AMERICAN AXLE & MANUFACTURING HOLDINGS INC
Form DEF 14A
March 21, 2011

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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
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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)

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þ No fee required.
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1) Title of each class of securities to which transaction applies:

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

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

April 28, 2011

American Axle & Manufacturing Holdings, Inc. (AAM)

Time and Place	3:00 p.m., local time, on Thursday, April 28, 2011 AAM World Headquarters Auditorium, One Dauch Drive, Detroit, Michigan
Items of Business	(1) Elect four members of the Board of Directors to serve until the Annual Meeting of Stockholders in 2014; (2) Cast a non-binding advisory vote on executive compensation (say-on-pay); (3) Cast a non-binding advisory vote on the frequency of say-on-pay votes; (4) Ratify the appointment of Deloitte & Touche LLP as AAM s independent registered public accounting firm for the year ending December 31, 2011; and (5) Attend to other business properly presented at the meeting.
Record Date	You may vote if you were an AAM stockholder at the close of business on March 3, 2011.
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.
Proxy Materials	We have elected to furnish materials for the 2011 Annual Meeting of Stockholders via the Internet. We believe the use of the Securities and Exchange Commission (SEC) e-proxy rule will expedite stockholders receipt of the Proxy Statement, 2010 Annual Report and Form 10-K (proxy materials) and lower the costs of our annual meeting. On March 18, 2011, we mailed a notice of Internet availability (notice) to most stockholders containing instructions on how to access the proxy materials on the Internet instead of receiving paper copies in the mail. **Important Notice Regarding Internet Availability of Proxy Materials for the April 28, 2011 Stockholder Meeting. The Proxy Statement and 2010 Annual Report and Form 10-K are available at *www.envisionreports.com/AX.***

By Order of the Board of Directors,

Steven R. Keyes
Executive Director, Administration & Legal and Secretary
March 18, 2011

2011 ANNUAL MEETING OF STOCKHOLDERS

PROXY STATEMENT

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PROXY STATEMENT

Annual Meeting of Stockholders
To Be Held April 28, 2011

INTERNET AVAILABILITY OF PROXY MATERIALS

American Axle & Manufacturing Holdings, Inc. (AAM or the Company) is providing proxy materials electronically via the Internet, instead of mailing printed copies of those materials to each stockholder. On March 18, 2011, we mailed to our stockholders (other than those who previously requested e-mail or paper delivery) a Notice of Availability of Proxy Materials containing instructions on how to access our proxy materials, including our proxy statement and 2010 Annual Report on Form 10-K. The Notice of Availability of Proxy Materials provides instructions on how you may submit your proxy over the Internet or by telephone.

This electronic delivery process is designed to expedite stockholder receipt of proxy materials, lower the cost of the Annual Meeting of Stockholders (annual meeting), and conserve natural resources. However, if you would prefer to receive printed proxy materials, please follow the instructions included in the Notice of Availability of Proxy Materials. If you have previously elected to receive our proxy materials electronically, you will continue to receive these materials by e-mail unless you elect otherwise. If you received a printed copy of proxy materials by mail and would like to view future proxy materials over the Internet, you can do so by accessing the Internet at *www.envisionreports.com/AXL.*

QUESTIONS AND ANSWERS ABOUT VOTING AND THE ANNUAL MEETING

Why am I receiving this proxy statement?

You received these proxy materials because you owned shares of AAM common stock on March 3, 2011 (record date). AAM s Board of Directors (Board) is soliciting your proxy to vote your shares at the annual meeting. By use of a proxy, you can vote whether or not you attend the meeting. This proxy statement includes information that we are required to provide to you and is designed to assist you in voting your shares.

Who is entitled to vote?

Holders of AAM common stock on the record date are entitled to one vote per share. 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, you are a street name holder. If you hold shares in more than one account, each notice, proxy and/or voting instruction card you receive that has a unique control number must be voted so that all your shares are voted.

How do I vote?

You may vote by any of the following methods:

- *In person* attending the annual meeting and casting a ballot.
- *By mail* using the proxy and/or voting instruction card provided.
- *By telephone or via the Internet* following the instructions on your notice card, proxy and/or voting instruction card.

If you vote by telephone or via the Internet, have your notice card or proxy and/or voting instruction card available. The control number on your card is necessary to process your vote. A telephone or Internet vote authorizes the named proxies to vote in the same manner as if you marked, signed and returned the card by mail. If you hold shares in street name, refer to the voting instructions provided by your broker, bank, trustee or other record holder.

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How many shares may vote at the meeting?

As of March 3, 2011, we had 75,301,263 shares of common stock outstanding and entitled to vote. Under AAM s by-laws, a majority of these shares must be present in person or by proxy to hold the annual meeting and take any action during the 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 the four nominees with terms expiring at the 2014 annual meeting.

Proposal 2 **FOR** approval, on an advisory basis, of the compensation of AAM s named executive officers as described in the Compensation Discussion and Analysis, tables and related narrative (the say-on-pay proposal).

Proposal 3 **FOR** approval, on an advisory basis, of a one year frequency for future advisory votes on say-on-pay.

Proposal 4 **FOR** ratification of the appointment of Deloitte & Touche LLP as the Company s independent registered public accounting firm for the year ending December 31, 2011.

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 say on pay proposal, or you may abstain from voting your shares.

Proposal 3 You may vote for a one year, two year, or three year frequency of say on pay proposals, or you may abstain from voting your shares.

Proposal 4 You may vote for or against the proposal to ratify the appointment of the Company s independent registered public accounting firm, or you may abstain from voting your shares.

What vote is required to approve each proposal?

Proposal 1 A plurality of the votes cast to elect a director, which means that nominees with the most affirmative votes will be elected to fill the available seats.

Proposal 2 An affirmative vote of a majority of the shares voted in person or by proxy must be cast in favor of the advisory vote to approve the say-on-pay proposal.

Proposal 3

	The advisory vote on the frequency of say-on-pay proposals (every one, two, or three years) is a plurality vote. The Company will consider stockholders to have expressed a non-binding preference for the frequency option that receives the most favorable votes.
Proposal 4	An affirmative vote of a majority of the shares voted in person or by proxy must be cast in favor of the ratification of the appointment of the Company s independent registered public accounting firm.

