

GENERAL TERMS AND CONDITIONS

1. CONTRACT AND ACCEPTANCE:

Seller (including its parent company, subsidiaries or affiliates, if applicable) has read and understands these Terms and Conditions (the "Terms and Conditions" and together with the applicable purchase order and/or schedule agreement, the "Contract") and Seller acknowledges and agrees that (a) any goods or services purchased by Allison Transmission, Inc. ("Buyer") are subject to these Terms and Conditions in all respects and (b) Seller's written acceptance or the commencement of any work or services shall constitute Seller's acceptance of these Terms and Conditions, and (c) during the term of the contract for all Direct Purchases only, Seller agrees to sell to Buyer and Buyer agrees to exclusively buy from Seller all of the goods identified in the contract that Buyer requires in its business. "Direct Purchases" are defined as goods purchased by Buyer from Seller that are directly incorporated into the transmissions manufactured by Buyer and become a part of such transmissions.

2. SHIPPING:

Seller agrees: (a) to deliver notice of shipment of the goods to Buyer by Advanced Shipping Notification (ASN) for Direct Material on the same day that the goods are shipped; (b) to properly pack, mark and ship goods in accordance with the requirements of Buyer, the involved carriers, and, if applicable, the country of destination; (c) to route shipments in accordance with Buyer's instructions; (d) to make no charge for handling, packaging, storage or transportation of goods, unless otherwise stated in the Contract; (e) to provide with each shipment packing slip Buyer's purchase order and/or release number and date of shipment marked thereon; (f) to properly mark each package with a label/tag according to Buyer's instructions; and (g) to promptly forward the original bill of lading or other shipping receipt for each shipment in accordance with Buyer's instructions. Seller will include on bills of lading or other shipping receipts correct classification identification marks of the goods shipped in accordance with Buyer's instructions and the carrier's requirements. The marks on each package and identification of the goods on packing slips, bills of lading and invoices (when required) shall be sufficient to enable Buyer to easily identify the goods purchased. For direct material, regular shipping days shall be established by the Buyer and communicated to Seller. Seller shall comply with Buyer's supplements to AT-1724 (Shipping Parts Identification Label Standard) and to AT-1700 (Packaging, Identification and Global Supply Chain Requirements). Schedule or Purchase Orders take returned material into consideration. Over-shipments may be returned at Seller's expense unless prior approval from Buyer is obtained. In the event scheduled shipments are not made as requested, premium transportation charges resulting from non-conformance to Buyer's shipping instructions is assumed by Seller pursuant to the terms of Section 5 below. Seller must adhere to packaging specifications as stated on release/schedules. Seller shall not ship materials in containers previously used for chemicals, cleaners, or other potentially hazardous materials. It is the responsibility of Seller to refer to Buyer's website (www.allisontransmission.com, Suppliers>Purchasing Related Forms) for the latest Transportation Routing Instructions on Form AT-101106. Failure to comply with these Transportation Routing Instructions will result in debiting Seller for unauthorized transportation and administrative charges that Buyer may incur.

3. BILLING:

Seller agrees: (a) to accept payment based upon Buyer's Evaluated Receipt Record/Self Billed Invoice, unless an invoice is requested by Buyer; and (b) to accept payment by electronic funds transfer. The payment date is set forth in the Line Item Detail of the purchase order, or if not stated, shall be Net 60 ACH (Automated Clearing House) electronic payment processing. Unless otherwise instructed, address invoice to: Allison Transmission, Inc., M/C L-27, P.O., Box 7120, Indianapolis, IN 46206-7120. Buyer may withhold payment pending receipt of evidence, in such form and detail as Buyer may direct, of the absence of any liens, encumbrances and claims on the goods or services under the Contract. Seller agrees to payment in accord with its current EFT payment agreement or, where EFT is not in place, that Buyer may defer making payment by paper check. During any recognized Buyer holiday, payment will be made the next Buyer business day without being in default or losing any cash discount privileges. Cash discount period and payment will date from the receipt of goods or from the date of invoice, whichever is later. Schedule Agreement pricing is as of date of receipt. Seller grants to Buyer access to all pertinent information, including, but not limited to, books, records, payroll data, receipts, correspondence and other documents for the purpose of auditing Seller's charges under this Contract. Unless otherwise stated herein, Seller will preserve these documents for a period of 1 year after the final payment under this Contract. Seller will segregate its records and otherwise cooperate with Buyer so as to facilitate an audit. Seller agrees to reimburse Buyer for all lost funds if the audit reveals price discrepancies. In cases where such audit determines a cost/price variance greater than 5% of the agreed upon price, Buyer reserves the right to charge Seller for the reasonable costs of the audit.

