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

# FORM 10-Q

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

**For the Quarterly Period Ended March 31, 2012**

**OR**

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

**Commission File No. 001-35456**

# ALLISON TRANSMISSION HOLDINGS, INC.
**(Exact Name of Registrant as Specified in Its Charter)**

| **Delaware** | **26-0414014** |
|---|---|
| **(State of Incorporation)** | **(I.R.S. Employer Identification Number)** |

**One Allison Way**
**Indianapolis, IN 46222**
**(Address of Principal Executive Offices and Zip Code)**

**(317) 242-5000**
**(Registrant's Telephone Number, Including Area Code)**

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, and (2) has been subject to such filing requirements for the past 90 days. Yes ☐ No ☒

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☐ No ☐

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 definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

| | | | |
|---|---|---|---|
| Large accelerated filer | ☐ | Accelerated filer | ☐ |
| Non-accelerated filer | ☒ (Do not check if a smaller reporting company) | Smaller reporting company | ☐ |

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Common Stock, $0.01 par value 181,374,598 Shares Outstanding as of April 16, 2012.

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### PART I
### FINANCIAL INFORMATION



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## PART I. FINANCIAL INFORMATION

### Item 1. Unaudited Condensed Consolidated Financial Statements

**Allison Transmission Holdings, Inc.**
**Condensed Consolidated Balance Sheets**
**(unaudited, dollars in millions, except share data)**

| | March 31, 2012 | December 31, 2011 |
|---|---|---|
| **ASSETS** | | |
| Current Assets | | |
| Cash and cash equivalents | **$ 192.9** | $ 314.0 |
| Accounts receivables — net of allowance for doubtful accounts of $1.3 and $1.3, respectively | **240.4** | 194.7 |
| Inventories | **171.5** | 155.9 |
| Other current assets | **44.0** | 38.1 |
| Total Current Assets | **648.8** | 702.7 |
| Property, plant and equipment, net | **591.7** | 581.8 |
| Intangible assets, net | **1,828.6** | 1,866.1 |
| Goodwill | **1,941.0** | 1,941.0 |
| Other non-current assets | **98.0** | 101.0 |
| TOTAL ASSETS | **$ 5,108.1** | $ 5,192.6 |
| **LIABILITIES** | | |
| Current Liabilities | | |
| Accounts payable | **$ 213.0** | $ 162.6 |
| Product warranty liability | **32.1** | 33.9 |
| Current portion of long term debt | **8.0** | 31.0 |
| Notes payable | **—** | 2.6 |
| Deferred revenue | **19.7** | 19.9 |
| Other current liabilities | **178.2** | 199.9 |
| Total Current Liabilities | **451.0** | 449.9 |
| Product warranty liability | **81.5** | 81.5 |
| Deferred revenue | **41.5** | 40.8 |
| Long term debt | **3,166.0** | 3,345.0 |
| Deferred income taxes | **235.1** | 214.2 |
| Other non-current liabilities | **244.7** | 239.5 |
| TOTAL LIABILITIES | **4,219.8** | 4,370.9 |
| Commitments and contingencies (see NOTE M) | | |
| **STOCKHOLDERS' EQUITY** | | |
| Common stock, $0.01 par value, 1,880,000,000 shares authorized, 181,398,298 issued and 181,374,598 outstanding | **1.8** | 1.8 |
| Non-voting common stock, $0.01 par value, 20,000,000 shares authorized, 1,185 issued and outstanding | **0.0** | 0.0 |
| Preferred stock, $0.01 par value, 100,000,000 shares authorized, none issued and outstanding | **—** | — |
| Treasury stock | **(0.2)** | (0.2) |
| Paid in capital | **1,562.5** | 1,560.8 |
| Accumulated deficit | **(625.7)** | (683.7) |
| Accumulated other comprehensive loss, net of tax | **(50.1)** | (57.0) |
| TOTAL STOCKHOLDERS' EQUITY | **888.3** | 821.7 |
| TOTAL LIABILITIES & STOCKHOLDERS' EQUITY | **$ 5,108.1** | $ 5,192.6 |

The accompanying notes are an integral part of the condensed consolidated financial statements.

**Allison Transmission Holdings, Inc.**
**Condensed Consolidated Statements of Comprehensive Income**
**(unaudited, dollars in millions, except share data)**

| | Three months ended March 31, 2012 | 2011 |
|---|---|---|
| Net sales | **$ 601.9** | $ 517.0 |
| Cost of sales | **318.1** | 287.0 |
| **Gross profit** | **283.8** | 230.0 |
| Selling, general and administrative expenses | **101.2** | 100.9 |
| Engineering — research and development | **27.9** | 30.3 |
| **Operating income** | **154.7** | 98.8 |
| Interest income | **0.3** | 0.2 |
| Interest expense | **(41.0)** | (49.8) |
| Other (expense) income, net | **(30.8)** | 5.7 |
| **Income before income taxes** | **83.2** | 54.9 |
| Income tax expense | **(25.2)** | (18.0) |
| **Net income** | **$ 58.0** | $ 36.9 |
| Basic earnings per share attributable to common stockholders | **$ 0.32** | $ 0.20 |
| Diluted earnings per share attributable to common stockholders | **$ 0.31** | $ 0.20 |
| **Comprehensive income** | **$ 64.8** | $ 46.9 |

The accompanying notes are an integral part of the condensed consolidated financial statements.

**Allison Transmission Holdings, Inc.**
**Condensed Consolidated Statements of Cash Flows**
**(unaudited, dollars in millions)**

| | Three months ended March 31, 2012 | 2011 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES:** | | |
| Net income | **$ 58.0** | $ 36.9 |
| Add (deduct) items included in net income not using (providing) cash: | | |
| Amortization of intangible assets | **37.5** | 38.0 |
| Depreciation of property, plant and equipment | **24.6** | 25.7 |
| Deferred income taxes | **21.0** | 15.2 |
| Loss on repurchases and redemptions of long-term debt | **13.5** | — |
| Unrealized gain on derivatives | **(5.2)** | (8.1) |
| Amortization of deferred financing costs | **2.4** | 2.9 |
| Stock-based compensation | **1.7** | 2.0 |
| Other | **0.2** | (0.6) |
| Changes in assets and liabilities: | | |
| Accounts receivable | **(44.9)** | (43.0) |
| Inventories | **(14.9)** | (10.8) |
| Accounts payable | **50.2** | 33.9 |
| Other assets and liabilities | **(4.5)** | 17.8 |
| Net cash provided by operating activities | **139.6** | 109.9 |
| **CASH FLOWS FROM INVESTING ACTIVITIES:** | | |
| Additions of long-lived assets | **(35.7)** | (11.6) |
| Collateral for interest rate derivatives | **0.1** | 3.7 |
| Proceeds from disposal of assets | **0.2** | 2.1 |
| Net cash used for investing activities | **(35.4)** | (5.8) |
| **CASH FLOWS FROM FINANCING ACTIVITIES:** | | |
| Repurchases and redemptions of long-term debt | **(211.0)** | — |
| Debt financing fees | **(2.3)** | — |
| Payments on long-term debt | **(2.0)** | — |
| Payments on notes payable | **(2.5)** | — |
| Net cash used for financing activities | **(217.8)** | — |
| Effect of exchange rate changes on cash | **(7.5)** | (3.9) |
| Net (decrease) increase in cash and cash equivalents | **(121.1)** | 100.2 |
| Cash and cash equivalents at beginning of period | **314.0** | 252.2 |
| Cash and cash equivalents at end of period | **$ 192.9** | $ 352.4 |
| Supplemental disclosures: | | |
| Interest paid | **$ 36.1** | $ 29.9 |
| Income taxes paid | **$ 2.9** | $ 1.6 |

The accompanying notes are an integral part of the condensed consolidated financial statements.

**Allison Transmission Holdings, Inc.**
**Notes to Condensed Consolidated Financial Statements**
**(UNAUDITED)**

## NOTE A. OVERVIEW

***Overview***

Allison Transmission Holdings, Inc. and its subsidiaries (the "Company," "Successor," "our," "us," "we" or "Allison"), design and manufacture commercial and military fully-automatic transmissions.

The business was founded in 1915 and has been headquartered in Indianapolis, Indiana since inception. The Company has approximately 2,800 employees and 12 different transmission product lines. Although approximately 80% percent of revenues were generated in North America in 2011, the Company has a global presence by serving customers in Europe, Asia, South America and Africa. The Company serves customers through an independent network of approximately 1,500 independent distributor and dealer locations worldwide.

Since the introduction of the Company's first fully-automatic transmission over 60 years ago, the Company's products have gained acceptance in a wide variety of applications, including on-highway trucks (distribution, refuse, construction, fire and emergency), buses (primarily school, transit and hybrid-transit), motorhomes, off-highway vehicles and equipment (primarily energy, mining and construction) and military vehicles (wheeled and tracked). The Company has developed over 100 different product models that are used in more than 2,500 different vehicle configurations, which are compatible with more than 500 combinations of engine brands, models and ratings. The Company also sells support equipment and Allison-branded replacement parts for the Company's transmissions and remanufactured transmissions for use in the vehicle aftermarket.

***Recent Developments***

On March 12, 2012, the Company amended and restated its certificate of incorporation, which, among other things, converted its non-voting common stock to common stock, other than 1,000 shares of non-voting common stock (1,185 shares of non-voting common stock after giving effect to the stock split described herein) and effected a 1.185-for-1 split of all of our common stock and non-voting common stock. On March 20, 2012, the Company consummated its initial public offering ("IPO"). In the IPO, certain of the Company's stockholders sold an aggregate of 26,100,000 shares of common stock at a public offering price of $23.00 per share. The underwriters also exercised their over-allotment option and purchased an additional 3,915,000 shares of common stock. The Company did not receive any proceeds from the sale of shares of common stock in the IPO.

## NOTE B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

***Basis of Presentation and Principles of Consolidation***

The unaudited condensed consolidated financial statements as of and for the three months ended March 31, 2012 and 2011 have been prepared in accordance with accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, the unaudited condensed consolidated financial statements do not include all information and footnotes required by accounting principles generally accepted in the United States of America ("GAAP") for complete financial statements. The information herein reflects all normal recurring material adjustments, which are, in the opinion of management, necessary for the fair presentation of the results for the periods presented. The condensed consolidated financial statements herein consist of all wholly-owned domestic and foreign subsidiaries with all significant intercompany transactions eliminated.

These condensed consolidated financial statements present the results of operations, financial position and cash flows of the Company. Certain immaterial reclassifications have been made to prior period amounts to conform to the presentation of the current period financial statements. These reclassifications have no impact on previously reported net income, total stockholders' equity or cash flows.

The condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2011 included in the Company's Form S-1/A. The interim period financial results for the three month periods presented are not necessarily indicative of results to be expected for any other interim period or for the entire year.

***Use of Estimates***

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities and the reported amounts of revenue and expenses. Significant estimates include, but are not limited to, allowance for doubtful accounts, sales allowances, government price adjustments, fair market values and future cash flows associated with Goodwill, indefinite life intangibles, long-lived asset impairment tests, useful lives for depreciation and amortization, warranty liability, determination of discount and other assumptions for pension and other postretirement benefit expense, income taxes and deferred tax valuation allowances, lease classification, derivative valuation, and contingencies. The Company's accounting policies involve the application of judgments and assumptions made by management that include inherent risks and uncertainties. Actual results could differ materially from these estimates. Changes in estimates are recorded in results of operations in the period that the events or circumstances giving rise to such changes occur.

***Recently Issued Accounting Pronouncements***

In December 2011, the Financial Accounting Standards Board ("FASB") issued authoritative accounting guidance on enhancing disclosures to evaluate the effect or potential effect of netting arrangements on an entity's financial position. The guidance requires improved information and disclosures about gross and net amounts of recognized assets and liabilities of financial and derivative instruments that are offset in an entity's statement of financial position. The guidance is to be applied retrospectively for reporting periods beginning on or after January 1, 2013. The adoption of this amendment is not expected to have a material effect on our consolidated financial statements.

In September 2011, the FASB issued authoritative accounting guidance on testing goodwill for impairment. Under the revised guidance, entities testing goodwill for impairment have the option of performing a qualitative assessment before calculating fair value (i.e., Step 1 of the goodwill impairment test). If entities determine, on the basis of qualitative factors, that fair value is more likely than not less than carrying value, the two-step impairment test would be required. The guidance does not change how goodwill is calculated or assigned to reporting units, nor does it revise the requirement to test goodwill annually for impairment. In addition, it does not amend the requirement to test goodwill for impairment between annual tests if events or circumstances warrant; however, it does revise the examples of events and circumstances that an entity should consider. The amendments are effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. Early adoption was permitted; however, we did not early adopt this guidance and continued to perform Step 1 of the goodwill impairment analysis for 2011. The adoption of this amendment will occur in conjunction with our 2012 goodwill impairment test and is not expected to have a material effect on our consolidated financial statements.

In June 2011, the FASB issued authoritative accounting guidance on improving comparability, consistency, and transparency of items reported in other comprehensive income. The guidance eliminates the option to present components of other comprehensive income as part of the statement of changes in stockholders' equity and requires either a single continuous statement of comprehensive income or in two separate but consecutive statements. In a single continuous statement, the entity is required to present the components of net income and total net income, the components of other comprehensive income and a total for other comprehensive income, along with the total of comprehensive income in that statement. In the two-statement approach, the first statement should present total net income and its components followed consecutively by a second statement that should present total other comprehensive income, the components of other comprehensive income, and the total of comprehensive income. In December 2011, the FASB issued additional authoritative accounting guidance indefinitely deferring the requirement to present reclassifications of items out of accumulated other comprehensive income. The accounting guidance also establishes a common approach with International Financial Reporting Standards ("IFRS"). The guidance is to be applied retrospectively for interim and annual reporting periods beginning after December 15, 2011 for public entities. The adoption of this amendment did not have a material effect on our condensed consolidated financial statements, but required a change in the presentation of comprehensive income from the notes of our condensed consolidated financial statements to the face of our condensed consolidated financial statements.

In May 2011, the FASB issued authoritative accounting guidance that amended wording used to describe many of the requirements in measuring fair value and disclosing information about fair value measurements. The changes are not intended to change the application of the requirements of fair value measurement, but to clarify the application and disclosure of information. The amendments to the accounting guidance also establish a common approach with IFRS. The guidance is to be applied prospectively for entities interim and annual reporting periods beginning after December 15, 2011. The adoption of this amendment did not have a material effect on our condensed consolidated financial statements.

## NOTE C. INVENTORIES

Inventories consisted of the following components (dollars in millions):

| | March 31, 2012 | December 31, 2011 |
|---|---|---|
| Purchased parts and raw materials | **$ 89.7** | $ 71.3 |
| Work in progress | **6.8** | 7.6 |
| Service parts | **42.1** | 43.6 |
| Finished goods | **32.9** | 33.4 |
| Total inventories | **$ 171.5** | $ 155.9 |

Inventory components shipped to third parties, primarily cores, parts to re-manufacturers, and contract manufacturers, in which the Company has an obligation to buyback, are included in purchased parts and raw materials, with an offsetting liability in Other current liabilities.

## NOTE D. GOODWILL AND OTHER INTANGIBLE ASSETS

The following presents a summary of goodwill and other intangible assets (dollars in millions):

| | Expected useful life (years) | March 31, 2012 | December 31, 2011 |
|---|---|---|---|
| Goodwill | Indefinite | **$1,941.0** | $ 1,941.0 |
| Other intangible assets: | | | |
| Trade name | Indefinite | **$ 870.0** | $ 870.0 |
| Customer relationships — military | 18.5 | **62.3** | 62.3 |
| Customer relationships — commercial | 16.5 | **831.8** | 831.8 |
| Proprietary technology | 12.5 | **476.3** | 476.3 |
| Non-compete agreement | 10.0 | **17.3** | 17.3 |
| Patented technology — military | 8.5 | **28.2** | 28.2 |
| Tooling rights | 6.0 | **4.5** | 4.5 |
| Patented technology — commercial | 5.5 | **260.6** | 260.6 |
| Other intangible assets — gross | | **2,551.0** | 2,551.0 |
| Less: accumulated amortization | | **(722.4)** | (684.9) |
| Other intangible assets — net | | **$1,828.6** | $ 1,866.1 |

As of March 31, 2012 and December 31, 2011, the net carrying value of our Goodwill and other intangibles was $3,769.6 million and $3,807.1 million, respectively.

## NOTE E. FAIR VALUE OF FINANCIAL INSTRUMENTS

In accordance with the FASB's authoritative accounting guidance on fair value measurements, fair value is the price (exit price) that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Company utilizes market data or assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable. The Company primarily applies the market approach for recurring fair value measurements and utilizes the best available information that maximizes the use of observable inputs and minimizes the use of unobservable inputs. The Company is able to classify fair value balances based on the observability of those inputs. The accounting guidance establishes a fair value hierarchy that prioritizes the inputs used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement). The three levels of the fair value hierarchy defined by the relevant guidance are as follows:

Level 1 — Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis. Level 1 primarily consists of financial instruments such as exchange-traded derivatives, listed equities and publicly traded bonds.

Level 2 — Pricing inputs are other than quoted prices in active markets included in Level 1, which are either directly or indirectly observable as of the reported date. Level 2 includes those financial instruments that are valued using models or other valuation methodologies. These models are primarily industry standard models that consider various assumptions, including quoted forward prices for commodities, time value, volatility factors, and current market and contractual prices for the underlying instruments, as well as other relevant economic measures. Substantially all of these assumptions are observable in the marketplace throughout the full term of the instrument, can be derived from observable data or are supported by observable levels at which transactions are executed in the marketplace.

Level 3 — Pricing inputs include significant inputs that are generally less observable from objective sources. These inputs may be used with internally developed methodologies that result in management's best estimate of fair value. At each balance sheet date, the Company performs an analysis of all instruments subject to authoritative accounting guidance and includes, in Level 3, all of those whose fair value is based on significant unobservable inputs. As of March 31, 2012 and December 31, 2011, the Company did not have any Level 3 financial assets or liabilities.

The Company's assets and liabilities that are measured at fair value include cash equivalents, available-for-sale securities and derivative instruments. The Company's cash equivalents consist of short-term U.S. Government backed securities. The Company's available-for-sale securities consist of ordinary shares of Torotrak plc ("Torotrak") associated with a license and exclusivity agreement with Torotrak. Torotrak's listed shares are traded on the London Stock Exchange under the ticker symbol "TRK." The Company's derivative instruments consist of interest rate swaps, foreign currency forward contracts and commodity swaps.

The Company's valuation techniques used to fair value cash equivalents and available-for-sale securities represents a market approach in active markets for identical assets that qualifies as Level 1 in the fair value hierarchy. The Company's valuation techniques used to calculate the fair value of derivative instruments represents a market approach with observable inputs that qualify as Level 2 in the fair value hierarchy.

The foreign currency contracts consist of forward rate contracts which are intended to hedge exposure of transactions denominated in certain currencies and reduce the impact of currency price volatility on the Company's financial results. The commodity contracts consist of forward rate contracts which are intended to hedge exposure of transactions involving purchases of component parts containing aluminum and steel, reducing the impact of aluminum and steel price volatility on the Company's financial results.

For its foreign currency derivatives, the Company uses independent valuations which use the current spot market data adjusted for the time value of money. The foreign currency hedges have been accounted for within the authoritative accounting guidance set forth on accounting for derivative instruments and hedging activities and have been recorded at fair value based upon quoted market rates. The fair values are included in other current or non-current assets and liabilities in the Condensed Consolidated Balance Sheets. As of March 31, 2012, the Company elected not to apply hedge accounting to any of its foreign currency contracts, therefore all unrealized gains and losses from the revaluation of the contracts are recorded in Other (expense) income, net in the Condensed Consolidated Statements of Comprehensive Income.

For its commodity derivatives, the Company uses independent valuations which use current quoted market rates adjusted for the time value of money. The fair values are included in Other current and non-current assets and liabilities in the Condensed Consolidated Balance Sheets. The Company has not elected hedge accounting treatment for these commodity contracts, and as a result, unrealized fair value adjustments and realized gains or losses will be charged directly to Other (expense) income, net in the Condensed Consolidated Statements of Comprehensive Income.

For its interest rate derivatives, the Company uses independent valuations which approximate the current economic value of the swaps using prices and rates at the average of the estimated bid and offer for the respective underlying assets. The floating-to-fixed interest rate swaps are based on the London Interbank Offered Rate ("LIBOR") which is observable at commonly quoted intervals. The fair values are included in other current and non-current liabilities in the Condensed Consolidated Balance Sheets. The Company has not elected hedge accounting treatment for the interest rate swaps and, as a result, fair value adjustments are charged directly to Interest expense in the Condensed Consolidated Statements of Comprehensive Income.

The following table summarizes the fair value of our financial assets and (liabilities) as of March 31, 2012 and December 31, 2011 (dollars in millions):

| | Fair Value Measurements Using | | | | | |
|---|---|---|---|---|---|---|
| | Quoted Prices in Active Markets for Identical Assets (Level 1) | | Significant Other Observable Inputs (Level 2) | | TOTAL | |
| | March 31, 2012 | December 31, 2011 | March 31, 2012 | December 31, 2011 | March 31, 2012 | December 31, 2011 |
| Cash equivalents | **$ 10.0** | $ 125.9 | **$ —** | $ — | **$ 10.0** | $ 125.9 |
| Available-for-sale securities | **9.4** | 8.1 | **—** | — | **9.4** | 8.1 |
| Derivative assets | **—** | — | **0.2** | 0.0 | **0.2** | 0.0 |
| Derivative liabilities | **—** | — | **(73.9)** | (78.9) | **(73.9)** | (78.9) |
| Total | **$ 19.4** | $ 134.0 | **$ (73.7)** | $ (78.9) | **$ (54.3)** | $ 55.1 |

**NOTE F. DEBT**

Long-term debt and maturities are as follows (dollars in millions):

| | March 31, 2012 | December 31, 2011 |
|---|---|---|
| Long-term debt: | | |
| Senior Secured Credit Facility Term B-1 Loan, variable, due 2014 | **$1,793.8** | $ 2,594.9 |
| Senior Secured Credit Facility Term B-2 Loan, variable, due 2017 | **799.1** | — |
| Senior Notes, fixed 7.125%, due 2019 | **471.3** | 471.3 |
| Senior Cash Pay Notes, fixed 11.00%, due 2015 | **109.8** | 309.8 |
| Total long-term debt | **3,174.0** | 3,376.0 |
| Less: current maturities of long-term debt | **8.0** | 31.0 |
| Total long-term debt less current portion | **$3,166.0** | $ 3,345.0 |

As of March 31, 2012, the Company had $1,793.8 million of indebtedness associated with Allison Transmission Inc.'s ("ATI"), a wholly owned subsidiary of the Company, Senior Secured Credit Facility Term B-1 Loan due 2014 ("Term B-1 Loan") and $799.1 million of indebtedness associated with ATI's Senior Secured Credit Facility Term B-2 Loan due 2017 ("Term B-2 Loan"), (together the Term B-1 Loan and Term B-2 Loan defined as the "Senior Secured Credit Facility"). The Company also had indebtedness of $471.3 million of ATI's 7.125% senior cash pay notes due May 2019 ("7.125% Senior Notes") and $109.8 million of ATI's 11.0% senior cash pay notes due November 2015 ("11.0% Senior Notes"), (together the 7.125% Senior Notes and 11.0% Senior Notes defined as "Senior Notes").

The fair value of the Company's long-term debt obligations as of March 31, 2012 is $3,177.2 million. The fair value is based on quoted Level 1 market yields as of March 31, 2012. It is not expected that the Company would be able to repurchase a significant amount of its debt at these levels. The difference between the fair value and carrying value of the long-term debt is driven primarily by trends in the financial markets.

***Senior Secured Credit Facility***

In 2007, ATI entered into a Senior Secured Credit Facility having a term loan in the amount of $3,100 million with a maturity date of August 2014. In March 2012, ATI entered into an amendment with its term loan lenders under its Senior Secured Credit Facility to extend the maturity from August 7, 2014 to August 7, 2017 of $801.1 million in principal amount of the term loan with an increase in the applicable margin over LIBOR for such extended term loan to 3.50%. As a result of the debt modification, the Company recorded an additional $2.3 million as deferred financing fees in the Condensed Consolidated Balance Sheets and extended the amortization period of $5.1 million of deferred financing fees from 2014 to 2017.

The Senior Secured Credit Facility is collateralized by a lien on substantially all assets of ATI. Interest on the term loans is variable and currently is equal to the LIBOR plus an applicable margin based on the Company's total senior secured leverage ratio. As of March 31, 2012 this rate was approximately 2.75% and 3.75% on the Term B-1 Loan and Term B-2 Loan, respectively, and the weighted average rate on the Senior Secured Credit Facility was approximately 3.06%. The Senior Secured Credit Facility requires minimum quarterly principal payments of $7.75 million on the term loans, which commenced December 2007, as well as prepayments from certain net cash proceeds of non-ordinary course asset sales and casualty and condemnation events and from a percentage of excess cash flow, if applicable. Due to voluntary prepayments, the Company has fulfilled all Term B-1 Loan required quarterly payments through its maturity date of 2014. The minimum required quarterly principal payment on the Term B-2 Loan is $2.0 million and remains through its maturity date of 2017. The remaining principal balance on each loan is due upon maturity.

In accordance with the Senior Secured Credit Facility, net cash proceeds of non-ordinary course asset sales and casualty and condemnation events will only be required to prepay the term loan if the Company does not reinvest or commit to reinvest such net cash proceeds in assets to be used in its business or to make certain other permitted investments within 15 months of the related transactions or events, subject to certain limitations. The Company must apply 50% of its annual excess cash flow (as defined in the Senior Secured Credit Facility) to the prepayment of the Term B-1 Loan and Term B-2 Loan, however this percentage reduces to certain levels and eventually to zero upon achievement of certain total senior secured leverage ratios. For the year ended December 31, 2011, the excess cash flow percentage was 0%, and as a result, the Company was not required to make any excess cash flow payment.

The Senior Secured Credit Facility also provides for $400.0 million in revolving credit borrowings, net of an allowance for up to $50.0 million in outstanding letter of credit commitments. As of March 31, 2012 the Company had $371.1 million available under the revolving credit facility, net of $28.3 million in letters of credit. Revolving credit borrowings bear interest at a rate equal to LIBOR plus an applicable margin based on the Company's total senior secured leverage ratio. As of March 31, 2012 this rate would have been approximately 3.00%. In addition, there is an annual commitment fee currently equal to 0.375% of the average unused revolving credit borrowings available under the Senior Secured Credit Facility which may fluctuate based on the Company's total senior secured leverage ratio. Revolving credit borrowings are payable at the option of the Company throughout the term of the Senior Secured Credit Facility, with the balance due in August 2016. Should ATI not extend its Term B-1 Loan, the revolving portion of the Senior Secured Credit Facility will mature in August 2014.

In November 2008, ATI entered into an amendment to its Senior Secured Credit Facility that permits it to make discounted voluntary prepayments of its term loan in an aggregated amount not to exceed $750.0 million pursuant to a modified Dutch auction. As part of the May 2011 amendment to the Senior Secured Credit Facility, the amount available for discounted voluntary prepayments of the term loan pursuant to a modified Dutch auction was reset to $750.0 million. This provision is available to the Company for so long as the term loan is outstanding. For the three months ended March 31, 2012 and 2011, the Company did not repurchase any of its term loans under this amendment.

In May 2011, ATI effectively amended some of its terms under the revolving credit facility including extending the term from August 2013 to August 2016, or August 2014 if ATI does not extend its Term B-1 Loan, and increasing the borrowing capacity from $317.5 million to $400.0 million. As a result, the Company recorded an additional $4.2 million as deferred financing fees in the Condensed Consolidated Balance Sheets and $0.9 million as deferred financing fees expensed in the Condensed Consolidated Statements of Comprehensive Income. All deferred financing fees associated with the credit facility will be amortized to Interest expense on a straight-line basis over the term of the facility.

In addition, the Company made principal payments of $2.0 million and $0.0 million on the Senior Secured Credit Facility for the three months ended March 31, 2012 and 2011, respectively. The principal payments made on the Senior Secured Credit Facility for the three months ended March 31, 2012 and 2011 did not result in any losses associated with the write off of related deferred debt issuance costs.

The Senior Secured Credit Facility requires the Company to maintain a specified maximum total senior secured leverage ratio. As of March 31, 2012, the Company was in compliance with the maximum total senior secured leverage ratio achieving a 3.13x ratio versus a 5.50x requirement threshold. Within the terms of the Senior Secured Credit Facility, a senior secured leverage ratio below 3.50x results in a 25 basis point reduction to the applicable margin for the Term B-1 Loan, a 12.5 basis point reduction to the commitment fee and elimination of excess cash flow payments on the term loan for the applicable year. These reductions remain in effect as long as the Company continues to achieve a senior secured leverage ratio below 3.50x. There are no reductions to the applicable margin available for the Term B-2 Loan.

In addition, the Senior Secured Credit Facility, among other things, includes customary restrictions (subject to certain exceptions) on the Company's ability to incur certain indebtedness, grant certain liens, make certain investments or declare or pay certain dividends. As of March 31, 2012, the Company is in compliance with all covenants under the Senior Secured Credit Facility.

***Senior Notes***

The Company may redeem some or all of the 11.0% Senior Notes at a specified redemption price in the governing indentures. Prior to May 15, 2015, the Company may redeem some or all of the Senior 7.125% Notes by paying the applicable "make-whole" premium. At any time on or after May 15, 2015, the Company may redeem some or all of the 7.125% Senior Notes at specified redemption prices in the governing indenture.

The Company may from time to time seek to retire Senior Notes through cash purchases and/or exchanges for equity securities, in open market purchases, privately negotiated transactions, contractual redemptions or otherwise. Such repurchases or exchanges, if any, will depend on prevailing market conditions, liquidity requirements, contractual restrictions and other factors. The amounts involved may be material.

In February 2012, the Company redeemed $200.0 million of the 11.0% Senior Notes resulting in a loss (the premium between the purchase price of the notes and the face value of such notes) of $13.5 million, including deferred financing fees written off.

The Senior Notes are unsecured and guaranteed by the subsidiaries that guarantee the Senior Secured Credit Facility and will be unconditionally guaranteed, jointly and severally, by any future domestic subsidiaries that guarantee the Senior Secured Credit Facility.

***Notes Payable***

As of March 31, 2012 the Company had no notes payable. As of December 31, 2011, the Company had Japanese Yen denominated unsecured short-term notes of 200 million Yen (approximately $2.4 million) with a weighted average interest rate of 1.24%.

## NOTE G. DERIVATIVES

The Company is exposed to certain financial risk from volatility in interest rates, foreign exchange rates and commodity prices. The risk is managed through the use of financial derivative instruments including interest rate swaps, foreign currency forward contracts and commodity swaps. Despite the fact that the Company has not elected hedge accounting treatment on all of its current derivative instruments, the contracts are used strictly as an economic hedge and not for speculative purposes. As necessary, the Company adjusts the values of the derivative instruments for counter-party or credit risk.

***Interest Rate***

The maturities of the interest rate swaps outstanding as of March 31, 2012 and December 31, 2011 do not correspond with the maturity of the term loan, but are similar in all other respects. The Company has not elected hedge accounting treatment for these derivatives, and as a result, fair value adjustments are charged directly to Interest expense in the Condensed Consolidated Statements of Comprehensive Income. A summary of the Company's interest rate derivatives as of March 31, 2012 and December 31, 2011 follows (dollars in millions):

| | March 31, 2012 | | December 31, 2011 | |
|---|---|---|---|---|
| | Notional Amount | Fair Value | Notional Amount | Fair Value |
| Interest Rate Swap D, due 2013 | **$ 125.0** | **$ (6.4)** | $ 125.0 | $ (7.3) |
| Interest Rate Swap E, due 2013 | **150.0** | **(4.7)** | 150.0 | (5.2) |
| Interest Rate Swap F, due 2013 | **75.0** | **(2.2)** | 75.0 | (2.4) |
| Interest Rate Swap G, due 2013 | **75.0** | **(2.6)** | 75.0 | (2.8) |
| Interest Rate Swap H, due 2014 | **350.0** | **(25.8)** | 350.0 | (27.3) |
| Interest Rate Swap I, due 2014 | **350.0** | **(26.0)** | 350.0 | (27.5) |
| Interest Rate Swap J, due 2014 | **125.0** | **(2.7)** | 125.0 | (2.6) |
| Interest Rate Swap K, due 2014 | **125.0** | **(2.9)** | 125.0 | (2.7) |
| | **$1,375.0** | **$ (73.3)** | $1,375.0 | $ (77.8) |

Certain of the Company's interest rate derivatives contain credit-risk and collateral contingent features under which downgrades in the Company's credit rating could require the Company to increase its collateral. Certain interest rate derivatives also contain provisions under which the Company may be required to post additional collateral if the LIBOR interest rate curve reaches certain levels.

As of March 31, 2012 and December 31, 2011, the Company had recorded collateral of $1.8 million and $2.0 million in Other current assets in the Condensed Consolidated Balance Sheets, as the balances are subject to frequent change.

***Currency Exchange***

The Company's business is subject to foreign exchange rate risk. As a result, the Company enters into various forward rate contracts that qualify as derivatives under the authoritative accounting guidance to manage certain of these exposures. Forward contracts are used to hedge forecasted transactions and known exposure of payables denominated in a foreign currency. The Company generally does not elect to apply hedge accounting under the authoritative accounting guidance and records the gains and losses associated with these contracts in Other (expense) income, net in the Condensed Consolidated Statements of Comprehensive Income during the period of change.

The following table summarizes the outstanding foreign currency forward contracts as of March 31, 2012 and December 31, 2011 (amounts in millions):

| | March 31, 2012 | | December 31, 2011 | |
|---|---|---|---|---|
| | Notional Amount | Fair Value | Notional Amount | Fair Value |
| Indian Rupee (INR) | **₹ 32.0** | **$ 0.0** | ₹ 81.0 | $ (0.1) |
| Japanese Yen (JPY) | **¥ 450.0** | **0.0** | N/A | — |
| British Pound (GBP) | **N/A** | **—** | £ 2.0 | (0.0) |
| Canadian Dollar (CAD) | **N/A** | **—** | C$ 0.3 | 0.0 |
| | | **$ 0.0** | | $ (0.1) |

***Commodity***

As a result of the Company's commodity price risk, primarily with component suppliers, it has chosen to manage steel, aluminum and natural gas exposure by entering into commodity swap contracts that qualify as derivatives under authoritative accounting guidance. The Company has not elected hedge accounting treatment for these commodity contracts and, as a result, unrealized fair value adjustments and realized gains or losses will be charged directly to Other (expense) income, net in the Condensed Consolidated Statements of Comprehensive Income.

The following table summarizes the outstanding commodity swaps as of March 31, 2012 and December 31, 2011 (dollars in millions):

| | March 31, 2012 | | | December 31, 2011 | | |
|---|---|---|---|---|---|---|
| | Notional Amount | Quantity | Fair Value | Notional Amount | Quantity | Fair Value |
| Aluminum | **$ 14.3** | **6,425 metric tons** | **$ (0.3)** | $ 17.0 | 7,725 metric tons | $ (1.0) |
| Steel | **$ 0.9** | **1,740 metric tons** | **(0.1)** | 0.5 | 900 metric tons | (0.0) |
| Natural Gas | **$ 0.4** | **130,000 MMBtu** | **(0.0)** | 0.3 | 80,000 MMBtu | (0.0) |
| | | | **$ (0.4)** | | | $ (1.0) |

The following tabular disclosures further describe the Company's derivative instruments and their impact on the financial condition of the Company.

| | March 31, 2012 | | December 31, 2011 | |
|---|---|---|---|---|
| **(dollars in millions)** | Balance Sheet Location | Fair Value | Balance Sheet Location | Fair Value |
| Derivatives not designated as hedging instruments | | | | |
| Foreign currency contracts | **Other current assets** | **$ 0.0** | Other non-current liabilities | $ (0.1) |
| | **Other current liabilities** | **(0.0)** | | |
| Commodity contracts | **Other current and non-current assets** | **0.2** | Other current and non-current liabilities | (1.0) |
| | **Other current liabilities** | **(0.6)** | | |
| Interest rate contracts | **Other current and non-current liabilities** | **(73.3)** | Other current and non-current liabilities | (77.8) |
| Total derivatives not designated as hedging instruments | | **$ (73.7)** | | $ (78.9) |

The fair values of the derivatives are recorded between Other current and non-current assets and Other current and non-current liabilities as appropriate in the Condensed Consolidated Balance Sheets. As of March 31, 2012, the amounts recorded to Other current assets and Other current liabilities for foreign currency contracts were $0.0 million and ($0.0) million, respectively. The amounts recorded to Other current and non-current assets and Other current liabilities for commodity contracts were $0.1 million, $0.1 million, and ($0.6) million, respectively. The amounts recorded to Other current and non-current liabilities for interest rate contracts were ($33.7) million and ($39.7) million, respectively.

