Court File No.

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C 36, AS AMENDED

AND IN THE MATTER OF TK HOLDINGS INC., AND THOSE OTHER COMPANIES LISTED ON SCHEDULE "A" HERETO (collectively, the "Chapter 11 Debtors")

APPLICATION OF TK HOLDINGS INC. UNDER SECTION 46 OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*

APPLICATION RECORD

(re: Interim Recognition Order and Supplemental Recognition Order)
(Returnable June 28, 2017)

June 27, 2017

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TO: The Service List

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IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C 36, AS AMENDED

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UNDER SECTION 46 OF THE
COMPANIES' CREDITORS ARRANGEMENT ACT

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Tab 1

Court File No.:

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AND IN THE MATTER OF TK HOLDINGS INC., AND THOSE OTHER COMPANIES LISTED ON SCHEDULE "A" HERETO (the "Chapter 11 Debtors")

APPLICATION OF TK HOLDINGS INC.
UNDER SECTION 46 OF THE
COMPANIES' CREDITORS ARRANGEMENT ACT

NOTICE OF APPLICATION

TO THE RESPONDENT:

A LEGAL PROCEEDING HAS BEEN COMMENCED by the applicant. The claim made by the applicant appears on the following page.

THIS APPLICATION will come on for a hearing on June 28, 2017, at 2:30 p.m. or such other time as the Court may direct, at 361 University Avenue, Toronto, Ontario.

IF YOU WISH TO OPPOSE THIS APPLICATION, to receive notice of any step in the application or to be served with any documents in the application, you or an Ontario lawyer acting for you must forthwith prepare a notice of appearance in Form 38A prescribed by the *Rules of Civil Procedure*, serve it on the applicant's lawyer or, where the applicant does not have a lawyer, serve it on the applicant, and file it, with proof of service, in this court office, and you or your lawyer must appear at the hearing.

IF YOU WISH TO PRESENT AFFIDAVIT OR OTHER DOCUMENTARY EVIDENCE TO THE COURT OR TO EXAMINE OR CROSS-EXAMINE WITNESSES ON THE APPLICATION, you or your lawyer must, in addition to serving your notice of appearance, serve a copy of the evidence on the applicant's lawyer or, where the applicant does not have a lawyer, serve it on the applicant, and file it, with proof of service, in the court office where the application is to be heard as soon as possible, but at least four days before the hearing.

IF YOU FAIL TO APPEAR AT THE HEARING, JUDGMENT MAY BE GIVEN IN YOUR ABSENCE AND WITHOUT FURTHER NOTICE TO YOU. IF YOU WISH TO OPPOSE THIS APPLICATION BUT ARE UNABLE TO PAY LEGAL FEES, LEGAL AID MAY BE AVAILABLE TO YOU BY CONTACTING A LOCAL LEGAL AID OFFICE.

Date: June _____, 2017

Issued by _____
Local registrar

Address of court office: 330 University Avenue
7th Floor
Toronto,ON M5G 1R7

TO: THE SERVICE LIST

APPLICATION

1. TK Holdings Inc. ("**TKH**") in its capacity as foreign representative of the Chapter 11 Debtors (the "**U.S. Foreign Representative**"), makes this application seeking the following orders:

(a) an Initial Recognition Order (Foreign Main Proceeding), among other things:

(i) abridging and validating the time for service;

(ii) ordering and declaring that the U.S. Foreign Representative is a "foreign representative" as defined in s. 45 of the CCAA in respect of the petitions commenced by the Chapter 11 Debtors in the United States Bankruptcy Court, District of Delaware (the "**Chapter 11 Proceedings**");

(iii) recognizing the Chapter 11 Proceedings as a "foreign main proceeding" as defined in section 45 of the CCAA; and

(iv) ordering the other mandatory relief set out in section 48(1) of the CCAA.

(b) a Supplemental Recognition Order (Foreign Main Proceeding), among other things:

(i) recognizing and giving full force and effect in all provinces and territories of Canada to certain U.S. First Day Orders (as defined below) made in the Chapter 11 Proceedings;

(ii) appointing FTI Consulting Canada Inc. as information officer; and

(iii) granting additional stays and protections consistent with the Model Supplemental Recognition Order in Ontario.

2. The grounds for the application are:

Background and Foreign Proceedings

(a) Takata Corporation ("**TJKP**"), together with its direct and indirect subsidiaries, including TKH ("**Takata**"), is a global leader in the manufacture of automotive safety components, including seatbelts and airbags. For well over 50 years, Takata has been a pioneer in the development and production of safety systems and its cutting edge and innovative products have saved countless lives;

(b) While Takata has no assets (other than retainers with professionals, including counsel) or operations in Canada, its products appear in vehicles in Canada since Takata sells its products to original equipment manufacturer customers (the "**OEMs**" or the "**Customers**"), who in turn manufacture and sell automobiles in Canada;

(c) Recently, despite its long history of leadership and excellence, Takata has experienced financial distress due to issues relating to certain of its airbag inflators containing phase-stabilized ammonium nitrate ("**PSAN Inflators**"), which have ruptured during deployment of the airbag. This has led to wide-ranging recalls of vehicles in Canada, the United States and elsewhere;

(d) Takata has been named as a defendant in a number of actions in Canada relating to the PSAN Inflators, including fourteen (14) uncertified class actions in Canada (four of which have been dismissed, five of which are currently in abeyance and five of which have been consolidated into national class actions proceeding in Ontario (collectively, the "**Canadian**

Class Actions")) and two personal injury actions (collectively the "**Canadian Personal Injury Actions**" and collectively with the Canadian Class Actions, the "**Canadian Actions**"). Although several of the Canadian Actions allege personal injuries, there have been no known instances of inflator rupture in Canada to date;

(e) Takata also faces significant liabilities relating to the PSAN Inflators in the United States and elsewhere including:

(i) A USD $25 million criminal fine and USD $975 million in restitution payments arising out of a plea agreement with the United States Department of Justice, Criminal Division, Fraud Section, and the United States Attorney's Office for the Eastern District of Michigan, USD $850 million of which remains outstanding and must be satisfied in full be February 27, 2018;

(ii) An up to USD $200 million civil penalty owed by TKH to the United States National Highway Traffic Safety Administration ("**NHTSA**") in the U.S. in connection with recalls, which consists of USD$70 million in non-contingent penalties (USD $50 million of which is outstanding and due by October 2020) and USD$130 million in penalties that are deferred and held in abeyance pending TKH's compliance with certain provisions of a consent order with NHTSA;

(iii) Recall-related indemnification and warranty liabilities, in the billions of dollars, owed to OEM customers who purchased and installed the affected components into vehicles that were then sold globally, which, based on the results of the marketing and sale process, exceed the enterprise value of the Debtors and their affiliates; and

(iv) Significant ongoing and potential future litigation claims in the United States and Mexico (in addition to the Canadian Actions) asserting damages claims for personal injury, wrongful death and economic losses, among other things, relating to the affected airbags;

(f) Despite the complexities and risks resulting from the unprecedented product recalls and the impending liquidity risks, Takata is close to finalizing the terms of a global transaction with Key Safety Systems, Inc. ("**KSS**" and, collectively with one or more of its current or newly formed subsidiaries or designated affiliates, the "**Plan Sponsor**") for the sale of substantially all of Takata's global operations (the "**Global Transaction**") after an expansive sale and marketing process;

(g) The Global Transaction is expected to have the support of a significant majority of Takata's OEM Customers (the "**Consenting OEMs**") and to produce a better result for the Chapter 11 Debtors' stakeholders than a liquidation (which, among other things, would potentially impact ongoing product recalls by putting the stable and continuous supply of parts to the OEMs, including replacement parts for vehicles subject to recall, at significant risk);

(h) While the Chapter 11 Debtors are close to finalizing the Global Transaction, they determined that the Chapter 11 Debtors' liquidity position was not sustainable without an insolvency filing in light of vendor reaction to news of a pending bankruptcy filing;

(i) On June 25, 2017, the Chapter 11 Debtors filed voluntary petitions for relief under chapter 11 of title 11 of the United States Code. Concurrently, albeit on June 26, 2017 in Japan, TKJP, Takata Kyushi K.K. and Takata Service Corporation (the "**Japanese Debtors**", and collectively with the Chapter 11 Debtors, the "**Debtors**") initiated civil rehabilitation proceedings with the 20th Department of the Civil Division

of the Tokyo District Court under the Civil Rehabilitation Act of Japan (the "**Japanese Proceedings**", and collectively with the Chapter 11 Proceedings, the "**Foreign Proceedings**").

(j) The Chapter 11 Debtors also filed various motions seeking the following Orders, which motions are returnable on June 27, 2017:

(i) Order Directing Joint Administration of Chapter 11 Cases;

(ii) Order Appointing Prime Clerk LLC as Claims and Noticing Agent;

(iii) Interim and Final Order (i) Authorizing Debtors to Enter into Accommodation Agreement with Certain Customers, (ii) Granting Adequate Protection to Certain Consenting OEMs in Connection Therewith, (iii) Modifying the Automatic Stay to Implement and Effectuate the Terms of the Interim Order, and (vi) Scheduling a Final Hearing;

(iv) Interim and Final Orders (I) Authorizing Debtors to (A) Continue Their Existing Cash Management System, (B) Honor Certain Prepetition Obligations Related to the Use Thereof, (C) Provide Certain Postpetition Claims Administrative Expense Priority, (D) Continue Intercompany Funding of Certain Non-Debtors, and (E) Maintain Existing Bank Accounts and Business Forms; and (II) Extending Time to Comply with Requirements of 11 U.S.C. § 345(b);

(v) Order for Interim and Final Authority to (I) Pay Prepetition Wages, Salaries, and Other Compensation and Benefits, and (II) Maintain Employee Benefit Programs and Pay Related Administrative Obligations;

(vi) Order for Interim and Final Authority to Pay Prepetition Obligations Owed to Certain Critical Vendors;

(vii) Interim and Final Orders Authorizing the Debtors to (I) Pay Prepetition Obligations Owed to Certain Foreign Vendors and Lien Claimants and (II) Grant Administrative Status for Certain Goods Delivered to Debtors Postpetition;

(viii) Order for Interim and Final Authority to (I) Continue Tooling and Warranty Programs in the Ordinary Course of Business and Pay Prepetition Obligations Related Thereto, and (II) Authorize Banks to Honor and Process Related Checks and Transfers;

(ix) Order for Interim and Final Authority to Continue Insurance Programs and Pay All Obligations With Respect Thereto;

(x) Order for Interim and Final Authority to (I) Pay Certain Prepetition Taxes and Assessments, and (II) Authorize Banks to Honor and Process Related Checks and Transfers;

(xi) Interim and Final Orders (I) Approving Debtors' Proposed form of Adequate Assurance of Payment to Utility Companies, (II) Establishing Procedures for Resolving Objections by Utility Companies, and (III) Prohibiting Utility Companies from Altering, Refusing, or Discontinuing Service;

(xii) Order Enforcing the Protections of 11 U.S.C. §§ 362, 365, 525, and 541(c);

(xiii) Order Authorizing TK Holdings, Inc. to Act as Foreign Representative on Behalf of the Debtors' Estates; and

(xiv) Order Implementing Certain Notice Procedures and Approving the Form and Manner of Notice of Commencement (such orders

that are granted by the U.S. Court on or about June 27, 2017, the "**U.S. First Day Orders**").

(k) It is anticipated that the Global Transaction will be implemented pursuant to: (i) a chapter 11 plan of reorganization for the sale of the Chapter 11 Debtors' assets except certain excluded assets; and (ii) a business transfer followed by a liquidating plan in accordance with the *Civil Rehabilitation Act* in Japan for the sale of the assets of the Japanese Debtors. The remainder of Takata's assets will be sold or transferred outside of a formal insolvency proceeding;

(l) With the benefit of the breathing room afforded by the Foreign Proceedings, the Debtors expect to progress expeditiously toward finalizing the terms of the Global Transaction in a manner that is fair, equitable and in the best interests of the Debtors' estates and the safety of the driving public;

Recognition of the Chapter 11 Proceedings

(m) The Applicants are seeking recognition of the Chapter 11 Proceedings under Part IV of the CCAA;

(n) The Chapter 11 Proceedings are judicial proceedings that deal with creditors' collective interests generally under a law relating to bankruptcy or insolvency in which the relevant Chapter 11 Debtors' business and financial affairs are subject to control or supervision by the respective court for the purpose of reorganization;

(o) The centre of main interest of each Chapter 11 Debtor is in the United States;

(p) None of the Chapter 11 Debtors have business or operations in Canada and have no assets outside Ontario. The Chapter 11 Debtors have assets

in Ontario in the form of retainers with professionals, including their counsel, McCarthy Tétrault LLP;

(q) The Chapter 11 Proceedings constitute a foreign main proceeding under Part IV of the CCAA. The U.S. Foreign Representative will be duly appointed as foreign representative of the Chapter 11 Proceedings and authorized to seek recognition of those proceedings in Canada;

(r) Recognition of the Chapter 11 Proceedings and the requested relief, including the mandatory stay of proceedings set out in section 48 of the CCAA that restrains further proceedings in any action, suit or proceeding against the Chapter 11 Debtors including the Canadian Class Actions, will provide the Chapter 11 Debtors with breathing room necessary to continue towards implementation of the Global Transaction for the benefit of its stakeholders;

Appointment of the Information Officer

(s) FTI Consulting Canada Inc. ("**FTI**") has consented to act as an Information Officer. The U.S. Foreign Representative seeks its appointment to ensure the Court is kept apprised of the status of the Chapter 11 Proceedings and to assist in providing information to and responding to inquiries from potential Canadian creditors;

(t) Prior to the involvement of FTI in its role as proposed Information Officer, one or more of its U.S. affiliates provided advisory services in respect of claims involving one or more of TKH and/or its affiliates; however, FTI advises that the professional personnel at FTI had not previously been involved in such activities of its U.S. affiliates, and that its engagement team operates separately from the U.S. engagement team;

General

(u) The provisions of the CCAA, including sections 44-61;

(v) *Rules of Civil Procedure*, R.R.O. 1990, Reg. 194, including rules 2.03, 3 and 16; and

(w) Such further and other grounds as counsel may advise and this Court may permit;

3. The following documentary evidence will be used at the hearing of the application:

(a) The affidavit of Scott Caudill sworn June 27, 2017;

(b) A supplementary affidavit, to be sworn;

(c) The consent of FTI Consulting Canada Inc. to act as Information Officer; and

(d) Such further evidence as counsel may advise and this Honourable Court may permit.

June 27, 2017

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Lawyers for the U.S. Foreign Representative

Schedule "A" – Chapter 11 Debtors

1. TK Holdings Inc.
2. Takata Americas
3. TK Finance, LLC
4. TK China, LLC
5. TK Mexico Inc.
6. TK Mexico LLC
7. Interiors in Flight, Inc.
8. Takata Protection Systems Inc.
9. TK Holdings de Mexico S. de R.L. de C.V.
10. Industrias Irvin de Mexico, S.A. de C.V.
11. Takata de Mexico, S.A. de C.V.
12. Strosshe-Mex, S. de R.L. de C.V.

N THE MATTER OF APPLICATION OF AN APPLICATION BY TK HOLDINGS INC. UNDER SECTION 46 OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*

Court File No.:

ONTARIO
SUPERIOR COURT OF JUSTICE

Proceeding commenced at Toronto

NOTICE OF APPLICATION

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Tab 2

Court File No.

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APPLICATION OF TK HOLDINGS INC.
UNDER SECTION 46 OF THE
COMPANIES' CREDITORS ARRANGEMENT ACT

AFFIDAVIT OF SCOTT E. CAUDILL
SWORN JUNE 27, 2017

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UNDER SECTION 46 OF THE
COMPANIES' CREDITORS ARRANGEMENT ACT

AFFIDAVIT OF SCOTT E. CAUDILL
SWORN JUNE 27, 2017

I, Scott E. Caudill, of the City of Fair Oaks Ranch in the State of TEXAS, United States of America, MAKE OATH AND SAY:

1. I am the Executive Vice President and Chief Operating Officer for TK Holdings Inc. ("**TKH**" or the "**Applicant**") and have served in these capacities since being appointed to them in July 2003 and January 2016, respectively. Prior to that, while employed by TKH, I oversaw global seat belt production for Takata Corporation ("**TKJP**", and collectively with TKH and all of TKJP's direct and indirect subsidiaries, "**Takata**" or the "**Company**") and many of its direct and indirect subsidiaries, managing operations at twenty-six (26) plants in fourteen (14) countries. I have also served in various other capacities relating to production quality and engineering since joining Takata in February 1994. Prior to joining Takata, I served as an Engineering Coordinator for Honda of America Manufacturing. I have over twenty-seven (27)

years of experience in the automotive and manufacturing industries. Accordingly, I have personal knowledge of the matters herein, except where I have indicated that I have obtained facts from other sources, in which case I believe those facts to be true.

2. I swore a declaration in the Chapter 11 Proceedings (defined below), a copy of which is attached here at **Exhibit "A"** (my "**First Day Declaration**"). I repeat and affirm the contents of my First Day Declaration here.

3. I swear this affidavit in support of the application by TKH, in its capacity as foreign representative of the Chapter 11 Debtors (the "**U.S. Foreign Representative**"), pursuant to Part IV of the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**") for the following orders (the "**Recognition Orders**"):

(a) an Initial Recognition Order (Foreign Main Proceeding), among other things:

(i) abridging and validating the time for service;

(ii) ordering and declaring that U.S. Foreign Representative is a "foreign representative" as defined in s. 45 of the CCAA in respect of the petitions commenced by the Chapter 11 Debtors in the United States Bankruptcy Court, District of Delaware (the "**Chapter 11 Proceedings**);

(iii) recognizing the Chapter 11 Proceedings as a "foreign main proceeding" as defined in section 45 of the CCAA; and

(iv) ordering the other mandatory relief set out in section 48(1) of the CCAA; and

(b) a Supplemental Recognition Order (Foreign Main Proceeding):

(i) recognizing and giving full force and effect in all provinces and territories of Canada to certain U.S. First Day Orders (as defined below) made in the Chapter 11 Proceedings;

(ii) appointing FTI Consulting Canada Inc. as information officer; and

(iii) granting the stays and protections consistent with the Model Supplemental Recognition Order in Ontario.

4. All dollar references herein are in US dollars unless otherwise specified.

I. OVERVIEW

5. On June 25, 2017, the Chapter 11 Debtors filed voluntary petitions for relief under chapter 11 of title 11 of the United States Code (the "**Bankruptcy Code**"). Concurrently, albeit on June 26, 2017 in Japan, TKJP, Takata Kyushi K.K. and Takata Service Corporation (the "**Japanese Debtors**", and collectively with the Chapter 11 Debtors, the "**Debtors**") initiated civil rehabilitation proceedings with the 20th Department of the Civil Division of the Tokyo District Court under the Civil Rehabilitation Act of Japan (the "**Japanese Proceedings**", and collectively with the Chapter 11 Proceedings, the "**Foreign Proceedings**"). The Chapter 11 Debtors also filed various motions seeking certain First Day Orders (defined below) from the US Court, which motions are returnable on June 27, 2017.

6. In this proceeding, the U.S. Foreign Representative seeks the relief described above, including recognizing the Chapter 11 Proceedings as a "foreign main proceeding" pursuant to

Part IV of the CCAA and granting related relief. The Japanese Debtors do not presently seek recognition of the Japanese Proceedings in Canada.

Background

7. Takata is one of the world's leading automotive safety systems companies, supplying nearly all the world's major automotive manufacturers with a product range that includes seat belts and airbag systems, as well as steering wheels, child restraint systems, and electronic devices such as satellite sensors and electronic control units. Takata's products have saved countless lives and Takata airbags have deployed safely in more than two million automobile accidents around the world over the past 30 years.

8. Takata has no business, operations or assets (other than retainers with professionals, including counsel) in Canada. However, its products appear in vehicles in Canada since Takata sells its products to original equipment manufacturer customers (the "**OEMs**" or the "**Customers**"), who in turn manufacture and sell automobiles in Canada.

9. Recently, despite Takata's long history of leadership and excellence in the active and passive automotive safety market, it has experienced financial distress due to issues relating to certain of its products. Specifically, certain airbag inflators containing phase-stabilized ammonium nitrate ("**PSAN Inflators**") manufactured by Takata have ruptured during deployment. The rupture of these PSAN Inflators has prompted Takata, several major OEMs and regulators to take actions to initiate wide-ranging recalls of vehicles in the United States, Canada and elsewhere.

10. What began as a limited set of focused recalls affecting a small number of vehicle makes and models has expanded to become the largest and most complex automotive recall campaign in

Canadian and U.S. history. As of the date hereof, over 60 million PSAN Inflators in the United States and more than 64 million outside of the United States (including more than 5.2 million in Canada), in each case, without dessicant,[1] have been recalled or will be subject to recalls based on announced schedules.

11. Although substantial work has been done, and continues to be done to implement and complete the unprecedented recalls of non-desiccated PSAN Inflators, Takata nevertheless faces insurmountable claims and liabilities arising out of or relating to the recalls.

12. In Canada, certain Takata entities have been named as defendants in a number of actions relating to the PSAN Inflators, including 14 uncertified class actions in Canada (four of which have been dismissed, five of which are currently in abeyance and five of which have been consolidated into national class actions proceeding in Ontario (collectively, the "**Canadian Class Actions**")) and two personal injury actions (collectively the "**Canadian Personal Injury Actions**" and collectively with the Canadian Class Actions, the "**Canadian Actions**"). As noted below, TKH and TKJP are each named defendants in the Canadian Class Actions; however the Canadian Class Actions that have not been dismissed or held in abeyance have been stayed against TKJP. Although several of the Canadian Class Actions allege personal injuries, there have been no known instances of inflator rupture in Canada to date.

13. Takata also faces significant liabilities and potential liabilities in the United States and elsewhere including, among others:

(a) An up to $200 million civil penalty owed by TKH to the National Highway Traffic Safety Administration ("**NHTSA**") in the U.S. in connection with recalls,

[1] Desiccant is a chemical drying agent that has been proven to absorb moisture and mitigate the risk of rupture. PSAN Inflators that do contain desiccant are referred to herein as "desiccated PSAN Inflators" and those that do not are referred to herein as "non-desiccated PSAN Inflators."

which consists of $70 million in non-contingent penalties ($50 million of which remains outstanding and is due and payable by October 2020) and $130 million in penalties that are deferred and held in abeyance pending TKH's compliance with certain provisions of the Consent Order (defined below);

(b) A $25 million criminal fine and $975 million in restitution payments required by TKJP pursuant to a plea agreement (the "**Plea Agreement**") with the United States Department of Justice, Criminal Division, Fraud Section (the "**DOJ**"), $850 million of which remains outstanding and must be satisfied in full by February 27, 2018;

(c) Recall-related indemnification and warranty liabilities that the Debtors owe to OEMs, which are in the billions of dollars and, based on the results of the marketing and sale process, exceed the enterprise value of the Debtors and their affiliates; and

(d) Significant ongoing and potential future litigation claims for personal injury, wrongful death and economic losses, among others, relating to airbags containing non-desiccated PSAN Inflators.

14. In early 2016, it became clear that, absent a substantial injection of capital or a sale of Takata's assets to a third party, Takata would be forced into a liquidation. A liquidation would result in thousands of its employees being out of work, yield limited to no recoveries for creditors, and jeopardize ongoing efforts to get non-desiccated PSAN Inflators safely off the road including by putting the stable and continuous supply of parts to the OEMs, including replacement parts for vehicles subject to recall, at significant risk.

The Global Transaction

15. Accordingly, Takata, with the full participation and support of certain OEMs, conducted a thorough and exhaustive prepetition marketing and sale process, which involved nearly one year of intensive marketing, diligence, and negotiations between and among Takata, its stakeholders and potential sponsors. Out of this process, Key Safety Systems, Inc. ("**KSS**", and collectively with one or more of its current or newly formed subsidiaries or designated affiliates, the "**Plan Sponsor**") was selected and Takata is close to finalizing the terms of a global sale transaction that will pave the way for a relatively quick and successful emergence of Takata's business from restructuring (the "**Global Transaction**").

16. It is expected that the Debtors will seek to implement the Global Transaction pursuant to the Foreign Proceedings including by: (a) filing the following in the Chapter 11 Proceedings within the next few weeks: (i) a stock and asset purchase agreement among the Debtors and the Plan Sponsor; and (ii) a plan of reorganization; and (b) seeking approval pursuant to the Japanese Civil Rehabilitation Code to sell to the Plan Sponsor substantially all of the assets of the Japanese Debtors and subsequently filing a liquidating plan in accordance with the Japanese Civil Rehabilitation Act.

17. It is anticipated that the Global Transaction will provide the best recovery to creditors, continued employment of substantially all of Takata's employees, and continued production of PSAN Inflators for customers who need them, including to fulfill recalls. In addition, the Global Transaction provides for payment of the remaining $850 million owing under the Plea Agreement and the establishment of certain funds to provide distributions to holders of allowed general unsecured claims including personal injury and wrongful death claims, among other things.

18. The proposed Global Transaction is expected to have the support of a substantial majority of its OEM Customers (the "**Consenting OEMs**").

19. Despite being on the verge of finalizing the documentation for the Global Transaction, the Debtors determined that the Company's liquidity position was not sustainable in light of vendor reaction to news of pending bankruptcy filings and that filing without a fully executed deal and continuing to negotiate and finalize the necessary documentation post-filing was in the best interests of their stakeholders. The commencement of the Foreign Proceedings gives the Debtors much needed breathing space and will allow the Debtors to finalize the documentation for the Global Transaction while also preserving global liquidity and ensuring the ongoing manufacture and supply of component parts, service parts, and assembled goods (the "**Component Parts**"), including replacement parts required for ongoing recalls, to the OEMs.

20. The Consenting OEMs have an agreement in principle to provide critical accommodations to Takata, including, with respect to the Debtors, accelerated payments, setoff waivers, resourcing limitations, and inventory purchase commitments, pursuant to (i) an Accommodation Agreement among the Chapter 11 Debtors, certain other entities in the Takata group (other than the Japanese Debtors) and the Consenting OEMs (the "**Accommodation Agreement**"), and (ii) an accommodation agreement among the Japanese Debtors and the Consenting OEMs, to ensure that the Debtors have sufficient liquidity to operate during the Chapter 11 Proceedings.

Canadian Recognition Proceedings

21. As noted above, the Chapter 11 Debtors do not have any assets (except in the form of retainers with professionals, including counsel) or operations in Canada. However, there is outstanding litigation in Canada: TKH is a defendant in the Canadian Actions (as defined herein) together with TKJP, certain non-Debtor subsidiaries and certain OEMs.

22. The plaintiffs in the uncertified Canadian Class Actions allege losses arising out of the recalls related to PSAN Inflators. The Canadian Class Actions have been consolidated into national class actions proceeding in the Ontario Superior Court of Justice in which an aggregate of CDN $3.5 billion in damages is claimed. The Canadian Personal Injury Actions claim an aggregate of CDN $3.5 million in damages.

23. The U.S. Foreign Representative is seeking recognition of the Chapter 11 Proceedings as a foreign main proceeding under Part IV of the CCAA at this time. The Debtors are not currently seeking recognition of the Japanese Proceedings, although they may do so in the future on the basis that the Japanese Proceedings is a foreign main proceeding with respect to the Japanese Debtors. The stay of proceedings in Canada will provide the Chapter 11 Debtors with the breathing room necessary to continue towards implementation of the Global Transaction for the benefit of its stakeholders.

24. The U.S. Foreign Representative is also seeking the appointment of FTI Consulting Canada Inc. as information officer to ensure that the Canadian Court is kept apprised of the status of the Chapter 11 Proceedings and to assist in providing information to and responding to inquiries from potential Canadian creditors, including claimants in the Canadian Actions.

25. It is intended that Canadian claimants will be treated in the same manner in the Chapter 11 Proceedings as other similarly situated creditors in the U.S. As described in my First Day Declaration and referenced below, the Chapter 11 Plan (defined in my First Day Declaration) will provide for the treatment of all prepetition claims against the respective Chapter 11 Debtors – regardless of the country of origin of the claimant – through the establishment and funding of certain recovery funds at each of the Chapter 11 Debtor entities for the benefit of their respective claims.

II. THE DEBTORS

26. For management purposes, Takata's global operations are grouped into four regions: Japan, Asia (excluding Japan), the Americas, and EMEA (Europe, the Middle East, and Africa).

27. TKJP, a corporation incorporated pursuant to the laws of Japan and a public company listed on the Tokyo Stock Exchange, is the direct or indirect parent of each of the other Debtors. TKJP is a Japanese Debtor. Recognition is not sought at this time with respect to it or the other Japanese Debtors (each of which is incorporated pursuant to the laws of Japan). The Takata entities that primarily operate in Asia or EMEA have not commenced bankruptcy or insolvency proceedings.

28. A detailed summary of the Debtors' current organizational structure is attached hereto as **Exhibit "B"**.

Chapter 11 Debtors

29. The Chapter 11 Debtors each operate in the Americas region of Takata's operations. As described further below, there is centralized management at Takata's U.S. head office in Auburn Hills, Michigan for all strategic, management, operational, marketing and communication

decisions regarding Takata's operations in the Americas, including the U.S. and Mexico. Below is a brief description of each Chapter 11 Debtor:

(a) **Takata Americas** is a Delaware partnership that serves as a holding company for Takata's operations in the Americas. Takata Americas owns over 99% of the equity in TKH and generally has no assets other than the stock in its subsidiaries.

(b) **TKH** is a Delaware-incorporated operating company that manufactures and sells inflators, airbags and seat belts, and sells steering wheels (which are manufactured by its affiliates). TKH owns six plants, including a plant in Moses Lake, Washington, where TKH produces PSAN propellant, inflators, and airbag modules. TKH's revenues represent 33% of Takata's revenues on a global basis. TKH directly or indirectly owns each of the other Chapter 11 Debtors (excluding Takata Americas), along with various other entities.

(c) **TK Finance, LLC, TK China LLC, TK Mexico Inc., and TK Mexico LLC** are each holding companies with no operations, third-party debt, or assets other than the equity in their respective subsidiaries.

(d) **Interiors in Flight, Inc.** and **Takata Protection Systems Inc.** have no ongoing operations following a sale of substantially all of their assets in February 2017.

(e) **Takata de Mexico, S.A. de C.V.** ("**TK DM**") and **Industrias Irvin de Mexico, S.A. de C.V.** ("**Industrias Irvin**") are each maquiladoras incorporated pursuant to the laws of Mexico. TK DM manufactures inflators and assembles airbag modules and replacement kits and owns two plants, including a plant in Monclova, Mexico where TK DM manufactures PSAN Inflators. Industrias Irvin assembles airbag modules and seat belts and manufactures seat belt components.

(f) **Strosshe-Mex, S. de R.L. de C.V.** ("**SMX**") is a Mexican entity referred to as a "trading sales company". It is in the business of contracting with Mexican OEMs for the sale of the Debtors' products, including airbags containing PSAN Inflators.

(g) **TK Holdings De Mexico S. de R.L. de C.V.** ("**TK Holdings De Mexico**") is a Mexican holding company that provides centralized administration services for its subsidiaries, in exchange for a management fee. The administration services include customs compliance, management of accounts receivable and payable, taxes, and certain payroll functions. TK Holdings De Mexico does not employ its own employees, but rather leases employees from TK DM in exchange for a monthly fee.

III. THE BUSINESS OF THE DEBTORS

30. Takata's business is described in greater detail in my First Day Declaration. The following is a high-level description meant to provide background for the Canadian recognition proceedings.

31. Takata was founded in 1933 as a textile company in Shiga Prefecture, Japan. In the early 1950's it began to focus on automotive safety systems. Over the following decades, Takata became a leader in automotive safety systems and expanded around the globe. The Company has been and continues to be recognized for its high quality manufacturing by Customers, as well as by third-party organizations.

32. Takata operates more than 50 manufacturing plants and research & development centres in over 20 countries and on 5 continents. A copy of the 2016 TKJP Corporate Brochure is attached hereto as **Exhibit "C"**.

33. Takata's product range encompasses a broad spectrum of passive and active automotive safety technology, including seat belts, airbag systems, steering wheels, and other electronic devices. For the fiscal year ended March 31, 2016, Takata's sales by product category were as follows: airbag systems (36%), seat belts (34%), steering wheels (17%) and other products (14%), including electronics and child seats.

34. In addition to Takata's automotive safety operations, Takata, including certain of TKH's non-debtor subsidiaries, operate certain non-automotive safety business lines, including webbing fabrics and cushions and non-automotive products, including school bus seats.

Business Model

35. As is commonplace throughout the automotive industry, the Debtors' businesses function under a tiered supply chain structure. The Debtors are Tier One suppliers, upstream from the car manufacturers (i.e. the OEMs), that produce the specialized Component Parts needed for new vehicles.