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Proposals 2 and 3 are advisory votes only and, as discussed in more detail in each proposal, the voting results are not binding on AAM. However, the Board will consider the outcome of the votes in making future determinations concerning the compensation of our named executive officers and the frequency of the say-on-pay vote.

Who will count the votes?

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

What if I withhold my vote or abstain ?

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

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 at the annual meeting or by proxy, your shares will not be voted. If you sign and return your proxy card without specific voting instructions, your shares will be voted as recommended by the Board.

Under New York Stock Exchange (NYSE) rules, brokers have discretionary power to vote your shares only on routine matters. Brokers do not have discretionary power to vote your shares on non-routine matters. If you hold shares in street name, and you do not give your bank, broker, or other holder of record specific voting instructions for your shares, your record holder can only vote your shares on the ratification of the Company s independent registered public accounting firm (proposal 4), a routine matter.

Without your specific instructions, your record holder cannot vote your shares on the election of directors, the advisory vote on executive compensation (say-on-pay), and the advisory vote on the frequency of say-on-pay proposals. For each of these matters, if you do not instruct your record holder how to vote, the record holder may not vote your shares. Shares not voted will be broker non-votes and will not be counted in determining the outcome of the vote for proposals 1, 2 and 3. Broker non-votes will have no impact on the outcome of these proposals. We urge you to give your record holder voting instructions on each proposal being presented at the annual meeting.

PROPOSAL 1: ELECTION OF DIRECTORS

The Board proposes that the four directors standing for re-election as Class III directors, Richard E. Dauch, James A. McCaslin, William P. Miller II, and Larry K. Switzer, be elected to the Board for terms expiring at the annual meeting in 2014.

The Board is divided into three classes. Directors serve for staggered three-year terms. Class I and Class III each consists of four positions and Class II consists of three positions. 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 unanimously approved the nominations of our Class III directors based on their outstanding achievements, special competencies and integrity. Each nominee brings a strong and unique background and set of skills to the Board. Collectively, the Board has high levels of competence and experience in a variety of areas, including manufacturing, engineering, finance, international business, management, restructuring, risk management and the global automotive industry. A summary of the principal occupation, professional background and specific qualifications and/or skills of each nominee is provided in the following pages of this proxy statement.

The Board unanimously recommends a vote FOR each of the nominees.

Nominees for Director

Class III Director to hold office until the 2014 Annual Meeting of Stockholders

RICHARD E. DAUCH
Age 68

Director since 1994

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. He has been Chief Executive Officer and a member of the Board since AAM 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 46 years of experience in the automotive industry. Mr. Dauch was the 2006 recipient of the Shien-Ming Wu Foundation Manufacturing Leadership Award. In 2005, he received the CEO Legend Award from Automation Alley. 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. In 1999, he was named the Michiganian of the Year by *The Detroit News* and he was named the 1997 Manufacturer of the Year by the Michigan Manufacturers Association. In 1996, he was named Worldwide Automotive Industry Leader of the Year by the Automotive Hall of Fame. Mr. Dauch currently serves on the Board of Directors 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. The Board considers Mr. Dauch s continuing leadership and the services he provides to AAM as critical to the achievement of the Company s strategic goals. Mr. Dauch s leadership and extensive expertise in the global automotive industry and manufacturing operations address the Company s need to maintain and reinforce AAM s unique operating culture as AAM expands internationally.

JAMES A. McCASLIN Age 62 Mr. McCaslin retired from Harley Davidson, Inc. in April 2010. Mr. McCaslin joined Harley Davidson in 1992 and held various senior executive leadership positions, including President and Chief Operating Officer of Harley-Davidson Motor Company, from 2001 to 2009. From 1989 to 1992, he held manufacturing and engineering positions with JI Case, a manufacturer of agricultural equipment. Previously, he held executive positions in manufacturing and quality with Chrysler Corporation, Volkswagen of America and General Motors Corporation, where he began his 40-year career in manufacturing. From 2003 to 2006, he served on the Board of Directors of Maytag Corporation. Mr. McCaslin has served on a number of civic boards, including Boys and Girls Clubs of Greater Milwaukee, Manufacturing Skill Standards Council and Kettering University. Mr. McCaslin s extensive operational expertise in multiple manufacturing industries in the original equipment and aftermarket product markets provides the Board with a valued resource in geographic and product diversification, one of AAM s key strategic objectives.	Director since February 2011
WILLIAM P. MILLER II, CFA Age 55 Mr. Miller, Chartered Financial Analyst, is the Senior Managing Director & Chief Financial Officer of Financial Marketing International, Inc., an international law and economics consulting firm. Since 2003, Mr. Miller has been a member of the Board of Directors of the Chicago Mercantile Exchange, serving on the Audit Committee, Finance Committee and Market Regulation Oversight Committee. From 2005 to 2011, he was employed by the Ohio Public Employees Retirement System, where he served as Deputy Chief Investment Officer. Previously, he served as Senior Risk Manager for the Abu Dhabi Investment Authority and as an Independent Risk Oversight Officer and Chief Compliance Officer for Commonfund Group, an investment management firm for educational institutions. Mr. Miller also served as Director, Trading Operations and Asset Mix Management, with General Motors Investment Management Corp. and as a financial analyst with the U.S. Department of Transportation. Mr. Miller also was a member of the Public Company Accounting Oversight Board s Standing Advisory Group and a member of the Board of Directors of the Dubai International Financial Exchange. Mr. Miller s expertise in finance, investments, risk management, compliance, international business, audit and accounting provides the Board with valuable guidance in assessing and managing risks and in fulfilling the Board s financial oversight role.	Director since 2005

LARRY K. SWITZER Age 67 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. As a former chief financial officer, Mr. Switzer serves as a valued resource to the Board in finance, accounting and tax matters and provides significant expertise and insight in addressing the Company s capital structure, liquidity needs and strategic business development.	Director since 2005