As of December 31, 2011, the amount recorded to Other non-current liabilities for foreign currency contracts was ($0.1) million. The amounts recorded to Other current and non-current liabilities for commodity contracts were ($0.7) million and ($0.3) million, respectively. The amounts recorded to Other current and non-current liabilities for interest rate contracts were ($31.9) million and ($45.9) million, respectively.

The following tabular disclosures further describe the Company's derivative instruments and their impact on the results of operations of the Company.

| (dollars in millions) | Three months ended March 31, 2012 | | Three months ended March 31, 2011 | |
|---|---|---|---|---|
| | Location of (loss) gain recognized on derivatives | Amount of (loss) gain recognized on derivatives | Location of gain recognized on derivatives | Amount of gain recognized on derivatives |
| Derivatives not designated as hedging instruments | | | | |
| Foreign currency contracts | **Other (expense) income, net** | **$ 0.2** | Other (expense) income, net | $ 1.0 |
| Commodity contracts | **Other (expense) income, net** | **0.6** | Other (expense) income, net | 1.9 |
| Interest rate contracts | **Interest expense** | **4.5** | Interest expense | 6.5 |
| Total gain recognized on derivatives not designated as hedging instruments | | **$ 5.3** | | $ 9.4 |

## NOTE H. PRODUCT WARRANTY LIABILITIES

Product warranty liability activities consist of the following (dollars in millions):

| | Three months ended March 31, 2012 | 2011 |
|---|---|---|
| Beginning balance | **$ 115.4** | $ 128.5 |
| Payments | **(8.9)** | (10.3) |
| Increase in liability (warranty issued during period) | **7.1** | 6.3 |
| Net adjustments to liability | **(0.2)** | 0.2 |
| Accretion (for Predecessor liabilities) | **0.2** | 0.3 |
| Ending balance | **$ 113.6** | $ 125.0 |

As of March 31, 2012, the current and non-current liabilities were $32.1 million and $81.5 million, respectively. As of March 31, 2011, the current and non-current liabilities were $33.4 million and $91.6 million, respectively.

Deferred revenue for ETC activity (dollars in millions):

| | Three months ended March 31, 2012 | 2011 |
|---|---|---|
| Beginning balance | **$ 60.7** | $ 56.2 |
| Increases | **5.5** | 4.1 |
| Revenue earned | **(5.0)** | (3.2) |
| Ending balance | **$ 61.2** | $ 57.1 |

As of March 31, 2012, the current and non-current liabilities were $19.7 million and $41.5 million, respectively. As of March 31, 2011, the current and non-current liabilities were $16.4 million and $40.7 million, respectively.

## NOTE I. OTHER (EXPENSE) INCOME, NET

Other (expense) income, net consists of the following (dollars in millions):

| | Three months ended March 31, 2012 | 2011 |
|---|---|---|
| Termination of Sponsor services agreement | **$ (16.0)** | $ — |
| Loss on repurchases of long-term debt | **(13.5)** | — |
| Initial public offering fees and expenses | **(5.7)** | — |
| Grant Program income | **2.8** | 3.7 |
| Unrealized gain on derivative contracts | **0.7** | 1.6 |
| Gain (loss) on foreign exchange | **0.7** | (1.3) |
| Realized gain on derivative contracts | **0.1** | 1.3 |
| Other | **0.1** | 0.4 |
| Total | **$ (30.8)** | $ 5.7 |

In March 2012, the Company priced its initial public offering of common stock. All of the shares of common stock offered were sold by existing stockholders with the Company receiving no proceeds from the sale. As a result, approximately $5.7 million of previously capitalized fees and expenses related to the initial public offering were recorded to Other (expense) income, net in the Condensed Consolidated Statements of Comprehensive Income. In conjunction with the offering, the Company also made a $16.0 million one-time payment to terminate the services agreement with the Carlyle Group and affiliates of Onex Corporation (“the Sponsors”).

In 2009, the Company was notified by the U.S. Department of Energy that it was selected to receive matching funds from a grant program funded by the American Recovery and Reinvestment Act for the development of Hybrid manufacturing capacity in the U.S. (the “Grant Program”). All applicable costs associated with the Grant Program have been charged to Engineering — research and development while the Government’s matching reimbursement is recorded to Other income, net in the Condensed Consolidated Statements of Comprehensive Income. Since inception of the Grant Program, the Company has recorded $32.2 million of Grant Program income to Other (expense) income, net in the Condensed Consolidated Statements of Comprehensive Income. All matching funds under the Grant Program are expected to be received by 2013.

For the three months ended March 31, 2012 and 2011, the Company recorded $1.5 million and $0.9 million, respectively, as a reduction of the basis of capital assets purchased under the Grant Program. Since inception of the Grant Program, the Company has placed approximately $5.3 million of assets in service under the Grant Program, resulting in related depreciation of $0.1 million for the three months ended March 31, 2012.

## NOTE J. OTHER CURRENT LIABILITIES

Other current liabilities consist of the following (dollars in millions):

| | As of March 31, 2012 | As of December 31, 2011 |
|---|---|---|
| Accrued derivative payable | **$ 33.6** | $ 31.9 |
| Sales allowances | **29.9** | 32.3 |
| Payroll and related costs | **26.2** | 49.9 |
| Accrued interest payable | **25.9** | 19.1 |
| Taxes payable | **20.0** | 17.1 |
| Military price reduction reserve | **17.6** | 17.6 |
| Vendor buyback obligation | **14.0** | 15.4 |
| Research and development payable | **0.0** | 5.0 |
| Other accruals | **11.0** | 11.6 |
| Total | **$ 178.2** | $ 199.9 |

## NOTE K. EMPLOYEE BENEFIT PLANS

Components of net periodic benefit expense consist of the following (dollars in millions):

| | Pension Plans | | Post-retirement Benefits | |
|---|---|---|---|---|
| | Three months ended March 31, | | Three months ended March 31, | |
| | 2012 | 2011 | 2012 | 2011 |
| Net periodic benefit expense: | | | | |
| Service cost | **$ 4.1** | $ 3.7 | **$ 1.0** | $ 0.9 |
| Interest cost | **1.1** | 1.0 | **1.8** | 1.8 |
| Expected return on assets | **(1.5)** | (1.1) | **—** | — |
| Prior service cost | **0.0** | 0.1 | **—** | — |
| Loss | **0.4** | 0.2 | **—** | — |
| Net periodic benefit expense | **$ 4.1** | $ 3.9 | **$ 2.8** | $ 2.7 |

## NOTE L. INCOME TAXES

The effective tax rate for the three months ended March 31, 2012 and March 31, 2011 was 30.3% and 32.8%, respectively. The Company continues to record a full valuation allowance related to its net deferred tax asset with the exception of the deferred tax liability associated with its indefinite life intangibles. Adjustments to the tax basis of these indefinite life intangibles resulting from tax amortization of the intangible assets or changes in the fair value of the Company's assumed liabilities continues to give rise to deferred tax expense. For the three months ended March 31, 2012, the Company recorded total tax expense of $25.2 million. The pretax income recorded for the three month period ended March 31, 2012 includes approximately $21.7 million of discrete expense items related to the termination of its services agreement with its Sponsors and transaction costs associated with the Company's initial public offering.

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that all or some portion of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. Because the timing of the reversal of the amortizable goodwill and trade name intangible are indefinite, these deferred tax liabilities are not considered in evaluating the reversal of the temporary differences. As a result, a valuation allowance has been established against the deferred tax assets net of deferred tax liabilities having a definite life.

A sustained period of profitability in our operations is required before we would change our judgment regarding the need for a full valuation allowance against our net deferred tax assets. Accordingly, although we were profitable in the prior two years and the first quarter of 2012, we continue to record a full valuation allowance against the net deferred tax assets. Although the weight of negative evidence related to cumulative losses is decreasing, we believe that this objectively-measured negative evidence outweighs the subjectively-determined positive evidence and, as such, we have not changed our judgment regarding the need for a full valuation allowance in the first quarter of 2012. Continued improvement in our operating results, however, could lead to reversal of all of our valuation allowance as early as the second quarter of 2012.

In accordance with the FASB's authoritative guidance on accounting for uncertainty in income taxes, the Company had no liability for unrecognized tax benefits as of March 31, 2012 and December 31, 2011. The accounting guidance prescribes a recognition threshold and measurement attributes for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. For the year ended December 31, 2011, the return will remain subject to examination by the various taxing authorities for the duration of the applicable statute of limitations (generally three years from the later of the date of filing or the due date of the return).

## NOTE M. COMMITMENTS AND CONTINGENCIES

***Claims, Disputes, and Litigation***

The Company is party to various legal actions and administrative proceedings and subject to various claims arising in the ordinary course of business. These proceedings primarily involve commercial claims, product liability claims, personal injury claims and workers' compensation claims. The Company believes that the ultimate liability, if any, in excess of amounts already provided for in the financial statements or covered by insurance on the disposition of these matters will not have a material adverse effect on the financial position, results of operations or cash flows of the Company.

## NOTE N. CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

On August 7, 2007, the Carlyle Group and affiliates of Onex Corporation ("the Sponsors") entered into a services agreement with ATI, pursuant to which ATI paid the Sponsors an annual fee of approximately $3.0 million (shared equally by the Sponsors) for certain advisory, consulting and other services to be performed by the Sponsors, exclusive of the reimbursements for certain out-of-pocket expenses incurred in connection with the performance of such services, and additional reasonable compensation for other services provided by the Sponsors from time to time, including consulting and other services with respect to acquisitions and divestitures or sales of equity or debt instruments. For the three months ended March 31, 2012 and 2011, the Sponsors did not provide any additional services beyond customary advisory services. Upon completion of our initial public offering in March 2012, the Company paid the Sponsors a total of $16.0 million to terminate the services agreement. The fee represented the estimated net present value of the payments over the estimated term of the services agreement.

**Senior Notes Held by Executive Officers**

As of March 31, 2012, Lawrence Dewey, our Chairman, President and Chief Executive Officer, David Graziosi, our Executive Vice President, Chief Financial Officer and Treasurer, and Robert M. Price, our Vice President, Human Resources, held approximately $32,705, $31,000 and $65,410, respectively, in aggregate principal amount of the 11.0% Senior Notes and Mr. Graziosi held approximately $400,000 in aggregate principal amount of the 7.125% Senior Notes.

## NOTE O. EARNINGS PER SHARE

The Company presents both basic and diluted earnings per share ("EPS") amounts. Basic EPS is calculated by dividing net income by the weighted average number of common shares outstanding during the reporting period. Diluted EPS is calculated by dividing net income by the weighted average number of common shares and common equivalent shares outstanding during the reporting period that are calculated using the treasury stock method for stock options. The treasury stock method assumes that the Company uses the proceeds from the exercise of awards to repurchase common stock at the average market price during the period. The assumed proceeds under the treasury stock method include the purchase price that the grantee will pay in the future, compensation cost for future service that the Company has not yet recognized and any tax benefits that would be credited to additional paid-in-capital when the award generates a tax deduction. If there would be a shortfall resulting in a charge to additional paid-in-capital, such an amount would be a reduction of the proceeds. For the three months ended March 31, 2011, outstanding stock options were not included in the diluted EPS computation because they were anti-dilutive.

The following table reconciles the numerators and denominators used to calculate basic EPS and diluted EPS (in millions, except per share data):

| | Three months ended March 31, | |
|---|---|---|
| | **2012** | **2011** |
| Net income | **$ 58.0** | $ 36.9 |
| Weighted average shares of common stock outstanding | **181.4** | 181.4 |
| Dilutive effect stock-based awards | **4.8** | — |
| Diluted weighted average shares of common stock outstanding | **186.2** | 181.4 |
| Basic earnings per share attributable to common stockholders | **$ 0.32** | $ 0.20 |
| Diluted earnings per share attributable to common stockholders | **$ 0.31** | $ 0.20 |

## NOTE P. SUBSEQUENT EVENTS

On April 20, 2012, the Company gave notice to the holders of its 11.0% Senior Notes that it would redeem the remainder of the notes at the specified redemption price in the governing indenture on May 1, 2012.

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

*The following discussion and analysis is intended to help the reader understand our business, financial condition, results of operations, liquidity and capital resources. You should read this discussion in conjunction with our condensed consolidated interim financial statements and the related notes contained elsewhere in this Quarterly Report on Form 10-Q.*

*The statements in this discussion regarding industry trends, our expectations regarding our future performance, liquidity and capital resources and other non-historical statements are forward-looking statements. These forward-looking statements are subject to numerous risks and uncertainties, including, but not limited to, the risks and uncertainties described in Part II, Item 1A. "Risk Factors" and "—Cautionary Note Regarding Forward-Looking Statements." Our actual results may differ materially from those contained in or implied by any forward-looking statements.*

### *Overview*

Allison Transmission Holdings, Inc. and its subsidiaries (the "Company," "our," "us," "we" or "Allison"), design and manufacture fully-automatic transmissions for medium- and heavy-duty commercial vehicles, medium- and heavy-tactical U.S. military vehicles and hybrid-propulsion systems for transit buses. We generate our net sales primarily from the sale of transmissions, transmission parts, support equipment, military kits, engineering services and extended transmission warranty coverage to a wide array of original equipment manufacturers ("OEMs"), distributors and the U.S. government. Although approximately 80% of our net sales were generated in North America in 2011, we have a global presence, serving customers in Europe, Asia, South America and Africa. As of March 31, 2012, we have approximately 2,800 employees and 12 different transmission product lines. We serve customers through an established network of approximately 1,500 authorized independent distributors and dealers worldwide. Since the introduction of our first fully-automatic transmission over 60 years ago, our products have gained acceptance in a wide variety of applications, including on-highway trucks (distribution, refuse, construction, fire and emergency), buses (primarily school, transit and hybrid-transit), motorhomes, off-highway vehicles and equipment (primarily energy, mining and construction) and military vehicles (wheeled and tracked).

### Recent Developments

#### *Initial Public Offering*

On March 12, 2012, we amended and restated our certificate of incorporation, which, among other things, converted our non-voting common stock to common stock, other than 1,000 shares of non-voting common stock (1,185 shares of non-voting common stock after giving effect to the stock split described herein) and effected a 1.185-for-1 split of all of our common stock and non-voting common stock. On March 20, 2012 we consummated our initial public offering ("IPO"). In the IPO, certain of our existing stockholders sold an aggregate of 26,100,000 shares of common stock at a public offering price of $23.00 per share. The underwriters also exercised their over-allotment option and purchased an additional 3,915,000 shares of common stock. We did not receive any proceeds from the sale of shares of common stock in the IPO.

### Trends Impacting Our Business

Our net sales are driven by commercial vehicle production, which tends to be highly correlated to macroeconomic conditions. The recent global economic downturn led to a significant decline in annual commercial vehicle production volumes. According to ACT Research, commercial truck and bus production volumes in our North American on-highway markets are projected to continue to grow, but to remain below the 1998-2008 average production levels through 2014. However, we believe the anticipated increase in global commercial vehicle production, together with pent up demand in the North American market that resulted from the deferral of purchases during the economic downturn, will support our continued growth and result in increased net sales.

***First Quarter Net Sales by End Market (in millions)***

| End Market | Q1 2012 Net Sales | Q1 2011 Net Sales | % Variance |
|---|---|---|---|
| North America On-Highway | $219 | $164 | 34% |
| North America Hybrid-Propulsion Systems for Transit Bus | $ 35 | $ 39 | (10)% |
| North America Off-Highway | $ 74 | $ 64 | 16% |
| Military | $ 77 | $ 84 | (8)% |
| Outside North America On-Highway | $ 66 | $ 57 | 16% |
| Outside North America Off-Highway | $ 32 | $ 23 | 39% |
| Service, Parts, Support Equipment & Other | $ 99 | $ 86 | 15% |
| Total Net Sales | $602 | $517 | 16% |

North America On-Highway end market continued its recovery with net sales up 34 percent for the first quarter 2012 compared to the first quarter 2011. Rugged Duty Series and Highway Series models were the primary drivers of this performance followed by smaller increases in school bus and transit/other bus models. These increases were partially offset by reduced motor home models. The year over year first quarter increase is amplified by the lower level of first quarter 2011 net sales when compared to the remainder of 2011. We expect a slower year over year growth rate in the remainder of 2012.

North America Hybrid-Propulsion Systems for Transit Bus end market net sales were down 10 percent for the first quarter 2012 compared to the first quarter 2011. Due to municipal subsidy and spending constraints, U.S. Environmental Protection Agency 2010 engine emissions improvements and redundancy by alternative technologies, we expect a measured decline in net sales for the full year 2012 below the 2011 level.

North America Off-Highway end market net sales were up 16 percent for the first quarter 2012 compared to the first quarter of 2011. The year over year first quarter increase was principally driven by continued strong demand from natural gas fracturing applications and other energy sector requirements. We believe the strong first quarter performance will not persist given recent customer forecast adjustments related to current natural gas pricing.

Military end market net sales were down 8 percent for the first quarter 2012 compared to the first quarter 2011. The year over year first quarter decrease was principally driven by a reduction in tracked military products demand resulting from a return of U.S. defense spending to historical averages partially offset by increased wheeled military products requirements. Although our first quarter wheeled military products net sales were above the 2011 level, we expect a measured decline in net sales for the remainder of 2012 below the 2011 level due to the previously mentioned reductions in U.S. defense spending.

Outside North America On-Highway end market net sales were up 16 percent for the first quarter 2012 compared to the first quarter 2011, reflecting increases in all regions other than South America and India. Despite challenging economic conditions net sales in Europe were up quarter over quarter principally driven by increased demand from construction and mining, long term customer supply agreements and United Kingdom market strength. Lower South America net sales were principally driven by the timing of bus tenders and demand volatility in several regional end markets. The India end market continues to struggle with depressed bus demand attributed to governmental procurement and acquisition difficulties that have hindered the market since last year. During the first quarter, Allison also participated in several new vocationally focused regional trade shows and continued to work towards expanding its vehicle releases in key emerging growth markets.

Outside North America Off-Highway end market net sales were up 39 percent for the first quarter 2012 compared to the first quarter 2011. The year over year first quarter increase was principally driven by increased mining and energy sector activities in response to global economic growth.

Service parts, support equipment & other end market net sales were up 15 percent for the first quarter 2012 compared to the first quarter 2011. The increase was principally driven by price increases on certain products, support equipment sales commensurate with increased transmission unit volume and higher global demand for on-highway and off-highway service parts.

**Key Components of our Results of Operations**

***Net sales***

We generate our net sales primarily from the sale of transmissions, transmission parts, support equipment, military kits, engineering services and extended transmission coverage to a wide array of OEMs, distributors and the U.S. government. Sales are recorded net of provisions for customer allowances and other rebates. Engineering services are recorded as net sales in accordance with the terms of the contract. The associated costs are recorded in cost of sales. We also have royalty agreements with third parties that provide net sales as a result of joint efforts in developing marketable products.

***Cost of sales***

Our most significant components of cost of sales are purchased parts, the overhead expense related to our manufacturing operations and direct labor associated with the manufacture and assembly of transmissions and parts. For the three months ended March 31, 2012, direct material costs were approximately 72%, overhead costs were approximately 22%, and direct labor costs were approximately 6% of total cost of sales. We are subject to changes in our cost of sales caused by movements in underlying commodity prices. We seek to hedge against this risk by using commodity swap contracts and, beginning in 2011, long-term supply agreements. See "—Quantitative and Qualitative Disclosures about Market Risk—Commodity Price Risk."

***Selling, general and administrative expenses***

The principal components of our selling, general and administrative expenses are salaries and benefits for our office personnel, advertising and promotional expenses, product warranty expense, expenses relating to certain information technology systems and amortization of our intangibles.

***Engineering — research and development***

We incur costs in connection with research and development programs that are expected to contribute to future earnings. Such costs are expensed as incurred. In 2009, we were notified by the Department of Energy ("DOE") that we were selected to receive matching funds up to $62.8 million from a cost-share grant program funded by the American Recovery and Reinvestment Act for the development of hybrid-propulsion system manufacturing capacity in the U.S. (the "Grant Program"). Applicable costs associated with

the Grant Program have been charged to engineering — research and development. The DOE's matching reimbursement is recorded to Other (expense) income, net in the Condensed Consolidated Statements of Comprehensive Income, or in the case of capital expenditure, as a reduction in the cost basis of the capital asset.

***Non-GAAP Financial Measure***

We use Adjusted net income to measure our overall profitability because it better reflects our cash flow generation by capturing the actual cash taxes paid rather than our tax expense as calculated under accounting principles generally accepted in the United States of America ("GAAP") and excludes the impact of the non-cash annual amortization of certain intangible assets that were created at the time of the acquisition. We use Adjusted EBITDA, Adjusted EBITDA margin and Adjusted free cash flow to evaluate and control our cash operating costs and to measure our operating profitability. We believe the presentation of Adjusted net income, Adjusted EBITDA, Adjusted EBITDA margin and Adjusted free cash flow enhances our investors' overall understanding of the financial performance and cash flow of our business.

You should not consider Adjusted net income, Adjusted EBITDA, Adjusted EBITDA margin and Adjusted free cash flow as an alternative to net income, determined in accordance with GAAP, as an indicator of operating performance, or as an alternative to net cash provided by operating activities, determined in accordance with GAAP, as an indicator of our cash flow.

A directly comparable GAAP measure to Adjusted net income and Adjusted EBITDA is Net income. A directly comparable GAAP measure to Adjusted free cash flow is Net cash provided by operating activities. The following is a reconciliation of Net income to Adjusted net income, Adjusted EBITDA and Adjusted EBITDA margin, and a reconciliation of Net cash provided by operating activities to Adjusted free cash flow:

| | For the three months ended March 31, (unaudited) | |
|---|---|---|
| (in millions) | 2012 | 2011 |
| **Net income** | $ 58.0 | $ 36.9 |
| plus: | | |
| Interest expense, net | 40.7 | 49.6 |
| Cash interest expense | (36.1) | (29.9) |
| Income tax expense | 25.2 | 18.0 |
| Cash income taxes | (2.9) | (1.6) |
| Fee to terminate services agreement with Sponsors (a) | 16.0 | — |
| Initial public offering expenses (b) | 5.7 | — |
| Amortization of intangible assets | 37.5 | 38.0 |
| **Adjusted net income** | $144.1 | $111.0 |
| Cash interest expense | 36.1 | 29.9 |
| Cash income taxes | 2.9 | 1.6 |
| Depreciation of property, plant and equipment | 24.6 | 25.7 |
| Loss on repurchases of long-term debt (c) | 13.5 | — |
| Unrealized gain on hedge contracts (d) | (0.7) | (1.6) |
| Other (e) | 2.5 | 2.7 |
| **Adjusted EBITDA** | $223.0 | $169.3 |
| Net sales | $601.9 | $517.0 |
| **Adjusted EBITDA margin** | 37.0% | 32.7% |
| **Net cash provided by operating activities** | $139.6 | $109.9 |
| (Deductions) or additions to reconcile to Adjusted free cash flow: | | |
| Additions of long-lived assets | (35.7) | (11.6) |
| Fee to terminate services agreement with Sponsors (a) | 16.0 | — |
| **Adjusted free cash flow** | $119.9 | $ 98.3 |

(a) Represents a one-time payment (recorded in Other (expense) income, net) to terminate the services agreement with our Sponsors.

(b) Represents $5.7 million of fees and expenses (recorded in Other (expense) income, net) related to our initial public offering in March 2012.

(c) Represents a $13.5 million loss (recorded in Other (expense) income, net) realized on the redemption of $200.0 million of ATI's 11.0% senior cash pay notes due November 2015 ("11.0% Senior Notes")

(d) Represents ($0.7) million and ($1.6) million of unrealized gains (recorded in Other (expense) income, net) on the mark-to-market of our foreign currency and commodities contracts as of March 31, 2012 and 2011, respectively.

(e) Represents employee stock compensation expense and service fees (recorded in Selling, general and administrative expenses) paid to our Sponsors.

**Results of Operations**

The following table sets forth certain financial information for the three months ended March 31, 2012 and 2011. The following table and discussion should be read in conjunction with the information contained in our condensed consolidated financial statements and the notes thereto included in Part I of this Quarterly Report on Form 10-Q.

***Comparison of three months ended March 31, 2012 and 2011***

| | Three months ended March 31, | | | |
|---|---|---|---|---|
| *(unaudited, dollars in millions)* | 2012 | % of net sales | 2011 | % of net sales |
| Net sales | **$601.9** | **—** | $517.0 | — |
| Gross profit | **283.8** | **47.2%** | 230.0 | 44.5% |
| Operating expenses: | | | | |
| Selling, general and administrative expenses | **101.2** | **16.8** | 100.9 | 19.5 |
| Engineering — research and development | **27.9** | **4.7** | 30.3 | 5.9 |
| Total operating expenses | **129.1** | **21.5** | 131.2 | 25.4 |
| Operating income | **154.7** | **25.7** | 98.8 | 19.1 |
| Other (expense) income, net: | | | | |
| Interest expense, net | **(40.7)** | **(6.8)** | (49.6) | (9.6) |
| Other (expense) income, net | **(30.8)** | **(5.1)** | 5.7 | 1.1 |
| Total other expense, net | **(71.5)** | **(11.9)** | (43.9) | (8.5) |
| Income before income taxes | **83.2** | **13.8** | 54.9 | 10.6 |
| Income tax expense | **(25.2)** | **(4.2)** | (18.0) | (3.5) |
| Net income | **$ 58.0** | **9.6%** | $ 36.9 | 7.1% |

***Net sales.***

Net sales for the quarter ended March 31, 2012 were $601.9 million compared to $517.0 million for the quarter ended March 31, 2011, an increase of 16.4%. The increase was principally driven by an $83.0 million, or 27.0%, increase in net sales of global off-highway and on-highway commercial products, parts and other products, partially offset by a decrease in net sales of $7.0 million, or 8.0%, in military products driven by lower U.S. military spending and a decrease in net sales of $4.0 million, or 10.0%, for hybrid-propulsion systems for transit buses primarily driven by lower municipal spending.

***Gross profit.***

Gross profit for the quarter ended March 31, 2012 was $283.8 million compared to $230.0 million for the quarter ended March 31, 2011, an increase of 23.4%. The increase was principally driven by $50.0 million related to increased net sales, $3.0 million of price increases on certain products and $1.0 million of favorable material costs.

***Selling, general and administrative expenses.***

Selling, general and administrative expenses for the quarter ended March 31, 2012 were $101.2 million compared to $100.9 million for the quarter ended March 31, 2011, an increase of 0.3%. The increase was principally driven $0.9 million of increased product warranty expense commensurate with increased sales, partially offset by $0.6 million of favorable product warranty expense adjustments from prior estimates.

***Engineering - research and development.***

Engineering expenses for the quarter ended March 31, 2012 were $27.9 million compared to $30.3 million for the quarter ended March 31, 2011, a decrease of 7.9%. The decrease was principally driven by $2.6 million of higher 2011 technology-related license expense, partially offset by higher product initiatives spending.

***Interest expense, net.***

Interest expense, net for the quarter ended March 31, 2012 was $40.7 million compared to $49.6 million for the quarter ended March 31, 2011, a decrease of 17.9%. The decrease was principally driven by $13.2 million of lower interest expense as a result of debt repayments and purchases, $0.9 million of lower interest expense as a result of lower interest rates on our Term B-1 Loan, net of the increase in the applicable margin on our Term B-2 Loan, and $0.4 million of lower amortization of deferred financing fees, partially offset by $3.7 million of higher interest expense primarily due to the effectiveness of $700.0 million of new interest rate swaps at higher interest rates and $2.0 million of less favorable mark-to-market expense for our interest rate derivatives.

***Other (expense) income, net.***

Other (expense) income, net for the quarter ended March 31, 2012 was ($30.8) million compared to $5.7 million for the quarter ended March 31, 2011. The increase in expense was principally driven by $16.0 million payment to terminate the services agreement with the Sponsors, $13.5 million of premiums and expenses related to redemptions of long-term debt, $5.7 million of fees and expenses related to our initial public offering, $1.2 million of lower realized gains on derivative contracts, $0.9 million of decreased Grant Program income, $0.9 million of lower unrealized gains on derivative contracts and $0.3 million of lower miscellaneous income, partially offset by $2.0 million of favorable foreign exchange.

***Income tax expense.***

Income tax expense for the first quarter of 2012 was $25.2 million resulting in an effective tax rate of 30.3% versus an effective tax rate of 32.8% in the first quarter of 2011. The change in effective tax rate was principally driven by the increase in income before tax, the difference in tax and book treatment of certain indefinite life intangibles and our continuing policy of recording a full valuation allowance against our net deferred tax assets. A sustained period of profitability in our operations is required before we would change our judgment regarding the need for a full valuation allowance against our net deferred tax assets. Accordingly, although we were profitable in 2011 and the first quarter of 2012, we continue to record a full valuation allowance against the net deferred tax assets. Although the weight of negative evidence related to cumulative losses is decreasing, we believe that this objectively-measured negative evidence outweighs the subjectively-determined positive evidence and, as such, we have not changed our judgment regarding the need for a full valuation allowance in the first quarter of 2012. Continued improvement in our operating results, however, could lead to reversal of all of our valuation allowance as early as the second quarter of 2012.

**Liquidity and Capital Resources**

We generate cash primarily from our operating activities. We had total available cash and cash equivalents of $192.9 million and $314.0 million as of March 31, 2012 and December 31, 2011, respectively. Of the available cash and cash equivalents, approximately $182.9 million and $164.5 million was deposited in operating accounts while approximately $10.0 million and $187.9 million was invested in U.S. government backed securities as of March 31, 2012 and 2011, respectively.

Additionally, we had $371.7 million and $369.2 million available under the revolving credit facility, net of approximately $28.3 million and $30.8 million in letters of credit issued and outstanding as of March 31, 2012 and December 31, 2011, respectively.

On March 9, 2012, Allison Transmission Inc. ("ATI"), a wholly owned subsidiary of the Company, entered into an amendment with its term loan lenders under its Senior Secured Credit Facility to extend the maturity from August 7, 2014 to August 7, 2017 of approximately $801.1 million in principal amount of the term loan ("Term B-2 Loan") with an applicable margin over the London Interbank Offered Rate ("LIBOR") of 3.50% for such extended term loan, with the remaining term loan of approximately $1,793.8 million with an applicable margin over LIBOR of 2.50% maturing in August 2014 ("Term B-1 Loan") (together the Term B-1 Loan and Term B-2 Loan defined as the "Senior Secured Credit Facility").

Our principal uses of cash are operating expenses, capital expenditures, debt service and working capital needs. The following table shows our sources and uses of funds for the three months ended March 31, 2012 and 2011 (in millions):

| | Three months ended March 31, | |
|---|---|---|
| ***Statement of Cash Flows Data*** | **2012** | **2011** |
| Cash flows from operating activities | **$ 139.6** | $ 109.9 |
| Cash flows used for investing activities | **(35.4)** | (5.8) |
| Cash flows used for financing activities | **(217.8)** | — |

Generally, cash provided by operating activities has been adequate to fund our operations. Due to fluctuations in our cash flows and the growth in our operations, it may be necessary from time to time in the future to borrow under the Senior Secured Credit Facility to meet cash demands. We anticipate cash provided by operating activities, cash and cash equivalents and borrowing capacity under the Senior Secured Credit Facility will be sufficient to meet our cash requirements for the next twelve months.

***Cash provided by operating activities***

Operating activities for the three months ended March 31, 2012 generated $139.6 million of cash compared to $109.9 million for the three months ended March 31, 2011. The increase was primarily driven by increased net sales and higher accounts payable commensurate with increased net sales, partially offset by higher inventories commensurate with increased net sales, payment of technology-related licenses and accrued interest paid as part of the redemption of $200.0 million of ATI's 11.0% Senior Notes.

***Cash used for investing activities***

Investing activities for the three months ended March 31, 2012 used $35.4 million of cash compared to using $5.8 million for the three months ended March 31, 2011. The increase was primarily driven by an increase of $24.1 million in capital expenditures, a 2011 reduction in collateral requirements related to certain of our interest rate derivatives and 2011 proceeds related to the sale of property of $2.1 million. The increase in capital expenditures was attributable to the continued expansion of our India facility, higher product initiative spending and increased investments in productivity and replacement programs, partially offset by construction of our Hungary manufacturing facility in 2011.

***Cash used for financing activities***

Financing activities for the three months ended March 31, 2012 used $217.8 million of cash compared to $0.0 million of cash used for the three months ended March 31, 2011. The increase was driven by the redemption of $200.0 million of ATI's 11.0% Senior Notes, a principal payment on the Company's Senior Secured Credit Facility, a principal payment on the Company's Japanese Yen denominated unsecured short-term notes and payments related to the Company extending a portion of its Senior Secured Credit Facility.

In February 2012, ATI redeemed $200.0 million of the 11.0% Senior Notes resulting in a loss (the premium between the purchase price of the notes and the face value of such notes) of $13.5 million, net of deferred financing fees written off.

The Company may redeem some or all of the 11.0% Senior Notes at a specified redemption price in the governing indenture. Prior to May 15, 2015, the Company may redeem some or all of ATI's 7.125% senior cash pay notes due May 2019 ("7.125% Senior Notes") by paying the applicable "make-whole" premium. At any time on or after May 15, 2015, the Company may redeem some or all of the 7.125% Senior Notes at specified redemption prices in the governing indenture.

Our liquidity requirements are significant, primarily due to our debt service requirements. A one-eighth percent change in assumed interest rates for the Senior Secured Credit Facility, if fully drawn, as of March 31, 2012 would have a yearly impact of $2.3 million on interest expense, which includes the partial offset of our interest rate swaps. Our ability to make payments on and to refinance our indebtedness, and to fund planned capital expenditures will depend on our ability to generate cash in the future. This is subject to general economic, financial, competitive, legislative, regulatory and other factors that may be beyond our control.

In November 2008, we entered into an amendment related to the Senior Secured Credit Facility that permits us to make discounted voluntary prepayments of our term loan in an aggregated amount not to exceed $750.0 million pursuant to a modified Dutch auction. As part of the May 2011 amendment to the Senior Secured Credit Facility, the amount available for discounted voluntary prepayments of the term loan pursuant to a modified Dutch auction was reset to $750.0 million. This provision is available to us for so long as the Senior Secured Credit Facility is outstanding. For the three months ended March 31, 2012 and 2011, we did not make any discounted prepayments of our term loan under this amendment.

The Senior Secured Credit Facility requires us to maintain a specified maximum total senior secured leverage ratio of 5.50x for the remainder of the term of the loans.

As of March 31, 2012, we were in compliance with the maximum total senior secured leverage ratio, achieving a 3.13x ratio. Within the terms of the Senior Secured Credit Facility, a senior secured leverage ratio below 3.50x results in a 25 basis point reduction to the applicable margin for the Term B-1 Loan, a 12.5 basis point reduction to the commitment fee and elimination of excess cash flow payments on the term loan for the applicable year. These reductions remain in effect as long as we continue to achieve a senior secured leverage ratio below 3.50x. There are no reductions to the applicable margin available for the Term B-2 Loan.

In addition to the maximum total secured leverage ratio, the Senior Secured Credit Facility and the indentures governing the Senior Notes include, among other things, customary restrictions (subject to certain exceptions) on our ability to incur certain indebtedness or liens, make certain investments or declare or pay certain dividends. As of March 31, 2012, we are in compliance with all covenants under the Senior Secured Credit Facility.

To manage interest rate risk associated with our variable rate debt, we currently have eight interest rate swap contracts as of March 31, 2012 that qualify as derivatives under authoritative accounting guidance for derivative instruments and hedging activities. Our interest rate swaps do not qualify for hedge accounting treatment and, as a result, fair value adjustments are charged directly to interest expense in the Consolidated Statements of Comprehensive Income. Despite the fact that we have elected a mark-to-market approach as opposed to hedge accounting treatment, the contracts are used strictly as an economic hedge and not for speculative purposes.

As of March 31, 2012, certain of our interest rate derivatives contain credit-risk and collateral contingent features. Certain interest rate derivatives contain provisions under which downgrades in our credit rating could require us to increase our collateral. Certain interest rate derivatives also contain provisions under which we may be required to post additional collateral if LIBOR reaches certain levels. As of March 31, 2012, we have been required to post collateral of $1.8 million in cash and $23.0 million in letters of credit. Our collateral requirements are driven by changes in interest rates, and therefore we may be required to post collateral in the future with no maximum collateral requirements.

Assuming all collateral contingent features remain the same, a 1% increase or decrease in the LIBOR interest rate curve as of March 31, 2012 would correspondingly reduce our collateral requirement by approximately $16.7 million or increase our collateral requirement by approximately $8.6 million, respectively.

**Contingencies**

We are a party to various legal actions and administrative proceedings and subject to various claims arising in the ordinary course of business, including those relating to commercial transactions, product liability, safety, health, taxes, environmental and other matters. For more information, see NOTE M of our condensed consolidated financial statements included in this Quarterly Report on Form 10-Q.