36. Generally, each Component Part manufactured by the Debtors is engineered and designed in partnership with the applicable Customer. In almost all cases, the Debtors are the sole manufacturer of the Component Parts they supply for their Customers and, in many instances, the Debtors and their Customers rely on a daily or weekly "just-in-time" inventory supply system.

37. The airbag, steering wheel, and other safety-critical products produced by the Debtors and the constituent components of these products must meet demanding specifications mandated by both the Debtors and the Customers, as well as government mandated safety standards, before they can be used in the Debtors' manufacturing process. Due to these extensive design, development, and certification requirements, the process by which the Debtors and the OEMs select and certify a new supplier and a new program can take approximately 18 to 24 months.

38. An OEM's ability to assemble cars is directly dependent on the Debtors' ability to deliver Component Parts on schedule. As evidenced by the foregoing, any disruption in the Debtors' production could immediately impact their Customers' ability to manufacture automobiles and could result in a shutdown in production of many of the largest vehicle platforms around the globe.

Takata Does Not Have Any Canadian Operations

39. Takata does not have any operational presence in Canada. The Debtors do not operate any plants or R&D facilities in Canada or otherwise have any assets situated in Canada in the ordinary course of business. The Debtors do not have any employees in Canada, nor do they engage any independent contractors based in the country to sell their products to Canadian business.

Financial Results

40. For the twelve months ended March 31, 2017, the audited and consolidated financial statements of TKJP and its Debtor and non-Debtor subsidiaries reflected total sales of approximately $6.1 billion and a net loss of approximately $733.8 million.

41. As of the date the Foreign Proceedings were commenced, the Chapter 11 Debtors have no outstanding funded debt obligations. However, as of the same date, TKJP has outstanding funded debt obligations in an aggregate amount of approximately $590 million (based on current currency exchange rates) consisting of (i) approximately $320 million in principal amount of bank debt and (ii) approximately $269 million in principal amount of unsecured bonds. The bank lenders do not have any liens against Takata's assets in connection with borrowed funds, but they do have the ability to offset borrowed funds against Takata's deposit accounts under certain circumstances, including a payment default.

IV. EVENTS LEADING TO THE COMMENCEMENT OF PROCEEDINGS

42. The rupturing of PSAN Inflators and the related recalls have resulted in substantial and expansive claims against the Debtors and other Takata entities, as well as resourcing of future business by the Customers. Under these circumstances, and those described in more detail below, Takata determined that an efficient sale of substantially all of Takata's assets to the Plan Sponsor through coordinated insolvency proceeding in the U.S. and Japan would provide the best recovery to creditors while also ensuring that the Debtors continue to uphold recall-related and supply obligations to its Customers.

NHTSA Civil Penalties and Expansive Recalls

43. In the United States, NHTSA opened a formal defect investigation into the PSAN Inflators in June 2014, which led to the following orders being made against TKH:

(a) a February 25, 2015 Preservation Order and Testing Control Plan (the "**Preservation Order**") which requires, among other things, that TKH take reasonable steps to prevent the destruction of and preserve all recalled or returned

PSAN Inflators, ruptured inflators, and other ammonium nitrate-containing inflators in the United States, as well as documents, data, and tangible things reasonably anticipated to be relevant to the subject of NHTSA's defect investigation into PSAN inflators;

(b) a November 3, 2015 Consent Order (the "**Consent Order**") whereby TKH agreed to pay a civil penalty in the amount of $70 million payable in six (6) installments, of which $20 million has already been paid, with the final installment due and payable by October 2020. TKH also agreed to accept a deferred contingent civil penalty in the amount of $130 million which will become due only if TKH fails to comply with certain obligations; and

(c) a November 3, 2015 Coordinated Remedy Order (the "**Coordinated Remedy Order**" and collectively with the Preservation Order and the Consent Order, the "**NHTSA Orders**") which established a schedule, based on relative risk of rupture, by which certain OEMs must have sufficient parts on hand to replace PSAN Inflators in affected vehicles.

44. NHTSA appointed an independent monitor (the "**Independent Monitor**") to assist NHTSA in overseeing and assessing Takata's compliance with the NHTSA Orders. Takata has been working closely with the Independent Monitor to ensure compliance with the NHTSA Orders.

45. NHTSA commissioned three independent research organizations to administer scientific evaluations and report on the "root cause" of the rupture of non-desiccated frontal Takata airbag inflators containing PSAN. Based on these reports, NHTSA concluded that the likely root cause of the rupturing of such inflators is a function of time, temperature cycling, and environmental

moisture and that, at some point in the future, all non-desiccated frontal Takata PSAN inflators will reach a threshold level of degradation that could result in the inflator becoming unreasonably dangerous.

46. Accordingly, on May 4, 2016, NHTSA issued an amendment to the Consent Order requiring Takata to file defect information reports triggering recall obligations for all non-desiccated frontal PSAN Inflators in the United States on a defined, phased schedule broken down by vehicle model, year, and location, concluding by December 31, 2019. As of the date hereof, NHTSA has not initiated any recalls of desiccated PSAN Inflators relating to propellant degradation.

47. TKH has also been working cooperatively with NHTSA, world-class technical experts, and Customers to initiate recalls and administer replacement of affected airbag inflators to remedy safety concerns relating to non-desiccated PSAN inflators globally.

Plea Agreement and Restitution Order

48. On January 13, 2017, TKJP announced that it had entered into the Plea Agreement with the United States DOJ and the United States Attorney's Office for the Eastern District of Michigan (collectively, the "**Offices**") whereby it:

(a) pleaded guilty to wire fraud in violation of 18 U.S.C. § 1343;

(b) agreed to pay a criminal fine of $25 million, which was paid on March 29, 2017; and

(c) agreed to pay $975 million in restitution payments, as follows:

(i) $850 million to automobile manufacturers, which amount must be paid within five days after the closing of a sale of Takata, which must occur by no later than February 27, 2018; and

(ii) $125 million to recompense individuals who suffered (or will suffer) personal injury caused by the malfunction of a PSAN Inflator, which amount was paid by Takata on or around March 29, 2017.

49. In exchange for the guilty plea of TKJP and the complete fulfillment of all obligations under the Plea Agreement, the Offices agreed not to file additional criminal charges against TKJP or any of its direct or indirect affiliates, subsidiaries, or joint ventures based on the conduct underlying the guilty plea.

50. Notably, however, if TKJP fails to perform or fulfill its obligations under the Plea Agreement, Takata may be subject to criminal prosecution and additional fines and penalties, including criminal prosecution for conduct otherwise settled by way of the Plea Agreement.

Canadian Recalls

51. Transport Canada has indicated that it has not received any complaints from Canadians alleging abnormal deployment of airbags supplied by Takata and is not aware of any related incidents in Canada. Transport Canada has also stated that auto manufacturers have confirmed to it that no abnormal deployments of airbags supplied by Takata have occurred in Canada.

52. The defect in PSAN Inflators is more likely to occur if the vehicle has been exposed to sustained high humidity and temperatures for long periods of time. These conditions typically do not exist in Canada. As a result, Transport Canada has indicated that it considers the risk of this

defect to Canadians to be low. A copy of the Transport Canada webpage with respect to the Takata recalls in Canada is attached hereto and marked as **Exhibit "D"**.

53. In Canada, the OEMs, not suppliers of Component Parts such as Takata, are responsible for carrying out recalls. Recalls of vehicles in Canada based on defective PSAN Inflators began on November 18, 2008 and have continued throughout the past several years. To date, over 5.2 million Takata airbag inflators have been subject to a recall in Canada, making it Canada's largest-ever automotive recall. Several driver and passenger frontal airbags are affected. As some vehicles may require the replacement of both the driver and passenger airbag, this figure is not the number of vehicles involved, but the number of airbags recalled.

Recall Reimbursement Claims

54. The recalls described above have resulted in mounting claims for reimbursement by the OEMs against the Takata entities with which the OEMs contract. Pursuant to many of the OEMs' contracts with TKH, the OEMs are entitled to reimbursement for costs associated with administering the recalls and installing replacement parts. As of the date the Foreign Proceedings were commenced, the Debtors estimate such recall-related reimbursement claims against the Debtors to be in the billions of dollars.

V. LITIGATION AGAINST THE DEBTORS

Canada

a) Canadian Class Actions

55. TKH, TKJP, and certain non-debtor subsidiaries, as well as certain OEMs, were named defendants in 14 class actions in four Canadian provinces (British Columbia, Saskatchewan,

Quebec, and Ontario). A chart which summarizes the Canadian Class Actions is attached hereto and marked as **Exhibit "E"**.

56. The Canadian Class Actions are brought by putative representative plaintiffs who allege that they are consumers who purchased/leased vehicles in Canada with airbags containing PSAN Inflators that are subject to recalls. The putative representative plaintiffs assert claims for economic losses largely based on the theory that the recall of PSAN Inflators has reduced market value of vehicles and/or airbags containing PSAN Inflators and that they experienced losses arising from their inability or unwillingness to use their vehicles until the inflators were replaced and the expenses associated with such replacement. Although several of the Canadian Class Actions allege personal injuries, there have been no known instances of inflator rupture in Canada to date.

57. Plaintiffs' counsel in the Canadian Class Actions have formed a national consortium. The following is the status of the Canadian Class Actions:

(a) Four of the class actions, all of which were commenced in Ontario, were formally dismissed by Order dated December 19, 2016;

(b) Five of the class actions are currently being held in abeyance (collectively, the "**Abeyance Actions**");

(c) Five of the class actions have been consolidated into national class actions proceeding in Ontario (collectively, the "**Continuing Actions**").

58. The Continuing Actions are being case-managed by Justice Perell of the Ontario Superior Court of Justice and are each at the pre-certification stage. All of the Continuing Actions name TKH and TKJP as Defendants, but each names different OEMs. The pleadings in the Continuing

Actions are voluminous. Attached hereto as **Exhibit "F"** as an example of the pleadings in the Continuing Actions are the pleadings to date in *McIntosh v. Takata Corporation et al.*, Court File No. CV-16-543833-00CP.

59. TKH has delivered statements of defence in each of the Continuing Actions. The Continuing Actions have been stayed as against TKJP, on the basis that it had not attorned to the jurisdiction of the Ontario courts and the plaintiffs wished to move the cases forward rather than deal with the question of jurisdiction. The Continuing Actions assert an aggregate of CDN $3.5 billion in damages.

60. Joint and several liability has not been expressly pleaded in the Continuing Actions. However, the pleadings assert liability against all named parties for the conduct in issue and therefore appear implicitly to seek joint and several liability. The OEMs that are named defendants in the Continuing Actions may have contractual or common law claims for indemnification and/or contribution against the Takata entity from which they purchased the PSAN Inflator to the extent that they are found liable in the Continuing Actions.

61. A number of the OEM defendants have asserted cross claims against TKH and TKJP in the Continuing Actions:

(a) In *Coles v. Takata Corporation et al.*, Court File No. CV-16-543764-0CP, the sole OEM Defendant, Fiat-Chrysler, has crossclaimed against TKH and TKJP

(b) In *Mailloux v. Takata Corporation et al.*, Court File No. CV-16-543763-00CP, the sole OEM Defendant, Nissan, has crossclaimed against TKH and TKJP**;**

(c) In *D'Haene et al. v. Takata Corporation et al.*, Court File No. CV-16-543766-00CP, BMW, Ford, GM, Mazda and Subaru have each crossclaimed against TKH and TKJP; and

(d) In *McIntosh v. Takata Corporation et al.*, Court File No. CV-16-543833-00CP, the sole OEM Defendant, Toyota, has crossclaimed against TKH and TKJP.

62. With respect to the matter of *Des-Rosiers et al. v. Takata Corporation et al.*, Court File No. CV-16-543767-00CP, the sole OEM Defendant, Honda, has obtained the consent of TKH and the plaintiff to deliver an Amended Statement of Defence and Crossclaim, which will name TKH and TKJP. TKH has not yet been served with a copy of the Amended Statement of Defence and Crossclaim.

63. TKH and/or TKJP have entered into tolling agreements in respect of cross-claims with various OEMs.

64. Joint and several liability has been pleaded in three of the five Abeyance Actions.[2]

b) <u>Canadian Personal Injury Actions</u>

65. In addition to the Canadian Class Actions, two (2) personal injury actions have been commenced by individual plaintiffs against TKH, or TKH, TKJP and certain non-debtor subsidiaries. The Canadian Personal Injury Actions assert an aggregate of CDN $3.5 million in damages. A chart which summarizes the Canadian Personal Injury Actions is attached hereto and marked as **Exhibit "G"**.

[2] *Covill v. Takata Corporation et al.*, Court File No. QBG 2561/2014; *Hall v. Takata Corporation et al.*, Court File No. QBG 1284/2015; *Vitoratos et al. v. Takata Corporation et al.*, Court File No. 500-06-000723-144.

United States

66. Approximately 100 personal injury and wrongful death lawsuits relating to PSAN Inflators are currently pending in state and federal courts within the U.S. The lawsuits allege product liability claims, based in almost all instances on inflator ruptures, deployments with excessive force, and failures to deploy against TKH and TKJP with some claims also being made against certain of their Debtor and non-Debtor affiliates (collectively, the "**U.S. Personal Injury Actions**"). In the aggregate, the existing U.S. Personal Injury Actions seek damages in the tens of millions of dollars. Additionally, the Debtors estimate that there are approximately 150 additional personal injury actions that could be asserted in the future based on known incidents.

67. TKH, TKJP, and certain OEMs have also been named defendants in a putative nationwide consumer class action (the "**U.S. Economic Loss Class Action**") that asserts claims for economic losses largely based on the theory that the recall of PSAN Inflators has reduced the market value of those vehicles and/or airbags containing recalled PSAN Inflators.

68. On February 5, 2015, several private civil actions relating to PSAN Inflators proceeding in federal courts in the U.S. against TKH – all class actions alleging economic losses – were centralized in a multi-district litigation proceeding in the Southern District of Florida. In that centralization order, the Judicial Panel on Multidistrict Litigation also recognized that the U.S. Personal Injury Actions could be included in the MDL and many of the U.S. Personal Injury Actions have subsequently been transferred to the MDL.

Mexican Litigation

69. A class action was also commenced in Mexico by Acciones Colectivas de Sinaloa, A.C. ("**ACS**") against, among others, TKH, TK DM, Industrias Irvin, and certain OEMs (the

"**Mexican Class Action**"). ACS is a non-profit association whose purpose is to, among other things, promote and defend the interests and rights of consumers and to commence corresponding class actions in order to enforce the claims of such persons.

70. ACS is seeking, among other things, a declaration that the airbags produced and sold by the defendants are defective, an order obligating the defendants to replace the defective airbags free of charge, or order obligating the defendant to refrain from producing airbags until, in the view of the Mexican Class Action Court, they are no longer defective, and an award of damages to each individual member of the class for diminution in value of the vehicles and/or personal injuries. As is the case with the U.S. Economic Loss Class Action and the Canadian Actions, the Debtors strongly dispute the validity of these claims and any associated liability.

Potential for Future Claims

71. Prior to the commencement of the Foreign Proceedings, Takata embarked on an expansive campaign to notify owners of vehicles with PSAN Inflators of the risk associated with such inflators and continue to encourage owners of such vehicles to visit their local dealers to have a replacement kit installed. The OEMs and NHTSA have independently contributed to such noticing efforts.

72. Nevertheless, vehicles containing PSAN Inflators remain and will continue to remain on the roads in the U.S., Canada and around the world. Additionally, the risks associated with PSAN Inflators containing desiccant are unknown and vehicles containing such inflators may be subject to recalls in the future. Accordingly, there is a significant risk that additional personal injury, wrongful death, and economic loss claims will be asserted against the Debtors, other Takata affiliates, and the OEMs arising from pre-and post-closing sale of PSAN Inflators. The

Chapter 11 Plan proposes various mechanisms for addressing such claims as against the Debtors.

VI. PRE-PETITION RESTRUCTURING EFFORTS

73. The pre-petition sales and restructuring efforts are described in greater detail in my First Day Declaration. As set out therein, a number of OEMs established a Customer Group to negotiate and develop a restructuring plan with Takata (the "**Customer Group**"), which from the outset identified certain guiding principles for and expectations of Takata in the process**.**

74. In February 2016, shortly after the formation of the Customer Group, the board of directors of TKJP appointed an independent advisory committee consisting of five business, legal, and financial professionals (the "**Steering Committee**") to facilitate the development of a restructuring plan for Takata through a fair and transparent process.

75. In May 2016, the Steering Committee empowered Lazard Frères & Co. LLC ("**Lazard**") to commence an expansive marketing and sale process for Takata to identify either a third-party investor or a plan sponsor for Takata's global assets and operations. After careful review and analysis of the Debtors' operations, Lazard, with the assistance of Weil, Gotshal & Manges LLP, and PricewaterhouseCoopers LLP, as well as legal and financial advisors in Japan and Europe, determined that, due to the strong interdependencies among and between the global regions, a sale on a region-by-region basis would be value destructive and would not be in the best interests of the Debtors' estates. Accordingly, Lazard pursued the marketing and sale process on behalf of the global enterprise to secure a plan sponsor or investor interested in keeping the global operations intact.

76. The prepetition marketing and sale process led by Lazard with the support of Takata's other advisors was comprehensive and robust, involving solicitation of interest from a diverse set of potential strategic and financial partners that would be capable of participating in Takata's restructuring efforts. For those potential plan sponsors that proceeded to diligence rounds, diligence was inclusive and thorough, including document review, discussions with Takata employees, and site visits, in each case to the extent permitted by applicable antitrust law.

77. The entry of the Plea Agreement in January 2017 was an important milestone in the marketing and sale process of the Takata enterprise as each of the potential sponsor candidates had previously indicated that resolution of the DOJ's investigation of Takata would be an absolute prerequisite to consummation of any transaction. In addition, the Plea Agreement and Restitution Order established both a ceiling on Takata's criminal liability to the U.S. government and a floor for a proposed purchase price—at least $850 million—as the proposed sponsors have every incentive to ensure that the obligations owed by Takata under the Plea Agreement are satisfied in full (otherwise further charges may be laid).

78. On January 27, 2017, the Steering Committee recommended to Takata's board of directors that it proceed with the bid submitted by the Plan Sponsor as it was the highest and best offer submitted for Takata's assets by a significant margin. In addition to the substantial purchase price (which exceeded the bid submitted by the other candidate by a significant margin), there was concern that the bid submitted by the other remaining candidate faced substantial hurdles to secure certain regulatory approvals, which likely would result in a lengthy and uncertain review process by various governmental entities in multiple jurisdictions, could require significant asset dispositions in connection with the applicable antitrust approval, and potentially would not secure the necessary approvals. Accordingly, Takata's board of directors

accepted the Steering Committee's recommendation, and Takata and the Plan Sponsor continued on to final diligence and documentation of the transaction.

79. The Customer Group, which observed and participated in the prepetition marketing and sale process expressed collective support for the Plan Sponsor. For many reasons, including, most importantly, the fact that no plan sponsor, whether strategic or financial, would be willing to participate in a transaction without clear support from their primary revenue source (i.e., the OEMs), the OEMs' endorsement of the Plan Sponsor as their successful candidate is a strong indication that the prepetition marketing and sale process produced the best result for Takata.

80. Based on my own participation in the prepetition marketing and sale process and my discussions with Takata's legal and financial advisors, I believe that the process was exhaustive and fair and was conducted with the goal of maximizing value for the Debtors and their stakeholders. I do not believe that a postpetition marketing and sale process would produce a better result for the Debtors or their stakeholders.

VII. THE GLOBAL TRANSACTION

Negotiations and Conditions

81. Since selecting the Plan Sponsor as the successful bidder, Takata, the Consenting OEMs, and the Plan Sponsor have engaged in many months of substantive, good faith and, at times, protracted negotiations. The parties shared common goals of developing a consensual transaction structure that will:

(a) ensure ongoing compliance with the NHTSA Orders and the Plea Agreement;

(b) comply with the insolvency laws in applicable jurisdictions;

(c) provide for the prompt emergence from insolvency proceedings; and

(d) provide quality and safe Component Parts to the OEMs, including replacement kits.

82. The Global Transaction is the product of certain conditions imposed by the Plan Sponsor and the Customer Group. From the outset, the Plan Sponsor clearly indicated that it would not be willing to assume any liabilities relating to the manufacturing of PSAN Inflators, including contingent liabilities relating to pre- or post-closing production of PSAN Inflators whether desiccated or non-dessicated, without a full indemnity from the OEMs.

83. The OEMs, unwilling to consent to blanket indemnity obligations, but many in need of ongoing and post-closing production of PSAN Inflators for either series production, replacement kits, or service parts, have been engaging in robust negotiations with the Plan Sponsor on the precise contours of their indemnification obligations and on methods to mitigate the Plan Sponsor's exposure and reduce the need for a full indemnity.

The PSAN Carve-Out

84. To that end, and to satisfy the ongoing production needs of the OEMs as well as the ongoing recall obligations relating to PSAN Inflators, Takata, the OEMs, and the Plan Sponsor developed a structure (the "**PSAN Carve Out**") whereby assets dedicated to the manufacture of PSAN Inflators (the "**PSAN Excluded Assets**" and together with the other excluded assets, the "**Excluded Assets**") will remain with or be transferred to TKH and certain of its subsidiaries upon TKH's emergence from the Chapter 11 Proceedings ("**Reorganized Takata**") to produce PSAN propellant and PSAN Inflators.

85. Reorganized Takata will own and operate the PSAN Excluded Assets until such time as (i) the production of PSAN Inflators is no longer necessary under the terms of the NHTSA Orders or any other order by authorities relating to recall, to the extent applicable, and (ii) the earlier of (a) five years after the effective date of the Chapter 11 Plan and (b) such time as production of PSAN Inflators is no longer necessary to comply with the terms of the Debtors' contracts with the Consenting OEMs. The primary purpose of Reorganized Takata is to ensure the continued production of PSAN Inflators to those Customers who need such inflators, including to fulfill recalls.

Overview of the Global Transaction

86. It is anticipated that the Global Transaction will provide for the sale of substantially all of Takata's assets to the Plan Sponsor, other than the Excluded Assets, through coordinated U.S. and Japanese insolvency proceedings and a number of complementary and interdependent agreements.

87. The Global Transaction provides for, among other things, the following:

(a) The sale of substantially all of Takata's assets (other than the Excluded Assets) to the Plan Sponsor for $1.588 billion, subject to certain adjustments (the "**Purchase Price**");

(b) Payment from the Purchase Price proceeds of the remaining $850 million owing under the terms of the Plea Agreement;

(c) The establishment of certain funds to provide distributions to the holders of allowed general unsecured claims, including personal injury and wrongful death claims;

(d) In exchange for the Plan Sponsor's participation in the Global Transaction and the post-closing production of PSAN Inflators by Reorganized Takata for the benefit of certain Consenting OEMs, the execution of certain separate agreements with the Plan Sponsor and the Consenting OEMs, to indemnify the Plan Sponsor for, among other things, certain claims relating to Takata's and Reorganized Takata's manufacture and/or sale of the PSAN Inflators;

(e) Accommodation agreements between the Consenting OEMs and Takata to provide Takata with certain accommodation and liquidity support in the U.S., Japan, and Europe through the insolvency proceedings including accelerated payments, set-off waivers, resourcing limitations, and inventory purchase commitments; and

(f) The continued employment of substantially all of Takata's employees, either with Reorganized Takata in connection with Reorganized Takata's post-closing PSAN Inflator production or with the Plan Sponsor following consummation of the Global Transaction.

88. The sale of the Chapter 11 Debtors' assets will be consummated pursuant to a plan of reorganization in the Chapter 11 Proceedings. The sale of the Japanese Debtors' assets will be consummated in the Japanese Foreign Proceedings pursuant to a business transfer implemented pursuant to sections 42 and 43 of the Civil Rehabilitation Code followed by a liquidating plan in accordance with the Civil Rehabilitation Act.

89. The remainder of Takata's assets will be sold or transferred by way of asset or equity sales outside of a formal insolvency proceeding.

Treatment of Creditors

90. With respect to distribution to the Chapter 11 Debtors' prepetition creditors, the Chapter 11 Plan will provide for the treatment of all prepetition claims against the respective Chapter 11 Debtors through the establishment and funding of certain recovery funds at each of the Chapter 11 Debtor entities for the benefit of their respective claims.

91. The sale proceeds allocated to each Debtor will be available for distribution to the recovery funds on a *pro rata* basis after satisfaction of closing expenses, negative purchase price adjustments, payment of the NHTSA fine, payment of any administrative or priority claims, including payment of the OEMs' adequate protection claims, as well as after setting aside funds for various post-closing reserves for the capitalization of Reorganized Takata and the wind-down and administration of the Chapter 11 Debtors' estates, including claims resolution, in each case, as applicable.

92. The Debtors intend to treat potential creditors in Canada in the same manner as similarly situated creditors in the U.S. No separate claims process will be conducted in Canada.

VIII. RECOGNITION OF THE FOREIGN MAIN PROCEEDINGS AND COMI

93. The U.S. Foreign Representative seeks recognition of the Chapter 11 Proceedings as a "foreign main proceeding" pursuant to Part IV of the CCAA.

94. I am advised by Matthew Goren at Weil, Gotshal & Manges LLP that the Chapter 11 Proceedings are judicial proceedings that deal with creditors' collective interests generally under a law relating to bankruptcy or insolvency in which the Chapter 11 Debtors' business and financial affairs are subject to control or supervision by the respective courts for the purpose of reorganization.

95. The Chapter 11 Debtors are each facing an impending liquidity crisis due to insurmountable claims and liabilities arising out of or relating to the recalls of PSAN Inflators and vendor contraction that has occurred after publicity relating to a potential insolvency filing. While Takata does not have a chief place of business or head office in Canada, it has assets in Ontario in the form of retainers with professionals, including its counsel, McCarthy Tétrault LLP.

COMI of Chapter 11 Debtors is the United States

96. Takata's operations in the Americas, including the business and operations of the twelve Chapter 11 Debtors, are headquartered at 2500 Takata Drive, Auburn Hills, Michigan, U.S.A., 48326 (the "**U.S. Head Office**"). Eight of the Chapter 11 Debtors are incorporated pursuant to the laws of the United States. Four of the Chapter 11 Debtors are incorporated pursuant to the laws of Mexico. However, all strategic, management, operational, marketing and communication decisions regarding Takata's operations in the Americas are made by the management team at the U.S. Head Office.

97. Each of the other Chapter 11 Debtors is a direct or indirect subsidiary of Takata Americas and TK Holdings Inc., which each have their the U.S. Head Office as their registered head office. Takata's Mexican operations rely heavily on the centralized operational and cash management structure implemented out of the U.S. Head Office.

98. In the ordinary course of business, the Chapter 11 Debtors maintain business relationships between and among the Chapter 11 Debtors and certain non-debtor affiliates that generate intercompany receivables and payables from a variety of transactions, including intercompany services, reimbursement for shared business expenses, and intercompany loans.

This includes transactions between an among the Chapter 11 Debtors and U.S. affiliates; transactions between TKH and its indirect Mexican subsidiaries (including the other Chapter 11 Debtors); and transactions between the Chapter 11 Debtors and their international affiliates.

99. As noted above, the Chapter 11 Debtors have no operations or assets (other than their retainers with professionals, including counsel) in Canada.

100. With respect to the requirements of section 46 of the CCAA, I understand that a supplementary affidavit will be filed containing:

(a) A certified copy of the Verified Petition that commenced the Chapter 11 Proceedings; and

(b) A certified copy of the Order of the U.S. Court appointing the U.S. Foreign Representative as the foreign representative on behalf of the estates of the Chapter 11 Debtors and authorizing it to seek recognition of the Chapter 11 Proceedings in Canada; and

101. I am not aware of any other foreign proceedings in respect of the Debtors other than the Chapter 11 Proceedings, in respect of the Chapter 11 Debtors, and Japanese Proceedings, in respect of the Japanese Debtors.

IX. OVERVIEW OF ORDERS

102. On June 25, 2017 the Chapter 11 Proceedings were commenced with respect to the Chapter 11 Debtors. The Chapter 11 Debtors filed motions seeking the following Orders, which motions are presently returnable June 27, 2017:

(a) Order Directing Joint Administration of Chapter 11 Cases;

(b) Order Appointing Prime Clerk LLC as Claims and Noticing Agent;

(c) Interim and Final Orders (i) Authorizing Debtors to Enter into Accommodation Agreement with Certain Customers, (ii) Granting Adequate Protection to Certain Consenting OEMs in Connection Therewith, (iii) Modifying the Automatic Stay to Implement and Effectuate the Terms of the Interim Order, and (vi) Scheduling a Final Hearing;

(d) Interim and Final Orders (I) Authorizing Debtors to (A) Continue Their Existing Cash Management System, (B) Honor Certain Prepetition Obligations Related to the Use Thereof, (C) Provide Certain Postpetition Claims Administrative Expense Priority, (D) Continue Intercompany Funding of Certain Non-Debtors, and (E) Maintain Existing Bank Accounts and Business Forms; and (II) Extending Time to Comply with Requirements of 11 U.S.C. § 345(b);

(e) Order for Interim and Final Authority to (I) Pay Prepetition Wages, Salaries, and Other Compensation and Benefits, and (II) Maintain Employee Benefit Programs and Pay Related Administrative Obligations;

(f) Order for Interim and Final Authority to Pay Prepetition Obligations Owed to Certain Critical Vendors;

(g) Interim and Final Orders Authorizing the Debtors to (I) Pay Prepetition Obligations Owed to Certain Foreign Vendors and Lien Claimants and (II) Grant Administrative Status for Certain Goods Delivered to Debtors Postpetition;

(h) Order for Interim and Final Authority to (I) Continue Tooling and Warranty Programs in the Ordinary Course of Business and Pay Prepetition Obligations

Related Thereto, and (II) Authorize Banks to Honor and Process Related Checks and Transfers;

(i) Order for Interim and Final Authority to Continue Insurance Programs and Pay All Obligations With Respect Thereto;

(j) Order for Interim and Final Authority to (I) Pay Certain Prepetition Taxes and Assessments, and (II) Authorize Banks to Honor and Process Related Checks and Transfers;

(k) Interim and Final Orders (I) Approving Debtors' Proposed form of Adequate Assurance of Payment to Utility Companies, (II) Establishing Procedures for Resolving Objections by Utility Companies, and (III) Prohibiting Utility Companies from Altering, Refusing, or Discontinuing Service;

(l) Order Enforcing the Protections of 11 U.S.C. §§ 362, 365, 525, and 541(c);

(m) Order Authorizing TK Holdings, Inc. to Act as Foreign Representative on Behalf of the Debtors' Estates; and

(n) Order Implementing Certain Notice Procedures and Approving the Form and Manner of Notice of Commencement.

103. I understand that a supplemental affidavit will be filed with the above orders that are granted by the U.S. Court on June 27, 2017 (the "**U.S. First Day Orders**"), once those are issued.

104. The U.S. First Day Orders and recognition of them in Canada are appropriate and necessary for the protection of the Chapter 11 Debtors' property, in particular to provide for the implementation of the Global Transaction described herein and in my First Day Declaration.

X. INFORMATION OFFICER

105. The Debtors seek the appointment of FTI Consulting Canada Inc. ("**FTI**") as an information officer in these recognition proceedings. I understand that FTI has consented to this appointment and will be filing a consent with the Canadian Court.

106. While the Debtors are moving forward expeditiously with the Global Transaction with the goal of a relatively quick and successful emergence of Takata's business from the restructuring process, given that the Debtors do not have business or operations or personnel in Canada, the Debtors have proposed an information officer.

107. The goal of the information officer is to assist in keeping the Canadian Court apprised of the status of the Foreign Proceedings and assist potential Canadian creditors, including claimants in the Canadian Actions, by providing information and responding to inquiries to the extent required.

XI. NOTICE

108. The Recognition Orders provide that a notice (the "**Notice of Recognition Proceeding**") is to be published once a week for two consecutive weeks in The Globe and Mail (National Edition) and National Post. I am advised by Heather Meredith of McCarthy Tétrault LLP that this is consistent with the notice requirements set out in section 53(b) of the CCAA.

109. In addition, the Recognition Orders provide that (a) a copy of the Notice of Recognition Proceeding and the order shall be provided to the proposed representative plaintiffs in the Canadian Class Actions and the plaintiffs in the Canadian Personal Action by sending a copy to counsel of record; and (b) the Information Officer shall establish a case website on which it will post all orders of the Canadian Court and reports of the Information Officer, among other things.

XII. CONCLUSION

110. The Global Transaction is the product of many months of complex, arduous, and good faith negotiations among Takata, the Plan Sponsor and the Consenting OEMs. The Global Transaction resolves a truly unprecedented business and safety crisis and ensures the continuation of Takata's long and proud history of innovation in the safety sector, the ongoing employment of substantially all of Takata's employees, and a safe and complete satisfaction of this large consumer recall. The Global Transaction is fair, equitable, and in the best interests of the Debtors' estates and the safety of the driving public.

