate with the Board through the Secretary of AAM by mail at One Dauch Drive, Detroit, Michigan 48211-1198 or by e-mail at AAMBoardofDirectors@aam.com.

The Board has instructed the Secretary to review all such communications and to exercise his discretion not to forward to the Board correspondence that is inappropriate such as business solicitations, frivolous communications and advertising, routine business matters and personal grievances. However, any director may at any time request the Secretary to forward any communications received by the Secretary but not forwarded to the directors.

Code of Business Conduct

AAM has adopted a Code of Business Conduct that is designed to assist all AAM associates, executive officers and members of the Board in conducting AAM s business with the highest standards of ethics and integrity. Included in the Code of Business Conduct is a Code of Ethics for AAM s CEO, CFO, CAO and other senior financial officers. The Board annually reviews the Code of Business Conduct, which is available on our website at www.aam.com. A copy also may be obtained by any stockholder upon request to the AAM Investor Relations Department.

Related Person Transactions Policy

In October 2006, the Board adopted a written policy containing procedures for the review, approval and monitoring of transactions involving AAM and related persons as defined in the policy. This policy supplements AAM s other conflict of interest policies as set forth in AAM s Code of Business Conduct. The Board has delegated to the Audit Committee the responsibility for reviewing and approving all related person transactions in accordance with the policy.

Transactions covered by the policy include any financial transaction, arrangement or relationship or series of similar transactions, arrangements or relationships in which:

- AAM is or is expected to be a participant;
- the amount involved exceeds $100,000; and
- a related person has or will have a direct or indirect material interest.

A transaction between AAM and a related person is not subject to this policy if the transaction:

- is available to all employees generally;
- involves less than $5,000 when aggregated with all similar transactions; or
- involves compensation of an executive officer that is approved by the Compensation Committee.

A related person includes directors and executive officers and their immediate family members, stockholders owning more than five percent of the Company s outstanding common stock as of the last completed fiscal year, and any entity owned or controlled by any one of these persons.

A related person transaction will be permitted only if the transaction is approved by the Audit Committee and is on terms comparable to those available to unrelated third parties. Any related person transaction involving a member of the Audit Committee must be presented to disinterested members of the full Board for review.

In considering a transaction, the Audit Committee and/or the Board may consider the following factors, as applicable:

the Company s business reasons for entering into the transaction;
the alternatives to entering into a related person transaction;
the potential for the transaction to lead to an actual or apparent conflict of interest and any safeguards imposed to prevent such actual or apparent conflicts;

the extent of the related person s interest in the transaction; and
the transaction is in the best interests of AAM.

Every director and executive officer is required to report any existing or contemplated related person transaction to AAM s Vice President, Chief Administrative Officer & Secretary for presentation to the Audit Committee.

Richard E. Dauch s son, Richard F. Dauch, is Executive Vice President Worldwide Manufacturing of AAM. Richard F. Dauch earned $417,700 in base salary and annual bonus in 2006. His compensation was approved by the Compensation Committee. B.G. Mathis son, Robert W. Mathis, is Director Human Resource Operations at AAM. Robert W. Mathis earned $163,319 in base salary and annual bonus in 2006. As of the date of the Proxy Statement, no other existing or contemplated related person transactions have been brought to the attention of the Secretary, the Audit Committee or the Board.

Board Committee Composition

The Board held four regularly scheduled meetings and two special meetings during 2006. Directors are expected to attend all Board meetings, meetings of the committees on which they serve and stockholder meetings. During 2006, all directors attended 100 percent of the meetings of the Board and the committees on which they served. All directors attended the 2006 annual meeting of stockholders. The following table shows the Board committee membership and the number of committee meetings held during 2006.

Committee Membership in 2006

Name of Director	Audit Committee	Compen-sation Committee	Nominating/ Corporate Governance Committee	Executive Committee	Technology Committee
Richard E. Dauch				Chairman	
Elizabeth A. Chappell		X			
Forest J. Farmer		Chairman	X	X	
Richard C. Lappin	X		Chairman		X
B.G. Mathis					
William P. Miller II	X				X
Larry K. Switzer	X				
Thomas K. Walker	Chairman	X	X	X	X
Dr. Henry T. Yang					Chairman
Number of Meetings in 2006	5	4	4	1	4

Audit Committee

The Audit Committee provides assistance to the Board with respect to: the quality and integrity of our financial statements, our compliance with legal and regulatory requirements, our independent auditors qualifications and independence, and the performance of our internal audit function and independent auditors. The Audit Committee operates under a written charter that was amended and

restated in October 2006. The Audit Committee Charter is attached as Appendix A and is available on AAM s website at www.aam.com.

During 2006, Mr. Walker served as Chairman and Mr. Lappin, Mr. Miller and Mr. Switzer served as members of the Audit Committee. In February 2007, the Board appointed Mr. Miller as Chairman of the Audit Committee and appointed Mr. Switzer and Mr. Walker to continue to serve on the Audit Committee in 2007.