**Critical Accounting Policies and Significant Accounting Estimates**

Our principal accounting policies are described in the “Basis of Presentation and Summary of Significant Accounting Policies” section in the notes to the consolidated financial statements included in our Form S-1/A for the year ended December 31, 2011. The preparation of the condensed consolidated financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of some assets and liabilities and, in some instances, the reported amounts of revenues and expenses during the applicable reporting period. Differences between actual and estimate are recorded in the period identified. Management believes the accounting estimates discussed above represent those accounting estimates requiring the exercise of judgment where a different set of judgments could result in the greatest changes to our reported results.

**Off-Balance Sheet Arrangements**

We are not a party to any off-balance sheet arrangements.

**Recently Issued Accounting Pronouncements**

In December 2011, the Financial Accounting Standards Board ("FASB") issued authoritative accounting guidance on enhancing disclosures to evaluate the effect or potential effect of netting arrangements on an entity's financial position. The guidance requires improved information and disclosures about gross and net amounts of recognized assets and liabilities of financial and derivative instruments that are offset in an entity's statement of financial position. The guidance is to be applied retrospectively for reporting periods beginning on or after January 1, 2013. The adoption of this amendment is not expected to have a material effect on our consolidated financial statements.

In September 2011, the FASB issued authoritative accounting guidance on testing goodwill for impairment. Under the revised guidance, entities testing goodwill for impairment have the option of performing a qualitative assessment before calculating fair value (i.e., Step 1 of the goodwill impairment test). If entities determine, on the basis of qualitative factors, that fair value is more likely than not less than carrying value, the two-step impairment test would be required. The guidance does not change how goodwill is calculated or assigned to reporting units, nor does it revise the requirement to test goodwill annually for impairment. In addition, it does not amend the requirement to test goodwill for impairment between annual tests if events or circumstances warrant; however, it does revise the examples of events and circumstances that an entity should consider. The amendments are effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. Early adoption was permitted; however, we did not early adopt this guidance and continued to perform Step 1 of the goodwill impairment analysis for 2011. The adoption of this amendment is not expected to have a material effect on our consolidated financial statements.

In June 2011, the FASB issued authoritative accounting guidance on improving comparability, consistency, and transparency of items reported in other comprehensive income. The guidance eliminates the option to present components of other comprehensive income as part of the statement of changes in stockholders' equity and requires either a single continuous statement of comprehensive income or in two separate but consecutive statements. In a single continuous statement, the entity is required to present the components of net income and total net income, the components of other comprehensive income and a total for other comprehensive income, along with the total of comprehensive income in that statement. In the two-statement approach, the first statement should present total net income and its components followed consecutively by a second statement that should present total other comprehensive income, the components of other comprehensive income, and the total of comprehensive income. In December 2011, the FASB issued additional authoritative accounting guidance indefinitely deferring the requirement to present reclassifications of items out of accumulated other comprehensive income. The accounting guidance also establishes a common approach with International Financial Reporting Standards ("IFRS"). The guidance is to be applied retrospectively for interim and annual reporting periods beginning after December 15, 2011 for public entities. The adoption of this amendment did not have a material effect on our consolidated financial statements, but required a change in the presentation of comprehensive income from the notes of our consolidated financial statements to the face of our consolidated financial statements.

In May 2011, the FASB issued authoritative accounting guidance that amended wording used to describe many of the requirements in measuring fair value and disclosing information about fair value measurements. The changes are not intended to change the application of the requirements of fair value measurement, but to clarify the application and disclosure of information. The amendments to the accounting guidance also establish a common approach with IFRS. The guidance is to be applied prospectively for entities interim and annual reporting periods beginning after December 15, 2011. The adoption of this amendment did not have a material effect on our consolidated financial statements.

**Certain Relationships and Related Party Transactions**

On August 7, 2007, the Carlyle Group and affiliates of Onex Corporation ("the Sponsors") entered into a services agreement with ATI, pursuant to which ATI paid the Sponsors an annual fee of approximately $3.0 million (shared equally by the Sponsors) for certain advisory, consulting and other services to be performed by the Sponsors, exclusive of the reimbursements for certain out-of-pocket expenses incurred in connection with the performance of such services, and additional reasonable compensation for other services provided by the Sponsors from time to time, including consulting and other services with respect to acquisitions and divestitures or sales of equity or debt instruments. For the three months ended March 31, 2012 and 2011, the Sponsors did not provide any additional services beyond customary advisory services. Upon completion of our initial public offering in March 2012, the Company paid the Sponsors a total of $16.0 million to terminate the services agreement. The fee represented the estimated net present value of the payments over the estimated term of the services agreement.

**Senior Notes Held by Executive Officers**

As of March 31, 2012, Lawrence Dewey, our Chairman, President and Chief Executive Officer, David Graziosi, our Executive Vice President, Chief Financial Officer and Treasurer, and Robert M. Price, our Vice President, Human Resources, held approximately $32,705, $31,000 and $65,410, respectively, in aggregate principal amount of the 11.0% Senior Notes and Mr. Graziosi held approximately $400,000 in aggregate principal amount of the 7.125% Senior Notes.

**Cautionary Note Regarding Forward-Looking Statements**

This Quarterly Report on Form 10-Q contains forward-looking statements. The words “believe,” “expect,” “anticipate,” “intend,” “estimate” and other expressions that are predictions of or indicate future events and trends and that do not relate to historical matters identify forward-looking statements. You should not place undue reliance on these forward-looking statements. Although forward-looking statements reflect management’s good faith beliefs, reliance should not be placed on forward-looking statements because they involve known and unknown risks, uncertainties and other factors, which may cause the actual results, performance or achievements to differ materially from anticipated future results, performance or achievements expressed or implied by such forward-looking statements. Forward-looking statements speak only as of the date the statements are made. We undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events, changed circumstances or otherwise. These forward-looking statements are subject to numerous risks and uncertainties, including, but not limited to: risks related to our substantial indebtedness; our participation in markets that are competitive; general economic and industry conditions; our ability to prepare for, respond to and successfully achieve our objectives relating to technological and market developments and changing customer needs; the failure of markets outside North America to increase adoption of fully-automatic transmissions; 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; the concentration of our net sales in our top five customers and the loss of any one of these; risks associated with our international operations; brand and reputational risks; our intention to pay dividends; and labor strikes, work stoppages or similar labor disputes, which could significantly disrupt our operations or those of our principal customers.

Important factors that could cause actual results to differ materially from our expectations are disclosed under Part II, Item 1A. “Risk Factors.” All written and oral forward-looking statements attributable to us, or persons acting on our behalf, are expressly qualified in their entirety by the cautionary statements as well as other cautionary statements that are made from time to time in our public communications. You should evaluate all forward-looking statements made in this Quarterly Report on Form 10-Q in the context of these risks and uncertainties.

## Item 3. Quantitative and Qualitative Disclosures About Market Risk

Our exposure to market risk consists of changes in interest rates, foreign currency rate fluctuations and movements in commodity prices.

***Interest Rate Risk***

We are subject to interest rate market risk in connection with a portion of our long-term debt. Our principal interest rate exposure relates to outstanding amounts under the Senior Secured Credit Facility. The Senior Secured Credit Facility provides for variable rate borrowings of up to $2,964.6 million including $371.7 million under our revolving credit facility, net of $28.3 million of letters of credit. Assuming the Senior Secured Credit Facility is fully drawn, each one-eighth percentage point increase or decrease in the applicable interest rates would correspondingly change our interest expense on the Senior Secured Credit Facility by approximately $2.3 million per year. This includes the partial offset of the interest rate swaps described below. As of March 31, 2012, we had no outstanding borrowings against the revolving credit facility.

In order to mitigate our exposure to LIBOR on the Senior Secured Credit Facility, we have entered into certain interest rate swap agreements as follows:

| | Counterparty | Effective Date | Notional Amount (in millions) | LIBOR Fixed Rate |
|---|---|---|---|---|
| Interest Rate Swap D | Fifth Third Bank | 2009-2013 | $ 125.0 | 4.26% |
| Interest Rate Swap E | Barclays Capital | 2010-2013 | $ 150.0 | 2.79% |
| Interest Rate Swap F | Barclays Capital | 2010-2013 | $ 75.0 | 2.66% |
| Interest Rate Swap G | Barclays Capital | 2010-2013 | $ 75.0 | 2.99% |
| Interest Rate Swap H | Barclays Capital | 2011-2014 | $ 350.0 | 3.75% |
| Interest Rate Swap I | Deutsche Bank | 2011-2014 | $ 350.0 | 3.77% |
| Interest Rate Swap J | UBS | 2013-2014 | $ 125.0 | 2.96% |
| Interest Rate Swap K | UBS | 2013-2014 | $ 125.0 | 3.05% |

In certain circumstances, we and the counterparty are required to provide additional collateral under these swaps. We are exposed to increased interest expense if a counterparty defaults. Refer to NOTE F and NOTE G of our condensed consolidated financial statements included elsewhere in this report.

***Exchange Rate Risk***

While our net sales and costs are denominated primarily in U.S. Dollars, net sales, costs, assets and liabilities are generated in other currencies including Japanese Yen, Euro, Chinese Yuan Renminbi, Canadian Dollar, British Pound, Hungarian Forint, Brazilian Real and Indian Rupee. The expansion of our business outside North America may further increase the risk that cash flows resulting from these activities may be adversely affected by changes in currency exchange rates. As of March 31, 2012, we hold hedging contracts in the Indian Rupee and Japanese Yen, which are intended to hedge either known or forecasted cash flow payments denominated in such currencies. We do not intend to hold financial instruments for trading or speculative purposes.

Assuming current levels of foreign currency transactions, a 10% increase or decrease in the Japanese Yen, Euro, Chinese Yuan Renminbi, Canadian Dollar and Indian Rupee would correspondingly change our earnings by an estimated $5 million per year. This includes the partial offset of our hedging contracts described above. All other exposure to foreign currencies is considered immaterial.

***Commodity Price Risk***

We are subject to changes in our cost of sales caused by movements in underlying commodity prices. Approximately two-thirds of our cost of sales consists of purchased components with significant raw material content. A substantial portion of the purchased parts are made of aluminum and steel. The cost of aluminum parts include an adjustment factor on future purchases for fluctuations in aluminum prices based on accepted industry indices. In addition, a substantial amount of steel-based contracts also include an index-based component. As our costs change, we are able to pass through a portion of the charges to certain of our customers according to our long-term supply agreements. We historically have not entered into long-term purchase contracts related to the purchase of aluminum and steel. We currently hold commodity swap contracts that are intended to hedge forecasted aluminum and steel purchases. Based on our forecasted demand for 2012, as of March 31, 2012, the hedge contracts cover approximately 23% of our aluminum requirements and 4% of our steel requirements. Based on our forecasted demand for 2013, as of March 31, 2012, the hedge contracts cover approximately 14% of our aluminum requirements and 0% of our steel requirements. We do not intend to hold financial instruments for trading or speculative purposes.

Assuming current levels of commodity purchases, a 10% increase or decrease in aluminum and steel would correspondingly change our earnings by approximately $2 million and $5 million per year, respectively. This includes the partial offset of our hedging contracts described above.

Many of our recently renewed long term customer supply agreements have incorporated a cost-sharing arrangement related to future commodity price fluctuations. Our hedging policy is that we only hedge for our exposure and do not hedge any portion of the customers' exposure. For purposes of the sensitivity analysis above, the impact of these cost sharing arrangements have not been included.

## Item 4. Controls and Procedures

### Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our chief executive officer and chief financial officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) or 15d-15(e) under the Securities Exchange Act of 1934, as amended ("the Exchange Act"), as of the end of the period covered by this report. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply its judgment in evaluating the benefits of possible controls and procedures relative to their costs.

Based on that evaluation, our chief executive officer and chief financial officer concluded that our disclosure controls and procedures as of the end of the period covered by this Quarterly Report on Form 10-Q were effective to provide reasonable assurance that information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission rules and forms, and that such information is accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate, to allow timely decisions regarding required disclosure.

### Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) or 15d-15(f) under the Exchange Act) during the period covered by this Quarterly Report on Form 10-Q that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## PART II. OTHER INFORMATION

### Item 1. Legal Proceedings

From time to time, we are a party to various legal actions in the normal course of our business, including those related to commercial transactions, product liability, safety, health, taxes, environmental and other matters. See NOTE M in the notes to the condensed consolidated financial statements included in Part I.

### Item 1A. Risk Factors

There have been no material changes from our risk factors as previously reported in the prospectus filed pursuant to Rule 424(b)(1) under the Securities Act of 1933, as amended, dated as of March 15, 2012 and filed with the Securities and Exchange Commission on March 15, 2012 (Registration No. 333-172932).

### Item 6. Exhibits.

(a) Exhibits

| Exhibit Number | Description |
|---|---|
| 3.1 | Amended and Restated Certificate of Incorporation of Allison Transmission Holdings, Inc. (filed herewith) |
| 3.2 | Amended and Restated Bylaws of Allison Transmission Holdings, Inc. (filed herewith) |
| 4.1 | Form of Stock Certificate (Incorporated by reference to Exhibit 4.1 to the Registrant's Registration Statement on Form S-1 dated June 17, 2011 (Registration No. 333-172932)) |
| 4.2 | Indenture governing the 11.0% Senior Notes due 2015, among Allison Transmission, Inc. as Issuer, the Guarantors named therein, and Wells Fargo Bank, National Association, as trustee, dated October 16, 2007 (Incorporated by reference to Exhibit 4.2 to the Registrant's Registration Statement on Form S-1 dated March 18, 2011 (Registration No. 333-172932)) |
| 4.3 | Form of 11.0% Senior Note due 2015 (included in Exhibit 4.2) |
| 4.4 | Indenture governing the 7.125% Senior Notes due 2019, among Allison Transmission, Inc. as Issuer, the Guarantors named therein, and Wells Fargo Bank, National Association, as trustee, dated May 6, 2011 (Incorporated by reference to Exhibit 4.6 to the Registrant's Registration Statement on Form S-1/A dated May 13, 2011 (Registration No. 333-172932)) |
| 4.5 | Form of 7.125% Senior Note due 2019 (included in Exhibit 4.4) |
| 10.1 | Credit Agreement among Allison Transmission Holdings, Inc., Allison Transmission, Inc., as Borrower, the Several Lenders from time to time parties thereto, Citicorp North America, Inc., as Administrative |

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|---|---|
| | Agent, Lehman Brothers Commercial Bank and Merrill Lynch, Pierce, Fenner & Smith Incorporated, as Syndication Agents, Sumitomo Mitsui Banking Corporation, as Documentation Agent and Co-Arranger and Citigroup Global Markets Inc., Lehman Brothers Inc. and Merrill Lynch & Co., Merrill Lynch, Pierce, Fenner & Smith Incorporated, As Joint Lead Arrangers And Joint Bookrunners, dated as of August 7, 2007 (Incorporated by reference to Exhibit 10.1 to the Registrant's Registration Statement on Form S-1/A dated April 26, 2011 (Registration No. 333-172932)) |
| 10.2 | First Amendment to the Credit Agreement among Allison Transmission Holdings, Inc., Allison Transmission, Inc., as Borrower, the Several Lenders from time to time parties thereto, Citicorp North America, Inc., as Administrative Agent, Lehman Brothers Commercial Bank and Merrill Lynch, Pierce, Fenner & Smith Incorporated, as Syndication Agents, Sumitomo Mitsui Banking Corporation, as Documentation Agent and Co-Arranger and Citigroup Global Markets Inc., Lehman Brothers Inc. and Merrill Lynch & Co., Merrill Lynch, Pierce, Fenner & Smith Incorporated, As Joint Lead Arrangers And Joint Bookrunners, dated as of November 21, 2008 (Incorporated by reference to Exhibit 10.2 to the Registrant's Registration Statement on Form S-1 dated March 18, 2011 (Registration No. 333-172932)) |
| 10.3 | Guarantee And Collateral Agreement made by Allison Transmission Holdings, Inc. Allison Transmission, Inc. as Borrower, and the Subsidiary Guarantors party hereto in favor of Citicorp North America, Inc., as Administrative Agent, dated as of August 7, 2007 (Incorporated by reference to Exhibit 10.3 to the Registrant's Registration Statement on Form S-1 dated March 18, 2011 (Registration No. 333-172932)) |
| 10.4 | Trademark Security Agreement made by Allison Transmission, Inc. in favor of Citicorp North America, Inc., as Administrative Agent, dated as of August 7, 2007 (Incorporated by reference to Exhibit 10.4 to the Registrant's Registration Statement on Form S-1 dated March 18, 2011 (Registration No. 333-172932)) |
| 10.5 | Copyright Security Agreement made by Allison Transmission, Inc. in favor of Citicorp North America, Inc., as Administrative Agent, dated as of August 7, 2007 (Incorporated by reference to Exhibit 4.6 to the Registrant's Registration Statement on Form S-1/A dated May 13, 2011 (Registration No. 333-172932)) |
| 10.6 | Amended and Restated Stockholders Agreement (filed herewith) |
| 10.7 | Employment and Severance Agreement, between Allison Transmission, Inc. and Lawrence E. Dewey, dated as of February 7, 2008 (Incorporated by reference to Exhibit 10.7 to the Registrant's Registration Statement on Form S-1/A dated May 13, 2011 (Registration No. 333-172932)) |
| 10.8 | Employment and Severance Agreement, between Allison Transmission, Inc. and David S. Graziosi, dated as of November 1, 2007 (Incorporated by reference to Exhibit 10.8 to the Registrant's Registration Statement on Form S-1/A dated May 13, 2011 (Registration No. 333-172932)) |
| 10.9 | Form of Allison Transmission Holdings, Inc. Indemnification Agreement (Incorporated by reference to Exhibit 10.9 to the Registrant's Registration Statement on Form S-1/A dated May 13, 2011 (Registration No. 333-172932)) |
| 10.10 | Allison Transmission Holdings, Inc. 2011 Equity Incentive Award Plan (Incorporated by reference to Exhibit 10.10 to the Registrant's Registration Statement on Form S-1/A dated June 16, 2011 (Registration No. 333-172932)) |
| 10.11 | Form of 2011 Equity Incentive Award Plan Restricted Stock Agreement (Incorporated by reference to Exhibit 10.11 to the Registrant's Registration Statement on Form S-1/A dated June 16, 2011 (Registration No. 333-172932)) |
| 10.12 | Form of 2011 Equity Incentive Award Plan Restricted Stock Unit Agreement (Incorporated by reference to Exhibit 10.12 to the Registrant's Registration Statement on Form S-1/A dated June 16, 2011 (Registration No. 333-172932)) |
| 10.13 | Form of 2011 Equity Incentive Award Plan Stock Option Agreement (Incorporated by reference to Exhibit 10.13 to the Registrant's Registration Statement on Form S-1/A dated June 16, 2011 (Registration No. 333-172932)) |
| 10.14 | Equity Incentive Plan of Allison Transmission Holdings, Inc. (Incorporated by reference to Exhibit 10.14 to the Registrant's Registration Statement on Form S-1/A dated May 13, 2011 (Registration No. 333-172932)) |
| 10.15 | Form of Employee Stock Option Agreement under Equity Incentive Plan of Allison Transmission Holdings, Inc. (Incorporated by reference to Exhibit 10.15 to the Registrant's Registration Statement on Form S-1/A dated May 13, 2011 (Registration No. 333-172932)) |
| 10.16 | Form of Independent Director Stock Option Agreement under Equity Incentive Plan of Allison Transmission Holdings, Inc. (Incorporated by reference to Exhibit 10.16 to the Registrant's Registration Statement on Form S-1/A dated May 13, 2011 (Registration No. 333-172932)) |
| 10.17 | Second Amendment to the Credit Agreement among Allison Transmission Holdings, Inc., Allison Transmission, Inc., as Borrower, the several banks and other financial institutions or entities from time to time parties thereto as Lenders, Citicorp North America, Inc., as Administrative Agent and Collateral Agent, Lehman Brothers Commercial Bank and Merrill Lynch, Pierce, Fenner & Smith Incorporated, as Syndication Agents, Sumitomo Mitsui Banking Corporation, as Documentation Agent and Co-Arranger, and Citigroup Global Markets Inc., Lehman Brothers Inc., and Merrill Lynch & Co., Merrill Lynch, Pierce, Fenner & Smith Incorporated, as Joint Lad Arrangers and Joint Bookrunners, dated as of May 13, 2011 (Incorporated by reference to Exhibit 10.17 to the Registrant's Registration Statement on Form S-1/A dated June 16, 2011 (Registration No. 333-172932)) |

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| 10.18 | Services Agreement among Allison Transmission, Inc., TC Group IV, L.L.C. and Onex Partners Manager LP, dated August 7, 2007 (Incorporated by reference to Exhibit 10.18 to the Registrant's Registration Statement on Form S-1/A dated June 16, 2011 (Registration No. 333-172932)) |
| 10.19 | Third Amendment to the Credit Agreement among Allison Transmission Holdings, Inc., Allison Transmission, Inc., as Borrower, the several banks and other financial institutions or entities from time to time parties thereto as Lenders, Citicorp North America, Inc., as Administrative Agent and Collateral Agent and the other agents and arrangers party thereto, dated as of March 9, 2012 (Incorporated by reference to Exhibit 10.19 to the Registrant's Registration Statement on Form S-1/A dated March 12, 2012 (Registration No. 333-172932)) |
| 31.1 | Certification of Chief Executive Officer pursuant to Rule 13a-14(a)/15d-14a and pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith) |
| 31.2 | Certification of Chief Financial Officer pursuant to Rule 13a-14(a)/15d-14a and pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith) |
| 32.1 | Certification of Periodic Report by Chief Executive Officer and Chief Financial Officer pursuant to U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith) |
| 101.INS | XBRL Instance Document* |
| 101.SCH | XBRL Taxonomy Extension Schema Document* |
| 101.CAL | XBRL Taxonomy Extension Calculation Linkbase Document* |
| 101.DEF | XBRL Taxonomy Extension Definition Linkbase Document* |
| 101.LAB | XBRL Taxonomy Extension Label Linkbase Document* |
| 101.PRE | XBRL Taxonomy Extension Presentation Linkbase Document* |

* Pursuant to Rule 406T of Regulation S-T, this interactive data file is deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, is deemed not filed for purposes of section 18 of the Securities Exchange Act of 1934, and otherwise is not subject to liability under these sections.

**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 thereunto duly authorized.

Date: April 26, 2012

**ALLISON TRANSMISSION HOLDINGS, INC.**

By: /s/ Lawrence E. Dewey
Name: Lawrence E. Dewey
Title: Chairman, President and Chief Executive Officer

Date: April 26, 2012

By: /s/ David S. Graziosi
Name: David S. Graziosi
Title: Executive Vice President, Chief Financial Officer and Treasurer (Principal Accounting Officer)

**Exhibit 3.1**

**SECOND AMENDED AND RESTATED CERTIFICATE OF INCORPORATION**

**OF**

**ALLISON TRANSMISSION HOLDINGS, INC.**

Allison Transmission Holdings, Inc. (the "Corporation"), a corporation organized and existing under the General Corporation Law of the State of Delaware, does hereby certify that:

1. The original Certificate of Incorporation of the Corporation was filed with the Secretary of State of the State of Delaware on June 22, 2007 under the name Clutch Holdings, Inc. The original Certificate of Incorporation was subsequently amended and restated on August 7, 2007.

2. In an action taken by written consent by the Board of Directors of the Corporation, a resolution was duly adopted pursuant to Sections 141(f), 242 and 245 of the General Corporation Law of the State of Delaware, setting forth this Second Amended and Restated Certificate of Incorporation, which restates and integrates and also further amends the Amended and Restated Certificate of Incorporation, and declaring this Second Amended and Restated Certificate of Incorporation to be advisable. The stockholders of the Corporation duly approved and adopted this Second Amended and Restated Certificate of Incorporation by written consent in accordance with Sections 228, 242 and 245 of the General Corporation Law of the State of Delaware.

3. The Corporation's Amended and Restated Certificate of Incorporation is hereby amended and restated in its entirety to read as follows:

FIRST: The name of the corporation (hereinafter sometimes referred to as the "Corporation") is:

Allison Transmission Holdings, Inc.

SECOND: The address of the registered office of the Corporation in the State of Delaware is 1209 Orange Street, New Castle County, Wilmington, Delaware 19801. The name of its registered agent at such address is The Corporation Trust Company.

THIRD: The purpose of the Corporation is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of the State of Delaware (the "DGCL").

FOURTH: The Corporation is authorized to issue three classes of stock designated, respectively, as common stock ("Common Stock"), non-voting common stock ("Non-Voting Common Stock") and preferred stock ("Preferred Stock"). The total number of shares of capital stock that the Corporation is authorized to issue is two billion (2,000,000,000). The total number of shares of Common Stock that the Corporation is authorized to issue is one billion eight hundred and eighty million (1,880,000,000), with a par value of $0.01 per share, the total number of shares of Non-Voting Common Stock that the Corporation is authorized to issue is twenty million (20,000,000), with a par value of $0.01 per share, and the total number of shares of Preferred Stock that the Corporation is authorized to issue is one hundred million (100,000,000), with a par value of $0.01 per share.

FIFTH: The rights, preferences, privileges and restrictions granted or imposed upon the Common Stock and the Non-Voting Common Stock are as follows:

1. Dividends. Subject to the rights of any holders of any shares of Preferred Stock which may from time to time come into existence and be outstanding, the holders of Common Stock and Non-Voting Common Stock shall be entitled to the payment of dividends when and as declared by the board of directors of the Corporation (the "Board") in accordance

with applicable law and to receive other distributions from the Corporation. Any dividends declared by the Board to the holders of the then outstanding Common Stock and Non-Voting Common Stock shall be paid to the holders thereof pro rata in accordance with the number of shares of Common Stock and Non-Voting Common Stock held by each such holder as of the record date of such dividend, as if the two classes of stock constituted a single class.

2. Liquidation, Dissolution or Winding Up. Subject to the rights of any holders of any shares of Preferred Stock which may from time to time come into existence and be outstanding, in the event of any liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, the funds and assets of the Corporation that may be legally distributed to the Corporation's stockholders shall be distributed among the holders of the then outstanding Common Stock and Non-Voting Common Stock pro rata in accordance with the number of shares of Common Stock and Non-Voting Common Stock held by each such holder, as if the two classes of stock constituted a single class.

3. Voting. Each holder of Common Stock shall be entitled to one (1) vote for each share of Common Stock held by such holder. Each holder of Common Stock shall be entitled to notice of any stockholders' meeting in accordance with the bylaws of the Corporation (as in effect at the time in question) and applicable law on all matters put to a vote of the stockholders of the Corporation. Except as otherwise required by law, each share of Non-Voting Common Stock shall not entitle the holder thereof to any voting rights, including, but not limited to, any right to approve any increase or decrease (but not below the number of shares then outstanding) in the number of authorized shares of Non-Voting Common Stock irrespective of the provisions of Section 242(b)(2) of the DGCL, or to have any right to be represented at, or to receive notice of, any meeting of stockholders of the Corporation. The number of authorized shares of Common Stock, Non-Voting Common Stock or Preferred Stock may be increased or decreased (but not below the number of shares thereof then outstanding) by the affirmative vote of the holders of a majority in voting power of the stock of the Corporation entitled to vote thereon irrespective of the provisions of Section 242(b)(2) of the DGCL (or any successor provision thereto), and no vote of the holders of either the Common Stock, Non-Voting Common Stock or the Preferred Stock voting separately as a class shall be required therefor.

4. Conversion of Non-Voting Common Stock to Common Stock. Each outstanding share of Non-Voting Common Stock shall, without the payment of any additional consideration or other action on the part of the Corporation or the holder thereof, convert into one fully paid and nonassessable share of Common Stock upon the sale of such share pursuant to an effective registration statement under the Securities Act of 1933, as amended (the "Securities Act"), or the resale of such share under Rule 144 promulgated under the Securities Act. Upon the filing and effectiveness of this Second Amended and Restated Certificate of Incorporation with the Secretary of State of the State of Delaware (the "Effective Time"), each outstanding share of Non-Voting Common Stock (other than 1,000 shares held by Onex Advisor III LLC or one of its affiliates (the "Designated Onex Entity")) shall, without any further action on the part of the Corporation or the holders of such shares of Non-Voting Common Stock and whether or not certificates representing such holders' shares are surrendered for cancellation or exchange, be automatically converted into one fully paid and nonassessable share of Common Stock. Certificates dated as of a date prior to the Effective Time representing outstanding shares of Non-Voting Common Stock that are not held by the Designated Onex Entity shall, immediately

after the Effective Time, represent a number of shares of Common Stock equal to the same number of shares of Non-Voting Common Stock as is reflected on the face of such certificates. The Corporation may, but shall not be obliged to, issue new certificates evidencing the shares of Common Stock outstanding as a result of such automatic conversion unless and until the certificates evidencing the shares held by a holder prior to such automatic conversion are either delivered to the Corporation or its transfer agent or the holder notifies the Corporation or its transfer agent that such certificates have been lost, stolen or destroyed and executes an agreement satisfactory to the Corporation to indemnify the Corporation from any loss incurred by it in connection with such certificates.

5. Stock Split. At the Effective Time, immediately following the conversion of certain Non-Voting Common Stock to Common Stock, each then-outstanding share of Common Stock ("Old Common Stock") shall be automatically converted into 1.185 validly issued, fully paid and non-assessable shares of Common Stock without any further action by the Corporation or the holder of such shares of Old Common Stock (the "Common Stock Split"). Each stock certificate representing shares of Old Common Stock shall thereafter represent a number of shares of Common Stock equal to the same number of shares of Old Common Stock previously represented by such stock certificate, multiplied by 1.185 and rounded down to the nearest whole number; provided, however, that each person holding of record a stock certificate or certificates that represented shares of Old Common Stock shall receive, upon surrender of such certificate or certificates, a new certificate or certificates evidencing and representing the number of whole shares of Common Stock to which such person is entitled as a result of the Common Stock Split based on the aggregate number of shares of Old Common Stock held by such person. No fractional interest in a share of Common Stock shall be deliverable upon the Common Stock Split. Stockholders who otherwise would have been entitled to receive any fractional interest in a share of Common Stock, in lieu of receipt of such fractional interest, shall be entitled to receive from the Corporation an amount in cash equal to the fair value of such fractional interest as of the Effective Time. At the Effective Time, immediately following the conversion of certain Non-Voting Common Stock to Common Stock, each then-outstanding share of Non-Voting Common Stock held by the Designated Onex Entity ("Old Non-Voting Stock") shall be automatically converted into 1.185 validly issued, fully paid and non-assessable shares of Non-Voting Common Stock without any further action by the Corporation or the Designated Onex Entity (the "Non-Voting Stock Split"). Each stock certificate representing shares of Old Non-Voting Stock shall thereafter represent a number of shares of Non-Voting Common Stock equal to the same number of shares of Old Non-Voting Stock previously represented by such stock certificate, multiplied by 1.185 and rounded down to the nearest whole number; provided, however, that the Designated Onex Entity shall receive, upon surrender of such certificate, a new certificate evidencing and representing the number of whole shares of Non-Voting Common Stock to which the Designated Onex Entity is entitled as a result of the Non-Voting Stock Split based on the aggregate number of shares of Old Non-Voting Stock held by the Designated Onex Entity. No fractional interest in a share of Non-Voting Common Stock shall be deliverable upon the Non-Voting Stock Split. The Designated Onex Entity shall be entitled to receive from the Corporation an amount in cash equal to the fair value of such fractional interest as of the Effective Time. All share numbers, dollar amounts and other provisions set forth herein give effect to both the Common Stock Split and the Non-Voting Stock Split.

SIXTH: The Board is hereby expressly authorized, subject to limitation prescribed by law, to provide by resolution or resolutions for the issuance of the shares of Preferred Stock as a class or in one or more series and, by filing a certificate of designation, pursuant to the DGCL, setting forth a copy of such resolution or resolutions to establish from time to time the number of shares to be included in the class or in each such series, and to fix the designations, powers, preferences, and rights of the shares of the class or of each such series and the qualifications, limitations, and restrictions thereof. The authority of the Board with respect to the class or each such series shall include, but not be limited to, determination of the following:

1. the number of shares constituting the class or any series and the distinctive designation of that class or series;

2. the dividend rate or rates on the shares of the class or any series, the terms and conditions upon which and the periods in respect of which dividends shall be payable, whether dividends shall be cumulative, and, if so, from which date or dates, and the relative rights of priority, if any, of payment of dividends on shares of that class or series;

3. whether the class or any series shall have voting rights, in addition to the voting rights provided by law, and, if so, the terms of such voting rights;

4. whether the class or any series shall have conversion privileges and, if so, the terms and conditions of conversion, including provision for adjustment of the conversion rate upon such events as the Board shall determine;

5. whether or not the shares of the class or any series shall be redeemable, and, if so, the terms and conditions of such redemption, including the date or dates upon or after which they shall be redeemable and the amount per share payable in case of redemption, which amount may vary under different conditions and at different redemption dates;

6. whether the class or any series shall have a sinking fund for the redemption or purchase of shares of that class or series, and, if so, the terms and amount of such sinking fund;

7. the rights of the shares of the class or any series in the event of voluntary or involuntary dissolution or winding up of the Corporation, and the relative rights of priority, if any, of payment of shares of that class or series; and

8. any other powers, preferences, rights, qualifications, limitations, and restrictions of the class or any series.

SEVENTH: The following provisions are inserted for the management of the business and for the conduct of the affairs of the Corporation and for the purpose of creating, defining, limiting and regulating the powers of the Corporation and its directors and stockholders:

1. Classified Board. The directors of the Corporation, other than any directors elected by the holders of shares of any class or series of Preferred Stock provided for or fixed pursuant to the provisions of Article Sixth hereof (the "Preferred Stock Directors"), shall be classified with respect to the time for which they severally hold office into three classes, as nearly equal in number as possible, designated as Class I, Class II and Class III. The initial Class I directors shall serve for a term expiring at the first annual meeting of the stockholders following the Effective Time, the initial Class II directors shall serve for a term expiring at the second annual meeting of the stockholders following the Effective Time and the initial Class III directors shall serve for a term expiring at the third annual meeting of stockholders following the Effective Time, with directors of each class to hold office until their successors are duly elected and qualified; provided that the term of each director shall continue until the election and qualification of a successor and be subject to such director's earlier death, resignation or removal. At each annual meeting of stockholders of the Corporation beginning with the first annual meeting of stockholders following the Effective Time, subject to any rights of the holders of shares of any class or series of Preferred Stock, the successors of the class of directors whose term expires at that meeting shall be elected to hold office for a term expiring at the annual meeting of stockholders held in the third year following the year of their election; provided that the term of each director shall continue until the election and qualification of a successor and be subject to such director's earlier death, resignation or removal. In the case of any increase or decrease, from time to time, in the authorized number of directors of the Corporation (other than Preferred Stock Directors), the number of directors in each class shall be apportioned as nearly equal as possible. No decrease in the number of directors shall shorten the term of any incumbent director. The Board is authorized to assign members of the Board already in office to Class I, Class II and Class III.

2. Board Size. Subject to any rights of the holders of shares of any class or series of Preferred Stock to elect directors and the then-applicable terms of the Amended and Restated Stockholders Agreement among the Corporation and certain of its stockholders, dated as of March 12, 2012 (as amended from time to time, the "Stockholders Agreement") and the SCA (as defined in the Stockholders Agreement), the precise number of directors of the Corporation shall be fixed, and may be altered from time to time, exclusively by resolution of the Board.

3. Removal of Directors. Subject to any rights of the holders of shares of any class or series of Preferred Stock to elect directors and the then-applicable terms of the Stockholders Agreement and the SCA, (i) until the Trigger Date (as defined in Article Fifteenth), a director may be removed at any time, either for or without cause, upon the affirmative vote of the holders of a majority of the outstanding shares of stock of the Corporation entitled to vote generally for the election of directors, voting together as a single class, and (ii) from and after the

Trigger Date, a director may be removed only for cause, upon the affirmative vote of the holders of a majority of the outstanding shares of stock of the Corporation entitled to vote generally for the election of directors, voting together as a single class.

4. Board Vacancies. Subject to any rights of the holders of shares of any class or series of Preferred Stock to elect directors and the then-applicable terms of the Stockholders Agreement and the SCA, and except as otherwise provided by law, any newly-created directorship on the Board that results from an increase in the number of directors, or vacancy that results from the death, disability, resignation, disqualification or removal of any director or from any other cause shall be filled solely by the affirmative vote of a majority of the total number of directors then in office, even if less than a quorum, or by a sole remaining director. Any director so chosen shall hold office until the next election of the class for which such director shall have been chosen and until his or her successor shall be elected and qualified.

