

AMERICAN AXLE & MANUFACTURING HOLDINGS INC

Form DEF 14A

March 22, 2005

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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 ☐  
Filed by a Party other than the Registrant ☐

Check the appropriate box:

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

**American Axle & Manufacturing Holdings, Inc.**

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(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

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

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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):

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1) Amount Previously Paid:

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One Dauch Drive

Detroit, Michigan 48211-1198

www.aam.com

***NOTICE OF ANNUAL MEETING OF STOCKHOLDERS***

**April 28, 2005**

**American Axle & Manufacturing Holdings, Inc. (AAM)**

<b>Time and Date</b>	3:00 p.m., local time, on Thursday, April 28, 2005
<b>Place</b>	AAM World Headquarters Auditorium, One Dauch Drive, Detroit, Michigan
<b>Items of Business</b>	(1) Elect directors. (2) Attend to other business properly presented at the meeting.
<b>Record Date</b>	You may vote if you were an AAM stockholder (NYSE: AXL) at the close of business on March 1, 2005.
<b>Meeting Admission</b>	Admission may be limited to AAM stockholders as of the record date and holders of valid proxies. Please be prepared to present appropriate 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.
<b>Voting</b>	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. Instructions on how to vote your shares are in the section entitled <i>Questions and Answers about Voting and the Annual Meeting</i> in the proxy statement and on the proxy card.

By Order of the Board of Directors,

Patrick S. Lancaster  
Vice President, Chief Administrative Officer & Secretary  
March 22, 2005

*Along with the proxy statement and proxy card, we are sending you our 2004 Annual Report to Stockholders, which includes our audited, consolidated financial statements and other information that we encourage you to read.*

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**2005 ANNUAL MEETING OF STOCKHOLDERS**

**PROXY STATEMENT**

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

***PROXY STATEMENT***

**Annual Meeting of Stockholders**

**To Be Held April 28, 2005**

**QUESTIONS AND ANSWERS ABOUT VOTING AND THE ANNUAL MEETING**

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**1. Q: Why am I receiving this proxy statement?**

A: The Board of Directors of American Axle & Manufacturing Holdings, Inc. (AAM or the Company) is soliciting proxies for the 2005 annual meeting of stockholders. You are receiving a proxy statement because you owned shares of AAM common stock on March 1, 2005 (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.

The notice of annual meeting, proxy statement, proxy and 2004 annual report to stockholders are being mailed to stockholders on or about March 22, 2005.

**2. Q: What will I vote on?**

A: Election of four directors to serve on AAM's Board of Directors (Board). The Board recommends a vote for election of each of the four director nominees. The Board is unaware of any other business that will come before the meeting.

**3. Q: How many votes are needed for the proposal to pass?**

A: Directors are elected by a plurality of the votes cast.

**4. Q: How many votes must be present to hold a meeting?**

A: Under AAM's bylaws, a majority of shares of AAM common stock as of the record date must be present in person or by proxy to hold the annual meeting (quorum). Proxies received but marked as withheld or broker non-votes will be included in the calculation of the number of votes present at the annual meeting.

**5. Q: How do I vote?**

A: You can vote either in *person* at the annual meeting or by *proxy* without attending the annual meeting. If you attend the meeting in person, you may vote at the meeting and any previous proxy will not be counted.

If your shares are held in your name, you may vote by proxy in one of the following ways:

*By mail.* Complete, sign, date, and return your proxy card in the envelope provided. If you return your signed proxy card but do not mark the boxes showing how you wish to vote, your shares will be voted FOR each of the nominees;

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*By telephone.* Call 1-877-PRX-VOTE (1-877-779-8683) toll free, also listed on the enclosed proxy card, and follow the instructions (enter the voter control number printed on the proxy card).

*By Internet.* Access <http://www.eproxyvote.com/AXL>, also listed on the enclosed proxy card, and follow the instructions (enter the voter control number printed on the proxy card).

If your shares are held in street name by a broker, bank, other holder of record, or through one of the AAM 401(k) plans, follow the instructions on the proxy card they provide.

**6. Q: Can I change my vote?**

- A: 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.

**7. Q: How will votes be counted?**

- A: Representatives of EquiServe Trust Company, N.A., AAM's transfer agent, will count the votes and act as the inspector of election. In the election of directors, you may vote **FOR** one or more of the nominees or your vote may be **WITHHELD** for one or more of the nominees. If you withhold your vote on the election of directors, your shares will be counted for purposes of determining a quorum. Withheld votes will not affect the election of directors. If you sign your proxy card without giving specific instructions, your shares will be voted as recommended by the Board.

**8. Q: What if I don't return my proxy card and don't attend the annual meeting?**

- A: If you are a holder of record (that is, your shares are registered in your own name with our transfer agent) and you don't vote your shares, your shares will not be voted.

If you hold shares in street name, and you don't give your bank, broker or other holder of record specific voting instructions, your record holder can vote your shares on the election of directors at its discretion.

If you don't 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 vote for the election of directors. Broker non-votes will be counted for purposes of determining a quorum.

**9. Q: What shares are included on the proxy card?**

- A: The shares on each proxy card represent the shares held on the record date. If your shares are registered differently or are in more than one account, you will receive more than one proxy card. Vote all of the proxy cards to ensure that all shares are voted.

**10. Q: How many shares can be voted?**

- A: As of the record date, 49,886,308 shares of AAM common stock were eligible to be voted. A holder of common stock is entitled to one vote per share.

**11. Q: How will I know the results of voting?**

- A: You may find the results in AAM's Form 10-Q for the second quarter of 2005.



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**ELECTION OF DIRECTORS**

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**PROPOSAL NO. 1:**

**ELECTION OF DIRECTORS**

The Board proposes that nominee Elizabeth A. (Beth) Chappell be elected to the Board for a term expiring at the annual meeting of stockholders in 2007.

The Board proposes that nominees Richard E. Dauch, William P. Miller II, and Larry K. Switzer be elected to the Board for terms expiring at the annual meeting of stockholders in 2008.

Ms. Chappell joined the Board in September 2004 to fill the vacancy left by Thomas L. Martin, who resigned in June 2004 to accept a position with AAM as Vice President Finance & Chief Financial Officer. Mr. Switzer joined the Board in February 2005 to fill the vacancy left by John P. Reilly, who voluntarily resigned in October 2004.

The Board unanimously approved these nominations based on the outstanding achievements, special competencies and integrity of each nominee. A biographical summary containing the principal occupation and professional background and experience of each nominee and returning director is provided.