4. DELIVERY SCHEDULES:

Time is of the essence, and deliveries shall be made both in quantities and at times specified in the Contract or in Buyer's schedules as Seller recognizes that Buyer has just in time inventory, making delivery of the goods critical. Buyer shall

not be required to make payment for goods delivered to Buyer that are in excess of quantities specified on Buyer's delivery schedules or in subsequent purchase orders and Buyer shall not be obligated for items exceeding quantities authorized by such schedules or in subsequent purchase orders. Buyer may change the rate of scheduled shipments or direct temporary suspension of scheduled shipments, neither of which shall entitle Seller to a modification of the price for goods or services covered by the Contract. Where quantities and/or delivery schedules are not specified, Seller shall deliver goods in such quantities and times as Buyer may direct in subsequent schedule releases and/or purchase orders. For indirect material purchases, when Seller provides repair or service on goods ("Indirect Goods") belonging to Buyer, schedule releases issued by Buyer are for Buyer's internal use only and are not binding on Buyer. In such instances, quantities are determined by: (1) the number of Indirect Goods shipped by Buyer to Seller's facilities; or (2) the number of Indirect Goods picked up by Seller at Buyer's facilities.

5. PREMIUM SHIPMENTS:

If Seller's acts or omissions result in Seller's failure to meet Buyer's delivery requirements and Buyer requires a more expeditious method of transportation for the goods than the transportation method originally specified by Buyer, Seller shall ship the goods as expeditiously as possible at Seller's sole expense following the Premium Freight Shipments section that is found in the Transportation Routing Instructions in Buyer's supplier portal. In any other event, Seller agrees not to charge any premium unless approved in writing by Buyer prior to the shipment of the goods.

6. CHANGES; COST CREEP:

Buyer reserves the right at any time to direct changes, or cause Seller to make changes, to drawings and specifications of the goods, the Statement of Requirements or to otherwise change the scope of the work covered by the Contract including work with respect to such matters as inspection, testing or quality control, and Seller agrees to promptly make such changes. Any difference in price or time for performance resulting from such changes shall be equitably adjusted by Buyer after receipt of documentation in such form and detail as Buyer may direct. Seller understands that they must manage changes, both during the development and production phases of product programs, so that cost creep is avoided. Minor design changes are contemplated within the scope of the programs and will not result in price increases. Major changes would constitute a change in the scope of a program, and will be reviewed jointly for cost impacts prior to the approval of the change. Seller will be required to provide full disclosure of price details, piece price and tooling. No increase of any kind will be allowed without the prior written approval of Buyer. Any changes made to the Contract pursuant to this Paragraph 6 shall be in accordance with the terms and subject to the conditions set forth in Paragraph 32.

7. SUPPLIER QUALITY AND DEVELOPMENT; INSPECTION; INDIRECT SERVICES:

Seller agrees to participate in Buyer's supplier quality and development program(s) and to comply with all quality requirements and procedures specified by Buyer, as revised from time to time, including those applicable to Seller as set forth in Quality System Requirements IATF16949 and ISO-9001(which can be found at www.iso.org/iso/home.htm) and ATI Supplier Quality Manual and Forms (on Buyer's website) for direct material. Seller is advised Form F11097 "Engineering Specification Master List," (on Buyer's website) represents the latest revision level/date for ATI Engineering Specifications (TES, TMS, TIS & TPS). Seller is responsible for performance of this contract to engineering specification(s), if any, as indicated on engineering drawings or referenced thereon, effective as of the date of each order. Copies of current revisions to specifications may be obtained from Buyer upon written request. If Transmission Processing Specifications (TPS) 254, 269, 300, 301, 304, 310, or 314 are applicable, then heat treat source(s), internal or subcontracted, must be approved in writing by the Buyer.

In addition, Buyer shall have the right to enter Seller's facility at reasonable times to inspect the facility, goods, materials, processes, and any property of Buyer covered by this Contract. In the event that a quality/delivery concern arises with any of Seller's suppliers, Seller agrees to give Buyer reasonable access to such supplier to assist in the correction of such quality/delivery concern. Buyer's inspection of the goods, whether during manufacture or prior to delivery or within a reasonable time after delivery, shall not constitute acceptance of any work-in-process or finished goods. Buyer may elect to perform incoming inspection at Seller's facility or elsewhere, on a lot-by-lot basis or at some other elective interval. Buyer's incoming inspection practice shall not, limit or impair Buyer's right to assert any legal or equitable remedy, or relieve Seller's responsibility for non-conforming product.