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Returning Directors

Class I Directors to hold office until the 2012 Annual Meeting of Stockholders

DAVID C. DAUCH Director since 2009
Age 46

David C. Dauch is President & Chief Operating Officer of AAM, a position he has held since June 2008. Previously, he served as Executive Vice President & COO. Mr. D.C. Dauch joined AAM in July 1995 and has served in positions of increasing responsibility. Prior to joining AAM, Mr. D.C. Dauch served in several positions at Collins & Aikman Products Company, where he received the President s Award for leadership and innovation. Mr. D.C. Dauch also served on the Collins & Aikman Board of Directors from 2002 to 2007. Presently, he is a Board member of Business Leaders for Michigan and serves on the Miami University Business Advisory Council and the Board of Directors of the Boys & Girls Club of Southeast Michigan. Mr. D.C. Dauch s day to day leadership as President & COO provides him with intimate knowledge of and responsibility for developing and implementing the Company s operating and strategic objectives. Mr. D.C. Dauch was instrumental in leading AAM through the successful completion of its comprehensive multi-year restructuring plan and returning AAM to profitability in 2009 and fiscal year 2010. Mr. D.C. Dauch s leadership of AAM s global business and operations provides the Board with strategic vision and insight regarding AAM s strategic plans for the future.

FOREST J. FARMER Director since 1999
Age 70

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. Mr. Farmer serves on the Boards of Directors of The Lubrizol Corporation and Saturn Electronics Corporation. In 1994, he retired from Chrysler Corporation after 26 years of service, which included six years as President of its Acustar automotive parts subsidiary. Through his senior management-level experience and his service on the Board and Compensation Committee of another public company, Mr. Farmer brings strong leadership skills, extensive U.S. automotive and manufacturing experience, and public company experience to our Board.

RICHARD C. LAPPIN
Age 66

Director since 1999

Richard C. Lappin is Executive Chairman of VOKAL Interactive, a maker of mobile applications for business. From 2007 to 2010, he served as Chairman of the Board & Chief Executive Officer of Clear Sky Power, an alternative energy company. Mr. Lappin retired in 2004 as Chairman of the Board of Haynes International, Inc. Previously, Mr. Lappin 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 & 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. Mr. Lappin s experience as a CEO and his financial expertise provides the Board with an important perspective in the areas of business strategy and organizational development, as well as the Company s investment criteria, capital structure and liquidity needs.

THOMAS K. WALKER
Age 70

Director since 1999

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. Mr. Walker s business acumen and extensive leadership experience in the automotive industry enables him to provide our Board with expertise related to engineering, manufacturing operations and strategic business development. Mr. Walker s service on all Board committees makes him an effective lead independent director for the Board.

Class II Director to hold office until the 2013 Annual Meeting of Stockholders

SALVATORE J. BONANNO, SR. Age 70 Salvatore J. Bonanno, Sr. served as Chairman and Chief Executive Officer of Bonanno Enterprises L.L.C. from 2000 until 2007. The company provided discretionary capital, interim or transition management, and executive consulting services for industrial operations. While serving as President and Chief Executive Officer of Xymox Technologies, Inc. from 2003 to 2008, Mr. Bonanno led the company s successful restructuring efforts. Mr. Bonanno served as the Chairman and Chief Executive Officer of Grove Worldwide L.L.C., the President and Chief Operating Officer of Foamex International, and held many senior executive positions in his 30 year tenure with Chrysler Corporation. Mr. Bonanno currently serves on the Board of Directors of Xymox Technologies, Inc. and Waukesha Tool & Stamping L.L.C. and has served on the boards of numerous manufacturing and engineering companies. Mr. Bonanno s leadership experience in international automotive business and expertise in engineering and automotive technology is aligned with AAM s strategic objectives and is important to the Board s oversight of these areas.	Director since 2009
ELIZABETH A. CHAPPELL Age 53 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. From 1999 to 2009, Ms. Chappell 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. In 2009, Ms. Chappell was instrumental in convening The National Summit in Detroit, Michigan, a cross sector gathering of business, government, labor and academic leaders to develop and promote America s competitiveness in a global economy. Ms. Chappell s demonstrated leadership skills, entrepreneurial business experience and service on various Boards of Directors enhance her contributions to the Board on matters of significance to AAM s strategic business development.	Director since 2004

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DR. HENRY T. YANG
Age 70

Director since 2004

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 five honorary doctorates and is a member of the National Academy of Engineering. He is Chairman of the Executive Committee of the American Association of Universities, Chairman of the Association of Pacific Rim Universities, Chairman of the Board of Thirty Meter Telescope, and a director of the Board of Kavli Foundation. Dr. Yang s distinguished academic career and extensive knowledge and leadership in advanced technology provides the Board with a valuable perspective relative to AAM s global business growth. Dr. Yang s in-depth knowledge and expertise in engineering, science and technology and his leadership as Chairman of the Technology Committee provides the Board with a critical resource related to the Company s advancements in technology.

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 *http://www.aam.com/investors/corporategovernance.*

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 for purposes of the NYSE independence standards. The Director Independence Guidelines are included in AAM s Corporate Governance Guidelines, which are available on our website at *http://www.aam.com/investors/corporategovernance*.

The Board reviews and determines, on the recommendation of the Nominating/Corporate Governance Committee, whether any director has a material relationship with the Company that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. When assessing materiality, the Board considers relevant facts and circumstances of which it is aware. No director qualifies as independent unless the Board determines that the director has no direct or indirect material relationship with the Company.

The Board has affirmatively determined that the following nine directors are independent: Salvatore J. Bonanno, Sr., Elizabeth A. Chappell, Forest J. Farmer, Richard C. Lappin, James A. McCaslin, William P. Miller II, Larry K. Switzer, Thomas K. Walker and Dr. Henry T. Yang. Richard E. Dauch, Co-Founder, Chairman of the Board & CEO, and David C. Dauch, President & COO, are not independent due to their employment with AAM. Mr. D.C. Dauch is the son of Mr. R.E. Dauch.