111. The Foreign Proceedings and the U.S. First Day Orders issued therein are intended to maintain continuity of the Chapter 11 Debtors' operations with minimal disruption or loss of productivity and value, while assisting the Chapter 11 Debtors in their progress toward implementing the Global Transaction.

112. Granting the relief sought in these recognition proceedings will allow the Chapter 11 Debtors breathing room to continue to progress expeditiously towards consummation of the Global Transaction, considers the interests of and provides notice to potential creditors in Canada, and will assist with the implementation of the Global Transaction. Accordingly, I believe recognition by the Canadian Court of the Chapter 11 Proceedings and the U.S. First Day Orders and the other relief sought in the recognition application is appropriate.

SWORN BEFORE ME at the City of Wilmington, Delaware this 27th day of June, 2017.

Scott E. Caudill

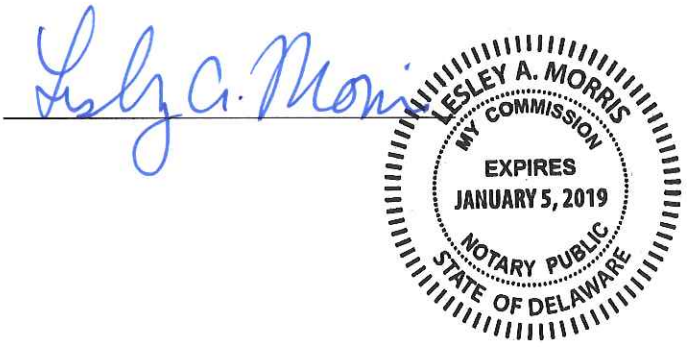
LESLEY A. MORRIS
MY COMMISSION EXPIRES JANUARY 5, 2019
NOTARY PUBLIC STATE OF DELAWARE

Schedule "A" – Chapter 11 Debtors

1. TK Holdings Inc.
2. Takata Americas
3. TK Finance, LLC
4. TK China, LLC
5. TK Mexico Inc.
6. TK Mexico LLC
7. Interiors in Flight, Inc.
8. Takata Protection Systems Inc.
9. TK Holdings de Mexico S. de R.L. de C.V.
10. Industrias Irvin de Mexico, S.A. de C.V.
11. Takata de Mexico, S.A. de C.V.
12. Strosshe-Mex, S. de R.L. de C.V.

Tab A

This is **Exhibit "A"** referred to in the
affidavit of **SCOTT E. CAUDILL**
sworn before me this
27th day of June, 2017



UNITED STATES BANKRUPTCY COURT
DISTRICT OF DELAWARE

In re	:	**Chapter 11**
TK HOLDINGS INC., *et al.*,	:	**Case No. 17-11375 (___)**
Debtors.[1]	:	**Joint Administration Requested**

DECLARATION OF SCOTT E. CAUDILL IN SUPPORT OF DEBTORS' CHAPTER 11 PETITIONS AND FIRST DAY RELIEF

I, Scott E. Caudill, pursuant to section 1746 of title 28 of the United States Code, hereby declare that the following is true to the best of my knowledge, information, and belief:

1. I am the Executive Vice President and Chief Operating Officer for TK Holdings Inc. ("***TKH***") and have served in these capacities since being appointed to them in July, 2003 and January, 2016, respectively. Prior to that, while employed by TKH, I oversaw global seat belt production for Takata Corporation ("***TKJP***" and collectively with TKH and all of TKJP's direct and indirect subsidiaries, "***Takata***" or the "***Company***") and many of its direct and indirect subsidiaries, managing operations at twenty-six (26) plants in fourteen (14) countries. I have also served in various other capacities relating to production quality and engineering since joining Takata in February, 1994. Prior to joining Takata, I served as an Engineering Coordinator for Honda of America Manufacturing. I have over twenty-seven (27) years of experience in the automotive and manufacturing industries.

[1] The Debtors in these chapter 11 cases, along with the last four digits of each Debtor's federal tax identification number, as applicable, are: Takata Americas (9766); TK Finance, LLC (2753); TK China, LLC (1312); TK Holdings Inc. (3416); Takata Protection Systems Inc. (3881); Interiors in Flight Inc. (4046); TK Mexico Inc. (8331); TK Mexico LLC (9029); TK Holdings de Mexico, S. de R.L. de C.V. (N/A); Industrias Irvin de Mexico, S.A. de C.V. (N/A); Takata de Mexico, S.A. de C.V. (N/A); and Strosshe-Mex, S. de R.L. de C.V. (N/A). Except as otherwise set forth herein, the Debtors' international affiliates and subsidiaries are not debtors in these chapter 11 cases. The location of the Debtors' corporate headquarters is 2500 Takata Drive, Auburn Hills, Michigan 48326.

2. Takata Americas ("***Takata Americas***"), TKH, and each of the other above-captioned debtors, as debtors in possession (collectively, the "***Debtors***"), are all direct or indirect subsidiaries of TKJP, a global manufacturer of automotive safety components, which is duly organized as a corporation under the laws of Japan. Contemporaneously herewith, TKJP and two of its Japanese subsidiaries, Takata Kyushi K.K. and Takata Service Corporation (collectively with TKJP, the "***Japanese Debtors***"), commenced civil rehabilitation proceedings under the Civil Rehabilitation Act of Japan (the "***Japanese Proceedings***" and together with these Chapter 11 Cases, the "***Insolvency Proceedings***") in the 20th Department of the Civil Division of the Tokyo District Court (the "***Tokyo Court***").

3. In addition to the commencement of these chapter 11 cases (the "***Chapter 11 Cases***"), the Debtors intend to seek recognition of the Chapter 11 Cases in Canada as foreign main proceedings under Part IV of the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c.C-36, as amended.

4. I submit this declaration (the "***Declaration***") to assist the Court and other parties in interest in understanding the extraordinary circumstances and events that compelled the commencement of the Chapter 11 Cases and the Japanese Proceedings and in support of the Debtors' voluntary petitions for relief under chapter 11 of title 11 of the United States Code (the "***Bankruptcy Code***"). I am generally familiar with the Debtors' day-to-day operations, books and records, and business and financial affairs. Except as otherwise indicated herein, the facts set forth in this Declaration are based upon my personal knowledge, my review of relevant documents, my discussion with other members of the Debtors' senior management, information provided to me by employees working under my supervision, or my opinion based upon experience, knowledge, and information concerning the operations of Takata and the Debtors,

and the automotive industry. If called upon to testify, I would testify competently to the facts set forth in this Declaration. I am authorized to submit this Declaration on behalf of the Debtors.

5. To minimize the adverse effects on their businesses, the Debtors have filed motions and pleadings on the date hereof (the "***Petition Date***") seeking various types of "first-day" relief (collectively, the "***First-Day Motions***"). The First-Day Motions seek relief intended to preserve the value of the Debtors and maintain continuity of the Debtors' operations—which, as set forth below, is of the utmost importance in these Chapter 11 Cases in light of the unprecedented recalls involving certain of the Debtors' airbag inflators, the need to ensure a stable and continuous supply of replacement parts to the Debtors' original equipment manufacturer customers (the "***OEMs***" or the "***Customers***"), and the need to preserve the diminishing value of the Debtors' estates until the sale of substantially all of their assets. The First-Day Motions seek to accomplish these goals by, among other things, (i) preserving the Debtors' relationships with their Customers, vendors, suppliers, and employees, many of which are located in jurisdictions outside the United States (the "***U.S.***"); (ii) ensuring continued employee morale; (iii) providing adequate liquidity and preserving the Debtors' cash management systems; and (iv) establishing certain administrative procedures to facilitate an orderly transition into, and uninterrupted operations throughout, these Chapter 11 Cases. I am familiar with the contents of each First-Day Motion and believe that the relief sought therein is necessary to enable the Debtors to operate in chapter 11 with minimal disruption or loss of productivity and critical to achieving a successful outcome for these Chapter 11 Cases, including a quick and efficient sale of substantially all of the Debtors' assets and operations as described in more detail below. The facts set forth in each First-Day Motion are incorporated herein by reference.

6. This Declaration is organized into five (5) sections. Section I is an overview of the Debtors, the circumstances leading up to the filing of these Chapter 11 Cases, and the proposed Global Transaction (as defined herein). Section II provides background information on Takata's businesses and operations. Section III offers information on the Debtors' prepetition ownership and capital structure. Section IV describes the events leading to the filing of these Chapter 11 Cases and the Japanese Proceedings, including the Debtors' extensive prepetition marketing and sale process. Section V summarizes the relief requested in, and the legal and factual basis supporting, the First-Day Motions.

I.

Overview

7. For well over fifty (50) years, Takata has been a pioneer in the development and production of high quality safety systems; saving the lives of tens of thousands of drivers and passengers with cutting-edge and innovative safety products and maintaining strong relationships with their Customers. Takata's products have saved countless lives. Indeed, over the past thirty (30) years, Takata's airbags have deployed safely in more than two million (2,000,000) automobile accidents around the world. Recently, however, despite this long history of leadership and excellence in the active and passive automotive safety market, Takata has experienced financial distress due to issues relating to certain of its products. Specifically, certain airbag inflators[2] containing phase-stabilized ammonium nitrate (the "***PSAN Inflators***") manufactured by Takata have ruptured during deployment. The rupture of these PSAN Inflators prompted Takata, the National Highway Traffic Safety Administration ("***NHTSA***"), and several major OEMs to take actions to initiate wide-ranging recalls of vehicles in the U.S. and overseas.

[2] An airbag inflator is a component part of an airbag that contains pyrotechnic propellants, stored high pressure gases, or a combination of the two which, when ignited, rapidly releases gases to inflate the airbags.

What began as a limited set of focused recalls affecting a small number of vehicle makes and models has expanded to become the largest automotive recall campaign in U.S. history. As of the date hereof, over sixty million (60,000,000) PSAN Inflators in the U.S. and more than sixty-four million (64,000,000) PSAN Inflators outside of the U.S., in each case, without desiccant,[3] have been recalled or will be subject to recalls based on announced schedules. By December 31, 2019, all vehicles in the U.S. containing non-desiccated PSAN Inflators will be affected by NHTSA's recalls.[4]

8. Despite the many complexities, risks, and challenges that have resulted from such an unprecedented and highly publicized product recall, the Debtors are close to finalizing the terms of a global sale transaction with a potential purchaser—and with the support of a significant majority of their Customers—that will pave a path for a relatively quick and successful emergence of the Company's business from restructuring. Specifically, after many months of negotiations, Takata (including the Debtors) is on the verge of executing a transaction with Key Safety Systems, Inc. (the "***Plan Sponsor***") for the sale of substantially all of Takata's global operations, which is expected to have the support of Customers that, in the aggregate, purchased approximately ninety percent (90%) of PSAN Inflators sold by Takata as of March, 2017 and hold a substantial majority of the total unsecured claims against the Debtors' estates (the "***Consenting OEMs***"). The Debtors, the Plan Sponsor, and the Consenting OEMs have

[3] Desiccant is a chemical drying agent that has been proven to absorb moisture and mitigate the risk of rupture. PSAN Inflators that do contain desiccant are referred to herein as "desiccated PSAN Inflators" and those that do not are referred to herein as "non-desiccated PSAN Inflators."

[4] In or around February, 2005, the Debtors began incorporating desiccant into their PSAN Inflators to mitigate degradation and the risk of rupture. As of the date hereof, there have been no recalls of desiccated PSAN Inflators relating to propellant degradation. Under the Consent Order (as defined herein), TKH has until December 31, 2019 to make a showing to NHTSA regarding the safety and/or service life of desiccated PSAN Inflators. Absent such a showing, NHTSA has reserved the right to expand the recalls to include desiccated PSAN Inflators.

agreed in principle to the sale of the Debtors' assets to the Plan Sponsor, which will be consummated pursuant to a chapter 11 plan (the "***Chapter 11 Plan***").

9. In light of impending liquidity risks and to ensure ongoing stable supply to their Customers, the Debtors commenced these Chapter 11 Cases before the Global Transaction Documents (as defined herein) were finalized; however, negotiations regarding the Global Transaction and the final documentation of the terms thereof are nearly complete. Accordingly, the Debtors anticipate filing a Stock and Asset Purchase Agreement for TK Americas, TKH, Takata Holdings de Mexico, S. de R.L. de C.V. ("***TK Holdings de Mexico***"), TK Mexico LLC, Industrias Irvin de Mexico, S.A. de C.V. ("***Industrias Irvin***"), Takata de Mexico, S.A. de C.V. ("***TK DM***"), and Strosshe-Mex de R.L. de C.V. ("***SMX***" and with respect to the Stock and Asset Purchase Agreement, the "***U.S. SAPA***") and the Chapter 11 Plan, as well as a restructuring support agreement with the Plan Sponsor, the Debtors, and the Consenting OEMs, within the next few weeks. Indeed, as described below, the Global Accommodation Agreement (as defined herein), which the parties have agreed to in principle, will ensure that the Debtors have sufficient liquidity to operate during these Chapter 11 Cases and will establish certain milestones with respect to these Chapter 11 Cases.

10. As described in the following paragraphs, the commencement of these Chapter 11 Cases comes after several years of diligent efforts by Takata to manage the recalls and ensure the safety of the end-users of those Takata airbags containing PSAN Inflators. For the past several years, in response to the recalls and to promote the safety of drivers and passengers, the Debtors have dedicated substantial resources to the manufacture, assembly, and shipment of replacement parts (generally in the form of "replacement kits") to their Customers to be installed in vehicles subject to a recall at the vehicle owner's local dealership. To date, the

Debtors and their affiliates have produced over sixty-three million (63,000,000) replacement kits for their Customers and anticipate that the Customers will require millions of additional replacement kits in the years ahead.[5] In addition, TKH has implemented significant internal remedial oversight and compliance measures, including, among other measures, retaining the Independent Monitor (as defined herein); appointing a Chief Safety Assurance and Accountability Officer; and establishing (i) processes for TKH employees to report concerns to management, (ii) an enhanced product safety group with authority to investigate and address preemptively safety-related issues across TKH's product lines, and (iii) an independent quality assurance panel with a broad mandate to review TKH's practices and policies.

11. Although substantial work has been done, and continues to be done, to implement and complete the unprecedented recalls of non-desiccated PSAN Inflators, Takata, including the Debtors, nevertheless faces insurmountable claims and liabilities arising out of or relating to the recalls. Indeed, the recall-related indemnification and warranty liabilities that the Debtors owe to their Customers alone are in the billions of dollars and, based on the results of the marketing and sale process, exceed the enterprise value of the Debtors and their affiliates. These obligations are in addition to the up to $200 million civil penalty owed by TKH to NHTSA in connection with the recalls, which consists of $70 million in non-contingent penalties ($50 million of which remains due and outstanding as of the date hereof) and $130 million in penalties that are deferred and held in abeyance pending TKH's compliance with certain provisions of the Consent Order (as defined herein). TKH is also preserving and will eventually manage the disposal of millions of recalled inflators under the Preservation Order (as defined herein) and any amendments thereto. In addition, TKH, TKJP, and certain of their Debtor and

[5] Certain of the replacement kits contain inflators manufactured by other automobile manufacturing companies that are shipped to the Company to be incorporated into a Company-shipped replacement kit.

non-Debtor affiliates are also subject to significant ongoing and potential future litigation claims relating to airbags containing non-desiccated PSAN Inflators, including, without limitation, personal injury and wrongful death claims, economic loss class action claims, and deceptive trade practice claims brought by various state governmental agencies.

12. As noted above, after a more than two-year criminal investigation of Takata, on January 13, 2017, TKJP, the Department of Justice, Criminal Division, Fraud Section (the "***DOJ***"), and the U.S. Attorney's Office for the Eastern District of Michigan (together with the DOJ, the "***Offices***") announced and submitted to the United States District Court for the Eastern District of Michigan (the "***District Court***") a plea agreement pursuant to Rule 11(c)(1)(C) of the Federal Rules of Criminal Procedure (the "***Plea Agreement***"). Pursuant to the Plea Agreement, TKJP pleaded guilty to one (1) count of wire fraud and agreed to pay a $25 million criminal fine to the Offices, as well as $975 million in restitution payments to certain victims (the "***Restitution Payments***" and the funds established to administer such payments, the "***Restitution Funds***") to be administered by a special master appointed by the District Court (the "***Special Master***").[6] On February 27, 2017, the District Court approved the Plea Agreement and entered a restitution order (the "***Restitution Order***") indicating, among other things, that the District Court would appoint the Special Master. The Plea Agreement permits TKJP to seek reimbursement and/or contribution from its affiliates and subsidiaries, including the Debtors, for the Restitution Payments.

13. Although the approval of the Plea Agreement and entry of the Restitution Order marked a pivotal milestone in Takata's restructuring process by fixing Takata's exposure

[6] As described in further detail below, in accordance with the Plea Agreement, the $25 million criminal fine and $125 million of the Restitution Payments were each paid prior to the Petition Date. The outstanding $850 million in Restitution Payments is due by no later than five (5) days after the closing of any sale, merger, acquisition, or combination involving a transfer of control of TKJP, which must occur by no later than February 27, 2018.

to the U.S. government for criminal liabilities, the fines and penalties imposed thereunder are significant and must be satisfied in full for Takata to have any hope of continuing its operations going forward. If the remaining $850 million in Restitution Payments are not satisfied in full by TKJP and/or its affiliates by March 4, 2018, the DOJ retains the right to withdraw the Plea Agreement and pursue criminal charges and penalties above and beyond those that were settled under the Plea Agreement against all Takata entities, including TKH.

14. In early 2016, as liabilities were continuing to mount against Takata, it became clear to Takata and a significant number of its Customers that absent a substantial injection of capital or a sale of Takata's assets to a third party, Takata, including the Debtors, would be forced into a liquidation, which would result in thousands of employees being out of work, yield limited to no recoveries for creditors, and jeopardize ongoing efforts to get non-desiccated PSAN Inflators safely off the road. In addition, a liquidation of Takata would put the stable and continuous supply to the OEMs of component parts, service parts, and assembled goods (the "***Component Parts***"), including replacement parts for vehicles subject to recall, at significant risk.

15. Accordingly, in February 2016, TKJP's board of directors appointed an independent advisory committee consisting of five (5) business, legal, and financial professionals (the "***Steering Committee***") to facilitate, formulate, and negotiate the development of a restructuring plan for Takata through a fair and transparent process. At around the same time, a number of OEMs that, in the aggregate purchased approximately ninety percent (90%) of PSAN Inflators sold by Takata as of March, 2017, formed an informal group to negotiate and develop a restructuring plan with Takata (the "***Customer Group***").[7]

[7] As of the date hereof, the Consenting OEMs are comprised solely of the members of the Customer Group. The members of the Customer Group include representation from the following OEMs: BMW, Daimler, Fiat Chrysler

16. Shortly after the appointment of the Steering Committee, Takata, with the assistance of its professionals at Lazard Frères & Co. LLC ("***Lazard***"), Weil, Gotshal & Manges LLP ("***Weil***"), and PricewaterhouseCoopers LLP ("***PwC***"), as well as legal and financial advisors in Japan and Europe, launched a thorough and exhaustive prepetition marketing and sale process with an aim to select a sponsor or purchaser and develop a global restructuring strategy. Crucially, proceeds of the transaction had to be sufficient to satisfy the remaining $850 million in Restitution Payments or the DOJ could withdraw the Plea Agreement—a risk no purchaser or third-party investor would be willing to absorb. During the marketing and sale process and the many months of negotiations leading up to the commencement of these Chapter 11 Cases, the Steering Committee and the Customer Group, which represent by a wide margin the Debtors' largest creditor group, were intimately involved and the Customer Group remains a key participant in the development of the proposed Global Transaction.

17. After nearly one (1) year of intensive marketing, diligence, and negotiations between and among Takata and the Steering Committee, potential sponsors, and the Customer Group, the marketing and sale process ultimately culminated in the selection of the Plan Sponsor for the sale of substantially all of Takata's worldwide assets (the "***Global Transaction***" and the agreements, documents, and instruments executed and delivered in connection with the Global Transaction, as hereafter amended, supplemented, or otherwise modified, the "***Global Transaction Documents***"). As described in further detail below, the Global Transaction is expected to provide for the sale of substantially all of Takata's assets to the Plan Sponsor, other than certain excluded assets, which are primarily those assets dedicated to the manufacture of PSAN Inflators (collectively, the "***PSAN Excluded Assets***" and together with

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Automobiles, Ford, General Motors, Honda, Jaguar Land Rover, Mazda, Mitsubishi, Nissan, Subaru, Toyota, Volkswagen, and AB Volvo.

certain other excluded assets, the "***Excluded Assets***"), through coordinated U.S. and Japanese insolvency proceedings and pursuant to a number of complimentary and interdependent agreements. The sale of the Debtors' assets will be consummated pursuant to the Chapter 11 Plan and the sale of the Japanese Debtors' assets will be consummated pursuant to a business transfer implemented pursuant to sections 42 and 43 of the Civil Rehabilitation Code (the "***JP Business Transfer***") followed by a liquidating plan in accordance with the Civil Rehabilitation Act (the "***JP Plan***"). The remainder of Takata's assets will be sold or transferred by way of asset or equity sales outside of a formal insolvency proceeding.

18. As set forth in more detail below, it is anticipated that the PSAN Excluded Assets will be carved out of the sale and remain with, or be transferred to, as applicable, TKH and certain of its subsidiaries upon TKH's emergence from chapter 11 (TKH, as reorganized, "***Reorganized TK Holdings***" and, collectively with its subsidiaries, "***Reorganized Takata***" and with respect to the carve out structure, the "***PSAN Carve Out***"). Reorganized Takata will own and operate the PSAN Excluded Assets until the later of (i) such time as production of PSAN Inflators is no longer necessary under the terms of the NHTSA Orders (as defined herein) or any other order by authorities relating to recall, to the extent applicable, and (ii) the earlier of five (5) years after the effective date of the Chapter 11 Plan and such time as production of PSAN Inflators is necessary to comply with the terms of the Debtors' contracts with the Consenting OEMs. The primary purpose of Reorganized Takata will be to ensure the continued production of PSAN Inflators to those Customers that need such inflators, including to fulfill recalls.

19. More specifically, the Global Transaction is expected to provide for, among other things, the following:

a. The sale of substantially all of Takata's assets (other than the Excluded Assets) to the Plan Sponsor for $1.588 billion, subject to certain adjustments (the "***Purchase Price***");

b. Payment from the Purchase Price proceeds of the remaining $850 million in Restitution Payments as required under the terms of the Plea Agreement and Restitution Order;

c. The establishment of certain funds to provide distributions to the holders of allowed general unsecured claims, including personal injury and wrongful death claims;

d. In exchange for the Plan Sponsor's participation in the Global Transaction and the post-closing production of PSAN Inflators by Reorganized Takata for the benefit of certain Consenting OEMs, the execution of certain separate agreements with the Plan Sponsor and the Consenting OEMs, to indemnify the Plan Sponsor for, among other things, certain claims relating to the manufacture and/or sale of the PSAN Inflators; and

e. The continued employment of substantially all of Takata's employees, including over 14,500 employees of the Debtors, either with Reorganized Takata in connection with Reorganized Takata's post-closing PSAN Inflator production or with the Plan Sponsor following consummation of the Global Transaction.

20. Despite being on the verge of finalizing the Global Transaction Documents, the Debtors determined that the Company's liquidity position was not sustainable in light of vendor reaction to news of pending bankruptcy filings and that filing without a fully executed deal, and continuing to negotiate and finalize the Global Transaction Documents post-filing, was in the best interests of their stakeholders. The commencement of the Chapter 11 Cases gives the Debtors a much needed breathing spell—one of the fundamental tenets of chapter 11—and will allow the Debtors to finalize the Global Transaction Documents while also preserving global liquidity and ensuring the ongoing manufacture and supply of Component Parts, including replacement parts, to the OEMs.

21. Notwithstanding the fact that the Global Transaction Documents are unsigned, the Consenting OEMs have an agreement in principle to provide critical accommodations to Takata, including, with respect to the Debtors, accelerated payments, setoff waivers, resourcing limitations, and inventory purchase commitments, to ensure that the Debtors have sufficient liquidity to operate during these Chapter 11 Cases.[8] The Consenting OEMs agreed to provide such liquidity as a bridge to the closing of the Global Transaction and consummation of the Chapter 11 Plan. To ensure continued momentum in that direction, the Global Accommodation Agreement establishes certain milestones with respect to finalizing and filing the remaining Global Transaction Documents, including a requirement that the Debtors, the Plan Sponsor, and the Consenting OEMs substantially finalize a restructuring support agreement, which will include the Chapter 11 Plan as an exhibit by no later than July 17, 2017.

22. With the benefit of the breathing spell afforded by these Chapter 11 Cases, the Debtors expect they will progress expeditiously towards finalizing the terms of the Global Transaction in a manner that is fair, equitable, and in the best interests of the Debtors' estates and the safety of the driving public. To facilitate the foregoing, the Debtors respectfully request that the Court approve the relief requested in the First-Day Motions and allow the Debtors to progress expeditiously towards confirmation of the Chapter 11 Plan and consummation of the proposed Global Transaction.

[8] The terms of the accommodations and liquidity support being provided by the Consenting OEMs for the Debtors and their affiliates (other than the Japanese Debtors) are set forth in that certain accommodation agreement, filed contemporaneously herewith (the "***Global Accommodation Agreement***"). The Global Accommodation Agreement is contemplated to also set forth those accommodations being provided in Europe and the rest of the world (other than Japan). Pursuant to the terms thereof, the parties have until July 7, 2017 to become party to the Global Accommodation Agreement. Certain of the Consenting OEMs have separately entered into an accommodation agreement with the Japanese Debtors to provide them with liquidity support and other accommodation during the Japanese Proceedings (the "***Japan Accommodation Agreement***" and, together with the Global Accommodation Agreement, the "***Accommodation Agreements***").

II.
Takata's Businesses

A. Overview

23. Takata is one of the world's leading automotive safety systems companies, supplying nearly all the world's major automotive manufacturers with a product range that includes seat belts and airbag systems, as well as steering wheels, child restraint systems, and electronic devices such as satellite sensors and electronic control units. Founded in 1933 as a textile company in Shiga Prefecture, Japan, Takata began to focus on automotive safety systems in the early 1950s. Over the following decades, Takata became a leader in automotive safety systems and expanded around the globe. Indeed, the Company has been and continues to be recognized for its high quality manufacturing by Customers, as well as by third-party organizations. This is evidenced not only by the Company's receipt of over two hundred and fifty (250) awards for research and development, safety, quality, and delivery, but also by its strong and long-standing relationships with its Customers. Many of Takata's Customers have had business relationships with Takata for over fifty (50) years, handling multiple product lines on a single vehicle platform.

24. Since bringing Japan's first seat belt to the market in 1960, Takata has been driven by the pursuit of safety. Significantly, Takata was responsible for being the first to market in a number of innovative and revolutionary advances in automotive safety including the following:

- 1960: First in Japan to commercialize two-point seat belts;
- 1962: First in Japan to conduct public seat belt crash tests;
- 1977: First in Japan to commercialize child restraint systems;
- 1980: First in the world to commercialize driver airbag modules;

- 1996: First in Japan to commercialize force limiter seat belts;
- 2005: First in the world to commercialize twin bag systems;
- 2006: First in the world to commercialize motorcycle airbags;
- 2010: First in the world to commercialize safety airbelts;
- 2012: First in the world to commercialize front center airbags; and
- 2013: First in the world to commercialize D-shape curtain airbag technology.

25. Takata first expanded outside of Japan in the 1980s and is now a multinational corporation. As of the Petition Date, Takata operates more than fifty (50) manufacturing plants and research & development centers in over twenty (20) countries on five (5) continents.[9] The Debtors operate eleven (11) different production, testing, and other sales and administration facilities. For management purposes, Takata's global operations are grouped into four (4) regions: Japan, Asia (excluding Japan), the Americas, and EMEA (Europe, the Middle East, and Africa). A detailed summary of the Debtors' current organizational structure is attached hereto as **Exhibit A** (the "***Global Organizational Chart***"). Takata is one of the most vertically integrated manufacturers in the global automotive safety industry, manufacturing many of the Component Parts of its automotive safety products in-house, and the Debtors and their direct and indirect subsidiaries provide Component Parts and services to the entire Takata enterprise.

26. For the twelve (12) months ended March 31, 2017, the audited and consolidated financial statements of TKJP and its Debtor and non-Debtor subsidiaries reflected

[9] The geographic footprint of Takata's manufacturing plants include: (i) in the Americas: Picarraas, Cheraw, Monclova (manufactures PSAN Inflators), Monterrey, Acuña, Agua, Prieta, Torreon, Jundiai, Moses Lake (manufactures PSAN Inflators), Mateus Leme, Uruguay; (ii) in Asia: Changxing (manufactures PSAN Inflator), Philippines, Hikone, Shanghai, Taku, Jinzhou, Tianjin, Hwaseong, Chachoengsao, Arita, Bekasi, Chennai, Neemrana, Selangor, and Echigawa; and (iii) in EMEA: Arad, Freiberg (manufactures PSAN Inflators), Sibiu, Krzeszów, Elterlein, Ulyanovsk, Miskolc, Doebeln, Aschaggenburg, Durban, Tangier, and Rtyne.

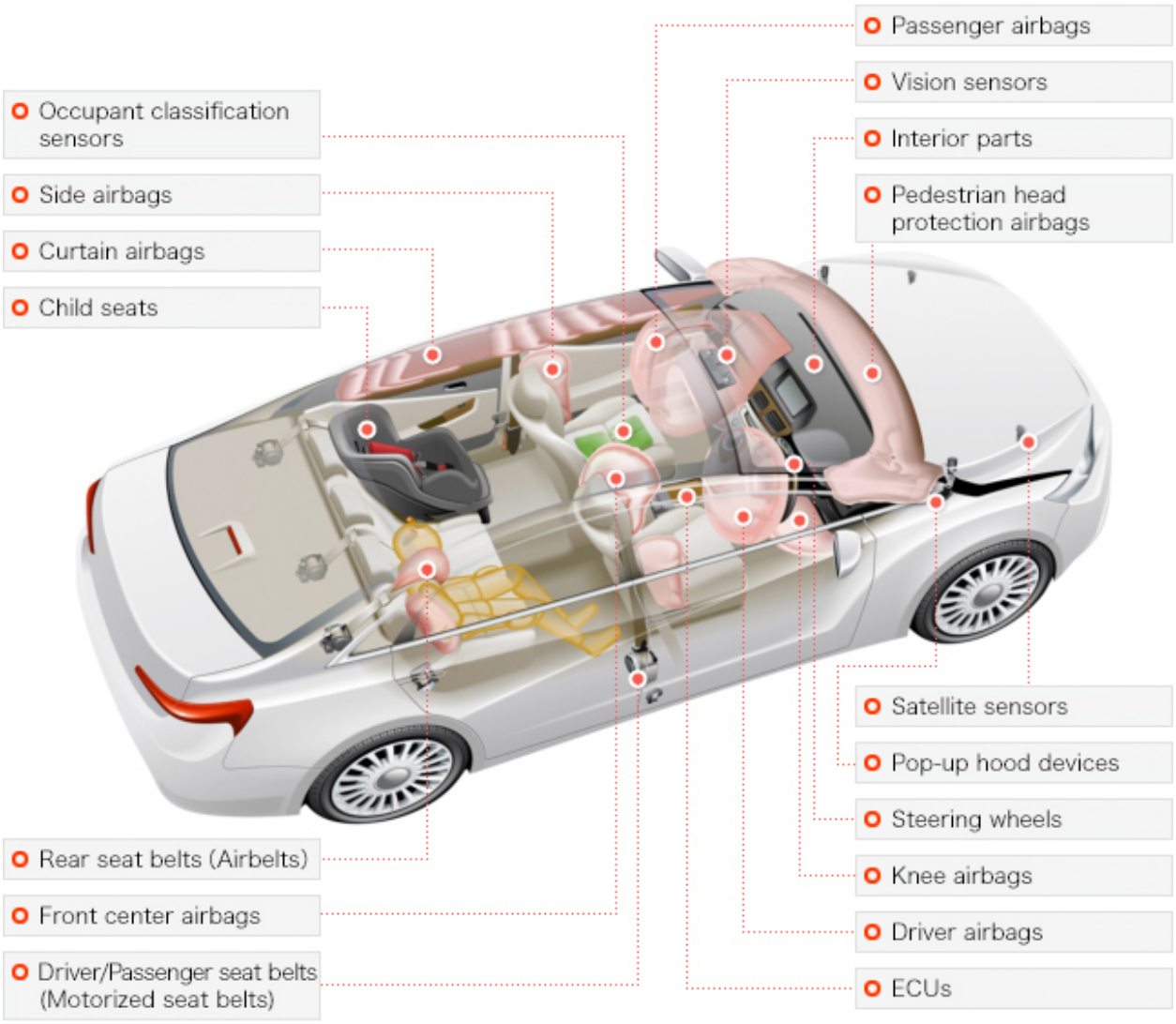
total sales of approximately $6.1 billion and a net loss of approximately $733.8 million. As of March 31, 2017, the consolidated financial statements of Debtors and their direct and indirect subsidiaries reflected total sales of approximately $2.0 billion and a net loss of approximately $340 million. Accordingly, the Debtors and their direct and indirect subsidiaries account for approximately thirty-three percent (33%) of Takata's global sales.