If Seller is providing indirect services, Seller agrees to provide them in accordance with the terms of this contract and the Statement of Requirements ("Indirect Services"). Indirect Services will be performed by competent personnel, and will be of professional quality, consistent with generally accepted industry standards for the performance of such Indirect Services. Seller will ensure that it has all necessary resources to provide the Indirect Services, including, without limitation, properly trained and licensed personnel, machinery, equipment and materials.

8. NONCONFORMING GOODS:

All goods received shall be subject to Buyer's inspection, acceptance, or rejection. Seller waives any rights to require Buyer to conduct such inspections. Buyer will request Return Materials Authorization, ("RMA"), or equivalent, for rejected goods within a reasonable period after receipt. Inspection, acceptance, or rejection may, at Buyer's option, be made under operating conditions after incorporation of the goods, at any time, into any plant, facility, equipment, or other product of which such goods are to be a part. Seller agrees to provide Buyer RMA or equivalent, or written instructions for disposition, within five working days. Nonconforming goods will be held by Buyer in accordance with Seller's instructions, at Seller's risk, and if Seller so directs, returned to Seller. All expenses incurred by Buyer in doing so, including, but not limited to, storage, transportation, handling, and associated processing costs, shall be borne by Seller. Seller's failure to provide such information within five working days shall entitle Buyer, at Buyer's option, to dispose of the goods without liability to Seller. Payment for nonconforming goods shall not constitute an acceptance of them, or in any way limit or impair Buyer's right to assert any legal or equitable remedy, or relieve Seller's responsibility for latent defects. To the extent Buyer rejects goods as nonconforming, the quantities under this contract may be reduced unless Buyer otherwise notifies Seller. Seller will not replace quantities so reduced without a new contract or schedule from Buyer.

9. FORCE MAJEURE:

Any delay or failure of either party to perform its obligations hereunder shall be excused if Seller is unable to produce, sell or deliver, or Buyer is unable to accept delivery, buy or use, the goods or services covered by the Contract, as a result of an event or occurrence beyond the reasonable control of the party and without its fault or negligence, including, but not limited to, acts of God, actions by any governmental authority (whether valid or invalid), illegality or regulatory restriction, fires, floods, windstorms, explosions, riots, natural disasters, wars or other casualty, sabotage, labor problems (including lockouts, strikes and slowdowns), inability to obtain power, material, labor, equipment, energy, utilities or transportation, or court injunction or order; provided that written notice of such delay (including the anticipated duration of the delay) shall be given by the affected party to the other party as soon as possible after the event or occurrence (but in no event more than ten (10) days thereafter). During the period of such delay or failure to perform by Seller, Buyer, at its option, may purchase goods and services from other sources and reduce its schedules to Seller by such quantities, without liability to Seller, or have Seller provide the goods and services from other sources in quantities and at times requested by Buyer, and at the prices set forth in the Contract. In addition, Seller at its expense shall take such actions as are necessary to ensure the supply of goods and services to Buyer for a period of at least thirty (30) days during any anticipated labor disruption or resulting from the expiration of Seller's labor contract(s). If requested by Buyer, Seller shall, within ten (10) days, provide adequate assurances that the delay shall not exceed thirty (30) days. If the delay lasts more than thirty (30) days or Seller does not provide adequate assurance that the delay will cease within thirty (30) days, Buyer may immediately terminate the Contract without liability.

10. WARRANTY:

Seller represents and warrants that the goods (a) are owned by Seller or Seller has the right to transfer free and clear title to Buyer; (b) are free from defects in materials, design and workmanship; (c) in good working order and condition; (d) conform to the specifications, drawings, samples, or descriptions furnished to or by Buyer; (e) do not infringe, violate or misappropriate any patent, copyright or other intellectual property rights; and (f) the manufacture, production, installation, sale and use by Buyer are in compliance with any and all material applicable laws, rules and regulations. These Seller representations and warranties will run for at least as long as Buyer's warranties for its products to Buyer's end-use customer. In addition, Seller acknowledges that Seller knows of Buyer's intended use and warrants that all goods covered by the Contract that have been selected, designed, manufactured or assembled by Seller based upon Buyer's stated use will be fit and sufficient for the particular purposes intended by Buyer. All warranties shall survive any inspection, delivery or acceptance of the goods, or payment for the goods delivered and such warranty shall run to Buyer, Buyer's customers and/or Buyer's successors and assigns, and shall not be deemed exclusive of any other warranties, express or implied.