In making these director independence determinations, the Board considered certain business relationships that were found to be immaterial under applicable independence standards. Mr. Bonanno serves on the Board of and has a minority interest in a supplier that receives payments for sales made to AAM. Ms. Chappell is an officer of a non-profit organization that receives sponsorship fees from AAM. Prior to his election to AAM s Board, Mr. McCaslin was an officer of Harley-Davidson, Inc., an AAM customer. He retired from Harley-Davidson in April 2010.

Each of these relationships arose in the ordinary course of business and existed before Mr. Bonanno, Ms. Chappell and Mr. McCaslin joined the Board. In addition, the annual amounts paid or received by AAM in connection with these relationships were below the threshold amount established under the NYSE independence standards and our Director Independence Guidelines. The applicable threshold is the greater of two percent of the annual gross revenues of the outside entity or $1 million. Accordingly, the Board determined that each relationship is immaterial and does not impair the independence of these directors.

Board Leadership Structure

The Board believes that as AAM s co-founder, Richard E. Dauch, is uniquely qualified to serve as Chairman of the Board while holding the position of CEO. Mr. R.E. Dauch has been CEO since he co-founded AAM in 1994 and has served as Chairman since 1997. The Board benefits from this structure through Mr. R.E. Dauch s contributions as a strong leader with extensive knowledge of the global automotive industry and a unique commitment to the success of the Company he co-founded.

This Board leadership structure is further enhanced by independent director oversight. The Board is comprised of nine independent directors, including a lead director. Independent directors and management have different perspectives and roles in strategy development. One of the key responsibilities

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of the Board is to develop strategic direction while holding management accountable for execution of its business plans. Our leadership structure provides the appropriate balance necessary to accomplish this objective and is the most effective leadership structure for the Board at this time.

The Board recognizes that no single leadership model is appropriate for a Board at all times. Accordingly, the Board may consider a different leadership structure, including a separation of the roles of CEO and Chairman, as appropriate, as the Company s business and leadership continue to evolve.

Lead Director and Executive Sessions

Thomas K. Walker was selected by the Board to serve as the lead director for all meetings of non-management directors held in executive session. Mr. Walker is an independent director and serves on every Board committee. The lead director s responsibilities include presiding at executive sessions of the Board s non-management directors and acting as a liaison between the Chairman and the independent directors.

Non-management directors, all of whom are independent, meet in executive session without AAM management present at the end of each scheduled Board meeting.

Board Oversight of Risk

The Board as a whole and also at the committee level oversees management of the Company s risks. The Board regularly reviews information provided by senior management regarding the Company s strategic, operational, financial and compliance risks. In addition, the chairs of the Audit, Compensation, Nominating/Corporate Governance and Technology Committees regularly report to the Board the activities of their respective Committees, including matters related to risk.

The Audit Committee oversees management of financial risks and receives an annual report from management on the Company s overall risk management structure and process. The Nominating/Corporate Governance Committee manages risks associated with corporate governance and management succession planning. The Compensation Committee oversees risks related to AAM s compensation programs. The Technology Committee oversees risks related to AAM s product, process and systems technology. Additional review or reporting of specific risks is conducted as necessary or as requested by the Board or a Committee.

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 correspondence to the Board that is inappropriate, such as advertising and business solicitations, routine business matters and personal grievances. However, any director may at any time request the Secretary to forward any communication received by the Secretary on behalf of the Board.

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. AAM has also adopted a Code of Ethics for our CEO, COO, CAO, CFO and other Senior Financial Officers (Code of Ethics). The Board annually reviews the Code of Business Conduct and updates the Code as appropriate. AAM s Code of Business

Conduct and Code of Ethics are available on our website at *http://www.aam.com/investors/corporategovernance.* A written copy also may be obtained by any stockholder without charge upon request to the AAM

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Investor Relations Department by mail at One Dauch Drive, Detroit, Michigan 48211-1198 or by email at investorrelations@aam.com.

Related Person Transactions Policy

The Board has adopted a policy and procedure for the review, approval and ratification 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, approving and ratifying all related person transactions in accordance with the policy.

For purposes of this policy, a related person transaction includes 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.

However, 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 meeting the above criteria 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 conflict;
- the extent of the related person s interest in the transaction; and
- whether 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 Executive Director, Administration & Legal, who also serves as the Company s Secretary. In addition, AAM s directors and executive officers complete annual questionnaires designed to elicit information about potential related person transactions. The Company did not engage in any reportable related person transactions during fiscal year 2010. As of the date of this proxy statement, no reportable related person transaction has been brought to the attention of the Secretary, the Audit Committee or the Board.

Board Committee Composition

Directors are expected to attend all Board meetings, meetings of the committees on which they serve and stockholder meetings. During 2010, all directors attended 100 percent of the meetings of the Board and the committees on which they served and the annual meeting of stockholders.

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The Board held four regularly scheduled meetings during 2010. The following table shows the membership of the Board s committees during 2010 and the number of committee meetings held during 2010.

COMMITTEE MEMBERSHIP IN 2010

Name of Director	Audit Committee	Compensation Committee	Nominating/ Corporate Governance Committee	Executive Committee	Technology Committee
Richard E. Dauch				**Chairman**	
Salvatore J. Bonanno, Sr.					**X**
Elizabeth A. Chappell		**X**			
David C. Dauch(1)					
Forest J. Farmer		**Chairman**	**X**	**X**	
Richard C. Lappin			**X**		**X**
James A. McCaslin(2)					
William P. Miller II	**Chairman**				**X**
Larry K. Switzer	**X**	**X**			
Thomas K. Walker	**X**	**X**	**Chairman**	**X**	**X**
Dr. Henry T. Yang					**Chairman**
No. of Meetings in 2010	**4**	**6**	**4**	**1**	**3**

(1) Mr. D. C. Dauch was appointed to the Executive Committee effective February 8, 2011.

(2) Mr. McCaslin joined the Board and was appointed to the Technology Committee effective February 8, 2011.

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 is available on AAM s website at *http://www.aam.com/investors/corporategovernance.*

The Board has determined that all Audit Committee members serving during 2010 are independent and financially literate under applicable NYSE listing standards. Mr. Miller and Mr. Switzer also qualify as audit committee financial experts as defined by SEC rules.