Of the current members of the Audit Committee, Mr. Miller and Mr. Switzer, both of whom are independent directors, qualify as audit committee financial experts as defined by SEC rules. The Board made a qualitative assessment of Mr. Miller s and Mr. Switzer s knowledge and experience based on a number of factors. For Mr. Miller, the Board considered, among other things, his current activities as Senior Investment Officer, Fund Management for the Ohio Public Employees Retirement System, and his board service on the Chicago Mercantile Exchange and the BTOP50 Managed Futures family of funds. For Mr. Switzer, the Board considered, among other things, his experience as a chief financial officer of Fruit of the Loom, Inc., Alco Standard Corporation and S.C. Johnson & Son, Inc.

Compensation Committee

The Compensation Committee is responsible for the following:

- establishing and reviewing AAM s compensation philosophy and programs with respect to our executive officers;
- approving executive officer compensation with a view to support AAM s business strategies and objectives;
- recommending to the Board the approval, amendment and termination of incentive compensation and equity-based plans and certain other compensation matters, including director compensation;
- overseeing the preparation of the Compensation Discussion and Analysis for inclusion in our annual proxy statement or annual report filed on Form 10-K; and
- producing the Compensation Committee Report for inclusion in our annual proxy statement or annual report filed on Form 10-K.

The Compensation Committee periodically reviews the compensation of our executive officers and, in the course of its determinations as to appropriate levels of compensation, considers the CEO s recommendations based on each executive officer s individual responsibility, performance and overall contribution. See *Determining Compensation* in the *Compensation Discussion and Analysis* below.

The Compensation Committee has delegated to its Chairman the authority, between Compensation Committee meetings, to grant equity awards to newly hired executives upon the recommendation of the CEO and the Vice President Human Resources. The Chairman s authority is limited to equity awards that are within the ranges previously established by the Compensation Committee. All equity awards approved under this procedure must be presented to the Compensation Committee at its next regularly scheduled meeting.

The Compensation Committee operates under a written charter that was amended and restated in October 2006 and is available on our website at www.aam.com.

The Compensation Committee has selected Towers Perrin as its independent compensation consultant to advise the Compensation Committee on matters related to director and executive officer compensation and compensation programs for other AAM executives. During 2006, Towers Perrin provided advice with respect to compensation of non-employee directors, including a review of equity awards and stock ownership guidelines for directors.

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Nominating/Corporate Governance Committee

The Nominating/Corporate Governance Committee s primary responsibilities are to:

- identify qualified individuals to serve on the Board;
- review our Corporate Governance Guidelines and Code of Business Conduct and recommend changes as appropriate; and
- oversee and approve the process for succession planning for the CEO and other executive officers.

The Nominating/Corporate Governance Committee operates under a written charter that is available on our website at www.aam.com. Mr. Lappin served as Chairman of the Nominating/Corporate Governance Committee during 2006. In February 2007, the Board appointed Mr. Walker as Chairman of the Nominating/Corporate Governance Committee.

Selection Process for Director Nominees. In consultation with the Co-Founder, Chairman & CEO, the Nominating/Corporate Governance Committee identifies, evaluates and recommends potential candidates for membership on the Board. The Nominating/Corporate Governance Committee conducts all necessary and appropriate inquiries into the backgrounds and qualifications of the candidates and considers questions of independence and possible conflicts of interest. Based on the Nominating/Corporate Governance Committee s evaluation, it recommends those candidates who meet the Board s criteria for further consideration and interviews by the Nominating/Corporate Governance Committee and other directors. The Nominating/Corporate Governance Committee then submits its recommended nominees to the Board for approval and nomination.

Before the Board nominates an incumbent director for re-election by our stockholders, the incumbent director may be evaluated by the Nominating/Corporate Governance Committee and/or the Board. This evaluation is based on, among other things, the incumbent director s meeting attendance record and contributions to the activities of the Board.

The Nominating/Corporate Governance Committee considers recommendations of potential candidates from Board members, our CEO and our stockholders. Mr. R.E. Dauch recommended current nominee John A. Casesa for consideration by the Nominating/Corporate Governance Committee and the Board based upon Mr. Casesa s knowledge of and experience in the automotive industry.

Director Qualifications. AAM s Corporate Governance Guidelines provide the qualifications for Board membership. Candidates for director nominees to the AAM Board are reviewed in consideration of the current composition of the Board, the operating requirements of the Company and the interests of stockholders. Although specific qualifications may vary from time to time, desired qualities and characteristics include:

- high ethical character and shared values with AAM;
- loyalty to AAM and concern for its success and welfare;
- high-level leadership experience and achievement at a policy-making level in business or in educational or professional activities;
- knowledge of issues affecting AAM;
- the ability to contribute special competencies to Board activities, such as financial, technical, international business or other expertise, or industry knowledge;
- willingness to apply sound, independent business judgment;
- awareness of a director s vital role in AAM s good corporate citizenship and corporate image; and
- sufficient time and availability to effectively carry out a director s duties.

For director candidates recommended by stockholders, the Nominating/Corporate Governance Committee follows the procedures described below in *Other Matters, Stockholder Proposals for 2008 Annual Meeting*. The Nominating/Corporate Governance Committee will evaluate candidates recommended by stockholders using substantially the same criteria as it uses in evaluating director candidates recommended by our Board members or CEO.

Executive Committee

The Executive Committee exercises the authority of the Board during the intervals between Board meetings and does not meet on a regular basis. Its members are identified in the *Committee Membership in 2006* table above.