27. As of March 31, 2017, Takata's audited and consolidated financial statements reflected assets totaling approximately $3.9 billion and liabilities totaling approximately $3.7 billion, and the consolidated financial statements of the Debtors and their direct and indirect non-Debtor subsidiaries reflected assets totaling approximately $1.7 billion and liabilities totaling approximately $1.6 billion.

B. Takata's Products and Business Lines

28. Takata's product range encompasses a broad spectrum of passive and active automotive safety technology, including seat belts, airbag systems, steering wheels, and other electronic devices. For the 2016 fiscal year, Takata's sales by product category were as follows: airbag systems (36%), seat belts (34%), steering wheels (17%), and other products (14%), including electronics and child seats. The following diagram illustrates many of the safety critical parts manufactured by Takata.[10] Each of these product groups is discussed in further detail below.

[10] This diagram illustrates both current Takata products and products under development.


Passenger airbags
Vision sensors
Occupant classification sensors
Interior parts
Side airbags
Pedestrian head protection airbags
Curtain airbags
Child seats
Satellite sensors
Pop-up hood devices
Steering wheels
Rear seat belts (Airbelts)
Knee airbags
Front center airbags
Driver airbags
Driver/Passenger seat belts (Motorized seat belts)
ECUs

Seat belts

29. Since commercializing Japan's first seat belt in 1960, Takata has continued to improve the effectiveness and comfort of seat belts through innovation in areas such as textiles and weaving technology. Takata's seat belt business includes driver, passenger, and rear seat belts. In 2010, Takata became the first company in the world to commercialize the airbelt, a new type of seat belt that inflates like an airbag in the event of a collision. Recently, Takata modified its motorized seat belt to provide enhanced comfort and safety. In addition to tightening automatically to restrain vehicle occupants when pre-crash sensors detect risk of collision, the new comfort function reduces the pressure exerted by the seat belt during normal driving, while holding vehicle occupants in position during sudden braking or sharp turns. Takata has also developed a state-of-the-art inkjet printing technology that allows Takata to create seat belt webbing with patterns, words, or logos in a variety of colors. Takata develops, designs, and produces seat belt systems and products, including webbing, in-house, as well as sourcing from third parties. Takata's seat belts are produced or tested in at least twenty-eight (28) of Takata's plants, including seven (7) plants operated by the Debtors' and/or their direct and indirect non-debtor subsidiaries.

Airbag Systems

30. In 1976, Takata became the first company in Japan to begin research and development related to airbags. Takata commercialized the world's first driver airbags in 1980, which were supplied to Daimler Benz for use in its S-Class model. In 1983, in

connection with a safety campaign sponsored by the U.S. Department of Transportation, Takata supplied eight hundred (800) airbags to various U.S. institutions, including police agencies. Since then, Takata has continued to enhance its capabilities in the development, design, and production of airbag systems and products, from airbag textiles to hazard detection control units and inflator technology. Today, Takata is one of the few manufacturers of airbags with fully integrated development, design, and manufacturing capabilities for airbag systems.

31. In addition to driver and passenger airbags, side airbags, curtain airbags, and knee airbags that protect the legs of front seat occupants, Takata has commercialized innovative products such as the D-shape curtain airbag, which protects the head region and helps prevent passenger ejection, and the Front Center Airbag, which inflates between the left and right seats and serves as an energy absorbing cushion between the driver and front seat passenger in both near and far side-impact crashes. In 2013, Takata launched the world's first driver-side airbag with Flexible Venting Technology (FVT), which incorporates a "smart" pressure control mechanism that allows the air vent to be controlled by the airbag itself, rather than via sensors on the vehicle. Takata develops, designs, and produces airbag systems and certain related Component Parts, including the inflator and inflator propellant, in-house.[11]

32. Takata's airbag systems are produced and tested in over thirty-two (32) of Takata's plants, eight (8) of which are operated by the Debtors and/or their direct and indirect non-debtor subsidiaries.

Steering Wheels

33. Takata's fully integrated steering wheel development and production system encompasses a variety of

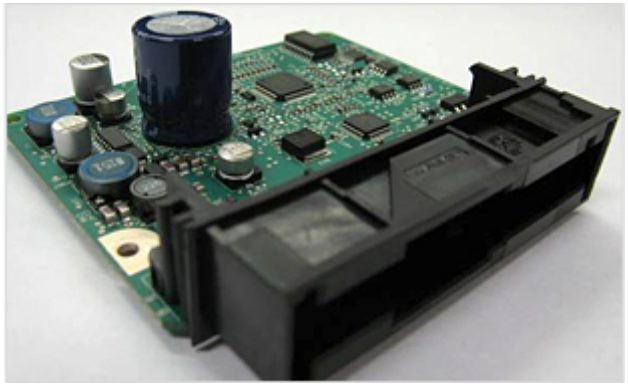
[11] Takata also relies on certain third parties for inflator propellant.

processes, from die-cast magnesium inner frames to leather wrapping, switching systems, and final assembly. Ongoing innovations, such as Takata's vacuum Folding Technology, have reduced the size of some driver airbags in Takata's product line-up, and introduced new features for safety and comfort. This has enabled interior designers to explore new opportunities to enhance the driving environment and differentiate their vehicles for the needs of each market and consumer segment. Takata has recently introduced the vibration steering wheel, featuring a unit inside the spoke of the wheel that vibrates to notify the driver of potential dangers such as inadvertent lane departure, traveling too close to the car in front, over-acceleration, and falling asleep at the wheel.

34. Takata's production and testing of steering wheels occupies approximately seventeen (17) of Takata's plants, including at least two (2) plants which are operated by the Debtors and/or their direct and indirect non-debtor subsidiaries.

Other Products

35. This category of Takata's products includes electronic devices such as vehicle occupant sensors, collision sensors, electronic control units (ECUs) for controlling airbag inflation, and child restraint systems. In today's automotives, sophisticated electronics form part of nearly every automotive safety feature and enable the integration of multiple passive and active safety functions to enhance total safety system effectiveness. In addition to the use of electronics in conventional safety systems such as airbags and seat belt pretensioners, active pre-crash safety systems have opened up new realms of possibilities in safety, with highly developed sensors being used to identify hazards and help prevent accidents from occurring.



Research & Development

36. Takata conducts analyses from a number of different perspectives to understand the various types of crash configurations and scenarios in automobile accidents, including examining the causes of accidents, the seriousness of injuries as a result of a collision, and other related topics, with the aim of developing systems that protect people, and uses computational crash simulation and dynamic crash testing for safety system development.

37. Takata's research and development teams have also developed systems that help address dangerous driving situations by minimizing fatigue and making driving more pleasant and convenient. By developing sensors that look outside the vehicle, these systems can warn the driver in advance of potentially dangerous situations. In the event of an accident, Takata has developed systems which detect the magnitude of the collision and provide information on the condition of the passengers that can be useful to rescuers. In addition, Takata also looks beyond the protection of occupants and has developed systems that can protect motorcyclists, bicycle riders, and pedestrians. Takata's facilities also include sled testing that can simulate the impact of collisions.

38. For developing technology, Takata has established research and development centers in Japan, U.S., and Germany. Takata entities share their high-level technology and other accumulated information throughout the global enterprise.

Non-Automotive Safety

39. In addition to Takata's automotive safety operations, Takata, including certain of TKH's non-debtor subsidiaries, operates certain non-automotive safety business lines, including webbing fabrics and cushions, and non-automotive products, including school bus seats. As of the Petition Date, Takata's non-automotive safety business includes Highland Industries, Inc. ("***Highland***") and Syntec Seating Solutions LLC ("***Syntec***"), each of which is a

wholly-owned subsidiary of TKH and is not a Debtor in these Chapter 11 Cases. Highland manufactures and sells airbag fabric, composites, and textiles to TKH as well as to other automotive manufacturing companies. Syntec, acquired by Takata in 2012, manufactures safety systems (*e.g.*, seats and barriers) for school buses. The non-automotive safety business operates in six (6) independent facilities (Highland owns two (2) facilities and leases two (2) facilities and Syntec owns one (1) facility and leases one (1) facility).

40. Prior to the commencement of the Chapter 11 Cases, to improve its liquidity position, TKH sold certain of its non-automotive safety divisions to TransDigm Group, Inc. (the "***NAS Purchaser***") for approximately $90 million, approximately $36 million of which related to assets sold by Interiors in Flight, Inc. and Takata Protection Systems Inc. (the "***NAS Sales***"), each of which is a wholly-owned subsidiary of TKH. The NAS Sales closed on or about February 22, 2017.[12]

Mexican Operations

41. Takata's "Americas" region includes Takata's operations in Mexico. TKH indirectly owns six (6) entities incorporated in Mexico,[13] four (4) of which are maquiladoras (the "***Maquiladoras***")[14] that manufacture and assemble inflators, seatbelts, and

[12] In connection with the NAS Sales, TKH and certain non-Debtor affiliates entered into certain agreements (collectively, the "***NAS Transition Services Agreements***") to provide certain limited transition services to the NAS Purchaser, including, without limitation, certain collection, distribution, and other treasure-related services, certain employee benefit and workforce services, and certain IT and connectivity related services (the "***NAS Transition Services***"). In exchange for such services, the NAS Purchaser has agreed to pay TKH and certain non-Debtor affiliates certain monthly fees ranging from approximately $2,000 to $10,000 per month for the various services.

[13] These entities include TK Holdings de Mexico, TK DM, Industrias Irvin, SMX, Falcomex SA De CV, and Equipo Automotoriz Americana S.A. De. C.V. Of these six (6) entities, four (4) (TK Holdings de Mexico, TK DM, Industrias Irvin, and SMX) are Debtors. The remaining two (2) entities are a Mexican holding company and a trading sales company that contracts for the sale of TKH's product to Mexican OEMs.

[14] A maquiladora generally refers to a Mexican corporation that is eligible for certain tax and customs benefits due to the fact that, among others, it develops products in Mexico using raw materials, machinery, and equipment primarily owned by a non-Mexican entity. Maquiladoras export all of their product and are owned, at least in part, by a foreign investor.

steering wheels.[15] As described below, the Mexican operations primarily serve to support the production needs in the U.S.

C. The Debtors' Businesses and TKH's Business Model

42. The Debtors in these Chapter 11 Cases are Takata Americas, TKH, TK Holdings de Mexico, TK DM, Industrias Irvin, SMX, TK Finance, LLC, TK China LLC ("***TK China***"), TK Mexico Inc., TK Mexico LLC, Takata Protection Systems Inc., and Interiors in Flight Inc. Below is a brief description of each Debtor entity and its business(es):

- **Takata Americas** is a Delaware partnership that serves as the U.S. federal income tax payer for the Company. Takata Americas owns over ninety-nine percent (99%) of the equity in TKH and generally has no assets other than the stock in its subsidiaries, which, in addition to TKH, include TK Finance LLC (a Debtor entity which indirectly owns Takata (Shangai) Automotive Component Co. Ltd., a non-debtor Chinese entity which may implement an asset sale under the Global Transaction) and Takata Brasil S.A. (a non-Debtor entity).

- **TKH** is a Delaware-incorporated operating company that manufactures and sells inflators, airbags and seat belts, and sells steering wheels (manufactured by its affiliates). TKH operates five (5) facilities, including a plant in Moses Lake where TKH produces PSAN propellant, inflators, and airbag modules, and three (3) sales and administration offices. TKH's revenues represent thirty-three percent (33%) of Takata's revenues on a global basis. In addition to owning directly or indirectly each of the other Debtor entities (excluding Takata Americas), TKH also directly or indirectly owns the non-debtor Maquiladoras, Highland, and Syntec, as well as ALS Inc., a non-Debtor Japanese operating company that provides logistics and freight forwarding services (*i.e.*, exporting and importing parts and manufactured goods) to TKJP.

- **TK DM** is a Mexican incorporated Maquiladora that manufactures inflators and assembles airbag modules and replacement kits. TK DM owns two (2) plants, including a plant in Monclova where TK DM manufactures PSAN Inflators. Prior to 2014, TK DM contracted with Customers for the sale of airbag modules containing PSAN Inflators.

[15] The four (4) Maquiladoras are TK DM, Industrias Irvin, Falcomex SA De CV, and Equipo Automotoriz Americana S.A. De. C.V.

- **Industrias Irvin** is a Mexican incorporated Maquiladora that assembles airbag modules and seat belts and manufactures seat belt components. Industrias Irvin leases one (1) plant from an affiliate. Prior to 2014, Industrias Irvin contracted with Customers for the sale of airbag modules containing PSAN Inflators.

- **SMX** is a Mexican entity referred to as a "trading sales company" as it is in the business of contracting with Mexican OEMs for the sale of the Debtors' products, including airbags containing PSAN Inflators.

- **TK Holdings de Mexico** is a Mexican holding company that provides centralized administration services for its subsidiaries, including the four (4) Maquiladoras, in exchange for a management fee. The administration services include customs compliance, management of accounts receivable and payable, taxes, and certain payroll functions. TK Holdings de Mexico does not employ its own employees, but rather leases employees from TK DM in exchange for a monthly fee.

- **TK Finance, LLC, TK China LLC, TK Mexico Inc., and TK Mexico LLC** are each a holding company with no operations, third-party debt, or assets other than the equity in its respective subsidiaries.

- As noted above, **Takata Protection Systems Inc. and Interiors in Flight Inc.** sold substantially all of their assets to TransDigm Group prepetition and have no ongoing operations.

43. As is commonplace throughout the automotive industry, the Debtors' businesses function under a tiered supply chain structure. Under this structure, upstream from the car manufacturers (*i.e.*, the OEMs) are Tier One suppliers, such as the Debtors, that produce the specialized Component Parts needed for new vehicles. The business relationships of TKH and its direct and indirect subsidiaries with their Customers begins when TKH is awarded a new program, which generally occurs two (2) or three (3) years prior to the production launch. This system allows for high revenue visibility and a large program backlog (subject to ultimate production volumes on a particular platform).

44. Generally, each Component Part manufactured by the Debtors is engineered and designed in partnership with the applicable Customer. Key Component Parts must be designed, tested, and validated for quality and safety—a process that can take months or

years to complete. In almost all cases, the Debtors are the sole manufacturer of the Component Parts they supply for their Customers and, in many instances, the Debtors and their Customers rely on a daily or weekly "just-in-time" inventory supply system. In connection with the Component Parts, the Debtors must acquire the manufacturing components and machines needed for production of the Component Part, which often include unique tooling, including specific fixtures, jigs, gauges, molds, dies, cutting equipment, and patterns. Accordingly, in the ordinary course of business, the Debtors acquire specialized tools and equipment on behalf of many of their Customers, though in many instances the Customers may own the tooling equipment and use the Debtors to subcontract the tool production work.

45. The airbag, steering wheel, and other safety-critical products produced by the Debtors and the constituent components of these products must meet demanding specifications mandated by both the Debtors and the Customers, as well as federally mandated safety standards, before they can be used in the Debtors' manufacturing process. Due to these extensive design, development, and certification requirements, the process by which the Debtors and the OEMs select and certify a new supplier and a new program can take approximately eighteen (18) to twenty-four (24) months. Accordingly, any disruption in the Debtors' production could immediately impact their Customers' ability to manufacture automobiles and could result in a shutdown in production of many of the largest vehicle platforms in North America.

III.

Debtors' Prepetition Ownership and Capital Structure

A. Ownership Structure

46. TKJP is a public company listed on the Tokyo Stock Exchange. On June 16, 2017, trading in the equity of TKJP was suspended upon media speculation of its impending

insolvency proceeding. The Takada family continues to own a majority of the equity in TKJP. As reflected on the Global Organizational Chart, all of the Debtors are direct or indirect subsidiaries of TKJP and none of the Debtors are owned by third party (*i.e.*, non-Takata) entities.

B. Funded Debt Obligations[16]

47. As of the Petition Date, the Debtors have no outstanding funded debt obligations. By contrast, as of the Petition Date, TKJP, the Debtors' ultimate parent, has outstanding funded debt obligations in an aggregate amount of approximately $590 million consisting of (i) approximately $320 million in principal amount of bank debt and (ii) approximately $269 million in principal amount of unsecured bonds. The bank lenders do not have any liens against Takata's assets in connection with borrowed funds, but they do have the ability to offset borrowed funds against Takata's deposit accounts under certain circumstances, including a payment default.

48. In addition, as of the Petition Date, two (2) of the Debtors' non-debtor affiliates have outstanding bank debt obligations: (i) TAKATA Europe GmbH, in an aggregate amount of approximately $150 million[17] and (ii) Takata Brasil S.A., in an aggregate amount of approximately $13 million, in each case based on current currency exchange rates.

C. Trade Payables

49. In the ordinary course of business, the Debtors incur fixed, liquidated, and undisputed payment obligations (the "***Trade Payables***") to various third-party providers of goods and services that facilitate the Debtors' business operations (the "***Trade Creditors***"). As of the date hereof, the Debtors estimate that the aggregate amount of Trade Payables outstanding is

[16] The dollar amounts set forth in this Section B are based on currency exchange rates as of June 25, 2017.

[17] Takata International Finance B.V. has provided a $5 million guarantee to one of the bank lenders in connection with this loan.

approximately $118 million. The Debtors, the Consenting OEMs, and the Plan Sponsor each have an interest in supporting a transaction that minimizes any disruption or impairment to the Debtors' Trade Creditors.

D. Intercompany Transactions

50. In the ordinary course of business, the Debtors maintain business relationships between and among the Debtors and also with certain non-Debtor affiliates that generate intercompany receivables and payables (the "***Intercompany Claims***") from a variety of transactions, including intercompany services, reimbursement for shared business expenses, and intercompany loans (each, an "***Intercompany Transaction***"). The Intercompany Claims are tracked on a net basis on a schedule of intercompany balances. There are three major categories of Intercompany Transactions: (i) transactions between and among the Debtors and U.S. affiliates, (ii) transactions between TKH and its indirect Mexican subsidiaries (both Debtor and non-Debtor), and (iii) transactions between the Debtors and their international affiliates, including TKJP.

51. As of the Petition Date, the Debtors owe, in the aggregate, approximately $43.6 million on account of Intercompany Claims (which amount reflects aggregate net amounts owed by the Debtors). In particular, as of the Petition Date, TKH owes TKJP $33.4 million in intercompany trade claims (which amount reflects aggregate net amounts owed by TKH), of which $10 million relate to goods delivered within twenty (20) days of the Petition Date, and $80 million in intercompany loans pursuant to two separate intercompany loan agreements with TKJP: the first, dated March 31, 2016, in the amount of $30 million and the second, dated March 18, 2016, in the amount of $50 million.

E. Other Liabilities

52. Certain of the Debtors' other obligations and liabilities, including obligations owed to NHTSA, are described in Section IV.

IV.

Events Leading to the Commencement of the Chapter 11 Cases

53. Historically, Takata has been a pioneer in the active and passive safety market, introducing safety innovations that positively affect the lives and comfort of occupants throughout the driving cycle. Over the last several years, however, certain of Takata's PSAN Inflators have failed to operate as intended. In particular, certain PSAN Inflators have ruptured upon deployment of the airbag causing considerable injury and, in some instances, death to drivers and passengers involved in motor vehicle crashes. The first incident involving the rupture of a PSAN Inflator occurred in 2003 in Switzerland. At that time, Takata believed that the rupture was an isolated event caused by an overloading of propellant in the assembly of the inflator. Unfortunately, additional inflator ruptures occurred over the next several years, prompting voluntary recalls by certain vehicle manufacturers and, ultimately, a nationwide recall in the U.S. by NHTSA. The rupturing of PSAN Inflators and the related recalls have resulted in substantial and expansive claims against the Debtors and other Takata entities, as well as resourcing of future business by the Customers. Under these circumstances, and those described in more detail below, Takata determined that an efficient sale of substantially all of Takata's assets to the Plan Sponsor through coordinated insolvency proceeding in the U.S. and Japan would provide the best recovery to creditors while also ensuring that the Debtors continue to uphold recall-related and supply obligations to its Customers.

A. NHTSA Orders Civil Penalties and Initiates Expansive Recalls of PSAN Inflators

54. On June 11, 2014, after receiving multiple complaints regarding Takata airbag inflator ruptures, NHTSA opened a formal defect investigation into the PSAN Inflators—the first step to what would eventually become one of the largest consumer product recalls in U.S. history. Several months later, on February 25, 2015, NHTSA issued the Preservation Order and Testing Control Plan (the "***Preservation Order***"), which requires, among other things, that TKH take reasonable steps to prevent the destruction of and preserve all recalled or returned PSAN Inflators, ruptured inflators, and other ammonium nitrate-containing inflators in the U.S., as well as documents, data, and tangible things reasonably anticipated to be relevant to the subject of NHTSA's defect investigation into PSAN inflators. In addition, the Preservation Order requires that TKH set aside ten percent (10%) of recalled or returned inflators for testing by private litigants, and the remaining inflators must be available to the OEMs for inspection, testing, and analysis.

55. Thereafter, on November 3, 2015, NHTSA issued a consent order (as amended on May 4, 2016, as described below, and as may be further amended and supplemented, the "***Consent Order***") and companion coordinated remedy order (the "***Coordinated Remedy Order***" and collectively with the Preservation Order and the Consent Order, as each may be amended, the "***NHTSA Orders***"). Pursuant to the Consent Order, TKH agreed to pay a civil penalty in the amount $70 million payable in six (6) installments, of which $20 million has already been paid, with the final installment due and payable by October 2020. TKH also agreed to accept a deferred contingent civil penalty in the amount of $130 million which will become due only if TKH fails to comply with certain obligations in the Consent Order and the Coordinated Remedy Order. As of the date hereof, TKH is in compliance with the

Consent Order. In addition to the monetary fines and penalties, the Consent Order provides that TKH will implement a series of actions, including the phasing out of the manufacture and sale of non-desiccated PSAN Inflators by the end of 2018 ($60 million of the $130 million deferred civil penalty will become due if TKH fails to meet deadlines for the phase-out of its production of certain PSAN Inflators by December 31, 2018). TKH also agreed not to enter into any new contracts to provide products containing PSAN Inflators (the remaining $70 million of the deferred civil penalty will become due only if TKH enters into any new contracts for production of products containing PSAN Inflators or if NTHSA discovers additional violations of safety regulations). The Coordinated Remedy Order establishes a schedule, based on relative risk of rupture, by which certain OEMs must have sufficient parts on hand to replace PSAN Inflators in affected vehicles. Pursuant to the Coordinated Remedy Order, Takata must cooperate with NHTSA to coordinate and accelerate such remedy programs.

56. In connection with the Consent Order and the Coordinated Remedy Order, NHTSA appointed John Buretta, a partner at the law firm Cravath, Swaine & Moore LLP, as an independent monitor (the "***Independent Monitor***") to assist NHTSA in overseeing and assessing Takata's compliance with the NHTSA Orders. Takata has been working closely with the Independent Monitor to ensure compliance with the NHTSA Orders. The Independent Monitor's term is for five (5) years and is scheduled to conclude around the end of 2020 (subject to extension or early termination as may be ordered by NHTSA in its discretion). In accordance with the NHTSA Orders, the Debtors pay the Independent Monitor's fees and expenses.

57. NHTSA commissioned three (3) independent research organizations to administer scientific evaluations and report on the "root cause" of the rupture of non-desiccated frontal Takata air bag inflators containing PSAN. Based on these reports, NHTSA concluded

that the likely root cause of the rupturing of such inflators is a function of time, temperature cycling, and environmental moisture and that, at some point in the future, all non-desiccated frontal Takata PSAN inflators will reach a threshold level of degradation that could result in the inflator becoming unreasonably dangerous. Accordingly, on May 4, 2016, NHTSA issued an amendment to the Consent Order requiring Takata to file defect information reports ("***DIRs***") triggering recall obligations for all non-desiccated frontal PSAN Inflators, including any like-for-like replacement, on a defined, phased schedule broken down by vehicle model, year, and location, concluding by December 31, 2019. As of the date hereof, NHTSA has not initiated any recalls of non-desiccated PSAN Inflators relating to propellant degradation. Under the Consent Order, TKH has until December 31, 2019 to demonstrate that desiccated PSAN Inflators are safe and should not be subject to recalls.

58. The recalls initiated by NHTSA, as well as the voluntary recalls initiated independently by the OEMs, have resulted in mounting claims for reimbursement by the OEMs against the Takata entities with which the OEMs contract. Pursuant to many of the OEMs' contracts with TKH, the OEMs are entitled to reimbursement for costs associated with administering the recalls and installing replacement parts. As of the Petition Date, the Debtors estimate such recall-related reimbursement claims against the Debtors to be in the billions of dollars.

B. <u>Takata Responds Cooperatively to NHTSA Orders</u>

59. To comply with the NHTSA Orders, Takata has implemented meaningful remedial oversight and compliance measures within the organization globally. As provided for in the Consent Order and stated above, TKH has agreed to substantial oversight by the Independent Monitor and has established processes for TKH employees to report concerns

anonymously to the Independent Monitor. TKH also has appointed a Chief Safety Assurance and Accountability Officer and created an enhanced Product Safety Group with authority to investigate and address preemptively safety-related issues across TKH's product lines.

60. In December 2014, Takata commissioned an independent Quality Assurance Panel (the "***Panel***") with a broad mandate to review Takata's practices and policies for the safe production of airbag inflators and to provide recommendations. Following an extensive review and evaluation of Takata's processes and policies, the Panel submitted a report in February 2016 setting forth fifteen (15) recommendations of concrete actions relating to quality concerns, design and manufacturing processes, and the Company's "quality culture." I, along with the assistance of other employees of Takata, developed a plan of action to implement each of the Panel's recommendations. On June 12, 2017, the Panel held a status meeting at which Takata reported that ten (10) of the fifteen (15) recommendations have been fully implemented, two (2) are significantly complete, and three (3) are partially complete. I expect that by the end of 2017, the two (2) additional recommendations will be fully complete, and the Company will have fully implemented all of the Panel's recommendations within one (1) year from the date hereof. Following the status meeting, Samuel K. Skinner, Chairman of the Panel, reported in a letter, dated June 15, 2017, that in the Panel's view, "the Takata team in many instances has not only met the Panel's expectations but in doing so has set a new standard for the industry […] the Panel believes that Takata has done an outstanding job in accepting, adopting and implementing the Panel's recommendations."

61. TKH has also been working cooperatively with NHTSA, world-class technical experts, and Customers to initiate recalls and administer replacement of affected airbag inflators to remedy safety concerns relating to non-desiccated PSAN Inflators nationwide. TKH

has funded and developed vigorous "Get the Word Out" campaigns to maximize the recall completion rates and has conducted substantial consumer advertising to encourage car owners receiving recall notices to bring their cars in to dealers for prompt replacement. As of the Petition Date, the Debtors have expended approximately $18 million towards communicating and noticing vehicle owners of the recalls and risks associated with non-desiccated PSAN Inflators.

C. Significant Litigation Actions Commenced Against the Debtors

Personal Injury and Wrongful Death Actions

62. Approximately one hundred (100) personal injury and wrongful death lawsuits relating to the PSAN Inflators are currently pending in state and federal courts within the U.S. The lawsuits allege product liability claims based in almost all instances on inflator ruptures, deployments with excessive force, and failures to deploy, primarily against TKH and TKJP, with some claims also being made against certain of their Debtor and non-Debtor affiliates (collectively, the "***PI/WD Actions***"). Nearly all of the PI/WD Actions allege that the Takata defendants and the relevant OEM (*e.g.*, the OEM that manufactured the vehicle in which the plaintiff was allegedly injured) are jointly and severally liable for the alleged injuries. Many of the OEMs assert contractual or common law claims for indemnification and/or contribution against the Takata entity from which they purchased the malfunctioning PSAN Inflator.

63. On February 5, 2015, several private civil actions relating to PSAN Inflators proceeding in federal courts in the U.S. against TKH—all class actions alleging economic losses—were centralized in a multi-district litigation (the "***MDL***") proceeding in the Southern District of Florida. In that centralization order, the Judicial Panel on Multidistrict Litigation also recognized that PI/WD Actions could be included in the MDL and many PI/WD Actions have subsequently been transferred to the MDL. A number of PI/WD Actions remain

pending in various state courts. As of the date hereof, there have been no trials or verdicts against TKH, TKJP, or any of their affiliates in any PI/WD Action.

64. There are approximately one hundred and fifty (150) claims against the Debtors that have not presently resulted in filed PI/WD Actions. The Debtors expect that additional PI/WD Actions will be filed in the future, given the number of pending claims and the large population of vehicles containing PSAN inflators that have not yet been repaired pursuant to recall. In addition to the PI/WD Actions relating to the PSAN Inflators, TKH, certain Takata affiliates, and certain OEMs are also defendants in approximately fifteen (15) personal injury lawsuits alleging product liability claims unrelated to PSAN Inflators.

65. In the aggregate, the existing PI/WD Actions seek damages in the tens of millions of dollars; however, the Debtors strongly dispute the validity of certain of the claims asserted and damages sought in connection with PI/WD Actions.

U.S. Economic Loss Class Actions

66. In addition to the PI/WD Actions, TKH, TKJP, and certain OEMs have also been named defendants in a putative nationwide consumer class action currently pending in the MDL (the "***U.S. Economic Loss Class Action***"). The consolidated U.S. Economic Loss Class Action, which aggregated roughly eighty (80) separately filed consumer class actions, purports to represent (i) approximately fifty million (50,000,000) consumers who purchased or leased vehicles with recalled PSAN Inflators prior to the recalls and, following the recall, still owned or leased the vehicle, sold the vehicle, or received some value for the vehicle after an accident and (ii) automotive recyclers that purchased vehicles containing airbags with recalled PSAN Inflators prior to the recalls and following the recall either continued to possess the airbag or sold the airbag to Takata or an OEM. The consolidated complaint asserts claims for economic losses largely based on the theory that the recall of PSAN Inflators has reduced the market value

of those vehicles and/or airbags containing recalled PSAN Inflators. The plaintiffs are seeking to recover compensation for lost value (*i.e.*, diminution of value of vehicles or airbag parts in vehicles), out-of-pocket and loss-of-use expenses (*e.g.*, reimbursement for repairs, time off from work, substitute transportation, childcare); disgorgement of profits; punitive damages; and attorneys' fees and costs.[18] The OEMs, TKH, and TKJP may be jointly and severally liable with respect to certain of the claims asserted in the U.S. Economic Loss Class Action. The Debtors strongly dispute the validity of the claims asserted in connection with the U.S. Economic Loss Class Action and any associated liability. Each of the OEMs that has been named as a defendant in the U.S. Economic Loss Class Action has asserted cross-claims against TKH and/or TKJP, including claims for contractual or common law indemnification and/or contribution.

67. On May 18, 2017, four (4) of the OEMs filed a motion seeking approval of separate settlement agreements resolving the economic loss claims asserted against them in the U.S. Economic Loss Class Action for a total amount of $553 million, as well as, among other things, consent to implement certain outreach methods and reimbursement of class members' fees in connection with administering the recall. In exchange, class members are agreeing to grant a broad release to the settling OEMs as well as certain of their related parties with respect to the subject matter of the class action. As of the date hereof, these settlements have been preliminarily approved by the MDL court and the final hearing to approve these settlement agreements is scheduled for October 25, 2017. These settlements do not resolve claims against Takata. With respect to the remaining claims against Takata and the other OEMs, as of the date

[18] In addition to the class actions incorporated into the consolidated U.S. Economic Loss Class Action complaint, there are multiple economic loss class actions that are part of the MDL that name as defendants TKH and/or TKJP and certain other OEMs. These cases have been placed in "civil suspense" by the MDL court.

hereof, no motion for class certification has been filed and no deadline for the filing of such motion has been set.

Canadian Class Actions

68. In addition to the U.S. Economic Loss Class Action, TKH, TKJP, and certain non-debtor subsidiaries, as well as certain OEMs, were named defendants in fourteen (14) class actions across four (4) Canadian provinces (British Columbia, Saskatchewan, Quebec, and Ontario) based on theories similar to those asserted in the U.S. Economic Loss Class Action. As of the date hereof, four (4) of the class actions have been dismissed, five (5) of the class actions are currently in abeyance, and five (5) of the class actions have been consolidated into national class actions proceeding in Ontario (collectively, the "***Canadian Class Actions***"). The Canadian Class Actions are on behalf of consumers in Canada who purchased or leased vehicles with airbags containing PSAN Inflators that are subject to recalls, as well as persons in Canada who have suffered injuries or damages caused by PSAN Inflators.[19] The Canadian Class Actions have been stayed as against TKJP. The Canadian Class Actions assert an aggregate of CDN $3.5 billion in damages for, among other things, economic loss based on the reduced value of claimants' vehicles and expenses incurred in connection with replacements and repairs. The Debtors strongly dispute both the asserted damages and the validity of the claims asserted in connection with the Canadian Class Actions and any associated liability.

