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

FORM 8-K

**CURRENT REPORT
Pursuant to Section 13 OR 15(d)
of The Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported) December 12, 2014

ALLISON TRANSMISSION HOLDINGS, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation)

001-35456
(Commission
File Number)

26-0414014
(IRS Employer
Identification No.)

One Allison Way, Indianapolis, Indiana
(Address of principal executive offices)

46222
(Zip Code)

Registrant's telephone number, including area code (317) 242-5000

Not Applicable

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 8.01 Other Events

On December 12, 2014, Allison Transmission Holdings, Inc. (the “Company”) entered into a Cooperation Agreement (the “Agreement”) with VA Partners I, LLC, ValueAct Capital Master Fund, L.P., ValueAct Capital Management, L.P., ValueAct Capital Management, LLC, ValueAct Holdings, L.P., ValueAct Holdings GP, LLC and Gregory P. Spivy (collectively, the “ValueAct Group”). The ValueAct Group represented in the Agreement that they collectively owned 19,125,204 shares (approximately 10.77% of the outstanding common stock of the Company).

Pursuant to the Agreement and subject to the conditions set forth therein, the Company has agreed to appoint Mr. Spivy as a member of the Board of Directors of the Company (the “Board”) if requested by the ValueAct Group before the 60th day prior to the Company’s 2016 annual meeting of stockholders (the “2016 Annual Meeting”). If Mr. Spivy is appointed to the Board, the Company will include Mr. Spivy as a Class I Director with a term to expire at the 2016 Annual Meeting. The Company’s obligation to appoint Mr. Spivy if requested by the ValueAct Group will cease if the ValueAct Group no longer holds at least 7.5% of the Company’s common stock or any member of the ValueAct Group breaches the Agreement. The Company has also agreed that the ValueAct Group may receive certain information about the Company in accordance with a confidentiality agreement entered into by the parties.

The ValueAct Group has agreed to vote for the Board’s slate of nominees for director at the Company’s 2015 annual meeting of stockholders. In addition, during the term of the Agreement, the ValueAct Group agrees, subject to certain exceptions, that it shall not:

- make, participate in or encourage any solicitation of proxies or consents;
- deposit any securities of the Company in any voting trust or similar arrangement;
- own in excess of 12% of the Company’s stock;
- sell or transfer shares of the Company’s stock to any third party such that the third party would own more than 4.9% of the Company’s stock after such a sell or transfer;
- effect, propose, participate in or facilitate any tender or exchange offer, merger, consolidation, acquisition, scheme, arrangement, business combination, recapitalization, reorganization, sale or acquisition of material assets, liquidation, dissolution or other extraordinary transaction involving the Company or any of its subsidiaries;
- engage in any “short selling” of the Company’s stock;
- call or seek to call any meeting of stockholders;
- seek representation on the Board, except as set forth in the Agreement;
- seek the removal of any member of the Board;
- make a request for any stockholder list or other Company books and records;
- take any action in support of or make any proposal or request that constitutes:
 - advising, controlling, changing or influencing the Board or management of the Company, including any plans or proposals to change the number or term of directors or to fill any vacancies on the Board;
 - any material change in the capitalization, stock repurchase programs and practices or dividend policy of the Company;

- any other material change in the Company's management, business or corporate structure; or
- seeking to have the Company waive or make amendments or modifications to its Certificate of Incorporation or Bylaws, or other actions that may impede or facilitate the acquisition of control of the Company by any person;
- disparage the Company, its affiliates or any of its current or former officers or directors; or
- encourage a third party to do any of the foregoing.

The Agreement terminates on the date that is the earliest of: (i) the Company's failure to appoint Mr. Spivy to the Board following a request by the ValueAct Group, (ii) in the event Mr. Spivy is appointed to the Board and then resigns or is otherwise removed, the failure of the Company to work in good faith to appoint a mutually acceptable replacement nominee, or (iii) the 60th day prior to the Company's 2016 Annual Meeting.

The foregoing description of the Agreement is qualified in its entirety by reference to the full text of the Agreement, which is attached hereto as Exhibit 99.1 and incorporated herein by reference.

The Company's press release issued in connection with entering into the Agreement is furnished as Exhibit 99.2 to this report.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits.

<u>Exhibit Number</u>	<u>Description</u>
99.1	Cooperation Agreement between the Company and the ValueAct Group, dated December 12, 2014
99.2	Press release dated December 15, 2014

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: December 15, 2014

Allison Transmission Holdings, Inc.