Technology Committee

The Technology Committee oversees and provides advice to AAM regarding AAM s product, process and systems technology. Its members are identified in the *Committee Membership in 2006* table above.

COMPENSATION OF EXECUTIVE OFFICERS

Compensation Discussion and Analysis

Background

AAM s success is dependent on our ability to compete in the highly competitive global automotive industry. In 2006, we made significant adjustments in our business to address the unprecedented structural change occurring in the domestic automotive industry, including the continuing market share erosion of our major customers. We took actions to realign and resize our production capacity and cost structure to meet current and projected operational and market requirements. We took steps to reduce our workforce, redeploy machinery and equipment and rationalize our U.S. production capacity. We also constructed new manufacturing facilities in China and Poland and continued to expand operations in Mexico and Brazil. The costs associated with these restructuring actions had a significant impact on our 2006 consolidated financial performance. We incurred special charges and recognized asset impairments as a result of these actions. We believe these actions position us for future growth in the global automotive industry.

A description of industry trends and competition and our restructuring actions and special charges is included in our 2006 Annual Report on Form 10-K filed with the SEC on February 21, 2007.

Leadership

Our ability to compete in the highly competitive global automotive marketplace is dependent on the effectiveness of our leadership team. Our leaders are responsible for driving the level of corporate and individual performance required to succeed in a competitive environment that places new demands on our ingenuity, innovation and resourcefulness each and every workday. They must continue to make proactive, often difficult decisions and provide direction during these challenging times.

The Compensation Committee and the Board believe that AAM s experienced and well-regarded management team is essential to AAM s success. AAM s Co-Founder, Chairman & CEO, Richard E. Dauch, has more than 41 years of automotive experience and is a recognized leader in the industry. The four other executive officers listed in the *Summary Compensation Table* (named executives) have held progressively more responsible positions with the Company and have demonstrated their dedication and commitment to AAM. The same can be said of all our executive officers.

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Structural Change

As with many aspects of our business, AAM s compensation and benefit programs for U.S. salaried associates, including executive officers, are undergoing significant change. During 2006, we implemented the following changes with the approval of the Compensation Committee and the Board:

- Amended AAM s U.S. salaried defined benefit pension plans (including the Supplemental Executive Retirement Plan (SERP)) to transition to a defined contribution approach for all our salaried retirement programs;
- Increased the maximum Company match to the defined contribution, or 401(k), plan for eligible U.S. salaried associates; and
- Reduced or eliminated other postretiree benefits for U.S. salaried associates, including certain named executives, subject to grandfather provisions.

These changes were implemented to reduce AAM s structural costs and to align our compensation and benefit programs with the competitive conditions of the global automotive marketplace. These and other restructuring actions generally impact our entire workforce, including executive officers, who are being asked to overcome the challenges facing our Company in a highly competitive industry environment. We may adjust our compensation programs as we restructure, resize and strive to profitably grow our global business.

Executive Compensation Objectives

Our executive compensation programs reflect our results-oriented corporate culture that rewards achievement of aggressive goals. Our compensation program for executive officers is designed to attract, retain, motivate and reward talented executives who will advance our strategic, operational and financial objectives and thereby enhance stockholder value.

The following principles are considered in setting compensation programs and pay levels:

Compensation and benefit programs offered by AAM should appropriately reflect the size and financial resources of our Company in order to maintain long-term viability. These programs should be increasingly market-based (rather than legacy) and competitive, without limiting our ability to adequately invest in our business. This approach supports our efforts to maintain a viable and sustainable global enterprise for the future as we develop and expand our global footprint.

Compensation should reward Company and individual performance. Our programs should strive to deliver competitive compensation for exceptional individual and Company performance as compared to companies in our competitor peer group[1] and others with whom we compete for executive talent.

Compensation of executive officers should be predominately performance-based. As associates progress to higher levels in the Company and assume key leadership positions, a greater proportion of their compensation should be linked to Company performance and stockholder returns. As discussed below, our performance is measured against financial and operational goals and objectives. We also place emphasis on relative performance with our competitor peer group.

The objectives of rewarding performance and retention should be balanced. In periods of temporary downturns in Company performance, particularly when driven by unanticipated industry events or customer decisions, our compensation programs should continue to ensure

[1] AAM s competitor peer group consists of ArvinMeritor, Inc., Autoliv, Inc., BorgWarner, Inc., Collins & Aikman Corporation, Dana Corporation, Delphi Corporation, Dura Automotive Systems, Inc., Lear Corporation, Magna International, Inc., Tenneco Automotive, Inc., Tower Automotive, Inc. and Visteon Corporation.

that high-achieving, marketable executives remain motivated and committed to AAM. This principle is essential to our effort to encourage our leaders to remain with AAM for long and productive careers.

Compensation should foster the long-term focus required for success in the global automotive industry. We believe that long-term incentive compensation will motivate executive officers to deliver long-term value to our stockholders. Executives at higher levels in our Company should have a greater proportion of their compensation tied to longer-term performance because they are in a better position to influence longer-term results. This approach supports strategic decision-making and actions that will serve the long-term interest of AAM and aligns the interests of executive officers and stockholders.