69. While joint and several liability has not been expressly pleaded in the Canadian Class Actions, the Canadian court may find that the parties are liable on a joint and several basis absent an express assertion in a pleading and a number of the OEM defendants have asserted cross-claims against TKH and TKJP. Accordingly, the OEMs that are named

[19] As of the date hereof, the Debtors are aware of two (2) personal injury lawsuits pending in Canada, but no known instances of inflator rupture.

defendants in the Canadian Class Actions may assert contractual or common law claims for indemnification and/or contribution against the Takata entity from which they purchased the PSAN Inflator with respect to the Canadian Class Actions.

70. The Canadian Class Actions have not been certified. It was anticipated that certification motions would be scheduled at the case management conference currently scheduled for mid-August.

Mexican Class Action

71. A class action was also commenced in Mexico by Acciones Colectivas de Sinaloa, A.C. ("***ACS***") against, among others, TKH, TK DM, Industrias Irvin, certain OEMs, and certain car dealerships (the "***Mexican Class Action***") in the Ninth Federal Court in the state of Sinaloa, Mexico (the "***Mexican Class Action Court***"). ACS is a non-profit association whose purpose is to, among other things, promote and defend the interests and rights of consumers and to commence corresponding class actions in order to enforce the claims of such persons. ACS is seeking, among other things, a declaration that the airbags produced and sold by the defendants are defective, an order obligating the defendants to replace the defective airbags free of charge, an order obligating the defendant to refrain from producing airbags until, in the view of the Mexican Class Action Court, they are no longer defective, and an award of damages to each individual member of the class for diminution in value of the vehicles and personal injuries. Under Mexican law, as a non-profit association, ACS is not required to indicate the specific number of individual members seeking damages in the Mexican Class Action and, therefore, as of the date hereof, the number of individual class members is unknown. Further, as of the date hereof, the amount of damages claimed by ACS on behalf of the class has not yet been quantified. As is the case with the U.S. Economic Loss Class Action and Canadian Class

Actions, the Debtors strongly dispute the validity of the claims asserted in the Mexican Class Action and any associated liability.

72. Under Mexican law, if ordered to pay damages, each of the defendants that caused the specific damage in question may be held jointly and severally liable. Those defendants that satisfy the judgment are entitled to file a claim for recovery from other defendants that are determined to have caused or participated in causing the damage. Once again, those OEMs that are named defendants in the Mexican Class Action may assert contractual or common law claims for indemnification and/or contribution against the Takata entity from which they purchased the PSAN Inflator with respect to the Mexican Class Action. As of the date hereof, the class has not yet been certified. TK DM and Industrias Irvin's motion to dismiss are pending, and TKH has not been served.

State Civil Enforcement Actions

73. Consumer protection actions have also been filed by applicable government authorities in Hawaii, the U.S. Virgin Islands, and New Mexico against TKJP, TKH, and certain OEMs seeking a combination of civil penalties, administrative fines, restitution for consumers, disgorgement of profits, and injunctive relief. Some of the complaints assert liability based upon legal theories other than consumer protection. In the U.S. Virgin Islands action, the government filed a motion for a preliminary injunction at the time it filed the complaint, which sought to have the court order TKH to pay into an escrow fund monies that could be used to satisfy any damages ultimately awarded to the Virgin Islands against TKH. On June 25, 2017, after press reports suggesting that Takata may commence insolvency proceedings on or around June 25th or June 26th, the court ordered an *ex parte* order requiring TKH to pay "forthwith" approximately $8 million into the court's escrow account. This payment has not been made.

74. Certain OEMs have also raised cross-claims or third-party claims against TKJP and TKH for indemnification, contribution, fraud, and misrepresentation in connection with the consumer protection actions. As of the date hereof, the Hawaii action is in the discovery phase. The U.S. Virgin Islands action has not yet proceeded to discovery. TKJP and TKH's motion to dismiss the New Mexico action is pending. Responsive pleadings are not yet due with respect to the OEMs' cross- and third-party claims in the various jurisdictions.

U.S. Antitrust Class Actions

75. Additionally, unrelated to the malfunctioning of PSAN Inflators, TKH and TKJP also are named defendants in four (4) antitrust putative class actions currently proceeding as a multi-district litigation pending for pre-trial purposes before the District Court. These actions purport to be on behalf of certain direct and indirect purchaser plaintiff groups alleging antitrust-related claims relating to the sale of certain occupant safety systems, including airbags, seat belts, steering wheels, and electronic safety systems. Other defendants originally named in some of those actions are certain of Takata's competitors, namely Autoliv, Inc., TRW Automotive Holdings Corporation, Tokai Rika Co., Ltd., Toyoda Gosei Co., Ltd. and certain affiliates of those corporations. To date, Autoliv, Inc. and TRW Automotive Holdings Corporation, and certain of their affiliates (the "***Competitor Defendants***"), have settled with each plaintiff group. As of the date hereof, the parties are finalizing a discovery schedule and each plaintiff group has until October 17, 2018 to file a motion seeking class certification.

Canadian Antitrust Class Actions

76. TKH and TKJP, along with certain OEMs, are defendants in putative antitrust class actions in four (4) Canadian provinces (British Columbia, Ontario, Saskatchewan, and Quebec) based on theories similar to those asserted in the U.S. antitrust class actions. The Canadian antitrust class actions purport to be on behalf of certain consumers in Canada who

allege antitrust claims relating to the sale of occupant safety systems, including airbags, seat belts, and steering wheels. In each of these actions, also named as defendants are certain of Takata's competitors, including the Competitor Defendants. To date, TRW Automotive Holdings Corporation and its affiliates have settled with three (3) of the four (4) plaintiff groups. No deadlines for class certification motions have been set in any of the actions.

Potential for Future Litigation Claims

77. Prior to the Petition Date, TKH embarked on an expansive campaign to notify owners of vehicles with PSAN Inflators of the risk associated with such inflators and to encourage owners of such vehicles to visit their local dealers to have a replacement kit installed. The OEMs and NHTSA have independently contributed to such noticing efforts. Nevertheless, vehicles containing PSAN Inflators remain and will continue to remain on the roads in the U.S. and around the world. Additionally, as noted above, the risks associated with PSAN Inflators containing desiccant are undetermined, and vehicles containing such inflators may be subject to recalls in the future. Accordingly, there is a significant risk that additional personal injury, wrongful death, and economic loss claims will be asserted against the Debtors, other Takata affiliates, and the OEMs arising from pre-and post-closing sale of PSAN Inflators. As discussed below, the Chapter 11 Plan proposes various mechanisms for addressing such claims as against the Debtors.

D. Formation of the Customer Group and Appointment of the Steering Committee

78. The rupturing of PSAN Inflators and the related recalls have had and continue to have a serious impact on the OEMs that have been administering the recalls and those that are named defendants in the various litigations. Recognizing the importance of preserving Takata's operations for the duration of the recalls and the need for a global coordinated go-forward strategy to manage the mounting litigation and recall related claims

against Takata and the OEMs, certain of such OEMs formed the Customer Group to negotiate and develop a restructuring plan with Takata.

79. As noted above, around the time that the Customer Group was formed, the board of directors of TKJP appointed the Steering Committee. The Steering Committee is comprised of the following five (5) independent members each with significant corporate restructuring experience in Japan:

- **Hideaki Sudo (Chairman)**: Mr. Sudo is an attorney-at-law admitted in Japan and managing partner at Fuji Law Office (Tokyo). Mr. Sudo has served as a corporate reorganization trustee, corporate reorganization examiner, and a civil rehabilitation supervisor. He is the former chairman of the Study Committee on the Bankruptcy Law System of the Japan Federation of Bar Associations and an adjunct profession at Nihon University Law School.

- **Masami Hashimoto**: Mr. Hashimoto is a certified public accountant and former partner of Arthur Andersen and KMPG. He is a member of the Management Renewal Committee of Toshiba.

- **Kosei Watanabe**: Mr. Watanabe is an attorney-at-law admitted in Japan and the State of New York. Mr. Watanabe is a partner at Fuji Law Office (Tokyo). Mr. Watanabe has experience serving as corporate reorganization trustee in a number of large bankruptcy cases.

- **Nobuaki Kobayashi**: Mr. Kobayashi is an attorney-at-law admitted in Japan and partner at Nagashima Ohno & Tsunematsu. He is the current chairman of the Study Committee of the Bankruptcy Law System of the Japan Federation of Bar Associations and has extensive experience handling high-profile restructuring proceedings in Japan, representing debtors and creditors.

- **Tomoo Tasaku**: Mr. Tasaku is a senior advisor at PricerwaterhouseCoopers Co., Ltd. and has served as a member of the study group on debtor-in-possession financing organized by the Ministry of Economy, Trade and Industry, the Turnaround Task Forces for Japan Airline, and the committee of Industrial Revitalization Corporation of Japan.

80. The Steering Committee meets on a weekly basis with Takata's advisors. TKJP's board of directors empowered the Steering Committee to prepare the restructuring plan

independent from incumbent management and TKJP is expected to approve of such restructuring plan unless doing so would be in conflict with their respective duties and obligations under applicable law. The formation of the Customer Group and the appointment of the Steering Committee set in motion the development of Takata's restructuring strategy.

E. Takata Commences Global Prepetition Marketing & Sale Process

81. In May 2016, the Steering Committee empowered Lazard to commence an expansive marketing and sale process for Takata to identify either a third-party investor or a purchaser for Takata's global assets and operations. After careful review and analysis of the Debtors' operations, Lazard, with the assistance of Weil and PwC, determined that, due to the strong interdependencies among and between the global regions, a sale on a region-by-region basis would be value destructive and would not be in the best interests of the Debtors' estates. Accordingly, Lazard pursued the marketing and sale process on behalf of the global enterprise to secure a purchaser or investor interested in keeping the global operations intact.

82. By July 2016, forty (40) potential sponsor candidates had expressed interest in Takata. This list included those potential sponsor candidates from which Lazard had directly solicited interest, as well as certain sponsor candidates that independently approached Lazard having heard of the marketing and sale process in the press. The forty (40) potential sponsor candidates consisted of nineteen (19) strategic partners, eighteen (18) financial investors, and three (3) trading houses. This initial list of potential sponsors was narrowed down to eighteen (18) potential sponsor candidates (eight (8) strategic and ten (10) financial) based on feedback from the Customer Group, financial profile, management team, global presence, and ability to execute transaction efficiently. These remaining potential sponsor candidates received a "teaser" to provoke interest in a potential transaction involving Takata.

83. Following this official launch of the marketing and sale process, nine (9) candidates (five (5) strategic and four (4) financial) submitted qualification letters. Six (6) of the candidates that submitted qualification letters were selected to advance in the process and were provided with access to due diligence, detailed presentations prepared by management and, in most cases, global site visits, in each case, subject to applicable antitrust law. On September 16, 2016, Lazard received preliminary proposals from five (5) potential sponsors (three (3) strategic, one (1) financial, and one (1) consortium (joint bid from a strategic and financial sponsor)). Lazard, the Customer Group, the Steering Committee, and Takata's other advisors met to review, evaluate, and discuss the proposals and the potential sponsors and, based on feedback from the Customer Group, four (4) potential sponsors were selected to present to and meet with the Customer Group. By November 2016, three (3) candidates remained (two (2) strategic and one (1) newly formed consortium) in the process and proceeded to final rounds of diligence, including additional site visits, workshops, and Q&A sessions with management. In this final round of diligence, Takata and its advisors addressed approximately eight hundred (800) questions through an online portal and conducted twelve (12) diligence workshops globally.

F. TKJP Enters Plea Agreement with DOJ

84. On January 13, 2017, in the midst of Takata's extensive marketing and sale process, the Offices and TKJP announced and submitted to the District Court the Plea Agreement and proposed Restitution Order, which were entered on February 27, 2017. [20]

85. The Plea Agreement and Restitution Order resolve a criminal investigation that commenced in November 2014 when the U.S. Attorney's Office in Manhattan served a

[20] In addition, on the date the Plea Agreement was announced, an indictment was unsealed charging three (3) Takata executives with wire fraud and conspiracy to commit wire fraud in relation to the same conduct underlying TKJP's plea. These executives—Shinichi Tanaka, Hideo Nakajima, and Tsuneo Chikaraishi—were employed by TKJP and terminated in or around the fall of 2015.

grand jury subpoena on TKH alleging potential violations of 18 U.S.C §§ 1001 (false statements); 1341 (mail fraud); and 1343 (wire fraud) and requesting a variety of information relating to knowledge of risks posed by PSAN Inflators. The investigation was later transferred to the U.S. Attorney's Office in Detroit in or around May 2015, and the Criminal Division in Washington, D.C. also became involved.

86. Pursuant to the Plea Agreement, TKJP pleaded guilty to wire fraud in violation of 18 U.S.C. § 1343 and agreed to pay a criminal fine of $25 million, which was paid on March 29, 2017. In addition, pursuant to the Plea Agreement and Restitution Order, TKJP is required to pay, directly or through its affiliates or subsidiaries, the Restitution Payments as follows: (i) $850 million to automobile manufacturers, which amount must be paid within five (5) days after the closing of a sale of TKJP, which must occur by no later than February 27, 2018[21] and (ii) $125 million to recompense individuals who suffered (or will suffer) personal injury caused by the malfunction of a PSAN Inflator, which amount was paid to the Offices on or around March 29, 2017, as required by the Plea Agreement.

87. On April 6, 2017, pursuant to the Restitution Order, the District Court filed a Notice of Intent to Appoint Robert S. Mueller, III as "Special Master" to determine the proper administration and disbursement of the Restitution Payment. The Debtors and their professionals spoke with Mr. Mueller and met with Mr. Mueller's advisors to discuss, among other things, allocation issues with respect to the Restitution Funds, Restitution Fund mechanics, and coordinating noticing and other fund administration issues. Shortly thereafter, Mr. Mueller accepted an appointment by the U.S. Department of Justice to serve as special counsel to oversee

[21] Pursuant to the Plea Agreement, of the $850 million, $481,848,850 is to be paid to those automobile manufacturers who were defrauded in connection with their purchase of the PSAN Inflators and the remaining $368,151,150 is to be paid to all automobile manufacturers that purchased the PSAN Inflators from Takata or any of its subsidiaries, regardless of location.

an investigation into the current administration's potential dealings with Russian officials and informed the District Court that he could no longer serve as the Special Master. As of the date hereof, the District Court has not appointed a candidate to replace Mr. Mueller as Special Master.

88. In connection with the Plea Agreement, TKJP agreed to implement an effective compliance program, including developing and promulgating compliance policies and procedures designed to reduce violations of data integrity and to appoint an independent compliance monitor for a period of three (3) years who will, among other things, assess and monitor Takata's compliance with its legal and ethical obligations. On or around April 27, 2017, the District Court appointed John Buretta, the Independent Monitor appointed pursuant to the Consent Order and the Coordinated Remedy Order, as the independent compliance monitor under the Plea Agreement.

89. In exchange for the guilty plea of TKJP and the complete fulfillment of all obligations under the Plea Agreement and Restitution Order, the Offices agreed not to file additional criminal charges against TKJP or any of its direct or indirect affiliates, subsidiaries, or joint ventures based on the conduct underlying the guilty plea. Notably, however, if TKJP fails to perform or fulfill its obligations under the Plea Agreement, Takata may be subject to criminal prosecution and additional fines and penalties, including criminal prosecution for conduct otherwise settled by way of the Plea Agreement. As discussed above, the risk that the Plea Agreement could be rescinded, thereby subjecting TKJP and its affiliates (including TKH and the other Debtors) to criminal liability and additional fines and penalties, means that for any transaction to be successful, the Restitution Payments must be made, because no purchaser or sponsor, including the Plan Sponsor, was or would be willing to close a sale transaction without the assurance that the sale proceeds would be applied first to those obligations owed to the DOJ.

G. Takata Finalizes Marketing & Sale Process

90. The entry of the Plea Agreement and Restitution Order was an important milestone in the marketing and sale process of the Takata enterprise as each of the potential sponsor candidates had previously indicated that resolution of the DOJ's investigation of Takata would be an absolute prerequisite to consummation of any transaction. In addition, the Plea Agreement and Restitution Order established both a ceiling on Takata's criminal liability to the U.S. government and a floor for a proposed purchase price—at least $850 million—as the proposed purchasers have every incentive to ensure that the obligations owed by Takata under the Plea Agreement and Restitution Order are satisfied in full.

91. Shortly after the announcement of the Plea Agreement, but prior to approval of the Plea Agreement and the entry of the Restitution Order, on January 13, 2017, an updated process letter was sent to the three (3) remaining candidates requesting final bids by January 25, 2017. Only two (2) of the three (3) remaining sponsors submitted final bids (one (1) strategic and one (1) consortium). At the end of January 2017, the Customer Group, certain additional OEMs, Takata management, the Steering Committee, and Takata's advisors convened to discuss and evaluate the two (2) final proposals. In addition, each of the remaining bidders met with the Customer Group and Takata's advisors to negotiate further the terms of the bid.

92. Following these discussions, on February 3, 2017, the Steering Committee recommended to Takata's board of directors that it proceed with the bid submitted by the Plan Sponsor,[22] without exclusivity, as it was the highest and best offer submitted for Takata's assets by a significant margin. In addition to the substantial purchase price (which exceeded the bid submitted by the other candidate by a significant margin), there was concern that the bid

[22] The Plan Sponsor's bid was that of the consortium.

submitted by the other remaining candidate faced substantial hurdles to secure certain regulatory approvals, which likely would result in a lengthy and uncertain review process by various governmental entities in multiple jurisdictions, could require significant asset dispositions in connection with the applicable antitrust approval, and potentially would not secure the necessary approvals. Accordingly, Takata's board of directors accepted the Steering Committee's recommendation, and Takata and the Plan Sponsor continued on to final diligence and documentation of the transaction.

93. The prepetition marketing and sale process led by Lazard with the support of Takata's other advisors was comprehensive and robust, involving solicitation of interest from a diverse set of potential strategic and financial partners that would be capable of participating in Takata's restructuring efforts. For those potential purchasers that proceeded to diligence rounds, diligence was inclusive and thorough, including document review, discussions with Takata employees, and site visits, in each case, to the extent permitted by applicable antitrust law. The Customer Group, which observed and participated in the prepetition marketing and sale process expressed collective support for the Plan Sponsor. For many reasons, including, most importantly, the fact that no purchaser, whether strategic or financial, would be willing to participate in a transaction without clear support from their primary revenue source (*i.e.*, the OEMs), the OEMs' endorsement of the Plan Sponsor as their successful candidate is strong indication that the prepetition marketing and sale process produced the best result for Takata.

94. Based on my own participation in the prepetition marketing and sale process and my discussions with Takata's legal and financial advisors, I believe that the process was exhaustive and fair and was conducted with the goal of maximizing value for the Debtors and their stakeholders. I do not believe that a postpetition marketing and sale process would

produce a better result for the Debtors or their stakeholders. By contrast, a postpetition marketing and sale process would be costly, duplicative, and would be a waste of estate resources and time—both of which are extremely finite at this critical juncture with only eight (8) months left before the deadline to pay the remaining Restitution Payments to the Offices. Based on the duration and exhaustive nature of the prepetition marketing and sale process, as well as the complexity of the Debtors' business and their significant existing and potential liabilities, I expect that the due diligence period alone for any potential purchaser participating in a postpetition marketing and sale process, excluding time required for structuring, negotiating, and documenting a new transaction, will gravely delay implementation of a restructuring transaction and jeopardize the Company's ability to satisfy the Restitution Payments owed to the Offices on March 4, 2018, as well as the Company's ability to comply with the NHTSA Orders and ensure the safe, stable supply of replacement kits to its Customers. For these reasons, the Debtors do not intend to implement a postpetition marketing and sale process. Instead, the Debtors intend to finalize and file the Chapter 11 Plan and other necessary Global Transaction Documents in short order and proceed towards plan confirmation in an expedited fashion to ensure a successful implementation of the Global Transaction, compliance with the Plea Agreement and Restitution Order, and ongoing supply of safe and quality Component Parts, including replacement kits, to the OEMs.

H. Summary of Global Transaction

95. Since selecting the Plan Sponsor as the successful bidder, Takata, the Consenting OEMs, and the Plan Sponsor have engaged in many months of substantive, good faith and, at times, protracted negotiations. As noted at the outset, the parties are close to a fully executed deal that reflects the parties shared common goals of developing a consensual

transaction structure that will (i) ensure ongoing compliance with the NHTSA Orders, the Plea Agreement, and the Restitution Order, (ii) comply with the insolvency laws in applicable jurisdictions, including the confirmation standards set forth in section 1129 of the Bankruptcy Code, (iii) provide for the prompt emergence from the Insolvency Proceedings, and (iv) provide quality and safe Component Parts to the OEMs, including replacement kits.

96. The framework for the Global Transaction is the product of certain conditions imposed by the Plan Sponsor and the Customer Group. From the outset, the Plan Sponsor clearly indicated that it would not be willing to assume any liabilities, including contingent liabilities relating to pre- or post-closing production of PSAN Inflators, relating to the manufacturing of PSAN Inflators whether desiccated or non-dessicated, without a full indemnity from the OEMs. The OEMs, unwilling to consent to blanket indemnity obligations, but in many instances, in need of ongoing and post-closing production of PSAN Inflators for either series production, replacement kits, or service parts, have been engaging in robust negotiations with the Plan Sponsor on the precise contours of their indemnification obligations and on methods to mitigate the Plan Sponsor's exposure and reduce the need for a full indemnity. To that end, and to satisfy the ongoing production needs of the OEMs as well as the ongoing recall obligations relating to PSAN Inflators, Takata, the Consenting OEMs, and the Plan Sponsor developed the PSAN Carve Out whereby all PSAN specific assets will be carved out or transferred, as applicable, into a separate company (*i.e.*, Reorganized Takata) to produce PSAN propellant and PSAN Inflators post-closing.

97. Against this backdrop, the parties have been negotiating the Global Transaction and the terms of the Global Transaction Documents, as described below, with a

particular focus on the Debtors' proposed method for implementing the Global Transaction with respect to the Debtors and through these Chapter 11 Cases.[23]

Sale of Non-PSAN Related Takata Assets

98. It is anticipated that the Global Transaction will provide for a sale of substantially all of the assets of the Debtors, the Japanese Debtors, TAKATA Europe GmbH ("***TK EUR***"), TAKATA Aktiengesellschaft ("***TKAG***"), TAKATA Saschen GmbH ("***TK Sachsen***"), and potentially certain other Takata entities (collectively, the "***Sellers***") except for certain Excluded Assets, including any equity interests in other Sellers, to the Plan Sponsor pursuant to a number of interdependent asset and stock purchase agreements (the "***APAs***").

99. As consideration for the assets sold to the Plan Sponsor under the APAs, the Plan Sponsor has agreed to a base purchase price of $1.588 billion, subject to certain adjustments, including a reduction for specified financial debt of the Company that is being assumed or paid by the Plan Sponsor at closing. In addition to the purchase price, the Plan Sponsor has agreed to an "earn out" payment to Takata of up to $400 million depending upon achievement of certain financial metrics post-closing.

The Chapter 11 Plan

100. Consistent with the U.S. SAPA, it is anticipated that the Chapter 11 Plan will provide for the sale of substantially all of the Debtors' assets, other than the Excluded Assets, to the Plan Sponsor and set forth the provisions for the establishment, governance, and operating terms of Reorganized Takata, which will continue to own and operate the PSAN Excluded Assets.

[23] The descriptions of the Global Transaction set forth herein are preliminary and subject to change. Accordingly, to the extent there is any conflict between the summaries of the Global Transaction as described herein and the terms of the Global Transaction Documents, the terms of the Global Transaction Documents shall control.

101. With respect to distributions to the Debtors' prepetition creditors, the Chapter 11 Plan will provide for the treatment of all prepetition claims against each respective Debtor through the establishment and funding of certain recovery funds at each Debtor entity for the benefit of such entity's creditors. The sale proceeds allocated to each Debtor will be available for distribution to the recovery funds on a pro rata basis after satisfaction of closing expenses, negative purchase price adjustments, payment of the NHTSA fine, payment of any administrative or priority claims, including payment of the OEMs' adequate protection claims, as well as after setting aside funds for various post-closing reserves for the capitalization of Reorganized Takata and the wind-down and administration of the Debtors' estates, including claims resolution, in each case, as applicable.

102. Prior to the Petition Date, Weil, on behalf of TKH, retained Thomas Vasquez of Ankura Consulting Group ("***Ankura***") to provide certain consulting and analytical services, including estimating personal injury, wrongful death, or other similar claims arising out of or relating to an injury caused by non-desiccated or desiccated PSAN Inflators (the "***PSAN PI/WD Claims***"). In particular, Ankura has analyzed and will provide an estimate of potential future PSAN PI/WD Claims against TKH in the U.S. and globally arising from (i) the sale of product prior to the Petition Date (treated under the Chapter 11 Plan as prepetition claims and channeled to a recovery fund), (ii) the sale of product after the Petition Date, but prior to the closing date (treated under the Chapter 11 Plan as administrative claims and for which amounts will be reserved), and (iii) the sale of product by Reorganized Takata (reserved for by Reorganized Takata). The Debtors intend to file a motion to appoint a future claims representative (the "***FCR***") to represent the interests of those claimants who will be injured in the future from a product sold prior to the closing date.

103. It is anticipated that the effectiveness of the Chapter 11 Plan will be conditioned upon, among other things: (i) entry of an order by the Court confirming the Chapter 11 Plan; (ii) approval of the JP Business Transfer and JP Plan by the Tokyo Court; (iii) payment of the outstanding Restitution Payments; (iv) all conditions precedent to the closing of the U.S. SAPA having been waived or satisfied; (v) execution of the Indemnification & Waiver Agreements (as defined herein); and (vi) receipt of any necessary regulatory or related approvals.

Reorganized Takata and the PSAN Carve Out

104. As noted above, under the proposed Global Transaction Structure, it is anticipated that the PSAN Excluded Assets will remain with Reorganized Takata, which will continue the manufacture and sale of PSAN Inflators until the later of (i) such time as the production of PSAN Inflators is no longer necessary to implement the terms of the NHTSA Orders or any other order by authorities related to recall and (ii) the earlier of (a) five (5) years after the effective date of the Chapter 11 Plan and (b) such time as production of PSAN Inflators is no longer necessary to comply with the terms of the Debtors' existing contracts or newly executed contracts between Reorganized Takata and the PSAN Consenting OEM (as defined herein). Takata currently manufactures PSAN Inflators in the following four (4) locations: Changxing, China (plant owned by TK (Changxing) Safety Systems Co., Ltd. ("***TCX***")), Freiberg, Germany (plant owned by TK Sachsen), Moses Lake, U.S. (plant owned by TKH), and Monclova, Mexico (plant owned by TK DM). In addition, all PSAN propellant is produced at the Moses Lake plant. The PSAN Inflator assets in Germany, *i.e.*, the Freiberg plant, are currently not expected to be transferred to Reorganized TK Holdings as production of PSAN Inflators at that plant is expected to be phased out by closing.

105. In connection with the PSAN Carve Out, Reorganized Takata will continue to manufacture and sell PSAN Inflators to the OEMs directly and the Plan Sponsor will

assemble such PSAN Inflators into the modules at the direction of the OEMs and assemble the replacement kits. In addition, Reorganized TK Holdings and the Plan Sponsor will enter into a transition services agreement (the "***Transition Services Agreement***"), also referred to as a "Buyer Support Agreement," whereby the Plan Sponsor will provide Reorganized Takata with support and access to certain shared services and assets in order to facilitate the ongoing operations of Reorganized Takata (*e.g.*, plant level accounting, IT services, purchasing).

106. The parties anticipate that the Chapter 11 Plan will provide for the establishment of Reorganized Takata and the appointment of a plan administrator (the "***Plan Administrator***") who will operate Reorganized Takata and supervise the manufacture, assembly, sale and/or distribution of the PSAN Inflators, and an oversight committee that is comprised of three (3) members (two (2) members selected by those Consenting OEMs who will require production of PSAN Inflators post-closing (the "***PSAN Consenting OEMs***") and one (1) member selected by the Debtors (subject to the reasonable consent of a percentage of the PSAN Consenting OEMs to be determined by the PSAN Consenting OEMs, subject to Takata's consent)), provided that such appointee is not an "insider" of Takata, the Consenting OEMs, or the Plan Sponsor. On the effective date of the Chapter 11 Plan, the Debtors will set aside funds to provide for the initial capitalization for Reorganized Takata and the anticipated winddown costs of the Debtors' estates. The Reorganized Takata projections will ensure sufficient funds remaining for the payment of any future PSAN PI/WD Claim arising out of or relating to the post-closing production of PSAN Inflators by Reorganized Takata based on Ankura's estimates. As demand for PSAN Inflators decreases, the employees of Reorganized Takata and the PSAN Excluded Assets will be transferred to the Plan Sponsor. At the time of transfer and in exchange

for each PSAN Excluded Asset, the Plan Sponsor shall pay Reorganized Takata the amount designated in the U.S. SAPA.

OEM Indemnification & Waiver Agreements

107. In exchange for the Plan Sponsor's participation in the Global Transaction and the post-closing production of PSAN Inflators by Reorganized Takata for the benefit of the Consenting OEMs (if applicable), it is anticipated that the Consenting OEMs will enter into separate agreements with the Plan Sponsor (the "***Indemnification and Waiver Agreements***") to indemnify the Plan Sponsor for, among other things, certain claims relating to the manufacture and/or sale of PSAN Inflators.

Accommodation Agreements

108. Finally, as noted above, the Consenting OEMs have agreed in principle to enter into accommodation agreements to, among other things, provide Takata liquidity during the Insolvency Proceedings and to serve as a bridge to the closing of the Global Transaction and consummation of the Chapter 11 Plan. Contemporaneously herewith, the Debtors have filed a motion seeking approval of the Global Accommodation Agreement. Pursuant to the Global Accommodation Agreement, during the Chapter 11 Cases, the Customers will agree to provide the Debtors with, among other accommodations, (a) significant liquidity enhancement from the acceleration of payment terms on outstanding purchase orders from the Consenting OEMs' standard payment terms; (b) restrictions on the Consenting OEMs' ability to resource parts and programs to the Debtors' competitors during the term of the Global Accommodation Agreement; (c) certain limitations on the Consenting OEMs' ability to assert setoffs against the Debtors' accounts receivable; and (d) a commitment from the Consenting OEMs to purchase raw materials and furnished goods at established prices in the event of certain trigger events.

109. In exchange for these accommodations, the Debtors will commit to continue to produce and deliver Component Parts to the Consenting OEMs and to provide other limited accommodations to safeguard the production of Consenting OEMs. In exchange for agreeing to make payment on their outstanding accounts payable and forgo valuable rights of setoff, the Debtors will also agree to provide the Consenting OEMs adequate protection, including postpetition replacement liens, superpriority administrative expense claims, and other related protections with respect to the Debtors. As is customary, the Debtors will further agree, pursuant to an access and security agreement, to provide the Consenting OEMs with limited rights to access and utilize the Debtors' facilities and equipment in the event there is a continuing default under the Global Accommodation Agreement which has resulted in a substantial likelihood that a Consenting OEM's production will be interrupted. As noted above, the Global Accommodation Agreement will set forth certain milestone dates related to finalizing, executing, and filing the Global Transaction Documents, including a milestone date for finalizing the U.S. SAPA and RSA on July 17, 2017. The failure to meet a milestone set forth in the Global Accommodation Agreement will constitute a breach thereunder entitling a requisite number of the Consenting OEMs to terminate the Global Accommodation Agreement.

110. The accommodations embodied in the Global Accommodation Agreement are central to the Debtors' ability to continue to operate during the Chapter 11 Cases. Without the Consenting OEMs' concessions provided for in the Global Accommodation Agreements, and the accommodation agreement in Japan, the Global Transaction would not be possible.

The Japanese Proceeding

111. As noted at the outset, contemporaneously hereto, the Japanese Debtors commenced a civil rehabilitation proceeding under the Civil Rehabilitation Act with the Tokyo Court. The Japanese Debtors remain in place as debtors-in-possession; however, the Japanese

Proceedings are supervised by a court-appointed supervisor. The Japanese Debtors are seeking to have their cases jointly administered by the Tokyo Court.

112. The Japanese Debtors will seek approval to implement the Global Transaction and, in particular, to sell to the Plan Sponsor substantially all of the assets of the Japanese Debtors, other than those excluded assets identified in the stock and asset purchase agreement for the Japanese Debtors, free and clear of all liens, claims, and encumbrances, pursuant to sections 42 and 43 of the Civil Rehabilitation Act. Following consummation of the JP Business Transfer, the Japanese Debtors will seek approval of the JP Plan.