5. Stockholder Action by Written Consent. Until the Trigger Date, any action required or permitted to be taken at any annual or special meeting of stockholders of the Corporation may be taken without a meeting, without prior notice and without a vote of stockholders, if a consent or consents in writing, setting forth the action so taken, are: (i) signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted (but not less than the minimum number of votes otherwise prescribed by law) and (ii) delivered to the Corporation by delivery to its registered office in the State of Delaware, its principal place of business, or an officer or agent of the Corporation having custody of the books in which proceedings of meetings of the stockholders are recorded within 60 days of the earliest dated consent so delivered to the Corporation. From and after the Trigger Date, any action required or permitted to be taken at any annual or special meeting of stockholders of the Corporation may be taken only upon the vote of the stockholders at an annual or special meeting duly called and may not be taken by written consent of the stockholders. The bylaws of the Corporation may establish procedures regulating the submission by stockholders of nominations and proposals for consideration at meetings of stockholders of the Corporation.

6. Special Meetings. A special meeting of the stockholders of the Corporation for any purpose or purposes may be called at any time only by or at the direction of the Board pursuant to a resolution of the Board adopted by a majority of the total number of directors then in office; provided that, until the Trigger Date, a special meeting of the stockholders shall also be called by the Secretary of the Corporation at the request of the holders of record of a majority of the outstanding shares of Common Stock. From and after the Trigger Date, the stockholders of the Corporation do not have the power to call a special meeting of the stockholders.

EIGHTH: In furtherance and not in limitation of the power conferred by the laws of the State of Delaware, the Board is expressly authorized to make, alter or repeal the bylaws of the Corporation subject to any limitations contained therein.

NINTH: No director of the Corporation shall be liable to the Corporation or its stockholders for monetary damages for breach of his or her fiduciary duty as a director, except to the extent such exemption from liability or limitation thereof is not permitted under the DGCL as the same exists or may hereafter be amended. Any amendment, modification or repeal of the foregoing sentence shall not adversely affect any right or protection existing under this Second Amended and Restated Certificate of Incorporation immediately prior to such amendment, modification or repeal, including any right or protection of a current or former director of the Corporation hereunder in respect of any act or omission occurring prior to the time of such amendment, modification or repeal. If the DGCL is amended after the Effective Time to authorize corporate action further eliminating or limiting the personal liability of directors, then the liability of a director of the Corporation shall be eliminated or limited to the fullest extent permitted by the DGCL, as so amended.

TENTH: Election of directors need not be by written ballot unless the bylaws of the Corporation shall so provide.

ELEVENTH: The Corporation shall, through its bylaws or otherwise, indemnify and advance expenses to the fullest extent permitted under the DGCL, as it now exists or as amended from time to time, any person who is or was a director or officer of the Corporation or its subsidiaries. The Corporation may, by action of the Board, provide rights to indemnification and to advancement of expenses to such other employees or agents of the Corporation or its subsidiaries to such extent and to such effect as the Board shall determine to be appropriate and authorized by the DGCL.

TWELFTH: To the fullest extent permitted by Section 122(17) of the DGCL (or any successor provision) and except as may be otherwise expressly agreed in writing by the

Corporation and the Investor Stockholders (as defined below), the Corporation, on behalf of itself and its subsidiaries, renounces any interest or expectancy of the Corporation and its subsidiaries in, or in being offered an opportunity to participate in, business opportunities, that are from time to time presented to the Investor Stockholders or any of their respective agents or representatives, even if the opportunity is one that the Corporation or its subsidiaries might reasonably be deemed to have pursued or had the ability or desire to pursue if granted the opportunity to do so and no such person shall be liable to the Corporation or any of its subsidiaries for breach of any fiduciary or other duty, as a director or officer or otherwise, by reason of the fact that such person pursues or acquires such business opportunity, directs such business opportunity to another person or fails to present such business opportunity, or information regarding such business opportunity, to the Corporation or its subsidiaries unless, in the case of any such person who is a director of the Corporation, such business opportunity is expressly offered to such director in writing solely in his or her capacity as a director of the Corporation. Any person purchasing or otherwise acquiring any interest in any shares of stock of the Corporation shall be deemed to have notice of and consented to the provisions of this Article Twelfth. Neither the alteration, amendment or repeal of this Article Twelfth, nor the adoption of any provision of this Second Amended and Restated Certificate of Incorporation inconsistent with this Article Twelfth, nor, to the fullest extent permitted by Delaware law, any modification of law, shall eliminate or reduce the effect of this Article Twelfth in respect of any business opportunity first identified or any other matter occurring, or any cause of action, suit or claim that, but for this Article Twelfth, would accrue or arise, prior to such alteration, amendment, repeal, adoption or modification. If any provision or provisions of this Article Twelfth shall be held to be invalid, illegal or unenforceable as applied to any circumstance for any reason

whatsoever: (a) the validity, legality and enforceability of such provisions in any other circumstance and of the remaining provisions of this Article Twelfth (including, without limitation, each portion of any paragraph of this Article Twelfth containing any such provision held to be invalid, illegal or unenforceable that is not itself held to be invalid, illegal or unenforceable) shall not in any way be affected or impaired thereby and (b) to the fullest extent possible, the provisions of this Article Twelfth (including, without limitation, each such portion of any paragraph of this Article Twelfth containing any such provision held to be invalid, illegal or unenforceable) shall be construed so as to permit the Corporation to protect its directors, officers, employees and agents from personal liability in respect of their good faith service to or for the benefit of the Corporation to the fullest extent permitted by law. This Article Twelfth shall not limit any protections or defenses available to, or indemnification or advancement rights of, any director or officer of the Corporation under this Second Amended and Restated Certificate of Incorporation, the Corporation's bylaws or applicable law. For purposes of this Second Amended and Restated Certificate of Incorporation, (i) the "Carlyle Stockholders" shall mean Carlyle Partners IV AT Holdings, L.P. and its affiliates and their respective affiliates, subsidiaries, members, partners, directors, officers and employees (in each case other than the Corporation and its subsidiaries), (ii) the "Onex Stockholders" shall mean Onex Partners II LP, Onex Advisor III LLC, Allison Executive Investco LLC, Onex Partners II GP LP, Onex American Holdings II LLC, Onex US Principals LP, Onex Allison Co-Invest LP and their affiliates and their respective affiliates, subsidiaries, members, partners, directors, officers and employees (in each case other than the Corporation and its subsidiaries), and (iii) the "Investor Stockholders" shall mean the Onex Stockholders and the Carlyle Stockholders.

THIRTEENTH: The Corporation elects not to be governed by, and shall not be subject to the provisions of, Section 203 of the DGCL, "Business Combinations With Interested Stockholders," as permitted under and pursuant to subsection (b)(3) thereof.

FOURTEENTH: Unless the Corporation consents in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware shall be the sole and exclusive forum for (i) any derivative action or proceeding brought on behalf of the Corporation, (ii) any action asserting a claim of breach of a fiduciary duty owed by any director, officer, employee or agent of the Corporation to the Corporation or the Corporation's stockholders, (iii) any action asserting a claim against the Corporation arising pursuant to any provision of the DGCL, this Second Amended and Restated Certificate of Incorporation or the Corporation's bylaws, or (iv) any action asserting a claim against the Corporation governed by the internal affairs doctrine, in each such case subject to said Court of Chancery having personal jurisdiction over the indispensable parties named as defendants therein. Any person or entity purchasing or otherwise acquiring any interest in shares of capital stock of the Corporation shall be deemed to have notice of and consented to the provisions of this Article Fourteenth.

FIFTEENTH: The Corporation reserves the right to amend, alter, change or repeal any provisions contained in this Second Amended and Restated Certificate of Incorporation, in the manner now or hereafter prescribed by the DGCL. All rights conferred upon stockholders herein are granted subject to this reservation. Notwithstanding any other provision of this Second Amended and Restated Certificate of Incorporation or the Corporation's bylaws, and notwithstanding the fact that a lesser percentage or separate class vote may be specified by law, this Second Amended and Restated Certificate of Incorporation, the Corporation's bylaws or otherwise, but in addition to any affirmative vote of the holders of any

particular class or series of the capital stock required by law, this Second Amended and Restated Certificate of Incorporation, the Corporation's bylaws or otherwise, on or following the Trigger Date, the affirmative vote of the holders of at least two-thirds of the voting power of all outstanding shares of the Corporation entitled to vote generally in the election of directors, voting together as a single class, shall be required to adopt any provision inconsistent with, to amend or repeal any provision of, or to adopt a bylaw inconsistent with, Articles Third, Seventh, Ninth, Eleventh, Twelfth, Thirteenth and Fifteenth of this Second Amended and Restated Certificate of Incorporation. For purposes of this Second Amended and Restated Certificate of Incorporation, the "Trigger Date" shall mean the first date on which the Investor Stockholders, collectively, cease to beneficially own (directly or indirectly) shares representing a majority of the then issued and outstanding shares of Common Stock.

*[Signature Page Follows]*

IN WITNESS WHEREOF, the Corporation has caused this Second Amended and Restated Certificate of Incorporation to be duly executed as of the 12th day of March, 2012.

By: /s/ Lawrence E. Dewey
Name: Lawrence E. Dewey
Title: President and Chief Executive Officer

**Exhibit 3.2**

# ALLISON TRANSMISSION HOLDINGS, INC.

# THIRD AMENDED AND RESTATED BYLAWS

As Adopted on March 12, 2012

TABLE OF CONTENTS

ALLISON TRANSMISSION HOLDINGS, INC.

THIRD AMENDED AND RESTATED BYLAWS

As Adopted on March 12, 2012

ARTICLE I

MEETINGS OF STOCKHOLDERS

Section 1.01 Annual Meetings. The annual meeting of the stockholders of Allison Transmission Holdings, Inc. (the "Corporation") for the election of directors (each, a "Director") and for the transaction of such other business as properly may come before such meeting shall be held each year either within or without the State of Delaware at such place, if any, and on such date and at such time, as may be fixed from time to time by resolution of the Corporation's Board of Directors (the "Board") and set forth in the notice or waiver of notice of the meeting, unless, subject to the certificate of incorporation of the Corporation (the "certificate of incorporation") and Section 1.11 of these bylaws, the stockholders have acted by written consent to elect Directors as permitted by the General Corporation Law of the State of Delaware, as amended from time to time (the "DGCL"). The Board may postpone, reschedule or cancel any annual meeting of stockholders previously scheduled by the Board.

Section 1.02 Special Meetings. A special meeting of the stockholders of the Corporation for any purpose or purposes may be called at any time only by or at the direction of the Board pursuant to a resolution of the Board adopted by a majority of the total number of Directors then in office; provided that, until the Trigger Date (as such term is defined in the certificate of incorporation), a special meeting of the stockholders shall also be called by the Secretary at the request of the holders of record of a majority of the shares entitled to vote at a meeting of stockholders. Any special meeting of the stockholders shall be held at such place, if any, within or without the State of Delaware, and on such date and at such time, as shall be specified in such resolution. From and after the Trigger Date, the stockholders of the Corporation do not have the power to call a special meeting of the stockholders. Business transacted at any special meeting of the stockholders shall be limited to the purpose(s) stated in the notice. The Board may postpone, reschedule or cancel any special meeting of the stockholders previously scheduled by the Board.

Section 1.03 Participation in Meetings by Remote Communication. The Board, acting in its sole discretion, may establish guidelines and procedures in accordance with applicable provisions of the DGCL and any other applicable law for the participation by stockholders and proxyholders in a meeting of stockholders by means of remote communications and may determine that any meeting of stockholders will not be held at any place but will be held solely by means of remote communication. Stockholders and proxyholders complying with such procedures and guidelines and otherwise entitled to vote at a meeting of stockholders shall be deemed present in person and entitled to vote at a meeting of stockholders, whether such meeting is to be held at a designated place or solely by means of remote communication.

Section 1.04 Notice of Meetings; Waiver of Notice.

(a) In order that the Corporation may determine the stockholders entitled to notice of any meeting of stockholders or any adjournment thereof, the Board may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board, and which record date shall, unless otherwise required by law, not be more than sixty (60) nor less than ten (10) days before the date of such meeting. If the Board so fixes a date, such date shall also be the record date for determining the stockholders entitled to vote at such meeting unless the Board determines, at the time it fixes such record date, that a later date on or before the date of the meeting shall be the date for making such determination. The Secretary or any Assistant Secretary shall cause notice of each meeting of stockholders to be given in writing in a manner permitted by the DGCL not less than ten (10) days nor more than sixty (60) days prior to the meeting to each stockholder of record entitled to vote at such meeting as of the record date for determining the stockholders entitled to notice of the meeting, subject to such exclusions as are then permitted by the DGCL. The notice shall specify (i) the record date for determining the stockholders entitled to vote at the meeting (if such date is different from the record date for stockholders entitled to notice of the meeting), (ii) the place, if any, date and time of such meeting, (iii) the means of remote communications, if any, by which stockholders and proxyholders may be deemed to be present in person and vote at such meeting, (iv) in the case of a special meeting, the purpose or purposes for which such meeting is called and (v) such other information as may be required by law or as may be deemed appropriate by the Board, the President or the Secretary of the Corporation. If the stockholder list referred to in Section 1.06 of these bylaws is made accessible on an electronic network, the notice of meeting must indicate how the stockholder list can be accessed. If the meeting of stockholders is to be held solely by means of electronic communications, the notice of meeting must provide the information required to access such stockholder list during the meeting.

(b) A written waiver of notice of meeting signed by a stockholder or a waiver by electronic transmission by a stockholder, whether given before or after the meeting time stated in such notice, is deemed equivalent to notice. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the stockholders need be specified in a waiver of notice. Attendance of a stockholder at a meeting is a waiver of notice of such meeting, except when the stockholder attends a meeting for the express purpose of objecting at the beginning of the meeting to the transaction of any business at the meeting on the ground that the meeting is not lawfully called or convened.

Section 1.05 Proxies.

(a) Each stockholder entitled to vote at a meeting of stockholders or to express consent to or dissent from corporate action in writing without a meeting may authorize another person or persons to act for such stockholder by proxy.

(b) A stockholder may authorize a valid proxy by executing a written instrument signed by such stockholder, or by causing his or her signature to be affixed to such writing by any reasonable means, including but not limited to by facsimile signature, or by transmitting or authorizing an electronic transmission (as defined in Section 8.08 of these bylaws) setting forth an authorization to act as proxy to the person designated as the holder of the proxy, a proxy solicitation firm or a like authorized agent. Proxies by electronic transmission must either set forth, or be submitted with, information from which it can be determined that the electronic

transmission was authorized by the stockholder. Any copy, facsimile telecommunication or other reliable reproduction of a writing or transmission created pursuant to this section may be substituted or used in lieu of the original writing or transmission for any and all purposes for which the original writing or transmission could be used if such copy, facsimile telecommunication or other reproduction is a complete reproduction of the entire original writing or transmission.

(c) No proxy may be voted or acted upon after the expiration of three years from the date of such proxy, unless such proxy provides for a longer period. Every proxy is revocable at the pleasure of the stockholder executing it unless the proxy states that it is irrevocable and applicable law makes it irrevocable. A stockholder may revoke any proxy that is not irrevocable by attending the meeting and voting in person or by filing an instrument in writing revoking the proxy or by filing another duly executed proxy bearing a later date with the Secretary.

Section 1.06 Voting Lists. The officer of the Corporation who has charge of the stock ledger of the Corporation shall prepare, at least ten (10) days before every meeting of the stockholders (and before any adjournment thereof for which a new record date has been set), a complete list of the stockholders of record entitled to vote at the meeting (provided, however, if the record date for determining the stockholders entitled to vote is less than ten (10) days before the date of the meeting, the list shall reflect the stockholders entitled to vote as of the tenth ($10^{th}$) day before the meeting date), arranged in alphabetical order and showing the address of each stockholder and the number of shares registered in the name of each stockholder. This list, which may be in any format including electronic format, shall be open to the examination of any stockholder prior to and during the meeting for any purpose germane to the meeting in the manner required by the DGCL and other applicable law. The stock ledger shall be the only evidence as to who are the stockholders entitled by this section to examine the list required by this section or to vote in person or by proxy at any meeting of stockholders.

Section 1.07 Quorum. Except as otherwise provided in the certificate of incorporation or by law, the presence in person or by proxy of the holders of record of a majority in voting power of the shares entitled to vote at a meeting of stockholders shall constitute a quorum for the transaction of business at such meeting, provided, however, that where a separate vote by a class or series is required, the holders of a majority in voting power of all issued and outstanding stock of such class or series entitled to vote on such matter, present in person or represented by proxy, shall constitute a quorum entitled to take action with respect to such matter. In the absence of a quorum, the stockholders so present may, by a majority in voting power thereof, adjourn the meeting from time to time in the manner provided in Section 1.09 of these bylaws until a quorum shall attend.

Section 1.08 Voting. Except as otherwise provided in the certificate of incorporation or by law, every holder of record of shares entitled to vote at a meeting of stockholders is entitled to one vote for each share outstanding in his or her name on the books of the Corporation (x) at the close of business on the record date for such meeting, or (y) if no record date has been fixed, at the close of business on the day next preceding the day on which notice of the meeting is given, or if notice is waived, at the close of business on the day next preceding the day on which the meeting is held. Except as otherwise required by law, the certificate of incorporation, these bylaws, the rules and regulations of any stock exchange applicable to the Corporation or

pursuant to any other rule or regulation applicable to the Corporation, its securities or its stockholders, the vote of a majority of the voting power of the shares entitled to vote at a meeting of stockholders on the subject matter in question represented in person or by proxy at any meeting at which a quorum is present shall be sufficient for the transaction of any business at such meeting. The stockholders do not have the right to cumulate their votes for the election of Directors.

Section 1.09 Adjournment. Any meeting of stockholders may be adjourned from time to time, by the chairperson of the meeting or by the vote of a majority of the shares of stock present in person or represented by proxy at the meeting, to reconvene at the same or some other place, and notice need not be given of any such adjourned meeting if the place, if any, and date and time thereof (and the means of remote communication, if any, by which stockholders and proxyholders may be deemed to be present in person and vote at such meeting) are announced at the meeting at which the adjournment is taken unless the adjournment is for more than thirty (30) days or a new record date is fixed for the adjourned meeting after the adjournment, in which case notice of the adjourned meeting in accordance with Section 1.04 of these bylaws shall be given to each stockholder of record entitled to vote at the meeting. At the adjourned meeting, the Corporation may transact any business that might have been transacted at the original meeting. If after the adjournment a new record date for determination of stockholders entitled to vote is fixed for the adjourned meeting, the Board shall fix as the record date for determining stockholders entitled to notice of such adjourned meeting the same or an earlier date as that fixed for determination of stockholders entitled to vote at the adjourned meeting, and shall give notice of the adjourned meeting to each stockholder of record as of the record date so fixed for notice of such adjourned meeting.

Section 1.10 Organization; Procedure; Inspection of Elections.

(a) At every meeting of stockholders the presiding officer shall be the Chairman of the Board, or in the event of his or her absence or disability, a presiding officer chosen by resolution of the Board. The Secretary, or in the event of his or her absence or disability, the Assistant Secretary, if any, or if there be no Assistant Secretary, in the absence of the Secretary, an appointee of the presiding officer, shall act as secretary of the meeting. The Board may make such rules or regulations for the conduct of meetings of stockholders as it shall deem necessary, appropriate or convenient. Subject to any such rules and regulations, the presiding officer of any meeting shall have the right and authority to convene and (for any or no reason) to recess and/or adjourn the meeting and to prescribe rules, regulations and procedures for such meeting and to take all such actions as in the judgment of the presiding officer are appropriate for the proper conduct of such meetings. Such rules, regulations or procedures, whether adopted by the Board or prescribed by the presiding officer of the meeting, may include, without limitation, the following: (i) the establishment of an agenda or order of business for the meeting; (ii) rules and procedures for maintaining order at the meeting and the safety of those present; (iii) limitations on attendance at or participation in the meeting to stockholders of record of the Corporation, their duly authorized and constituted proxies or such other persons as the presiding person of the meeting shall determine; (iv) restrictions on entry to the meeting after the time fixed for the commencement thereof; and (v) limitations on the time allotted to questions or comments by participants. The presiding officer at any meeting of stockholders, in addition to making any other determinations that may be appropriate to the conduct of the meeting, shall, if the facts

warrant, determine and declare to the meeting that a matter or business was not properly brought before the meeting and if such presiding person should so determine, such presiding person shall so declare to the meeting and any such matter of business not properly brought before the meeting shall not be transacted or considered. Unless and to the extent determined by the Board or the person presiding over the meeting, meetings of stockholders shall not be required to be held in accordance with the rules of parliamentary procedure.

(b) Preceding any meeting of the stockholders, the Board may, and when required by law shall, appoint one or more persons to act as inspectors of elections who may be employees of the Corporation, and may designate one or more alternate inspectors. If no inspector or alternate so appointed by the Board is able to act, or if no inspector or alternate has been appointed and the appointment of an inspector is required by law, the person presiding at the meeting shall appoint one or more inspectors to act at the meeting. No Director or nominee for the office of Director shall be appointed as an inspector of elections. Each inspector, before entering upon the discharge of the duties of an inspector, shall take and sign an oath faithfully to execute the duties of inspector with strict impartiality and according to the best of his or her ability. The inspectors shall discharge their duties in accordance with the requirements of applicable law.

Section 1.11 Stockholder Action by Written Consent.

(a) Until the Trigger Date and except as otherwise provided in the certificate of incorporation, any action required or permitted to be taken at an annual or special meeting of the stockholders of the Corporation may be taken without a meeting, without prior notice and without a vote of stockholders, if a consent or consents in writing, setting forth the action so taken, are: (i) signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted (but not less than the minimum number of votes otherwise prescribed by law) and (ii) delivered to the Corporation by delivery to its registered office in the State of Delaware, its principal place of business, or an officer or agent of the Corporation having custody of the book in which proceedings of meetings of stockholders are recorded within sixty (60) days of the earliest dated consent so delivered to the Corporation.

(b) From and after the Trigger Date and except as otherwise provided in the certificate of incorporation, any action required or permitted to be taken at any annual or special meeting of stockholders of the Corporation may be taken only upon the vote of the stockholders at an annual or special meeting duly called and may not be taken by written consent of the stockholders.

(c) If a stockholder action by written consent is permitted under these bylaws and not restricted by the certificate of incorporation, and the Board has not fixed a record date for the purpose of determining the stockholders entitled to participate in such consent to be given, then: (i) if the DGCL does not require action by the Board prior to the proposed stockholder action, the record date shall be the first date on which a signed written consent setting forth the action taken or proposed to be taken is delivered to the Corporation at any of the locations referred to in Section 1.11(a)(ii) of these bylaws; and (ii) if the DGCL requires action by the Board prior to the proposed stockholder action, the record date shall be at the close of business on the day on which the Board adopts the resolution taking such prior action. Every written consent to action without

a meeting shall bear the date of signature of each stockholder who signs the consent, and shall be valid if timely delivered to the Corporation at any of the locations referred to in Section 1.11(a)(ii) of these bylaws.

(d) The Secretary shall give prompt notice of the taking of an action without a meeting by less than unanimous written consent to those stockholders who have not consented in writing and who, if the action had been taken at a meeting, would have been entitled to notice of the meeting if the record date for such meeting had been the date that written consents signed by a sufficient number of stockholders to take the action were delivered to the Corporation in accordance with the DGCL.

Section 1.12 Notice of Stockholder Proposals and Nominations.

(a) Annual Meetings.

(i) Nominations of persons for election to the Board and proposals of business to be considered by the stockholders at an annual meeting of stockholders may be made only (x) as specified in the Corporation's notice of meeting (or any notice supplemental thereto), (y) by or at the direction of the Board, or a committee appointed by the Board for such purpose, or (z) subject to the then-applicable provisions of the Amended and Restated Stockholders Agreement among the Corporation and certain of its stockholders, dated as of March 12, 2012 (as amended from time to time, the "Stockholders Agreement"), by any stockholder of the Corporation who or which (1) is entitled to vote at the meeting, (2) complies in a timely manner with all notice procedures set forth in this Section 1.12, and (3) is a stockholder of record when the required notice is delivered and at the date of the meeting. A stockholder proposal must constitute a proper matter for corporate action under the DGCL.

(ii) Notice in writing of a stockholder nomination or stockholder proposal must be delivered to the attention of the Secretary at the principal place of business of the Corporation by the close of business not fewer than 90 days nor more than 120 days prior to the first anniversary of the preceding year's annual meeting (which anniversary date, in the case of the first annual meeting of stockholders following the closing of the Corporation's initial underwritten public offering of common stock, shall be deemed to be May 19, 2013); provided that if the date of the annual meeting is advanced by more than 30 days or delayed by more than 70 days from such anniversary date of the preceding year's annual meeting, notice by the stockholder to be timely must be so delivered not earlier than 120 days prior to such annual meeting and not later than the close of business on the later of the 90th day prior to such annual meeting or the 10th day following the day on which public announcement of the date of such meeting is first made. If the number of Directors to be elected to the Board at an annual meeting is increased, and if the Corporation does not make a public announcement naming all of the nominees for Director or specifying the size of the increased Board at least 100 days prior to the first anniversary of the preceding year's annual meeting, then any stockholder nomination in respect of the increased number of positions shall be considered timely if delivered not later than the close of business on the 10th day following the day on which a public announcement naming all nominees or specifying the size of the increased Board is first made by the Corporation.

(iii) Notice of a stockholder nomination shall include, as to each person whom the stockholder proposes to nominate for election or reelection as a Director, all information relating to such person required to be disclosed in solicitations of proxies for election of Directors or is otherwise required, in each case pursuant to and in accordance with Section 14(a) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the rules and regulations promulgated thereunder, including such person's written consent to being named in the proxy statement as a nominee and to serving as a Director if elected. Notice of a stockholder proposal shall include a brief description of the business desired to be brought before the meeting, the text of the proposal (including the text of any resolutions proposed for consideration and if such business includes proposed amendments to the certificate of incorporation and/or bylaws of the Corporation, the text of the proposed amendments), the reasons for conducting such business at the meeting and any material interest in such business of such stockholder and the beneficial owner, if any, on whose behalf the proposal is made.

(iv) Notice of a stockholder nomination or proposal shall also set forth, as to the stockholder giving the notice and the beneficial owner, if any, on whose behalf the nomination or proposal is made:

(1) the name and address of such stockholder, as they appear on the Corporation's books and records, and of any such beneficial owner;

(2) the class or series and number of shares of capital stock of the Corporation which are owned beneficially and of record by such stockholder and any such beneficial owner;

(3) a description of any agreement, arrangement or understanding between or among such stockholder and any such beneficial owner, any of their respective affiliates or associates, and any other person or persons (including their names) in connection with the proposal of such nomination or other business;

(4) a description of any agreement, arrangement or understanding (including, regardless of the form of settlement, any derivative, long or short positions, profit interests, forwards, futures, swaps, options, warrants, convertible securities, stock appreciation or similar rights, hedging transactions and borrowed or loaned shares) that has been entered into by or on behalf of, or any other agreement, arrangement or understanding that has been made, the effect or intent of which is to create or mitigate loss to, manage risk or benefit of share price changes for, or increase or decrease the voting power of, such stockholder or any such beneficial owner or any such nominee with respect to the Corporation's securities (a "Derivative Instrument");

(5) to the extent not disclosed pursuant to clause (4) above, the principal amount of any indebtedness of the Corporation or any of its subsidiaries beneficially owned by such stockholder or by any such beneficial owner, together with the title of the instrument under which such indebtedness was issued and a description of any Derivative Instrument entered into by or on behalf of such stockholder or such beneficial owner relating to the value or payment of any indebtedness of the Corporation or any such subsidiary;

(6) a representation that such stockholder is a holder of record of stock of the Corporation entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to propose such business or nomination;

(7) any other information relating to such stockholder and any such beneficial owner required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for, as applicable, the proposal and/or for the election of directors in an election contest pursuant to and in accordance with Section 14(a) of the Exchange Act and the rules and regulations promulgated thereunder; and

(8) a representation as to whether such stockholder or any such beneficial owner intends or is part of a group which intends (x) to deliver a proxy statement and/or form of proxy to holders of at least the percentage of the Corporation's outstanding capital stock required to elect the nominee or to approve or adopt the proposal or and/or (y) otherwise to solicit proxies from stockholders in support of such nomination or proposal.

If requested by the Corporation, the information required under clauses (iv)(2), (3), (4) and (5) of the preceding sentence of this Section 1.12(a) shall be supplemented by such stockholder and any such beneficial owner not later than ten (10) days after the record date for notice of the meeting to disclose such information as of such record date. The foregoing notice requirements of this Section 1.12(a) shall be deemed satisfied by a stockholder with respect to business or a nomination if such stockholder has notified the Corporation of his or her intention to present a proposal or make a nomination at an annual meeting in compliance with the applicable rules and regulations promulgated under the Exchange Act and such stockholder's proposal or nomination has been included in a proxy statement that has been prepared by the Corporation to solicit proxies for such annual meeting.

(b) Special Meetings.

(i) Only such business shall be conducted at a special meeting of stockholders as shall have been brought before the meeting pursuant to the Corporation's notice of meeting pursuant to Section 1.04 of these bylaws. Nominations of persons for election to the Board at a special meeting of stockholders may be made only (x) by or at the direction of the Board, or a committee appointed by the Board for such purpose, (or the stockholders pursuant to Section 1.02 hereof) if the Corporation's notice of meeting indicated that the purposes of meeting included the election of Directors and specified the number of Directors to be elected, or (y) provided that the Board of Directors (or stockholders pursuant to Section 1.02 hereof) has determined that directors shall be elected at such meeting, by any stockholder of the Corporation. Subject to the then-applicable provisions of the Stockholders Agreement, a stockholder may nominate persons for election to the Board (a "stockholder nomination") at a special meeting only if the stockholder (1) is entitled to vote at the meeting, (2) complies in a timely manner with the notice procedures set forth in paragraph (ii) of this Section 1.12(b), and (3) is a stockholder of record when the required notice is delivered and at the date of the meeting.

(ii) Notice in writing of a stockholder nomination must be delivered to the attention of the Secretary at the principal place of business of the Corporation not more than 120 days prior to the date of the meeting and not later than the close of business on the later of the 90th

day prior to the meeting or the 10th day following the last to occur of the public announcement by the Corporation of the date of such meeting and the public announcement by the Corporation of the nominees proposed by the Board to be elected at such meeting, and must comply with the provisions of Sections 1.12(a)(iii) and (iv) of these bylaws. The foregoing notice requirements of this Section 1.12(b) shall be deemed satisfied by a stockholder with respect to a nomination if the stockholder has notified the Corporation of his or her intention to present a nomination at such special meeting in compliance with the applicable rules and regulations promulgated under the Exchange Act and such stockholder's nomination has been included in a proxy statement that has been prepared by the Corporation to solicit proxies for such special meeting.

(c) General.

(i) Except as otherwise expressly provided in any applicable rule or regulation promulgated under the Exchange Act, only such persons who are nominated in accordance with the procedures set forth in this Section 1.12 shall be eligible to be elected at an annual or special meeting of stockholders of the Corporation to serve as Directors and only such business shall be conducted at a meeting of stockholders as shall have been brought before the meeting in accordance with the procedures set forth in this Section 1.12. Except as otherwise provided by law, the certificate of incorporation or these bylaws, the presiding officer of a meeting of stockholders shall have the power and duty (x) to determine whether a nomination or any business proposed to be brought before the meeting was made in accordance with the procedures set forth in this Section 1.12, and (y) if any proposed nomination or business is not in compliance with this Section 1.12, to declare that such defective nomination shall be disregarded or that such proposed business shall not be transacted.

(ii) The Corporation may require any proposed stockholder nominee for Director to furnish such other information as it may reasonably require to determine the eligibility of such proposed nominee to serve as a Director of the Corporation. Unless otherwise required by law, if the stockholder (or a qualified representative of the stockholder) making a nomination or proposal under this Section 1.12 does not appear at a meeting of stockholders to present such nomination or proposal, the nomination shall be disregarded and/or the proposed business shall not be transacted, as the case may be, notwithstanding that proxies in favor thereof may have been received by the Corporation. For purposes of this Section 1.12, to be considered a qualified representative of the stockholder, a person must be a duly authorized officer, manager or partner of such stockholder or must be authorized by a writing executed by such stockholder or an electronic transmission delivered by such stockholder to act for such stockholder as proxy at the meeting of stockholders and such person must produce such writing or electronic transmission, or a reliable reproduction of the writing or electronic transmission, at the meeting of stockholders.

(iii) For purposes of this Section 1.12, "public announcement" shall mean disclosure in a press release reported by the Dow Jones News Service, Associated Press or comparable national news service or in a document publicly filed by the Corporation with the Securities and Exchange Commission pursuant to Section 13, 14 or 15(d) of the Exchange Act.

(iv) Notwithstanding the foregoing provisions of this Section 1.12, a stockholder shall also comply with all applicable requirements of the Exchange Act and the rules and regulations

thereunder with respect to the matters set forth in this Section 1.12; provided, however, that any references in these bylaws to the Exchange Act or the rules and regulations promulgated thereunder are not intended to and shall not limit any requirements applicable to nominations or proposals as to any other business to be considered pursuant to this Section 1.12 and compliance with paragraphs (a) and (b) of this Section 1.12 shall be the exclusive means for a stockholder to make nominations or submit other business (other than, as provided in the last sentences of paragraphs (a) and (b) hereof, business or nominations brought properly under and in compliance with Rule 14a-8 or Rule 14a-11 of the Exchange Act, as such Rules may be amended from time to time). Nothing in this Section 1.12 shall be deemed to affect any rights of (x) stockholders to request inclusion of proposals in the Corporation's proxy statement pursuant to Rule 14a-8 under the Exchange Act or (y) the holders of any series of preferred stock to elect Directors pursuant to any applicable provisions of the certificate of incorporation or of the relevant preferred stock certificate or designation.

(v) The announcement of an adjournment or postponement of an annual or special meeting does not commence a new time period (and does not extend any time period) for the giving of notice of a stockholder nomination or a stockholder proposal.

## ARTICLE II

## BOARD OF DIRECTORS

Section 2.01 General Powers. Except as may otherwise be provided by law or by the certificate of incorporation, the affairs and business of the Corporation shall be managed by or under the direction of the Board and the Board may exercise all the powers and authority of the Corporation. The Directors shall act only as a Board, and the individual Directors shall have no power as such.

Section 2.02 Number and Term of Office. The number of Directors, other than any directors elected by the holders of shares of any class or series of preferred stock provided for or fixed pursuant to the provisions of Article Sixth of the certificate of incorporation (the "Preferred Stock Directors"), shall initially be eight, classified (including Directors in office as of the date hereof) with respect to the time for which they severally hold office into three classes, as nearly equal in number as possible, designated as Class I, Class II and Class III, which number may be modified (but not reduced to less than three) from time to time exclusively by resolution of the Board, subject to the rights of the holders of shares of any class or series of preferred stock, if any, and the then-applicable terms of the Stockholders Agreement and the SCA (as defined in the Stockholders Agreement). The initial Class I directors shall serve for a term expiring at the first annual meeting of the stockholders following the date hereof, the initial Class II directors shall serve for a term expiring at the second annual meeting of the stockholders following the date hereof and the initial Class III directors shall serve for a term expiring at the third annual meeting of stockholders following the date hereof, with Directors of each class to hold office until their successors are duly elected and qualified, provided that the term of each Director shall continue until the election and qualification of a successor and be subject to such Director's earlier death, resignation or removal. At each annual meeting of stockholders of the Corporation beginning with the first annual meeting of stockholders following the date hereof, subject to any rights of the holders of shares of any class or series of preferred stock, the successors of the class of

Directors whose term expires at that meeting shall be elected to hold office for a term expiring at the annual meeting of stockholders held in the third year following the year of their election, provided that the term of each Director shall continue until the election and qualification of a successor and be subject to such Director's earlier death, resignation or removal. In the case of any increase or decrease, from time to time, in the authorized number of Directors (other than Preferred Stock Directors), the number of Directors in each class shall be apportioned as nearly equal as possible. No decrease in the number of Directors shall shorten the term of any incumbent Director. At each meeting of the stockholders for the election of Directors, provided a quorum is present, the Directors shall be elected by a plurality of the votes validly cast in such election. The Board is authorized to assign members of the Board already in office to Class I, Class II and Class III.

Section 2.03 Regular Meetings. Regular meetings of the Board shall be held on such dates, and at such times and places as are determined from time to time by resolution of the Board.

Section 2.04 Special Meetings. Special meetings of the Board shall be held whenever called by the President or, in the event of his or her absence or disability, by any Vice President, or by a majority of the Directors then in office, at such place, date and time as may be specified in the respective notices or waivers of notice of such meetings. Any business may be conducted at a special meeting.

Section 2.05 Notice of Meetings; Waiver of Notice.

(a) Notices of special meetings shall be given to each Director, and notice of each resolution or other action affecting the date, time or place of one or more regular meetings shall be given to each Director not present at the meeting adopting such resolution or other action, subject to Section 2.08 of these bylaws. Notices shall be given personally, or by telephone confirmed by facsimile or email dispatched promptly thereafter, or by facsimile or email confirmed by a writing delivered by a recognized overnight courier service, directed to each Director at the address from time to time designated by such Director to the Secretary. Each such notice and confirmation must be given (received in the case of personal service or delivery of written confirmation) at least 24 hours prior to the time of a meeting.