**YOUR BOARD UNANIMOUSLY RECOMMENDS A VOTE FOR EACH OF THE NOMINEES.**

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**NOMINEES FOR DIRECTOR**

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**DIRECTOR to hold office until the 2007 Annual Meeting of Stockholders**

**ELIZABETH A. CHAPPELL**

Director since 2004

Age 47

Elizabeth A. (Beth) Chappell is President and Chief Executive Officer of the Detroit Economic Club. Previously, she was Executive Vice President, Corporate Communications & Investor Relations for Compuware Corporation. From 1995 to 2000, Ms. Chappell was Founder and President of the management consultancy company, The Chappell Group. For 16 years, Ms. Chappell held executive positions of increasing responsibility at AT&T. Ms. Chappell currently serves on various corporate and civic boards including Handleman Company, Citizens Research Council, Hospice of Michigan, Michigan Economic Development Corporation and serves as an advisor to United Way Community Services. Ms. Chappell is a past board member of the Detroit Regional Chamber, Karmanos Cancer Institute and Michigan Economic Growth Authority.

**DIRECTORS to hold office until the 2008 Annual Meeting of Stockholders**

**RICHARD E. DAUCH**

Director since 1994

Age 62

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. He left Chrysler Corporation in 1991 as 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 40 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 Michiganiaan 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 also served as Chairman of the National Association of Manufacturers (N.A.M.). 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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**DIRECTORS to hold office until the 2008 Annual Meeting of Stockholders**

**WILLIAM P. MILLER II**

Age 49

Mr. Miller is the Senior Risk Manager for the Abu Dhabi Investment Authority. Previously, Mr. Miller was a Risk Management Adviser to the Rockefeller Foundation (2002-2003) a non-profit foundation, Independent Risk Oversight Officer for Commonfund (1996-2002) an investment management firm for educational institutions, and Director, Trading Operations and Asset Mix Management for General Motors Investment Management Corporation (1983-1996) with a variety of treasury, engineering and manufacturing assignments with General Motors Corporation over the 1974-1983 period. Mr. Miller currently serves as a director, member of the Audit Committee and chairman of the Market Regulation Oversight Committee of the Chicago Mercantile Exchange; director, member of the Nomination and Remuneration Committee, chairman of the Audit and Risk Management Committee and chairman of the Executive Committee of the Dubai International Financial Exchange; and director and chairman of the Audit Committee of the BTOP50 Index Fund. Mr. Miller also serves on the advisory boards of the Kent State University's Master of Science in Financial Engineering as well as the International Association of Financial Engineers, and is Chairman of the Executive Committee of the End Users of Derivatives Council. Mr. Miller is a Chartered Financial Analyst.

**LARRY K. SWITZER**

Director since 2005

Age 61

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. Prior to that, he was 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. He has also held senior executive positions at Bendix Corp., White Motor Corp. and Gencorp. Switzer holds a bachelor of science degree from Iowa State University and a master of business administration degree from Harvard University, where he received the National Area and Fisher Foundation Fellowships.

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**RETURNING MEMBERS OF THE BOARD OF DIRECTORS**

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**DIRECTORS to hold office until the 2006 Annual Meeting of Stockholders**

**FOREST J. FARMER**

Director since 1999

Age 64

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. Previously, he served as President and Chief Executive Officer of Bing Manufacturing, Inc., LLC, a joint venture company he founded with Detroit entrepreneur Dave Bing and automotive dealership businessman Mel Farr, from 1995 to 1998. He retired from Chrysler Corporation after 26 years, 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.

**RICHARD C. LAPPIN**

Director since 1999

Age 60

Richard C. Lappin retired in 2004 as Chairman of the Board of Haynes International, Inc. Previously, he was Senior Managing Director of The Blackstone Group L.P. where, as a member of the Private Equity Group, he helped monitor the operations of Blackstone Capital Partners portfolio companies and evaluated business strategy options. Prior to that, he 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. Mr. Lappin also serves on the Board of Directors of Premcor, Inc.

**THOMAS K. WALKER**

Director since 1999

Age 64

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 is a member of the Board of Directors of Meridian Automotive Inc. and serves on the National Advisory Board for Michigan Technological University.

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**DIRECTORS to hold office until the 2007 Annual Meeting of Stockholders**

**B. G. MATHIS**

Director since 1997

Age 72

B. G. Mathis retired from AAM as Executive Vice President Administration & Chief Administrative Officer on December 31, 2000. He had been with AAM since its formation. Prior to joining AAM, Mr. Mathis served for 28 years at Chrysler Corporation and held increasingly responsible executive administrative positions, including Manager of Personnel for all Chrysler manufacturing operations. He retired from Chrysler Corporation in 1988, and is an attorney.

**DR. HENRY T. YANG**

Director since 2004

Age 64

Dr. Henry T. Yang is a Chancellor and Professor of Mechanical Engineering at the University of California, Santa Barbara. Formerly the Dean of Engineering at Purdue University and the Neil Armstrong Distinguished Professor, Dr. Yang is a nationally recognized expert in automotive and aerospace engineering. He was granted a doctorate degree in Structural Engineering from Cornell University, as well as honorary doctorates from Purdue University, Hong Kong University of Science & Technology and National Taiwan University. He is a member of the National Academy of Engineering, and a fellow of the American Institute of Aeronautics and Astronautics. He is a member of the Council of Presidents and member of the Board of Trustees, Universities Research Association, and is a founding member of the Steering Committee, Association of Pacific Rim Universities.

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**CORPORATE GOVERNANCE**

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**Corporate Governance Guidelines and Codes of Business Conduct and Ethics**

The Board has approved AAM's Corporate Governance Guidelines, the AAM Code of Business Conduct applicable to all associates, executive officers and members of the Board, a Code of Ethics for AAM's CEO, CAO, CFO and other Senior Financial Officers and written charters for each of the Audit, Compensation and Nominating/ Corporate Governance Committees. The Board regularly reviews corporate governance developments and modifies these documents as appropriate. They are posted on our website at [www.aam.com/governance](http://www.aam.com/governance).

**Board Structure and Self-Evaluation**

The current 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 each of the Audit, Compensation and Nominating/ Corporate Governance Committees conducts an annual self-evaluation in order to monitor and continuously improve the effectiveness of the Board and each committee.

**Board Independence**

The 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 criteria for independence under the listing standards of the New York Stock Exchange (NYSE). No director qualifies as independent unless the Board determines that the director has no direct or indirect material relationship with the Company.

In October 2004, the Board established guidelines to assist in determining the independence of its directors. These Independence Guidelines are set forth in our Corporate Governance Guidelines, which are attached as Appendix A to this proxy statement and are posted on our website at [www.aam.com/governance](http://www.aam.com/governance). In addition to applying the Independence Guidelines, the Board will consider all relevant facts and circumstances of which it is aware in making an independence determination. Based on the NYSE listing standards and our Independence Guidelines, the Board has affirmatively determined that each director and nominee is independent, except for our Co-Founder, Chairman of the Board & Chief Executive Officer, Richard E. Dauch, an AAM employee, and director B. G. Mathis, who is related to an AAM executive. Further discussion of this matter is in *Certain Relationships and Related-Party Transactions*.