By: /s/ Eric C. Scroggins

Name: Eric C. Scroggins

Title: Vice President, General Counsel and Secretary

EXHIBIT INDEX

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99.1	Cooperation Agreement between the Company and the ValueAct Group, dated December 12, 2014
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COOPERATION AGREEMENT

This Cooperation Agreement (this “**Agreement**”) dated December 12, 2014, is by and among the persons and entities listed on Schedule A (collectively, the “**ValueAct Group**”, and individually a “**member**” of the ValueAct Group), Allison Transmission Holdings, Inc. (the “**Company**”) and Gregory P. Spivy, in his individual capacity and as a member of the ValueAct Group (the “**ValueAct Designee**”).

WHEREAS, the ValueAct Group currently beneficially owns 19,125,204 shares of the common stock, par value \$0.01 per share, of the Company (the “**Common Stock**”), which represents approximately 10.77% of the issued and outstanding shares of Common Stock.

WHEREAS, the Nominating and Governance Committee of the Board (the “**Nominating Committee**”) and the Company’s Board of Directors (the “**Board**”) have considered the qualifications of the ValueAct Designee and conducted such review as they have deemed appropriate.

WHEREAS, the Board has determined that it is in the best interests of the Company to appoint the ValueAct Designee on the terms set forth in this Agreement.

NOW, THEREFORE, In consideration of and reliance upon the mutual covenants and agreements contained herein, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

1. Board Nomination.

(a) Subject to the satisfactory completion of the Company’s customary background check, the Board shall appoint the ValueAct Designee to serve as a director beginning within ten (10) calendar days following receipt of the ValueAct Group’s written request to the Company to have the ValueAct Designee appointed to the Board; provided that, at such time, the Board does not conclude in good faith and based on the written opinion of outside legal counsel that such appointment would constitute a breach of the directors’ fiduciary duties. If the ValueAct Designee is appointed to the Board pursuant to this Section 1(a), the Company shall include the ValueAct Designee as a Class I Director, which term expires at the Company’s 2016 annual meeting of stockholders.

(b) As a condition to the ValueAct Designee’s appointment to the Board, the ValueAct Group, including the ValueAct Designee, agrees to provide to the Company information required to be or customarily disclosed for directors, candidates for directors, and their affiliates and representatives in a proxy statement or other filings under applicable law or stock exchange rules or listing standards, information in connection with assessing eligibility, independence and other criteria applicable to directors or satisfying compliance and legal obligations, and such other information as reasonably requested by the Company from time to time with respect to the ValueAct Group and the ValueAct Designee.

(c) The ValueAct Designee agrees that, at all times while serving as a member of the Board, he will (i) meet all director independence and other standards of the Company, the New York Stock Exchange and the Securities and Exchange Commission (“SEC”) and applicable provisions of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and the rules and regulations promulgated thereunder, including Rule 10A-3; and (ii) be qualified to serve as a director under the Delaware General Corporation Law (the “DGCL”) (clauses (i) and (ii), the “Conditions”). The ValueAct Designee will promptly advise the Nominating Committee if he ceases to satisfy any of the Conditions.

(d) At all times while serving as a member of the Board, the ValueAct Designee shall comply with all policies, procedures, processes, codes, rules, standards and guidelines applicable to Board members, including the Company’s Code of Business Conduct, Insider Trading Policy, Executive Stock Ownership Policy as in effect on the date hereof, and Corporate Governance Guidelines, and (except as permitted by the Confidentiality Agreement (as defined in Section 7 below)) preserve the confidentiality of Company business and information, including discussions or matters considered in meetings of the Board or Board committees to the extent not disclosed publicly by the Company.

(e) So long as the ValueAct Group collectively beneficially owns, in the aggregate, at least 7.5% of the outstanding Common Stock, if, during the Covered Period, a vacancy on the Board is created as a result of the ValueAct Designee's death, resignation, disqualification or removal, then the ValueAct Group and the Company (acting through the Board) shall work together in good faith to fill such vacancy or replace such nominee with an individual who (A) meets the Conditions, (B) meets the historical standards and criteria applied by the Company in nominating and appointing directors, and (C) is otherwise mutually acceptable (in each of their sole discretion) to the ValueAct Group and the Company, and thereafter such individual shall serve and/or be nominated as the "ValueAct Designee" under this Agreement.

