

AMERICAN AXLE & MANUFACTURING HOLDINGS INC  
Form 10-K  
March 13, 2009

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

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2008

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 1-14303

AMERICAN AXLE & MANUFACTURING HOLDINGS, INC.  
(Exact name of registrant as specified in its charter)

DELAWARE  
(State or other jurisdiction of  
incorporation or organization)

38-3161171  
(I.R.S. Employer  
Identification No.)

ONE DAUCH DRIVE, DETROIT, MICHIGAN  
(Address of principal executive offices)

48211-1198  
(Zip Code)

313-758-2000

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
COMMON STOCK, PAR VALUE \$0.01 PER SHARE	NEW YORK STOCK EXCHANGE
PREFERRED SHARE PURCHASE RIGHTS, PAR VALUE \$0.01 PER SHARE	NEW YORK STOCK EXCHANGE

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes  No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definition of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

The closing price of the Common Stock on June 30, 2008 as reported on the New York Stock Exchange was \$7.99 per share and the aggregate market value of the registrant's Common Stock held by non-affiliates was approximately \$368.8 million.

As of March 10, 2009, the number of shares of the registrant's Common Stock, \$0.01 par value, outstanding was 55,477,525 shares.

#### Documents Incorporated by Reference

Portions of the registrant's Annual Report to Stockholders for the year ended December 31, 2008 and Proxy Statement for use in connection with its Annual Meeting of Stockholders to be held on April 30, 2009, to be filed with the Securities and Exchange Commission pursuant to Regulation 14A not later than 120 days after December 31, 2008, are incorporated by reference in Part I (Items 1, 1A, 1B, 2, 3 and 4), Part II (Items 5, 6, 7, 7A and 8, 9, 9A, 9B), Part III (Items 10, 11, 12, 13 and 14) and Part IV (Item 15) of this Report.

#### Internet Website Access to Reports

The website for American Axle & Manufacturing Holdings, Inc. is [www.aam.com](http://www.aam.com). Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to section 13(a) or 15(d) of the Exchange Act are available free of charge through our website as soon as reasonably practicable after they are electronically filed with, or furnished to, the Securities and Exchange Commission. The Securities and Exchange Commission also maintains a website at [www.sec.gov](http://www.sec.gov) that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC.

AMERICAN AXLE & MANUFACTURING HOLDINGS, INC.  
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Certifications of Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

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Item 1. Business

(a) General Development of Business

General

As used in this report, except as otherwise indicated in information incorporated by reference, references to “our Company,” “we,” “our,” “us” or “AAM” mean American Axle & Manufacturing Holdings, Inc. (Holdings) and its subsidiaries and predecessors, collectively.

We are a Tier I supplier to the automotive industry. We manufacture, engineer, design and validate driveline and drivetrain systems and related components and chassis modules for light trucks, sport utility vehicles (SUVs), passenger cars, crossover vehicles and commercial vehicles. Driveline and drivetrain systems include components that transfer power from the transmission and deliver it to the drive wheels. Our driveline, drivetrain and related products include axles, chassis modules, driveshafts, power transfer units, transfer cases, chassis and steering components, driving heads, crankshafts, transmission parts and metal-formed products.

Holdings, a Delaware corporation, is a successor to American Axle & Manufacturing of Michigan, Inc., a Michigan corporation, pursuant to a migratory merger between these entities in 1999.

(b) Financial Information About Segments

See Note 13 - Segment and Geographic Information of Item 8 – “Financial Statements and Supplementary Data” included in this report.

(c) Narrative Description of Business

Company Overview

We are the principal supplier of driveline components to General Motors Corporation (GM) for its rear-wheel drive (RWD) light trucks and SUVs manufactured in North America, supplying substantially all of GM’s rear axle and front four-wheel drive and all-wheel drive (4WD/AWD) axle requirements for these vehicle platforms. Sales to GM were approximately 74% of our total net sales in 2008, 78% in 2007 and 76% in 2006.

We are the sole-source supplier to GM for certain axles and other driveline products for the life of each GM vehicle program covered by a Lifetime Program Contract (LPC). Substantially all of our sales to GM are made pursuant to the LPCs. The LPCs have terms equal to the lives of the relevant vehicle programs or their respective derivatives, which typically run 6 to 10 years, and require us to remain competitive with respect to technology, design and quality. We have been successful in competing, and we will continue to compete, for future GM business upon the expiration of the LPCs.

We are also the principal supplier of driveline system products for the Chrysler Group’s heavy-duty Dodge Ram full-size pickup trucks (Dodge Ram program) and its derivatives. Sales to Chrysler LLC (Chrysler) were approximately 10% of our total net sales in 2008, 12% in 2007 and 14% in 2006.

In addition to GM and Chrysler, we supply driveline systems and other related components to PACCAR Inc., Ford Motor Company (Ford), Harley-Davidson and other original equipment manufacturers (OEMs) and Tier I supplier

companies such as The Timken Company, Hino Motors Ltd. and Jatco Ltd. Our net sales to customers other than GM and Chrysler were approximately 16% of sales in 2008 as compared to 10% in 2007 and 2006.

Our principal served market of \$37 billion, as estimated based on information available at the end of 2007, is the global driveline market which consists of driveline, drivetrain and related components and chassis modules for light trucks, SUVs, passenger cars, crossover vehicles and commercial vehicles.