Seven of the nine current directors are independent; the Board will continue to have seven independent directors if all four nominees are elected at the annual meeting.

**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 management or non-independent directors present at least once a year. Thomas K. Walker, an independent director, has been selected by the Board to preside at each executive session. Upon conclusion of each executive session, the Board reconvenes to receive feedback (as appropriate) from attendees of the executive sessions.

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**Stockholder Communication with the Board**

Stockholders 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. Depending on the subject matter of the communication, the Secretary will (i) forward the communication to the director or directors to whom it is addressed; (ii) handle or refer the matter to the appropriate AAM department; or (iii) not forward the communication if it is a commercial solicitation or other inappropriate topic for the Board. At each Board meeting, the Secretary presents a summary of communications received since the last meeting and makes them available to the Board.

**Board Committee Composition**

The Board has five standing committees: Audit, Compensation, Nominating/ Corporate Governance, Executive and Technology Committees. Except for the Executive Committee, the standing committees consist entirely of independent directors. The charters of the Audit, Compensation and Nominating/ Corporate Governance Committees are posted on the AAM website ([www.aam.com/governance](http://www.aam.com/governance)) and are reproduced as Appendices B, C and D, respectively, to this proxy statement.

During 2004, the Board held nine meetings. Each incumbent director attended 100% of the meetings of the Board and the committees on which he or she served. All directors who served at the time attended the 2004 annual meeting of stockholders. The following table shows the number of committee meetings held during 2004 and the membership of the Board's standing committees as of March 1, 2005.

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**COMMITTEE MEMBERSHIP TABLE**

- (1) Incumbent directors as of March 1, 2005
- (2) Established in July 2004; first meeting held in January 2005
- (3) Appointed to the Board in September 2004
- (4) Appointed to the Board in February 2005
- (5) Independent (see *Board Independence* on page 10)

**Audit Committee**

Throughout 2004, the Audit Committee consisted of Mr. Walker (Chairman), Mr. McCurdy and Mr. Lappin. Thomas L. Martin served on the Board and the Audit Committee from February through June, 2004, when he resigned to accept the position of AAM's Vice President Finance & Chief Financial Officer. The Audit Committee met four times in 2004 with all members present. All members are financially literate under applicable NYSE rules, and Mr. McCurdy and Mr. Lappin also qualify as audit committee financial experts as defined by the Securities and Exchange Commission (SEC) pursuant to Section 407 of the Sarbanes-Oxley Act of 2002.

Effective February 2, 2005, the Board elected Larry K. Switzer to the Board to fill a vacancy and appointed him to the Audit Committee. Mr. Switzer is financially literate under applicable NYSE rules and is qualified to serve as an audit committee financial expert as defined by the SEC. Mr. McCurdy's service on the AAM Board and Audit Committee will end upon the expiration of his term at the 2005 annual meeting.

The Audit Committee operates under a written charter setting forth its responsibilities, which is available on AAM's website ([www.aam.com/governance](http://www.aam.com/governance)) and is attached as Appendix B. The *Report of the Audit Committee* begins on page 32.

**Compensation Committee**

The Compensation Committee establishes and reviews AAM's overall executive compensation philosophy and programs and approves executive officer compensation to support AAM's business strategies and objectives. The Compensation Committee consists of Forest J. Farmer (Chairman), Thomas K. Walker and Elizabeth A. Chappell. Ms. Chappell was elected to the Board and appointed to the Compensation Committee in September 2004 to fill a vacancy resulting from a voluntary resignation. The Compensation Committee met six times in 2004 with all members present. The *Report of the Compensation Committee on Executive Compensation* begins on page 19.



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### **Nominating/ Corporate Governance Committee**

The Nominating/ Corporate Governance Committee's primary responsibilities are to: (a) identify qualified individuals to serve on the Board, consistent with the criteria approved by the Board; (b) review the Company's Corporate Governance Guidelines and Code of Business Conduct and recommend changes as appropriate; and (c) oversee and approve the process for management succession planning for the Chief Executive Officer and other executive officers.

The Nominating/ Corporate Governance Committee met five times in 2004 with all members present. The Nominating/ Corporate Governance Committee operates under a written charter setting forth its responsibilities, which is available on AAM's website ([www.aam.com/governance](http://www.aam.com/governance)) and is attached as Appendix D to this proxy statement. The Company's Corporate Governance Guidelines set forth the qualifications for Board membership and the nomination process. They are available on AAM's website and are attached as Appendix A to this proxy statement.

**Director Qualifications.** The Nominating/ Corporate Governance Committee is responsible for recommending nominees for membership on the Board in consultation with the Co-Founder, Chairman of the Board & Chief Executive Officer. Candidates are reviewed in consideration of the current composition of the Board, the operating requirements of the Company and the interests of stockholders. Board candidates should possess certain qualities, including: (a) high ethical character and shared values with AAM; (b) high-level leadership experience and achievement at a policy-making level in business or in educational or professional activities; (c) knowledge of issues affecting AAM; (d) financial, technical, international business or other expertise or industry knowledge; (e) willingness to apply sound, independent business judgment; and (f) sufficient time and availability to effectively carry out a director's duties.

**Selection Process for New Director Nominees.** In consultation with the Co-Founder, Chairman of the Board & Chief Executive Officer, the Nominating/ Corporate Governance Committee identifies, evaluates and recommends prospective directors to the Board. Referrals from a Board member or other appropriate source are considered. Candidates are then evaluated by the Nominating/ Corporate Governance Committee and individuals meeting the Board's criteria are recommended for further consideration and interviews by the Nominating/ Corporate Governance Committee and other directors. The Nominating/ Corporate Governance Committee then proposes the recommended candidate as a nominee for Board approval.

In 2004, two vacancies were filled using this procedure. Ms. Chappell was identified as a candidate by the Co-Founder, Chairman of the Board & Chief Executive Officer. Mr. Switzer was identified by Mr. Lappin, Chairman of the Nominating/ Corporate Governance Committee. After evaluating a number of candidates, the Nominating/ Corporate Governance Committee recommended and the Board elected Ms. Chappell in September 2004 and Mr. Switzer in February 2005.

William P. Miller II was identified by the Co-Founder, Chairman of the Board & Chief Executive Officer as a potential nominee for election by stockholders at the annual meeting. After the Nominating/ Corporate Governance Committee evaluated Mr. Miller's qualifications and interviews were conducted, the Board approved Mr. Miller's nomination.

The Nominating/ Corporate Governance Committee follows the procedures set forth in AAM's bylaws and SEC rules with respect to consideration of candidates recommended by stockholders. These procedures are described in *Other Information, Stockholder Proposals for 2006 Annual Meeting*.

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***Nominees for Re-election to the Board.*** Incumbent directors are subject to evaluation by the Nominating/ Corporate Governance Committee and/or the Board before being nominated for re-election by the stockholders. The Board considers, among other things, an incumbent director's meeting attendance record and contributions to the activities of the Board.