(b) A written waiver of notice of meeting signed by a Director or a waiver by electronic transmission by a Director, whether given before or after the meeting time stated in such notice, is deemed equivalent to notice. Attendance of a Director at a meeting is a waiver of notice of such meeting, except when the Director attends a meeting for the express purpose of objecting at the beginning of the meeting to the transaction of any business at the meeting on the ground that the meeting is not lawfully called or convened.

Section 2.06 Quorum; Voting. At all meetings of the Board, the presence of a majority of the total authorized number of Directors shall constitute a quorum for the transaction of business. Except as otherwise provided by law, the certificate of incorporation or these bylaws, the vote of a majority of the Directors present at any meeting at which a quorum is present shall be the act of the Board.

Section 2.07 Action by Telephonic Communications. Members of the Board may participate in a meeting of the Board by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and participation in a meeting pursuant to this provision shall constitute presence in person at such meeting.

Section 2.08 Adjournment. A majority of the Directors present may adjourn any meeting of the Board to another date, time or place, whether or not a quorum is present. No notice need be given of any adjourned meeting unless (a) the date, time and place of the adjourned meeting are not announced at the time of adjournment, in which case notice conforming to the requirements of Section 2.05 of these bylaws shall be given to each Director, or (b) the meeting is adjourned for more than 24 hours, in which case the notice referred to in clause (a) shall be given to those Directors not present at the announcement of the date, time and place of the adjourned meeting.

Section 2.09 Action Without a Meeting. Unless otherwise restricted in the Certificate of Incorporation, any action required or permitted to be taken at any meeting of the Board may be taken without a meeting if all members of the Board consent thereto in writing or by electronic transmission, and such writing or writings or electronic transmissions are filed with the minutes of proceedings of the Board. Such filing shall be in paper form if the minutes are maintained in paper form and shall be in electronic form if the minutes are maintained in electronic form.

Section 2.10 Regulations. To the extent consistent with applicable law, the certificate of incorporation and these bylaws, the Board may adopt such rules and regulations for the conduct of meetings of the Board and for the management of the affairs and business of the Corporation as the Board may deem appropriate. The Board may elect from among its members a chairperson and one or more vice-chairpersons to preside over meetings and to perform such other duties as may be designated by the Board.

Section 2.11 Resignations of Directors. Any Director may resign at any time by submitting an electronic transmission or by delivering a written notice of resignation, signed by such Director, to the President or the Secretary. Such resignation shall take effect upon delivery unless the resignation specifies a later effective date or an effective date determined upon the happening of a specified event.

Section 2.12 Removal of Directors.

(a) Until the Trigger Date and subject to the rights of the holders of shares of any class or series of preferred stock, if any, to elect additional Directors pursuant to the certificate of incorporation (including any certificate of designation thereunder) and the then-applicable terms of the Stockholders Agreement and the SCA, any Director may be removed at any time, either for or without cause, upon the affirmative vote of the holders of a majority of the outstanding shares of stock of the Corporation entitled to vote generally for the election of Directors, acting at a meeting of the stockholders or by written consent (if permitted) in accordance with the DGCL, the certificate of incorporation and these bylaws.

(b) From and after the Trigger Date and subject to the rights of the holders of shares of any class or series of preferred stock, if any, to elect additional Directors pursuant to the certificate of incorporation (including any certificate of designation thereunder) and the then-applicable terms of the Stockholders Agreement and the SCA, any Director may be removed only for cause, upon the affirmative vote of the holders of at least a majority of the outstanding shares of stock of the Corporation entitled to vote generally for the election of Directors, acting at a meeting of the stockholders or by written consent (if permitted) in accordance with the DGCL, the certificate of incorporation and these bylaws.

Section 2.13 Vacancies and Newly Created Directorships. Subject to the rights of the holders of shares of any class or series of preferred stock, if any, to elect additional Directors pursuant to the certificate of incorporation (including any certificate of designation thereunder) and the then-applicable terms of the Stockholders Agreement and the SCA, any vacancy in the Board that results from the death, disability, resignation, disqualification or removal of any Director or from any other cause or newly created directorship shall be filled solely by the affirmative vote of a majority of the total number of Directors then in office, even if less than a quorum, or by a sole remaining Director. Any Director filling a vacancy shall be of the same class as that of the Director whose death, resignation, disqualification, removal or other event caused the vacancy, and any Director filling a newly created directorship shall be of the class specified by the Board at the time the newly created directorship was created. A Director elected to fill a vacancy or newly created Directorship shall hold office until his or her successor has been elected and qualified or until his or her earlier death, resignation or removal.

Section 2.14 Director Fees and Expenses. The amount, if any, which each Director shall be entitled to receive as compensation for his or her services shall be fixed from time to time by the Board. The Corporation will cause each non-employee Director serving on the Board to be reimbursed for all reasonable out-of-pocket costs and expenses incurred by him or her in connection with such service.

Section 2.15 Reliance on Accounts and Reports, etc. A Director, as such or as a member of any committee designated by the Board, shall in the performance of his or her duties be fully protected in relying in good faith upon the records of the Corporation and upon information, opinions, reports or statements presented to the Corporation by any of the Corporation's officers or employees, or committees designated by the Board, or by any other person as to the matters the member reasonably believes are within such other person's professional or expert competence and who has been selected with reasonable care by or on behalf of the Corporation.

## ARTICLE III

## COMMITTEES

Section 3.01 Designation of Committees. The Board shall designate such committees as may be required by applicable laws, regulations, stock exchange rules or the SCA (if in effect) and may designate such additional committees as it deems necessary or appropriate. Each committee shall consist of such number of Directors, with such qualifications, as may be required by applicable laws, regulations, stock exchange rules or the SCA (if in effect) or as from

time to time may be fixed by the Board and shall have and may exercise all the powers and authority of the Board in the management of the business and affairs of the Corporation to the extent delegated to such committee by resolution of the Board, which delegation shall include all such powers and authority as may be required by applicable laws, regulations, stock exchange rules or the SCA. No committee shall have any power or authority as to (a) approving or adopting, or recommending to the stockholders, any action or matter (other than the election or removal of directors) expressly required by the DGCL to be submitted to stockholders for approval, (b) adopting, amending or repealing any of these bylaws or (c) as may otherwise be excluded by law or by the certificate of incorporation.

Section 3.02 Members and Alternate Members. Subject to the terms of the SCA (if in effect), the members of each committee and any alternate members shall be selected by the Board. The Board may provide that the members and alternate members serve at the pleasure of the Board. An alternate member may replace any absent or disqualified member at any meeting of the committee. An alternate member shall be given all notices of committee meetings, may attend any meeting of the committee, but may count towards a quorum and vote only if a member for whom such person is an alternate is absent or disqualified. Each member (and each alternate member) of any committee shall hold office only until the time he or she shall cease for any reason to be a Director, or until his or her earlier death, resignation or removal.

Section 3.03 Committee Procedures. A quorum for each committee shall be a majority of its members, unless the committee has only one or two members, in which case a quorum shall be one member, or unless a greater quorum is established by the Board. The vote of a majority of the committee members present at a meeting at which a quorum is present shall be the act of the committee. Each committee shall keep regular minutes of its meetings and report to the Board when required. The Board shall adopt a charter for each committee for which a charter is required by applicable laws, regulations, stock exchange rules or the SCA (if in effect) may adopt a charter for any other committee, and may adopt other rules and regulations for the government of any committee not inconsistent with the provisions of these bylaws or any such charter, and each committee may adopt its own rules and regulations of government, to the extent not inconsistent with these bylaws or any charter or other rules and regulations adopted by the Board.

Section 3.04 Meetings and Actions of Committees. Except to the extent that the same may be inconsistent with the terms of any committee charter required by applicable laws, regulations, stock exchange rules or the SCA (if in effect), meetings and actions of each committee shall be governed by, and held and taken in accordance with, the provisions of the following sections of these bylaws, with such bylaws being deemed to refer to the committee and its members in lieu of the Board and its members:

(a) Section 2.03 (to the extent relating to place and time of regular meetings);

(b) Section 2.04 (relating to special meetings);

(c) Section 2.05 (relating to notice and waiver of notice);

(d) Sections 2.07 and 2.9 (relating to telephonic communication and action without a meeting); and

(e) Section 2.08 (relating to adjournment and notice of adjournment).

Special meetings of committees may also be called by resolution of the Board.

Section 3.05 Resignations and Removals. Any member (and any alternate member) of any committee may resign from such position at any time by submitting an electronic transmission or by delivering a written notice of resignation, signed by such member, to the President or the Secretary. Such resignation shall take effect upon delivery unless the resignation specifies a later effective date or an effective date determined upon the happening of a specified event. Any member (and any alternate member) of any committee may be removed from such position by the Board at any time, either for or without cause.

Section 3.06 Vacancies. If a vacancy occurs in any committee for any reason, the remaining members (and any alternate members) may continue to act if a quorum is present. A committee vacancy may be filled only by the Board.

Section 3.07 Government Security Committee. As long as the SCA shall remain in force and effect and solely to the extent required by the terms of the SCA:

(a) there shall be established, in accordance with the provisions of the SCA, a permanent committee of the Board, to be known as the Government Security Committee ("GSC"), consisting of all Outside Directors and the Management Director (each as defined in the Stockholders Agreement), to ensure that the Corporation and Allison Transmission, Inc., its wholly owned subsidiary ("ATI"), maintain policies and procedures to safeguard the classified information and controlled unclassified information in the possession of the Corporation and ATI and to ensure that the Corporation and ATI comply with the United States Department of Defense ("DoD") Security Agreement (DD Form 441), the SCA and other contract provisions regarding security, United States Government export control laws and the National Industrial Security Program;

(b) the members of the GSC shall exercise their reasonable best efforts to ensure the implementation within the Corporation and ATI of all procedures, organizational matters and other aspects pertaining to the security and safeguarding of classified and controlled unclassified information called for by the SCA, including the exercise of appropriate oversight and monitoring of the operations of the Corporation and ATI, to ensure that the protective measures contained in the SCA are effectively maintained and implemented throughout its duration;

(c) the GSC shall designate one of the Outside Directors to serve as Chairman of the GSC. In the absence of the designated Chairman from a meeting where a quorum is otherwise present, the attending members of the GSC shall designate any other Outside Director who is present at the meeting to serve as temporary chairman of the meeting. The Chairman of the GSC shall designate the Management Director to be Secretary of the GSC, whose responsibilities shall include ensuring that all records, journals and minutes of GSC meetings and other documents sent to or received by GSC are prepared and retained for inspection by the Defense Security Service ("DSS");

(d) a Facility Security Officer ("FSO") shall be appointed by the Corporation. The FSO shall report to the GSC as its principal advisor concerning the safeguarding of classified information. The FSO's responsibilities shall include the operational oversight of the Corporation and ATI's compliance with the requirements of the National Industrial Security Program. The advice and consent of the Chairman of the GSC shall be required to select the FSO;

(e) the members of the GSC shall ensure that the Corporation develops and implements a Technology Control Plan ("TCP"), which shall be subject to review by DSS. The GSC shall have authority to establish the policy for the Corporation's TCP. The TCP shall prescribe measures to prevent unauthorized disclosure or export of controlled unclassified information consistent with applicable United States laws;

(f) a Technology Control Officer ("TCO") shall be appointed by the Corporation. The TCO shall report to the GSC as its principal advisor concerning the protection of controlled unclassified information. The TCO's responsibilities shall include the establishment and administration of all intracompany procedures to prevent unauthorized disclosure and export of controlled unclassified information and to ensure that the Corporation and ATI otherwise comply with the requirements of United States Government export control laws; and

(g) the Chairman of the GSC shall provide, to the extent authorized by the SCA, for regular quarterly meetings of the GSC. Discussions of classified and controlled unclassified information by the GSC shall be held in closed sessions and accurate minutes of such meetings shall be kept and shall be made available only to such authorized individuals as are so designated by the GSC.

## ARTICLE IV

## OFFICERS

Section 4.01 Officers. The Board shall elect a President and a Secretary as officers of the Corporation. The Board may also elect a Treasurer, one or more Vice Presidents (any one or more of whom may be designated an Executive Vice President or Senior Vice President), Assistant Secretaries and Assistant Treasurers, and such other officers and agents as the Board may determine. In addition, the Board from time to time may delegate to any officer the power to appoint subordinate officers or agents and to prescribe their respective rights, terms of office, authorities and duties. Any action by an appointing officer may be superseded by action by the Board. Any number of offices may be held by the same person, except that one person may not hold both the office of President and the office of Secretary. No officer need be a Director of the Corporation. For the avoidance of doubt, the term Vice President shall refer to an officer elected by the Board as Vice President and shall not include any employees of the Corporation whose employment title is "Vice President" unless such individual has been elected as a Vice President of the Corporation in accordance with these bylaws.

Section 4.02 Election. Unless otherwise determined by the Board, the officers of the Corporation need not be elected for a specified term but shall serve at the pleasure of the Board or for such terms as may be agreed in the individual case by each officer and the Board. Officers

and agents appointed pursuant to delegated authority as provided in Section 4.01 (or, in the case of agents, as provided in Section 4.06) shall hold their offices for such terms as may be determined from time to time by the appointing officer. Each officer shall hold office until his or her successor has been elected or appointed and qualified, or until his or her earlier death, resignation or removal. A failure to elect officers shall not dissolve or otherwise affect the Corporation.

Section 4.03 Compensation. The salaries and other compensation of all officers and agents of the Corporation shall be fixed by the Board or in the manner established by the Board.

Section 4.04 Removal and Resignation; Vacancies. Any officer may be removed for or without cause at any time by the Board, without prejudice to the rights, if any, of such officer under any contract to which such officer is a party. Any officer granted the power to appoint subordinate officers and agents as provided in Section 4.01 may remove any subordinate officer or agent appointed by such officer, at any time, for or without cause, without prejudice to the rights, if any, of such officer under any contract to which such officer is a party. Any officer or agent may resign at any time by delivering notice of resignation, either in writing signed by such officer or by electronic transmission, to the Board or the President, without prejudice to the rights, if any, of the Corporation under any contract to which such officer is a party. Unless otherwise specified therein, such resignation shall take effect upon delivery. Any vacancy occurring in any office of the Corporation by death, resignation, removal or otherwise, may be filled by the Board or by the officer, if any, who appointed the person formerly holding such office.

Section 4.05 Authority and Duties of Officers. An officer of the Corporation shall have such authority and shall exercise such powers and perform such duties (a) as may be required by law, (b) to the extent not inconsistent with law, as are specified in these bylaws, (c) to the extent not inconsistent with law or these bylaws, as may be specified by resolution of the Board, and (d) to the extent not inconsistent with any of the foregoing, as may be specified by the appointing officer with respect to a subordinate officer appointed pursuant to delegated authority under Section 4.01.

Section 4.06 President. The President shall preside at all meetings of the stockholders and Directors at which he or she is present, shall be the chief executive officer of the Corporation, shall have general control and supervision of the policies and operations of the Corporation and shall see that all orders and resolutions of the Board are carried into effect. He or she shall manage and administer the Corporation’s business and affairs and shall also perform all duties and exercise all powers usually pertaining to the office of a chief executive officer of a corporation, including, without limitation under the DGCL. He or she shall have the authority to sign, in the name and on behalf of the Corporation, checks, orders, contracts, leases, notes, drafts and all other documents and instruments in connection with the business of the Corporation. Except as otherwise determined by the Board, he or she shall have the authority to cause the employment or appointment of such employees (other than the President) or agents of the Corporation as the conduct of the business of the Corporation may require, to fix their compensation, and to remove or suspend such employee or any agent employed or appointed by any officer or to suspend any agent appointed by the Board. The President shall have the duties and powers of the Treasurer if no Treasurer is elected and shall have such other duties and powers as the Board may from time to time prescribe.

Section 4.07 Vice Presidents. Unless otherwise determined by the Board, if one or more Vice Presidents have been elected, each Vice President shall perform such duties and exercise such powers as may be assigned to him or her from time to time by the Board or the President. In the event of absence or disability of the President, the duties of the President shall be performed, and his or her powers may be exercised, by such Vice President as shall be designated by the Board or, failing such designation, by the Vice President in order of seniority of election to that office.

Section 4.08 Secretary. Unless otherwise determined by the Board, the Secretary shall have the following powers and duties:

(a) The Secretary shall keep or cause to be kept a record of all the proceedings of the meetings of the stockholders, the Board and any committees thereof (with the exception of the GSC to the extent required by Section 3.07 of these bylaws) in books provided for that purpose.

(b) The Secretary shall cause all notices to be duly given in accordance with the provisions of these bylaws and as required by law.

(c) Whenever any committee shall be appointed pursuant to a resolution of the Board, the Secretary shall furnish a copy of such resolution to the members of such committee.

(d) The Secretary shall be the custodian of the records and of the seal of the Corporation and cause such seal (or a facsimile thereof) to be affixed to all certificates representing shares of the Corporation prior to the issuance thereof and to all documents and instruments that the Board or any officer of the Corporation has determined should be executed under seal, may sign (together with any other authorized officer) any such document or instrument, and when the seal is so affixed he or she may attest the same.

(e) The Secretary shall properly maintain and file all books, reports, statements, certificates and all other documents and records required by law, the certificate of incorporation or these bylaws.

(f) The Secretary shall have charge of the stock books and ledgers of the Corporation and shall cause the stock and transfer books to be kept in such manner as to show at any time the number of shares of stock of the Corporation of each class issued and outstanding, the names (alphabetically arranged) and the addresses of the holders of record of such shares, the number of shares held by each holder and the date as of which each such holder became a holder of record.

(g) The Secretary shall sign (unless the Treasurer, an Assistant Treasurer or an Assistant Secretary shall have signed) certificates representing shares of the Corporation the issuance of which shall have been authorized by the Board.

(h) The Secretary shall perform, in general, all duties incident to the office of secretary and such other duties as may be specified in these bylaws or as may be assigned to the Secretary from time to time by the Board or the President.

Section 4.09 Treasurer. Unless otherwise determined by the Board, the Treasurer, if there be one, shall be the chief financial officer of the Corporation and shall have the following powers and duties:

(a) The Treasurer shall have charge and supervision over and be responsible for the moneys, securities, receipts and disbursements of the Corporation, and shall keep or cause to be kept full and accurate records thereof.

(b) The Treasurer shall cause the moneys and other valuable effects of the Corporation to be deposited in the name and to the credit of the Corporation in such banks or trust companies or with such bankers or other depositaries as shall be determined by the Board or the President, or by such other officers of the Corporation as may be authorized by the Board or the President to make such determinations.

(c) The Treasurer shall cause the moneys of the Corporation to be disbursed by checks or drafts (signed by such officer or officers or such agent or agents of the Corporation, and in such manner, as the Board or the President may determine from time to time) upon the authorized depositaries of the Corporation and cause to be taken and preserved proper vouchers for all moneys disbursed.

(d) The Treasurer shall render to the Board or the President, whenever requested, a statement of the financial condition of the Corporation and of the transactions of the Corporation, and render a full financial report at the annual meeting of the stockholders, if called upon to do so.

(e) The Treasurer shall be empowered from time to time to require from all officers or agents of the Corporation reports or statements giving such information as he or she may desire with respect to any and all financial transactions of the Corporation.

(f) The Treasurer may sign (unless an Assistant Treasurer or the Secretary or an Assistant Secretary shall have signed) certificates representing shares of stock of the Corporation the issuance of which shall have been authorized by the Board.

(g) The Treasurer shall perform, in general, all duties incident to the office of treasurer and such other duties as may be specified in these bylaws or as may be assigned to the Treasurer from time to time by the Board or the President.

Section 4.10 Security. The Board may require any officer, agent or employee of the Corporation to provide security for the faithful performance of his or her duties, in such amount and of such character as may be determined from time to time by the Board.

## ARTICLE V

## CAPITAL STOCK

Section 5.01 Certificates of Stock; Uncertificated Shares. The shares of the Corporation shall be represented by certificates, except to the extent that the Board has provided by resolution that some or all of any or all classes or series of the stock of the Corporation shall

be uncertificated shares. Any such resolution shall not apply to shares represented by a certificate until such certificate is surrendered to the Corporation. Every holder of stock in the Corporation represented by certificates shall be entitled to have, and the Board may in its sole discretion permit a holder of uncertificated shares to receive upon request, a certificate signed by the President or a Vice President, and by the Treasurer or an Assistant Treasurer, or the Secretary or an Assistant Secretary, representing the number of shares registered in certificate form. Such certificate shall be in such form as the Board may determine, to the extent consistent with applicable law, the certificate of incorporation and these bylaws.

Section 5.02 Facsimile Signatures. Any or all signatures on the certificates referred to in Section 5.01 of these bylaws may be in facsimile form, to the extent permitted by law. If any officer, transfer agent or registrar who has signed, or whose facsimile signature has been placed upon, a certificate shall have ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the Corporation with the same effect as if he or she were such officer, transfer agent or registrar at the date of issue.

Section 5.03 Lost, Stolen or Destroyed Certificates. A new certificate may be issued in place of any certificate theretofore issued by the Corporation alleged to have been lost, stolen or destroyed only upon delivery to the Corporation of an affidavit of the owner or owners (or their legal representatives) of such certificate, setting forth such allegation, and a bond or other undertaking as may be satisfactory to a financial officer of the Corporation designated by the Board to indemnify the Corporation against any claim that may be made against it on account of the alleged loss, theft or destruction of any such certificate or the issuance of any such new certificate.

Section 5.04 Transfer of Stock.

(a) Upon surrender to the Corporation or the transfer agent of the Corporation of a certificate for shares, duly endorsed or accompanied by appropriate evidence of succession, assignment or authority to transfer, the Corporation shall issue a new certificate to the person entitled thereto, cancel the old certificate and record the transaction upon its books. Within a reasonable time after the transfer of uncertificated stock, the Corporation shall send to the registered owner thereof a written notice containing the information required to be set forth or stated on certificates pursuant to Sections 151, 156, 202(a) or 218(a) of the DGCL. Subject to the provisions of the certificate of incorporation and these bylaws, the Board may prescribe such additional rules and regulations as it may deem appropriate relating to the issue, transfer and registration of shares of the Corporation.

(b) The Corporation may enter into additional agreements with shareholders to restrict the transfer of stock of the Corporation in any manner not prohibited by the DGCL.

Section 5.05 Registered Stockholders. Prior to due surrender of a certificate for registration of transfer, the Corporation may treat the registered owner as the person exclusively entitled to receive dividends and other distributions, to vote, to receive notice and otherwise to exercise all the rights and powers of the owner of the shares represented by such certificate, and the Corporation shall not be bound to recognize any equitable or legal claim to or interest in such shares on the part of any other person, whether or not the Corporation shall have notice of such

claim or interests. If a transfer of shares is made for collateral security, and not absolutely, this fact shall be so expressed in the entry of the transfer if, when the certificates are presented to the Corporation for transfer or uncertificated shares are requested to be transferred, both the transferor and transferee request the Corporation to do so.

Section 5.06 Transfer Agent and Registrar. The Board may appoint one or more transfer agents and one or more registrars, and may require all certificates representing shares to bear the signature of any such transfer agents or registrars.

## ARTICLE VI

## INDEMNIFICATION

Section 6.01 Indemnification.

(a) In General. The Corporation shall indemnify, to the full extent permitted by the DGCL and other applicable law, as it presently exists or may hereafter be amended, any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (each, a "proceeding") by reason of the fact that (x) such person is or was serving or has agreed to serve as a Director or officer of the Corporation, or (y) such person, while serving as a Director or officer of the Corporation, is or was serving or has agreed to serve at the request of the Corporation as a Director, officer, employee, manager or agent of another corporation, partnership, joint venture, trust, nonprofit entity or other enterprise or (z) such person is or was serving or has agreed to serve at the request of the Corporation as a Director, officer or manager of another corporation, partnership, joint venture, trust or other enterprise, or by reason of any action alleged to have been taken or omitted by such person in such capacity, and who satisfies the applicable standard of conduct set forth in the DGCL or other applicable law:

(1) in a proceeding other than a proceeding by or in the right of the Corporation, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person or on such person's behalf in connection with such proceeding and any appeal therefrom, or

(2) in a proceeding by or in the right of the Corporation to procure a judgment in its favor, against expenses (including attorneys' fees) actually and reasonably incurred by such person or on such person's behalf in connection with the defense or settlement of such proceeding and any appeal therefrom.

(b) Indemnification in Respect of Successful Defense. To the extent that a present or former Director or officer of the Corporation has been successful on the merits or otherwise in defense of any proceeding referred to in Section 6.01(a) or in defense of any claim, issue or matter therein, such person shall be indemnified by the Corporation against expenses (including attorneys' fees) actually and reasonably incurred by such person in connection therewith.

(c) Indemnification in Respect of Proceedings Instituted by Indemnitee. Section 6.01(a) does not require the Corporation to indemnify a present or former Director or officer of the Corporation in respect of a proceeding (or part thereof) instituted by such person on his or her own behalf, unless such proceeding (or part thereof) has been authorized by the Board or the indemnification requested is pursuant to the last sentence of Section 6.03 of these bylaws.

Section 6.02 Advance of Expenses. The Corporation shall advance all expenses (including reasonable attorneys' fees) incurred by a present or former Director or officer in defending any proceeding prior to the final disposition of such proceeding upon written request of such person and delivery of an undertaking by such person to repay such amount if it shall ultimately be determined that such person is not entitled to be indemnified by the Corporation. The Corporation may authorize any counsel for the Corporation to represent (subject to applicable conflict of interest considerations) such present or former Director or officer in any proceeding, whether or not the Corporation is a party to such proceeding.

Section 6.03 Procedure for Indemnification. Any indemnification under Section 6.01 of these bylaws or any advance of expenses under Section 6.02 of these bylaws shall be made only against a written request therefor (together with supporting documentation) submitted by or on behalf of the person seeking indemnification or advance. Indemnification may be sought by a person under Section 6.01 of these bylaws in respect of a proceeding only to the extent that both the liabilities for which indemnification is sought and all portions of the proceeding relevant to the determination of whether the person has satisfied any appropriate standard of conduct have become final. A person seeking indemnification or advance of expenses may seek to enforce such person's rights to indemnification or advance of expenses (as the case may be) in the Delaware Court of Chancery to the extent all or any portion of a requested indemnification has not been granted within ninety (90) days of, or to the extent all or any portion of a requested advance of expenses has not been granted within twenty (20) days of, the submission of such request. All expenses (including reasonable attorneys' fees) incurred by such person in connection with successfully establishing such person's right to indemnification or advancement of expenses under this Article VI, in whole or in part, shall also be indemnified by the Corporation to the fullest extent permitted by law.

Section 6.04 Burden of Proof.

(a) In any proceeding brought to enforce the right of a person to receive indemnification to which such person is entitled under Section 6.01 of these bylaws, the Corporation has the burden of demonstrating that the standard of conduct applicable under the DGCL or other applicable law was not met. A prior determination by the Corporation (including its Board or any committee thereof, its independent legal counsel, or its stockholders) that the claimant has not met such applicable standard of conduct does not itself constitute evidence that the claimant has not met the applicable standard of conduct.

(b) In any proceeding brought to enforce a claim for advances to which a person is entitled under Section 6.02 of these bylaws, the person seeking an advance need only show that he or she has satisfied the requirements expressly set forth in Section 6.02 of these bylaws.

Section 6.05 Contract Right; Non-Exclusivity; Survival.

(a) The rights to indemnification and advancement of expenses provided by this Article VI shall be deemed to be separate contract rights between the Corporation and each

Director and officer who serves in any such capacity at any time while these provisions as well as the relevant provisions of the DGCL are in effect, and no repeal or modification of any of these provisions or any relevant provisions of the DGCL shall adversely affect any right or obligation of such Director or officer existing at the time of such repeal or modification with respect to any state of facts then or previously existing or any proceeding previously or thereafter brought or threatened based in whole or in part upon any such state of facts. Such "contract rights" may not be modified retroactively as to any present or former Director or officer without the consent of such Director or officer.

(b) The rights to indemnification and advancement of expenses provided by this Article VI shall not be deemed exclusive of any other indemnification or advancement of expenses to which a present or former Director or officer of the Corporation seeking indemnification or advancement of expenses may be entitled by any agreement, vote of stockholders or disinterested Directors, or otherwise.

(c) The rights to indemnification and advancement of expenses provided by this Article VI to any present or former Director or officer of the Corporation shall inure to the benefit of the heirs, executors and administrators of such person.

Section 6.06 Insurance. The Corporation may purchase and maintain insurance on behalf of any person who is or was or has agreed to become a Director or officer of the Corporation, or is or was serving at the request of the Corporation as a Director or officer of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against such person and incurred by such person or on such person's behalf in any such capacity, or arising out of such person's status as such, whether or not the Corporation would have the power to indemnify such person against such liability under the provisions of this Article VI.

Section 6.07 Employees and Agents. The Board, or any officer authorized by the Board to make indemnification decisions, may cause the Corporation to indemnify and advance expenses to any present or former employee or agent of the Corporation in such manner and for such liabilities as the Board may determine, up to the fullest extent permitted by the DGCL and other applicable law.

Section 6.08 Interpretation; Severability. Terms defined in Sections 145(h) or (i) of the DGCL have the meanings set forth in such sections when used in this Article VI. If this Article VI or any portion hereof shall be invalidated on any ground by any court of competent jurisdiction, then the Corporation shall nevertheless (i) indemnify each Director or officer of the Corporation as to costs, charges and expenses (including attorneys' fees), judgments, fines and amounts paid in settlement with respect to any action, suit or proceeding, whether civil, criminal, administrative or investigative, including an action by or in the right of the Corporation, and (ii) advance expenses to each Director or officer of the Corporation entitled to advancement of expenses under Section 6.02 in accordance therewith, in each case, to the fullest extent permitted by any applicable portion of this Article VI that shall not have been invalidated and to the fullest extent permitted by applicable law.

Section 6.09 Subrogation. Any person entitled to indemnification and/or advancement of expenses, in each case pursuant to this Article VI, and that is an officer, employee, partner or advisor of any Investor Stockholder (as such term is defined in the certificate of incorporation) (each such person, a "Sponsor Indemnitee"), may have certain rights to indemnification and/or advancement of expenses provided by or on behalf of such Investor Stockholder. Notwithstanding anything to the contrary in these bylaws or otherwise: (i) the Corporation is the indemnitor of first resort (i.e., the Corporation's obligations to each Sponsor Indemnitee are primary and any obligation of the Investor Stockholders to advance expenses or to provide indemnification for the same expenses or liabilities incurred by each Sponsor Indemnitee are secondary), (ii) the Corporation will be required to advance the full amount of expenses incurred by each Sponsor Indemnitee and will be liable for the full amount of all liabilities, expenses, judgments, penalties, fines and amounts paid in settlement to the extent legally permitted and as required by this Article VI, without regard to any rights each Sponsor Indemnitee may have against the Investor Stockholders, and (iii) the Corporation irrevocably waives, relinquishes and releases the Investor Stockholders from any and all claims against the Investor Stockholders for contribution, subrogation or any other recovery of any kind in respect thereof. Notwithstanding anything to the contrary in these bylaws or otherwise, no advancement or payment by the Investor Stockholders on behalf of a Sponsor Indemnitee with respect to any claim for which such Sponsor Indemnitee has sought indemnification or advancement of expenses from the Corporation will affect the foregoing and the Investor Stockholders will have a right of contribution and/or be subrogated to the extent of such advancement or payment to all of the rights of recovery of such Sponsor Indemnitee against the Corporation. The Investor Stockholders are express third party beneficiaries of the terms of this Article VI.

## ARTICLE VII

## OFFICES

Section 7.01 Registered Office. The registered office of the Corporation in the State of Delaware shall be located at the location provided in the certificate of incorporation.

Section 7.02 Other Offices. The Corporation may maintain offices or places of business at such other locations within or without the State of Delaware as the Board may from time to time determine or as the business of the Corporation may require.

## ARTICLE VIII

## GENERAL PROVISIONS

Section 8.01 Dividends.

(a) Subject to any applicable provisions of law and the certificate of incorporation, dividends upon the shares of the Corporation may be declared by the Board at any regular or special meeting of the Board, or by written consent in accordance with the DGCL and these bylaws, and any such dividend may be paid in cash, property, or shares of the Corporation's stock.

(b) A member of the Board, or a member of any committee designated by the Board shall be fully protected in relying in good faith upon the records of the Corporation and upon such information, opinions, reports or statements presented to the Corporation by any of its officers or employees, or committees of the Board, or by any other person as to matters the Director reasonably believes are within such other person's professional or expert competence and who has been selected with reasonable care by or on behalf of the Corporation, as to the value and amount of the assets, liabilities and/or net profits of the Corporation, or any other facts pertinent to the existence and amount of surplus or other funds from which dividends might properly be declared and paid.

Section 8.02 Reserves. There may be set apart out of any funds of the Corporation available for dividends such sum or sums as the Board from time to time may determine proper as a reserve or reserves for meeting contingencies, equalizing dividends, repairing or maintaining any property of the Corporation or for such other purpose or purposes as the Board may determine conducive to the interest of the Corporation, and the Board may similarly modify or abolish any such reserve.

Section 8.03 Execution of Instruments. Except as otherwise required by law or the certificate of incorporation, the Board or any officer of the Corporation authorized by the Board may authorize any other officer or agent of the Corporation to enter into any contract or execute and deliver any instrument in the name and on behalf of the Corporation. Any such authorization must be in writing or by electronic transmission and may be general or limited to specific contracts or instruments.

Section 8.04 Voting as Stockholder. Unless otherwise determined by resolution of the Board, the President or any Vice President shall have full power and authority on behalf of the Corporation to attend any meeting of stockholders of any corporation in which the Corporation may hold stock, and to act, vote (or execute proxies to vote) and exercise in person or by proxy all other rights, powers and privileges incident to the ownership of such stock at any such meeting, or through action without a meeting. The Board may by resolution from time to time confer such power and authority (in general or confined to specific instances) upon any other person or persons.

Section 8.05 Fiscal Year. The fiscal year of the Corporation shall end on December 31st of each year.

Section 8.06 Seal. The seal of the Corporation shall be circular in form and shall contain the name of the Corporation, the year of its incorporation and the words "Corporate Seal" and "Delaware". The form of such seal shall be subject to alteration by the Board. The seal may be used by causing it or a facsimile thereof to be impressed, affixed or reproduced, or may be used in any other lawful manner.

Section 8.07 Books and Records; Inspection. Except to the extent otherwise required by law, the books and records of the Corporation shall be kept at such place or places within or without the State of Delaware as may be determined from time to time by the Board.

Section 8.08 Electronic Transmission. "Electronic transmission", as used in these bylaws, means any form of communication, not directly involving the physical transmission of paper, that creates a record that may be retained, retrieved and reviewed by a recipient thereof, and that may be directly reproduced in paper form by such a recipient through an automated process.

## ARTICLE IX

## AMENDMENT OF BYLAWS

Section 9.01 Amendment. Subject to the provisions of the certificate of incorporation, these bylaws may be amended, altered or repealed (a) by resolution adopted by a majority of the Directors present at any special or regular meeting of the Board at which a quorum is present if, in the case of such special meeting only, notice of such amendment, alteration or repeal is contained in the notice or waiver of notice of such meeting, (b) until the Trigger Date, at any regular or special meeting of the stockholders upon the affirmative vote of at least a majority of the shares of the Corporation entitled to vote generally in the election of Directors if, in the case of such special meeting only, notice of such amendment, alteration or repeal is contained in the notice or waiver of notice of such meeting, or (c) from and after the Trigger Date, at any regular or special meeting of the stockholders upon the affirmative vote of at least two-thirds of the shares of the Corporation entitled to vote generally in the election of Directors if, in the case of such special meeting only, notice of such amendment, alteration or repeal is contained in the notice or waiver of notice of such meeting. So long as the Stockholders Agreement remains in effect, the Board shall not approve any amendment, alteration or repeal of any provision of these bylaws, or the adoption of any new bylaw, that would be contrary to or inconsistent with the Stockholders Agreement or this sentence.

Notwithstanding the foregoing, (x) no amendment to the Stockholders Agreement (whether or not such amendment modifies any provision of the Stockholders Agreement to which these bylaws are subject) shall be deemed an amendment of these bylaws for purposes of this Section 9.01, (y) no amendment to the SCA (whether or not such amendment modifies any provision of the SCA to which these bylaws are subject) shall be deemed an amendment of these bylaws for purposes of this Section 9.01, and (z) no amendment, alteration or repeal of Article VI shall adversely affect any right or protection existing under bylaws immediately prior to such amendment, alteration or repeal, including any right or protection of a present or former Director or officer thereunder in respect of any act or omission occurring prior to the time of such amendment.

**Exhibit 10.6**

ALLISON TRANSMISSION HOLDINGS, INC.