11. INGREDIENTS & CONFLICT MINERAL DISCLOSURE; SPECIAL WARNINGS AND INSTRUCTIONS:

If requested by Buyer, Seller shall promptly furnish to Buyer in such form and detail as Buyer may direct: (a) a list of all ingredients in the goods; (b) the amount of all ingredients; and (c) information concerning any changes in or additions to such ingredients. Seller also recognizes, consistent with the United States public policy underlying enactment of the Conflict Minerals provision (Section 1502) of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Act"), the significant legal and nonlegal risks associated with sourcing tin, tantalum, tungsten and gold (the "Conflict Minerals") from the Democratic Republic of the Congo and adjoining countries ("DRC countries"). Accordingly, the goods delivered under this Contract shall comply with Section 1502 of Dodd-Frank and its implementing regulations. In particular, Seller commits to have in place supply chain policies and processes to undertake the following: (a) a

reasonable inquiry into the country of origin of Conflict Minerals, if applicable, incorporated into products it provides Buyer; (b) due diligence of its supply chain, as necessary, to determine if Conflict Minerals sourced from the DRC countries directly or indirectly support unlawful conflict there; (c) risk assessment and mitigation actions necessary to implement the country of origin inquiry and due diligence procedures; and (d) disclosure of information to Buyer on this Contract for products containing Conflict Minerals for products with delivery dates during the current calendar year. Seller agrees to complete, sign and submit as directed by Buyer the applicable "Conflict Minerals Disclosure" form provided to Seller by Buyer on an annual basis and shall take all other measures as are necessary to comply with the Act and its implementing regulations, as they may be amended over time. Prior to and with the shipment of the goods, Seller agrees to furnish to Buyer sufficient warning and notice in writing (including appropriate labels on the goods, containers and packing) of any hazardous material that is an ingredient or a part of any of the goods, together with such special handling instructions as may be necessary to advise carriers, Buyer, and their respective employees of how to exercise that measure of care and precaution that will best prevent bodily injury or property damage in the handling, transportation, processing, use or disposal of the goods, containers and packing shipped to Buyer.

12. INSOLVENCY:

Buyer may immediately terminate the Contract without liability to Seller in any of the following events occur: (a) Seller is insolvent; (b) the filing of a voluntary petition in bankruptcy by Seller; (c) the filing of any involuntary petition in bankruptcy against Seller; (d) the appointment of a receiver or trustee for Seller; or (e) the execution of an assignment for the benefit of creditors by Seller, provided that such petition, appointment or assignment is not vacated or nullified within thirty (30) days of such event. Seller shall reimburse Buyer for all costs incurred by Buyer in connection with any of the foregoing, including, but not limited to, all attorneys or other professional fees.

13. TERMINATION FOR BREACH OR NONPERFORMANCE:

Buyer reserves the right to terminate all or any part of the Contract, without liability to Seller, if Seller: (a) repudiates or breaches any of the terms of the Contract, including Seller's warranties; (b) fails to perform services or deliver goods as specified under the Contract or hereunder; (c) fails to make progress so as to endanger timely and proper completion of services or delivery of goods; and does not correct such failure or breach within ten (10) days (or such shorter period of time if commercially reasonable under the circumstances) after receipt of written notice from Buyer specifying such failure or breach, except as provided in Paragraph 9. In addition, Buyer may terminate this contract upon giving at least 60 days notice to Seller, without liability to Seller, if Seller (i) sells, or offers to sell, a material portion of its assets, or (ii) sells or exchanges, or offers to sell or exchange, or causes to be sold or exchanged, a sufficient amount of its stock that effects a change in the control of Seller. In the event that Buyer does terminate this Contract pursuant to the terms of this Paragraph 13, Seller shall make all Buyer-owned tooling, supplies, good, etc. available for Buyer to pick up no later than ten (10) days after the termination of the Contract.

14. TERMINATION FOR CONVENIENCE:

In addition to any other rights of Buyer to terminate the Contract, Buyer may, at its option, immediately terminate all or any part of the Contract, at any time and for any reason, by giving thirty (30) days written notice to Seller. Upon such termination, Buyer shall pay to Seller the following amounts without duplication: (a) the contract price for all goods or services that have been completed in accordance with the Contract and not previously paid for; and (b) the actual costs of work-in-process and raw materials incurred by Seller in furnishing the goods or services under the Contract to the extent such costs are reasonable in amount and are properly allocable or apportionable under generally accepted accounting principles to the terminated portion of the Contract; less, however, the sum of the reasonable value or cost (whichever is higher) of any goods or materials used or sold by Seller with Buyer's written consent, and the cost of any damaged or destroyed goods or materials. Buyer will make no payments for finished goods, services, work-in-process or raw materials fabricated or procured by Seller in amounts in excess of those authorized in delivery releases nor for any undelivered goods that are in Seller's standard stock or that are readily marketable. Payments made under this Paragraph 14 shall not exceed the aggregate price payable by Buyer for finished goods or services that would be produced or performed by Seller under delivery or release schedules outstanding at the date of termination. Except as provided in this Paragraph 14, Buyer shall not be liable for and shall not be required to make payments to Seller, directly or on account of claims by Seller's subcontractors, for loss of anticipated profit, unabsorbed overhead, interest on claims, product development and engineering costs, facilities and equipment rearrangement costs or rental, unamortized depreciation costs, or general and administrative burden charges from termination of the Contract. Within sixty (60) days from the effective date of termination, Seller shall submit a comprehensive termination claim to Buyer, with sufficient supporting data to permit Buyer's audit, and shall thereafter promptly furnish such supplemental and supporting information as Buyer shall request. Buyer or its agents shall have the right to audit and examine all books, records, facilities, work, material, inventories and other items relating to any termination claim of Seller upon request and during normal business hours.