Executive officers should be AAM stockholders. Stock ownership aligns our executive officers interests with those of our stockholders. They should be required to maintain ownership of AAM stock at a level appropriate for their position in the Company. AAM s long-term equity-based compensation program should facilitate stock ownership and link a portion of compensation to stock price appreciation.

Compensation and benefit programs for executive officers should be fair in consideration of each executive s level of responsibility and contribution to AAM. While individual pay levels and benefit packages will reflect differences in job responsibilities, geography and marketplace considerations, the overall structure of compensation and benefit programs should be broadly similar across the Company.

Determining Compensation

The Compensation Committee s process for determining compensation levels for executive officers differs depending upon the compensation element and the position of the individual being considered. For each executive officer, the Compensation Committee annually reviews each element of compensation described below in consultation with the Co-Founder, Chairman & CEO. A number of factors are considered in determining individual compensation levels, including performance of the individual and the business unit or function under his or her leadership, the Company s performance, and economic and business conditions affecting AAM at the time of the review. Management and external sources provide relevant information and analyses as the Compensation Committee deems appropriate. Competitive market data may be considered from time to time, but we do not set compensation levels at a targeted percentile or rely solely on such data to make compensation decisions. While substantially guided by the applicable performance metrics of our programs, the Compensation Committee retains authority to exercise its judgment when approving pool and individual awards.

With respect to the CEO, the Compensation Committee meets in executive session to assess annual Company and individual performance. Subject to the terms of the CEO s employment agreement, the Compensation Committee determines Mr. R.E. Dauch s compensation based on the factors the Compensation Committee, in its discretion, considers relevant and in the best interest of AAM.

For purposes of reviewing total compensation and considering potential payments to executive officers upon termination of employment or a change in control, the Compensation Committee reviewed in October 2006 tally sheets for the named executive officers. The elements and calculations reviewed are substantially similar to the information provided in the tabular disclosure for each named executive officer in *Potential Payments Upon Termination or Change in Control* below. Following the 2006 review, the Compensation Committee decided to review tally sheets for selected executive officers on an annual basis.

The Compensation Committee s review of AAM s compensation and benefit programs is an ongoing process. In the context of ongoing structural change and continuous improvement, management

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continually evaluates the cost and effectiveness of the Company s programs and requests Compensation Committee review and approval of recommended changes as appropriate.

Elements of Compensation

The principal elements of compensation of our executive officers are:

- base salary;
- annual cash incentive;
- long-term equity-based incentives; and
- benefits and perquisites.

Although all executive officers are eligible to participate in the same compensation and benefit programs offered by AAM, our CEO is the only executive officer whose pay is governed by an employment agreement. The terms of Mr. R.E. Dauch s employment agreement are described in the *Narrative to Summary Compensation Table and Grants of Plan-Based Awards table.*

The discussion below of the elements of compensation applies to executive officers, including our named executives. The compensation of Mr. R.E. Dauch is discussed separately in *Compensation of Co-Founder, Chairman & CEO* below.

Base Salary. Base salary is a fixed element of cash compensation for executive officers. The Compensation Committee reviews base salaries of executive officers on an annual basis. Adjustments to individual base salaries of executive officers are made in conjunction with the annual review process described in *Determining Compensation* above.

Base salaries for executive officers are adjusted annually through annual merit increases. Salary increases for executive officers are included in our budget for AAM s annual merit program for U.S. salaried associates. Under this program, the Compensation Committee establishes a merit pool in the fourth quarter of each year to pay merit salary increases in the following year.

In establishing the merit pool, the Compensation Committee considers compensation surveys by recognized independent consultants and professional organizations that project salary budget increases for salaried employees at comparable companies, including members of AAM s competitor peer group and other automotive suppliers with operations in the U.S. The Compensation Committee approves adjustments to the merit pool to remain competitive with industry pay averages for salaried associates. In October 2006, the Compensation Committee approved a merit pool equivalent to a 3.5 percent average 2007 increase for our U.S. salaried associates.

Annual Cash Incentive. Annual incentive compensation is designed to align executive officer pay with AAM s annual performance, measured by our achievement of financial targets established under our Incentive Compensation Plan for Executive Officers. Cash incentive awards for the named executives are permitted to the extent the Company meets or exceeds annual performance targets set by the Compensation Committee. Individual awards may be adjusted by the Compensation Committee based on the CEO s review of individual performance.

Under our incentive compensation plan, the performance factors used to measure performance and calculate bonus awards are: (1) net income as a percentage of sales, (2) after-tax return on invested capital (ROIC) and (3) net operating cash flow. These factors are consistent with the overall performance goals and long-term strategic direction that the Board has set for our Company. We believe that an emphasis on these factors aligns the interests of management and our stockholders.

The calculations of ROIC and net operating cash flow, which are non-GAAP financial measures, are set forth in *Management s Discussion and Analysis* under *Supplemental Financial Data* in our 2006 Annual Report on Form 10-K filed with the SEC on February 21, 2007.

Net income as a percentage of sales is a key indicator of the Company s financial and operational performance. ROIC is a meaningful measure for us because it reflects how efficiently and effectively

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we deploy our capital, which is particularly important given the cost competitive, capital intensive nature of our industry. We believe that sustained returns on invested capital in excess of our Company s cost of capital create value for our stockholders over the long-term. Net operating cash flow is also a meaningful performance measure because it is commonly used by management and investors to assess our ability to generate cash flow from business operations to repay debt and return capital to our stockholders.

