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

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

FORM 10-K

þ 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

o 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 o No þ

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 o No þ

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 þ No o

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. þ

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 o Accelerated filer þ Non-accelerated filer o Smaller reporting company o

(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 o No þ

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. 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 that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC.

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Exhibit 31.2	Certification of Chief Financial Officer Pursuant to Rule 13a-14(a) of the Securities Exchange Act
Exhibit 32	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

Part I

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.

Cyclicality and Seasonality

See Item 7, “Management’s Discussion and Analysis – Cyclicality 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).

In the fourth quarter of 2008, both GM and Chrysler publicly announced that they would not be able to meet near-term working capital requirements without additional private funding, which seemed unlikely based on the distress in the credit markets, or assistance from the federal government. Both GM and Chrysler secured financing commitments by entering into loan agreements with the U.S. Treasury and began borrowing under those agreements in the fourth quarter of 2008. These loan agreements are conditioned upon submitting viable plans of reorganization and sustainability to the President of the United States in the first quarter of 2009. On February 17, 2009, both companies submitted their viability plans and are required to provide a progress report of their viability plan by March 31, 2009. If the U.S. government does not approve of the submitted plans, it may accelerate the repayment of the loans provided to either or both companies.

Even if the U.S. government allows the loans provided to GM and Chrysler to remain outstanding, it is not certain that the loans will be sufficient to meet their working capital requirements in 2009 or future periods. As part of their viability plans, both companies have requested additional funding from the U.S. government to cover near-term liquidity requirements. It is possible that additional funding, public or private, would not be available to meet these needs.

If either GM or Chrysler is unable to continue operations, we could suffer unfavorable consequences, such as payment delays, inability to collect trade and other accounts receivable, price reductions, production volume declines or the failure to honor contractual commitments including sourcing decisions and financial obligations.

General economic conditions may have an adverse impact on our operating performance and results of operations and our customers' operating performance and results of operations, which may affect our ability and our customers' ability to raise capital.

The recent global financial crisis has impacted our business and our customers' business in the U.S. and globally. Longer term disruptions in the capital and credit markets could further adversely affect our customers' and our ability to access needed liquidity for working capital. Sustained weakness in general economic conditions and/or financial markets in the U.S. or globally could adversely affect our ability and our customers' ability to raise capital on favorable terms. From time to time we have relied, and may also rely in the future, on access to financial markets as a source of liquidity for working capital requirements, acquisitions and general corporate purpose not satisfied by cash-on-hand or operating cash flows. The inability to raise capital on favorable terms, particularly during times of uncertainty in the financial markets similar to that which is currently being experienced in the financial markets, could adversely impact our ability to sustain our businesses and would likely increase our capital costs.

In addition, purchases of our customers' products may be limited by their customers' inability to obtain adequate financing for such purchases. Continued weakness or deteriorating conditions in the U.S. or global economy that results in further reduction of automotive production and sales by our largest customers may continue to adversely affect our business, financial condition and results of operations. Additionally, in a down-cycle economic environment, we may experience the negative effects of increased competitive pricing pressure and customer turnover.

Our financial condition and operations may be adversely affected by a violation of financial and other covenants.

Our Amended and Restated Revolving Credit Facility (the "Amended and Restated Revolving Credit Facility") contains revised financial covenants related to secured indebtedness leverage and interest coverage. The Amended and Restated Revolving Credit Facility and our existing Term Loan Facility (the "Term Loan Facility") impose limitations on our ability to make certain investments, declare dividends or distributions on capital stock, redeem or repurchase capital stock and certain debt obligations, incur liens, incur indebtedness, merge, make acquisitions or sell all or substantially all of our assets. The Amended and Restated Revolving Credit Facility and Term Loan Facility also include customary events of default. Obligations under the Amended and Restated Revolving Credit Facility and the Term Loan facility are guaranteed by our U.S. subsidiaries. In addition, the Amended and Restated Revolving Credit Facility and the Term Loan Facility are secured by all or substantially all of our assets, the assets of AAM and each guarantor's assets, including a pledge of capital stock of our U.S. subsidiaries and a portion of the capital stock of the first tier foreign subsidiaries of AAM, Inc. and each guarantor. A violation of any of these covenants or agreements could result in a default under these facilities, which could permit the lenders to accelerate the repayment of any borrowings outstanding at that time and levy on the collateral package granted in connection with the Amended and Restated Revolving Credit Facility and the Term Loan Facility. A default or acceleration under the Amended and Restated Credit Facility or the Term Loan Facility may result in increased capital costs and defaults under our other debt agreements and may adversely affect our ability to operate our business, our subsidiaries and guarantors' ability to operate their business and our results of operations and financial condition.