I. Impact on Ongoing Business and Need for Expedited Transaction

113. The future of Takata has been in a period of uncertainty for over three (3) years. During this period of uncertainty, Takata and its employees have gone to great lengths to protect and maintain ongoing operations and to preserve future operations. Nevertheless, Takata's Customers have de-sourced not only their airbag production needs, but also production for other automotive parts. Indeed, although the PSAN Inflator issues are limited in scope and relate to only one product line, Takata's entire business has suffered as a result of the recalls and the uncertainty of Takata's future. As discussed above, this is particularly concerning in the automotive industry where business is booked two (2) to three (3) years in advance. The losses Takata is experiencing today will continue to be felt in the years to come. Additionally, as is often the case with companies in distress, a number of the Debtors' suppliers and vendors are contacting management and demanding changes in payment and credit terms. Certain of the Debtors' vendors have negotiated reduction in trade terms while others have demanded that the Debtors pay cash in advance as a condition for further deliveries. Although the Debtors have been working diligently with their advisors to resolve open vendor issues and avoid supply chain

interruption, the actions taken by these vendors over the past year has further diminished the Debtors' cash position. For all of these reasons, the Debtors' value is decreasing with time, to the detriment of all of its stakeholders. Accordingly, finalizing and implementing the Global Transaction expeditiously is of the utmost importance and in the best interests of the Debtors and all of the Debtors' stakeholders.

V.

Summary of First-Day Motions

114. Contemporaneously herewith, the Debtors have filed (or will soon file) a number of motions and applications seeking various relief from the Court and authorizing the Debtors to maintain their operations in the ordinary course.[24] Such relief is designed to ensure a seamless transition between the Debtors' prepetition and postpetition business operations, facilitate a smooth reorganization through the Chapter 11 Cases, and minimize any disruptions to the Debtors' operations, which is of critical importance in light of the Debtors' ongoing obligations to supply replacement kits in connection with the ongoing recalls of PSAN Inflators. The following is a brief overview of the relief the Debtors intend to seek on the Petition Date to maintain their operations in the ordinary course.

A. Motion of Debtors Pursuant to Fed. R. Bankr. P. 1015(b) for Entry of Order Directing Joint Administration of Chapter 11 Cases

115. The Debtors are requesting entry of an order (i) directing joint administration of their Chapter 11 Cases for procedural purposes only pursuant to Rule 1015(b) of the Federal Rules of Bankruptcy Procedure (the "***Bankruptcy Rules***") and (ii) providing that

[24] Capitalized terms used in this Part of this Declaration and not defined herein shall have the meanings ascribed to them in the relevant First-Day Motion.

the Court maintain one file and one docket for all of the Debtors' Chapter 11 Cases under the lead case, *In re TK Holdings, Inc., et al.*

116. I understand that a court may order the joint administration of multiple chapter 11 cases where debtors are "affiliates" as defined in section 101(2) of the Bankruptcy Code. Takata Americas owns a ninety-nine and six-tenths percent (99.6%) interest in TKH, and each of the other Debtors is a direct or indirect subsidiary of Takata Americas and TKH. Accordingly, I understand that the Debtors are "affiliates" and this Court is authorized to order joint administration of their estates. Joint administration of the Chapter 11 Cases will allow for the efficient and convenient administration of the Debtors' interrelated chapter 11 cases, will yield significant cost savings, and will not prejudice the substantive rights of any party in interest.

117. The Debtors operate as an integrated business with common ownership and control. The Debtors also share a number of financial and operational systems. As a result, many of the motions and orders that will be filed and entered in the Chapter 11 Cases almost certainly will affect each Debtor. The entry of an order directing joint administration of the Chapter 11 Cases will reduce fees and costs by avoiding duplicative filings and objections and will allow all parties in interest to monitor the Chapter 11 Cases with greater ease and efficiency. I believe the relief requested in this motion is in the best interests of the Debtors' estates, their creditors, and all other parties in interest, and will enable the Debtors to continue to operate their businesses in chapter 11 with minimal disruption.

B. Application of Debtors Pursuant to 28 U.S.C. §§ 156(c), 11 U.S.C. § 105(a), and Local Rule 2002-1(f) for an Order Appointing Prime Clerk LLC as Claims and Noticing Agent

118. By this application, pursuant to section 156(c) of title 28 of the United States Code, section 105(a) of the Bankruptcy Code, and Rule 2002-1(f) of the Local Rules of

Bankruptcy Practice and Procedure of the United States Bankruptcy Court for the District of Delaware (the "***Local Rules***"), the Debtors are requesting entry of an order appointing Prime Clerk as the Claims and Noticing Agent for the Debtors and their Chapter 11 Cases, including assuming full responsibility for the distribution of notices and the maintenance, processing, and docketing of proofs of claim filed in the Chapter 11 Cases. Although the Debtors have not yet filed their schedules of assets and liabilities, they anticipate that there will be in excess of 80,000 entities to be noticed. In view of the number of anticipated claimants and the complexity of the Debtors' businesses, I believe that the appointment of Prime Clerk as claims and noticing agent is in the best interests of both the Debtors' estates and their creditors.

C. Motion of Debtors Pursuant to 11 U.S.C. §§ 105, 361, 362, 363, 503, and 507 and Fed. R. Bankr. P. 2002, 4001, 6003, 6004, and 9014 for Entry of Order (i) Authorizing Debtors to Enter into Accommodation Agreement with Certain Customers, (ii) Granting Adequate Protection to Certain Consenting OEMs in Connection Therewith, (iii) Modifying the Automatic Stay to Implement and Effectuate the Terms of the Interim Order, and (vi) Scheduling a Final Hearing

119. By this motion, pursuant to sections 105, 361, 362, 363, 503, and 507 of the Bankruptcy Code, Bankruptcy Rules 2002, 4001, 6003, 6004, and 9014, and Local Rule 4001-2, the Debtors are requesting entry of interim and final orders: (i) authorizing the Debtors to enter into (a) the Global Accommodation Agreement, and (b) the Access Agreement; (ii) granting adequate protection to the Secured Accommodation Parties in connection therewith; (iii) modifying the automatic stay imposed under section 362 of the Bankruptcy Code to the extent necessary to implement and effectuate the relief requested therein; and (iv) scheduling a final hearing.

120. The Global Accommodation Agreement, which the Debtors and the Consenting OEMs have agreed to in principle, is one of the lynchpins of the success of the

Global Transaction and the Debtors' contemplated chapter 11 plan.[25] It is my understanding that the Global Accommodation Agreement will provide hundreds of millions of dollars in needed liquidity for the Debtors and foster customer loyalty and confidence. In exchange for the valuable accommodations and liquidity enhancements the Consenting OEMs will be providing, including agreeing to forbear from exercising setoffs against their existing accounts payable to the Debtors, the Debtors will be agreeing to continue to manufacture and supply parts and replacement kits during the Chapter 11 Cases and to provide adequate protection, including replacement liens and superpriority claims, to those Consenting OEMs that have outstanding prepetition amounts owed to the Debtors in respect of Component Parts or services provided by the Debtors under the Purchase Orders (such outstanding amounts, the "***Customer Accounts***", and the Consenting OEMs with Customer Accounts, the "***Secured Accommodation Parties***"). It is my understanding that the Debtors will also be entering into an Access Agreement, which I understand to be customary in the automotive industry, to provide the Consenting OEMs with limited rights to access and utilize the Debtors' facilities and equipment in the event there is a continuing default under the Global Accommodation Agreement that results in a substantial likelihood that a Consenting OEM's production will be interrupted. A more detailed summary of the terms and conditions of the Accommodation Agreements, as agreed to in principle by the parties, is set forth in the motion. I believe that approval of the Global Accommodation Agreement is in the best interest of the Debtors, their estates, and their stakeholders.

121. As described above, during the course of the lengthy negotiations with the Customer Group and the Plan Sponsor, the Debtors' liquidity has declined. Substantial

[25] As described above, the parties contemplate that the Global Accommodation Agreement will be an agreement between Takata affiliates across the globe, other than the Japan Debtors, as well as Consenting OEMs from around the world; however, the parties have until July 7, 2017 to sign on to the agreement.

indemnification and recall expenses, mounting professional fees and expenses, and significant contraction from the Debtors' suppliers and vendors have combined to have a negative impact on the Debtors' financial position and created certain near-term liquidity needs. Furthermore, due to the Customer Group's significant contribution and indemnification claims and rights of setoff against the Debtors' receivables, the Debtors' ability to continue as going concern was (and is) dependent on the Consenting OEMs' collective agreement to forbear enforcing those rights.

122. The Secured Accommodation Parties' Prepetition Setoff Rights give those parties the right to withhold payments from the Debtors at the outset of the cases. Consequently, in planning their restructuring, the Debtors faced two liquidity challenges: (i) a near term liquidity need if the Secured Accommodation Parties sought to exercise their prepetition rights of setoff on account of their Customer Accounts, and (ii) assuming the Secured Accommodation Parties were willing to continue paying the Debtors in the ordinary course of business, liquidity projections showing the Debtors' cash reserves declining below the Debtors' minimum cash amount beginning in late 2017. With respect to this second liquidity challenge, absent additional financing, it is my understanding that the Debtors will fall below their minimum cash requirements later this year and will require approximately $100,000,000 in additional liquidity through February of 2018.

123. Although the Debtors initially considered traditional debtor-in-possession financing for the Chapter 11 Cases, as negotiations with the Customer Group progressed, it became clear that the Debtors' financing needs could be satisfied through (i) the Secured Accommodation Parties agreeing to continue paying the Debtors' invoices in the ordinary course of business at the outset of the cases, and (ii) a simple acceleration of existing accounts payable later in the case, in each case combined with other standard industry accommodations.

Financing the Chapter 11 Cases in this manner would allow the Debtors to avoid having to pay the substantial fees and expenses associated with a third-party DIP financing. In addition, the Consenting OEMs and the Debtors agreed that introducing another party to this complex and fluid situation would only further complicate an already significantly complicated transaction and negotiation.

124. Approval of the Global Accommodation Agreement is critical, as it represents the Debtors' lifeline in four (4) respects: (i) it will ensure that the Debtors' near-term liquidity needs will be met by the Secured Accommodation Parties' agreement forebear from exercising their right to setoff and release the Customer Accounts to the Debtors; (ii) it will ensure the Debtors' longer-term liquidity needs will be met by providing for an acceleration of receivables as needed in accordance with the Budget; (iii) it will provide other valuable industry-standard accommodations, such as the setoff and resourcing limitations, that will further support the Debtors' stability throughout the Chapter 11 Cases; and (iv) together with the JP Accommodation Agreement, it will convey an important message of customer support and stability to the market.

125. The Global Accommodation Agreement represents significant value to the Debtors, unlocking nearly $300,000,000 in near term liquidity through the waiver of setoff, and ensuring that the Secured Accommodation Parties will, later in the Chapter 11 Cases, accelerate over $100,000,000 in order to safeguard the Debtors operations continue and the Global Transaction can be consummated. These benefits alone, without even considering the other valuable accommodations and message of stability to the market, far outweigh the minimal costs and burdens associated with the Global Accommodation Agreement. I believe that absent the additional accommodations to be provided under the Global Accommodation Agreement, the

Debtors would lack the liquidity to maintain key business relationships with vendors, suppliers, and customers, provide working capital to operate during the Chapter 11 Cases, and effectively implement the Global Transaction.

D. Motion of Debtors Pursuant To 11 U.S.C. §§ 105(A), 345(B), 363(B), 363(C), 364(A), and 503(B) and Fed. R. Bankr. P. 6003 and 6004 for Entry of Interim and Final Orders (I) Authorizing Debtors to (A) Continue Their Existing Cash Management System, (B) Honor Certain Prepetition Obligations Related to the Use Thereof, (C) Provide Certain Postpetition Claims Administrative Expense Priority, (D) Continue Intercompany Funding of Certain Non-Debtors, and(E) Maintain Existing Bank Accounts and Business Forms; And(II) Extending Time to Comply With Requirements Of 11 U.S.C. § 345(B)

126. By this motion, the Debtors are requesting interim and final authority, pursuant to sections 105(a), 346(b), 363(b), 363(c). 364(a), and 503(b) of the Bankruptcy Code and Bankruptcy Rules 6003 and 6004, to (i)(a) continue operating their existing cash management system (the "***Cash Management System***"), including the continued maintenance of existing bank accounts (the "***Bank Accounts***") at the existing banks (the "***Banks***") consistent with their prepetition practices, (b) honor certain prepetition obligations related to the Cash Management System, (c) provide certain postpetition claims administrative expense priority, (d) continue intercompany funding of certain Non-Debtor Affiliates consistent with their prepetition practices and as described in the Cash Management Motion and, (e) maintain existing business forms; and (ii) extend the time to comply with the requirements of section 345(b) of the Bankruptcy Code to the extent they apply to any of the Debtors' Bank Accounts on an interim basis, and, subject to a final order, waiving such requirements.

127. As described in the motion, the Debtors support their operations by using a complex Cash Management System to collect, concentrate, and disburse funds generated by the manufacture and sale of a broad range of automotive safety and non-safety products. The Cash Management System provides the Debtors with efficiencies in (i) funding their operations and

the operations of certain Non-Debtor Affiliates, (ii) monitoring and forecasting their cash needs, (iii) tracking the collection and disbursement of funds, and (iv) maintaining control over the administration of their Bank Accounts.

128. It is my understanding, based on conversation with personnel in the Debtors' treasury department (the "***Treasury Staff***"), that the Cash Management System is divided into two centralized sub-systems. The first cash management sub-system (the "***U.S. Cash Management System***") is for TKH, Takata Americas, TK Finance, LLC, TK China, Takata Protection Systems Inc., Interiors in Flight Inc., TK Mexico Inc., and TK Mexico LLC (collectively, the "***U.S. Debtors***") and their U.S. Non-Debtor Affiliates Highland, SynTec, and ALS, Inc. ("***ALS***" and the U.S. Debtors, Highland, Syntec, and ALS, collectively, the "***U.S. Cash Management Entities***"). The second cash management sub-system (the "***Mexican Cash Management System***") is for TK Holdings de Mexico, Industrias Irvin, TK DM, and SMX (TK Holdings de Mexico, Industrias Irvin, TK DM, and SMX, collectively, the "***Mexican Debtors***") and their Mexican Non-Debtor Affiliates Equipo Automotriz S.A. de C.V. ("***Equipo***) and Falcomex S.A. de C.V. ("***Falcomex***", and the Mexican Debtors, Equipo, and Falcomex, collectively, the "***Mexican Cash Management Entities***", and the Mexican Cash Management Entities together with the U.S. Cash Management Entities, collectively, the "***Cash Management Entities***").

129. Although much of the Debtors' Cash Management System is automated, personnel in the Treasury Staff monitor the system and manage the proper collection and disbursement of funds. Given the substantial economic scale of the Debtors' business operations, I believe that any disruption to the Cash Management System could significantly

interfere with the Debtors' businesses, impede a successful reorganization, and potentially threaten the Global Transaction.

130. The U.S. Cash Management System. It is my understanding that the U.S. Cash Management System is comprised of approximately fifty-six (56) Bank Accounts and is divided into fifteen (15) operating divisions (the "***Cash Management Divisions***")

131. **Cash Collection**. I understand that the U.S. Cash Management Entities' primary source of income derives from the direct and indirect sale of their broad range of automotive safety and non-safety products. The revenues and receipts of these entities enter the U.S. Cash Management System through several transfer methods, including check, wire transfer, and automated clearing house ("***ACH***") payment. Depending on the type of transfer method and the source of the payment, funds may go to one of several collection accounts. Certain Cash Management Divisions have a lockbox account (a "***Lockbox Account***") to receive checks. ACH and wire transfers are received directly by concentration accounts (each, a "***Concentration Account***") utilized by the Cash Management Divisions. In addition, certain of the Debtors receive management fees and certain other amounts from affiliates through direct transfers to their Concentration Account.

132. **Cash Concentration**. I further understand that all of the collections of the U.S. Cash Management Entities are ultimately transferred into a centralized Concentration Account held by TKH (the "***U.S. Master Account***"), which functions as a centralized repository of cash in the U.S. Cash Management System. On a daily basis, funds from every account at each Cash Management Division, including the Lockbox Accounts, if applicable, are automatically transferred (or "swept") into that Cash Management Division's Concentration

Account. The funds in each Cash Management Division's Concentration Account is, in turn, manually swept periodically into the U.S. Master Account.

133. **Cash Disbursements**. The majority of payments made from the U.S. Cash Management System, including payroll, employee health and welfare benefits, wire transfers, tax payments, and operating expenses, are made through each Cash Management Division's Concentration Account. In addition, the Debtors maintain a limited number of specialized disbursement accounts (each, a "***Disbursement Account***" and, collectively, the "***Disbursement Accounts***"). When a disbursement is planned and the relevant Cash Management Division does not have sufficient cash on hand, that Cash Management Division's Concentration Account is funded with sufficient cash from the U.S. Master Account.

134. *Payroll*. The Cash Management Divisions at the U.S. Cash Management Entities typically use their Concentration Accounts for payroll and other related expenses. The Debtors process their payroll in-house using a payroll system known as Infinium. Certain employees are paid directly from the divisional Concentration Account via direct deposit. The Debtors also pay various payroll related expenses, including employee benefits, from the divisional Concentration Accounts via either wire transfer or ACH payment. There are five (5) Cash Management Divisions that maintain special-purpose Disbursement Accounts for payroll and other related expenses that need to be paid by check; however, these accounts are rarely used. When they are needed, these special-purpose accounts are funded directly from the relevant Cash Management Division's Concentration Account.

135. *Manager Accounts*. The U.S. Cash Management Entities maintain special-purposes Disbursement Accounts at certain Cash Management Divisions for limited payments made by checks written by authorized managers to certain trade vendors, suppliers,

and other holders of accounts payable at the discretion of the manager (the "***Manager Accounts***"). The Manager Accounts are manually funded from the relevant Cash Management Division's Concentration Account up to the relevant manager's approved spend amount (typically $10,000) upon request of the relevant manager.

136. *Petty Cash* Accounts. The U.S. Cash Management Entities maintain a Disbursement Account at each Cash Management Division for unanticipated operating expenses and check requests (the "***Petty Cash Accounts***") as well as small amounts of cash on hand at the U.S. Entities' plants and facilities. The Petty Cash Accounts are non-zero balance accounts and maintain nominal cash balances.

137. **Additional Payment Methods and Other Accounts**. The U.S. Cash Management Entities use certain additional cash management tools in support of the ordinary course operation of their businesses, including the Corporate Credit Card Program (as defined herein), the Currency Exchange Account (as defined herein), and the Pledged Comerica Account (as defined herein).

138. *Corporate Credit Card Program*. The Debtors maintain corporate credit card programs with American Express, Comerica, and Bank of America (the "***Corporate Credit Card Program***") in the ordinary course of business. The Corporate Credit Card Program provides a convenient way to allow employees to make purchases for the business where a wire, check, or ACH payment is not possible or is otherwise inconvenient. In addition, the Debtors' procurement group uses specialized purchasing cards to purchase various supplies, consumables, and off-the-shelf parts. The Corporate Credit Card Program consists of sixty-eight (68) American Express corporate, purchasing, and travel cards, forty-eight (48) Comerica corporate cards, and one (1) Bank of America corporate card. The average monthly expenses associated

with the Corporate Credit Card Program for the U.S. Cash Management Entities are approximately $850,000.

139. TKH and Highland each maintain a certificate of deposit with American Express Bank (the "***Amex Bank CDs***") to secure their obligations to American Express in respect of their corporate, purchasing, and travel cards. The Amex Bank CD at TKH is for a principal amount of $600,000. The Amex Bank CD at Higland is for a principal amount of $750,000.

140. *Currency Exchange Account.* TKH maintains a currency exchange account (the "***Currency Exchange Account***") at Bank of Tokyo Mitsubishi UFJ ("***BTMU***") for the specific purpose of converting foreign currencies (primarily Euros) into U.S. Dollars. Such swaps are priced at a market rate set by BTMU on the day of the trade. TKH performs these trades in the ordinary course of business to convert Euro denominated receipts from one of the Debtors' European affiliates, TK Sachsen, into U.S. Dollars before they are transferred to the U.S. Master Account. TKH does not use these transactions to hedge against fluctuations in currency prices.

141. *The Comerica Pledged Account.* TKH granted a security interest to Comerica Bank ("***Comerica***") in one of its Concentration Accounts (account number ending in 3869-5) maintained at Comerica, which has a balance of approximately $1,450,000 (the "***Pledged Comerica Account***") to secure all obligations of TKH to Comerica, including without limitation obligations with respect to corporate credit cards issued by Comerica and reimbursement obligations with respect to a letter of credit issued by Comerica for the account of TKH in relation to certain surety bonds described in more detail in the Debtors' motion to continue its insurance programs filed contemporaneously herewith. In accordance with its

agreements with Comerica, TKH may not withdraw any funds from the Pledged Comerica Account without the prior written consent of Comerica.

142. The Mexican Cash Management System. The Mexican Cash Management System is comprised of thirty-nine (39) Bank Accounts and is divided into six (6) operating divisions – one division for each Mexican Cash Management Entity (the "***Mexican Cash Management Divisions***").

143. **Cash Collection**. My understanding is that the Mexican Entities two primary sources of income are (i) the sale of a broad range of automotive safety and non-safety products to the Mexican affiliates and subsidiaries of the OEMs and (ii) the fees charges by TK DM, Equipo, and Industrias Irvin (collectively, the "***Maquiladoras***") to TKH for their provision of assembly services to TKH (the "***Maquiladora Fee***"). The Maquiladora Fee represents the Maquiladora's costs to assemble TKH's products, including all labor, real estate, and capital costs, plus a modest margin. The Mexican Cash Management Entities' revenues and receipts enter the Mexican Cash Management System through several transfer methods, including check, wire transfer, and ACH payment and are received directly into each Mexican Cash Management Division's Concentration Account.

144. **Cash Concentration**. All of the collections of the Mexican Cash Management Entities are ultimately transferred into a centralized Concentration Account held by TK Holdings de Mexico (the "***Mexican Master Account***"), which functions as a centralized repository of cash in the Mexican Cash Management System. Funds are swept on a daily basis from every account at each Mexican Cash Management Division into the Mexican Master Account. In addition to the Mexican Master Account, the Mexican Debtors also maintain an investment account at TK Holdings de Mexico where excess cash is invested in a money-market

fund for the benefit of the Mexican Entities. Proceeds of such investment activities are allocated to each Mexican Cash Management Entity according to its net positive balance in the Mexican Cash Management System.

145. **Cash Disbursements**. The majority of payments made from the Mexican Cash Management System, including payroll, employee health and welfare benefits, and operating expenses, are made through several different Disbursement Accounts. The Disbursement Accounts are automatically funded on a transaction basis from the Mexican Master Account in an amount equal to the payments made from the Disbursement Accounts for that day. In certain situations, where it is more convenient, disbursements are made directly from the Mexican Master Account.

146. *Payroll*. The Mexican Cash Management Entities maintain special-purpose disbursement accounts (each, a "***Payroll Account***") for payroll and other related expenses. The Payroll Accounts are zero-balance accounts. The Mexican Debtors process their payroll in-house through a system known as "Giro," and employees are paid directly from the Payroll Account via direct deposit or check. The Mexican Debtors also pay various payroll related expenses, including employee benefits, from the Payroll Account via either wire transfer or ACH payment.

147. *A/P Accounts*. The Mexican Cash Management Entities maintain A/P Accounts, which are zero-balance accounts. The payments paid out of the A/P Accounts are funded on a transaction basis.

148. *Petty Cash*. The Mexican Cash Management Entities maintain nominal amounts of petty cash onsite at their operating facilities in a lockbox or safe.

149. *The Mexico Savings Fund*. The Debtors allow eligible employees to contribute up to ten percent (10%) of their monthly pre-tax income into an escrowed account established by the Mexican Debtors for the benefit of the contributing employees (the "***Mexico Savings Fund***"). The Mexican Debtors match employee contributions to the Mexico Savings Fund up to a maximum of twice Mexico's monthly minimum wage, and participating employees may withdraw amounts from the Mexico Savings Fund on an annual basis.

150. Intercompany Transactions and Claims. As noted above, in the ordinary course of business, the Debtors maintain business relationships between and among affiliated Debtors and also with the Non-Debtor Affiliates. These business relationships generate Intercompany Claims from a variety of Intercompany Transactions. The Intercompany Claims are tracked on a net basis on a schedule of intercompany balances (such Intercompany Claims, as netted, the "***Intercompany Balances***", and the schedule where Intercompany Balances are tracked, the "***Intercompany Balance Schedule***"). Certain Intercompany Transactions between and among the U.S. Cash Management Entities and Mexican Cash Management Entities are typically cash settled (*e.g.*, purchases of product or charges for services rendered), while others (*e.g.*, shared services, short term intercompany loans) are accrued on the Intercompany Balance Schedule and only cash settled when it is deemed convenient or necessary by the Treasury Staff.

151. The Debtors engage in four (4) primary categories of Intercompany Transactions: (i) transactions among the Cash Management Entities within each of the U.S. and Mexico, other than intercompany vendor transactions; (ii) transactions between TKH and the Mexican Cash Management Entities, other than intercompany vendor transactions; and (iii) transactions between the U.S. Cash Management Entities and their international affiliates,

including TKJP, other than intercompany vendor transactions, and (iv) intercompany vendor transactions.

152. **Intercompany Transactions Between Cash Management Entities**. A variety of Intercompany Transactions occur in the ordinary course of business between and among the Cash Management Entities (the "***Intercompany Cash Management Transactions***"), including intercompany allocations, intercompany services, disbursements, intercompany sale of product, and other transactions.

153. *Intercompany Allocations.* In the ordinary course of business, certain expenses are allocated from one Cash Management Entity, both Debtor and non-Debtor, to the other. These include allocations for items such as building rent, IT, and certain other day-to-day intercompany expenses.

154. *Intercompany Services.* In the ordinary course of business, certain of the Cash Management Entities provide services for various Debtor and Non-Debtor Affiliates. For example, TKH charges Highland management fees of approximately $115,000 per month for shared administrative services. Such fees accrue monthly and are billed quarterly, with 30-day terms. In addition, in the ordinary course of business, TK Holdings de Mexico charges each of the other Mexican Cash Management Entities a management fee for its provision of a variety of centralized administrative services for the Mexican Entities.

155. *Disbursements.* In certain situations, one U.S. Cash Management Entity will make disbursements on behalf of another U.S. Cash Management Entity or one Mexican Cash Management Entity will make disbursements on behalf of another Mexican Cash Management Entity. When such a payment is made, an intercompany payable is created between the two entities.

156. *Other Transactions.* Certain other Intercompany Transactions are tracked among the Cash Management Entities, including short and long term intercompany loans, and intercompany payables and receivables booked on account of asset transfers among the entities. For example, one North American Cash Management Entity may transfer a piece of equipment to another North American Cash Management Entity, which would generate an intercompany account payable on the books of the transferee and an intercompany payable on the books of the transferor. Another example is TKH's intercompany funding support for Syntec in the ordinary course of business at certain times of the year when Syntec's business slows down (typically June and July). On an annual basis, Syntec is typically profitable and its value accretes to TKH.

157. **Intercompany Transactions Between TKH and the Mexican Cash Management Entities**. In the ordinary course of business, TKH transacts with the Maquiladoras for the production and assembly of component parts (the "***Maquiladora Transactions***"). TKH arranges to have raw materials and sub-assemblies it owns shipped to the Maquiladoras, which assemble and process the components to produce larger sub-assemblies, and, in some cases, finished goods, which in all cases remain the property of TKH. In exchange for these services, the Maquiladoras each charge TKH a Maquiladora Fee, which total approximately $25,000,000 per month. As of the Petition Date, TKH owes the Maquiladoras approximately $43,500,000 in accrued and unpaid Maquiladora Fees. The Maquiladora arrangement is common in the automotive industry, confers certain tax benefits, and allows TKH to have its products assembled as cost-efficiently as possible. Each of Takata's Maquiladora entities, Equipo, Industrias Irvin, and TK DM, have a special "IMMEX authorization," which authorizes those entities to operate manufacturing facilities with the Maquiladora status.

158. The Maquiladora Fees are cash settled in the ordinary course of business, and are a critical part of the Debtors' ability to continue operating in the ordinary course of business. The Maquiladora Fee is essentially a formulaic fee of the "cost" of providing the assembly services plus three percent (3%). Without the Maquiladora Fees paid by TKH, the Maquiladora entities would not be able to pay their employees or fund their operations.

159. The Maquiladora Transactions enable TKH to manufacture and assemble product on a cost-efficient basis. As such, continuation of the Maquiladora Transactions postpetition in the ordinary course is warranted.

160. Moreover, and any disruption to the ordinary course payment of the Maquiladora Fee would have a disastrous effect on the Debtors' businesses. As explained above, the Maquiladoras obtain all of their funding from TKH. Simply put, without the payment Maquiladora Fees, the Maquiladoras would not be able to pay their employees or continue their operations. As the operations of the Maquiladoras exist solely to provide critical manufacturing and assembly services to the Debtors, the Debtors' ability to supply their Customers would be severely interrupted if the Maquiladoras were to shut down. With over twenty thousand employees located in Mexico, a disruption in Mexico would almost certainly threaten the Debtors' ability to continue operating in the ordinary course of business elsewhere in North America, and it is highly likely that a severe disruption in Mexico would cascade and trigger a series of events that would likely threaten the Global Transaction.

161. In addition, TKH also benefits from paying these amounts because the value of all three (3) Maquiladoras (two (2) of which are Debtors) ultimately flows up to TKH. As such, I believe that continuation of the Maquiladora Transactions and payment of the Maquiladora Fees are warranted.

162. **Intercompany Transactions with International Non-Debtor Affiliates**. The Debtors also transact business with their global affiliates, including TKJP. These transactions include intercompany loans (the "***Intercompany Loans***"), as well as more ordinary course transactions (the "***Intercompany International Transactions***"), such as the provision of engineering services between regions, and allocations of insurance and IT expense. Longer term Intercompany Loans are typically documented in a formal note or loan agreement, while the ordinary course Intercompany International Transactions are recorded as Intercompany Balances on the Intercompany Balance Schedule.

163. The Debtors and certain of their international Non-Debtor Affiliates engage in ordinary course Intercompany International Transactions, including the provision of engineering services and shared services. The Debtors believe that the continuation of such transactions, which enables the Debtors and their affiliates to provide key services to one another and share services on an efficient and fair basis, provides value to them and their affiliates and should be permitted to continue in the ordinary course. The justifications for these transactions are similar to those for the Intercompany Cash Management Transactions described above. The Debtors are not seeking authority to continue to enter into Intercompany Loans with their international Non-Debtor Affiliates or to pay any prepetition claims of such affiliates (except in connection with the International Vendor Transactions described below).

164. **Intercompany Vendor Transactions**. Given the global nature of the Debtors' businesses, the Debtors purchase goods, services, and vital components from certain Non-Debtor Affiliates, including Highland and TKJP on a regular basis (the "***Intercompany Vendor Transactions***").

165. Before accounting for setoffs, the Debtors owe Non-Debtor Affiliates $23,000,000 on account of goods sold to the Debtors in the twenty (20) days prior to the Petition Date. This total includes approximately $9,000,000 owed to Highland, $10,000,000 owed to TKJP, approximately $1,500,000 owed to TKH's Brazilian Non-Debtor affiliate Takata Brasil S.A., and approximately two million five hundred thousand dollars $2,500,000 owed to the Debtors' European and Asian Non-Debtor affiliates (excluding Japan). Payment of these amounts is necessary to ensure that those entities are able to continue operating in the ordinary course of business while the Global Transaction is consummated.

166. The Debtors have communicated with their Non-Debtor Affiliates and carefully evaluated what amounts related to the intercompany sale of product in the twenty (20) days before bankruptcy are actually necessary to be paid on an interim basis in order to avoid irreparable harm to the Debtors' businesses. The outcome of those discussions is that the Debtors can defer $18,500,000 to a final order, and are only seeking to pay on an interim basis, in the ordinary course of business as invoices come due, up to $4,500,000 to Highland on account of goods sold to TKH in the twenty (20) days before the petition. Payment of these limited amounts is critical to support Highland's ability to continue to operate in the ordinary course of business, and although Highland is a Non-Debtor Affiliate, it is a solvent wholly owned subsidiary of TKH and therefore its value ultimately flows up to TKH. In addition, Highland is a net contributor to the Cash Management System.

167. Because of the centralized nature of the Debtors' payment systems, the Debtors' operations would be severely impaired if they were not able to continue making Intercompany Transactions in the ordinary course of business consistent with past practices. In particular, product purchases from global affiliates are a critical component of the Debtors'

global supply chain, and the inability to buy products from, and sell products to, the Debtors' global affiliates would create significant supply disruptions.