15. INFORMATION DISCLOSED TO BUYER:

Seller agrees not to assert any claim (other than a claim for patent infringement) with respect to any technical information that Seller shall have disclosed or may hereafter disclose to Buyer in connection with the goods or services covered by this Contract. For Indirect Services provided by Seller, Seller shall keep confidential and shall not use for any other purpose other than the performance of the Indirect Services all information (oral or written) and documents and data (in any medium) that have been furnished to Seller by Buyer, or have been developed or collected by Seller in connection with the Indirect Services. Seller shall provide for the physical, managerial and electronic security of Buyer's information such that the Buyer's information is reasonably maintained and secured, ensuring it is safe from loss, theft, unauthorized access, copying, modification, use or disclosure during utilization, transmission and storage. Should any unauthorized breach occur, Seller shall notify Buyer as soon as reasonably practicable, generally within 24 hours (but not later than 72 hours) after the Seller becomes aware of such breach. Seller shall allow the audit of its obligations under this section by Buyer or its authorized representative. Seller further agrees to cooperate fully with Buyer in connection with any investigations, audits or information requests that may be made in connection with applicable laws. At Buyer's request or upon completion of Seller's use of Buyer's information, Seller will return all copies of Buyer's Information to Buyer or, at Buyer's request, will destroy Buyer's Information and certify such destruction to Buyer. Seller recognizes that the disclosure of Buyer's information may give rise to irreparable injury and acknowledges that remedies other than injunctive relief may not be adequate. Accordingly, Buyer has the right to seek equitable and injunctive relief to prevent the unauthorized disclosure of any of Buyer's information, as well as such damages or other relief as is occasioned by such unauthorized use or disclosure.

16. INTELLECTUAL PROPERTY:

Seller agrees: (a) to defend, hold harmless and indemnify Buyer, its successors and customers against any claims of infringement (including patent, trademark, copyright, industrial design right, or other proprietary right, or misuse or misappropriation of trade secret) and resulting damages and expenses (including attorney's and other professional fees) arising in any way in relation to the goods or services contracted, including such claims where Seller has provided only part of the goods or services; Seller expressly waives any claim against Buyer that such infringement arose out of compliance with Buyer's specification; (b) that Buyer or Buyer's subcontractor has the right to repair, reconstruct, or rebuild the specific goods delivered under the Contract without payment of any royalty to Seller; and (c) that parts manufactured based on Buyer's drawings and/or specifications may not be used for its own use or sold to third parties without Buyer's express written authorization; (d) to the extent that this Contract is issued for the creation of copyrightable works, the works shall be considered "works made for hire," to the extent that the works do not qualify as "works made for hire," Seller hereby assigns to Buyer all right, title and interest in all copyrights and moral rights therein.

17. INDEMNIFICATION:

If Seller performs any work on Buyer's premises or utilizes the property of Buyer, whether on or off Buyer's premises, Seller shall indemnify and hold Buyer harmless from and against any liability, claims, demands or expenses (including attorney's and other professional fees) for damages to the property of or injuries (including death) to Buyer, its employees or any other person arising from or in connection with Seller's performance of work or use of Buyer's property, except for such liability, claim, or demand arising out of the sole negligence of Buyer. In addition, Seller shall be obligated to undertake, at its own expense, the legal proceedings with respect to such liability, claim, demand or expense; provided, however, the legal counsel selected by Seller shall be subject to the prior written approval of Buyer. In addition, Seller shall indemnify and hold Buyer harmless from and against any liability, claims, demands or expenses (including attorneys or other professional fees) arising from or relating to Seller's noncompliance of any covenants or obligations set forth herein.