**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 Table*.

**Technology Committee**

The Board established the Technology Committee in July 2004 to oversee and provide advice to AAM regarding AAM's product, process and systems technology. Its members are identified in the *Committee Membership Table*.

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**DIRECTORS COMPENSATION**

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**DIRECTORS COMPENSATION:** AAM pays all directors who are not AAM employees for their Board service as follows:

an annual retainer of \$40,000;

\$1,500 for each Board meeting attended;

\$3,000 for each committee meeting attended by each committee chair;

\$2,000 for each committee meeting attended by each committee member;

reimbursement of expenses of attending Board and committee meetings;

eligibility to participate in the American Axle & Manufacturing Holdings, Inc. Executive Deferred Compensation Plan; and

upon election to the Board, a grant of 7,500 options to purchase AAM common stock at the closing price on the date of the grant to vest at 2,500 shares per year during the director's term of office.

**DIRECTORS STOCK OWNERSHIP GUIDELINES:** The Board recommends that each director maintain ownership of at least 1,000 shares of AAM stock. As of March 1, 2005, all AAM directors owned at least 1,000 shares of AAM common stock.

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**SECURITY OWNERSHIP OF DIRECTORS, NOMINEES, EXECUTIVE OFFICERS AND  
CERTAIN BENEFICIAL OWNERS**

The following tables show the number of shares of AAM common stock beneficially owned as of March 1, 2005 (unless indicated otherwise) by:

each person known to us who beneficially owns more than 5% of AAM's common stock;

each of our directors and nominees;

our Co-Founder, Chairman of the Board & Chief Executive Officer and the other four executive officers named in the *Summary Compensation Table*; and

all directors and executive officers as a group.

In this context, SEC rules provide that a beneficial owner of stock is a person who has voting power, meaning the power to control voting decisions, or investment power, meaning the power to cause the sale of the stock. All individuals listed in the table have sole voting and investment power, unless otherwise noted.

In calculating the percentage of beneficial ownership, the total shares of AAM common stock includes the 49,886,308 shares outstanding on March 1, 2005 and assumes the exercise of vested options to purchase 892,452 shares that were granted before AAM's initial public offering in 1999.

**DIRECTORS AND EXECUTIVE OFFICERS**

Our directors and executive officers have furnished the following information about their beneficial ownership of AAM common stock as of March 1, 2005. Stock options currently exercisable or exercisable within 60 days are included in the beneficial ownership calculation as indicated.

Name	Shares Beneficially Owned Excluding Options	Options Exercisable Within 60 Days	Percent of Class
<b>Directors and Nominees</b>			
Elizabeth A. Chappell	1,000	0	*
Forest J. Farmer	1,000	8,500	*
Richard C. Lappin	6,000	2,500	*
B.G. Mathis <sup>(1)</sup>	77,000	208,340	*
William P. Miller II	0	0	*
Larry W. McCurdy	1,000	6,000	*
Larry K. Switzer	1,000	0	*
Thomas K. Walker	1,000	8,500	*
Dr. Henry T. Yang	1,000	2,500	*
<b>Named Executive Officers</b>			
Richard E. Dauch <sup>(2)</sup>	2,582,127	1,055,000	7.0%
Joel D. Robinson	0	213,400	*
Yogendra N. Rahangdale	5,000	115,980	*
Marion A. Cumo, Sr.	1,470	211,266	*
Patrick S. Lancaster <sup>(3)</sup>	6,000	256,206	*
<b>All Directors and Executive Officers as a Group (26 persons)</b>	<b>2,710,791</b>	<b>2,857,770</b>	<b>10.5%</b>

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(\*) Represents holdings that do not exceed 1%.

(1) Includes 2,000 shares held in trust by Mr. Mathis' spouse.

(2) Includes shares held by the Dauch Annuity Trust 2007 (1,833,675), the Richard E. Dauch Trust dtd 11/13/91 (160,342) and the Richard E. and Sandra J. Dauch Family Foundation, a 501(c)(3) charitable foundation (588,110). Excludes shares held by the Sandra J. Dauch Gift Trust (5,075,207), of which Mr. Dauch's spouse is trustee (shown in the following table).

(3) The shares are held in trust by Mr. Lancaster's spouse.

**Table of Contents****MORE THAN 5% BENEFICIAL OWNERS**

The following persons have filed reports with the SEC stating that they beneficially own more than 5% of AAM's common stock.

<b>Name and Address</b>	<b>Shares of Common Stock Beneficially Owned</b>	<b>Percent of Shares Outstanding</b>
AXA Financial, Inc. <sup>(1)</sup> 1290 Avenue of Americas New York, NY 10104	3,708,974	7.3%
Barclays Global Investors NA <sup>(2)</sup> 45 Fremont Street San Francisco, CA 94105	8,670,072	17.1%
FMR Corp. <sup>(3)</sup> 82 Devonshire Street Boston, MA 02109	5,026,241	9.9%
Sandra J. Dauch Gift Trust dated May 25, 1998 <sup>(4)</sup> One Dauch Drive Detroit, MI 48211	5,075,207	10.0%

- (1) Based on the most recent Schedule 13G/A filed with the SEC on behalf of AXA Financial, Inc., AXA Assurances I.A.R.D. Mutuelle, AXA Assurances Vie Mutuelle, AXA Courtage Assurance Mutuelle and AXA, indicating sole voting power for 2,944,825 shares, shared voting power for 22,059 shares and sole investment power for 3,708,974 shares.
- (2) Based on the most recent Schedule 13G/A filed with the SEC by Barclays Global Investors, NA, indicating sole investment power for the number of shares shown and sole voting power for 8,015,364 of these shares.
- (3) Based on the most recent Schedule 13G/A filed with the SEC by FMR Corp., indicating sole voting power with respect to these shares.
- (4) Based on the most recent Schedule 13G/A filed with the SEC by the Sandra J. Dauch Gift Trust, indicating sole voting power and investment power with respect to these shares. The trustee is Mr. Dauch's spouse.

**Section 16(a) Beneficial Ownership Reporting Compliance**

Section 16(a) of the Securities Exchange Act of 1934 requires our directors and executive officers, and persons who own more than 10% of a registered class of our equity securities, to file with the SEC initial reports of ownership and reports of changes in ownership of our common stock. We believe that all Section 16(a) filing requirements applicable to our executive officers, directors and owners of more than 10% of AAM's common stock were met during fiscal year 2004.

**Table of Contents****STOCK PERFORMANCE GRAPH****COMPARISON OF CUMULATIVE TOTAL RETURNS**

The following graph and table compares the percentage change in the cumulative total stockholder return on AAM's common stock from December 31, 1999 through December 31, 2004 with the cumulative total return of a Competitor Peer Group<sup>(1)</sup>, an industry index<sup>(2)</sup>, and the Standard & Poor's 500 Composite Index. The total stockholder return includes the reinvestment of dividends<sup>(3)</sup>. The closing market price for AAM common stock at the end of fiscal 2004 was \$30.66.