# AMENDED AND RESTATED STOCKHOLDERS AGREEMENT

Dated as of March 12, 2012

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SCHEDULES



EXHIBIT

AMENDED AND RESTATED STOCKHOLDERS AGREEMENT

THIS AMENDED AND RESTATED STOCKHOLDERS AGREEMENT, dated as of March 12, 2012, is entered into by and among (i) ALLISON TRANSMISSION HOLDINGS, INC., f/k/a Clutch Holdings, Inc., a corporation organized under the laws of Delaware (the "Company"), (ii) the entities listed on Schedule 1 attached hereto (collectively, the "Current Onex Stockholders"), (iii) the entity listed on Schedule 2 attached hereto (the "Current Carlyle Stockholder"), (iv) the individuals listed from time to time under the heading "Management Stockholders" on the Stockholder Schedule (as defined below) (collectively, the "Management Stockholders") and (v) each other Person (as defined below) that subsequently becomes a party hereto pursuant to the terms hereof. Capitalized terms used herein without definition shall have the meanings set forth in Section 1.1.

W I T N E S S E T H:

WHEREAS, the Company entered into a Stockholders Agreement, dated as of August 7, 2007, with its stockholders as of that date (as amended, the "Original Stockholders Agreement");

WHEREAS, the Company is proposing to consummate an Initial Public Offering;

WHEREAS, in accordance with Section 8.9(a) of the Original Stockholders Agreement, the Company, the Current Onex Stockholders and the Current Carlyle Stockholder desire to amend and restate the Original Stockholders Agreement in its entirety as provided herein, effective upon the effectiveness of the Registration Statement relating to the Initial Public Offering;

WHEREAS, as of the effective date of the Registration Statement relating to the Initial Public Offering (the "Effective Date"), the Stockholders beneficially own the number of Shares as set forth in the Stockholder Schedule maintained by the Company (the "Stockholder Schedule"); and

WHEREAS, the parties hereto deem it in their best interests and in the best interests of the Company to set forth their respective rights and obligations in connection with their investment in the Company;

NOW, THEREFORE, in consideration of the mutual agreements and understandings set forth herein, the parties hereto hereby agree as follows:

ARTICLE I

CERTAIN DEFINITIONS

SECTION 1.1 Definitions. As used in this Agreement, the following terms shall have the following respective meanings:

"Adverse Disclosure" shall mean public disclosure of material non-public information which, in the Board of Directors' good faith judgment, after consultation with independent outside counsel to the Company, (i) would be required to be made in any Registration Statement

filed with the SEC by the Company so that such Registration Statement would not be materially misleading; (ii) would not be required to be made at such time but for the filing of such Registration Statement; and (iii) the Company has a bona fide business purpose for not disclosing publicly.

"Affiliate" shall mean, with respect to any Person, any other Person that directly or indirectly controls, is controlled by, or is under common control with, such Person. For these purposes, "control" shall mean the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise.

"Agreement" shall mean this Amended and Restated Stockholders Agreement as in effect on the date hereof and as hereafter from time to time amended, modified or supplemented in accordance with the terms hereof.

"Automatic Shelf Registration Statement" shall have the meaning specified in Section 5.3.

"Blue Sky" shall mean state securities regulation and requirements.

"Board of Directors" shall mean the Board of Directors of the Company, as duly constituted in accordance with this Agreement.

"Bylaws" shall mean the Third Amended and Restated Bylaws of the Company in effect on the Effective Date, and as thereafter further amended in accordance with the terms hereof and thereof and pursuant to applicable law.

"Call Equity Securities" shall have the meaning specified in Section 6.1.

"Call Notice" shall have the meaning specified in Section 6.2(a).

"Call Period" shall have the meaning specified in Section 6.2(a).

"Carlyle Directors" shall have the meaning set forth in Section 2.1(b)(ii).

"Carlyle Stockholders" means (i) the Current Carlyle Stockholder and (ii) any Permitted Transferee of the Current Carlyle Stockholder that hereafter acquires any shares of capital stock of the Company.

"Cause" shall mean, with respect to the termination of employment of any Management Stockholder by the Company or any of its Subsidiaries (each, an "Employer"): (i) if such Management Stockholder is at the time of termination a party to an employment or retention agreement with an Employer thereof which defines such term, the meaning given therein, and (ii) in all other cases, that such termination is based on: (A) the Employer's determination that the Management Stockholder failed to substantially perform his or her duties (other than any such failure resulting from the Management Stockholder's physical or mental incapacity) which is not remedied within ten days after receipt of written notice from the Employer specifying such failure; (B) the Employer's determination that the Management Stockholder failed to carry out,

or comply with any lawful and reasonable directive of the Employer or the Management Stockholder's immediate supervisor, which is not remedied within ten days after receipt of written notice from the Employer specifying such failure; (C) the Management Stockholder's conviction, plea of no contest or plea of nolo contendere or imposition of unadjudicated probation for any felony or crime involving moral turpitude; (D) the Management Stockholder's unlawful use (including being under the influence) or possession of illegal drugs on the Employer's (or any of its Affiliates') premises or while performing the Management Stockholder's duties and responsibilities; or (E) the Management Stockholder's commission of an act of fraud, embezzlement, misappropriation, willful misconduct, or material breach of fiduciary duty against the Employer or any of its Affiliates.

"Class I," "Class II" and "Class III" shall have the respective meanings specified in the Bylaws.

"Common Shares" shall mean (i) the shares of common stock, par value $0.01 per share, of the Company and (ii) the shares of non-voting common stock, par value $0.01 per share, of the Company.

"Company" shall have the meaning specified in the Preamble.

"Controlled Company" means a company that is a "controlled company" within the meaning of such term under the New York Stock Exchange rules or the rules of such other national securities exchange on which Common Shares are then listed for trading.

"Current Carlyle Stockholder" shall have the meaning specified in the Preamble.

"Current Onex Stockholders" shall have the meaning specified in the Preamble.

"DSS" shall mean the Defense Security Service of the DoD.

"Demand Notice" shall have the meaning specified in Section 5.1(e).

"Demand Period" shall have the meaning specified in Section 5.1(d).

"Demand Registration" shall have the meaning specified in Section 5.1(a).

"Demand Registration Statement" shall have the meaning specified in Section 5.1(a).

"Demand Suspension" shall have the meaning specified in Section 5.1(g).

"Director" shall mean a member of the Board of Directors.

"Disposing Stockholder" shall have the meaning specified in Section 4.1(a).

"DoD" shall mean the United States Department of Defense.

"Effective Date" has the meaning specified in the Recitals.

"Equity Call Option" shall have the meaning specified in Section 6.1.

"Equity Call Purchase Price" shall mean (i) in the event such termination of employment of a Management Stockholder is by the Employer with Cause, the lesser of (x) the Fair Market Value of the Call Equity Securities as of the Termination Date (less, in the case of any Call Equity Securities that are Vested Options, the exercise price thereof) and (y) the price paid for the Call Equity Securities by such Stockholder, or (ii) in the event of a termination of employment of a Management Stockholder for any other reason, the Fair Market Value of the Call Equity Securities as of the Termination Date (less, in the case of any Call Equity Securities that are Vested Options, the exercise price thereof).

"Exchange Act" shall mean the U.S. Securities Exchange Act of 1934, as amended, or any similar federal statute then in effect, and a reference to a particular section thereof shall include a reference to the comparable section, if any, of such similar federal statute.

"Fair Market Value" of any Call Equity Securities shall mean, on a given date, (i) if there should be a public market for such Call Equity Securities on such date, the arithmetic mean of the high and low prices of such Call Equity Securities as reported on such date on the composite tape of the principal national securities exchange on which such Call Equity Securities are listed or admitted to trading, or, if such Call Equity Securities are not listed or admitted on any national securities exchange, the arithmetic mean of the per-share closing bid price and per-share closing asked price on such date for such Call Equity Securities as quoted on The NASDAQ Stock Market, Inc. ("Nasdaq"), or, if no sale of such Call Equity Securities shall have been reported on the composite tape of any national securities exchange or quoted on Nasdaq on such date, the arithmetic mean of the per-share closing bid price and per-share closing asked price for such Call Equity Securities on the immediately preceding date on which sales of such Call Equity Securities have been so reported or quoted, and (ii) if there is not a public market for such Call Equity Securities on such date, the value established by the Board of Directors in good faith.

"FINRA" shall mean the Financial Industry Regulatory Authority, Inc.

"GSC" shall mean the Government Security Committee as created pursuant to the requirements of the SCA.

"Holder" shall mean any holder of Registrable Securities who is a party hereto or who succeeds to rights under this Agreement.

"Independent Director" shall mean an individual that is independent within the meaning of "independent director" under the Exchange Act and the New York Stock Exchange rules or the rules of such other national securities exchange on which the Common Shares are then listed for trading.

"Initial Lockup Expiration Date" shall have the meaning specified in Section 3.1(b).

"Initial Public Offering" shall mean the first Public Offering.

"Investor Stockholders" shall mean the Carlyle Stockholders and the Onex Stockholders.

"Lock-Up Securities" shall have the meaning specified in Section 5.9.

"Loss" shall have the meaning specified in Section 5.6(a).

"Management Director" shall have the meaning set forth in Section 2.1(b)(iii).

"Necessary Action" shall mean, with respect to a specified result, all actions (to the extent such actions are permitted by law and, in the case of any action by the Company that requires a vote or other action on the part of the Board of Directors, to the extent such action is consistent with the fiduciary duties that the Directors may have in such capacity) necessary to cause such result, including (i) voting or providing a written consent or proxy with respect to the Common Shares, (ii) causing the adoption of stockholders' resolutions and amendments to the organizational documents of the Company, (iii) executing agreements and instruments, and (iv) making, or causing to be made, with governmental, administrative or regulatory authorities, all filings, registrations or similar actions that are required to achieve such result.

"Onex Directors" shall have the meaning specified in Section 2.1(b)(i).

"Onex Stockholders" means (i) the Current Onex Stockholders and (ii) any Permitted Transferee of the Current Onex Stockholders that hereafter acquires any shares of capital stock of the Company.

"Original Stockholders Agreement" has the meaning specified in the Recitals.

"Outside Directors" shall have the meaning specified in Section 2.1(b)(iv).

"Permitted Transferee" shall mean (i) in the case of any Stockholder that is not an individual, any Affiliate of such Stockholder (other than the Company and its Subsidiaries), (ii) in the case of any Investor Stockholder, any director, officer or employee of any Affiliate of such Investor Stockholder (other than the Company and its Subsidiaries and any other portfolio company), (iii) in the case of a Stockholder that is a limited partnership or limited liability company, any member or general or limited partner of such Stockholder that is the transferee of Shares pursuant to a pro rata distribution of Shares by such Stockholder to its partners or members, as applicable, (A) that is effected by such Stockholder following an Initial Public Offering or (B) that is contractually required by the terms of such Stockholder's limited partnership or limited liability company agreement in connection with the dissolution and winding up of such Stockholder; provided that, in either case described in clause (A) or (B), such Stockholder (or the general partner or managing member of such Stockholder in connection with the dissolution of such Stockholder) retains the power to vote and dispose of the distributed Shares and each such member or general or limited partner becomes a party to this Agreement and executes a supplemental signature page to this Agreement in the form attached as Exhibit A hereto, or (iv) in the case of a Restricted Management Stockholder, (A) any successor by death or (B) any trust, partnership, limited liability company or similar entity solely for the benefit of such individual or such individual's spouse or lineal descendants, provided that (I) in the case of clause (B) above, such individual acts as trustee, general partner or managing member and retains the sole power to direct the voting and disposition of the transferred Shares or options to purchase shares of Common Stock and (II) in each case, such transferee becomes a party to this Agreement and executes a supplemental signature page to this Agreement in the form attached as Exhibit A hereto.

"Person" shall mean an individual, corporation, company, limited liability company, association, partnership, joint venture, organization, business, trust or any other entity or organization, including a government or any subdivision or agency thereof.

"Piggyback Registration" shall have the meaning specified in Section 5.2(a).

"Preemption Notice" shall have the meaning specified in Section 5.1(f).

"Pre-IPO Shares" shall mean (i) the shares of Common Stock and options to purchase Common Stock held by a given Stockholder immediately prior to the consummation of the Initial Public Offering and (ii) shares of Common Stock thereafter issued upon exercise of any options to purchase Common Stock, which options were held by a given Stockholder immediately prior to the consummation of the Initial Public Offering.

"Proposed Purchaser" shall have the meaning specified in Section 4.1(b).

"Prospectus" means the prospectus included in any Registration Statement, all amendments and supplements to such prospectus, including post-effective amendments, and all other material incorporated by reference in such prospectus.

"Public Offering" shall mean a public offering and sale of equity securities of the Company or any of its Subsidiaries pursuant to an effective Registration Statement under the Securities Act.

"Purchase Offer" shall have the meaning set forth in Section 4.1(b).

"Qualified Investor Stockholders" shall mean (i) the Carlyle Stockholders and/or (ii) the Onex Stockholders, with each group of Investor Stockholders either acting together or separately; provided, however, that (A) if the Carlyle Stockholders in the aggregate do not then hold Shares representing five percent (5%) or more of the then-outstanding Common Shares, then the Onex Stockholders will be the only Qualified Investor Stockholders so long as the Onex Stockholders in the aggregate hold Shares representing five percent (5%) or more of the then-outstanding Common Shares, (B) if the Onex Stockholders in the aggregate do not then hold Shares representing five percent (5%) or more of the then-outstanding Common Shares, then the Carlyle Stockholders will be the only Qualified Investor Stockholder so long as the Carlyle Stockholders in the aggregate hold Shares representing five percent (5%) or more of the then-outstanding Common Shares, and (C) if neither the Carlyle Stockholders nor the Onex Stockholders then hold Shares in the aggregate representing five percent (5%) or more of the then-outstanding Common Shares, then there shall be no Qualified Investor Stockholders.

"Registrable Securities" shall mean all Shares now or hereafter owned of record by the Stockholders. As to any particular Registrable Securities that have been issued, such securities shall cease to be Registrable Securities when (i) a registration statement with respect to the sale of such securities shall have become effective under the Securities Act and such securities shall have been disposed of under such registration statement, (ii) they shall have been distributed to the public pursuant to Rule 144 under the Securities Act or (iii) they shall have ceased to be outstanding.

"Registration" shall mean the registration of securities with the SEC pursuant to a Registration Statement.

"Registration Expenses" shall have the meaning specified in Section 5.5.

"Registration Statement" shall mean any registration statement of the Company filed with, or to be filed with, the SEC under the rules and regulations promulgated under the Securities Act, including the related Prospectus, amendments and supplements to such registration statement, including post-effective amendments, and all exhibits and all material incorporated by reference in such registration statement other than a registration statement (and related Prospectus) filed on Form S-8 or any successor form thereto.

"Restricted Management Stockholders" shall mean Lawrence E. Dewey, David S. Graziosi, Michael G. Headly, Randall R. Kirk, David L. Parish and James L. Wanaselja.

"Restricted Period" shall mean, for each Restricted Management Stockholder, the period that starts on the Effective Date and ends on the earliest of (i) forty-two (42) months after the date of the Initial Public Offering of the Company; (ii) immediately prior to the consummation of a transaction by which a Person other than the Stockholders and their Affiliates acquires a majority of the Common Shares; (iii) the date on which the Carlyle Stockholders and the Onex Stockholders in the aggregate do not then hold Shares representing ten percent (10%) or more of the then-outstanding Common Shares; and (iv) the date on which the Company or Allison Transmission, Inc. terminates the employment of such Restricted Management Stockholder without Cause.

"SCA" shall mean that certain Security Control Agreement, dated as of February 14, 2008, by and between the Company and the DoD, and as hereafter from time to time amended.

"SEC" shall mean the U.S. Securities and Exchange Commission.

"Securities Act" shall mean, as of any date, the U.S. Securities Act of 1933, as amended, or any similar federal statute then in effect, and in reference to a particular section thereof shall include a reference to the comparable section, if any, of any such similar federal statute and the rules and regulations thereunder.

"Shares" shall mean (i) the Common Shares issued and outstanding at the Effective Date and (ii) any Common Shares hereafter acquired by any Stockholder or pursuant to conversion or exercise of any Vested Options, any convertible security or other option, warrant or other right to acquire Common Shares, whether or not held by any of the Stockholders as of such date.

"Shelf Registration Statement" shall mean a Registration Statement of the Company filed with the SEC on either (i) Form S-3 (or any successor form or other appropriate form under the Securities Act) or (ii) if the Company is not permitted to file a Registration Statement on Form S-3, an evergreen Registration Statement on Form S-1 (or any successor form or other appropriate form under the Securities Act), in each case for an offering to be made on a continuous basis pursuant to Rule 415 under the Securities Act (or any similar rule that may be adopted by the SEC) covering the Registrable Securities, as applicable.

"Stockholder" shall mean any of the Onex Stockholders, the Carlyle Stockholders, the Management Stockholders and any transferee (including a Permitted Transferee) of any such Person who becomes a party to or bound by the provisions of this Agreement in accordance with the terms hereof.

"Stockholder Schedule" shall have the meaning specified in the Recitals.

"Subsidiary" shall mean as to any Person any other Person of which outstanding shares, shares of stock or other equity interests having voting power (other than shares, stock or other equity interests having such power only by reason of the happening of a contingency) to elect a majority of the board of directors or other comparable governing body of such Person are at the time owned, directly or indirectly through one or more intermediaries, or both, by such Person.

"Tag-Along Securities" shall have the meaning specified in Section 4.1(a).

"Tag-Along Stockholders" shall have the meaning specified in Section 4.1(a).

"Termination Date" shall have the meaning specified in Section 6.1.

"Transfer" shall mean any direct or indirect, whether by operation of law or otherwise, sale, transfer, assignment, conveyance or other disposition.

"Underwritten Offering" shall mean a Registration in which securities of the Company are sold to an underwriter or underwriters on a firm commitment basis for reoffering to the public.

"Vested Options" shall mean options to purchase Common Shares that have vested in accordance with their respective terms.

"Voting Securities" shall mean shares, stock or other equity interests in any Person, the holders of which are entitled to vote for the election of corporate directors (or Persons performing similar functions).

"Voting Shares" shall mean shares of the Company of any class or classes, the holders of which are ordinarily, in the absence of contingencies, entitled to vote for the election of corporate directors (or Persons performing similar functions).

"WKSI" shall have the meaning specified in Section 5.3.

SECTION 1.2 Other Interpretive Provisions.

(a) The meanings of defined terms are equally applicable to the singular and plural forms of the defined terms.

(b) The words "hereof", "herein", "hereunder" and similar words refer to this Agreement as a whole and not to any particular provision of this Agreement; and any subsection and Section references are to this Agreement unless otherwise specified.

(c) The term "including" is not limiting and means "including without limitation."

(d) The captions and headings of this Agreement are for convenience of reference only and shall not affect the interpretation of this Agreement.

(e) Whenever the context requires, any pronouns used herein shall include the corresponding masculine, feminine or neuter forms.

## ARTICLE II

## CORPORATE GOVERNANCE

SECTION 2.1 Board of Directors.

(a) Until the Company ceases to be a Controlled Company, the Board of Directors shall consist of eight (8) members; provided that, within one (1) year of the Effective Date, the Board of Directors shall be expanded to add an additional Independent Director and the Company and the Stockholders shall take all Necessary Actions to increase the size of the Board of Directors to add such additional Independent Director.

(b) The Company and the Stockholders shall take all Necessary Actions to cause the Board of Directors to consist of members designated as follows:

(i) two (2) individuals designated by the Onex Stockholders (the "Onex Directors"), which Onex Directors initially shall be Kosty Gilis and Seth M. Mersky (it being understood that the right, if any, to designate the Onex Directors pursuant to this Section 2.1(b)(i) shall be exercised by Onex Partners II LP or its designee so long as such entity holds Common Shares); provided, however, that (A) the number of Onex Directors shall be reduced to one (1) Director at such time as the Onex Stockholders in the aggregate hold less than ten percent (10%) of the then-outstanding Common Shares and (B) the Onex Stockholders shall have no right to designate any members of the Board of Directors pursuant to this Section 2.1(b)(i) at such time as the Onex Stockholders in the aggregate hold less than five percent (5%) of the then-outstanding Common Shares;

(ii) three (3) individuals designated by the Carlyle Stockholders (the "Carlyle Directors"), which Carlyle Directors initially shall be Brian A. Bernasek, Gregory S. Ledford and Thomas Rabaut (it being understood that the right, if any, to designate the Carlyle Directors pursuant to this Section 2.1(b)(ii) shall be exercised by Carlyle Partners IV AT Holdings, L.P. or its designee so long as such entity holds Common Shares); provided, however, that (A) the number of Carlyle Directors shall be reduced to (x) two (2) Directors at such time as the Carlyle Stockholders in the aggregate hold less than twenty-five percent (25%) of the then-outstanding Common Shares and (y) one (1) Director at such time as the Carlyle Stockholders in the aggregate hold less than ten percent (10%) of the then-outstanding Common Shares and (B) the Carlyle Stockholders shall have no right to designate any members of the Board of Directors pursuant to this Section 2.1(b)(ii) at such time as the Carlyle Stockholders in the aggregate hold less than five percent (5%) of the then-outstanding Common Shares;

(iii) one (1) individual designated by the Carlyle Stockholders, with advance reasonable notice to the Onex Stockholders, who shall be a U.S. citizen eligible to be issued a DoD personnel security clearance at the level of the Company's DoD facility security clearance and who is a member of the management of the Company and/or its Subsidiaries (the "Management Director"), which Management Director initially shall be Lawrence E. Dewey (it being understood that the right, if any, to designate the Management Director pursuant to this Section 2.1(b)(iii) shall be exercised by Carlyle Partners IV AT Holdings, L.P. or its designee so long as such entity holds Common Shares); provided, however, in the event that the Management Director at any time ceases to be employed by the Company or its Subsidiaries for any reason, then the Stockholders shall promptly take all Necessary Actions to cause the resignation or removal of such Management Director and elect an individual designated by the Carlyle Stockholders, with advance reasonable notice to the Onex Stockholders, then employed by the Company or its Subsidiaries who is a U.S. citizen eligible to be issued a DoD personnel security clearance at the level of the Company's DoD facility security clearance; provided, further, however, that the Carlyle Stockholders shall have no right to designate a member of the Board of Directors pursuant to this Section 2.1(b)(iii) at such time as the Carlyle Stockholders in the aggregate hold less than five percent (5%) of the then-outstanding Common Shares;

(iv) two (2) individuals (x) who have had no current or prior involvement with the Onex Stockholders, the Carlyle Stockholders or any of their respective Affiliates except as otherwise allowed by the DoD, (y) who are U.S. resident citizens eligible to be issued DoD personnel security clearances at the level of the Company's DoD facility security clearance and are approved by the DoD to serve as Outside Directors (within the meaning of the SCA) on the Board of Directors and (z) who qualify as Independent Directors (such directors, the "Outside Directors"), which Outside Directors initially shall be Francis Raborn and Richard V. Reynolds;

(v) following such date on which the Board of Directors determines to expand the Board of Directors to add an additional Independent Director as contemplated by Section 2.1(a), one (1) individual nominated by Board of Directors who qualifies as an Independent Director; and

(vi) at such time as the Company ceases to be a Controlled Company, such additional number of Directors as is determined by the Board of Directors, which additional Directors shall be nominated and elected as provided in the Second Amended and Restated Certificate of Incorporation of the Company (as in effect on the Effective Date, and as thereafter further amended from time to time, the "Certificate of Incorporation") and the Bylaws.

(c) The Chairman of the Board will be elected by a majority of the members of the Board of Directors, with the approval of at least one Carlyle Director, if at such time there is at least one Carlyle Director then serving on the Board of Directors, and one Onex Director, if at such time there is at least one Onex Director then serving on the Board of Directors, and must be a U.S. citizen who is eligible to be issued a DoD personnel security clearance at the level of the Company's facility security clearance. An Onex Director may not be appointed to serve as Chairman of the Board.

(d) The Onex Directors, in their capacity as Directors, shall not have DoD personnel security clearances through the Company or the Subsidiaries, regardless of citizenship. The Onex Directors shall not have access to classified information and export-controlled information entrusted to the Company or the Subsidiaries except as permissible under the National Industrial Security Program and other applicable U.S. laws and regulations; shall refrain from taking any action to control or influence the Company or the Subsidiaries' classified contracts, their participation in classified programs, or their corporate policies concerning the security of classified and export controlled information; shall neither seek nor accept classified or export controlled information entrusted to the Company or the Subsidiaries except as permissible under the National Industrial Security Program and other applicable U.S. laws and regulations; and shall advise the GSC promptly upon becoming aware of (i) any violation or attempted violation of the SCA or contract provisions regarding industrial security or export controls, or (ii) actions inconsistent with the National Industrial Security Program and other applicable U.S. laws and regulations. The Board of Directors shall not repeal the resolutions previously adopted by the Board of Directors formally excluding the Onex Directors from access to the classified information entrusted to the Company or the Subsidiaries.

(e) Each Stockholder hereby agrees to vote all Voting Shares owned or held of record by such Stockholder at each annual or special meeting of stockholders of the Company at which Directors of the Company are to be elected, in favor of, or to take all actions by written consent in lieu of any such meeting as are necessary, or other Necessary Action, to cause the election as members of the Board of Directors of those individuals described in Section 2.1(b)(i)-(iv) in accordance with, and to otherwise effect the intent of, the provisions of this Section 2.1. A Director designated by any Investor Stockholder or group of Investor Stockholders may be removed from the Board of Directors only by the Investor Stockholder(s), if any, entitled to designate such Director pursuant to this Article II; provided that nothing in this Agreement shall be construed to impair the rights that the stockholders of the Company may have to remove any Director for cause.

(f) The removal of an Outside Director shall not become effective until the parties shall have complied with the applicable terms of the SCA, which terms currently require that such Outside Director, the Company and DSS be notified, that DSS approve the removal, and that a successor who is qualified to become an Outside Director within the terms of the SCA be approved by DSS. Notwithstanding the foregoing, however, if immediate removal of an Outside Director is deemed necessary to prevent an actual or possible violation of any statute or regulation or actual or possible damage to the Company, the Outside Director may be removed at once, although DSS shall be notified prior to or concurrently with such removal. Any Director may resign at any time upon notice to the Company. Directors need not be stockholders of the Company.

(g) The Company shall reimburse the Directors for all reasonable out-of-pocket expenses incurred in connection with their attendance at meetings of the Board, the board of directors of any of the Company's Subsidiaries and any committees thereof, including travel, lodging and meal expenses, and the Company may provide reasonable compensation for service of directors who are not employees of any of the Onex Stockholders, the Carlyle Stockholders or the Company, or any of their respective Affiliates.

(h) The Company shall cause the individuals designated in accordance with Section 2.1(b) to be nominated for election to the Board of Directors, shall solicit proxies in favor thereof, and at each meeting of the stockholders of the Company at which directors of the Company are to be elected, shall recommend that the stockholders of the Company elect to the Board of Directors each such individual nominated for election at such meeting.

(i) The Directors shall be allocated among the three classes of the Board of Directors as follows: (i) so long as the Carlyle Stockholders have the right to designate three Carlyle Directors, one Carlyle Director shall be allocated to each of Class I, Class II and Class III; (ii) so long as the Onex Stockholders have the right to designate two Onex Directors, one Onex Director shall be allocated to each of Class I and Class II; and (iii) so long as the Carlyle Stockholders have the right to designate three Carlyle Directors and the Onex Stockholders have the right to designate two Directors, (A) the Management Director shall be allocated to Class III; and (B) one Outside Director shall be allocated to each of Class II and Class III (and any new Director position created as a result of the expansion of the Board prior to the first anniversary of the Effective Date shall be allocated to Class I).

(j) Notwithstanding the foregoing, this Section 2.1 confers upon the Investor Stockholders the right, but not the obligation, to designate Directors, and any Investor Stockholder may, at its option, elect not to exercise any such right to designate a Director or Directors; provided that no election by any Investor Stockholder to refrain from exercising any such right shall in any way affect such Investor Stockholder's obligations under this Agreement.

SECTION 2.2 Removal. If any Investor Stockholder or group of Investor Stockholders that is entitled to designate a Director notifies the Company and the other Stockholders that such Investor Stockholder or group of Investor Stockholders desires to remove any Director previously designated by such Investor Stockholder or group of Investor Stockholders, with or without cause, then such Director shall be removed from the Board of Directors and each Stockholder shall take all Necessary Action to cause such removal of such Director, including voting all Voting Shares in favor of, or executing a written consent authorizing, such removal. In the event that any Investor Stockholder or group of Investor Stockholders ceases to have the right to designate an individual to serve as a Director pursuant to Section 2.1(b), (i) such Investor Stockholder's or group's designee to the Board of Directors shall resign immediately or each Stockholder shall take all Necessary Action to cause the removal of such individual, including voting all Voting Shares in favor of, or executing a written consent authorizing, such removal, and (ii) the vacancy created by such resignation or removal shall be filled as provided in the Certificate of Incorporation and the Bylaws.

SECTION 2.3 Vacancies. In the event that a vacancy is created on the Board of Directors at any time by the death, disability, retirement, resignation or removal of any member of the Board of Directors, or for any other reason there shall exist or occur any vacancy on the Board of Directors, each Stockholder hereby agrees to take such actions as will result in the election or appointment as a Director of an individual designated to fill such vacancy and serve as a Director by the Investor Stockholder(s), if any, that had, pursuant to Section 2.1(b),

designated the Director whose death, disability, retirement, resignation or removal resulted in such vacancy on the Board of Directors. In the event that no Investor Stockholder has, pursuant to Section 2.1(b), the right to designate an individual to fill such vacancy, then such vacancy shall be filled as provided in the Certificate of Incorporation and the Bylaws. With respect to the Outside Directors, replacements may be elected or appointed only with the approval of DSS. Vacancies on the Board of Directors shall not exist for a period of more than ninety (90) days after a director's retirement, resignation, death, disability or removal unless DSS is notified of the delay.

SECTION 2.4 Covenant to Vote. Each Stockholder hereby agrees to take all Necessary Action to call, or cause the Company and the appropriate officers and directors of the Company to call, an annual meeting (and when circumstances so require, a special meeting) of stockholders of the Company and to vote all Voting Shares owned or held of record by such Stockholder at any such meeting and at any other annual or special meeting of stockholders in favor of, or take all actions by written consent in lieu of any such meeting as may be necessary to cause, the election as members of the Board of Directors of those individuals designated in accordance with Section 2.1(b)(i)-(iv) and to otherwise effect the intent of this Article II.

SECTION 2.5 Restrictions on Other Agreements. No Stockholder shall grant any proxy or enter into or agree to be bound by any voting trust with respect to its Shares nor shall any Stockholder enter into any other agreements or arrangements of any kind with any Person with respect to its Shares on terms which conflict with the provisions of this Agreement (whether or not such proxy, voting trust, agreements or arrangements are with other Stockholders, holders of Common Shares that are not parties to this Agreement or otherwise).

SECTION 2.6 Additional Management Provisions.

(a) Each Stockholder and the Company agrees and acknowledges that the directors designated by the Carlyle Stockholders or the Onex Stockholders may share confidential, non-public information about the Company and its subsidiaries with the Carlyle Stockholders and the Onex Stockholders, respectively, subject to applicable law.

(b) The Stockholders and the Company hereby agree, notwithstanding anything to the contrary in any other agreement or at law or in equity, and subject at all times to the requirements of the SCA, that when the Carlyle Stockholders and/or the Onex Stockholders take any action under this Agreement to give or withhold its consent, the Carlyle Stockholders and/or the Onex Stockholders, as applicable, shall have no duty (fiduciary or other) to consider the interests of the Company or the other Stockholders and may act exclusively in its own interest and shall have only the duty to act in good faith; provided, however, that the foregoing shall in no way affect the obligations of the parties hereto to comply with the provisions of this Agreement.

(c) The Company shall take all Necessary Action to ensure that the Bylaws do not, at any time, conflict with the provisions of this Agreement or the SCA.

(d) In accordance with the SCA, the Board of Directors shall maintain a GSC consisting of the Outside Directors and the Management Director. The duties and responsibilities of the GSC shall be as described in the SCA.

## ARTICLE III

## TRANSFERS OF SHARES

SECTION 3.1 Restrictions on Transfer.

(a) Each Carlyle Stockholder and each Onex Stockholder agrees that it will not Transfer any Shares pursuant to Rule 144 under the Securities Act without the prior written consent of the Onex Stockholders or the Carlyle Stockholders, respectively (such consent not to be unreasonably withheld); provided, however, that (A) if the Carlyle Stockholders in the aggregate do not then hold Shares representing five percent (5%) or more of the then-outstanding Common Shares, then (i) the Carlyle Stockholders may Transfer any Shares pursuant to Rule 144 under the Securities Act without obtaining the prior written consent of the Onex Stockholders and (ii) the Onex Stockholders may Transfer any Shares pursuant to Rule 144 under the Securities Act without obtaining the prior written consent of the Carlyle Stockholders, and (B) if the Onex Stockholders in the aggregate do not then hold Shares representing five percent (5%) or more of the then-outstanding Common Shares, then the (i) Onex Stockholders may Transfer any Shares pursuant to Rule 144 under the Securities Act without obtaining the prior written consent of the Carlyle Stockholders and (ii) the Carlyle Stockholders may Transfer any Shares pursuant to Rule 144 under the Securities Act without obtaining the prior written consent of the Onex Stockholders.

(b) During the Restricted Period, without the prior written consent of the Company authorized by affirmative vote of a majority of the members of the Board of Directors, each Restricted Management Stockholder will not Transfer any Pre-IPO Shares to any Person other than (i) any Transfer to a Permitted Transferee of such Restricted Management Stockholder and (ii) Transfers by such Restricted Management Stockholder following the date that is six months after the closing of the Initial Public Offering (the "Initial Lockup Expiration Date") of an aggregate number of Pre-IPO Shares (adjusted for any stock split, stock dividend, sub-division of capital stock and the like) representing not more than the percentage of such Restricted Management Stockholder's Pre-IPO Shares equal to the greater of (A) 15% of such Restricted Management Stockholder's Pre-IPO Shares, which percentage shall increase by 15% of such Restricted Management Stockholder's Pre-IPO Shares (up to a maximum of 45% of such Restricted Management Stockholder's Pre-IPO Shares) on each anniversary of the Initial Lockup Expiration Date and (B) the percentage of Pre-IPO Shares of the Carlyle Stockholders and the Onex Stockholders Transferred by the Carlyle Stockholders and the Onex Stockholders (excluding Transfers to Permitted Transferees of the Carlyle Stockholders and the Onex Stockholders) on or prior to such date; provided, however, that following the termination of such Restricted Management Stockholder's employment with the Company or Allison Transmission, Inc., this clause (ii) shall not prohibit a Transfer of Pre-IPO Shares by such Restricted Management Stockholder to the extent clause (ii) would prevent a Restricted Management Stockholder from obtaining from such Transfer the net proceeds required to pay the exercise price and/or taxes related to an exercise of Vested Options.

SECTION 3.2 Endorsement of Certificates. All certificates representing Shares issued to or acquired by any of the Stockholders prior to the execution of this Agreement were endorsed as follows:

THE SECURITIES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO, AND ARE TRANSFERABLE ONLY UPON COMPLIANCE WITH, THE PROVISIONS OF A STOCKHOLDERS AGREEMENT, DATED AUGUST 7, 2007, AMONG THE COMPANY AND ITS STOCKHOLDERS. COPIES OF THE ABOVE REFERENCED AGREEMENTS ARE ON FILE AT THE PRINCIPAL EXECUTIVE OFFICE OF THE COMPANY AND MAY BE OBTAINED FROM THE COMPANY AT ITS PRINCIPAL EXECUTIVE OFFICE.

THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 OR THE SECURITIES LAWS OF ANY STATE AND MAY NOT BE TRANSFERRED EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT, OR AN EXEMPTION FROM REGISTRATION, UNDER SAID ACT AND SUCH LAWS.

Upon the execution of this Agreement, in addition to any other legend which the Company may deem advisable under the Securities Act and applicable state securities laws, all certificates, if any, representing Shares hereafter issued by the Company to any of the Stockholders shall bear the following legend, and the Shares represented by such certificates shall be subject to the applicable provisions of this Agreement:

THE SECURITIES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO THE PROVISIONS OF THAT CERTAIN AMENDED AND RESTATED STOCKHOLDERS AGREEMENT, DATED MARCH 12, 2012, AMONG THE COMPANY AND CERTAIN OF ITS STOCKHOLDERS. COPIES OF THE ABOVE REFERENCED AGREEMENT ARE ON FILE AT THE PRINCIPAL EXECUTIVE OFFICE OF THE COMPANY AND MAY BE OBTAINED FROM THE COMPANY AT ITS PRINCIPAL EXECUTIVE OFFICE.

THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 OR THE SECURITIES LAWS OF ANY STATE AND MAY NOT BE TRANSFERRED EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT, OR AN EXEMPTION FROM REGISTRATION, UNDER SAID ACT AND SUCH LAWS.