(f) The Company's obligations hereunder shall terminate immediately, and the ValueAct Designee shall promptly offer to resign from the Board, and any committee of the Board on which he then sits (and, if requested by the Company, promptly deliver his written resignation to the Board (which shall provide for his immediate resignation) it being understood that it shall be in the Board's sole discretion whether to accept or reject such resignation) if: (i) members of the ValueAct Group, collectively, cease to beneficially own at least 7.5% of the Company's outstanding Common Stock; (ii) the ValueAct Designee ceases to satisfy the conditions set forth in clauses (c)-(d) above; (iii) a member of the ValueAct Group, including the ValueAct Designee, otherwise ceases to comply or breaches any of the terms of this Agreement or the Confidentiality Agreement; or (iv) the employment of the ValueAct Designee with the ValueAct Group is terminated for any reason. The ValueAct Group agrees to cause the ValueAct Designee to resign from the Board if the ValueAct Designee fails to resign if and when requested pursuant to this Section 1(f). Notwithstanding the foregoing, in the event of the occurrence of an event set forth in subsection (ii) or (iv) above, the provisions of Section 1(e) must be complied with before the Company's obligations hereunder may terminate.

(g) The percentage thresholds set forth in clauses (e) and (f) above shall not be deemed unsatisfied to the extent a failure to maintain the specified ownership thresholds is the result of share issuances or similar Company actions that increase the number of outstanding shares of Common Stock.

2. Standstill.

(a) Each member of the ValueAct Group agrees that, during the Covered Period, (unless specifically requested in writing by the Company, acting through a resolution of a majority of the Company's directors not including the ValueAct Designee), it shall not, and shall cause each of its Affiliates or Associates (as such terms are defined in Rule 12b-2 promulgated by the SEC under the Exchange Act) (collectively and individually, the "**ValueAct Affiliates**," provided that no portfolio company of the ValueAct Group shall be deemed a "**ValueAct Affiliate**" so long as such portfolio company (A) has not discussed any of the actions set forth in this subsection (a) with the ValueAct Group or the ValueAct Designee, (B) has not received from the ValueAct Group or the ValueAct Designee information concerning the Company or its business, and (C) is not acting at the request of, in coordination with or on behalf of the ValueAct Group or the ValueAct Designee), not to, directly or indirectly, in any manner, alone or in concert with others:

(i) make, engage in, or in any way participate in, directly or indirectly, any "solicitation" of proxies (as such terms are used in the proxy rules of the SEC but without regard to the exclusion set forth in Rule 14a-1(l)(2)(iv) of the Exchange Act) or consents to vote, or seek to advise, encourage or influence any person with respect to the voting of any securities of the Company or any securities convertible or exchangeable into or exercisable for any such securities (collectively, "**securities of the Company**") for the election of individuals to the Board or to approve stockholder proposals, or become a "participant" in any contested "solicitation" for the election of directors with respect to the Company (as such terms are defined or used under the Exchange Act) (other than a "solicitation" or acting as a "participant" in support of all of the nominees of the Board at any stockholder meeting) or make or be the proponent of any stockholder proposal (pursuant to Rule 14a-8 under the Exchange Act or otherwise);

(ii) form, join, encourage, influence, advise or in any way participate in any Group (as such term is defined in Section 13(d)(3) of the Exchange Act) with any persons who are not ValueAct Affiliates

with respect to any securities of the Company or otherwise in any manner agree, attempt, seek or propose to deposit any securities of the Company in any voting trust or similar arrangement, or subject any securities of the Company to any arrangement or agreement with respect to the voting thereof, except as expressly set forth in this Agreement;

(iii) acquire, offer or propose to acquire, or agree to acquire, directly or indirectly, whether by purchase, tender or exchange offer, through the acquisition of control of another person, by joining a partnership, limited partnership, syndicate or other group (including any group of persons that would be treated as a single “person” under Section 13(d) of the Exchange Act), through swap or hedging transactions or otherwise, any securities of the Company or any rights decoupled from the underlying securities of the Company that would result in the ValueAct Group (together with the ValueAct Affiliates) owning, controlling or otherwise having any beneficial or other ownership interest in more than 12% in the aggregate of the shares of Common Stock outstanding at such time; provided, that, nothing herein will require Common Stock to be sold to the extent the ValueAct Group and the ValueAct Affiliates, collectively, exceed the ownership limit under this paragraph as the result of a share repurchase or similar Company actions that reduces the number of outstanding shares of Common Stock;