In October 2005, the Compensation Committee weighted each performance factor equally for the 2006 performance period. For each of these factors, the Compensation Committee established target and threshold levels of performance and then designed a formula scaled to performance that can be more or less than target. Target and threshold award levels for net income as a percentage of sales and ROIC were established based on a review of our competitor peer group benchmarks for the three most recently completed fiscal years (2002-2004). Target performance levels are intended to be aggressive but achievable metrics based on industry conditions known at the time they are established. For 2006, the target level payout for all three performance factors was set at 100 percent of base salary for executive officers (other than the CEO).

For 2006, the threshold award level for net income as a percentage of sales was set at one percent and the target award level at three percent. The target level of performance for 2006 net income as a percentage of sales was established to meet the performance of the top one third of our competitor peer group for the three most recently completed fiscal years.

The threshold award level for ROIC was set at four percent and the target award level at nine percent for the 2006 performance year. The target level of performance for 2006 ROIC was set more than 600 basis points higher than the average of our competitor peer group for the three most recently completed fiscal years. This target level of performance exceeded the objective of being at least 200 basis points higher than such competitor peer group average.

The threshold award level for net operating cash flow was set at 50 percent of our budgeted net operating cash flow and the target award level at 100 percent of our budgeted net operating cash flow for the 2006 performance year.

In the first quarter of each year, the Compensation Committee meets to review the Company s financial results for the previous year and determine the degree to which performance targets have been achieved. In January 2007, the Compensation Committee determined that the Company did not achieve the stated threshold performance goals in 2006. As discussed above, AAM s 2006 consolidated financial performance was impacted by the costs associated with the significant adjustments we made in our business to address the unprecedented structural change occurring in the U.S. domestic automotive industry. Unanticipated customer decisions also had an impact on our financial results. These special charges and customer decisions were unanticipated at the time the Compensation Committee established the 2006 performance targets under the incentive compensation plan.

The Compensation Committee recognized that management s actions in 2006 were in the best long-term interest of AAM and that the payment of annual incentive awards to our executives, including executive officers, would help motivate and reward our leadership for their commitment and accomplishments during this period of unprecedented structural change in the U.S. domestic automotive industry.

The Compensation Committee concluded that it would be in the best interest of AAM if the incentive compensation plans were amended to give the Compensation Committee discretion to adjust the method of calculating the attainment of performance goals in recognition of: (1) unanticipated special charges or gains, (2) unanticipated industry-wide factors affecting Company performance or (3) unanticipated customer decisions affecting Company performance.

On February 1, 2007, upon the recommendation of the Compensation Committee, the Board approved amendments to our incentive compensation plans for executive officers and non-officer

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executives effective January 1, 2006. As amended, the plans permit the Compensation Committee to make adjustments to annual incentive awards based on the three performance factors described above. The Amended and Restated Incentive Plan for Executive Officers was filed as an exhibit to our 2006 Annual Report on Form 10-K filed with the SEC on February 21, 2007.

On February 1, 2007, the Compensation Committee approved the funding of 2006 incentive awards at an average of approximately 50 percent of annual base salary for executive officers (other than the CEO). These awards were determined based on our achievement of the threshold performance goals established by the Compensation Committee for 2006, after excluding the impact of the unanticipated special charges and unanticipated customer decisions affecting Company performance discussed above.

The Compensation Committee approved cash awards to the named executives that were paid on March 15, 2007. These awards are shown in the *Summary Compensation Table.*

For the 2007 performance period, target and threshold award levels for net income as a percentage of sales and ROIC were established based on a review of our competitor peer group benchmarks for the three most recently completed years (2003-2005). Based on this review and on industry conditions at the time, the Compensation Committee approved the incentive criteria for the 2007 performance period in October 2006 consistent with those established for the 2006 performance period, including the same weighting of the bonus factors and the same target and threshold levels of performance. For 2007, the target level payout for all three performance factors was set at 100 percent of base salary for executive officers (other than the CEO).

Long-Term Incentives. Long-term incentive compensation is designed to:

- align executive officer and stockholder interests;
- facilitate stock ownership among executive officers;
- reward achievement of long-term performance goals; and
- provide incentives for executive retention;

The Compensation Committee reviews and approves annual grants of long-term incentives to executive officers within a range established by the Compensation Committee. Individual awards are based on each executive officer s level of responsibility, performance and other special circumstances as recommended by the CEO. Long-term incentive awards are made under the 1999 Restated American Axle & Manufacturing Holdings, Inc. Stock Incentive Plan (Stock Incentive Plan). The terms of the long-term incentive awards granted to named executive officers are described in the *Narrative to Summary Compensation Table and Grants of Plan-Based Awards table.*

We believe that the balanced use of stock options, PARS and RSUs (defined below) is consistent with our compensation objectives. Stock options, PARS and RSUs have a value tied to share price and are subject to vesting schedules that require continued service with AAM. PARS and RSUs provide value to our executives with the passage of time, and therefore serve as a reward and retention tool. PARS and RSUs also facilitate stock ownership. Stock options further align the interests of our executive officers and our stockholders as options only have value to the extent the price of our common stock on the exercise date exceeds the option grant price. Stock options provide motivation for our executive officers to focus on long-term stockholder value.