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;

- Approving corporate goals and objectives for executive officer compensation and evaluating executive officer performance in light of these criteria, in consultation with the CEO (in the case of our other executive officers) and with input from other independent directors (in the case of the CEO);
- Recommending to the Board the approval, amendment and termination of incentive compensation and equity-based plans and certain other compensation matters;
- Overseeing the preparation of the Compensation Discussion and Analysis for inclusion in our annual proxy statement; and
- Producing the Compensation Committee Report for inclusion in our annual proxy statement.

The Compensation Committee operates under a written charter that is available on our website at *http://www.aam.com/investors /corporategovernance.* In accordance with our Corporate Governance Guidelines, the Compensation Committee is also responsible for recommending non-employee director compensation and benefits for approval by the Board.

Risk Assessment of Compensation Policies and Practices

In 2011, AAM management conducted a risk assessment of the Company s compensation policies and practices relating to AAM s compensation programs for executive officers and other associates on a global basis. The process used by management to conduct the risk assessment was approved by the Compensation Committee. The risk assessment considered, among other things, AAM s annual and long-term incentive programs and pay mix, performance measures used to calculate payouts, and pay philosophy and governance. Based on this risk assessment and other factors, management concluded that the Company s compensation policies and practices do not create risks that are reasonably likely to have a material adverse effect on the Company. The Compensation Committee agreed with management s conclusion.

Role of Management in Compensation Decisions

The Compensation Committee is responsible for making compensation decisions relative to executive officers. However, in making its decisions, the Committee seeks and considers input from senior management. Since management has direct involvement with and an in-depth knowledge of the business strategy, goals and performance of the Company, certain executive officers play an important role in the executive compensation decision-making process. Senior management participates in the Committee s activities in the following specific respects:

- The CEO reports to the Committee with respect to his evaluation of the performance of the Company s executive officers, including the other named executive officers (NEOs). Together with the President & COO and the Human Resources department head, the CEO makes compensation recommendations for these individuals, including base salary levels and the amount and mix of incentive awards.
- The CEO, the President & COO, the CFO and the Human Resources department head develop recommended performance objectives and targets for AAM s incentive compensation programs. The Human Resources Department also assists the Chairman of the Committee in developing meeting agendas and manages the preparation and distribution of pre-meeting informational materials on the matters to be considered.
- The CEO, the President & COO, the CFO and the Human Resources department head regularly attend Committee meetings. Management generally does not attend the executive session of the Committee. However, there are times when the Committee requests that certain members of management, including the CEO, the President & COO and the Human Resources department head, be present for all or a portion of an executive session.
- The CEO, President & COO, the CFO and the Human Resources department head recommend long-term incentive grants for executive officers, other than the CEO, for approval by the Committee.

Role of Compensation Consultant

The Compensation Committee has retained Meridian Compensation Partners, LLC (Meridian) as its independent compensation consultant. Meridian provides independent advice and ongoing recommendations on compensation matters related to the CEO, other executive officers and non-employee directors, including:

- Provide independent input for the Committee s decision-making with respect to executive compensation;
- Provide independent input related to non-employee director compensation;
- Prepare competitive market data, including current compensation trends, as a reference for the Committee to consider in evaluating compensation for executive officers.

In the course of fulfilling its responsibilities, Meridian may communicate directly with the Chairman of the Compensation Committee. Meridian also meets with management to gather information, prepare materials, and review proposals to be made to the Committee.

During 2010, the Compensation Committee engaged Meridian to conduct a market study of non-employee director compensation to determine the competitiveness of AAM s total compensation program for non-employee directors. Meridian was instructed to compare AAM s non-employee director pay levels and design practices against that of the peer group established by the Compensation Committee for evaluating the competitiveness of AAM s executive compensation programs. This peer group is shown in the *Market Analysis and Benchmarking* section of the CD&A. Based on the results of Meridian s analysis, the Compensation Committee and the Board approved changes to non-employee director compensation for 2011 as described in *2011 Non-employee Director Compensation* below.

Nominating/Corporate Governance Committee

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

- Identify qualified individuals to serve on the Board and committees;
- 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 *http://www.aam.com/investors/corporategovernance.*

Selection Process for Director Nominees. In consultation with the Chairman of the Board, the Nominating/Corporate Governance Committee identifies, evaluates and recommends potential candidates for membership on the Board. The Nominating/Corporate Governance Committee conducts 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 Committee s evaluation, candidates who meet the Board s criteria may receive further consideration, which may include interviews with the Nominating/Corporate Governance Committee and other directors. The Committee then submits its recommendations for nominees to the Board for approval. Pursuant to AAM s bylaws, the Board may establish the size of the Board by resolution, provided there is a minimum of three members.

Before the Board nominates an incumbent director for re-election by our stockholders, the incumbent director is 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 current directors of our Board, our CEO and our stockholders. Mr. R.E. Dauch referred current director nominee, James A. McCaslin, for consideration by the Nominating/Corporate Governance Committee and the Board based upon Mr. McCaslin s extensive operational experience in multiple manufacturing industries in the original equipment and aftermarket product markets. After consideration of Mr. McCaslin s qualifications, and based on the recommendation of the Nominating/Corporate Governance Committee, the Board added Mr. McCaslin to the Board effective February 8, 2011 to fill a new Class III position.

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.

The Board as a whole should reflect the appropriate balance of knowledge, experience, skills, expertise and diversity that, when taken together, will enhance the quality of the Board s deliberations and decisions. Although the Board has no formal policy regarding diversity, the Board believes that diversity is an essential element of Board effectiveness. In this context, diversity is defined broadly to include differences in background, skills, education, experience, gender, race, national origin and culture.

For director candidates recommended by stockholders, the Nominating/Corporate Governance Committee follows the procedures described in *Other Matters, Stockholder Proposals for 2012 Annual Meeting*. The Nominating/Corporate Governance Committee will evaluate candidates recommended by stockholders using substantially the same criteria as it considers 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 2010* table.

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 2010* table.