(iv) sell, offer or agree to sell directly or indirectly, through swap or hedging transactions or otherwise, the securities of the Company or any rights decoupled from the underlying securities of the Company held by the ValueAct Group or any ValueAct Affiliate to any person or entity not a (A) party to this Agreement, (B) member of the Board, (C) officer of the Company or (D) ValueAct Affiliate (any person or entity not set forth in clauses (A)-(D) shall be referred to as a “**Third Party**”), that would knowingly result in such Third Party, together with its affiliates and associates, owning, controlling or otherwise having any beneficial or other ownership interest in the aggregate of more than 4.9% of the shares of Common Stock outstanding at such time, except in a transaction approved by the Board;

(v) effect or seek to effect, offer or propose to effect, cause or participate in, or in any way assist or facilitate any other person to effect or seek, offer or propose to effect or participate in, any tender or exchange offer, merger, consolidation, acquisition, scheme, arrangement, business combination, recapitalization, reorganization, sale or acquisition of material assets, liquidation, dissolution or other extraordinary transaction involving the Company or any of its subsidiaries or joint ventures or any of their respective securities (each, an “**Extraordinary Transaction**”), or make any public statement with respect to an Extraordinary Transaction; provided, however, that this clause shall not preclude the tender by the ValueAct Group or a ValueAct Affiliate of any securities of the Company into any tender or exchange offer or vote by the ValueAct Group or a ValueAct Affiliate of any securities of the Company with respect to any Extraordinary Transaction;

(vi) engage in any short sale or any purchase, sale or grant of any option, warrant, convertible security, stock appreciation right, or other similar right (including, without limitation, any put or call option or “swap” transaction) with respect to any security (other than a broad-based market basket or index) that includes, relates to or derives any significant part of its value from a decline in the market price or value of the securities of the Company;

(vii) (A) call or seek to call any meeting of stockholders, including by written consent, (B) seek representation, on or nominate any candidate to, the Board, except as set forth herein, (C) seek the removal of any member of the Board, (D) solicit consents from stockholders or otherwise act or seek to act by written consent, (E) conduct a referendum of stockholders, or (F) make a request for any stockholder list or other Company books and records, whether pursuant to Section 220 of the DGCL or otherwise;

(viii) take any action in support of or make any proposal or request that constitutes: (A) advising, controlling, changing or influencing the Board or management of the Company, including any plans or proposals to change the number or term of directors or to fill any vacancies on the Board; (B) any material change in the capitalization, stock repurchase programs and practices or dividend policy of the Company; (C) any other material change in the Company’s management, business or corporate structure; (D) seeking to have the Company waive or make amendments or modifications to the Company’s Certificate of Incorporation or Bylaws, or other actions that may impede or facilitate the acquisition of control of the Company by any person; (E) causing a class of securities of the Company to be delisted from, or to cease to be authorized to be quoted on, any securities exchange; or (F) causing a class of securities of the Company to become eligible for termination of registration pursuant to Section 12(g)(4) of the Exchange Act;

(ix) disparage or cause to be disparaged the Company or Affiliates thereof, any of its current or former officers, or directors;

(x) make any public disclosure, announcement or statement regarding any intent, purpose, plan or proposal with respect to the Board, the Company, its management, policies or affairs, any of its securities or assets or this Agreement that is inconsistent with the provisions of this Agreement;

(xi) enter into any substantive discussions, negotiations, agreements, or understandings with any Third Party with respect to any of the foregoing, or advise, assist, knowingly encourage or seek to persuade any Third Party to take any action or make any statement with respect to any of the foregoing, or otherwise take or cause any action or make any statement inconsistent with any of the foregoing; or

(xii) request, directly or indirectly, any amendment or waiver of the foregoing.

The foregoing provisions of this Section 2(a) shall not be deemed to prohibit the ValueAct Group or its directors, officers, partners, employees, members or agents (acting in such capacity) (“**Representatives**”) from communicating privately with the Company’s directors, officers or advisors so long as such communications are not intended to, and would not reasonably be expected to, require any public disclosure of such communications.

(b) Each member of the ValueAct Group shall cause all shares of Common Stock beneficially owned, directly or indirectly, by it, or by any ValueAct Affiliate, to be present for quorum purposes and to be voted, at the Company’s annual and special stockholder meetings and at any adjournments or postponements thereof, and further agrees that at the 2015 annual stockholder meeting they shall vote in favor of (i) all directors nominated by the Board for election at such meeting and (ii) in accordance with the Board’s recommendation with respect to any proposals for the election of directors that may be the subject of stockholder action at such meeting.