The following chart sets forth the percentage of total revenues attributable to our products for the periods indicated:

	Year ended December 31,		
	2008	2007	2006
Axles and driveshafts	79.2%	84.4%	85.0%
Chassis components, forged products and other	20.8%	15.6%	15.0%
Total	100.0%	100.0%	100.0%

## Industry Trends and Competition

See Item 7, “Management’s Discussion and Analysis – Industry Trends and Competition.”

## Productive Materials

We believe that we have adequate sources of supply of productive materials and components for our manufacturing needs. Most raw materials (such as steel) and semi-processed or finished items (such as castings) are available within the geographical regions of our operating facilities from qualified sources in quantities sufficient for our needs.

For further information regarding productive materials, see Item 7, “Management’s Discussion and Analysis – Industry Trends and Competition.”

## Research and Development (R&D)

Since March 1, 1994, we have spent approximately \$765 million in R&D focusing on new product, process and system technology development. We plan to continue to invest in the development of new products, processes and systems to improve efficiency and flexibility in our operations and continue to deliver innovative new products, chassis modules and integrated driveline systems to our customers.

In 2008, R&D spending was \$85.0 million as compared to \$80.4 million in 2007 and \$83.2 million in 2006. The focus of this investment continues to be developing innovative driveline and drivetrain systems and related components for light trucks, passenger cars, SUVs, crossover vehicles and commercial vehicles in the global marketplace. Product development in this area includes power transfer units, transfer cases, driveline and transmission differentials, multi-piece driveshafts, halfshafts, torque transfer devices, and front and rear drive axles. We continue to focus on electronic integration in our existing and future products to advance their performance. We also continue to support the development of hybrid vehicle systems. Special focus is also placed on the development of products and systems that provide our customers with efficiency and fuel economy advancements. Our efforts in these areas have resulted in the development of prototypes and various configurations of these driveline systems for several OEMs throughout the world.

## Backlog

We typically enter into agreements with our customers to provide axles or other driveline or drivetrain products for the life of our customers’ vehicle programs. Our new and incremental business backlog includes formally awarded programs and incremental content and volume including customer requested engineering changes. Our backlog may be impacted by various assumptions, many of which are provided by our customers based on their long range production plans. These assumptions include future production volume estimates, changes in program launch timing and fluctuation in foreign currency exchange rates.

Our new and incremental business backlog was approximately \$1.4 billion at December 31, 2008. We expect to launch approximately \$0.8 billion of our new and incremental business backlog in the 2009, 2010 and 2011 calendar years. The balance of the backlog is planned to launch in 2012 and 2013. Approximately 60% of our new business backlog relates to RWD and AWD applications for passenger cars and crossover vehicles. Approximately 50% of our new business backlog will be for end use markets outside of North America and approximately 85% of our new business backlog has been sourced to our non-U.S. facilities. Our backlog associated with GM as of December 31, 2008 was approximately \$1 billion.

## Patents and Trademarks

We maintain and have pending various U.S. and foreign patents, trademarks and other rights to intellectual property relating to our business, which we believe are appropriate to protect our interest in existing products, new inventions, manufacturing processes and product developments. We do not believe that any single patent or trademark is material to our business nor would expiration or invalidity of any patent or trademark have a material adverse effect on our business or our ability to compete.

#### Cyclical and Seasonality

See Item 7, “Management’s Discussion and Analysis – Cyclical and Seasonality.”

#### Environmental Matters

See Item 7, “Management’s Discussion and Analysis – Disputes and Legal Proceedings.”



## Associates

As of December 31, 2008, we employed approximately 7,250 associates, approximately 3,650 of which are employed in the U.S. Approximately 2,220 associates are represented by the United Automobile, Aerospace and Agricultural Implement Workers of America (UAW). Approximately 1,575 associates represented by the UAW at our original facilities in Michigan and New York are subject to a collective bargaining agreement that expires February 25, 2012. An additional 645 associates at our MSP Industries Corporation and Colfor Manufacturing, Inc. subsidiaries are represented by the UAW under collective bargaining agreements that expire April 17, 2013 and June 2, 2010, respectively. Approximately 35 associates are represented by the International Association of Machinists (IAM) under a collective bargaining agreement which runs through May 3, 2009. In addition, approximately 215 associates at our Albion Automotive subsidiary, approximately 2,235 associates at our Guanajuato Manufacturing Complex and approximately 345 associates at our Araucaria Manufacturing Facility majority-owned subsidiary are represented by labor unions that are subject to collective bargaining agreements. The collective bargaining agreement at Albion may be modified upon agreement by the parties and the agreements in Mexico and Brazil expire annually.

## Credit and Working Capital Practices

See Item 7, “Management’s Discussion and Analysis – Liquidity and Capital Resources.”

### (d) Financial Information About Geographic Areas

International operations are subject to certain additional risks inherent in conducting business outside the U.S., such as changes in currency exchange rates, price and currency exchange controls, import restrictions, nationalization, expropriation and other governmental action.

For further financial information regarding foreign and domestic sales and export sales, see Note 13 - Segment and Geographic Information of Item 8 – “Financial Statements and Supplementary Data” included in this report.

## Item 1A. Risk Factors

The following risk factors and other information included in this Annual Report on Form 10-K should be considered. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties not presently known to us or that we currently deem immaterial also may impair our business operations. If any of the following risks occur, our business, financial condition, operating results and cash flows could be materially adversely affected.

Our business could be adversely affected if GM and/or Chrysler filed for bankruptcy or were unable to comply with the terms of the Secured Term Loan Facility provided by the U.S. Treasury and any additional requirements of the Troubled Asset Relief Program (TARP).