Our business could be adversely affected by the cyclical nature of the automotive industry.

Our operations are cyclical because they are directly related to worldwide automotive production, which is itself cyclical and dependent on general economic conditions and other factors, such as credit availability, interest rates, fuel prices and consumer confidence. The current cyclical downturn has been exacerbated by a rapid and severe economic decline in the U.S. and globally. Our business may be further adversely affected by continued economic decline that results in a further reduction of automotive production and sales by our largest customers. Our business may also be adversely affected by reduced demand for the product programs we currently support, or if we fail to obtain sales orders for new or redesigned products that replace our current product programs.

Our business is significantly dependent on sales to GM and Chrysler.

We are the principal supplier of driveline components to 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. Further reduction in our sales to GM or further reduction by GM of its production of RWD light trucks or SUVs could have a material adverse effect on our results of operations and financial condition.

We are also the principal supplier of driveline system products for the Chrysler Group's heavy-duty Dodge Ram full-size pick up trucks (Dodge Ram program) and its derivatives. Sales to Chrysler accounted for approximately 10% of our net sales in 2008, 12% in 2007 and 14% in 2006. Further reduction in our sales to Chrysler or further reduction by Chrysler of its production of the Dodge Ram program could have a material adverse effect on our results of operations and financial condition.

Our business is dependent on the rear-wheel drive light truck and SUV market segments in North America.

A substantial portion of our revenue is derived from products supporting RWD light truck and SUV platforms in North America. Sales and production of light trucks and SUVs are being affected by many factors, including changes in consumer demand; product mix shifts favoring other types of light vehicles, such as front-wheel drive based crossover vehicles and passenger cars; fuel prices; and government regulation, such as the Corporate Average Fuel Economy regulations (CAFE) and related emissions standards promulgated by federal and state regulators. In 2007, the U.S. Congress enacted legislation increasing the U.S. fuel-economy standard industry average to 35 miles per gallon by year 2020 and the current legislative body continues to pursue more aggressive standards at a federal and/or state level. Our customers are currently assessing the impact of these regulations including consumer preferences and demand for vehicles which may have an adverse impact on the programs we currently supply. A reduction in this market segment could have a material adverse impact on our results of operations and financial condition.

We may undertake further restructuring actions.

We have initiated restructuring actions in recent years in order to realign and resize our production capacity and cost structure to meet current and projected operational and market requirements. We may need to take further actions and the charges related to these actions may have a material adverse effect on our results of operations and financial condition.

Our common stock may be delisted from the New York Stock Exchange (NYSE).

On February 27, 2009, we were notified by the NYSE that we had fallen below NYSE's continued listing standard related to total market capitalization and stockholders' equity. The NYSE requires, among other things, that the average market capitalization of a listed company be not less than $75 million over a consecutive 30 trading-day period and that stockholders' equity be not less than $75 million. We intend to submit a plan to the NYSE, within the required 45 day period, to demonstrate our ability to achieve compliance with the continued listing standards within the allotted 18 month cure period. It is not certain that we will be able to successfully implement this plan within the time allotted. In addition, it is possible that we may fall below other continued listing standards. Delisting would have an adverse effect on the liquidity of our common stock and, as a result, the market price for our common stock might be adversely affected. Delisting could also make it more difficult for us to raise additional capital.

Our business could be adversely affected by the volatility in the price of raw materials.

Worldwide commodity market conditions have resulted in volatility in the cost of steel and other metallic materials in recent years. Furthermore, the cost of such steel and metallic materials needed for our products may increase. If we are unable to pass cost increases on to our customers, it could have a material adverse effect on our results of operations and financial condition.

Our business could be adversely affected by disruptions in our supply chain.

We depend on a limited number of suppliers for certain key components and materials needed for our products. We rely upon, and expect to continue to rely upon, certain suppliers for critical components and materials that are not readily available in sufficient volume from other sources. These supply chain characteristics make us susceptible to supply shortages and price increases. In recent years, several of our direct material suppliers have filed for bankruptcy protection. In addition, if GM or Chrysler were to file for bankruptcy protection, it might have a material adverse effect on our suppliers, causing us supply shortages. There can be no assurance that the suppliers of these materials will be able or willing to meet our future needs on a timely basis. A significant disruption in the supply of these materials could have a material adverse effect on our results of operations and financial condition.