(c) The ValueAct Group acknowledges that the ValueAct Designee shall have all of the rights and obligations, including fiduciary duties to the Company and its stockholders, of a director under applicable law and the Company’s organizational documents while the ValueAct Designee is serving on the Board. Notwithstanding the foregoing, nothing in this Section 2 shall limit any actions that may be taken by the ValueAct Designee acting solely as a director of the Company consistent with his fiduciary duties as a director of the Company (it being understood and agreed that the ValueAct Group and the ValueAct Affiliates shall not seek to do indirectly through the ValueAct Designee anything that would be prohibited if done by the ValueAct Group or the ValueAct Affiliates).

For purposes of this Agreement the terms “**person**” or “**persons**” shall mean any individual, corporation (including not-for-profit), general or limited partnership, limited liability or unlimited liability company, joint venture, estate, trust, association, organization or other entity of any kind or nature.

3. **Representations of the Company.** The Company represents and warrants as follows: (a) the Company has the power and authority to execute, deliver and carry out the terms and provisions of this Agreement and to consummate the transactions contemplated hereby; and (b) this Agreement has been duly and validly authorized, executed and delivered by the Company, constitutes a valid and binding obligation and agreement of the Company and is enforceable against the Company in accordance with its terms.

4. **Representations of the ValueAct Group.** The ValueAct Group, jointly and severally, represent and warrant as follows: (a) the ValueAct Group has the power and authority to execute, deliver and carry out the terms and provisions of this Agreement and to consummate the transactions contemplated hereby; (b) this Agreement has been duly and validly authorized, executed and delivered by the ValueAct Group, constitutes a valid and binding obligation and agreement of the ValueAct Group and is enforceable against the ValueAct Group in accordance with its terms; and (c) the ValueAct Group, together with the ValueAct Affiliates, beneficially owns, directly or indirectly, an aggregate of 19,125,204 shares of Common Stock and such shares of Common Stock constitute all of the Common Stock beneficially owned by the ValueAct Group and the ValueAct Affiliates or in which the ValueAct Group or the ValueAct Affiliates have any interest or right to acquire, whether through derivative securities, voting agreements or otherwise; and (d) as of the date of this Agreement, the ValueAct Designee satisfies all of the Conditions.

5. Termination.

(a) This Agreement is effective as of the date hereof and shall remain in full force and effect for the period (the “**Covered Period**”) commencing on the date hereof and ending on the date that is the earliest of: (i) the Company’s failure to appoint the ValueAct Designee to the Board following the ValueAct Group’s written request to the Company to have the ValueAct Designee appointed to the Board pursuant to Section 1(a) of this Agreement; (ii) the failure of the Company to comply in good faith with Section 1(e) of this Agreement; or (iii) the date which is the 60th day prior to the Company’s 2016 annual meeting of stockholders.

(b) The provisions of Section 1(d) this Section 5, Section 7 through Section 16 (and, for the avoidance of doubt, the Confidentiality Agreement) shall survive the termination of this Agreement. No termination pursuant to Section 5(a), shall relieve any party hereto from liability for any breach of this Agreement prior to such termination.

6. Public Announcement and SEC Filing.

(a) The Company shall file promptly a Form 8-K reporting entry into this Agreement (the “**Form 8-K**”) and appending or incorporating by reference this Agreement as an exhibit thereto.

(b) The ValueAct Group shall promptly, but in no case prior to the date of filing of the Form 8-K by the Company pursuant to Section 6(a) hereof, file an amendment to its Schedule 13D with respect to the Company filed with the SEC on November 13, 2013 (the “**ValueAct Schedule 13D**”), reporting the entry into this Agreement and amending applicable items to conform to its obligations hereunder. None of the ValueAct Group, the ValueAct Affiliates or the ValueAct Designee shall (i) issue a press release in connection with this Agreement or the actions contemplated hereby or (ii) otherwise make any public statement, disclosure or announcement with respect to this Agreement or the actions contemplated hereby, other than as mutually agreed to by the Company and the ValueAct Group.

(c) The Company shall promptly issue a press release in connection with this Agreement and in the form attached hereto as Exhibit A (the “**Press Release**”), which is expressly agreed to by the ValueAct Group.

7. Confidentiality Agreement. The Company hereby agrees that, notwithstanding any other provision of this Agreement to the contrary, the ValueAct Group may be provided confidential information in accordance with and subject to the terms of a Confidentiality Agreement in the form attached hereto as Exhibit B (the “**Confidentiality Agreement**”), after the Confidentiality Agreement has been mutually executed and delivered concurrently with the appointment of the ValueAct Designee to the Board pursuant to the terms of this Agreement.