At the request of the Stockholder, the Company shall remove the legend referring to the Securities Act from the certificates representing its Shares and upon the earliest of the following events: (i) when such Shares are Transferred in a Public Offering; (ii) when such Shares are Transferred after an Initial Public Offering pursuant to Rule 144 under the Securities Act; or (iii) when such Shares are Transferred in any other transaction if the seller delivers to the

Company an opinion of its counsel, which counsel and opinion shall be reasonably satisfactory to the Company, to the effect that such legend is no longer necessary in order to protect the Company against a violation by it of the Securities Act upon any sale or other disposition of such Shares without registration thereunder. The Company covenants that it shall keep a copy of this Agreement on file for the purpose of furnishing copies to the holders of record of Shares. At the request of the Stockholder, the Company shall remove the legend referring to the Stockholders Agreement at such time as this Agreement no longer imposes restrictions on the Shares.

## ARTICLE IV

## TAG-ALONG RIGHTS

SECTION 4.1 Tag-Along Rights.

(a) If a Carlyle Stockholder or an Onex Stockholder proposes to Transfer (each, a "Disposing Stockholder") (other than Transfers permitted pursuant to Section 4.2(a)(i) or (ii) or any Transfer to be effected pursuant to a Public Offering or Rule 144 under the Securities Act), any of its issued and outstanding Shares or securities convertible into, or exchangeable or exercisable for Shares (the "Tag-Along Securities"), such Disposing Stockholder shall refrain from effecting such transaction or transactions unless, prior to the consummation thereof, the other Investor Stockholders (the "Tag-Along Stockholders") shall have been afforded the opportunity to join in such transaction or transactions on a pro rata basis, as hereinafter provided.

(b) Prior to consummation of any proposed Transfer of shares of the Tag-Along Securities described in Section 4.1(a), the Disposing Stockholder or Stockholders shall cause the Person or group of Persons that proposes to acquire such Shares (the "Proposed Purchaser") to offer (the "Purchase Offer") in writing to each other Investor Stockholder, such that the number of Shares so offered to be purchased from such Investor Stockholder shall be equal to the product of (i) the total number of Shares then owned by such Investor Stockholder multiplied by (ii) a fraction, the numerator of which is the aggregate number of Shares proposed to be purchased by the Proposed Purchaser from all Investor Stockholders and the denominator of which is the aggregate number of Shares then held by all Investor Stockholders (for these purposes, all securities and other rights convertible into or exchangeable or exercisable for Shares shall be deemed to have been so converted, exchanged, or exercised, other than any such securities or other rights that have an exercise or conversion price per Share greater than the price per Share to be paid by the Proposed Purchaser). Such purchase shall be made at the same price per Share and on such other terms and conditions as the Proposed Purchaser has offered to purchase the Tag-Along Securities to be sold by the Disposing Stockholder or Stockholders. Each Tag-Along Stockholder shall have five (5) business days from the date of receipt of the Purchase Offer to accept such Purchase Offer, and the closing of such purchase shall occur simultaneously with the purchase of the Tag-Along Securities from the Disposing Stockholder(s). Unless the Proposed Purchaser agrees to purchase 100% of the Shares then held by all Investor Stockholders, the number of Shares to be sold to the Proposed Purchaser by the Disposing Stockholder or Stockholders shall be reduced by the aggregate number of Shares purchased by the Proposed Purchaser from the Tag-Along Stockholders pursuant to the provisions of this Section 4.1(b).

(c) Any Transfer of Shares by a Tag-Along Stockholder to the Proposed Purchaser pursuant to this Section 4.1 shall be on the same terms and conditions (including price, time of payment and form of consideration) as the Transfer of the Tag-Along Securities by the Disposing Stockholder(s) to the Proposed Purchaser; provided that, in order to be entitled to exercise its tag along right pursuant to this Section 4.1, each Tag-Along Stockholder must agree to make to the Proposed Purchaser representations, warranties, covenants, indemnities and agreements the same mutatis mutandis as those made by the Disposing Stockholder(s) in connection with the relevant transaction and agree to the same conditions to the relevant transaction as the Disposing Stockholder(s) agrees.

(d) Notwithstanding anything to the contrary in this Section 4.1, the provisions of this Section 4.1 shall terminate if either (i) the Carlyle Stockholders in the aggregate do not hold Shares representing five percent (5%) or more of the then-outstanding Common Shares or (ii) the Onex Stockholders in the aggregate do not hold Shares representing five percent (5%) or more of the then-outstanding Common Shares.

SECTION 4.2 Exceptions to Tag-Along Rights.

(a) The provisions of Section 4.1 shall not apply to any of the following Transfers: (i) any Transfer of Shares from any Onex Stockholder to any of its Permitted Transferees; or (ii) any Transfer of Shares from any Carlyle Stockholder to any of its Permitted Transferees; provided that, in each case set forth in clauses (i) and (ii) of this Section 4.2(a), the transferee in question becomes a party to this Agreement and agrees to be bound hereby by executing a supplemental signature page to this Agreement in the form attached hereto as Exhibit A.

(b) Each Permitted Transferee of any Investor Stockholder to which Shares are Transferred shall, and such Investor Stockholder shall cause such Permitted Transferee to, Transfer back to such Investor Stockholder (or to another Permitted Transferee of such Investor Stockholder) any Shares it owns if such Permitted Transferee ceases to be a Permitted Transferee of such Investor Stockholder.

## ARTICLE V

## REGISTRATION RIGHTS

SECTION 5.1 Demand Registrations.

(a) Demand by Holders. At any time and from time to time, the Qualified Investor Stockholders may make a written request to the Company for Registration of Registrable Securities held by such Qualified Investor Stockholders and any other Holders of Registrable Securities. Any such requested Registration shall hereinafter be referred to as a "Demand Registration." Any Demand Registration may request that the Company register Registrable Securities on an appropriate form, including a Shelf Registration Statement and, if the Company is a WKSI, an automatic shelf registration statement. Each request for a Demand Registration shall specify the kind and aggregate amount of Registrable Securities to be Registered and the intended methods of disposition thereof. Within thirty (30) days of a request for a Demand Registration, the Company shall file a Registration Statement relating to such Demand

Registration (a "Demand Registration Statement"), and shall use its best efforts to cause such Demand Registration Statement to promptly (but in any event within 180 days of receipt of the written request for a Demand Registration) be declared effective under the Securities Act; provided that, to the extent the Company will be a WKSI at the time such Demand Registration Statement is filed with the SEC, the Company shall file such Demand Registration Statement within five (5) business days of such Demand Registration.

(b) Limitation on Demand Registration. The Company shall not be obligated to file a Demand Registration Statement under this Section 5.1 unless the aggregate purchase price of the Registrable Securities to be included in the requested registration (determined by reference to the offering price on the cover of the registration statement proposed to be filed) is greater than $25,000,000.

(c) Demand Withdrawal. A Holder may withdraw its Registrable Securities from a Demand Registration at any time prior to the effectiveness of the applicable Demand Registration Statement. Upon receipt of notices from all initiating Holders to such effect, the Company shall cease all efforts to secure effectiveness of the applicable Demand Registration Statement.

(d) Effective Registration. A registration request pursuant to Section 5.1(a) shall not be deemed a Demand Registration unless the Demand Registration Statement is declared effective by the SEC (or, in the case of a Demand Registration Statement filed with the SEC when the Company is a WKSI, when such Demand Registration Statement is so filed) and remains effective for not less than 180 days (or such shorter period as will terminate when all Registrable Securities covered by such Demand Registration Statement have been sold) or, if such Registration Statement relates to an Underwritten Offering, such longer period as in the opinion of counsel for the underwriter or underwriters a Prospectus is required by law to be delivered in connection with sales of Registrable Securities by an underwriter or dealer (the applicable period, the "Demand Period"). No Demand Registration shall be deemed to have been effected if (i) during the Demand Period such registration is interfered with by any stop order, injunction or other order or requirement of the SEC or other governmental agency or court or (ii) the conditions to closing specified in the underwriting agreement, if any, entered into in connection with such registration are not satisfied other than by reason of a wrongful act, misrepresentation or breach of such applicable underwriting agreement by a participating Holder.

(e) Demand Notice. Other than in connection with the Initial Public Offering, promptly upon receipt of any request for a Demand Registration pursuant to Section 5.1(a) (but in no event more than five (5) business days thereafter or, if the Company is a WKSI at the time such Demand Registration is submitted to the Company, one (1) business day thereafter), the Company shall deliver a written notice (a "Demand Notice") of any such Registration request to all other Holders of Registrable Securities, and the Company shall include in such Demand Registration (other than a Demand Registration related to the Initial Public Offering) all such Registrable Securities with respect to which the Company has received written requests for inclusion therein within ten (10) business days or, if the Company is a WKSI at the time such Demand Registration is submitted to the Company, three (3) business days, in each case, after the date that the Demand Notice has been delivered. All requests made pursuant to this Section 5.1(e) shall specify the aggregate amount of Registrable Securities to be registered and

the intended method of distribution of such securities. The parties acknowledge and agree that an Initial Public Offering shall constitute a Demand Registration effected pursuant to Section 5.1(a) of the Agreement.

(f) Preemption. If not more than thirty (30) days prior to receipt of any request for a Demand Registration pursuant to Section 5.1(a) the Company shall have (i) circulated to prospective underwriters and their counsel a draft of a Registration Statement for a primary offering of equity securities on behalf of the Company, (ii) solicited bids for a primary offering of Common Shares, or (iii) otherwise reached an understanding with an underwriter with respect to a primary offering of Common Shares, the Company may preempt the Demand Registration with such primary offering by delivering written notice of such intention (the "Preemption Notice") to the Holders making a request for a Demand Registration within three (3) business days after the Company has received the request. The period of preemption may be up to forty-five (45) days following the date of the Preemption Notice. Notwithstanding anything to the contrary herein, the Company shall not be entitled to exercise its right to preempt a Demand Registration pursuant to this Section 5.1(f) more than once during any twelve (12) month period.

(g) Delay in Filing; Suspension of Registration. If the filing, initial effectiveness or continued use of a Demand Registration Statement at any time would require the Company to make an Adverse Disclosure, the Company may, upon giving prompt written notice of such action to the Holders, delay the filing or initial effectiveness of, or suspend use of, the Demand Registration Statement (a "Demand Suspension"); provided, however, that the Company shall not be permitted to exercise a Demand Suspension (i) more than once during any twelve (12) month period or (ii) for a period exceeding thirty (30) days on any one occasion. In the case of a Demand Suspension, the Holders agree to suspend use of the applicable Prospectus in connection with any sale or purchase, or offer to sell or purchase, Registrable Securities, upon receipt of the notice referred to above. The Company shall immediately notify the Holders upon the termination of any Demand Suspension, amend or supplement the Prospectus, if necessary, so it does not contain any untrue statement or omission and furnish to the Holders such numbers of copies of the Prospectus as so amended or supplemented as the Holders may request. The Company agrees, if necessary, to supplement or make amendments to the Demand Registration Statement, if required by the registration form used by the Company for the Demand Registration or by the instructions applicable to such registration form or by the Securities Act or the rules or regulations promulgated thereunder or as may be requested by the Holders of a majority of the Registrable Securities that are included in such Demand Registration Statement.

(h) Underwritten Offering. If the Holders of not less than a majority of the Registrable Securities requesting a Demand Registration so elect, such offering of Registrable Securities shall be in the form of an Underwritten Offering. The Holders of a majority of such Registrable Securities included in such Underwritten Offering shall have the right to select the managing underwriter or underwriters to administer the offering; provided that such managing underwriter or underwriters shall be reasonably acceptable to the Company.

(i) Priority of Securities Registered Pursuant to Demand Registrations. If the managing underwriter or underwriters of a proposed Underwritten Offering of the Registrable Securities included in a Demand Registration (or, in the case of a Demand Registration not being underwritten, the Holders of a majority of the Registrable Securities included therein), advise the

Holders initiating such Demand Registration in writing that, in its or their opinion, the number of securities requested to be included in such Demand Registration exceeds the number which can be sold in such offering without being likely to have a significant adverse effect on the price, timing or distribution of the securities offered or the market for the securities offered, then the Company will include in such registration, (i) first, the number of Registrable Securities requested by all Holders of Registrable Securities to be included in such registration that, in the opinion of such managing underwriter(s), can be sold, such amount to be allocated among all such Holders of Registrable Securities pro rata on the basis of the respective number of Registrable Securities then held by each such Holder, (ii) second, only if all of the Registrable Securities referred to in clause (i) have been included in such Registration, the securities the Company proposes to sell and (iii) third, only if all of the securities referred to in clause (ii) have been included in such Registration, any other securities eligible for inclusion in such Registration.

SECTION 5.2 Piggyback Registration.

(a) Participation. Other than in connection with the Initial Public Offering, if the Company at any time proposes to file a Registration Statement under the Securities Act with respect to any offering of its Common Shares for its own account or for the account of any other Persons (other than (i) a Registration under Section 5.1, (ii) a Registration on Form S-4 or S-8 or any successor form to such Forms or (iii) a Registration of securities solely relating to an offering and sale to employees or directors of the Company pursuant to any employee stock plan or other employee benefit plan arrangement), then, as soon as practicable (but in no event less than thirty (30) days prior to the proposed date of filing such Registration Statement), the Company shall give written notice of such proposed filing to all Holders of Registrable Securities, and such notice shall offer the Holders of such Registrable Securities the opportunity to Register under such Registration Statement such number of Registrable Securities as each such Holder may request in writing (a "Piggyback Registration"). Subject to Section 3.1(b) and Section 5.2(b), the Company shall include in such Registration Statement all such Registrable Securities which are requested to be included therein within fifteen (15) days or, if the Company is a WKSI at such time, five (5) business days, in each case, after the receipt by such Holder of any such notice; provided, however, that if at any time after giving written notice of its intention to Register any securities and prior to the effective date of the Registration Statement filed in connection with such Registration, the Company shall determine for any reason not to Register or to delay Registration of such securities, the Company shall give written notice of such determination to each Holder of Registrable Securities and, thereupon, (i) in the case of a determination not to Register, shall be relieved of its obligation to Register any Registrable Securities in connection with such Registration (but not from its obligation to pay the Registration Expenses in connection therewith), without prejudice, however, to the rights of any Holders of Registrable Securities entitled to request that such Registration be effected as a Demand Registration under Section 5.1, and (ii) in the case of a determination to delay registering, in the absence of a request for a Demand Registration, shall be permitted to delay registering any Registrable Securities, for the same period as the delay in registering such other securities. If the offering pursuant to such Registration Statement is to be underwritten, then each Holder making a request for a Piggyback Registration pursuant to this Section 5.2(a) must, and the Company shall make such arrangements with the managing underwriter or underwriters so that each such Holder may, participate in such Underwritten Offering. If the offering pursuant

to such Registration Statement is to be on any other basis, then each Holder making a request for a Piggyback Registration pursuant to this Section 5.2(a) must, and the Company shall make such arrangements so that each such Holder may, participate in such offering on such basis. Each Holder of Registrable Securities shall be permitted to withdraw all or part of such Holder's Registrable Securities from a Piggyback Registration at any time prior to the effective date of such Registration.

(b) Priority of Piggyback Registration. If the managing underwriter or underwriters of any proposed Underwritten Offering of Registrable Securities included in a Piggyback Registration informs the Company in writing that, in its or their opinion, the number of securities which such Holders and any other Persons intend to include in such offering exceeds the number which can be sold in such offering without being likely to have a significant adverse effect on the price, timing or distribution of the securities offered or the market for the securities offered, then the securities to be included in such Registration shall be (i) first, the number of Registrable Securities that the Company proposes to sell, that, in the opinion of such managing underwriter(s), can be sold, (ii) second, only if all securities referred to in clause (i) have been included in such Registration, the number of Registrable Securities requested by all Holders of Registrable Securities to be included in such Registration, that, in the opinion of such managing underwriter(s), can be sold, such amount to be allocated among all such Holders of Registrable Securities pro rata on the basis of the respective number of Registrable Securities then held by each such Holder, and (iii) third, only if all securities referred to in clauses (i) and (ii) have been included in such Registration, the number of Registrable Securities that any other Person exercising a contractual right to demand Registration proposes to sell, that, in the opinion of such managing underwriter(s), can be sold.

(c) No Effect on Demand Registrations. No Registration of Registrable Securities effected pursuant to a reasonable request under this Section 5.2 shall be deemed to have been effected pursuant to Section 5.1 or shall relieve the Company of its obligations under Section 5.1.

SECTION 5.3 Registration Procedures.

(a) In connection with the Company's Registration obligations under Sections 5.1 and 5.2, the Company shall use its reasonable best efforts to effect such Registration to permit the sale of such Registrable Securities in accordance with the intended method or methods of distribution thereof as expeditiously as possible, and in connection therewith the Company shall:

(i) prepare the required Registration Statement, including all exhibits and financial statements required under the Securities Act to be filed therewith, and before filing a Registration Statement or Prospectus, or any amendments or supplements thereto, (x) furnish to the underwriters, if any, and to the Holders of the Registrable Securities covered by such Registration Statement, copies of all documents prepared to be filed or used, which documents shall be subject to the review of such underwriters and such Holders and their respective counsel and (y) except in the case of a Registration under Section 5.2, not file or use any Registration Statement or Prospectus or amendments or supplements thereto or any free writing prospectus related thereto to which the Holders of a majority of Registrable Securities covered by such Registration Statement or the underwriters, if any, shall object;

(ii) as soon as possible (in the case of a Demand Registration, no later than the applicable deadline set forth in Section 5.1(a)) file with the SEC, a Registration Statement for the disposition of the Registrable Securities in accordance with the intended method of disposition thereof, including all exhibits and financial statements required by the SEC to be filed therewith, and use its reasonable best efforts to cause such Registration Statement to become effective under the Securities Act;

(iii) prepare and file with the SEC, such amendments and post-effective amendments to such Registration Statement and supplements to the Prospectus or any free writing prospectus related thereto as may be (x) requested by the Holders of a majority of participating Registrable Securities, (y) requested by any participating Holder (to the extent such request relates to information relating to such Holder), or (z) necessary to keep such Registration effective for the period of time required by this Agreement, and comply with provisions of the applicable securities laws with respect to the sale or other disposition of all securities covered by such Registration Statement during such period in accordance with the intended method or methods of disposition by the sellers thereof set forth in such Registration Statement;

(iv) notify the participating Holders of Registrable Securities and the managing underwriter or underwriters, if any, and (if requested) confirm such advice in writing and provide copies of the relevant documents, as soon as practicable after notice thereof is received by the Company (a) when the applicable Registration Statement or any amendment thereto has been filed or becomes effective, and when the applicable Prospectus or any amendment or supplement to such Prospectus or any free writing prospectus related thereto has been filed and/or used, (b) of any written comments by the SEC or any request by the SEC or any other federal or state governmental authority for amendments or supplements to such Registration Statement or such Prospectus or for additional information, (c) of the issuance by the SEC of any stop order suspending the effectiveness of such Registration Statement or any order by the SEC or any other regulatory authority preventing or suspending the use of any preliminary or final Prospectus or the initiation or threatening of any proceedings for such purposes, (d) if, at any time, the representations and warranties of the Company in any applicable underwriting agreement cease to be true and correct and in all material respects, and (e) of the receipt by the Company of any notification with respect to the suspension of the qualification of the Registrable Securities for offering or sale in any jurisdiction or the initiation or threatening of any proceeding for such purpose;

(v) promptly notify each selling Holder of Registrable Securities and the managing underwriter or underwriters, if any, when the Company becomes aware of the happening of any event as a result of which the applicable Registration Statement or the Prospectus included in such Registration Statement (as then in effect) or any free writing prospectus related thereto or the information conveyed to any purchaser at the time of sale to such purchaser contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements therein (in the case of such Prospectus, any preliminary Prospectus, any free writing prospectus and any information conveyed to any purchaser at the time of the sale to such purchaser, in light of the circumstances under which they were made) not misleading or, if for any other reason it shall be

necessary during such time period to amend or supplement such Registration Statement or Prospectus, any free writing prospectus related thereto or any information conveyed to any purchaser at the time of the sale to such purchaser in order to comply with the Securities Act and, in either case as promptly as practicable thereafter, prepare and file with the SEC, and furnish without charge to the selling Holders and the managing underwriter or underwriters, if any, an amendment or supplement to such Registration Statement or Prospectus, any free writing prospectus related thereto or any information conveyed to any purchaser at the time of the sale to such purchaser which shall correct such misstatement or omission or effect such compliance;

(vi) use its reasonable best efforts to prevent or obtain the withdrawal of any stop order or other order suspending the use of any preliminary or final Prospectus;

(vii) promptly incorporate in a Prospectus supplement or post-effective amendment such information as the managing underwriter or underwriters and the Holders of a majority of Registrable Securities being sold agree should be included therein relating to the plan of distribution with respect to such Registrable Securities; and make all required filings of such Prospectus supplement or post-effective amendment as soon as practicable after being notified of the matters to be incorporated in such Prospectus supplement or post-effective amendment;

(viii) furnish to each selling Holder of Registrable Securities and each underwriter, if any, without charge, as many conformed copies as such Holder or underwriter may request of the applicable Registration Statement and any amendment or post-effective amendment thereto, including financial statements and schedules, all documents incorporated therein by reference and all exhibits (including those incorporated by reference) and any free writing prospectus utilized in connection therewith;

(ix) deliver to each selling Holder of Registrable Securities and each underwriter, if any, without charge, as many copies of the applicable Prospectus (including each preliminary prospectus) and any amendment or supplement thereto or any free writing prospectus relating thereto as such Holder or underwriter may request (it being understood that the Company consents to the use of such Prospectus or any amendment or supplement thereto or any free writing prospectus relating thereto by each of the selling Holders of Registrable Securities and the underwriters, if any, in connection with the offering and sale of the Registrable Securities covered by such Prospectus or any amendment or supplement thereto) and such other documents as such selling Holder or underwriter may request in order to facilitate the disposition of the Registrable Securities by such Holder or underwriter;

(x) on or prior to the date on which the applicable Registration Statement is declared effective, use its reasonable best efforts to register or qualify, and cooperate with the selling Holders of Registrable Securities, the managing underwriter or underwriters, if any, and their respective counsel, in connection with the registration or qualification of such Registrable Securities for offer and sale under the securities or “Blue Sky” laws of each state and other jurisdiction of the United States as any such selling Holder or

managing underwriter or underwriters, if any, or their respective counsel request in writing and do any and all other acts or things necessary or advisable to keep such registration or qualification in effect for such period as required by Section 5.1(d); provided that the Company shall not be required to qualify generally to do business in any jurisdiction where it is not then so qualified or to take any action which would subject it to taxation or general service of process in any such jurisdiction where it is not then so subject;

(xi) cooperate with the selling Holders of Registrable Securities and the managing underwriter or underwriters, if any, to facilitate the timely preparation and delivery of certificates representing Registrable Securities to be sold and not bearing any restrictive legends; and enable such Registrable Securities to be in such denominations and registered in such names as the managing underwriters may request at least two (2) business days prior to any sale of Registrable Securities to the underwriters;

(xii) use its reasonable best efforts to (A) cause the Registrable Securities covered by the applicable Registration Statement to be registered with or approved by such other governmental agencies or authorities as may be necessary to enable the seller or sellers thereof or the underwriter or underwriters, if any, to consummate the disposition of such Registrable Securities, (B) keep such registration or qualification in effect for so long as such registration statement remains in effect, and (C) take any and all other actions which may be necessary or advisable to enable each selling Holders of Registrable Securities and each underwriter to consummate the disposition in such jurisdictions of the securities to be sold by such Holder or underwriter, except that the Company shall not for any such purpose be required to qualify generally to do business as a foreign corporation in any jurisdiction wherein it would not, but for the requirements of this Section 5.3(a)(xii), be obligated to be so qualified;

(xiii) deliver promptly to counsel to the Holders of Registrable Securities and each underwriter, if any, participating in the offering of the Registrable Securities, copies of all correspondence between the SEC and the Company, its counsel or auditors and all memoranda relating to discussions with the SEC or its staff with respect to such Registration Statement;

(xiv) not later than the effective date of the applicable Registration Statement, provide a CUSIP number for all Registrable Securities and provide the applicable transfer agent with printed certificates for the Registrable Securities which are in a form eligible for deposit with The Depository Trust Company;

(xv) make such representations and warranties to the Holders of Registrable Securities being registered, and the underwriters or agents, if any, in form, substance and scope as are customarily made by issuers in secondary underwritten public offerings;

(xvi) enter into and perform its obligations under such customary agreements (including underwriting and indemnification agreements) and take all such other actions as the Holders of at least a majority of any Registrable Securities being sold or the managing underwriter or underwriters, if any, request in order to expedite or facilitate the registration and disposition of such Registrable Securities;

(xvii) obtain for delivery to the Holders of Registrable Securities being registered and to the underwriter or underwriters, if any, an opinion or opinions from counsel for the Company dated the effective date of the Registration Statement or, in the event of an Underwritten Offering, the date of the closing under the underwriting agreement, in customary form, scope and substance, which opinions shall be satisfactory to such Holders or underwriters, as the case may be, and their respective counsel;

(xviii) in the case of an Underwritten Offering, use its reasonable best efforts to obtain for delivery to the Company and the managing underwriter or underwriters, with copies to the Holders of Registrable Securities included in such Registration, a cold comfort letter from the Company's independent certified public accountants in customary form and covering such matters of the type customarily covered by cold comfort letters as the managing underwriter or underwriters request, dated the date of execution of the underwriting agreement and brought down to the closing under the underwriting agreement;

(xix) cooperate with each seller of Registrable Securities and each underwriter, if any, participating in the disposition of such Registrable Securities and their respective counsel in connection with any filings required to be made with FINRA or any securities exchange on which such Registrable Securities are traded or will be traded;

(xx) cooperate with the selling Holders of Registrable Securities and the underwriter to facilitate the timely preparation and delivery of certificates not bearing any restrictive legends representing the Registrable Securities to be sold, and cause such Registrable Securities to be issued in such denominations and registered in such names in accordance with the underwriting agreement prior to any sale of Registrable Securities to the underwriters or, if not an Underwritten Offering, in accordance with the instructions of the selling Holders of Registrable Securities at least five (5) business days prior to any sale of Registrable Securities and instruct any transfer agent and registrar of Registrable Securities to release any stop transfer orders in respect thereof;

(xxi) to the extent required by the rules and regulations of FINRA, retain a Qualified Independent Underwriter (as such term is defined in FINRA Rule 5121(f)(12)), which shall be acceptable to the Holders of a majority of Registrable Securities;

(xxii) use its reasonable best efforts to comply with all applicable securities laws and make available to its security holders, as soon as practicable, an earnings statement satisfying the provisions of Section 11(a) of the Securities Act and the rules and regulations promulgated thereunder;

(xxiii) provide and cause to be maintained a transfer agent and registrar for all Registrable Securities covered by the applicable Registration Statement from and after a date not later than the effective date of such Registration Statement;

(xxiv) use its reasonable best efforts to cause all Registrable Securities covered by the applicable Registration Statement to be listed on each securities exchange on which any of the Company's securities are then listed or quoted and on each inter dealer quotation system on which any of the Company's securities are then quoted;

(xxv) make available upon reasonable notice at reasonable times and for reasonable periods for inspection by a representative appointed by the Holders of a majority of Registrable Securities covered by the applicable Registration Statement, by any underwriter participating in any disposition to be effected pursuant to such Registration Statement and by any attorney, accountant or other agent retained by such Holders or any such underwriter, all pertinent financial and other records, pertinent corporate documents and properties of the Company, and use its reasonable best efforts to cause all of the Company's officers, directors and employees and the independent public accountants who have certified its financial statements to make themselves available to discuss the business of the Company and to supply all information requested by any such Person in connection with such Registration Statement as shall be necessary to enable them to exercise their due diligence responsibility; provided, however, that any such Person gaining access to information regarding the Company pursuant to this Section 5.3(a)(xxv) shall agree to hold in strict confidence and shall not make any disclosure or use any information regarding the Company which the Company determines in good faith to be confidential, and of which determination such Person is notified, unless (w) the release of such information is requested or required (by deposition, interrogatory, requests for information or documents by a governmental entity, subpoena or similar process), (x) such information is or becomes publicly known without a breach of this or any other agreement of which such Person has knowledge, (y) such information is or becomes available to such Person on a non-confidential basis from a source other than the Company or (z) such information is independently developed by such Person;

(xxvi) in the case of an Underwritten Offering, cause the senior executive officers of the Company to participate in the customary "road show" presentations that may be reasonably requested by the managing underwriter or underwriters in any such Underwritten Offering and otherwise to facilitate, cooperate with, and participate in each proposed offering contemplated herein and customary selling efforts related thereto.

(xxvii) take all reasonable action to ensure that any free writing prospectus utilized in connection with any registration covered by Section 5.1 or 5.2 complies in all material respects with the Securities Act, is filed in accordance with the Securities Act to the extent required thereby, is retained in accordance with the Securities Act to the extent required thereby and, when taken together with the related Prospectus, Prospectus supplement and related documents, will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; and

(xxviii) in connection with any Underwritten Offering, if at any time the information conveyed to a purchaser at the time of sale to such purchaser includes any untrue statement of a material fact or omits to state any material fact necessary in order to

make the statements therein, in light of the circumstances under which they were made, not misleading, promptly file with the SEC such amendments or supplements to such information as may be necessary so that the statements as so amended or supplemented will not, in light of the circumstances, be misleading.

To the extent the Company is a well-known seasoned issuer (as defined in Rule 405 under the Securities Act) (a "WKSI") at the time any Demand Registration is submitted to the Company, and such Demand Registration requests that the Company file an automatic shelf registration statement (as defined in Rule 405 under the Securities Act) (an "Automatic Shelf Registration Statement") on Form S-3, the Company shall file an Automatic Shelf Registration Statement which covers those Registrable Securities which are requested to be registered. If the Company does not pay the filing fee covering the Registrable Securities at the time the Automatic Shelf Registration Statement is filed, the Company agrees to pay such fee at such time or times as the Registrable Securities are to be sold. If the Automatic Shelf Registration Statement has been outstanding for at least three (3) years, at the end of the third year the Company shall refile a new Automatic Shelf Registration Statement covering the Registrable Securities. If at any time when the Company is required to re-evaluate its WKSI status the Company determines that it is not a WKSI, the Company shall use its reasonable best efforts to refile the Automatic Shelf Registration Statement on Form S-3 and, if such form is not available, Form S-1 and keep such registration statement effective during the period during which such registration statement is required to be kept effective.

If the Company files any Shelf Registration Statement for the benefit of the holders of any of its securities other than the Holders, the Company agrees that it shall include in such Shelf Registration Statement such disclosures as may be required by Rule 430B (referring to the unnamed selling security holders in a generic manner by identifying the initial offering of the securities to the Holders) in order to ensure that the Holders may be added to such Shelf Registration Statement at a later time through the filing of a Prospectus supplement rather than a post-effective amendment.

(b) The Company may require each seller of Registrable Securities as to which any Registration is being effected to furnish to the Company such information regarding the distribution of such securities and such other information relating to such Holder and its ownership of Registrable Securities as the Company may from time to time request in writing. Each Holder of Registrable Securities agrees to furnish such information to the Company and to cooperate with the Company as reasonably necessary to enable the Company to comply with the provisions of this Agreement.

(c) Each Holder of Registrable Securities agrees that, upon receipt of any notice from the Company of the happening of any event of the kind described in Section 5.3(a)(v), such Holder will forthwith discontinue disposition of Registrable Securities pursuant to such Registration Statement until such Holder's receipt of the copies of the supplemented or amended Prospectus contemplated by Section 5.3(a)(v), or until such Holder is advised in writing by the Company that the use of the Prospectus may be resumed, and if so directed by the Company, such Holder shall deliver to the Company (at the Company's expense) all copies, other than permanent file copies then in such Holder's possession, of the Prospectus covering such Registrable Securities current at the time of receipt of such notice. In the event the Company shall give any such

notice, the period during which the applicable Registration Statement is required to be maintained effective shall be extended by the number of days during the period from and including the date of the giving of such notice to and including the date when each seller of Registrable Securities covered by such Registration Statement either receives the copies of the supplemented or amended Prospectus contemplated by Section 5.3(a)(v) or is advised in writing by the Company that the use of the Prospectus may be resumed.

(d) If any such Registration Statement or comparable statement under "Blue Sky" laws refers to any Holder by name or otherwise as the Holder of any securities of the Company, then such Holder shall have the right to require (i) the insertion therein of language, in form and substance satisfactory to such Holder and the Company, to the effect that the holding by such Holder of such securities is not to be construed as a recommendation by such Holder of the investment quality of the Company's securities covered thereby and that such holding does not imply that such Holder will assist in meeting any future financial requirements of the Company, or (ii) in the event that such reference to such Holder by name or otherwise is not in the judgment of the Company, as advised by counsel, required by the Securities Act or any similar federal statute or any state "Blue Sky" or securities law then in force, the deletion of the reference to such Holder.

SECTION 5.4 Underwritten Offerings.

(a) Demand Registrations. If requested by the underwriters for any Underwritten Offering requested by Holders of Registrable Securities pursuant to a Demand Registration under Section 5.1, the Company shall enter into an underwriting agreement with such underwriters for such offering, such agreement to be in substance, form and otherwise reasonably satisfactory in substance and form to the Holders of a majority of the Registrable Securities to be included in such underwriting, and to contain such representations and warranties by the Company and such other terms as are generally prevailing in agreements of that type, including indemnities no less favorable to the recipient thereof than those provided in Section 5.6. The Holders of the Registrable Securities proposed to be distributed by such underwriters shall cooperate with the Company in the negotiation of the underwriting agreement and shall give consideration to the reasonable suggestions of the Company regarding the form thereof. Such Holders of Registrable Securities to be distributed by such underwriters shall be parties to such underwriting agreement, which underwriting agreement shall (i) contain such representations and warranties by, and the other agreements on the part of, the Company to and for the benefit of such Holders of Registrable Securities as are customarily made by issuers to selling stockholders in secondary underwritten public offerings and (ii) provide that any or all of the conditions precedent to the obligations of such underwriters under such underwriting agreement also shall be conditions precedent to the obligations of such Holders of Registrable Securities.

(b) Piggyback Registrations. If the Company proposes to register any of its securities under the Securities Act as contemplated by Section 5.2 and such securities are to be distributed in an Underwritten Offering through one or more underwriters, the Holders of Registrable Securities to be distributed by such underwriters shall be parties to the underwriting agreement between the Company and such underwriters, which underwriting agreement shall (i) be in a form approved by the Company and (ii) provide that any or all of the conditions precedent to the obligations of such underwriters under such underwriting agreement also shall be conditions precedent to the obligations of such Holders of Registrable Securities.

(c) Participation in Underwritten Registrations. No Person may participate in any Underwritten Offering hereunder unless such Person (i) agrees to sell such Person's securities on the basis provided in, and agrees to become a party to, any underwriting arrangements approved by the Persons entitled to approve such arrangements and (ii) completes and executes all questionnaires, powers of attorney, indemnities, underwriting agreements and other documents required under the terms of such underwriting arrangements.

(d) Price and Underwriting Discounts. In the case of an Underwritten Offering under Section 5.1, the price, underwriting discount and other financial terms for the Registrable Securities shall be determined by the Holders of a majority of the Registrable Securities included in the Underwritten Offering. In addition, in the case of any Underwritten Offering, each of the Holders may withdraw their request to participate in the registration pursuant to Section 5.1 after being advised of such price, discount and other terms and shall not be required to enter into any agreements or documentation that would require otherwise.

SECTION 5.5 Registration Expenses. All expenses incident to the Company's performance of or compliance with this Agreement shall be paid by the Company, including (i) all registration and filing fees, and any other fees and expenses associated with filings required to be made with the SEC or FINRA, (ii) all fees and expenses in connection with compliance with any securities or "Blue Sky" laws and determination of the eligibility of the Registrable Securities for investment under the laws of the various jurisdictions, (iii) all printing, duplicating, word processing, messenger, telephone, facsimile and delivery expenses (including expenses of printing certificates for the Registrable Securities in a form eligible for deposit with The Depository Trust Company and of printing prospectuses), (iv) all fees and disbursements of counsel for the Company and of all independent certified public accountants of the Company (including the expenses of any special audit and cold comfort letters required by or incident to such performance), (v) Securities Act liability insurance or similar insurance if the Company so desires or the underwriters so require in accordance with then-customary underwriting practice, (vi) all fees and expenses incurred in connection with the listing of the Registrable Securities on any securities exchange or quotation of the Registrable Securities on any inter-dealer quotation system, (vii) all applicable rating agency fees with respect to the Registrable Securities, (viii) all reasonable fees and disbursements of (A) one law firm or other counsel selected by the Holders of a majority of the Registrable Securities owned by the Carlyle Stockholders and their Affiliates being registered and (B) one law firm or other counsel selected by the Holders of a majority of the Registrable Securities owned by the Onex Stockholders and their Affiliates being registered, (ix) any reasonable fees and disbursements of underwriters customarily paid by issuers or sellers of securities, (x) all fees and expenses of any special experts or other Persons retained by the Company in connection with any Registration, (xi) fees and expenses of a Qualified Independent Underwriter (as such term is defined in FINRA Rule 5121(f)(12)) and its counsel, if any, (xii) all fees and disbursements of the underwriters (other than underwriting discounts and commissions) and (xiii) all expenses incurred in connection with promotional efforts or "roadshows". All such expenses are referred to herein as "Registration Expenses".