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COMPENSATION OF EXECUTIVE OFFICERS

Compensation Discussion and Analysis

Executive Summary

In 2010, general economic conditions began to stabilize, credit markets improved and U.S. domestic automotive production levels increased. The U.S. Seasonally Adjusted Annual Rate (SAAR) of sales increased in 2010 for the first time in three years to 11.6 million units as the U.S. domestic automotive industry began to recover from the severe downturn it had suffered. Over the past several years, AAM s senior management team implemented a restructuring plan that resulted in a cost structure aligned with current and projected levels of customer demand and market requirements. This plan has proven successful, yielding significant, permanent structural cost reductions, which has driven down our operating breakeven level. These actions positioned AAM to significantly improve profitability and free cash flow in 2010.

Our executive compensation program reflects an externally competitive compensation structure based on a comprehensive market study of executive compensation programs in AAM s peer group. The program includes a mix of base salaries, target annual incentive opportunities and long-term incentives for executive officers. In 2010, our annual incentives were based exclusively on achievement of net operating cash flow goals. Our current long-term incentive program for executive officers is a cash-based program as a result of AAM not having an equity plan available for new equity-based awards. We use total shareholder return (TSR) and earnings before interest, taxes, depreciation and amortization (EBITDA) as the performance measures for long-term incentive awards.

Executive Compensation Philosophy and Objectives

The Committee is responsible for establishing and reviewing the overall compensation philosophy of the Company. The Committee believes that the compensation paid to executives should be structured to provide AAM executives with meaningful rewards, while maintaining alignment with stockholder interests, corporate values and management initiatives. In addition, the annual compensation limit of $3 million for any executive officer and other restrictions contained in the 2009 Settlement and Commercial Agreement we entered into with GM (2009 Settlement and Commercial Agreement) will be considered by the Committee in order to ensure compliance with the agreement as long as it remains in effect.

The Committee believes that AAM s executive compensation program should consist of a mix of base salary, annual incentive compensation, long-term incentive compensation, perquisites and other personal benefits. One of the key objectives of establishing a mix of base salaries, annual incentive and long-term incentive compensation is to have a significant portion of total compensation be performance based and contingent upon the achievement of stated Company performance goals.

In an effort to more closely align the objectives of the philosophy to market competitive practices, the Committee approved stated target percentile goals for each component of pay. The following pay percentile goals are used as a guide to help set compensation levels for the NEOs, excluding the CEO (whose compensation is determined under his employment agreement, as described below). In addition to these goals, the Committee considers other factors in setting compensation levels for the NEOs, including individual performance and the specific needs of the position for the Company.

Pay Component	**Target Percentile Goal**
Base Salary	50^{th} Percentile
Target Annual Incentive	Between 50^{th} and 75^{th} Percentiles
Long-Term Incentives	Between 50^{th} and 75^{th} Percentiles

These percentile goals were established based on the Committee s objective that base salaries should be consistent with market salaries at the 50^{th} percentile. The percentile goals for annual

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incentives and long-term incentives were set between the 50th percentile and the 75th percentile to enable the Company to reward executive performance at a rate slightly above average in order to compete for executive talent. These pay percentile goals were implemented over a two-year period that concluded in 2010.

Compensation Objectives. The following fundamental objectives are considered in determining compensation programs and pay levels.

Compensation and benefit programs 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) to be competitive relative to the compensation paid to similarly situated executives in our peer group.

Compensation and benefit programs should attract, motivate and retain experienced executives who are vital to our short-term and long-term success, profitability and growth. AAM makes an effort to remain competitive by targeting competitive pay levels based on the Company s Compensation Philosophy with consideration of the specific business environment and other market influences.

Compensation and benefit programs 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 peer group. As associates progress to higher levels in the Company and assume key leadership positions, a greater portion of their compensation should be linked to Company performance and stockholder returns. Company performance is measured against financial and operational objectives and stockholder return.

Compensation and benefit programs 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 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.

Executive officers should be AAM stockholders. Stock ownership aligns our executive officers interests with those of stockholders and reinforces the importance of making sound long-term decisions. AAM s executive officers are required to maintain a certain level of stock ownership based on their position.

The objectives of rewarding performance and retention should be balanced. In periods of downturns in Company performance, particularly when driven by industry events or customer decisions, our compensation programs should continue to ensure that high-achieving, marketable executives remain motivated and committed to AAM. This principle is essential to our effort to encourage our strongest leaders to remain with AAM for long and productive careers.

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

Market Analysis and Benchmarking

A peer group of 38 broad industrial manufacturing companies, including 10 automotive suppliers, were identified by the Committee s independent compensation consultant database, for consideration by the Committee to help assess competitive pay levels and to provide data for 2010 and 2011 pay decisions. The peer group was selected to be representative of a broad industrial sector in which

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AAM competes for executive talent. The criteria used to assess the market and to select the peer group included:

- Operating/Industry Competitors Companies with which we compete for the sale of products and services;
- Labor Market Competitors Companies with which we compete for executive talent;
- Competitors for Capital Companies with which we compete for investment dollars and against which investment performance is evaluated; and
- Revenue Size Companies with revenues within a relevant range.

Based on the foregoing criteria, the Committee approved the following peer group to be used for 2010 and 2011 pay decisions:

A. O. Smith Corporation	Joy Global Inc.
ArvinMeritor Inc.	Kennametal Inc.
Ball Corporation	Lear Corporation
BorgWarner Inc.	Navistar International
Brady Corporation	Owens-Illinois, Inc.
Cameron International Corporation	PACCAR Inc.
Cummins Inc.	Polaris Industries Inc.
Dana Corporation	Rockwell Automation
Donaldson Company, Inc.	Sauer-Danfoss Inc.
Dover Corporation	Sonoco Products Company
Eaton Corporation	Terex Corporation
Federal Signal Corporation	Thomas & Betts Corporation
Federal-Mogul Corporation	The Timken Company
Fleetwood Enterprises, Inc.	Trinity Industries, Inc.
Flowserve Corporation	TRW Automotive Holdings Corp.
FMC Technologies	USG Corporation
Genuine Parts Company	Valmont Industries, Inc.
Harley-Davidson Motor Company	Visteon Corporation
Ingersoll-Rand Company	Woodward Governor Company

The market data analysis used in determining executive officer compensation levels was revenue size adjusted using regressed market values for each relevant position.