8. Compensation. The ValueAct Designee shall participate in all director compensation and benefit programs in which the Company’s other non-employee directors participate. The Company acknowledges that pursuant to the ValueAct Group’s policies, cash, equity awards and other property received by the ValueAct Designee are held by such person for the benefit of certain members of the ValueAct Group. The Company agrees that it will seek board or appropriate committee approval of all stock-based awards made to the ValueAct Designee so that the grant of such awards shall be exempt from Section 16(b) of the Exchange Act by virtue of Rule 16b-3 thereunder. Without limiting the foregoing, the Company also acknowledges that as a result of the ValueAct Designee’s service on the Board, members of the ValueAct Group may be considered directors of the Company by deputization under applicable interpretations of Section 16 of the Exchange Act. The Company agrees that it will seek board or appropriate committee approval for purposes of Rule 16b-3 for all transactions in classes of Company securities subject to Section 16 and involving the ValueAct Designee or any member of the ValueAct Group who may be considered a “director by deputization” or who may be deemed to have an indirect interest in the transaction in question.

9. Miscellaneous. The parties agree that irreparable damage would occur in the event any of the provisions of this Agreement were not performed in accordance with the terms hereof and that such damage would not be adequately compensable in monetary damages. Accordingly, the parties hereto shall be entitled to an injunction or injunctions to prevent breaches of this Agreement, to enforce specifically the terms and provisions of this Agreement exclusively in the Court of Chancery or other federal or state courts of the State of Delaware and to

require the resignation of the ValueAct Designee from the Board commencing on the date that is 10 days following the date that the ValueAct Designee and/or the ValueAct Group materially breaches its obligations under this Agreement, provided, that, such breach has not been cured prior to the expiration of such 10-day period, in addition to any other remedies at law or in equity, and each party agrees it will not take any action, directly or indirectly, in opposition to another party seeking relief. Each of the parties hereto agrees to waive any bonding requirement under any applicable law, in the case any other party seeks to enforce the terms by way of equitable relief. Furthermore, each of the parties hereto (a) consents to submit itself to the personal jurisdiction of the Court of Chancery or other federal or state courts of the State of Delaware in the event any dispute arises out of this Agreement or the transactions contemplated by this Agreement, (b) agrees that it shall not attempt to deny or defeat such personal jurisdiction by motion or other request for leave from any such court, (c) agrees that it shall not bring any action relating to this Agreement or the transactions contemplated by this Agreement in any court other than the Court of Chancery or other federal or state courts of the State of Delaware, and each of the parties irrevocably waives the right to trial by jury, and (d) each of the parties irrevocably consents to service of process by a reputable overnight mail delivery service, signature requested, to the address set forth in Section 11 of this Agreement or as otherwise provided by applicable law. THIS AGREEMENT SHALL BE GOVERNED IN ALL RESPECTS, INCLUDING WITHOUT LIMITATION VALIDITY, INTERPRETATION AND EFFECT, BY THE LAWS OF THE STATE OF DELAWARE APPLICABLE TO CONTRACTS EXECUTED AND TO BE PERFORMED WHOLLY WITHIN SUCH STATE WITHOUT GIVING EFFECT TO THE CHOICE OF LAW PRINCIPLES OF SUCH STATE.

10. Expenses. All attorneys' fees, costs and expenses incurred in connection with this Agreement and all matters related hereto will be paid by the party incurring such fees, costs or expenses.

11. Entire Agreement; Amendment. This Agreement and the Confidentiality Agreement contain the entire agreement and understanding of the parties with respect to the subject matter hereof and supersede any and all prior and contemporaneous agreements, memoranda, arrangements and understandings, both written and oral, between the parties, or any of them, with respect to the subject matter hereof. This Agreement may be amended only by an agreement in writing executed by the parties hereto, and no waiver of compliance with any provision or condition of this Agreement and no consent provided for in this Agreement shall be effective unless evidenced by a written instrument executed by the party against whom such waiver or consent is to be effective. No failure or delay by a party in exercising any right, power or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any right, power or privilege hereunder.