The Compensation Committee selected total stockholder return as the sole determinant of acceleration of PARS and RSUs. The acceleration provisions of PARS and RSUs motivate our executives to build long-term value for our stockholders above that of our competitor peer group. In combination with the performance metrics of our incentive compensation plan for executive officers discussed above, these metrics balance strategic, operational and financial performance with stockholder value creation. See *Narrative to Summary Compensation Table and Grants of*

Plan-Based Awards table for a description of the stated threshold requirements for acceleration of PARS and RSUs.

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In 2006, executive officers received a combination of stock options, PARS and RSUs. The 2006 equity awards granted to the named executive officers are shown in the *Grants of Plan-Based Awards* and *Outstanding Equity Awards* tables.

2007 Compensation Decisions Affecting Named Executives

On March 14, 2007, the Compensation Committee decided on the following compensation levels for our named executives:

Named Executive	Base Salary	2006 Bonus Awards	Long-Term Incentives
Michael K. Simonte VP Finance & CFO	$240,400 (reflecting 4.5% increase)	$125,000, payable March 15, 2007	10,000 stock options, 3,600 PARS and 2,400 RSUs (granted March 14, 2007)
Yogen N. Rahangdale President & COO	$335,300 (reflecting 4% increase)	$165,000, payable March 15, 2007	40,000 stock options, 14,400 PARS and 9,600 RSUs (granted March 14, 2007)
David C. Dauch EVP Commercial & Strategic Development	$300,300 (reflecting 5% increase)	$150,000, payable March 15, 2007	13,000 stock options, 4,500 PARS and 3,000 RSUs (granted March 14, 2007)
Marion A. Cumo, Sr. VP Special Projects	$275,800 (reflecting 3% increase)	$120,000, payable March 15, 2007	9,000 stock options, 3,000 PARS and 2,000 RSUs (granted March 14, 2007)

In determining these compensation levels, the Compensation Committee considered, among other factors, the named executives leadership in (1) implementing the restructuring actions taken in 2006 in support of AAM s strategic objectives, (2) establishing two new manufacturing facilities in China and Poland and (3) successfully launching the General Motors full-size SUV and pickup truck (GMT 900) program.

Equity Grant Practices. AAM does not permit and has not permitted backdating, spring loading or other timing of options with the release of material, non-public information.

AAM generally makes grants to its executive officers and other executives on an annual basis, subject to the approval of the Compensation Committee. Historically, we have made these grants in the first quarter of each year to coincide with the communication to executive officers of their annual cash incentive awards for the previous year s performance. This timing increases the impact of the awards by strengthening the link between pay and performance.

As described above in *Long-Term Incentives*, the Compensation Committee approves annual equity awards to eligible executives and executive officers. The Compensation Committee has delegated to its Chairman the authority, between Compensation Committee meetings, to grant equity awards to new hires upon the recommendation of our Co-Founder, Chairman & CEO and Vice-President Human Resources. The Chairman s authority is limited to equity awards within the ranges established by the Compensation Committee. All equity awards approved under this procedure must be presented to the Compensation Committee at its next regularly scheduled meeting.

In October 2006, the Compensation Committee adopted a written procedure related to grants of equity awards. This procedure states, among other things, that the grant date of an equity award is the date of Compensation Committee approval, and the exercise price of a stock option is the closing price of our common stock on the date of grant. Equity awards made in March 2006 to our named executive officers are shown in the *Grants of Plan-Based Awards* table.

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Our securities trading policy states that executive officers and directors may not purchase or sell puts or calls to sell or buy our stock, engage in short sales with respect to our stock or buy our securities on margin.

Management s Stock Ownership Requirements. The Compensation Committee established the following stock ownership requirements in October 2004. Based on the market value of our common stock, ownership requirements are determined as a multiple of each executive officer s base salary.

Position	Multiple of Base Salary
Co-Founder, Chairman & CEO	5
President & COO; Vice Chairman	3
Executive Vice President	2
Vice President	1

Stock ownership levels must be attained within five years from October 2004 or, for new executive officers, within five years from the date of becoming an officer. If compliance is not achieved in five years, 50 percent of an executive officer s annual cash incentive award will be awarded as restricted stock until the applicable level is attained. Ownership requirements must be maintained until retirement. Shares owned directly (including restricted stock) or through AAM s 401(k) plan are considered in determining stock ownership levels. Unexercised stock options and RSUs are not considered in determining stock ownership levels for executive officers.

Our Co-Founder, Chairman & CEO s stock ownership exceeds the requirement for his position. All other executive officers have met or are on target to meet the stock ownership requirements for their respective positions.

Benefits. Our executive officers participate in the full range of benefits and retirement plans provided to all U.S. salaried associates. We target our overall benefits package to be competitive with that of other companies with which we compete for associates.

The most senior executives of AAM, a group of approximately 50 (including executive officers), participate in a program of supplemental benefits specific to this group. We provide these senior executives with supplemental life, supplemental disability, umbrella liability and travel accident insurance benefits. The benefits provided in this program are designed, in the aggregate, to be competitive with those provided to executives in comparable positions at companies in our competitor peer group.