**Comparison of Cumulative Total Return Among AAM, Competitor Peer Group,****Industry Index and S&P 500 Index**

<b>Company/Index/Market</b>	<b>12/31/99</b>	<b>12/29/00</b>	<b>12/31/01</b>	<b>12/31/02</b>	<b>12/31/03</b>	<b>12/31/04</b>
American Axle & Manufacturing Holdings, Inc. (NYSE - AXL)	100.00	65.47	176.33	193.15	333.36	256.30
Competitor Peer Group	100.00	73.75	101.17	76.28	111.64	112.59
Motor Vehicle Parts Industry	100.00	69.17	90.40	73.86	107.75	105.82
S&P 500 Composite Index	100.00	90.89	80.09	62.39	80.29	89.02

- (1) 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.
- (2) SIC Code 3714 Motor Vehicle Parts & Accessories.
- (3) Assumes \$100 invested on December 31, 1999 and reinvestment of dividends from December 31, 1999 through December 31, 2004.

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**REPORT OF THE COMPENSATION COMMITTEE ON EXECUTIVE COMPENSATION**

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The Compensation Committee oversees AAM's compensation programs for executive officers and other executives to promote achievement of AAM's business strategy and objectives. The responsibilities and governance of the Compensation Committee are described in *Board Committees*.

**Philosophy and Objectives:** AAM's executive compensation program is designed to:

Link executive compensation to the achievement of AAM's financial and operational performance objectives

Align executive compensation with the interests of stockholders

Attract, motivate and retain talented and experienced executives

AAM's executive compensation program reflects our results-oriented corporate culture that rewards achievement of aggressive goals. A major portion of our executive officers' total compensation is variable and at-risk. Our incentive programs link executive officer compensation directly to AAM's performance and stock price appreciation. As discussed below, AAM's annual and long-term incentive plans give executive officers the opportunity to earn above-average compensation for above-average performance as compared to the performance of AAM's Competitor Peer Group. We believe AAM's pay-for-performance philosophy enables AAM to attract and retain talented, achievement-oriented executives who are committed to AAM's long-term success.

The Compensation Committee regularly reviews AAM's compensation and benefits programs in consideration of the philosophy and objectives described above. In 2004, the Compensation Committee completed an extensive review of AAM's long-term incentive program with the advice of independent consultants retained by the Compensation Committee. Based on the analyses and recommendations of the independent consultants, the Compensation Committee approved changes to AAM's long-term incentive compensation program to take effect in 2005. Under the new program, grants of performance accelerated restricted stock (PARS) and restricted stock units (RSUs) will be introduced and grants of non-qualified stock options will be reduced significantly. All awards will be made under the 1999 American Axle & Manufacturing Holdings, Inc. Stock Incentive Plan, which stockholders approved in 1999 (1999 Plan). In 2004, AAM's stockholders re-approved the performance criteria and approved the addition of 5.0 million shares authorized for issuance under the 1999 Plan.

**Compensation Components and Processes:** AAM strives to provide a comprehensive compensation program for executive officers that is competitive and emphasizes performance-based components. In determining compensation levels for AAM's executive officers, the Compensation Committee considers the compensation practices of companies with which AAM may compete for executive candidates. For this purpose, the Compensation Committee reviews compensation practices of other automotive suppliers, durable goods manufacturers and industrial companies based on recognized surveys conducted by independent consultants and professional organizations (compensation surveys). The Compensation Committee also relies on the advice of independent consultants to ensure that AAM's compensation and benefits programs are designed to achieve AAM's performance objectives in a manner that is consistent with AAM's compensation philosophy.

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(1) For purposes of this Report, references to executive officer(s) do not include the Co-Founder, Chairman of the Board & Chief Executive Officer, Richard E. Dauch. Mr. Dauch's compensation is discussed separately below.



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**Annual Base Salary.** Annual base salary is intended to compensate executive officers for sustained individual performance at their relative level of responsibility. In determining executive officer salaries, the Compensation Committee considers competitive salary levels for similar positions as reported in compensation surveys. Also, in consultation with the Co-Founder, Chairman of the Board & Chief Executive Officer, the Compensation Committee reviews the performance of each executive officer and the achievements of the business unit or function under his or her leadership. Base salaries also reflect existing economic and business conditions affecting AAM at the time of the salary review, which occurs at the end of each year. Salaries earned by the named executive officers for the past three years are shown in the *Summary Compensation Table*.

**Annual Incentive Awards.** The annual component of incentive compensation is designed to align executive officer pay with the Company's annual performance. Executive officers are awarded cash bonuses to the extent the Company meets or exceeds annual performance targets set by the Compensation Committee in advance. Bonus awards are permitted only if the Company is profitable. Because AAM has been profitable since it began operations eleven years ago, bonuses have been paid every year. The Compensation Committee believes the executive bonus program effectively motivates AAM's leaders to achieve strong annual results in a manner that ensures the Company's long-term success.

Pursuant to the Amended and Restated American Axle & Manufacturing, Inc. Executive Officer Incentive Compensation Plan (bonus plan), the Compensation Committee sets performance targets intended to exceed the performance of two-thirds of AAM's Competitor Peer Group and to achieve budgeted cash flow objectives approved by the Board. The factors used to measure performance and calculate bonus awards are: (1) after-tax return on invested capital (ROIC), (2) net operating cash flow, and (3) net income as a percentage of sales (NIPS). Individual awards may be adjusted based on the Co-Founder, Chairman of the Board & Chief Executive Officer's evaluation of each executive officer's performance. For the 2004 performance period, the Compensation Committee weighted each bonus factor equally and considered compensation survey information in setting performance target levels.

AAM's actual 2004 performance placed the Company second among its Competitor Peer Group for NIPS, first among its Competitor Peer Group for ROIC, and at 92.85% of targeted cash flow for the year. After conferring with the Co-Founder, Chairman of the Board & Chief Executive Officer on adjustments related to individual performance, the Compensation Committee approved bonus awards to executive officers based on the Company's 2004 results.

### **Long-term Incentive Compensation.**

**2004 Stock Option Awards.** In 2004, non-qualified stock options were the sole vehicle for long-term incentive compensation for executive officers and executive-level associates. The Compensation Committee reviewed and approved stock option grants to executive officers in 2004 based on AAM's performance in 2003, considering also the grant levels for similar positions at companies identified in competitive surveys. Grants to individual executive officers varied according to each individual's level of responsibility, performance and other special circumstances, as recommended by the Co-Founder, Chairman of the Board & Chief Executive Officer.