12. Notices. All notices, consents, requests, instructions, approvals and other communications provided for herein and all legal process in regard hereto shall be in writing and shall be deemed validly given, made or served, when delivered in person or sent by overnight courier, when actually received during normal business hours at the address specified in this subsection:

If to the Company: Allison Transmission Holdings, Inc.
Mail Code L-25
One Allison Way
Indianapolis, IN 46222-3271
Attention: General Counsel

If to the ValueAct Group: ValueAct Capital Management, L.P.
One Letterman Drive
Building D, 4th Floor
San Francisco, CA 94129
Attention: General Counsel

13. Severability. If at any time subsequent to the date hereof, any provision of this Agreement shall be held by any court of competent jurisdiction to be illegal, void or unenforceable, such provision shall be of no force and effect, but the illegality or unenforceability of such provision shall have no effect upon the legality or enforceability of any other provision of this Agreement.

14. Counterparts. This Agreement may be executed in two or more counterparts either manually or by electronic or digital signature (including by facsimile or electronic mail transmission), each of which shall be deemed to be an original and all of which together shall constitute a single binding agreement on the parties, notwithstanding that not all parties are signatories to the same counterpart.

15. No Third Party Beneficiaries; Assignment. This Agreement is solely for the benefit of the parties hereto and is not binding upon or enforceable by any other persons. No party to this Agreement may assign its rights or delegate its obligations under this Agreement, whether by operation of law or otherwise, and any assignment in contravention hereof shall be null and void. Nothing in this Agreement, whether express or implied, is intended to or shall confer any rights, benefits or remedies under or by reason of this Agreement on any persons other than the parties hereto, nor is anything in this Agreement intended to relieve or discharge the obligation or liability of any third persons to any party.

16. Interpretation and Construction. When a reference is made in this Agreement to a Section, such reference shall be to a Section of this Agreement, unless otherwise indicated. The headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. Whenever the words “include,” “includes” and “including” are used in this Agreement, they shall be deemed to be followed by the words “without limitation.” The words “hereof,” “herein” and “hereunder” and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement. The word “will” shall be construed to have the same meaning as the word “shall.” The words “dates hereof” will refer to the date of this Agreement. The word “or” is not exclusive. The definitions contained in this Agreement are applicable to the singular as well as the plural forms of such terms. Any agreement, instrument, law, rule or statute defined or referred to herein means, unless otherwise indicated, such agreement, instrument, law, rule or statute as from time to time amended, modified or supplemented. Each of the parties hereto acknowledges that it has been represented by counsel of its choice throughout all negotiations that have preceded the execution of this Agreement, and that it has executed the same with the advice of said independent counsel. Each party cooperated and participated in the drafting and preparation of this Agreement and the documents referred to herein, and any and all drafts relating thereto exchanged among the parties shall be deemed the work product of all of the parties and may not be construed against any party by reason of its drafting or preparation. Accordingly, any rule of law or any legal decision that would require interpretation of any ambiguities in this Agreement against any party that drafted or prepared it is of no application and is hereby expressly waived by each of the parties hereto, and any controversy over interpretations of this Agreement shall be decided without regards to events of drafting or preparation.

[Signature Pages Follow]

IN WITNESS WHEREOF, each of the parties hereto has executed this COOPERATION AGREEMENT or caused the same to be executed by its duly authorized representative as of the date first above written.

Allison Transmission Holdings, Inc.

By: /s/ Eric C. Scroggins
Name: Eric C. Scroggins
Title: Vice President, General Counsel & Secretary

[Signature Page to Cooperation Agreement]

IN WITNESS WHEREOF, each of the parties hereto has executed this COOPERATION AGREEMENT or caused the same to be executed by its duly authorized representative as of the date first above written.

VA Partners I, LLC

By: /s/ George F. Hamel, Jr.
Name: George F. Hamel, Jr.
Title: Chief Operating Officer

ValueAct Capital Master Fund, L.P.

By: /s/ George F. Hamel, Jr.
Name: George F. Hamel, Jr.
Title: Chief Operating Officer

ValueAct Capital Management, L.P.

By: /s/ George F. Hamel, Jr.
Name: George F. Hamel, Jr.
Title: Chief Operating Officer

ValueAct Capital Management, LLC

By: /s/ George F. Hamel, Jr.
Name: George F. Hamel, Jr.
Title: Chief Operating Officer

ValueAct Holdings, L.P.

By: /s/ George F. Hamel, Jr.
Name: George F. Hamel, Jr.
Title: Chief Operating Officer

ValueAct Holdings GP, LLC

By: /s/ George F. Hamel, Jr.
Name: George F. Hamel, Jr.
Title: Chief Operating Officer

/s/ Gregory P. Spivy

Gregory P. Spivy

[Signature Page to Cooperation Agreement]

Schedule A
Members of ValueAct Group

VA Partners I, LLC

ValueAct Capital Master Fund, L.P.