18. INSURANCE:

Seller shall maintain insurance coverage with carriers acceptable to Buyer in the following amounts: (a) workers' compensation: statutory limits for the state(s) in which the Contract is to be performed (or evidence of authority to self insure); (b) employer's liability: \$500,000 per accident for bodily injury by accident and \$500,000 per employee for bodily injury by disease; (c) commercial general liability covering liability arising from premises, operations, independent contractors, products/completed operations, personal injury and advertising injury, and liability assumed under an insured contract: \$5,000,000 per occurrence; and (d) automobile liability (including owned, non-owned and hired vehicles): \$5,000,000 per accident. Seller shall furnish to Buyer either a certificate showing compliance with these insurance requirements or certified copies of all insurance policies within ten (10) days of Buyer's written request. The certificate will provide that Buyer will receive thirty (30) days' prior written notice from the insurer of any termination or reduction in the amount or scope of coverage. Seller shall add Buyer as a named additional insured party at Buyer's reasonable request. Seller's furnishing of certificates of insurance or purchase of insurance shall not release Seller of its obligations or liabilities under the Contract.

19. SELLER'S PROPERTY:

Unless otherwise agreed to by Buyer, Seller, at its expense, shall furnish, keep in good condition, and replace when necessary all machinery, equipment, tools, jigs, dies, gauges, fixtures, molds, patterns and other items ("Seller's Property") necessary for the production of the goods. The cost of changes to Seller's Property necessary to make design and specification changes authorized by Buyer shall be paid for by Buyer. Seller shall insure Seller's Property with full fire and extended coverage insurance for its replacement value. Any Seller's Property that consists of tooling shall be subject to the tooling provisions set forth in Paragraph 20.

20. BUYER'S PROPERTY; TOOLING:

All supplies, materials, tools, jigs, dies, gauges, fixtures, molds, patterns, equipment and other items furnished by Buyer, either directly or indirectly, to Seller to perform the Contract, or for which Seller has been reimbursed by Buyer, shall be and remain the property of Buyer and held by Seller on a bailment basis ("Buyer's Property"). Seller shall bear the risk of loss of and damage to Buyer's Property. Buyer's Property shall at all times be properly housed and maintained by Seller, at its expense, shall not be used by Seller for any purpose other than the performance of the Contract; shall be deemed to be personal property; shall be conspicuously marked by Seller as the property of Buyer; shall not be commingled with the property of Seller or with that of a third person; and shall not be moved from Seller's premises without Buyer's prior written approval. Buyer shall have the right to enter Seller's premises during normal business hours and upon prior notice to inspect such property and Seller's records with respect thereto. Upon the request of Buyer, Buyer's Property shall be immediately released to Buyer or delivered to Buyer by Seller, either (a) F.O.B. transport equipment at Seller's plant, properly packed and marked in accordance with the requirements of the carrier selected by Buyer to transport such property, or (b) to any location designated by Buyer, in which event Buyer shall pay to Seller the reasonable costs of delivering such property to such location. All of Buyer's property which becomes scrap created by Seller in producing goods for Buyer under purchase orders in any calendar year ("scrap materials") will be returned to Buyer by the 25th day of the following calendar year, unless: (1) such scrap materials will be reasonably needed by Seller to supply goods to Buyer within that following calendar year, provided however, that Buyer may at its sole discretion demand that the scrap materials be immediately returned to Buyer, or (2) Buyer requests alternate arrangements. When permitted by law, Seller waives any lien or other rights that Seller might otherwise have on any of Buyer's Property for work performed on such property or otherwise.

Buyer shall reimburse Seller the lesser of (i) the amount specific in this Contract, or (ii) Seller's actual costs for purchased materials and services (including purchased tooling or portions thereof), plus Seller's actual direct cost for labor and overhead typically associated with tool construction. Seller shall establish a reasonable accounting system that readily enables the identification of Seller's cost. Buyer or its agents shall have the right to audit and examine all books, records, facilities, work, material, inventories and other items relating to any claim of Seller for tooling. Seller must be tooled and capable of producing the Buyer's estimated daily volume (or Lean Capacity Rate - LCR). Seller's operating plan shall also support Buyer's LCR plus 20% (Maximum Capacity Rate - MCR) on a weekly basis. Seller's production rate and operating plan shall meet these requirements while maintaining adequate allocation for equipment effectiveness and preventive maintenance. Seller shall demonstrate the ability to meet the volume requirements in a run at rate as requested by Buyer. Seller's daily production capacity (Supplier Capacity Rate - SCR) and operating plan shall be included by Seller in Form AT-1804, Supplier Piece Price Breakdown, and in a confirmation response of Buyer's Schedule Agreement as requested. Any SCR and operating plan that does not meet these requirements must be approved by Buyer in writing. With respect to tooling specific contracts, the Buyer further requires Seller to include Buyer approved terms and conditions for any sub-tier suppliers of the Seller. These terms and conditions shall include audit rights of all sub-tier suppliers for which tooling construction is being produced in fulfillment with this Contract as well as an assignment of all rights, title and interest to all Tooling and the requirement to mark such property as property of Buyer. For additional information, reference Form AT-101127 Tool and Gage Guidelines located at www.allisontransmission.com, Suppliers>Purchasing Related Forms.