168. The Debtors' failure to continue purchasing goods from their Non-Debtor Affiliates consistent with past practices will impair the ability of the Non-Debtor Affiliates to meet their obligations and, in certain cases, would put the Non-Debtor Affiliates out of business. The value of the Non-Debtor Affiliates, both generally and to the Debtors, would decline. The component parts and supplies sold to the Debtors by their Non-Debtor Affiliates are critical to the Debtors' ability to manufacture automotive safety products for their Customers. Any disruption of parts to the Debtors as a result of the Non-Debtor Affiliates not being able to satisfy their obligations could result in a disruption of the Debtors being able to supply product to the OEMs, leading to significant damages and entitling the OEMs to assert further significant claims against the estates. A failure to supply component parts to the Debtors customers could also potentially result in the termination of the valuable liquidity enhancements and accommodations that the Debtors' customers have agreed in principle to provide to the Debtors during the Chapter 11 Cases. These circumstances could severely impair, if not derail, the Global Transaction to the detriment of all stakeholders, including the creditors and all parties in interest in these Chapter 11 Cases.

169. Bank Fees. In the ordinary course of business, the Debtors incur and pay, honor, or allow to be deducted from the appropriate Bank Accounts certain service charges and other related fees, costs, and expenses charged by the Banks (collectively, the "***Bank Fees***"). To the extent the balance in the applicable Bank Account decreases below a threshold amount established by the applicable Bank, the Debtors may incur additional fees for sending and receiving wire transfers, clearing checks, ACH transfers, and other transactions. I understand

that the Debtors have an arrangement with Comerica where their Bank Fees vary depending on the amount of cash held at Comerica and are approximately $30,000 per month. As of the Petition Date, the Debtors estimate that approximately $25,000 in Bank Fees are accrued and unpaid and will become due in the first thirty (30) days after the Petition Date. The Debtors are seeking to pay such amounts as they come due in the ordinary course of business.

170. The Debtors' Existing Business Forms and Checks. In the ordinary course of business, the Debtors use a variety of business forms, including letterhead, purchase orders, invoices, and checks (collectively, the "***Business Forms***"). To minimize the expense to the Debtors' estates associated with developing and/or purchasing entirely new forms, the delay in conducting business prior to obtaining such forms, and the confusion of suppliers and other vendors, the Debtors are seeking authority to continue using their Business Forms substantially in the forms used immediately prior to the Petition Date, without reference therein to the Debtors' status as "Debtor-in-Possession."

171. Transition Services for NAS Sales. In connection with the NAS Sales, the Debtors entered into the NAS Transition Services Agreements to provide the NAS Transition Services. The agreement to provide the treasury-related services expired on June 22, 2017. Notwithstanding the expiration, I understand that there may be certain limited matters that arise in relation to these services during the first few weeks of these Chapter 11 Cases. Consequently, maintenance of the Debtors' existing Cash Management Service is necessary to allow the Debtors' to continue to discharge their surviving obligations under the NAS Transition Services Agreement. Accordingly, in the Cash Management Motion the Debtors have requested that they be allowed to continue taking all necessary actions and making any necessary transfers,

disbursements, or collections in connection with the Cash Management System as required to discharge their surviving obligations under the NAS Transition Services Agreements.

172. The operation of the Debtors' businesses requires the continuation of the Cash Management System during the pendency of these Chapter 11 Cases. Strict enforcement of the U.S. Trustee Guidelines in these Chapter 11 Cases would severely disrupt the ordinary financial operations of the Debtors by reducing efficiencies and creating unnecessary expenses. Absent the relief requested in the motion, the Debtors would be unable to effectively and efficiently maintain their financial operations, which would cause significant harm to the Debtors and their estates and creditors.

173. As a practical matter, because of the Debtors' corporate and financial structure, I believe that it would be extremely difficult and expensive to establish and maintain a separate cash management system for each Debtor and Non-Debtor Affiliate. Requiring the Debtors to adopt new, segmented cash management systems at this early and critical stage of these cases, or to extract the Debtors from the Cash Management System, would be expensive, create unnecessary administrative burdens, and be extraordinarily disruptive to the operation of their global network. Based on the foregoing, I believe that the relief requested in the cash management motion is in the best interests of the Debtors, their estates and all parties in interest, and should be granted in all respects.

E. Motion of Debtors Pursuant to 11 U.S.C. §§ 105(A), 363(B), and 507 and Fed. R. Bankr. P. 6003 and 6004 for Interim and Final Authority to (I) Pay Prepetition Wages, Salaries, and Other Compensation and Benefits, and (II) Maintain Employee Benefit Programs and Pay Related Administrative Obligations

174. By this motion (the "***Employee Wage Motion***"), the Debtors are requesting entry of interim and final orders authorizing, but not directing, the Debtors to (i) pay, in their sole discretion, all prepetition amounts required under or related to the Debtors'

Compensation Obligations, Employee Incentive Programs, Reimbursable Expenses, Withholding Obligations, Payroll Maintenance Fees, Severance Obligations, Mexico Union Obligations, Employee Benefit Programs, Foreign Employee Programs, Supplemental Workforce Obligations (each as defined in the Employee Wage Motion and, together with any costs or related administrative expenses, the "***Prepetition Employee Obligations***") and (ii) continue their prepetition practices, programs, and policies for their Employees, as those practices, programs, and policies were in effect as of the date hereof and as those practices, programs, and policies may be modified, amended, or supplemented from time-to-time in the ordinary course of the Debtors' businesses, and honor any related administrative costs and obligations arising thereunder. Further, the Debtors are requesting that the Court authorize applicable banks and financial institutions to receive, process, honor, and pay all checks issued or to be issued and electronic fund transfers requested or to be requested relating to the Prepetition Employee Obligations.

175. As of the Petition Date, the Debtors employ approximately 14,700 Employees, including approximately (i) 13,140 hourly Employees, regularly scheduled to work a minimum of forty hours per week, and (ii) 1,560 salaried Employees, most of who are also employed to work a minimum of forty hours per week. Approximately 95 percent (95%) of the Debtors' Employees are retained at the plant level and perform work in the Debtors' various manufacturing facilities located throughout the United States and Mexico.

176. The Employees perform a variety of critical functions for the Debtors including, without limitation, tasks pertaining to management, product manufacturing, facility and machine maintenance, quality assurance, purchasing and sales administration, finance and accounting, human resources, customer service, security, and other areas crucial to the Debtors'

automotive safety and non-safety systems businesses. Due to the highly technical and specialized nature of the automotive industry, the skill and "know how" of the Employees are fundamental to the success of the Debtors' businesses and operations and, as a result, the success of the Global Transaction and the Chapter 11 Cases.

177. In addition to their Employees, the Debtors employ approximately seventy-seven (77) independent contractors to assist with their operations, as well as approximately 1,600 temporary workers who are employed through staffing agencies to work at the Debtors' various manufacturing facilities.

178. The Debtors believe that, as of the Petition Date, the aggregate amount of their Prepetition Employee Obligations is approximately $18,173,000 million. It is my understanding that, the Debtors are not seeking authority, pursuant to the Employee Wage Motion to pay to any amount in excess of the statutory priority cap imposed by sections 507(a)(4) and 507(a)(5) of the Bankruptcy Code pursuant to the Interim Order. The various components of the Prepetition Employee Obligations are described in further detail in the Employee Motion.

179. The Debtors' Personnel are the lifeblood of the Debtors' manufacturing and production businesses—without them, the Debtors' operations would come to a halt. Indeed, due to the highly technical and specialized nature of the automotive industry, the Debtors' must maintain a uniquely skilled and knowledgeable workforce whose "know how" is critical to the Debtors' businesses and ongoing operations and, as a result, critical to the success of the Global Transaction and the safe stable supply of product, including replacement parts.

180. For the past three (3) years, the Debtors' Personnel have been managing the increased demands and pressures resulting from the highly publicized recalls and a complex

restructuring process, including an exhaustive prepetition marketing and sale process, in addition to their typical duties. Notwithstanding the fact that Takata is now close to finalizing the Global Transaction with Key Safety Systems, Inc. (the "Plan Sponsor") and the support of the Customer Group, considerable uncertainty remains for the Debtors' Personnel. Sensing the fragility of the Debtors' current situation, the Debtors' competitors are actively trying to hire away key Employees such as engineers and project managers and have poached valuable Employees away from the Debtors. Moreover, a significant number of the Debtors' workforce is located outside of the United States and completely unfamiliar with the chapter 11 process, which may exacerbate the sense of uncertainty and concern among the Debtors' Personnel upon the commencement of these Chapter 11 Cases.

181. Given the Debtors' ongoing obligation to manufacture replacement kits and Component Parts in connection with the recalls, the need to preserve the value of the Debtors' operations until consummation of the Global Transaction, as well as the sense of vulnerability and uncertainty among the Debtors' Personnel, the importance of honoring the Prepetition Employee Obligations and maintaining the Employee Benefit Programs consistent with past practice simply cannot be overstated. The various components of the Prepetition Employee Obligations are described in further detail below

182. I understand that the Debtors are bound by applicable law to (i) continue several of the Employee Benefit Programs and (ii) pay certain Prepetition Employee Obligations. In Mexico, the Mexican Debtors are required by law to continue the Mexico Profit Sharing Program, and Mexico Severance Program. Similarly, in the United States and Mexico, the Debtors seek authority to pay Withholding Obligations, which principally represent Employee earnings that governments, Employees, and judicial authorities have designated for deduction

from Employees' paychecks. Indeed, certain Withholding Obligations, including contributions to the Employee Benefit Programs and child support and alimony payments, are not property of the Debtors' estates because they have been withheld from Employees' paychecks on another party's behalf. Further, federal and state laws require the Debtors and their officers to make certain tax payments that have been withheld from their Employees' paychecks.

183. Payment of the Prepetition Employee Obligations is warranted and justified by the facts and circumstances of these Chapter 11 Cases. The Employees are vital to the continued operation of the Debtors' businesses and necessary for the success of these Chapter 11 Cases. The majority of the Employees rely exclusively on the Employee Compensation and Benefits Programs to satisfy their daily living expenses. Consequently, Employees will be exposed to significant financial difficulties if the Debtors are not permitted to honor obligations for unpaid Prepetition Employee Obligations. Moreover, honoring the Prepetition Employee Obligations and continuing the Employee Benefit Programs will help maintain morale and minimize the adverse effect of the commencement of these Chapter 11 Cases on the Debtors' ongoing business operations.

184. Further, the Debtors have substantial business justification for satisfying the obligations set forth in the Employee Motion. For instance, the Debtors have sound business reasons for continuing the Severance Program in the ordinary course, including: (i) maintaining Employee morale, (ii) disincentivizing Employees to pursue other employment opportunities, (iii) securing releases of severed Employees (which is a condition to receiving severance payments under the U.S. Severance Program), and (iv) reassuring Employees that the Debtors intend to honor their obligations to Employees—both during and after their tenure with the Debtors.

185. Similarly, the Employee Incentive Programs are critical components of Employee compensation and bring substantial value to the Debtors' estates because they align Employee incentives with those of the Debtors. These programs are imperative to attract and retain talented employees during the critical period leading up to consummation of the Global Transaction and in light of the Debtors' ongoing obligations in connection with the PSAN Inflator recalls.

186. Moreover, the Debtors believe that if the Supplemental Workforce Obligations go unpaid, independent contractors, consultants, and temporary workers may stop providing services to the Debtors. Accordingly, the Debtors request authority to, in their sole discretion, continue to procure services of independent contractors, consultants, and temporary workers and pay, in their sole discretion, any unpaid compensation for or on account of the independent contractors, consultants, or temporary workers, in each case, in the ordinary course of business and consistent with past practice. The Debtors do not believe that any individual independent contractor, consultant, or temporary worker is owed compensation in an amount exceeding the $12,850 cap imposed by section 507(a)(4) of the Bankruptcy Code.

187. Payment of the Reimbursement Expenses is also necessary because any other treatment of Employees would be highly inequitable. Employees who have incurred Expenses should not be forced personally to bear the cost of the Expenses, especially because the Employees incurred the Expenses for the Debtors' benefit, in the course of their employment by the Debtors, and with the understanding that they would be reimbursed for doing so.

188. The Debtors also believe that it is necessary to pay the administrative costs owed to third-party vendors, including the HR Vendors, who provide compensation and other

benefit-related services and products. Absent the relief requested, the Debtors will be unable to maintain their compensation and benefit programs in an efficient and cost-effective manner.

189. The Employees have frequent interactions with the Debtors' Customers and suppliers—on whose continued support and loyalty the Debtors rely—and are integral to the Debtors' ability to produce Component Parts for the OEMs, including replacement kits in connection with the ongoing PSAN Inflator recalls. Instability among the Debtors' Employees and the resultant harm to the Debtors' business and production would reduce the value of the Debtors' businesses, diminish the price the Debtors anticipate receiving in connection with the Global Transaction, and lower creditor recoveries. Additionally, the importance of maintaining stability among the Debtors' Employees is heightened here by the Debtors' obligations to continue providing replacement parts in connection with the ongoing non-desiccated PSAN inflator recalls.

F. Motion of Debtors Pursuant to 11 U.S.C. §§ 105(a), 363(b), and 503(b)(9) for Interim and Final Authority to Pay Prepetition Obligations Owed to Certain Critical Vendors

190. By this motion, pursuant to sections 105(a), 363(b), and 503(b)(9) of the Bankruptcy Code, the Debtors are requesting entry of interim and final orders authorizing them to pay the prepetition claims (the "***Critical Vendor Claims***") of certain vendors, suppliers, service providers, and other similar parties and entities that are essential to maintaining the going concern value of the Debtors' business (the "***Critical Vendors***").

191. As a major Tier One supplier to the largest automotive manufacturers in the world, the Debtors rely heavily on the Critical Vendors to provide them with the specialized and unique parts, materials, and services necessary to manufacture the seatbelts, airbags, and other critical safety and non-safety components and parts that the Debtors produce for the OEMs. The Critical Vendors generally fall into the following two (2) main categories: (i) production

material suppliers, which supply the Debtors with, among other things, Component Parts and raw materials utilized in the chain of production and specialized tools that are integral to the Debtors' manufacturing processes, and (ii) maintenance, repair, and operations providers, which provide the Debtors with, among other things, equipment and materials relating to the Debtors' specialized manufacturing equipment and machinery, as well as freight logistics services.

192. Because most of the Component Parts manufactured by the Debtors are safety critical and must adhere to rigorous federal safety standards, many of the goods sourced by the Debtors from third-party vendors and suppliers are highly specialized and must undergo a lengthy and detailed validation and testing process. Such goods require substantial lead time to develop and cannot be replaced in a timely or efficient manner. Additionally, a significant number of the Debtors' suppliers are either sole source suppliers (*i.e.*, the only supply source for certain complex parts and specifically designed systems necessary to the Debtors' production process) or "directed-buy" suppliers (*i.e.*, the Debtors are directed by their Customers to utilize the Component Parts of such sub-suppliers) that cannot be timely or efficiently replaced given the highly-engineered nature of the Component Parts they provide. For these reasons, among others, the Debtors are highly dependent on the inventory and services provided by the Critical Vendors to meet their Customers' needs for production.

193. The need to ensure a continuous and stable source of parts and supply in these Chapter 11 Cases, however, goes beyond the ordinary rationales of avoiding production disruptions and maximizing value. As discussed above, the Debtors are in the midst of the largest recall in U.S. automotive history relating to vehicles equipped with non-desiccated PSAN Inflators manufactured by the Debtors and their affiliates. In connection with these recalls, the Debtors have dedicated substantial resources to manufacturing, assembling, and shipping

replacement inflator parts and kits to the Customers so that non-desiccated PSAN Inflators can be removed from circulation as quickly as possible. Accordingly, to ensure a continuous and stable supply of replacement kits and the efficient removal of non-desiccated PSAN Inflators from circulation, it is a matter of public safety that the Debtors' supply chain not be disrupted.

194. It is my understanding that, as is typical in distressed situations, vendors have been increasingly unwilling to extend trade credit to the Debtors. Anticipating this situation, the Debtors, with the assistance of their advisors, spent significant time prior to the Petition Date reviewing and analyzing their books and records, open accounts payable systems, and prepetition vendor lists to identify those vendors and suppliers that are in fact critical to the Debtors' operations. Information on the Critical Vendors, including the detailed process that was set in place for identifying those potential claimants, the protocol the Debtors have put in place to ensure that only those claims that are truly essential to maintaining the Debtors' operations get paid, and the immediate and irreparable harm that would be incurred by the Debtors, their Customers and all parties in interest absent the relief requested in this motion, is set forth in the declaration of Scott Simpton, Vice President of Supply Chain Management (the "***Simpton Declaration***").

195. I further understand that the Debtors are not seeking to pay all prepetition claims of the Critical Vendors, but rather to pay such undisputed amounts in the ordinary course of the Debtors' businesses and on terms consistent with the Debtors' prepetition practices. Payments to the Critical Vendors will be contingent on their agreement to continue to sell goods or provide services to the Debtors on terms at least as favorable as those in effect during the twenty-four (24) month prior to the Petition Date. Accordingly, I understand that the critical vendor relief requested by the Debtors is similar to that received by other distressed automotive

suppliers and other companies heavily reliant on supply chain continuity to preserve the viability of a going-concern enterprise.

196. In order for the Debtors to continue timely producing and supplying the OEMs with components, the Debtors will need to continue purchasing goods and services from the Critical Vendors. The Debtors believe that any delay or disruption in their flow of critical goods and services would cause irreparable harm to the Debtors' businesses and materially impact the Debtors' ability to supply parts to the OEMs, including replacement kits for recalled non-desiccated PSAN Inflators. The Debtors also believe that a portion of the Critical Vendor Claims arise from goods received by the Debtors in the ordinary course of business within the twenty (20) days immediately preceding the Petition Date. I understand that under section 503 of the Bankruptcy Code, such claims may be entitled to priority treatment. Allowing the Debtors to pay certain prepetition claims of Critical Vendors, therefore, will serve the purposes of facilitating the Debtors' sale efforts and will not impair the Debtors' other creditors.

197. Based on the foregoing, I believe that the relief requested in this motion is in the best interests of the Debtors, their estates, and all parties in interest and should be granted in all respects.

G. Motion of Debtors Pursuant to 11 U.S.C. §§ 105(a), 363(b), 503(b), and 507(a) for Entry of Interim and Final Orders Authorizing the Debtors to (I) Pay Prepetition Obligations Owed to Certain Foreign Vendors and Other Lien Claimants and (II) Grant Administrative Status for Certain Goods Delivered to Debtors Postpetition

198. By this motion, pursuant to sections 105(a), 363(b), 503(b), and 507(a) of the Bankruptcy Code, the Debtors are requesting entry of interim and final orders authorizing them to satisfy prepetition claims owing to (i) certain vendors, suppliers, service providers, independent contractors, and other entities located outside of the U.S. (collectively, the "***Foreign Vendors***"), including claims for goods or materials and services provided to the Debtors, as well

as foreign tax obligations, import and export fees, customs duties, or other similar fees related to such claims (collectively, the "***Foreign Claims***"), and (ii) certain third party shippers, warehousemen, vendors, and other service providers that could, on account of their prepetition claims, potentially assert liens against the Debtors' property on account of outstanding prepetition obligations of the Debtors (collectively, the "***Lien Claimants***"). Additionally, by this motion, the Debtors are requesting authority to (i) grant administrative priority status to all undisputed obligations of the Debtors owing to third party vendors and suppliers arising from the postpetition delivery of goods ordered prior to the Petition Date and (ii) authorize the Debtors to pay such obligations in the ordinary course of business. It is my understanding that the Debtors are not seeking to pay all prepetition claims of Foreign Vendors and Lien Claimants. Instead, the Debtors seek to pay such undisputed amounts in the ordinary course of the Debtors' businesses and on terms consistent with the Debtors' prepetition practices Additional information on the Foreign Vendors and Lien Claimants, including the process that was set in place for identifying those potential claimants and the immediate and irreparable harm that would be incurred by the Debtors, their Customers and all parties in interest absent the relief requested in this motion, is set forth in the Simpton Declaration.

199. The Foreign Vendors. In light of the size, sophistication, and global nature of the Debtors' airbag, seat belt, and other safety and non-safety manufacturing businesses, the Debtors regularly transact business with vendors located outside of the United States. The Debtors rely on their Foreign Vendors, which are primarily located in Europe, Asia, and Mexico, to grant or supply various goods or services that are crucial to the Debtors' ongoing manufacturing operations in the United States and Mexico. It is my understanding on conversations with members of the Debtors' purchasing and supplier teams, that the Foreign

Vendors and the Foreign Claims generally fall into the following three main categories: (i) Component Parts suppliers, (ii) raw material suppliers, and (iii) customs duties.

200. Because of the nature of the Debtors' businesses, many of the Foreign Vendors will make, or have made, credible actionable threats that, unless paid on account of their prepetition claims, they will cease to supply the Debtors with the specialized goods and services necessary for the Debtors to maintain their operations. Without the Foreign Vendors, the Debtors will be unable to operate their businesses efficiently and effectively, which will substantially diminish the value of the Debtors' assets. Further, I understand that most of the Foreign Vendors lack minimum contacts with the United States. It has been explained to me by counsel that, although the scope of the automatic stay set forth in section 362 of the Bankruptcy Code is universal, as it has been explained to me, the Debtors believe that there is a serious risk that the Foreign Vendors holding claims against the Debtors may consider themselves to be beyond the jurisdiction of the Court, disregard the automatic stay provisions of the Bankruptcy Code, and engage in conduct that would disrupt the Debtors' domestic and international operations. Foreign entities that believe the automatic stay does not govern their actions may exercise self-help, which could include shutting down the Debtors' access to essential goods and services.

201. In light of the potential for serious and potentially irreparable consequences if the Foreign Vendors do not continue to make uninterrupted and timely deliveries—and the lack of any enforcement mechanism against them—I submit that payment of certain Foreign Claims is essential to avoiding costly disruptions to the Debtors' operations.

202. The Lien Claimants. In operating their businesses, the Debtors use and make payments to a number of Lien Claimants, including, shippers, common carriers,

warehousemen, tool makers, equipment manufacturers, service technicians, materialmen, and other service providers. The services provided by the Lien Claimants are critical to the Debtors' day-to-day operations.

203. To meet their delivery deadlines and maintain uninterrupted operations, the Debtors rely heavily on third parties, including shippers that transport goods for the Debtors (collectively, the "***Shippers***") and warehousemen that store the Debtors' or the Customers' goods while they are in transit (collectively, the "***Warehousemen***"). It is my understanding that based on discussions with counsel and other parties that, under the laws of some states, a shipper or warehouseman may have a possessory lien on the goods in its possession, which secures payments of the charges and related expenses incurred in connection with the transportation or storage of such goods. In addition, I understand that pursuant to section 363(e) of the Bankruptcy Code, a shipper or warehouseman, as a bailee, may be entitled to adequate protection of a valid possessory lien. As a result, the Debtors expect that certain Shippers and Warehousemen may argue that they are entitled to possessory liens for transportation and storage, as applicable, of the goods in their possession as of the Petition Date and may refuse to deliver or release such goods before their claims have been satisfied and their liens redeemed.

204. In addition to the Shippers and Warehousemen, the Debtors routinely engage a number of other third parties, including equipment manufacturers, tool makers, service technicians, materialmen, suppliers that utilize specialized tooling owned by the Debtors to produce Component Parts, and other service providers (collectively, the "***Other Lien Claimants***"), that may be able to assert and perfect liens, including mechanic's liens, artisan's liens, materialman's liens, and other similar liens, against the Debtors' property and, in some cases, the OEMs' property, if the Debtors fail to pay for the goods or services rendered. The

Other Lien Claimants perform a number of services for the Debtors, including the manufacturing of equipment, manufacturing and repair of tools, molds, and other parts or components that are integral to the Debtors' manufacturing processes.

205. If the Debtors are unable to pay their prepetition obligations to the Lien Claimants, they risk being unable to fully operate their businesses, which could prevent them from maximizing recoveries for all stakeholders in these Chapter 11 Cases. Accordingly, I believe it is imperative that the Debtors be authorized to pay the prepetition claims of the Lien Claimants if the Debtors determine payment is necessary to ensure the uninterrupted shipment, delivery, and manufacture of goods.

206. Prepetition Orders. As of the Petition Date, the Debtors also have certain prepetition purchase orders (the "***Prepetition Orders***") outstanding with various third-party vendors and suppliers for goods ordered by the Debtors that have yet to be delivered to the Debtors' facilities. I believe that these vendors may be concerned that, because the Debtors' obligations under the Prepetition Orders arose prior to the Petition Date, any claims related to the Prepetition Orders will be treated as general unsecured claims. Accordingly, such vendors may refuse to deliver goods to the Debtors (or may recall shipments thereof) unless the Debtors reissue the Prepetition Orders postpetition. In light of the significant administrative burden that re-issuing the Prepetition Orders would impose upon the Debtors, the Debtors request an order explicitly affording claims arising under the Prepetition Orders administrative expense status and authorizing the Debtors to pay such claims in the ordinary course. I have been informed that any such claims are afforded administrative expense priority under section 503(b)(1)(A) of the Bankruptcy Code. Accordingly, I understand that the relief requested will not provide vendors with any greater priority than they would otherwise have in these Chapter 11 Cases.

207. Based on the foregoing, I believe that the relief requested in this motion is in the best interests of the Debtors, their estates and all parties in interest, and should be granted in all respects.

H. Motion of Debtors Pursuant to 11 U.S.C. §§ 363 and 105(A) for Interim and Final Authority to (I) Continue Tooling and Warranty Programs in the Ordinary Course of Business and Pay Prepetition Obligations Related Thereto, and (II) Authorize Banks to Honor and Process Related Checks and Transfers

208. By this motion (the "***Tooling Motion***"), the Debtors are requesting entry of interim and final orders authorizing the Debtors, in their business judgment, to (a) perform and honor their prepetition obligations related to their Tooling and Warranty Programs as they deem appropriate, and (b) continue, renew, replace, implement new, and/or terminate the Tooling and Warranty Programs as they deem appropriate, in the ordinary course of business, without further application to the Court.

209. Under the Tooling Programs, the Debtors purchase tooling equipment on behalf of many of their Customers Programs. The Debtors need to acquire such specialized tooling equipment in order to produce the specific Component Parts ordered by their Customers. In such instances, the Customers will ultimately own the tooling equipment and use the Debtors to sub-contract the tool production work, perform quality control assessments, or retain the tooling at the Debtors' facilities to be used in the production of the Component Parts for the Customers. If the tooling is to be owned by the Customers, the Debtors seek reimbursement for funds that they have previously paid to third-party tool makers. In these cases, the Debtors may not have an equitable interest in the tooling. Therefore, the Debtors request authority to continue their tooling programs, regardless of whether any payments involve prepetition or postpetition transfers.

210. Under the Warranty Programs, the Debtors, customary with industry standards, are subject to the standard terms and conditions of their Customers ("***Customer Terms***"), when supplying components, modules, and other products to the Customers. Customer Terms typically include references to warranty clauses that encompass the workmanship of the Debtors' products. To the extent that the Customers identify workmanship issues with the Debtors' products, either upon initial receipt of such products, during the production process, through the post-production period, or subsequent to the final sale of the Customers' vehicles to end-consumers, the Debtors may be held liable to remedy any identified workmanship defects. Typically, remedies are in the form of replacement parts, or monetary damages levied by the Customers.

211. As evidenced by the ongoing recalls, it is of critical importance that the Debtors be authorized to continue their warranty program in the ordinary course. The replacement parts supplied by the Debtors are critical safety parts, which must be provided on an expedited basis for the recall program to successfully protect consumers from at-risk vehicles. Failure by the Debtors to fulfill their warranty obligations may jeopardize the Debtors' relationships with their Customers and suppliers, which are the lifeblood of the Debtors' business and critical to the success of the Global Transaction and these Chapter 11 Cases. Any disruptions thereto would reduce the value of the Debtors' businesses, diminish the sale price paid for the Debtors' assets, and lower creditor recoveries. Further, failure by the Debtors to continue to honor their warranty obligations and supply replacement parts may violate the terms of the NHTSA Orders that obligate the Debtors to continue to cooperate with the ongoing recalls, which could result in further fines, penalties or administrative actions that would negatively

impact the Debtors' estates. Therefore, the Debtors request authority to continue their warranty programs in the ordinary course.

212. Because the Debtors' Customers are the lifeblood of their businesses, their loyalty and continued support and patronage are critical to the success of these Chapter 11 Cases. The continuation of the Tooling and Warranty Programs on an uninterrupted basis is critical to maintain this support and loyalty which is of the utmost importance for any purchaser of the Debtors' assets. Indeed, if the Debtors were not granted the relief requested in the Tooling Motion, the consequences would be draconian. The Debtors' Customers would lose confidence, question the Debtors' ability to survive, and likely immediately begin resourcing the programs maintained with the Debtors to alternative suppliers. Such resourcing would reduce the value of the Debtors' businesses, diminish the sale price paid for the Debtors' assets in connection with the Global Transaction, and lower creditor recoveries. Moreover, as discussed more fully herein, millions of consumers rely on the Debtors for replacement airbags, and failing to honor the warranty programs would severely impair the Debtors' ability to comply with their ongoing recall obligations. Simply stated, the obvious disruption and damage that will ensue if Tooling and Warranty Programs are not honored and continued far exceed the costs associated with honoring the related prepetition obligations and continuing these practices.

I. Motion of Debtors Pursuant to 11 U.S.C. §§ 105(a), 362(d), 363(b), and 503(b) and Fed. R. Bankr. P. 4001, 6003, and 6004 for Interim and Final Authority to Continue Insurance and Surety Bond Programs and Pay All Obligations With Respect Thereto

213. By this motion, pursuant to sections 105(a), 362(d), 363(b), and 503(b) of the Bankruptcy Code and Bankruptcy Rules 4001, 6003, and 6004, the Debtors are requesting entry of interim and final orders authorizing them to (i) continue the Debtors' workers' compensation program and various liability, property, and other insurance programs

(collectively, the "***Insurance Programs***" and all premiums and other obligations related thereto, including any broker or advisor fees, taxes, or other fees, collectively, the "***Insurance Obligations***") through several insurance carriers (each, an "***Insurance Carrier***") and the Surety Bond Program (as defined herein) and (ii) pay any prepetition obligations arising under the Insurance Programs or the Surety Bond Program.

214. The Workers' Compensation Program. It is my understanding that, under the laws of the various states in which they operate, the Debtors are required to maintain workers' compensation insurance coverage (the "***Workers' Compensation Program***") for their employees for claims arising from or related to employment by the Debtors. The Debtors pay annual premiums to maintain the Workers' Compensation Program for each coverage period, which the Debtors pay prospectively in full. It is my understanding that the Workers' Compensation Program is a guaranteed cost policy with Liberty Insurance Corporation that is not subject to any deductibles. Notwithstanding the foregoing, the Workers' Compensation Program for certain prior coverage periods was subject to a $250,000 per claim deductible, which Liberty Insurance Corporation ("***Liberty Mutual***") may advance any part or all of on behalf of the Debtors. In connection with this advancement, the Debtors collateralized Liberty Mutual's deductible-related exposure by posting a commercial letter of credit issued by Bank of Tokyo-Mitsubishi for the benefit of Liberty Mutual. As of the Petition Date, the face value of the letter of credit is approximately $1,700,000, which secures the Debtors' obligations relating to past incurred but unpaid Workers' Compensation Claims. As of the Petition Date, no prepetition amounts are outstanding on account of the Workers' Compensation Program.

215. The Liability and Property Insurance Programs. I understand that the Debtors maintain twenty-two (22) liability and property insurance policies, which provide the

Debtors with insurance coverage for liabilities relating to, among other things, property damage, general domestic and international commercial claims, employment practices, commercial automobile claims, aviation products liability, umbrella, and various other property-related and general liabilities, as well as excess policies related to the same (collectively, the "***Liability and Property Insurance Programs***"). Pursuant to the Liability and Property Insurance Programs, the Debtors are required to pay premiums based upon a fixed rate established and billed by each Insurance Carrier, in addition to various deductibles. The Liability and Property Insurance Programs each have annual premiums, which the Debtors generally pay prospectively in full. TKH typically remits the premium payments for the Liability and Property Insurance Programs on behalf of itself and its affiliated Debtors and non-debtor domestic and Mexican subsidiaries. TKH then allocates and bills certain percentages of the premiums to the other named insureds on an intercompany basis at the beginning of each coverage period. These allocations are recorded and paid in the ordinary course of business as intercompany payables by the named insureds being billed by TKH and as intercompany receivables due to TKH. It is my understanding that, as of the Petition Date, the Debtors are not aware of any outstanding premiums or other amounts owed to the various Insurance Carriers for the Liability and Property Insurance Programs.