Executive officers are eligible to participate in AAM s qualified and nonqualified defined benefit pension plans and 401(k) plan. They are also eligible to participate in a nonqualified deferred compensation plan that permits deferrals of a portion of base salary and/or annual cash incentive compensation on a pre-tax basis. These plans are described in the *Pension Benefits*, *Nonqualified Deferred Compensation* and *Potential Payments Upon Termination or Change in Control* sections below. In addition, executive officers are eligible to receive certain postretiree benefits upon retirement from AAM.

During 2006, we reviewed the retirement benefit programs for AAM s U.S. salaried associates, including executive officers, to ensure that the programs were cost competitive and effective in supporting our efforts to attract and retain a skilled and talented salaried workforce. Our review included competitive benchmarking of the benefits offered by companies with which we may compete for talent, analysis of structural costs and funding requirements of various alternatives and consideration of the impact to plan participants. In 2006, we amended the U.S. salaried defined benefit pension plans (including the SERP) to transition to a defined contribution approach, increased the maximum Company match to the 401(k) plan and reduced or eliminated other postretiree benefits for U.S. salaried associates.

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We believe these actions resulted in a competitive retirement program that recognizes and rewards service while maintaining a cost structure that will permit AAM to adequately invest in our business and compete in the global automotive industry.

Perquisites. AAM provides a limited number of perquisites for senior executives, including executive officers, which are described in the footnotes to the *Summary Compensation Table.* The most significant perquisite we provide is the use of a Company-provided vehicle that has substantial AAM content. This perquisite is common among automotive suppliers.

AAM does not own corporate aircraft and does not provide leased aircraft for personal use.

AAM does not pay for country club memberships.

AAM does not make loans to executive officers.

Compensation of Co-Founder, Chairman & CEO

Mr. R.E. Dauch s compensation is governed by an employment agreement that is described in the *Narrative to Summary Compensation Table and Grants of Plan-Based Awards table* below. The CEO s compensation arrangements are structured in consideration of the extraordinary value of his leadership and service to AAM since he co-founded the Company in 1994.

The primary elements of the CEO s compensation are: (1) base salary, (2) annual cash bonus, (3) long-term incentives and (4) benefits and perquisites.

Base Salary. Base salary is determined by the Compensation Committee as part of our annual compensation review process. Annual adjustments to base salary are made at the discretion of the Compensation Committee in consideration of Company performance and Mr. R.E. Dauch s achievements as CEO. The specific factors considered may differ from year to year. Base salary for 2006 is shown in the *Summary Compensation Table* and discussed below.

Annual Cash Bonus. Mr. R.E. Dauch is eligible for an annual cash bonus based on the Compensation Committee s assessment of Company performance as compared to that of our competitor peer group. The factors considered in determining his annual cash bonus are described in his employment agreement. See *Narrative to Summary Compensation Table and Grants of Plan-Based Awards table* below. The annual cash bonus earned in 2006 is shown in the *Summary Compensation Table.*

Long-Term Incentives. Under his employment agreement, Mr. R.E. Dauch is entitled to a grant of 300,000 nonqualified stock options each year. From 2005 through 2007, the Compensation Committee granted Mr. R.E. Dauch an annual combined award of stock options, PARS and RSUs. This mix of equity awards is similar to our long-term incentive program for other executive officers. These equity awards have the same vesting and other terms as those granted to other executive officers. In connection with the employment agreement extension dated November 3, 2005, AAM awarded R.E. Dauch 180,000 restricted shares and 120,000 restricted stock units. These awards will vest at the end of the extended term on December 31, 2009, subject to earlier vesting or forfeiture as described in the *Narrative to Summary Compensation Table and Grants of Plan-Based Awards table*.

Benefits and Perquisites. Except as noted below, Mr. R.E. Dauch participates in the same benefit programs provided for other senior executives, including executive officers. In addition, under his employment agreement, AAM provides Mr. R.E. Dauch with the use of an additional Company vehicle and reimburses him for his purchase of a $5,000,000 life insurance policy. Perquisites provided to the CEO in 2006 are described in the *Summary Compensation Table* below.

During 2006, the Compensation Committee approved an amendment to Mr. R.E. Dauch s employment agreement to provide postretirement health care benefits upon expiration of his employment agreement on December 31, 2009. In consideration of the changes in our retirement benefit programs, including the elimination of postretirement health care benefits for participants who retire after 2007, the Compensation Committee decided that the amendment was appropriate in view of his willingness to postpone his retirement from AAM until the expiration of the extended term of his

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employment agreement. This amendment to the employment agreement dated November 15, 2006 is an exhibit to our 2006 Annual Report on Form 10-K filed with the SEC on February 21, 2007.