Options awarded in 2004 vest in three approximately equal annual installments following the date of grant and have contractual terms of 10 years. The exercise price was based on the closing price of AAM's common stock on the date of grant (\$38.70). All grants were made under the 1999 Plan.

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**2005 Performance Accelerated Restricted Stock Awards.** In 2004, the Compensation Committee confirmed that AAM's objectives in offering long-term incentives are to:

reward achievement of long-term performance goals

provide incentives for executive retention

facilitate stock ownership among executive officers

reduce dilution and run rates

align executive officer and stockholder interests

Independent compensation consultants analyzed AAM's long-term incentive program and recommended changes in design to effectively motivate and reward performance and to support stock price appreciation. Comparative programs offered by companies in AAM's Competitor Peer Group were considered. Based on the recommendations of independent consultants, the Compensation Committee concluded that performance accelerated restricted stock (PARS) should become the principal form of long-term incentive and should be combined with restricted stock units (RSUs) and stock options in future awards to executive officers. This approach takes into consideration the levels of responsibility and influence on AAM's strategic direction and long-term performance of executive officers.

In October 2004, the Board approved the Compensation Committee's recommendations to offer the following combinations of awards as long-term incentive compensation beginning in 2005.

<b>Position</b>	<b>Stock Options</b>	<b>PARS</b>	<b>RSUS</b>
Executive Officers	Yes	Yes	Yes
Executive-level associates	No	Yes	No

PARS and RSUs will vest on the fifth anniversary of the grant date, unless vesting is accelerated at the end of the third or fourth years of the applicable grant. Accelerated vesting will be contingent upon the Company's achievement of pre-determined performance goals, measured by total stockholder return (TSR) as compared to the TSR of the Company's Competitor Peer Group. Vesting will not be accelerated unless relative TSR is positive. The Compensation Committee believes PARS grants will support the achievement of multi-year performance objectives and enable executive officers to meet recently-adopted stock ownership requirements.

**Management's Stock Ownership Requirements:** In October 2004, in connection with the long-term incentive program review, the Compensation Committee established the following stock ownership requirements. Based on the market value of AAM's common stock, ownership requirements are determined as a multiple of each executive officer's base salary.

<b>Position</b>	<b>Multiple of Base Salary</b>
Co-Founder, Chairman & CEO	5
Vice Chairman or President & COO	3
Executive VP, Senior VP, Division President	2
Vice President	1

For current executive officers, stock ownership levels must be attained within five years from October 2004. New executive officers will be given five years to reach the required levels upon taking office. If compliance is not achieved in five years, 50 percent of an executive officer's bonus will be deferred into restricted stock until the applicable level is attained. Ownership requirements must be maintained until retirement.

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**Compensation of the Co-Founder, Chairman of the Board & Chief Executive Officer:** Total compensation of the Co-Founder, Chairman of the Board & Chief Executive Officer, Richard E. Dauch, reflects AAM's sustained growth since Mr. Dauch co-founded the Company in a high-risk venture eleven years ago. In reviewing Mr. Dauch's total compensation, which is governed by employment agreements, the Compensation Committee considered his policy and decision-making authority and responsibility for leading AAM's performance in the midst of challenging structural changes occurring in the global automotive industry.

The components and performance measures of Mr. Dauch's compensation are specifically addressed in his employment agreement dated November 6, 1997, as amended (employment agreement), and a supplemental compensation agreement dated December 20, 2000 (supplemental compensation agreement) (collectively, employment agreements).

**Salary and Bonus.** Pursuant to his employment agreement, Mr. Dauch's salary was determined by AAM's performance. His bonus was determined by 2004 performance, measured by adjusted net income, after-tax return on invested capital and cash flow. Based on 2004 results: (1) net income of \$159.5 million, (2) after-tax return on invested capital of 12.7%, and (3) net operating cash flow of \$213 million, the Compensation Committee awarded Mr. Dauch an annual cash bonus of \$2,999,995. Mr. Dauch's 2004 base salary and bonus as compared to the previous two years is shown in the *Summary Compensation Table*.

Pursuant to his supplemental compensation agreement, Mr. Dauch received the fourth of five annual installment payments of \$2,360,873. In 2000, the Board approved these supplemental compensation payments as consideration for Mr. Dauch's agreement to extend his employment agreement through 2006. The Compensation Committee elected to pay this annual installment in cash rather than stock, as permitted by the supplemental compensation agreement. The Compensation Committee considered this election to be in the best interests of the Company.

**Fiscal Year 2004 Performance.** In addition to the performance factors discussed above, the Compensation Committee considered other significant achievements of the Company in reviewing Mr. Dauch's overall compensation, including:

Sales of approximately \$3.6 billion

Diluted earnings per share (EPS) of \$2.98

Obtained \$1 billion in new investment grade financing, reducing interest expense by over \$20 million and eliminating many restrictive covenants

Established a dividend policy and paid \$23 million in dividends to AAM's stockholders

Increased new business backlog to over \$1 billion

Repurchased 5.0 million shares of AAM stock

Recognition by *IndustryWeek* as one of its 50 Best Manufacturing Companies based on AAM's ability to more than survive during difficult times and to operate more intelligently and efficiently than its competitors.

**Long-term Incentives:** In 2004, Mr. Dauch was awarded 300,000 stock options with an exercise price of \$38.70, which was the market price for AAM stock on the date of grant. Stock option grants for Mr. Dauch had the same terms as all other stock option grants awarded in 2004. (See *2004 Stock Option Grants*, above.) Mr. Dauch's current ownership of AAM stock exceeds the Company's stock ownership requirements for his position.

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**Tax Deductibility of Compensation:** Section 162(m) of the Internal Revenue 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 2004, the Co-Founder, Chairman of the Board & Chief Executive Officer received compensation in excess \$1 million. Consequently, a portion of Mr. Dauch's compensation was not treated as a deductible income tax expense for 2004. Section 162(m) did not affect AAM's ability to take a tax deduction for compensation paid to any other executive officer.

**Summary:** The Compensation Committee believes that AAM's current compensation philosophy, objectives, practices and programs support AAM's business strategy and objectives. The Compensation Committee believes that AAM's compensation program is effective in attracting, retaining and motivating highly qualified individuals and provides appropriate incentives for achieving aggressive performance goals. The Compensation Committee regularly reviews AAM's compensation and benefits programs to maintain an emphasis on performance and stockholder value. Programs are modified as appropriate to achieve their stated objectives, as well as to address systemic, structural changes in leading compensation practices.

**Compensation Committee of the Board of Directors**

*Forest J. Farmer, Chairman*

*Elizabeth A. Chappell*

*Thomas K. Walker*

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**EXECUTIVE COMPENSATION, RETIREMENT PROGRAMS AND  
EMPLOYMENT AND CONTINUITY AGREEMENTS**

The following table shows compensation information for Richard E. Dauch, Co-Founder, Chairman of the Board & Chief Executive Officer, and our four next highest paid executive officers as of the end of 2004 (named executive officers).