21. SERVICE AND REPLACEMENT PARTS:

Seller will sell to Buyer goods necessary for it to fulfill its current model service and replacement parts requirements at the price(s) set forth in the Contract. If the goods are systems or modules, Seller will sell the components or parts that comprise the system or module at price(s) that shall not, in the aggregate, exceed the price of the system or module less assembly costs. During the ten (10) year period after Buyer completes current model purchases, Seller will sell goods to Buyer to fulfill Buyer's past model service and replacement parts requirements. Unless otherwise agreed to by Buyer, the price(s) during the first two (2) years of this period shall be those in effect at the conclusion of current model purchases. For the remainder of this period, the price(s) for goods shall be as agreed to by the parties. When requested by Buyer, Seller shall make service literature and other materials available at no additional charge to support Buyer's service part sales activities.

22. REMEDIES:

The rights and remedies reserved to Buyer in the Contract shall be cumulative with, and additional to, all other or further remedies provided at law or in equity. Without limiting the foregoing, should any goods fail to conform to the warranties set forth in Paragraph 10 or should Seller breach the Contract, Buyer shall notify Seller and Seller shall, if requested by Buyer, reimburse Buyer for any incidental and consequential damages caused by such nonconforming goods or breach, including, but not limited to, costs, expenses and losses incurred by Buyer (a) in inspecting, sorting, repairing or replacing such nonconforming goods; (b) resulting from production interruptions, (c) conducting recall campaigns or other corrective service actions, (d) claims for personal injury (including death) or property damage caused by such nonconforming goods, and (e) reasonable attorneys' costs and expenses incurred by Buyer in the successful enforcement of any terms of this Contract. If requested by Buyer, Seller will enter into a separate agreement for the administration or processing of warranty chargebacks for nonconforming goods.

23. CUSTOMS; EXPORT AND IMPORT CONTROLS:

Credits or benefits resulting or arising from this contract, including trade credits, export credits or the refund of duties, taxes or fees, shall belong to Buyer. Seller shall provide all information necessary (including written documentation and electronic transaction records) to permit Buyer to receive such benefits or credits, as well as to fulfill its customs related obligations, origin marking or labeling requirements and local content origin requirements, if any. Export licenses or authorizations necessary for the export of the goods shall be the responsibility of Seller unless otherwise indicated in this contract, in which event Seller shall provide such information as may be necessary to enable Buyer to obtain such licenses or authorization(s). Seller shall undertake such arrangements as necessary for the goods to be covered by any duty deferral or free trade zone program(s) of the country of import. For Seller's goods to be imported into the United States, Seller shall comply with and upon request, certify to Buyer compliance with, all applicable minimum security criteria recommendations or requirements of the United States and Border Protection's Custom-Trade Partnership Against Terrorism (C-TPAT) initiative (for information go to: <https://www.cbp.gov/border-security/ports-entry/cargo-security/ctpat>).

24. NO ADVERTISING:

Seller shall not in any manner, without first obtaining the prior written consent of Buyer, advertise or publish the fact that Seller has contracted to furnish Buyer the goods or services covered by the Contract, or use any trademarks or trade names of Buyer in Seller's advertising or promotional materials.

25. COMPLIANCE WITH LAWS; EMPLOYMENT/BUSINESS PRACTICES:

Seller, and any goods or services supplied by Seller, and all waste disposal and waste handling by Seller, shall comply with all applicable material laws, rules, regulations, orders, conventions, ordinances or standards of the country(ies) of destination or that relate to the manufacture, labeling, transportation, importation, exportation, licensing, approval or certification of the goods or services, including, but not limited to, those relating to environmental matters, data protection and privacy, wages, hours and conditions of employment, subcontractor selection, discrimination, occupational health/safety and motor vehicle safety. Seller shall inform the Buyer of contents not produced in the United States in Seller's product including, but not limited to, the country of origin and dollar value of material and labor therein. Seller further represents that neither it nor any of its subcontractors will utilize child, slave, prisoner or any other form of forced (as defined in 19 USC 1307) or involuntary labor, or engage in abusive employment or corrupt business practices, in the supply of goods or provision of services under the Contract and agrees to indemnify Buyer against liability Buyer may incur if this representation is incorrect. Seller's personnel shall in no event be considered employees of Buyer and Seller will remain responsible for all wages, taxes, benefits, payroll deductions, remittances and other obligations with respect to its personnel. In particular, Seller commits to indemnify and hold Buyer harmless with respect to any claims asserted against Buyer by individuals held out as employees of Seller who contend that Buyer is their actual employer, joint employer, primary employer, secondary employer and/or co-employer under applicable law, including claims relating to wages, overtime, taxes, leaves of absence, benefits, discrimination, harassment, and all other claims relating to their employment. At Buyer's request, Seller shall certify in writing its compliance with the foregoing, provided that by submitting a response to a Request for Quotation, Seller certifies that it has read, understands, and is in compliance with this Paragraph 25. Seller shall indemnify and hold Buyer harmless from and against any liability claims, demands or expenses (including attorney's or other professional fees) arising from or relating to Seller's noncompliance with this Paragraph 25.