Our business could be adversely affected if we fail to maintain satisfactory labor relations.

Substantially all of our hourly associates worldwide are members of industrial trade unions employed under the terms of collective bargaining agreements. Substantially all of our hourly associates in the U.S. are represented by the International UAW. Approximately 1,550 of our UAW represented associates are covered by new labor agreements that expire on February 25, 2012. In the process of negotiating these agreements, the International UAW called a strike against AAM that lasted 87 days and significantly disrupted our operations and the operations of our customers and suppliers. There can be no assurance that future negotiations with our labor unions will be resolved favorably or that we will not experience a work stoppage that could have a material adverse impact on our results of operations and financial condition. In addition, there can be no assurance that such future negotiations will not result in labor cost increases or other terms and conditions that could adversely affect our results of operations and financial condition or our ability to compete for future business.

Our business could be adversely affected by work stoppages at GM or Chrysler.

A substantial number of employees of our largest two customers, GM and Chrysler, and their key suppliers are represented by trade unions, including the International UAW. Because sales to GM and Chrysler account for approximately 84% of our sales, work stoppages at GM, Chrysler or any of their key suppliers could adversely affect our results of operations and financial condition.

Our company or our customers may not be able to successfully launch new product programs on a timely basis.

Certain of our customers are preparing to launch new product programs for which we will supply newly developed driveline system products and related components. Some of these new product program launches have required, and will continue to require, substantial capital investment. We may not be able to install and certify the equipment needed to produce products for these new product programs in time for the start of production. There can be no assurance that we will successfully complete the transition of our manufacturing facilities and resources to support these new product programs or any other future product programs. Accordingly, the launch of new product programs may adversely affect production rates or other operational efficiency and profitability measures at our facilities. In addition, our customers may delay the launch or fail to successfully execute the launch of these product programs, or any additional future product program for which we will supply products.

Our company may not realize all of the revenue expected from our new and incremental business backlog.

The realization of incremental revenues from awarded business is inherently subject to a number of risks and uncertainties, including the accuracy of customer estimates relating to the number of vehicles to be produced in new and existing product programs and the timing of such production. It is also possible that our customers may choose to delay or cancel a product program for which we have been awarded new business. Our revenues, operating results and financial position could be adversely affected relative to our current financial plans if we do not realize substantially all the revenue from our new and incremental business backlog.

We are under continuing pressure from our customers to reduce our prices.

Annual price reductions are a common practice in the automotive industry. The majority of our products are sold under long-term contracts with prices scheduled at the time the contracts are established. Certain of our contracts require us to reduce our prices in subsequent years and most of our contracts allow us to adjust prices for engineering changes. If we must accommodate a customer's demand for higher annual price reductions and are unable to offset the impact of any such price reductions through continued technology improvements, cost reductions and other productivity initiatives, our results of operations and financial condition could be adversely affected.

Our business faces substantial competition.

The automotive industry is highly competitive. Our competitors include the driveline component manufacturing facilities controlled by certain existing original equipment manufacturers (OEMs), as well as many other domestic and foreign companies possessing the capability to produce some or all of the products we supply. Some of our competitors are affiliated with OEMs and others have economic advantages as compared to our business, such as patents, existing underutilized capacity and lower wage and benefit costs. Technology, design, quality, delivery and cost are the primary elements of competition in our industry segment. As a result of these competitive pressures and other industry trends, OEMs and suppliers are developing strategies to reduce cost. These strategies include supply base consolidation and global sourcing. Our business may be adversely affected by increased competition from suppliers benefiting from OEM affiliate relationships or financial and other resources that we do not have. Our business may also be adversely affected if we do not sustain our ability to meet customer requirements relative to technology, design, quality, delivery and cost.

Our company's global operations are subject to risks and uncertainties.

International operations are subject to certain risks inherent in conducting business outside the U.S., such as changes in currency exchange rates, tax laws, price and currency exchange controls, import restrictions, nationalization, expropriation and other governmental action. Our global operations may also be adversely affected by political events and domestic or international terrorist events and hostilities. These uncertainties could have a material adverse effect on the continuity of our business and our results of operations and financial condition. As we continue to expand our business globally, our success will depend, in part, on our ability to anticipate and effectively manage these and other risks.