**SUMMARY COMPENSATION TABLE**

Name and Principal Position	Year	Annual Compensation			Long-Term Compensation Awards	
		Base Salary (\$)	Bonus \$(1)	Other Annual Compensation \$(2)	Securities Underlying Options (#)	All Other Compensation \$(3)
Richard E. Dauch Co-Founder, Chairman of the Board & Chief Executive Officer	2004	1,150,000	2,999,995	2,368,596	300,000	45,070
	2003	1,129,750	3,950,000	25,845,231	300,000	33,375
	2002	1,012,917	3,550,000	22,999,415	300,000	33,064
Joel D. Robinson Vice Chairman	2004	338,103	340,000	687,357	90,000	7,804
	2003	330,804	520,000	4,525,117	110,000	9,485
	2002	315,000	450,000	2,803,307	110,000	7,488
Yogendra N. Rahangdale Executive Vice President Operations & Planning	2004	263,750	270,000	8,770	45,000	9,145
	2003	242,467	420,000	1,042,997	39,000	8,519
	2002	220,500	325,000	499,864	40,000	7,746
Marion A. Cumo, Sr. Vice President Driveline Division	2004	248,004	215,000	5,903	22,000	8,219
	2003	248,004	400,000	12,959,665	25,000	13,742
	2002	230,827	340,000	262,214	23,000	12,348
Patrick S. Lancaster Vice President, Chief Administrative Officer & Secretary	2004	236,700	220,000	13,894	25,000	7,590
	2003	236,700	350,000	13,106	30,000	8,357
	2002	228,801	310,000	13,029	40,000	8,884

(1) Amounts shown reflect bonuses earned in the year indicated and paid in the following year.

(2) Other Annual Compensation includes: (a) earnings from the exercise of stock options and/or (b) the dollar value of the following perquisites: personal use of a Company vehicle (imputed taxable income), annual physical examinations and premiums for excess personal liability insurance. For each of the years reported, the total dollar value of perquisites for each of the named executive officers did not exceed the lesser of \$50,000 or 10% of salary and bonus. For Mr. Dauch, the amounts shown include an annual supplemental compensation payment (\$2,360,873) received pursuant to an agreement described in the *Report of the Compensation Committee on Executive Compensation*.

- (3) All Other Compensation includes: (a) employer matching contributions to an AAM 401(k) plan; (b) employer matching contributions to a non-qualified deferred compensation plan; and (c) premiums for executive life insurance. For 2004, these amounts are, respectively: Mr. Dauch \$6,150, \$2,071 and \$36,849; Mr. Robinson \$6,150, \$-0 and \$1,654; Mr. Rahangdale \$6,150, \$-0 and \$2,995; Mr. Cumo, Sr. \$6,150, \$-0 and \$2,069; and Mr. Lancaster \$6,150, \$-0 and \$1,440. For 2003, these amounts are, respectively: Mr. Dauch \$6,000, \$-0 and \$27,375; Mr. Robinson \$6,000, \$-0 and \$3,485; Mr. Rahangdale \$6,000, \$-0 and \$2,519; Mr. Cumo, Sr. \$6,000, \$744 and \$6,998; and Mr. Lancaster \$6,000, \$-0 and \$2,357. For 2002, these amounts are, respectively: Mr. Dauch \$6,000, \$-0 and \$27,064; Mr. Robinson \$6,000, \$-0 and \$1,488; Mr. Rahangdale \$6,000, \$378 and \$1,368; Mr. Cumo, Sr. \$6,000, \$688 and \$5,660; and Mr. Lancaster \$6,000, \$660 and \$2,224.

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The following table shows additional information concerning stock options granted to the named executive officers in 2004.

**OPTION GRANTS IN 2004**

Name	Number of Securities Underlying Options Granted (1)	Percent of Total Options Granted to Employees in Fiscal Year	Exercise or Base Price (2) (\$ per share)	Expiration Date	Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Term (3)	
					5% Stock Price \$63.04	10% Stock Price \$100.38
Richard E. Dauch	300,000	17.7%	38.70	2/2/2014	\$ 7,302,000	\$ 18,504,000
Joel D. Robinson	90,000	5.3%	38.70	2/2/2014	\$ 2,190,600	\$ 5,551,200
Yogendra N. Rahangdale	45,000	2.7%	38.70	2/2/2014	\$ 1,095,300	\$ 2,775,600
Marion A. Cumo, Sr.	22,000	1.3%	38.70	2/2/2014	\$ 535,480	\$ 1,356,960
Patrick S. Lancaster	25,000	1.5%	38.70	2/2/2014	\$ 608,500	\$ 1,542,000

- (1) Options were granted on February 2, 2004 and become exercisable in three approximately equal annual installments beginning February 2, 2005. The maximum term of the grants is ten years.
- (2) The exercise price is the market price on the date of grant.
- (3) These columns show gains that could accrue for the options, assuming that the market price of AAM stock appreciates from the date of grant over a period of 10 years at an annualized rate of 5% and 10%, respectively. The 5% and 10% annualized rates of appreciation are set by the SEC and are not intended to forecast possible future appreciation, if any, of AAM stock price. If the stock price does not increase above the exercise price at the time of exercise, realized value to the named executive officers from these options would be zero. The following table shows additional information concerning stock options exercised during 2004 and the value of options held at December 31, 2004 for each named executive officer.

**AGGREGATED OPTION EXERCISES IN 2004 AND DECEMBER 31, 2004 OPTION VALUES**

Shares Acquired on	Value	Number of Securities Underlying Unexercised Options at Year-End (#)	Value of Unexercised In-the-Money Options at Year-End (2) (\$)

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Name	Exercise (#)	Realized (1) (\$)				
			Exercisable	Unexercisable	Exercisable	Unexercisable
Richard E. Dauch			755,000	600,000	10,527,080	2,037,420
Joel D. Robinson	33,000	676,757	110,000	200,000	731,346	747,054
Yogendra N. Rahangdale			74,670	84,330	1,027,007	267,013
Marion A. Cumo, Sr.			187,916	46,340	4,244,666	165,488
Patrick S. Lancaster			224,556	58,300	4,842,743	225,225

- (1) The value realized is equal to the difference between the exercise price and the market price of the shares purchased on the exercise date multiplied by the number of options exercised.
- (2) The value of unexercised in-the-money options is equal to the difference between the market closing share price on December 31, 2004 (\$30.66) and the exercise price. All options were granted at the market price of the stock on the date of grant.



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**Retirement Program and Pension Plan Tables**

AAM maintains the following defined benefit plans for AAM executive officers and certain other AAM executive-level associates who are not officers of the Company (collectively, Eligible AAM Executives 54 total):

American Axle & Manufacturing, Inc. Retirement Program for Salaried Employees (RPSE), which is a qualified plan; and

American Axle & Manufacturing, Inc. and Affiliated Corporation Salaried Cash Balance Pension Plan (CBPP), which is a qualified plan; and

American Axle & Manufacturing, Inc. Supplemental Executive Retirement Plan (SERP), which is a non-qualified plan. Benefits are paid from current earnings of AAM.