Tally Sheets

Annually, the Committee reviews compensation tally sheets for each executive officer, including the NEOs. The tally sheets, which are prepared by management, provide a summary of the current amounts of each component of pay, including a historical review of prior long-term incentive grants. The tally sheets also provide a summary of the potential payouts and benefits upon various termination events. The elements and calculations reviewed are substantially similar to the information provided for each NEO in *Potential Payments Upon Termination or Change in Control* below. The Committee did not change the NEOs compensation based on its review of this information. The Committee expects to review updated tally sheets on an annual basis.

Components of the AAM Compensation Program

The primary components of AAM s executive compensation program are base salary, annual incentives, long-term incentives, and benefits and perquisites. The discussion below of the elements of compensation applies to the NEOs, other than Mr. R. E. Dauch, our CEO. Mr. R. E. Dauch s compensation is discussed separately in *Compensation of Chief Executive Officer* below.

Base Salary. Base salaries provide fixed compensation to the executive for services rendered during the year. To more closely align its compensation programs with market competitive practices,

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the Company implemented market-based changes in compensation levels over a two-year period that concluded in 2010. The Committee based its salary determinations for the NEOs (other than the CEO) by reference to the 50th percentile of our peer group. The recommendations of the CEO and President & COO were also considered for other NEOs salaries. Those recommendations were based on experience, time in position, professional development, contribution to the Company, individual performance and other factors. The Committee approved the following base salaries for 2011:

	Base Salary
Richard. E. Dauch	$ 2,702,300
Michael K. Simonte	$ 515,000
David C. Dauch (effective November 1, 2010)	$ 650,000
John J. Bellanti	$ 473,800
John E. Jerge	$ 303,000

Mr. D.C. Dauch s base salary was increased effective November 1, 2010 in connection with the additional responsibilities he assumed in the areas of labor relations, legal and administration. NEO base salaries for 2010, 2009 and 2008 are shown in the *Summary Compensation Table*.

Annual Incentive Compensation. Annual incentive compensation at AAM is designed to:

- Encourage executives to achieve short-term goals to foster the long-term goals of the Company;
- Reward performance to support strategic initiatives; and
- Provide incentives for executive retention.

Annual incentive compensation is measured by our achievement of financial targets established under AAM s Incentive Compensation Plan for Executive Officers. On an annual basis, the Committee determines one or more performance factors, and the relative weighting of each factor, in consideration of the Company s key performance objectives. Under the plan, the performance factors that may be selected are (1) net income as a percentage of sales, (2) after tax return on invested capital (ROIC) and (3) net operating cash flow. ROIC is defined as after-tax return divided by average invested capital. Net operating cash flow is defined as cash provided by or used in operating activities less capital expenditures. Target performance levels, established annually, are intended to be aggressive but achievable metrics based on industry conditions.

Cash incentive awards are permitted to the extent the Company meets or exceeds threshold levels of performance and reports positive net income for the performance year. However, the plan permits the Committee to make adjustments if the Committee determines that the achievement of performance targets for a plan year do not reflect the true performance of the Company due to unanticipated circumstances specified in the plan. No such adjustments were made for the 2008, 2009 or 2010 plan years.

Individual awards may be increased or decreased by the Committee, based on the CEO s recommendation, in consideration of individual experience, time in position, professional development, contribution to the Company, individual performance and other factors. No changes were recommended for 2010 annual incentive awards paid to executive officers.

2010 Annual Incentives

In support of the Company s 2010 strategic initiatives, the Committee approved the use of net operating cash flow as the sole performance metric to be used in determining 2010 annual incentives for the following reasons:

Cash flow is a critical financial metric for AAM at this time due to its impact on liquidity and debt reduction;

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Increasing cash flow is key to achieving credit rating upgrades, which will have a favorable impact on the Company s cost of future financing; and
The Committee believes increasing cash flow benefits AAM stakeholders.

The following table summarizes the approved target annual incentive opportunities for the NEOs in 2010 and 2011 (stated as a percentage of base salary):

	Annual Incentive Opportunity
Richard. E. Dauch	*
Michael K. Simonte	80%
David C. Dauch	90%
John J. Bellanti	80%
John E. Jerge	60%
Patrick S. Lancaster (Retired 1/1/2011)	80%

* Mr. R.E. Dauch received no annual incentive award in 2010 in consideration of the $3 million compensation limitation under the 2009 Settlement and Commercial Agreement.

In the fourth quarter of 2009, the Committee determined the 2010 award levels for the net operating cash flow performance metric in conjunction with a review of the Board-approved annual budget and projections provided to AAM s lenders. The award levels are as follows:

	Net Operating Cash Flow	
	Performance	**Payout**
Threshold	$(60) million	50%
Target	Breakeven	100%
Maximum	$25 million	125%

The 2010 threshold award level for net operating cash flow was based on projections provided to AAM s lenders in 2009 in obtaining amendments to our senior credit agreements and refinancing substantially all senior debt maturities through 2014. The target award level was set at breakeven net operating cash flow. The maximum award level was determined to be an aggressive target based on the Company s projected volumes and industry conditions when the target was established.

The Company s 2010 net operating cash flow performance exceeded the maximum target award level by more than $100 million. Accordingly, the Committee approved a payout of 125 percent of target. The annual incentive awards paid to the NEOs are shown in the *Summary Compensation Table*.

2011 Annual Incentives

In 2010, the Compensation Committee approved the use of net operating cash flow and net income as a percentage of sales (NIPS), each with an equal weighting, as the performance metrics to be used in determining 2011 annual incentives. Net operating cash flow was selected for the reasons described above under *2010 Annual Incentives*. NIPS was selected as a performance metric for 2011 for the following reasons:

- Net income is a key indicator of financial and operational performance; and
- Net income and net income growth is highly correlated to cash flow, return on invested capital and stockholder value creation.