26. U.S. GOVERNMENT PURCHASING:

When there is a government contract number for an item, it is subject to the provisions of either form: AT-315G, "ATI Additional Conditions Applicable to Purchase Contracts Issued Under Government Contracts", AT-316G, "ATI Additional Conditions Applicable to Purchase Contracts Issued Under Government Contracts for the EFV Non-Commercial" or AT-317G, "ATI Additional Conditions Applicable to Purchase Contracts Issued Under Government Contracts for the EFV

Commercial." If applicable, Seller acknowledges receipt of AT-315G, AT-316G and AT-317G forms, which can be found on Buyer's website allisontransmission.com, Suppliers > Purchasing Related Forms.

27. NO IMPLIED WAIVER:

The failure of either party at any time to require performance by the other party of any provision of the Contract shall in no way affect the right to require such performance at any time thereafter, nor shall the waiver of either party of a breach of any provision of the Contract constitute a waiver of any succeeding breach of the same or any other provision.

28. ASSIGNMENT:

Seller may not assign or delegate its rights or obligations under the Contract without Buyer's prior written consent. A change of control by Seller where it sells or exchanges a sufficient amount of its stock that effects a change in the control of Seller shall be deemed an assignment hereunder and shall also be prohibited without Buyer's prior written consent. Seller may subcontract its obligations only with the prior written consent of Buyer provided that such subcontractor abides by these same terms and conditions.

29. RELATIONSHIP OF PARTIES:

Seller and Buyer are independent contracting parties and nothing in the Contract shall make either party the agent or legal representative of the other for any purpose whatsoever, nor does it grant either party any authority to assume or to create any obligation on behalf of or in the name of the other.

30. GOVERNING LAW; JURISDICTION:

This contract is to be construed according to the laws of the country (and state/province, if applicable) from which this contract is issued as shown by the address of Buyer, excluding the provisions of the United Nations Convention on Contracts for the International Sale of Goods and any conflict of law provisions that would require application of another choice of law. Any action or proceedings by Buyer against Seller may be brought by Buyer in any court(s) having jurisdiction over Seller or, at Buyer's option, in the court(s) having jurisdiction over Buyer's location, in which event Seller consents to jurisdiction and service of process in accordance with applicable procedures. Any actions or proceedings by Seller against Buyer may be brought by Seller only in the court(s) having jurisdiction over the location of Buyer from which this contract is issued.

31. SEVERABILITY:

If any provision of the Contract is invalid or unenforceable under any statute, regulation, ordinance, executive order or other rule of law, such provision shall be deemed reformed or deleted, as the case may be, but only to the extent necessary to comply with such statute, regulation, ordinance, order or rule, and the remaining provisions of the Contract shall remain in full force and effect.

32. ENTIRE AGREEMENT; MODIFICATION:

The Contract, together with any attachments, exhibits, supplements, schedules, purchase orders, Statement of Requirements, RFQs, Engineering Specs and Drawings, other design drawings, other terms of Buyer specifically referenced in these Terms and Conditions or requirements for the goods or services previously agreed to in writing, constitute the entire agreement between Seller and Buyer with respect to the matters contained in the Contract and supersedes all prior oral or written agreements. To the extent such other documents (as identified in the prior sentence) exists, these Terms and Conditions are intended to be cumulative and consistent with the provisions of those other documents. However, to the extent, there is any conflict among such terms and conditions; the following order of precedence applies: (1) the Contract; (2) RFQ; (3) Applicable Engineering Specs and Drawings; (4) Statement of Requirement with Appendices and Attachments; (5) other provisions; specifications or documents (if any). No amendment to the Contract or these Terms and Conditions shall be binding on either party unless such amendment is in writing and signed by authorized representatives Buyer.

Revised: 08/01/2018