**RPSE.** The RPSE covers AAM salaried associates hired prior to January 1, 2002 and consists of noncontributory benefits and optional contributory benefits. If Eligible AAM Executives do not elect to contribute to the RPSE, they are entitled to receive basic retirement benefits equal to a flat dollar amount per year of credited service, which are essentially equivalent to the benefits under the American Axle & Manufacturing, Inc. Hourly-Rate Employees Pension Plan maintained by AAM for its hourly associates. All Eligible AAM Executives are entitled to this flat dollar per year of service benefit. In accordance with its terms, benefits under the RPSE fully vest after five years of credited service and are payable at the normal retirement age of 65, or earlier, on a reduced basis, at the election of the participant (with an unreduced benefit available in certain cases beginning at age 62).

For each period in which they elect to participate in the contributory portion of the RPSE, Eligible AAM Executives make contributions at a level determined under the RPSE based on the amount of their monthly salary and, upon retirement at or after age 65, receive an annual retirement benefit equal to the sum of their contributions. In addition, Eligible AAM Executives who participate in the contributory portion of the RPSE receive a benefit determined under a formula based on eligible years of credited service (determined based on the period for which they make contributions to the RPSE, up to a maximum of 35 years) and the average monthly base salary received in the highest 60 months out of the final ten years of service. The benefits are subject to certain Code limitations that change from time to time. For the 12-month period ending December 31, 2004, the Code limited the total remuneration that may be included for purposes of determining benefits under the RPSE to \$205,000 on an annualized basis.

**CBPP.** The CBPP covers AAM salaried associates hired after December 31, 2001 and consists of an annual employer contribution based on the Eligible AAM Executive's base salary multiplied by a percentage determined by contribution points. Contribution points are equal to the total of the Executive's age and service with American Axle & Manufacturing, Inc., calculated to the nearest 1/12th. Contribution percentages range from 2.5% to 5.0% of base salary. In addition, interest is credited to the account of the Executive on the last day of each calendar quarter based on the Ten Year Treasury Constant Maturity rate as of January 1 of each year. In accordance with its terms, benefits under the CBPP fully vest after five years of credited service and are payable at the normal retirement age of 65, or earlier, on a reduced basis, at the election of the participant. An Eligible AAM Executive may elect to receive the CBPP benefit in a lump sum payment at any time after termination of employment. The benefits are subject to certain Code limitations that change from time to time. For the 12-month period ending December 31, 2004, the Code limited the total remuneration that may be included for purposes of determining benefits under the CBPP to \$205,000 on an annualized basis. None of the named executive officers participate in the CBPP.

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**SERP.** Under the SERP, Eligible AAM Executives who made the optional specified contributions to the RPSE are also eligible to receive the greater of a regular form of the SERP benefit or an alternative form of the SERP benefit. Total monthly retirement benefits for an Eligible AAM Executive receiving the regular form of the SERP benefit are equal to the following: (1) the product of (a) 2% of the average monthly base salary received in the highest 60 months out of the final ten years of service; and (b) the eligible years of credited service as an employee of AAM (as calculated for the RPSE); less (2) the sum of (a) the total benefit payable under the RPSE (before reduction for any survivor option); and (b) the product of (i) 2% of the maximum monthly social security benefit payable at age 65 in the year of retirement and (ii) the number of years of credited service as an employee of AAM (as calculated for purposes of the contributory portion of the RPSE).

Total monthly retirement benefits for an Eligible AAM Executive receiving the alternative form of the SERP benefit are computed so that the sum of the RPSE benefits (before reduction for any survivor option) and the alternative form of SERP benefits equal the following: (1) the product of (a) 1.5% of the sum of (i) the average monthly base salary received in the highest 60 months out of the final ten years of service and (ii) the average monthly incentive compensation received in the highest five years out of the final ten years of service; and (b) eligible years of credited service as an employee of AAM (as calculated for purposes of the contributory portion of the RPSE); less (2) 100% of the maximum monthly social security benefit payable at age 65 in the year of retirement. Supplemental executive retirement benefits otherwise payable under the alternative formula can be reduced or eliminated at the discretion of the Compensation Committee and the Board.

Since the SERP is not subject to ERISA, neither the average monthly base salary used as a factor in determining benefits under the regular form nor the total direct compensation (including bonus) used as a factor in determining benefits under the alternative form is subject to a limitation under the Code.

**Estimated Total Retirement Benefit.** The total estimated annual retirement benefits payable to Eligible AAM Executives, including named executive officers, under the RPSE and the SERP are set forth in the following tables:

**Table I RPSE and Regular SERP.** Table I shows the estimated total annual retirement benefit under the RPSE and the regular form of the SERP related to final base salary as of December 31, 2004, that would be payable in 12 equal monthly installments per annum as a single life annuity to Eligible AAM Executives retiring in 2005 at age 65. The benefits shown are based upon participation in the optional contributory portion of the RPSE and maximum annual social security benefits of \$23,268 payable to persons retiring in 2005. If an Eligible AAM Executive elects to receive benefits in the form of a 65% joint and survivor annuity to the Eligible AAM Executive and his or her spouse, the amounts shown would generally be reduced by 5%, subject to certain adjustments depending on the age differential between the Eligible AAM Executive and his or her spouse.

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<b>Highest Five-Year Average Annual Total Base Salary**</b>	<b>Years of Eligible Contributory Credited Service*</b>				
	<b>15</b>	<b>20</b>	<b>25</b>	<b>30</b>	<b>35</b>
150,000	44,510	59,510	74,510	89,510	104,510
200,000	54,760	72,260	89,760	107,260	124,760
300,000	83,020	110,693	138,366	166,039	193,712
400,000	113,020	150,693	188,366	226,039	263,712
600,000	173,020	230,693	288,366	346,039	403,712
800,000	233,020	310,693	388,366	466,039	543,712
1,000,000	293,020	390,693	488,366	586,039	683,712
1,200,000	353,020	470,693	588,366	706,039	823,712
1,400,000	413,020	550,693	688,366	826,039	963,712
1,600,000	473,020	630,693	788,366	946,039	1,103,712

\* Maximum contributory credited service under the contributory portion of the RPSE and SERP is 35 years. As of December 31, 2004, the number of years of contributory credited service for named executive officers were: Mr. Dauch, Mr. Robinson and Mr. Cumo 10.8333, Mr. Lancaster 10.5833 and Mr. Rahangdale 9.4167.

\*\* The annual base salaries for the most recent years considered in the calculations of the averages are reported in the Summary Compensation Table in the Base Salary column.