Award levels for NIPS and net operating cash flow were determined in the fourth quarter of 2010. Target and threshold performance levels for NIPS were established based on a review of our competitor peer group benchmarks for the three most recently completed years. AAM s competitor

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peer group as shown in our 2010 annual report includes ArvinMeritor Inc.; Autoliv Inc.; BorgWarner Inc.; Dana Corporation; Lear Corporation; Magna International Inc.; Tenneco Automotive Inc. and Visteon Corporation (competitor peer group). The target performance level for NIPS, or 3 percent, was set at a level to meet the performance of the top one-third of our competitor peer group for the three most recently completed fiscal years.

The Committee determined the performance award levels for net operating cash flow performance based on the Board approved budget. The target performance level for net operating cash flow is based on our outperforming the budget by $25 million and the maximum performance level is based on outperforming the budget by $50 million. These 2011 performance targets will be disclosed in our 2012 proxy statement.

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

Align executive officer and stockholder interests;
Reward achievement of long-term performance goals; and
Provide incentives for executive retention.

In prior years, AAM granted equity awards to executive officers under the 1999 Stock Incentive Plan. That plan expired in 2009 and was not replaced by the Company. Since AAM does not have an equity plan in place, the Committee approved changes to the long-term incentive program for executive officers that impact both (1) each executive officer s award opportunity and (2) the type of long-term incentive awards.

Cash-Based Long-Term Incentive Plan. In 2009, the Committee approved a cash-based long-term incentive program, which provides the entire long-term incentive opportunity for executive officers. Under the AAM 2009 Long-Term Incentive Plan (AAM LTIP), each participant receives a target award value, stated as a dollar amount based on a percentage of base salary.

The following table summarizes the target award amounts for the NEOs in 2011 and 2010:

	2011 Target Award Amount	**2010 Target Award Amount**
Richard. E. Dauch	$	$
Michael K. Simonte	$ 618,000	$ 600,000
David C. Dauch	$ 1,170,000	$ 1,008,000
John J. Bellanti	$ 568,560	$ 552,000
John E. Jerge	$ 242,400	$ 228,000
Patrick S. Lancaster (Retired 1/1/11)	$	$ 528,000

* Mr. R.E. Dauch received no long-term incentive award in 2010 in consideration of the $3 million compensation limit under the 2009 Settlement and Commercial Agreement.

Award payouts can range from 0 percent to 200 percent of the target value based on the level of performance over a three-year period beginning in January of the year of the award.

Performance Measures

For grants under the AAM LTIP, the actual cash payouts will be determined based on the level of performance against two performance metrics approved by the Committee. One-half of the target award payment will be earned based on the cumulative amount of earnings before interest, taxes, depreciation and amortization (EBITDA) over a three-year performance period. In calculating this award, the plan gives the Committee discretion to exclude certain special items from EBITDA, such as special charges or gains, non-recurring operating costs, extraordinary gains or losses, the impact of changes in accounting principles, or any other unusual items. EBITDA was chosen as one of the measures of Company performance as it is a key indicator of the Company s financial and operational performance and is useful in analyzing entity valuation. In addition, EBITDA as a performance measure complements the metrics used to determine payouts under other incentive programs.

The remaining one-half of the target award amount will be earned based on a total shareholder return (TSR) measure that compares the Company s TSR over the three-year performance period relative to the TSR of AAM s competitor peer group. Relative TSR was chosen as one of the measures of Company performance in order to motivate executive officers to build long-term value for our stockholders above that of our competitor peer group. Share price appreciation and dividends paid will be measured over the performance period to determine TSR.

The following tables illustrate the threshold, target and maximum performance levels for determining award payouts for each performance measure. The EBITDA performance levels shown below were designed to drive a level of performance in the top one-third of our competitor peer group.

EBITDA Performance Measure

Performance Level	3-Year Cumulative EBITDA	Percent of Target Award Opportunity Earned
Threshold	8%	25%
Target	12%	100%
Maximum	15%	200%

TSR Performance Measure

Performance Level	Company s TSR Percentile Rank	Percent of Target Award Opportunity Earned
Threshold	35(th)	50%
Target	50(th)	100%
Maximum	75(th)	200%

Senior Executive Special Incentive Program. On March 15, 2010, the Compensation Committee approved a special incentive program for certain NEOs. The special incentive program was developed to recognize the extraordinary efforts of Mr. Simonte, Mr. D.C. Dauch, Mr. Bellanti and Mr. Lancaster in navigating the Company through the turbulent financial and market conditions in 2009. As a result of their individual and collective efforts, the Company was able to successfully complete its restructuring outside of bankruptcy, gain contract clarity with GM, and address liquidity concerns by entering into the 2009 Settlement and Commercial Agreement, amending senior credit agreements and raising cash proceeds through an equity offering.

Payments under the special incentive program for Mr. Simonte, Mr. D.C. Dauch and Mr. Bellanti are contingent upon termination of the financial accommodations provided by GM in connection with the 2009 Settlement and Commercial Agreement and the Access and Security Agreement (Access Agreement). The Committee and the full Board believe that termination of the financial accommodations provided by GM and the Access Agreement is in the best interests of AAM, its stockholders and other key stakeholders. The benefits to AAM of terminating the financial accommodations provided by GM and the Access Agreement include, among other things, a cost savings associated with eliminating the one percent sales discount related to the expedited payment terms. The Company also anticipates improved flexibility in accessing new sources of debt capital by eliminating certain covenants and other restrictions that accompany the financial accommodations provided by GM and the Access Agreement.

The special incentive program was also designed to retain Mr. Simonte, Mr. D.C. Dauch and Mr. Bellanti and to motivate them to accomplish the objectives described above. It is expected that

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they will be instrumental to the Company in strengthening our financial and competitive position in the future. The special incentive program for Mr. Lancaster was designed to reward his efforts in 2009 and provide him with an additional retirement incentive. The special incentive program awards for Mr. Simonte, Mr. D. C. Dauch, Mr. Bellanti and Mr. Lancaster (award recipients) are as follows:

		Total Award Value
David C. Dauch	$	5,000,000
Micha		