Determination of CEO Compensation

On March 14, 2007, the Compensation Committee determined Mr. R.E. Dauch s compensation as follows:

2007 Base Salary	**2006 Annual Cash Bonus**	**Long-Term Incentives**
$1,496,000 (reflecting 10% increase), effective March 1, 2007	$3.9 million, payable March 15, 2007	150,000 stock options, 53,419 PARS and 35,612 RSUs (granted March 14, 2007)

In determining Mr. R.E. Dauch s base salary increase and annual cash bonus, the Compensation Committee considered his proactive leadership in support of the significant adjustments AAM made to its business to address the unprecedented structural change occurring in the U.S. domestic automotive industry. Among the accomplishments in 2006 considered, the Compensation Committee noted that AAM:

- Signed a supplemental new hire agreement with the UAW that will significantly reduce total labor costs for new hires;
- Implemented a special attrition program at AAM s master agreement facilities to reduce our U.S. workforce by approximately 1,500 UAW represented associates;
- Initiated restructuring actions to resize operations in the U.S., including salaried workforce reductions and redeployment of machinery and equipment to support new programs;
- Expanded AAM s global manufacturing footprint into the growing automotive markets of Asia and Europe; and
- Expanded capabilities and increased business base in Mexico and Brazil.

The Compensation Committee also considered the future structural cost benefit resulting from these and other related restructuring actions.

In February 2006, the Compensation Committee increased Mr. R.E. Dauch s base salary by 7.5 percent to $1,360,000 effective March 1, 2006. On March 15, 2006, he was granted the same equity awards as the March 14, 2007 grants shown above. Mr. R.E. Dauch s annual cash bonus for 2005 performance was $2,700,000. In determining these compensation levels, the Compensation Committee considered a number of factors, including AAM s profitable results in 2005 and Mr. R.E. Dauch s proactive leadership in enabling AAM to distinguish itself from companies in our competitor peer group.

The Compensation Committee believes that Mr. R.E. Dauch s compensation is reasonable under the circumstances and serves the interest of AAM.

Tax and Accounting Considerations

Deductibility of Executive Compensation. In general, the compensation awarded to our named executive officers will be taxable to the executive and will give rise to a corresponding corporate deduction at the time the compensation is paid. Section 162(m) of the Internal Revenue Code (Code) denies a federal income tax deduction for certain compensation in excess of $1 million per year paid to the chief executive officer or the named executive officers. During 2006, our CEO received compensation in excess $1 million. Consequently, a portion of his compensation was not treated as a deductible income tax expense for 2006. Section 162(m) did not affect our ability to take a tax deduction for compensation paid to any of our named executives in 2006.

Although deductibility of compensation is preferred, tax deductibility is not a primary objective of our compensation programs. We believe that achieving our compensation objectives set forth above is more important than the benefit of tax deductibility. We reserve the right to maintain flexibility in how

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we compensate our executive officers, which may result in limiting the deductibility of amounts of compensation from time to time.

Accounting for Stock-Based Compensation. Effective January 1, 2006, we adopted FASB Statement No. 123R (SFAS 123R), *Share-Based Payment*. Stock-based compensation expense for all share-based payment awards that have not vested as of January 1, 2006, including nonqualified stock options, PARS, RSUs, restricted shares and restricted stock units, is based on the grant date fair value estimated in accordance with the provisions of SFAS 123R.

Nonqualified Deferred Compensation. On October 22, 2004, the American Jobs Creation Act of 2004 was signed into law changing the tax rules applicable to nonqualified deferred compensation arrangements. While the final regulations have not become effective, we believe we are operating in good faith compliance with the statutory provisions that were effective January 1, 2005. Our nonqualified deferred compensation plan is described in the *Nonqualified Deferred Compensation* section below.

Section 280G. Under our continuity agreements with named executives officers, they are entitled to a gross-up payment for excise tax resulting from a change in control under Section 4999 of the Code. This is to ensure that the named executive officer receives the same net after-tax payment that he would have received had no excise tax been imposed, subject to certain limitations. If a named executive officer s change in control benefits exceed the safe harbor amount (i.e., three times the historical five-year Form W-2 average) by greater than 10 percent, he will be entitled to a gross-up payment for the additional excise tax. If, however, the change in control benefits are less than or equal to 10 percent of the safe harbor amount, then the named executive officer s benefit will be reduced until the sum of the payments equals the maximum amount that may be paid to him without the imposition of the excise tax. These continuity agreements are described in *Potential Payments Upon Termination or Change in Control* below.

Report of the Compensation Committee

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

Compensation Committee of the Board of Directors

Forest J. Farmer, Chairman
Elizabeth A. Chappell
Thomas K. Walker

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Summary Compensation Table

The following table summarizes compensation paid or earned for the fiscal year ended December 31, 2006 for Richard E. Dauch, Co-Founder, Chairman & CEO, Michael K. Simonte, Vice President Finance & CFO and our three highest paid executives other than our CEO and CFO (named executive officers). All named executive officers were employees of the Company for the entire 2006 fiscal year.

Name and ncipal Position	Year	Salary[1] ($)	Bonus ($)	Stock Awards[2] ($)	Option Awards[3] ($)	Change in Pension Value and Nonqualified Deferred Compensation Earnings[4] ($)	All Other Compen- sation[5] ($)	Total ($)
ard E. Dauch Founder, rman & f Executive cer	2006	1,344,164	3,900,000	2,566,059	210,979	1,209,400	99,026	9,329,6
hael K. Simonte President nce & f Financial cer	2006	230,000	125,000	70,609	14,065	14,280	25,028	478,9
endra N. angdale ident & Chief rating Officer	2006	313,101	165,000	167,862	59,074	116,917	33,010	854,9
d C. Dauch cutive Vice ident mercial & egic elopment	2006	277,749	150,000	91,499	21,098	14,444		