Our company faces rising costs for pension and other postretirement benefit obligations.

We have significant pension and other postretirement benefit obligations to certain of our associates and retirees. Our ability to satisfy the funding requirements associated with these obligations will depend on our cash flow from operations and our ability to access credit and the capital markets. The funding requirements of these benefit plans, and the related expense reflected in our financial statements, are affected by several factors that are subject to an inherent degree of uncertainty and volatility, including governmental regulation. Key assumptions used to value these benefit obligations and the cost of providing such benefits, funding requirements and expense recognition include the discount rate, the expected long-term rate of return on pension assets and the health care cost trend rate. We have also assumed that GM will fulfill their obligation to share in the cost of providing other postretirement benefits to certain retirees pursuant to our 1994 Asset Purchase Agreement. If the actual trends in these factors are less favorable than our assumptions, it could have an adverse affect on our results of operations and financial condition.

We may incur material losses and costs as a result of product liability and warranty claims, litigation and other disputes and claims.

We are exposed to warranty and product liability claims in the event that our products fail to perform as expected, and we may be required to participate in a recall of such products. Our largest customers have recently extended their warranty protection for their vehicles. Other OEMs have also similarly extended their warranty programs. This trend will put additional pressure on the supply base to improve quality, reliability and warrant performance. This trend may also result in higher cost recovery claims by OEMs to suppliers whose products incur a higher rate of warranty claims. Historically, we have experienced negligible warranty charges from our customers due to our contractual arrangements and the quality, warranty, reliability and durability performance of our products. If our customers demand higher warranty-related cost recoveries, or if our products fail to perform as expected, it could have a material adverse impact on our results of operations or financial condition.

We are also involved in various legal proceedings incidental to our business. Although we believe that none of these matters is likely to have a material adverse effect on our results of operations or financial condition, there can be no assurance as to the ultimate outcome of any such legal proceeding or any future legal proceedings.

In light of current market and industry conditions, including the uncertainties regarding our customers' ability to continue as going concerns, and other factors described in the accompanying audit report of our independent registered public accounting firm, there is a risk that disputes, claims or other demands may arise beyond what is ordinarily incidental to our business. This includes disputes that may arise with lenders related to our continued compliance with the covenants in the Revolving Credit Facility and Term Loan agreements.

Our business is subject to costs associated with environmental, health and safety regulations.

Our operations are subject to various federal, state, local and foreign laws and regulations governing, among other things, emissions to air, discharge to waters and the generation, handling, storage, transportation, treatment and disposal of waste and other materials. We believe that our operations and facilities have been and are being operated in compliance, in all material respects, with such laws and regulations, many of which provide for substantial fines and criminal sanctions for violations. The operation of our manufacturing facilities entails risks in these areas, however, and there can be no assurance that we will not incur material costs or liabilities. In addition, potentially significant expenditures could be required in order to comply with evolving environmental, health and safety laws, regulations or other pertinent requirements that may be adopted or imposed in the future by governmental authorities.

Our company's ability to operate effectively could be impaired if we lose key personnel.

Our success depends, in part, on the efforts of our executive officers and other key associates. In addition, our future success will depend on, among other factors, our ability to continue to attract and retain qualified personnel. The loss of the services of our executive officers or other key associates, or the failure to attract or retain associates, could have a material adverse effect on our results of operations and financial condition.

Item 1B. Unresolved Staff Comments

None

Item 2. Properties

The following is a summary of our principal facilities:

Name	Sq. Feet	Type of Interest	Function
Detroit Manufacturing Complex			
Detroit, MI	2,455,000	Owned	Rear and front axles and steering linkages
Guanajuato Manufacturing Complex			
Guanajuato, Mexico	1,336,000	Owned	Rear axles and driveshafts, front axles, front auxiliary driveshafts and forging products
Three Rivers Manufacturing Facility			
Three Rivers, MI	806,000	Owned	Rear axles and driveshafts, front auxiliary driveshafts and universal joints
Colfor Manufacturing, Inc.			
Malvern, OH	235,000	Owned	Forged products
Minerva, OH	190,000	Owned	Forged products
Salem, OH	175,000	Owned	Forged products
Albion Automotive			
Glasgow, Scotland	464,000	Leased	Front and rear axles for medium and heavy-duty Trucks and buses
Lancashire, England	135,000	Leased	Crankshafts and fabricated parts
Araucária Manufacturing Facility			
Araucária, Brazil	345,000	Owned	Machining of forged and cast products
Corporate Headquarters			
Detroit, MI	252,000	Owned	Executive and administrative offices
Changshu Manufacturing Facility			
Changshu, China	191,000	Owned	Rear axles
MSP Industries			
Oxford, MI	125,000	Leased	Forged products
Cheektowaga Manufacturing Facility			
Cheektowaga, NY	116,000	Owned	Machining of forged products
Technical Center			
Rochester Hills, MI	109,000	Owned	R&D, design engineering, metallurgy, testing and validation
DieTronik			
Auburn Hills, MI	76,000	Owned	Tool & die manufacturer
Oxford Forge			
Oxford, MI	60,000	Owned	Forged products
AccuGear, Inc.			
Fort Wayne, IN	49,000	Owned	Forged and machined products
Detroit South Campus			
Detroit, MI	40,000	Owned	Quality engineering technical, process development and safety training centers
AAM Sona Manufacturing Facility			
Pantnagar, India	30,000	Owned	Rear axles
	24,000	Leased	European headquarters and technical center

European Headquarters & Engineering Center Bad Homburg, Germany			
Pune Business Office & Engineering Center Pune, India	18,000	Leased	Engineering, information technologies and support services
Olawa Manufacturing Facility Olawa, Poland	15,000	Owned	Transmission differentials

Item 3. Legal Proceedings

See Item 7, "Management's Discussion and Analysis – Disputes and Legal Proceedings."

Item 4. Submission of Matters to a Vote of Security Holders

None

Executive Officers of the Registrant

Name	Age	Position
Richard E. Dauch	66	Co-Founder, Chairman of the Board & Chief Executive Officer
David C. Dauch	44	President & Chief Operating Officer
Yogendra N. Rahangdale	61	Vice Chairman & Chief Technology Officer
John J. Bellanti	54	Executive Vice President - Worldwide Operations
Michael K. Simonte	45	Group Vice President - Finance & Chief Financial Officer
Mark S. Barrett	48	Vice President - Engineering & Product Development
David A. Culton	43	Vice President - Unibody Vehicle Business Unit
Michael C. Flynn	51	Vice President - Global Procurement & Supply Chain Management
Curt S. Howell	46	Vice President - Full Frame Vehicle Business Unit
John E. Jerge	47	Vice President - Driveshaft & Halfshaft Business Unit
Patrick S. Lancaster	61	Vice President - Chief Administrative Officer & Secretary
Allan R. Monich	55	Vice President - Quality Assurance & Customer Satisfaction
Steven J. Proctor	52	President - AAM Asia, Vice President - AAM Corporate
Alberto L. Satine	52	Vice President - Strategic & Business Development
Kevin M. Smith	47	Vice President - Mexico Operations
John S. Sofia	49	Vice President - Commercial Vehicle Business Unit
Norman Willemse	52	Vice President - Global Metal Formed Product Business Unit

Richard E. Dauch, age 66, 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 the 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 44 years of experience in the automotive industry. Mr. Dauch was named the 1996 Worldwide Automotive Industry Leader of the Year by the Automotive Hall of Fame, the 1997 Manufacturer of the Year by the Michigan Manufacturers' Association, and the 1999 Michiganian of the Year by The Detroit News. In 2003, he received the Harvard Business School of Michigan Business Statesman Award, the Ernst & Young Entrepreneur of the Year Award, and the Northwood University Outstanding Business Leader Award. In 2005, he received the CEO Legends Award from Automation Alley, and in 2006, he received the Shien-Ming Wu Foundation Manufacturing Leadership Award. Mr. Dauch also served as Chairman of the National Association of Manufacturers (N.A.M.), and currently serves on the Board of Directors of that organization. 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. Richard E. Dauch is the father of David C. Dauch.

David C. Dauch, age 44, has been President and Chief Operating Officer since June 2008. Prior to that, he served as Executive Vice President & COO (since December 2007); Executive Vice President – Commercial & Strategic Development (since January 2005); Senior Vice President, Commercial (since May 2004); Senior Vice President, Sales, Marketing & Driveline Division (since September 2003); Vice President, Manufacturing – Driveline Division (since January 2001); Vice President, Sales and Marketing (since 1998) and Director of Sales, GM Full-Size Truck Programs (since May 1996). Mr. Dauch joined our Company in July 1995 as Manager, Sales Administration. Prior to joining our Company, Mr. Dauch held various positions at Collins & Aikman Products Company, including Sales Manager. David C. Dauch is the son of Richard E. Dauch.