ValueAct Capital Management, L.P.

ValueAct Capital Management, LLC

ValueAct Holdings, L.P.

ValueAct Holdings GP, LLC

Gregory P. Spivy



Allison Transmission and ValueAct Capital Announce Cooperation Agreement

INDIANAPOLIS, December 15, 2014 – Allison Transmission Holdings Inc. (NYSE: ALSN) today announced that it has entered into a cooperation agreement with ValueAct Capital, a \$15 billion private investment fund that beneficially owns approximately 10.77 percent of Allison Transmission's outstanding common stock. ValueAct Capital is the company's largest shareholder.

"Allison Transmission and ValueAct Capital have engaged in a series of constructive discussions about our business and strategic priorities," said Lawrence E. Dewey, Chairman, President and CEO of Allison Transmission. "We welcome open dialogue with and input from our shareholders and are pleased to have ValueAct Capital's support."

"We believe Allison Transmission is a premier industrial company and have confidence in management's ability to execute on its stated strategic priorities including earnings and cash flow growth," said Gregory P. Spivy, a ValueAct Capital Partner. "We look forward to continuing to engage with the management team to further enhance value for all shareholders."

The cooperation agreement governs ValueAct Capital's investment in Allison Transmission and includes an option for ValueAct Capital to have the company appoint Mr. Spivy to the company's board of directors. This option may be exercised by ValueAct Capital until 60 days prior to Allison Transmission's 2016 annual meeting of stockholders. The cooperation agreement also includes customary "standstill" provisions, by which ValueAct Capital has agreed that it will not submit any nominations for election to the board of directors or stockholder proposals and will vote in favor of the election of Allison Transmission's board nominees.

The cooperation agreement is included as an exhibit to the Current Report on Form 8-K filed by the company today with the Securities and Exchange Commission.

About Allison Transmission

Allison Transmission (NYSE: ALSN) is the world's largest manufacturer of fully automatic transmissions for medium- and heavy-duty commercial vehicles, and is a leader in hybrid-propulsion systems for city buses. Allison transmissions are used in a variety of applications including refuse, construction, fire, distribution, bus, motorhomes, defense and energy. Founded in 1915, the company is headquartered in Indianapolis, Indiana, USA and employs approximately 2,700 people worldwide. With a market presence in more than 80 countries, Allison has regional headquarters in the Netherlands, China and Brazil with manufacturing facilities in the U.S., Hungary and India. Allison also has approximately 1,400 independent distributor and dealer locations worldwide. For more information, visit allisontransmission.com.

Forward-Looking Statements

This press release contains forward-looking statements. All statements other than statements of historical fact contained in this press release are forward-looking statements, including all statements regarding future financial results. In some cases, you can identify forward-looking statements by terminology such as “may,” “will,” “should,” “expect,” “plans,” “project,” “anticipate,” “believe,” “estimate,” “predict,” “intend,” “forecast,” “could,” “potential,” “continue” or the negative of these terms or other similar terms or phrases. Forward-looking statements are not guarantees of future performance and involve known and unknown risks. Factors which may cause the actual results to differ materially from those anticipated at the time the forward-looking statements are made include, but are not limited to: risks related to our substantial indebtedness; our participation in markets that are competitive; the highly cyclical industries in which certain of our end users operate; the failure of markets outside North America to increase adoption of fully-automatic transmissions; the concentration of our net sales in our top five customers and the loss of any one of these; future reductions or changes in government subsidies for hybrid vehicles, U.S. defense spending; general economic and industry conditions; the discovery of defects in our products, resulting in delays in new model launches, recall campaigns and/or increased warranty costs and reduction in future sales or damage to our brand and reputation; our ability to prepare for, respond to and successfully achieve our objectives relating to technological and market developments and changing customer needs; risks associated with our international operations; labor strikes, work stoppages or similar labor disputes, which could significantly disrupt our operations or those of our principal customers; and other risks and uncertainties associated with our business described in our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K. Although we believe the expectations reflected in such forward-looking statements are based upon reasonable assumptions, we can give no assurance that the expectations will be attained or that any deviation will not be material. All information is as of the date of this press release, and we undertake no obligation to update any forward-looking statement to conform the statement to actual results or changes in expectations.

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