SECTION 5.6 Indemnification.

(a) Indemnification by the Company. The Company agrees to indemnify and hold harmless, to the full extent permitted by law, each Holder of Registrable Securities, each member, limited or general partner thereof, each member, limited or general partner of each such member, limited or general partner, each of their respective Affiliates, officers, directors, stockholders, employees, advisors, and agents and each Person who controls (within the meaning of the Securities Act or the Exchange Act) such Persons and each of their respective representatives from and against any and all losses, penalties, judgments, suits, costs, claims, damages, liabilities and expenses, joint or several (including reasonable costs of investigation and legal expenses) (each, a "Loss" and collectively "Losses") arising out of or based upon (i) any untrue or alleged untrue statement of a material fact contained in any Registration Statement under which such Registrable Securities were registered under the Securities Act (including any final, preliminary or summary Prospectus contained therein or any amendment thereof or supplement thereto or any documents incorporated by reference therein) or contained in any free writing prospectus utilized in connection therewith or in any information conveyed to any purchaser at the time of the sale to such purchaser, or any other disclosure document produced by or on behalf of the Company or any of its Subsidiaries, including reports and other documents filed under the Exchange Act, (ii) any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein (in the case of a Prospectus, preliminary Prospectus, free writing prospectus related thereto or the information conveyed to any purchaser at the time of the sale to such purchaser, in light of the circumstances under which they were made) not misleading, (iii) any actions or inactions or proceedings in respect of the foregoing whether or not such indemnified party is a party thereto or (iv) any registration or qualification of securities under "Blue Sky" laws; provided, however, that the Company shall not be liable to any particular indemnified party to the extent that any such Loss arises out of or is based upon an untrue statement or alleged untrue statement or omission or alleged omission made in any such Registration Statement or other disclosure document in reliance upon and in conformity with written information furnished to the Company by such indemnified party expressly for use in the preparation thereof. This indemnity shall be in addition to any liability the Company may otherwise have. Such indemnity shall remain in full force and effect regardless of any investigation made by or on behalf of such Holder or any indemnified party and shall survive the Transfer of such securities by such Holder. The Company shall also indemnify underwriters, selling brokers, dealer managers and similar securities industry professionals participating in the distribution, their officers and directors and each Person who controls such Persons (within the meaning of the Securities Act or the Exchange Act) to the same extent as provided above with respect to the indemnification of the indemnified parties.

(b) Indemnification by the Selling Holder of Registrable Securities. Each selling Holder of Registrable Securities agrees (severally and not jointly) to indemnify and hold harmless, to the fullest extent permitted by law, the Company, its directors and officers and each Person who controls the Company (within the meaning of the Securities Act or the Exchange Act) from and against any Losses resulting from (i) any untrue statement of a material fact contained in any Registration Statement under which such Registrable Securities were registered under the Securities Act (including any final, preliminary or summary Prospectus contained therein or any amendment thereof or supplement thereto or any documents incorporated by reference therein) or contained in any free writing prospectus utilized in connection therewith, or (ii) any omission to state therein a material fact required to be stated therein or necessary to make the statements

therein (in the case of a Prospectus, preliminary Prospectus or free writing prospectus related thereto, in light of the circumstances under which they were made) not misleading, to the extent, but only to the extent, that such untrue statement or omission is contained in any information furnished in writing by such selling Holder to the Company specifically for inclusion in such Registration Statement and has not been corrected in a subsequent writing prior to or concurrently with the sale of the Registrable Securities to the Person asserting the claim. In no event shall the liability of any selling Holder of Registrable Securities hereunder be greater in amount than the dollar amount of the net proceeds received by such Holder under the sale of Registrable Securities giving rise to such indemnification obligation.

(c) Conduct of Indemnification Proceedings. Any Person entitled to indemnification hereunder shall (1) give prompt written notice to the indemnifying party of any claim with respect to which it seeks indemnification (provided that any delay or failure to so notify the indemnifying party shall relieve the indemnifying party of its obligations hereunder only to the extent, if at all, that it is actually and materially prejudiced by reason of such delay or failure) and (2) permit such indemnifying party to assume the defense of such claim, jointly with any other indemnifying party, with counsel reasonably satisfactory to the indemnified party; provided, however, that any Person entitled to indemnification hereunder shall have the right to select and employ separate counsel and to participate in the defense of such claim, but the fees and expenses of such counsel shall be at the expense of such Person unless (i) the indemnifying party has agreed in writing to pay such fees or expenses, (ii) the indemnifying party shall have failed to assume the defense of such claim within a reasonable time after receipt of notice of such claim from the Person entitled to indemnification hereunder and employ counsel reasonably satisfactory to such Person, (iii) the indemnified party has reasonably concluded (based upon advice of its counsel) that there may be legal defenses available to it or other indemnified parties that are different from or in addition to those available to the indemnifying party, or (iv) in the reasonable judgment of any such Person (based upon advice of its counsel) a conflict of interest may exist between such Person and the indemnifying party with respect to such claims (in which case, if the Person notifies the indemnifying party in writing that such Person elects to employ separate counsel at the expense of the indemnifying party, the indemnifying party shall not have the right to assume the defense of such claim on behalf of such Person). If the indemnifying party assumes the defense, the indemnifying party shall not have the right to settle such action without the consent of the indemnified party. No indemnifying party shall consent to entry of any judgment or enter into any settlement unless such judgment or settlement (A) includes as an unconditional term thereof the giving by the claimant or plaintiff to such indemnified party of an unconditional release from all liability in respect to such claim or litigation, (B) does not include a statement as to or an admission of fault, culpability or a failure to act, by or on behalf of any indemnified party, and (C) does not require any action other than the payment of money by the indemnifying party. If such defense is not assumed by the indemnifying party, the indemnifying party will not be subject to any liability for any settlement made without its prior written consent, but such consent may not be unreasonably withheld. It is understood that the indemnifying party or parties shall not, in connection with any proceeding or related proceedings in the same jurisdiction, be liable for the reasonable fees, disbursements or other charges of more than one separate firm admitted to practice in such jurisdiction at any one time unless (x) the employment of more than one counsel has been authorized in writing by the indemnifying party or parties, (y) an indemnified party has reasonably concluded (based on the advice of counsel) that there may be legal defenses available to it that are different from or in addition to those available to the

other indemnified parties or (z) a conflict or potential conflict exists or may exist (based upon advice of counsel to an indemnified party) between such indemnified party and the other indemnified parties, in each of which cases the indemnifying party shall be obligated to pay the reasonable fees and expenses of such additional counsel or counsels.

(d) Contribution. If for any reason the indemnification provided for in paragraphs (a) and (b) of this Section 5.6 is unavailable to an indemnified party or insufficient in respect of any Losses referred to therein, then the indemnifying party shall contribute to the amount paid or payable by the indemnified party as a result of such Loss (i) in such proportion as is appropriate to reflect the relative fault of the indemnifying party, on the one hand, and the indemnified party or parties, on the other hand, in connection with the acts, statements or omissions that resulted in such Losses, as well as any other relevant equitable considerations. In connection with any Registration Statement filed with the SEC by the Company, the relative fault of the indemnifying party, on the one hand, and the indemnified party, on the other hand, shall be determined by reference to, among other things, whether any untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the indemnifying party or by the indemnified party and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The parties hereto agree that it would not be just or equitable if contribution pursuant to this Section 5.6(d) were determined by pro rata allocation or by any other method of allocation that does not take account of the equitable considerations referred to in the immediately preceding sentence. Notwithstanding the foregoing, no Person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any Person who was not guilty of such fraudulent misrepresentation. The amount paid or payable by an indemnified party as a result of the Losses referred to in Sections 5.6(a) and 5.6(b) shall be deemed to include, subject to the limitations set forth above, any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this Section 5.6(d), in connection with any Registration Statement filed by the Company, a selling Holder of Registrable Securities shall not be required to contribute any amount in excess of the dollar amount of the net proceeds received by such Holder under the sale of Registrable Securities giving rise to such contribution obligation. If indemnification is available under this Section 5.6, the indemnifying parties shall indemnify each indemnified party to the full extent provided in Sections 5.6(a) and 5.6(b) without regard to the provisions of this Section 5.6(d). The remedies provided for in this Section 5.6 are not exclusive and shall not limit any rights or remedies which may otherwise be available to any indemnified party at law or in equity.

SECTION 5.7 Rules 144 and 144A and Regulation S. The Company covenants that, at its own expense, it will file the reports required to be filed by it under the Securities Act and the Exchange Act and the rules and regulations adopted by the SEC thereunder. Upon the request of any Holder of Registrable Securities, the Company will deliver to such Holder a written statement as to whether it has complied with such requirements and, if not, the specifics thereof (and such Holder shall be entitled to rely upon the accuracy of such written statement).

SECTION 5.8 Waiver of Registration Rights. Notwithstanding anything to the contrary in this Agreement, the Carlyle Stockholders and the Onex Stockholders, acting together in good faith, may waive compliance by the Company with any provision of this Article V, including

waiving any obligation to include Registrable Securities in connection with any offering or Registration; provided that no such waiver shall result in any Stockholder being adversely and disproportionately affected.

SECTION 5.9 Holdback Agreement. If the Company at any time shall register Registrable Securities (including any registration pursuant to terms hereof) for sale to the public or undertake any other Public Offering in which the Company sells Common Shares for its own account, the Qualified Investor Stockholders (if any) and the Management Stockholders will, at the request of the Company, enter into agreements with the managing underwriters, if any, in connection with any such Public Offering pursuant to which such Stockholders agree not to (i) offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant for the sale of, or otherwise dispose of or Transfer any Common Shares or any securities convertible into or exchangeable or exercisable for Common Shares, whether now owned or hereafter acquired by any such Stockholder or with respect to which any such Stockholder undersigned has or hereafter acquires the power of disposition (collectively, the "Lock-Up Securities") and (ii) enter into any swap or any other agreement or any transaction that Transfers, in whole or in part, directly or indirectly, the economic consequence of ownership of the Lock-Up Securities, whether any such swap or transaction is to be settled by delivery of Common Shares or other securities, in cash or otherwise (in each case, other than those Common Shares included in such registration pursuant to this Article V) without the prior written consent of the Company (and any managing underwriters of such Public Offering), for a period designated by the Company in writing to such Stockholders, which period shall not begin more than ten (10) days prior to the effectiveness of the Registration Statement pursuant to which such Public Offering shall be made and shall not last more than (i) 180 days after the Effective Date, and (ii) 90 days after the effective date of any other Registration Statement. The Company shall obtain the agreement of any Person permitted to sell shares in a Registration to be bound by and to comply with this Section 5.9 as if such Person was a Management Stockholder hereunder.

## ARTICLE VI

## RIGHT TO REPURCHASE CERTAIN SECURITIES

SECTION 6.1 Certain Call Rights Upon Termination of Employment. Except as otherwise agreed in writing by the Company, if the employment of any Management Stockholder with the Company or any of its Subsidiaries terminates for any reason other than a mutually agreeable retirement (the date of such termination being referred to as the "Termination Date"), the Company shall have the right, but not the obligation, to purchase, for cash, in one or more transactions, all or any portion of the Shares and Vested Options held by such Management Stockholder and issued pursuant to the Equity Incentive Plan of Allison Transmission Holdings, Inc., the Allison Transmission Holdings, Inc. 2011 Equity Incentive Award Plan (or any similar equity-based plans approved by the Board of the Directors, including any shares purchased pursuant to a directed share program) (the "Equity Call Option" and such Shares and Vested Options subject to the Equity Call Option, the "Call Equity Securities") at the Equity Call Purchase Price.

SECTION 6.2 Procedures for Purchasing Equity Call Option.

(a) If the Company desires to exercise the Equity Call Option, it shall deliver written notice thereof (a "Call Notice") to the Management Stockholder in question no later than the first anniversary of the later of (i) the Termination Date and (ii) the date of exercise of any Vested Options that constitute Call Equity Securities (the "Call Period"), which notice shall set forth the number of and identify the Call Equity Securities of the Management Stockholder the Company desires to repurchase, the Equity Call Purchase Price for each such Call Equity Security, and the proposed closing date of the transaction.

(b) All sales of Call Equity Securities to the Company pursuant to this Article VI shall be consummated at the offices of the Company at such time specified in the Call Notice, or at such other time and/or place as the Company may otherwise agree. The delivery of certificates or other instruments evidencing such Call Equity Securities duly endorsed for transfer (or, in the case of any Call Equity Securities that are Vested Options, accompanied by appropriate instruments of cancellation of such Vested Options) shall be made on such date against payment of the purchase price for such Call Equity Securities.

(c) Notwithstanding anything in this Article VI to the contrary, if during the Call Period, (i) any restrictions prohibit the repurchase of Call Equity Securities hereunder which the Company is otherwise entitled to make or a repurchase would not be permitted under, or would violate, applicable law, (ii) any restrictions prohibit dividends or other transfers of funds from one or more Subsidiaries to the Company to enable such repurchases, or (iii) there exists and is continuing a default or an event of default on the part of the Company or any Subsidiary of the Company under any bond indenture or any loan, guarantee or other agreement under which the Company or any Subsidiary of the Company has borrowed money or if the repurchase by the Company referred to in this Article VI would result in a default or an event of default on the part of the Company or any Subsidiary of the Company under any such agreement (any such occurrence referred to in clause (i), (ii) or (iii) being an "Event"), the Company shall be permitted to delay the repurchase of the Call Equity Securities from the Management Stockholder until the first business day which is thirty (30) calendar days after all Events have ceased to exist. In the event of a delay due to an Event, the Call Purchase Price shall be set as of the date of the Call Notice provided in accordance with this Article VI.

(d) Notwithstanding the foregoing, if the Company formally elects not to effect a repurchase of the Call Equity Securities, then subject to the terms of the SCA and applicable law, the Carlyle Stockholders and the Onex Stockholders may, but shall not be obligated to, effect such repurchases on a pro rata basis based on the number of Shares then held by the Carlyle Stockholders and the Onex Stockholders.

## ARTICLE VII

## REPRESENTATIONS AND WARRANTIES

Each of the parties to this Agreement hereby represents and warrants to each other party to this Agreement that as of the date such party executes this Agreement:

SECTION 7.1 Existence; Authority; Enforceability. Such party has the power and authority to enter into this Agreement and to carry out its obligations hereunder. Such party is

duly organized and validly existing under the laws of its jurisdiction of organization, and the execution of this Agreement, and the consummation of the transactions contemplated herein, have been authorized by all necessary action, and no other act or proceeding on its part is necessary to authorize the execution of this Agreement or the consummation of any of the transactions contemplated hereby. This Agreement has been duly executed by it and constitutes its legal, valid and binding obligations, enforceable against it in accordance with its terms except as enforcement may be limited by applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent transfer and similar laws relating to or affecting creditors' rights generally, or by the general principles of equity.

SECTION 7.2 Absence of Conflicts. The execution and delivery by such party of this Agreement and the performance of its obligations hereunder does not and will not (i) conflict with, or result in the breach of, any provision of the constitutive documents of such party; (ii) result in any violation, breach, conflict, default or event of default (or an event which with notice, lapse of time, or both, would constitute a default or event of default), or give rise to any right of acceleration or termination or any additional payment obligation, under the terms of any contract, agreement or permit to which such party is a party or by which such party's assets or operations are bound or affected; or (iii) violate any law applicable to such party.

SECTION 7.3 Consents. Other than any consents which have already been obtained, no consent, waiver, approval, authorization, exemption, registration, license or declaration is required to be made or obtained by such party in connection with the execution, delivery or performance of this Agreement.

## ARTICLE VIII

## MISCELLANEOUS

SECTION 8.1 Information Rights; Books and Records; Inspection.

(a) The books and records of the Company shall be available for inspection by the Carlyle Stockholders and the Onex Stockholders at the principal office and place of business of the Company. The Company shall, and shall cause its Subsidiaries, officers, directors, employees, auditors and other agents to, (i) afford the Carlyle Stockholders, the Onex Stockholders and their agents access at all reasonable times to the officers, employees, auditors, legal counsel, properties, offices and other facilities of the Company and its Subsidiaries and to all books and records of the Company and its Subsidiaries and (ii) afford the Carlyle Stockholders, the Onex Stockholders and their respective agents with the opportunity to consult with the officers of the Company and its Subsidiaries from time to time as the Carlyle Stockholders or the Onex Stockholders, as the case may be, may reasonably request regarding the affairs, finances and accounts of the Company and its Subsidiaries.

(b) The Company shall provide the Onex Stockholders and the Carlyle Stockholders with any and all financial and other information relating to the Company and its business (including financial statements and other financial information) reasonably requested by the Onex Stockholders or the Carlyle Stockholders, as applicable, including such information as may be necessary to comply with regulatory, tax or other governmental filings.

SECTION 8.2 Freedom to Pursue Opportunities. The parties expressly acknowledge and agree that: (i) the Onex Stockholders, the Carlyle Stockholders, each Onex Director who is an employee of any Onex Stockholder or an employee of an Affiliate of any Onex Stockholder, each Carlyle Director who is an employee of any Carlyle Stockholder or an employee of an Affiliate of any Carlyle Stockholder and their respective Affiliates shall have the right to, and shall have no duty (contractual or otherwise) not to, directly or indirectly, engage in the same or similar business activities or lines of business as the Company or its Subsidiaries, including those deemed to be competing with the Company or its Subsidiaries; and (ii) in the event that any Onex Stockholder, any Carlyle Stockholder, any such Onex Director, any such Carlyle Director or any of their respective Affiliates acquires knowledge of a potential transaction or matter that may be a corporate opportunity for both the Company or its Subsidiaries and such Stockholder, Director or any other Person, the Stockholder, Director or Affiliate thereof, as applicable, shall have no duty (contractual or otherwise) to communicate or present such corporate opportunity to the Company or its Subsidiaries, as the case may be, and, notwithstanding any provision of this Agreement to the contrary, shall not be liable to the Company or its Subsidiaries or their respective Affiliates or stockholders for breach of any duty (contractual or otherwise) by reason of the fact that such Stockholder, Director or any Affiliate thereof, as applicable, directly or indirectly, pursues or acquires such opportunity for itself, directs such opportunity to another Person, or does not present such opportunity to the Company or its Subsidiaries unless, in the case of any such Person who is a Director, such opportunity is expressly offered to such Director in writing solely in his or her capacity as a Director.

SECTION 8.3 Certain ITAR Matters. In the event that any Investor Stockholder or any Affiliate of any Investor Stockholder (other than the Company or its Subsidiaries) makes any commitment to the United States Department of State or other governmental authority relating to compliance with the Consent Decree (as defined in the Asset Purchase Agreement, dated as of June 28, 2007, as amended, by and between General Motors Corporation and Allison Transmission, Inc. (f/k/a Clutch Operating Company, Inc.)), the Company shall indemnify, defend and hold harmless such Investor Stockholder or such Affiliate of such Investor Stockholder for any losses, costs, damages, liabilities or expenses incurred in connection with, arising out of or relating to such commitment, including any actual or alleged violation of such commitment.

SECTION 8.4 Termination. This Agreement shall terminate and be of no further force and effect upon the written agreement of the Company, the Carlyle Stockholders and the Onex Stockholders to terminate this Agreement; provided that such termination shall not release any party of any liability for any breach of this Agreement occurring prior to such termination.

SECTION 8.5 Acknowledgment. Each Stockholder acknowledges and agrees that the provisions of this Agreement have been reviewed and are understood by such Stockholder, and expresses the will and intention of such Stockholder and agrees not to take any action to frustrate the purposes and provisions of this Agreement.

SECTION 8.6 Successors and Assigns; Beneficiaries. Except as otherwise provided herein, all of the terms and provisions of this Agreement shall be binding upon, shall inure to the benefit of and shall be enforceable by the respective successors and permitted assigns of the parties hereto; provided that, except in connection with a Transfer made to a Permitted

Transferee, neither this Agreement nor any right arising under this Agreement may be assigned by any party hereto without the prior written consent of the Company, the Carlyle Stockholders and the Onex Stockholders, and any attempted assignment, without such consent, will be null and void. There shall be no third-party beneficiaries to this Agreement other than the indemnities under Section 5.6 and Section 8.3.

SECTION 8.7 Severability. In the event that any provision of this Agreement shall be invalid, illegal or unenforceable, such provision shall be construed by limiting it so as to be valid, legal and enforceable to the maximum extent provided by law and the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

SECTION 8.8 Amendment and Modification; Waiver of Compliance; Conflicts.

(a) This Agreement may be amended only by a written instrument duly executed by the Company, the Carlyle Stockholders and the Onex Stockholders; provided, however, that the Stockholder Schedule may be amended at any time by the Company to add as a party hereto any officer, director, employee or consultant of the Company or any of its Subsidiaries that is issued any Common Shares or options to purchase Common Shares and executes a supplemental signature page hereto in the form attached as Exhibit A hereto as a Management Stockholder.

(b) Except as otherwise provided in this Agreement and subject to Section 5.8 hereof, any failure of any of the parties to comply with any obligation, covenant, agreement or condition herein may be waived by the party entitled to the benefits thereof only by a written instrument signed by the party granting such waiver, but such waiver or failure to insist upon strict compliance with such obligation, covenant, agreement or condition shall not operate as a waiver of, or estoppel with respect to, any subsequent or other failure.

SECTION 8.9 Notices. Any notice, request, claim, demand, document and other communication hereunder to any party shall be effective upon receipt (or refusal of receipt) and shall be in writing and delivered personally or sent by facsimile, or first class mail, or by Federal Express, United Parcel Service or other similar courier or other similar means of communication, as follows:

(i) If to the Company, addressed to the Company, 4700 West 10th Street, Indianapolis, Indiana 46222; Attention: President & Chief Executive Officer;

(ii) If to the Onex Stockholders, addressed to Onex Partners II LP, 712 Fifth Avenue, 40th Floor, New York, NY 10019; Attention: Seth Mersky; with a copy (which shall not constitute notice) to Mayer, Brown, Rowe & Maw LLP, 1675 Broadway, New York, NY 10019; Attention: Mark Wojciechowski;

(iii) If to the Carlyle Stockholders, addressed to The Carlyle Group, 1001 Pennsylvania Avenue NW, Suite 220 South, Washington, DC 20004-2505; Facsimile: 202-347-1818; Attention: Gregory S. Ledford; with a copy (which shall not constitute notice) to Latham & Watkins LLP, 555 Eleventh Street, NW, Suite 1000, Washington, DC 20004; Facsimile: 202-637-2201; Attention: Daniel T. Lennon and Paul F. Sheridan;

(iv) If to a Stockholder other than the Investor Stockholders, to the address of such Stockholder set forth in the share register of the Company;

or, in each case, to such other address or facsimile number as such party may designate in writing to each Stockholder and the Company by written notice given in the manner specified herein.

All such communications shall be deemed to have been given, delivered or made when so delivered by hand or sent by facsimile (with confirmed transmission), on the next business day if sent by overnight courier service (with confirmed delivery) or when received if sent by first class mail.

SECTION 8.10 Entire Agreement. The provisions of this Agreement and the other writings referred to herein or delivered pursuant hereto which form a part hereof contain the entire agreement among the parties hereto with respect to the subject transactions contemplated thereby and supersede all prior oral and written agreements and memoranda and undertakings among the parties hereto with regard to such subject matter, including the Original Stockholders Agreement.

SECTION 8.11 Inspection. For so long as this Agreement shall be in effect, this Agreement shall be made available for inspection by any Stockholder at the principal executive offices of the Company.

SECTION 8.12 Recapitalizations, Exchanges, Etc., Affecting the Common Shares; New Issuances. The provisions of this Agreement shall apply to the full extent set forth herein with respect to the Shares and to any and all equity or debt securities of the Company or any successor or assign of the Company (whether by merger, amalgamation, consolidation, sale of assets, or otherwise) which may be issued in respect of, in exchange for, or in substitution of, the Shares and shall be appropriately adjusted for any share dividends, bonus issues, splits, reverse splits, combinations, subdivisions, reclassifications, recapitalizations, reorganizations and the like occurring after the date hereof.

SECTION 8.13 CHOICE OF LAW AND VENUE; WAIVER OF RIGHT TO JURY TRIAL. THIS AGREEMENT SHALL BE GOVERNED BY, CONSTRUED, APPLIED AND ENFORCED IN ACCORDANCE WITH THE INTERNAL LAWS OF THE STATE OF DELAWARE. EACH OF THE PARTIES HERETO ACKNOWLEDGES AND AGREES THAT IN THE EVENT OF ANY BREACH OF THIS AGREEMENT, THE NON-BREACHING PARTY WOULD BE IRREPARABLY HARMED AND COULD NOT BE MADE WHOLE BY MONETARY DAMAGES, AND THAT, IN ADDITION TO ANY OTHER REMEDY TO WHICH THEY MAY BE ENTITLED AT LAW OR IN EQUITY, THE PARTIES SHALL BE ENTITLED TO SUCH EQUITABLE OR INJUNCTIVE RELIEF AS MAY BE APPROPRIATE. THE CHOICE OF FORUM SET FORTH IN THIS SECTION SHALL NOT BE DEEMED TO PRECLUDE THE ENFORCEMENT OF ANY JUDGMENT OF A DELAWARE FEDERAL OR STATE COURT, OR THE TAKING OF ANY ACTION UNDER THIS AGREEMENT TO ENFORCE SUCH A JUDGMENT, IN ANY OTHER APPROPRIATE JURISDICTION.

IN THE EVENT ANY PARTY TO THIS AGREEMENT COMMENCES ANY LITIGATION, PROCEEDING OR OTHER LEGAL ACTION IN CONNECTION WITH OR RELATING TO THIS AGREEMENT, ANY RELATED AGREEMENT OR ANY MATTERS DESCRIBED OR CONTEMPLATED HEREIN OR THEREIN, THE PARTIES TO THIS AGREEMENT HEREBY (1) AGREE UNDER ALL CIRCUMSTANCES ABSOLUTELY AND IRREVOCABLY TO INSTITUTE ANY LITIGATION, PROCEEDING OR OTHER LEGAL ACTION IN A COURT OF COMPETENT JURISDICTION LOCATED WITHIN THE STATE OF DELAWARE, WHETHER A STATE OR FEDERAL COURT; (2) AGREE THAT IN THE EVENT OF ANY SUCH LITIGATION, PROCEEDING OR ACTION, SUCH PARTIES WILL CONSENT AND SUBMIT TO THE PERSONAL JURISDICTION OF ANY SUCH COURT DESCRIBED IN CLAUSE (1) OF THIS SECTION AND TO SERVICE OF PROCESS UPON THEM IN ACCORDANCE WITH THE RULES AND STATUTES GOVERNING SERVICE OF PROCESS (IT BEING UNDERSTOOD THAT NOTHING IN THIS SECTION SHALL BE DEEMED TO PREVENT ANY PARTY FROM SEEKING TO REMOVE ANY ACTION TO A FEDERAL COURT IN THE STATE OF DELAWARE; (3) AGREE TO WAIVE TO THE FULL EXTENT PERMITTED BY LAW ANY OBJECTION THAT THEY MAY NOW OR HEREAFTER HAVE TO THE VENUE OF ANY SUCH LITIGATION, PROCEEDING OR ACTION IN ANY SUCH COURT OR THAT ANY SUCH LITIGATION, PROCEEDING OR ACTION WAS BROUGHT IN ANY INCONVENIENT FORUM; (4) AGREE, AFTER CONSULTATION WITH COUNSEL, TO WAIVE ANY RIGHTS TO A JURY TRIAL TO RESOLVE ANY DISPUTES OR CLAIMS RELATING TO THIS AGREEMENT; (5) AGREE TO SERVICE OF PROCESS IN ANY LEGAL PROCEEDING BY MAILING OF COPIES THEREOF TO SUCH PARTY AT ITS ADDRESS SET FORTH HEREIN FOR COMMUNICATIONS TO SUCH PARTY; (6) AGREE THAT ANY SERVICE MADE AS PROVIDED HEREIN SHALL BE EFFECTIVE AND BINDING SERVICE IN EVERY RESPECT; AND (7) AGREE THAT NOTHING HEREIN SHALL AFFECT THE RIGHTS OF ANY PARTY TO EFFECT SERVICE OF PROCESS IN ANY OTHER MANNER PERMITTED BY LAW.

SECTION 8.14 Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

SECTION 8.15 Regulatory Matters. The Company shall and shall cause its Subsidiaries to keep the Carlyle Stockholders and the Onex Stockholders informed, on a current basis, of any events, discussions, notices or changes with respect to any criminal or regulatory investigation or action involving the Company or any of its Subsidiaries, so that the Carlyle Stockholders, the Onex Stockholders and their respective Affiliates will have the opportunity to take appropriate steps to avoid or mitigate any regulatory consequences to them that might arise from such investigation or action.

SECTION 8.16 Further Assurances; Company Logo. At any time or from time to time after the date hereof, the parties hereto agree to cooperate with each other, and at the request of any other party, to execute and deliver any further instruments or documents and to take all such further action as any other party may reasonably request in order to evidence or effectuate the provisions of this Agreement and to otherwise carry out the intent of the parties hereunder. The Company hereby grants the Carlyle Stockholders, the Onex Stockholders and their respective Affiliates permission to use the Company’s and its Subsidiaries’ name and logo in marketing materials.

SECTION 8.17 Effectiveness of Amendment and Restatement. Upon effectiveness of the Registration Statement relating to the Initial Public Offering, the Original Stockholders Agreement shall thereupon be deemed to be amended and restated as hereinabove set forth as fully and with the same effect as if the amendments and restatements made hereby were originally set forth in the Original Stockholders Agreement, but such amendments and restatements shall not operate so as to render invalid or improper any action heretofore taken under the Original Stockholders Agreement. However, to the extent such Initial Public Offering is not consummated, the provisions of this Amended and Restated Stockholders Agreement shall be without any force or effect and the Original Stockholders Agreement shall continue in full force and effect without regard to any amendments or restatements made hereby.

* * *

IN WITNESS WHEREOF, each of the undersigned has signed this Agreement as of the date first above written:

ALLISON TRANSMISSION HOLDINGS, INC.

By: /s/ Lawrence E. Dewey
Name: Lawrence E. Dewey
Title: President and Chief Executive Officer

ONEX ADVISOR III LLC

By: /s/ Joel I. Greenberg
Name: Joel I. Greenberg
Title: Director

By: /s/ Donald F. West
Name: Donald F. West
Title: Director

ONEX PARTNERS II LP

By: Onex Partners II GP LP,
its General Partner

By: Onex Partners Manager LP,
its Agent

By: Onex Partners Manager GP ULC,
its General Partner

By: /s/ Robert M. Le Blanc
Name: Robert M. Le Blanc
Title: Managing Director

By: /s/ Donald F. West
Name: Donald F. West
Title: Vice President and Secretary

ONEX PARTNERS II GP LP
By: Onex Partners GP Inc.,
its General Partner

By: /s/ Robert M. Le Blanc
Name: Robert M. Le Blanc
Title: President

By: /s/ Donald F. West
Name: Donald F. West
Title: Vice President

ONEX US PRINCIPALS LP

By: ONEX AMERICAN HOLDINGS GP LLC,
its General Partner

By: /s/ Donald F. West
Name: Donald F. West
Title: Representative

ONEX AMERICAN HOLDINGS II LLC

By: /s/ Robert M. Le Blanc
Name: Robert M. Le Blanc
Title: Director

By: /s/ Donald F. West
Name: Donald F. West
Title: Director

ALLISON EXECUTIVE INVESTCO LLC

By: /s/ Donald F. West
Name: Donald F. West
Title: Director

ONEX ALLISON CO-INVEST LP

By: Onex Partners II GP LP,
its General Partner

By: Onex Partners Manager LP,
its Agent

By: Onex Partners Manager GP ULC,
its General Partner

By: /s/ Robert M. Le Blanc
Name: Robert M. Le Blanc
Title: Managing Director

By: /s/ Donald F. West
Name: Donald F. West
Title: Vice President and Secretary

ONEX ADVISOR SUBCO II LLC

By: /s/ Donald F. West
Name: Donald F. West
Title: Director

OAH WIND LLC

By: /s/ Donald F. West
Name: Donald F. West
Title: Director

ALLISON EXECUTIVE INVESTCO II LLC

By: /s/ Donald F. West
Name: Donald F. West
Title: Director

ONEX ADVISOR SUBCO LLC

By: /s/ Donald F. West
Name: Donald F. West
Title: Director

By: /s/ Joel I. Greenberg
Name: Joel I. Greenberg
Title: Director

ONEX AMERICAN HOLDINGS SUBCO LLC

By: /s/ Robert M. Le Blanc
Name: Robert M. Le Blanc
Title: Director

By: /s/ Donald F. West
Name: Donald F. West
Title: Director

ONEX ALLISON HOLDING LIMITED S.Á R.L.

By: /s/ Donald F. West
Name: Donald F. West
Title: Director

1597257 ONTARIO INC.

By: /s/ Donald W. Lewtas
Name: Donald W. Lewtas
Title: Chief Financial Officer

By: /s/ Christopher A. Goran
Name: Christopher A. Goran
Title: Managing Director

**CARLYLE PARTNERS IV AT HOLDINGS, L.P.,**

By: TC Group IV Managing GP, L.L.C.,
its General Partner

By: TC Group, L.L.C.,
its Managing Member

By: TCG Holdings, L.L.C.,
its Managing Member

By: /s/ Gregory S. Ledford
Name: Gregory S. Ledford
Title: Managing Director

SCHEDULE 1

CURRENT CARLYLE STOCKHOLDER

Carlyle Partners IV AT Holdings, L.P.

SCHEDULE 2

CURRENT ONEX STOCKHOLDERS

Onex Partners II LP

Onex Advisor III LLC

Allison Executive Investco LLC

Onex Partners II GP LP

Onex American Holdings II LLC

Onex US Principals LP

Onex Allison Co-Invest LP

Onex Advisor Subco II LLC

OAH Wind LLC

Allison Executive Investco II LLC

Onex Advisor Subco LLC

Onex American Holdings Subco LLC

Onex Allison Holding Limited S.á R.L.

1597257 Ontario Inc.

EXHIBIT A

SIGNATURE PAGE
TO
AMENDED AND RESTATED STOCKHOLDERS AGREEMENT

By execution of this signature page, [Name] hereby agrees to become a party to, and to be bound by the obligations of, and receive the benefits of, that certain Amended and Restated Stockholders Agreement, dated as of March [ ], 2012, by and among Allison Transmission Holdings, Inc., a Delaware corporation, Onex Partners II LP, a Delaware limited partnership, and Carlyle Partners IV AT Holdings, L.P., a Delaware limited partnership, and certain other parties named therein, as amended from time to time thereafter, as a "Stockholder" under such agreement.

_____
[Name]

Notice Address:

_____

_____

Accepted:

Allison Transmission Holdings, Inc.

By: _____
Name:
Title:

**Exhibit 31.1**

**MANAGEMENT CERTIFICATION**

I, Lawrence E. Dewey, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Allison Transmission Holdings, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) [not applicable]

   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: April 26, 2012

/s/ Lawrence E. Dewey

Name: Lawrence E. Dewey
Title: Chairman, President and Chief Executive Officer
(Principal Executive Officer)

**Exhibit 31.2**

**MANAGEMENT CERTIFICATION**

I, David S. Graziosi, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Allison Transmission Holdings, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) [not applicable]

   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: April 26, 2012

/s/ David S. Graziosi

Name: David S. Graziosi
Title: Executive Vice President, Chief Financial Officer and Treasurer
(Principal Financial Officer)

**Exhibit 32.1**

**CERTIFICATION PURSUANT TO**
**18 U.S.C. SECTION 1350,**
**AS ADOPTED PURSUANT TO**
**SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Allison Transmission Holdings, Inc. (the "Company") on Form 10-Q for the quarter ending March 31, 2012 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), we, Lawrence E. Dewey, Chairman, President and Chief Executive Officer of the Company, and David S. Graziosi, Executive Vice President, Chief Financial Officer and Treasurer of the Company, certify, pursuant to 18 U.S.C. § 1350 as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly represents, in all material respects, the financial condition and results of operations of the Company.

Dated: April 26, 2012

/s/ Lawrence E. Dewey
Lawrence E. Dewey
Chairman, President and Chief Executive Officer
(Principal Executive Officer)

Dated: April 26, 2012

/s/ David S. Graziosi
David S. Graziosi
Executive Vice President, Chief Financial Officer and Treasurer
(Principal Financial Officer)