Yogendra (Yogen) N. Rahangdale, age 61, has been Vice Chairman & Chief Technology Officer since March 2008. Prior to that, he served as Vice Chairman, a non-Board position (since December 2007); President & Chief Operating Officer (since October 2005); Executive Vice President - Operations & Planning (since May 2004); Executive Vice President & Chief Technology Officer (since September 2003); Group Vice President & Chief Technology Officer (since January 2001); Vice President, Manufacturing and Procurement Services (since March 2000); Vice President, Manufacturing Services (since April 1999); Executive Director, Manufacturing Services (since March 1998) and Director, Corporate Manufacturing Planning (since joining our Company in August 1995). Prior to joining our Company, Mr. Rahangdale spent 12 years with Chrysler Corporation in a variety of positions including Manager, Paint & Energy Management.

John J. Bellanti, age 54, has been Executive Vice President – Worldwide Operations since October 2008. Prior to that, he served as Group Vice President – Manufacturing Services, Capital Planning & Cost Estimating (since December 2007); Vice President – Manufacturing Services, Capital Planning & Cost Estimating (since July 2006); Vice President - Engineering & Chief Technology Officer (since May 2004); Vice President, Engineering & Product Development (since September 2003); Executive Director, Manufacturing Services (since March 2000); Director, Manufacturing Engineering (since June 1998); Director Advanced Programs (since May 1996) and Plant Manager, Detroit Forge Plant (since joining our Company in March 1994). Prior to joining our Company, Mr. Bellanti, worked 22 years at General Motors in various manufacturing and engineering positions, most recently serving as Production Manager. Mr. Bellanti was on the Board of Directors for the North American Forging Industry Association from 1999 through 2003, serving as President of that Association in 2002.

Michael K. Simonte, age 45, has been Group Vice President – Finance & Chief Financial Officer since December 2007. Simonte previously served as Vice President – Finance & Chief Financial Officer (since January 2006); Vice President & Treasurer (since May 2004); and Treasurer (since September 2002). Simonte joined AAM in December 1998 as Director, Corporate Finance. In that role, he coordinated all of the financial accounting, planning and reporting activities of the company until he was appointed as Treasurer in September 2002. Prior to joining our Company, Mr. Simonte served as Senior Manager at the Detroit office of Ernst & Young LLP. Mr. Simonte is a certified public accountant.

Mark Barrett, age 48, has been Vice President – Engineering & Product Development since October 2008. Prior to that, he served as Executive Director, Engineering & Product Development (since January 2008); Executive Director, Axle & Drivetrain (since November 2006); Executive Director, Powertrain, Driveshaft and Halfshaft Engineering (since January 2006); Executive Director, Released and Domestic Programs (since January 2004); Director, Mid Size Axle Programs (since December 1998) and Staff Project Engineer (since joining our Company in March 1994). Prior to joining our Company, Mr. Barrett served at General Motors for 9 years in a variety of manufacturing and engineering positions.

David Culton, age 43, has been Vice President – Unibody Vehicle Business Unit since October 2008. Prior to that, he served as Controller (since April 2007); Executive Director, Sales (since July 2006); Director, Commercial Analysis (since August 2004); Director, Finance – Operations (Since June 2003); Finance Manager (since August 1999); and Assistant Finance Manager (since joining our Company in September 1998). Prior to joining our Company, Mr. Culton served at Chrysler Corporation for 10 years in a variety of management, finance, engineering and manufacturing positions.

Michael C. Flynn, age 51, has been Vice President – Global Procurement & Supply Chain Management since December 2007. Prior to that, he served as Vice President - Procurement (since November 2005); Executive Director, Sales (since June 2004); Director, Sales (since August 2002); Manager, Manufacturing (since June 2001); Director, Direct Material Purchasing (since February 1998); Manager, Released Programs (since July 1997); and Platform Manager (since July 1996) and Purchasing Agent (since joining our Company in March 1994). Prior to joining our Company, Mr. Flynn served at General Motors for 11 years in a variety of manufacturing, purchasing and engineering positions.

Curt S. Howell, age 46, has been Vice President – Full Frame Vehicle Business Unit since October 2008. Prior to that, he served as Vice President – Global Driveline Operations (since December 2007); General Manager, I