ALLISON TRANSMISSION, INC.

**GOVERNMENT PROPERTY**

**AT-9837 SPECIAL TOOLING INSTRUCTIONS FOR SUBCONTRACTORS**

1. The special tooling authorized by this purchase order will be Government-owned and relates to contracts between the Government and Allison Transmission, Inc. (ATI). It is imperative that this property be permanently identified at all times in accordance with current Federal Acquisition Regulations (FAR) 45.506.
2. Tooling lists will be forwarded to the subcontractor on an annual basis. The lists must be promptly checked by the subcontractor for accuracy and completeness. It is important that all errors and additions be recorded to improve the accuracy of the

contractor data.

1. After the tooling has been physically inventoried, one copy of the special tooling list must be signed by an official of your company, verifying the list as correct in its entirety. This copy should be returned to the attention of :

Tool Analyst

Allison Transmission, Inc.

P. O. Box 894, Mail Code: J13

Indianapolis, Indiana 46206-0894

 The second copy of the listing should remain in your possession.

1. It is necessary that ATI receive from the subcontractor, a detailed breakdown of tooling for our records. This breakdown should be furnished when the tooling invoice is submitted. Missing tool breakdowns must be supplied at the time of the

annual physical inventory.

1. The safeguarding, recording, disposition and control of this property must be in compliance with FAR, Terms and Conditions of the Purchase Order and sound industrial practice. Disposition must not be accomplished until Government forms are completed and final disposition made by the cognizant Government agency. Unauthorized disposition of property can cause serious consequences for the contractor and subcontractor. All property must be controlled and available for inspection when authorized personnel deem it necessary.

## Limited Risk of Loss

(1) Seller shall not be liable for loss, destruction, or damage to, Government property provided under this contract or for expenses incidental to such loss, destruction, or damage, except as provided in subparagraphs (2) and (3) below.

(2) Seller shall be responsible for loss, destruction, or damage to, Government property provided under this contract (including expenses incidental to such loss, destruction, or damage)-

(i) Resulting from a risk required to be insured under this contract, to the extent of the insurance required to be purchased and maintained or to the extent of insurance actually purchased and maintained, whichever is greater;

(ii) Resulting from a risk in fact covered by insurance or for which Seller is otherwise reimbursed, to the extent of such insurance or reimbursement;

(iii) For which Seller is otherwise responsible under the terms of this contract;

(iv) Resulting from willful misconduct or lack of good faith on the part of Seller’s managerial personnel; or

(v) Resulting from a failure on the part of Seller, due to willful misconduct or lack of good faith on the part of Seller's managerial personnel, to establish and administer a program or system for the control, use, protection, preservation, maintenance, and repair of Government property.

(3)

(i) If Seller fails to act as provided by subdivision (2)(v) above, after being notified of Buyer's disapproval, withdrawal of approval, or nonacceptance of the system or program, it shall be conclusively presumed such failure was due to willful misconduct or lack of good faith on the part of Seller’s managerial personnel.

(ii) In such event, loss, destruction, or damage to, the Government property shall be presumed to have resulted from such failure unless Seller can establish by clear and convincing evidence such loss, destruction, or damage-

(A) Did not result from Seller's failure to maintain an approved system; or

(B) Occurred while an approved system was maintained by Seller.

(4) If Seller transfers Government property to a subcontractor, the transfer shall not affect liability of Seller for loss, destruction, or damage to, the property. Seller shall require the subcontractor to assume the risk of, and be responsible for, loss, destruction, or damage to, the property while in the subcontractor's possession or control, except to the extent the subcontract, with the advance approval of Buyer, relieves the subcontractor from liability. In the absence of such approval, the subcontract shall contain provisions requiring the return of Government property in as good condition as received, except for reasonable wear and tear or for use in accordance with the provisions of the contract.

(5) Upon loss, destruction, or damage to, Government property provided under this contract, Seller shall so notify the Buyer and shall communicate with the loss and salvage organization, if any, designated by Buyer. With the assistance of any such organization, Seller shall take reasonable action to protect the Government property from further damage, separate the damaged and undamaged Government property, put the affected Government property in the best possible order, and furnish to Buyer a statement of-

(i) The lost, destroyed, or damaged Government property,

(ii) The time and origin of the loss, destruction, or damage;

(iii) All known interests in commingled property of which the Government property is a part; and

(iv) The insurance covering any part of or interest in such commingled property.

(6) Seller shall repair, renovate, and take such other action with respect to damaged Government property as Buyer directs. If the Government property is destroyed or damaged beyond practical repair, or is damaged and so commingled or combined with property of others (including Seller's) that separation is impractical, Seller may, with the approval of and subject to any conditions imposed by Buyer, sell such property for the account of Buyer. Such sales may be made in order to minimize the loss to the Government, to permit the resumption of business, or to accomplish a similar purpose. Seller shall be entitled to an equitable adjustment in the contract price for the expenditures made in performing the obligations under this paragraph However, Buyer may directly reimburse the loss and salvage organization for any of their charges. Buyer will give due regard to Seller's liability under this clause when making any such equitable adjustment.

(7) Seller shall not be reimbursed for, and shall not include in overhead, the cost of insurance or of any reserve covering risk of loss, destruction, or damage to, Government property, except to the extent Buyer may have expressly required Seller to carry such insurance under another provision of this contract.

(8) In the event Seller is reimbursed or otherwise compensated for any loss, destruction, or damage to, Government property, Seller shall use the proceeds to repair, renovate, or replace the lost, destroyed, or damaged Government property or shall otherwise credit the proceeds to, or equitably reimburse, Buyer, as directed by Buyer.

(9) Seller shall do nothing to prejudice Buyer's rights to recover against third parties for any loss, destruction, or damage to, Government property. Upon the request of Buyer, Seller shall, at Buyer's expense, furnish to Buyer reasonable assistance and cooperation (including the prosecution of suit and the execution of instruments of assignment in favor of the Government) in obtaining recovery. In addition, where a subcontractor has not been relieved from liability for any loss, destruction, or damage to, Government property, Seller shall enforce for the benefit of Buyer the liability of the subcontractor for such loss, destruction, or damage.