216. The D&O and PL Insurance Programs. I understand that the Debtors also participate in nine (9) insurance policies that are purchased and maintained by TKJP, which provide the Debtors with insurance coverage for directors' and officers' liability (the "***D&O Insurance***") and products liability (the "***PL Insurance***," and together with the D&O Insurance, the "***D&O and PL Insurance Programs***"). Pursuant to an agreement with TKH and to reduce overall underwriting costs, TKJP allocates and bills a percentage of the premiums for the D&O and PL Insurance Programs on an intercompany basis to TKH. This allocation is based on total

regional sales for products liability and asset ratio for directors' and officers' liability. For the current coverage periods, TKJP allocated approximately forty-four percent (44%) of the premium for PL Insurance and approximately twenty-seven percent (27%) of the go-forward premiums for D&O Insurance to TKH, as well as approximately forty-two percent (42%) of the premium for individual, Side-A coverage for TKH's directors and officers. It is my understanding that, as of the Petition Date, the Debtors are not aware of any outstanding premiums or other amounts owed to TKJP for the D&O and PL Insurance Programs.

217. Insurance Broker. The Debtors utilize Willis of New York, Inc. ("***Willis***") as their insurance broker to assist with, among other things, the procurement and negotiation of the Workers' Compensation Program and the Liability and Property Insurance Programs and to remit payment to the Insurance Carriers on behalf of the Debtors for the current policy periods. In connection with these services, the Debtors pay Willis a fee of $270,000, which is paid prospectively in full. It is my understanding that, as of the Petition Date, the Debtors do not believe that they have any outstanding obligations owed to Willis.

218. Surety Bond Program. In the ordinary course of business, the Debtors are required to provide surety bonds, performance bonds, and other undertakings to certain third parties, including governmental units and other public agencies, to secure the payment or enforcement of certain obligations of the Debtors and a non-Debtor affiliate (the "***Surety Bond Program***"). In nearly every case, the surety's right to recover from the Debtors is collateralized by cash or a letter of credit or subject to an indemnity agreement that sets forth the surety's right to recover from the Debtors (the "***Surety Indemnity Agreements***"). The premiums for the surety bonds (the "***Surety Premiums***" and, together with the Indemnity Obligations, the "***Surety Bond Obligations***") are generally determined on an annual basis and payment is remitted by the

Debtors when the bonds are issued and annually upon each renewal. It is my understanding that, as of the Petition Date, the Debtors' estimate that the total principal amount on all current surety bonds is approximately $750,000.

219. In light of the risks applicable to the Debtors' operations and the critical need for the Debtors to protect their assets from such risks, I believe it essential that the Debtors maintain the Insurance Programs and the Surety Bond Program and pay all Insurance Obligations and Surety Bond Obligations during the course of these Chapter 11 Cases. Without authority to maintain and pay amounts owing in connection with the Insurance Programs and the Surety Bond Program, the ability of the Debtors to conduct operations in many locations would come to a halt to the detriment and prejudice of all parties in interest. Additionally, based on the Debtors' current circumstances, it is not likely that the Debtors will be able to renew or replace their existing Insurance Programs or Surety Bond Program on more favorable terms. Furthermore, the Debtors must maintain most of the Insurance Programs to comply with the U.S. Trustee's operating guidelines. Based on the foregoing, I believe that the relief requested in this motion is in the best interests of the Debtors, their estates and all parties in interest, and should be granted in all respects.

J. Motion of Debtors Pursuant to 11 U.S.C. §§ 105(A), 363(B), 507(A), and 541 and Fed. R. Bankr. P. 6003 and 6004 for Interim and Final Authority to (I) Pay Certain Prepetition Taxes and Assessments, and (II) Authorize Banks to Honor and Process Related Checks and Transfers

220. By this motion, the Debtors request entry of interim and final orders authorizing them to satisfy, in their discretion, all Taxes and Assessments due and owing to various local, state, and foreign taxing authorities (collectively, the "***Taxing Authorities***") that arose prior to the Petition Date, including all Taxes and Assessments subsequently determined by audit or otherwise to be owed for periods prior to the Petition Date.

221. The Debtors must continue to pay the Taxes and Assessments to continue operating in certain jurisdictions and to avoid costly distractions during the Chapter 11 Cases. Specifically, it is my understanding that the Debtors' failure to pay the Taxes and Assessments could adversely affect the Debtors' business operations because the governmental authorities could assert liens on the Debtors' property, assert penalties and/or significant interest on past-due taxes, or possibly bring personal liability actions against directors, officers, and other employees in connection with non-payment of the Taxes and Assessments, thus distracting the Debtors' management and employees from their important reorganization efforts, and potentially causing immediate and irreparable harm to the Debtors. As of the Petition Date, the Debtors estimate that approximately $2,046,200 in Taxes and Assessments are due and owing to the various Taxing Authorities, of which approximately $1,156,200 will come due within the first thirty (30) days following the Petition Date.

K. Motion of Debtors Pursuant to 11 U.S.C. §§ 366 and 105(a) for Entry of Interim and Final Orders (I) Approving Debtors' Proposed Form of Adequate Assurance of Payment to Utility Companies, (II) Establishing Procedures for Resolving Objections by Utility Companies, and (III) Prohibiting Utility Companies from Altering, Refusing, or Discontinuing Service

222. By this Motion, the Debtors are requesting entry of an interim and final order (i) approving the Debtors' proposed form of adequate assurance of payment to utility providers, (ii) establishing procedures for determining adequate assurance of payment for future utility services, and (iii) prohibiting utility providers from altering or discontinuing utility service on account of outstanding prepetition invoices.

223. To operate their seat belt, airbag, and various other safety and non-safety businesses and manage their properties, including their headquarters, manufacturing plants and R&D facilities, the Debtors obtain telecommunications, satellite, waste disposal, water, gas, electricity, and other utility services (collectively, the "***Utility Services***"). Preserving Utility

Services on an uninterrupted basis is essential to the Debtors' ongoing operations and restructuring process. Indeed, any interruption in Utility Services—even for a brief period of time—would disrupt the Debtors' ability to continue operations and service their Customers. As a Tier One automotive supplier, the Debtors supply their Customers with critical automotive safety systems and other essential components. Any interruption in Utility Services could disrupt the Debtors' ability to supply their Customers with these critical safety parts. Furthermore, as described above, the Debtors are in the midst of the largest recall in automotive history relating to PSAN Inflators. The Debtors continue to dedicate substantial resources to manufacture and ship replacement parts to their Customers in order to get the recalled airbags out of circulation. Any disruption to their Utility Services could prevent the Debtors from providing their Customers with the necessary replacement parts on a timely basis and could seriously jeopardize the recall process as a whole. Any disruptions, therefore, could reduce the value of the Debtors' businesses, diminish the sale price paid for the Debtors' assets in connection with the Global Transaction, and lower creditor recoveries. Therefore, it is critical that Utility Services continue uninterrupted during these Chapter 11 Cases.

L. Motion of Debtors Pursuant to 11 U.S.C. § 105 for Entry of an Order Enforcing the Protections of 11 U.S.C. §§ 362, 365, 525, and 541(c)

224. By this Motion, the Debtors request entry of an order enforcing the protections of sections 362, 365, 525, and 541(c) of the Bankruptcy Code to aid in the administration of these Chapter 11 Cases and to help ensure that the Debtors' global seat belt, airbag, and other safety and non-safety manufacturing and production operations are not disrupted. As previously noted, the Debtors conduct significant operations in foreign countries and, as a result, incur obligations to foreign customers, employees, independent contractors, vendors, service providers, utility companies, taxing authorities and other entities. Many of the

Debtors' foreign creditors and contract counterparties do not transact business on a regular basis with companies that have filed for chapter 11 protection and, therefore, may be unfamiliar with the scope of a debtor in possession's authority to conduct its business and may be unaware of the protections of the automatic stay and other provisions of the Bankruptcy Code that assist debtors in possession during their Chapter 11 Cases and restructuring efforts.

225. I have been informed that the protections afforded by sections 362, 365, 541, and 525 of the Bankruptcy Code are self-executing and global; however, I believe that not all parties affected or potentially affected by the commencement of these Chapter 11 Cases are aware of these statutory provisions or their significance and impact. I believe that it is prudent to obtain an order of the Court confirming and reinforcing the relevant sections of the Bankruptcy Code so that the Debtors may advise such parties of the existence, reach, and effects of these sections of the Bankruptcy Code.

226. I believe that, absent an order from this Court, parties might attempt to take improper actions against the Debtors or property of their estates. Accordingly, the Court should approve the motion.

M. Motion of Debtors Pursuant to 11 U.S.C. § 1505 for Entry of an Order Authorizing TK Holdings Inc. to Act as Foreign Representative on Behalf of the Debtors' Estates

227. Pursuant to section 1505 of the Bankruptcy Code, the Debtors are seeking authority for TKH to act as Foreign Representative on behalf of the Debtors' estates in any judicial or other proceedings in a foreign country, including the Canadian Proceedings discussed below. The Debtors are further requesting that, as Foreign Representative, TKH shall be expressly authorized to (i) seek recognition of the Chapter 11 Cases in Canada, (ii) request that the Canadian Court lend assistance to this Court in protecting the property of the Debtors'

estates, and (iii) seek any other appropriate relief from the Canadian Court that is just and proper in furtherance of the protection of the Debtors' estates.

228. As described herein, TKH and TKJP are named defendants in fourteen (14) class actions in four (4) Canadian provinces (British Columbia, Saskatchewan, Quebec, and Ontario). Although nine (9) of the Canadian Actions have been formally dismissed or are currently being held in abeyance, five (5) remain pending against TKH. The Canadian Actions are brought by putative representative plaintiffs who allege that they are consumers who purchased/leased vehicles in Canada with airbags containing PSAN Inflators that are subject to recalls. The putative representative plaintiffs assert claims for economic losses largely based on the theory that the recall of PSAN Inflators has reduced market value of vehicles and/or airbags containing PSAN Inflators and that they experienced losses arising from their inability or unwillingness to use their vehicles until the inflators were replaced and the expenses associated with such replacement. As of the date hereof, the Debtors are aware of two (2) personal injury lawsuits pending in Canada; however, there have been no known instances of inflator ruptures in Canada. Claims in the continuing Canadian Actions total an aggregate of approximately CDN $3.5 billion and are all at the pre-certification stage. As a result of the pending Canadian Actions against TKH, it is necessary to ensure that these Chapter 11 Cases as well as certain orders of the Court issued herein are recognized and enforced in Canada.

229. TKH (as the proposed Foreign Representative), will shortly seek ancillary relief in Canada on behalf of the Debtors' estates in the Ontario Superior Court of Justice (Commercial List) (the "***Canadian Court***") in Toronto, Ontario, Canada. I understand that the purpose of the ancillary proceedings is to request that the Canadian Court recognize these Chapter 11 Cases as a "foreign proceeding" under the applicable provisions of the CCAA in

order to, among other things, ensure that the protections of the automatic stay are enforced with respect to the Canadian Actions to provide clarity and structure to potential creditors in Canada.

230. To commence the Canadian Proceedings, the Debtors require authority for a Debtor entity to act as the "foreign representative" on behalf of the Debtors' estates. The Debtors request authority to appoint TKH as such Foreign Representative. Authorizing TKH to act as the Foreign Representative on behalf of the Debtors' estates in the Canadian Proceedings will allow coordination of these Chapter 11 Cases and the Canadian Proceedings, and provide an effective mechanism to protect and maximize the value of the Debtors' assets and estates. Because TKH is a defendant in the Canadian Actions, it is critical that a stay similar to the automatic stay imposed pursuant to section 362 of the Bankruptcy Code be granted in Canada, and that certain of this Court's orders also be recognized in Canada. As a Debtor in these Chapter 11 Cases, TKH is well-positioned to represent the Debtors as Foreign Representative in the Canadian Proceedings.

N. Motion of Debtors Pursuant to 11 U.S.C. § 105(a), Fed. R. Bankr. P. 2002, 5005, and 9007, and Local Rules 2002-1(d) and 5005-4 for Entry of an Order Implementing Certain Notice Procedures and Approving the Form and Manner of Notice of Commencement

231. By this motion, the Debtors are seeking entry of an order (i) approving the form and manner of the notice of commencement (the "***Notice of Commencement***") of the Debtor's Chapter 11 Cases and meeting of creditors pursuant to section 341 of the Bankruptcy Code; (ii) limiting the notice the Debtors and other persons filing papers in these Chapter 11 Cases are required to provide to individuals who own or may have owned vehicles containing PSAN Inflators manufactured by the Debtors that may be the subject of ongoing or future recalls, pending further order of the Court directing the manner of notice to such parties; and (iii)

authorizing the release to the Debtors certain motor vehicle records necessary to implement special noticing procedures for such individuals.

232. The Debtors estimate they have approximately 80,000 creditors on a combined basis, however, this number is exclusive of the significant number of individuals that own, or may have owned, vehicles equipped with airbags containing PSAN Inflators manufactured by the Debtors that are the subject of ongoing or, potentially, future recalls who may be entitled to notice in these Chapter 11 Cases (any such individual, a "***PPIC***" and, collectively, the "***PPICs***"). As set forth above, as of the date hereof, approximately sixty-one million (61,000,000) automobiles containing airbags with PSAN Inflators in the United States and approximately an additional sixty-four million (64,000,000) automobiles globally have been recalled or will be subject to recalls based on announced schedules and, by December 31, 2019, all airbags in the U.S. containing non-desiccated PSAN Inflators will be subject to recall in the U.S..

233. As set forth in the motion, due to the staggering number of potential parties in interest, the costs of providing traditional notice on all PPICs in the Chapter 11 Cases—*i.e,* mailing printed copies of pleadings via first class mail—is simply not feasible and would effectively subsume any proceeds from the Global Transaction that may be available for creditor distributions. Indeed, Prime Clerk, the Debtors' proposed claims and noticing agent, estimates that the costs of providing physical notice to such parties would increase the cost of preparing and mailing the Notice of Commencement alone by more than $70 million. In order to alleviate this burden, and to conserve the limited resources available in these cases, the Debtors are proposing the Noticing Procedures set forth in the motion for (i) serving the Notice of Commencement on all parties other than PPICs that are entitled to receive notice in these

Chapter 11 Cases, which include the traditional notice parties such as the Debtors' lenders and other financial creditors, suppliers, vendors, trade creditors, employees, litigation claimants, and other traditional creditors and parties in interest in these Chapter 11 Cases (collectively, the "***Traditional Notice Parties***"), and (ii) providing notice to PPICs during the Chapter 11 Cases, including notice of the commencement of the Chapter 11 Cases. The Debtors submit that the Noticing Procedures will maximize the efficiency and orderly administration of these Chapter 11 Cases, while at the same time ensuring that appropriate notice is provided, particularly to parties who have expressed an interest in these Chapter 11 Cases, and I agree.

234. Pursuant to the Noticing Procedures, the Debtors are proposing that Prime Clerk serve the Notice of Commencement, substantially in the form attached as an exhibit to the motion, by regular mail, postage prepaid on all Traditional Notice Parties entitled to receive such notice pursuant to Bankruptcy Rule 2002 within five (5) business days of entry of an order granting the relief requested herein or as soon as reasonably practicable thereafter. With respect to the PPICs, it is my understanding that, notwithstanding any requirements of the Bankruptcy Code, the Debtors are not intending to serve the Notice of Commencement on any PPIC unless such party or individual has filed a notice of appearance in accordance with Local Rule 2002-1 or is otherwise identified on the Debtors' Schedules as having a claim against any of the Debtors, including contingent, unliquidated or disputed claims (*i.e.*, litigation parties or parties otherwise known to be creditors of the Debtors).

235. Rather than incurring the additional cost and expense of mailing a separate Notice of Commencement to PPICs, in connection with the Debtors' motion seeking authority to establish deadlines for creditors and other parties in interests to file proofs of claim in the Chapter 11 Cases (the "***Bar Date Motion***"), it is my understanding that the Debtors intend to

request authority to provide notice to PPICs of the commencement of the Chapter 11 Cases pursuant to a combined notice to be served in connection with the notice establishing the deadline for PPICs to file proofs of claims in the Chapter 11 Cases (the "***PPIC Combined Notice***"). With the exception of the PPIC Combined Notice, which, I understand, the Debtors intend to mail to a substantial and clearly defined subset of PPICs (the "***PPIC Notice Parties***") in accordance with the relief it will seek pursuant to the Bar Date Motion, all updates and other notices sent to PPIC Notice Parties shall be delivered electronically in accordance with the PPIC Electronic Opt-In Procedures.

236. In order to serve the PPIC Combined Notice as the Debtors anticipate pursuant to the Bar Date Motion, it is my understanding that the Debtors require certain vehicle registration information (including the owner names and addresses, years, makes, models and VIN Numbers of the Subject Vehicles) from IHS Markit and its subsidiary R.L. Polk and Co. (collectively, "***IHS***"), which specializes in obtaining such information from, *inter alia*, the applicable departments of motor vehicles. Due to confidentiality restrictions, however, IHS is not permitted to release such information to the Debtors or their professionals absent a court order compelling them to do so. Once they receive the necessary information regarding the Subject Vehicles from IHS, subject to receipt and review of such data and information, Prime Clerk estimates that it will take approximately three (3) weeks to mine the necessary information and manipulate it into the required format to conduct their mailings. Accordingly, to facilitate and streamline the eventual mailing of the PPIC Combined Notice, the Debtors are requesting the Court order and direct IHS, and any applicable state or territory department of motor vehicles or similar governmental agency, to provide the Debtors and their professionals with the necessary information to send the PPIC Combined Notice to current registered owners of Subject

Vehicles and registered owners of Subject Vehicles from January 1, 2013 onward, including, with respect to all periods, owners' full names and all address information, whether residential or other.

237. The Debtors submit that, in light of the PPIC Combined Notice, widespread press and news coverage regarding the commencement of these Chapter 11 Cases, the Debtors' proposed publication of the Notice Commencement in the national editions of the of each of *The Wall Street Journal*, *The New York Times*, and *USA Today*, as well as in the *Automotive News*, and additional supplemental noticing procedures, including the creation of a website and toll-free number, internet banner advertising, sponsored search listing, information release, and social media campaign, that all parties and interests will receive due and proper notice of the commencement of these Chapter 11 Cases. Furthermore, the Debtors intend, in connection with the Bar Date Motion, to serve, or caused to be served, notice of any such deadline on all creditors and parties in interests as required under the Bankruptcy Code and Bankruptcy Rules, including on parties and individuals that own or may have owned vehicles containing PSAN Inflators. The Debtors submit that these measures collectively will give all parties in interest due and proper notice of the commencement of these Chapter 11 Cases, and I agree.

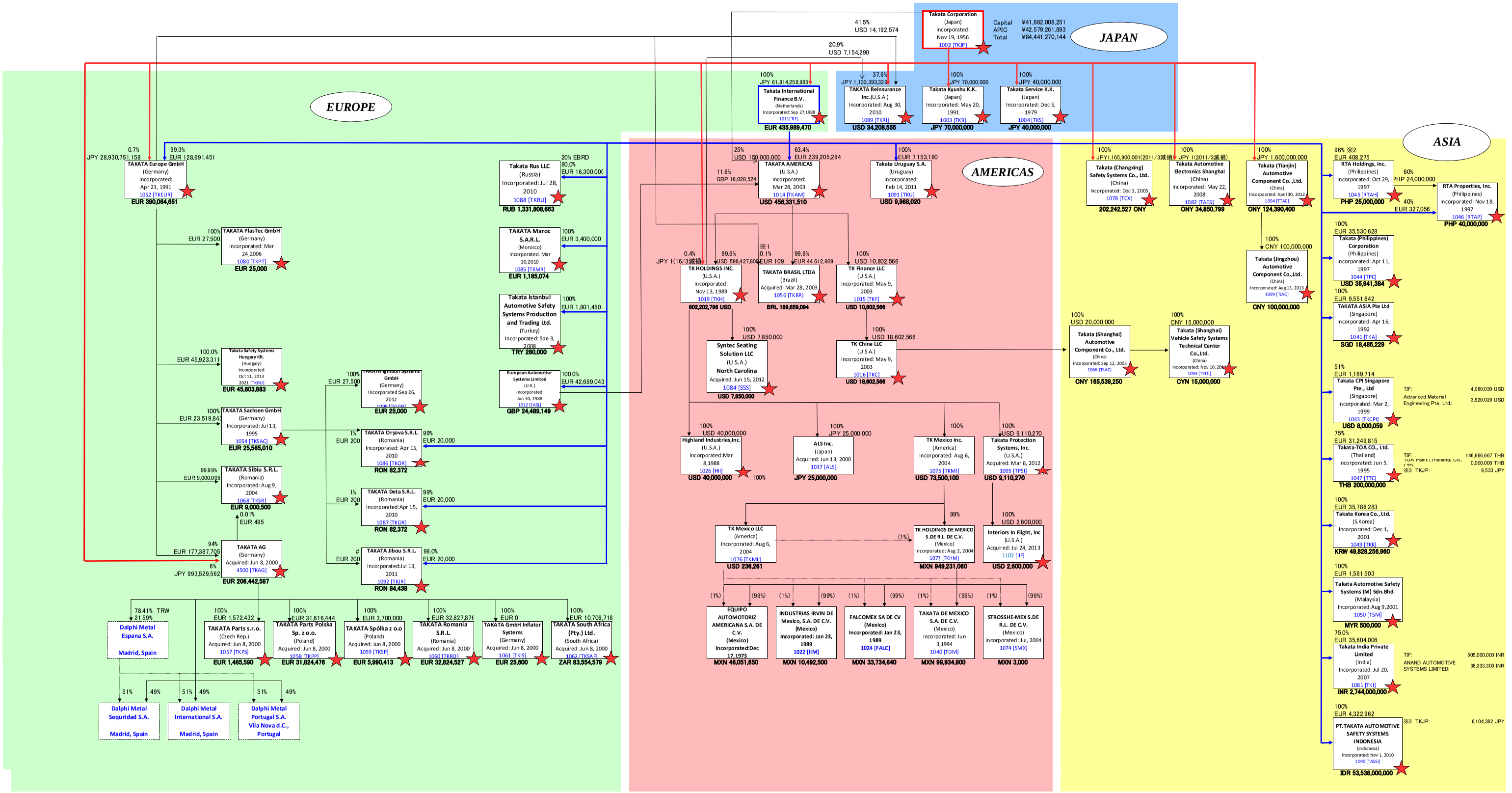
Pursuant to 28 U.S.C. § 1746, I declare under penalty of perjury that the foregoing is true and correct.

Executed this 25th day of June, 2017

/s/ Scott E. Caudill
Scott E. Caudill
Executive Vice President & Chief Operating Officer

Exhibit A

Global Organizational Chart

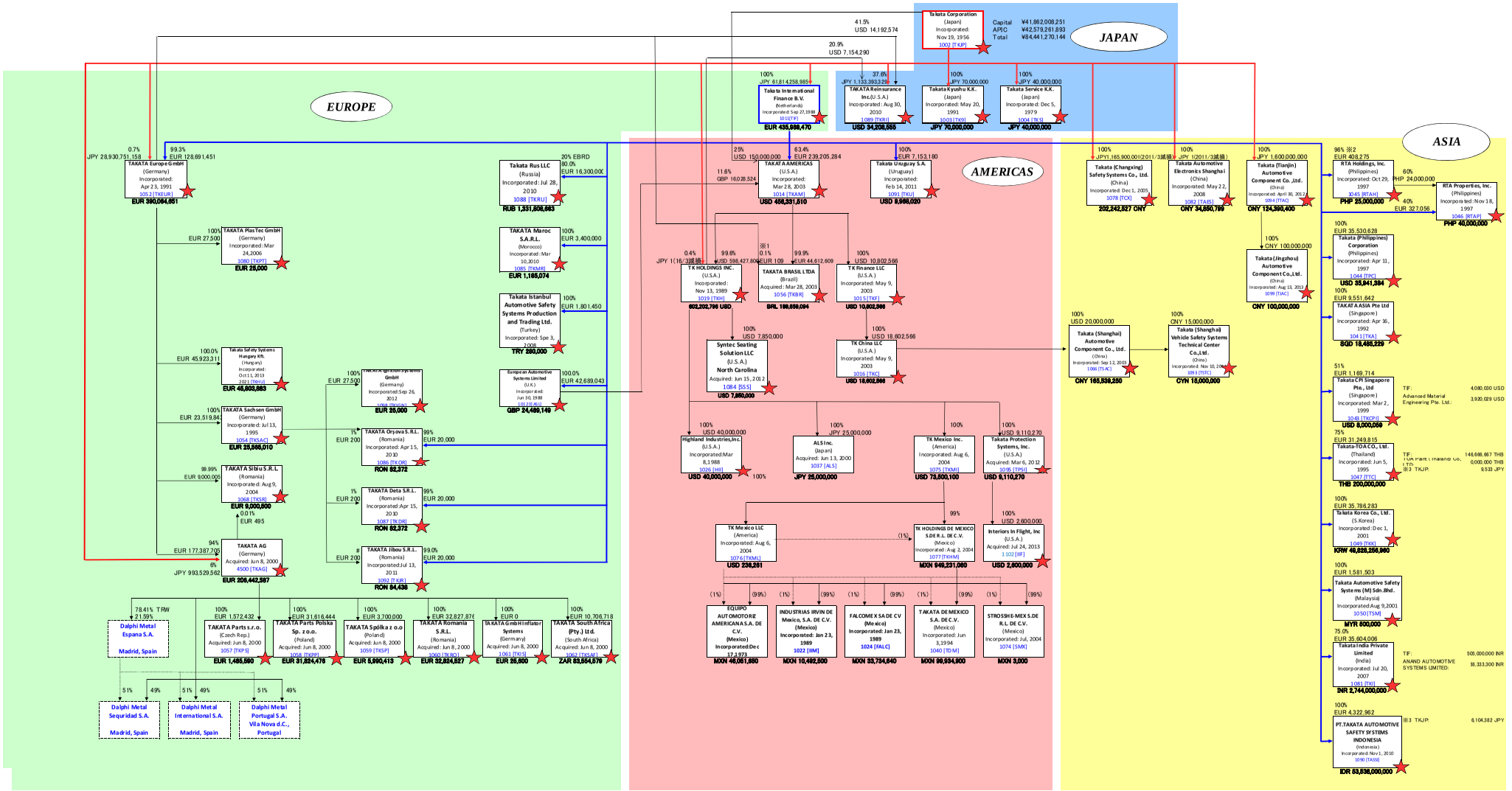

JAPAN
EUROPE
AMERICAS
ASIA
Takata Corporation (Japan) Incorporated: Nov 19, 1956 1002 [TKJP]
Capital ¥41,862,008,251
APIC ¥42,579,261,893
Total ¥84,441,270,144
41.5% USD 14,192,574
20.9% USD 7,154,290
100% JPY 61,814,258,985
Takata International Finance B.V. (Netherlands) Incorporated: Sep 27,1988 1011[TIF] EUR 435,989,470
37.6% JPY 1,133,393,328
TAKATA Reinsurance Inc.(U.S.A.) Incorporated: Aug 30, 2010 1089 [TKRI] USD 34,208,555
100% JPY 70,000,000
Takata Kyushu K.K. (Japan) Incorporated: May 20, 1991 1003 [TK9] JPY 70,000,000
100% JPY 40,000,000
Takata Service K.K. (Japan) Incorporated: Dec 5, 1979 1004 [TKS] JPY 40,000,000
0.7% JPY 28,930,751,158
99.3% EUR 128,691,451
TAKATA Europe GmbH (Germany) Incorporated: Apr 23, 1991 1052 [TKEUR] EUR 390,064,651
25% USD 150,000,000
63.4% EUR 239,205,284
TAKATA AMERICAS (U.S.A.) Incorporated: Mar 28, 2003 1014 [TKAM] USD 456,331,510
11.6% GBP 16,028,524
100% EUR 7,153,180
Takata Uruguay S.A. (Uruguay) Incorporated: Feb 14, 2011 1091 [TKU] USD 9,988,020
20% EBRD 80.0% EUR 16,300,000
Takata Rus LLC (Russia) Incorporated: Jul 28, 2010 1088 [TKRU] RUB 1,331,808,663
100% EUR 27,500
TAKATA PlasTec GmbH (Germany) Incorporated: Mar 24,2006 1080 [TKPT] EUR 25,000
100% EUR 3,400,000
TAKATA Maroc S.A.R.L (Morocco) Incorporated: Mar 10,2010 1085 [TKMR] EUR 1,185,074
※1
0.4% JPY 1(16/3減損)
99.6% USD 598,427,804
0.1% EUR 109
99.9% EUR 44,612,609
100% USD 10,802,566
TK HOLDINGS INC. (U.S.A.) Incorporated: Nov 13, 1989 1019 [TKH] 602,202,796 USD
TAKATA BRASIL LTDA (Brazil) Acquired: Mar 28, 2003 1056 [TKBR] BRL 189,659,094
TK Finance LLC (U.S.A.) Incorporated: May 9, 2003 1015 [TKF] USD 10,802,566
100% USD 7,850,000
Syntec Seating Solution LLC (U.S.A.) North Carolina Acquired: Jun 15, 2012 1084 [555] USD 7,850,000
100% USD 18,602,566
TK China LLC (U.S.A.) Incorporated: May 9, 2003 1016 [TKC] USD 18,602,566
Takata Istanbul Automotive Safety Systems Production and Trading Ltd. (Turkey) Incorporated: Spe 3, 2008 TRY 280,000
100% EUR 1,801,450
100.0% EUR 45,923,311
Takata Safety Systems Hungary Kft. (Hungary) Incorporated: Oct 11, 2013 2021 [TKHU] EUR 45,803,883
European Automotive Systems Limited (U.K.) Incorporated: Jun 30, 1988 1012 [EAS] GBP 24,489,149
100.0% EUR 42,689,043
100% EUR 27,500
TAKATA Ignition Systems GmbH (Germany) Incorporated:Sep 26, 2012 1088 [TKIGM] EUR 25,000
100% EUR 23,519,843
TAKATA Sachsen GmbH (Germany) Incorporated: Jul 13, 1995 1054 [TKSAC] EUR 25,565,010
1% EUR 200
TAKATA Orşova S.R.L. (Romania) Incorporated: Apr 15, 2010 1086 [TKOR] RON 82,372
99% EUR 20,000
99.9% EUR 9,000,005
TAKATA Sibiu S.R.L. (Romania) Incorporated: Aug 9, 2004 1068 [TKSR] EUR 9,000,500
0.01% EUR 495
1% EUR 200
TAKATA Deta S.R.L. (Romania) Incorporated:Apr 15, 2010 1087 [TKDR] RON 82,372
99% EUR 20,000
94% EUR 177,387,705
6% JPY 993,529,562
TAKATA AG (Germany) Acquired: Jun 8, 2000 4500 [TKAG] EUR 206,442,587
EUR 200
TAKATA Jibou S.R.L. (Romania) Incorporated:Jul 13, 2011 1092 [TKJR] RON 84,438
99.0% EUR 20,000
78.41% TRW 21.59%
Dalphi Metal Espana S.A. Madrid, Spain
100% EUR 1,572,432
TAKATA Parts s.r.o. (Czech Rep.) Acquired: Jun 8, 2000 1057 [TKPS] EUR 1,485,590
100% EUR 31,616,444
TAKATA Parts Polska Sp. z o.o. (Poland) Acquired: Jun 8, 2000 1058 [TKPP] EUR 31,824,476
100% EUR 3,700,000
TAKATA Spółka z o.o (Poland) Acquired: Jun 8, 2000 1059 [TKSP] EUR 5,990,413
100% EUR 32,827,876
TAKATA Romania S.R.L. (Romania) Acquired: Jun 8, 2000 1060 [TKRO] EUR 32,824,527
100% EUR 0
TAKATA GmbH Inflator Systems (Germany) Acquired: Jun 8, 2000 1061 [TKIS] EUR 25,600
100% EUR 10,706,718
TAKATA South Africa (Pty.) Ltd. (South Africa) Acquired: Jun 8, 2000 1062 [TKSAF] ZAR 83,554,579
51% 49%
Dalphi Metal Sequridad S.A. Madrid, Spain
51% 49%
Dalphi Metal International S.A. Madrid, Spain
51% 49%
Dalphi Metal Portugal S.A. Vila Nova d.C., Portugal
100% USD 40,000,000
Highland Industries,Inc. (U.S.A.) Incorporated:Mar 8,1988 1026 [HII] USD 40,000,000
100% JPY 25,000,000
ALS Inc. (Japan) Acquired: Jun 13, 2000 1037 [ALS] JPY 25,000,000
100% USD 73,500,100
TK Mexico Inc. (America) Incorporated: Aug 6, 2004 1075 [TKMI] USD 73,500,100
100% USD 9,110,270
Takata Protection Systems, Inc. (U.S.A.) Acquired: Mar 6, 2012 1095 [TPSI] USD 9,110,270
TK Mexico LLC (America) Incorporated: Aug 6, 2004 1076 [TKML] USD 236,261
(1%)
99% MXN 949,231,060
TK HOLDINGS DE MEXICO S.DE R.L. DE C.V. (Mexico) Incorporated: Aug 2, 2004 1077 [TKHM]
100% USD 2,600,000
Interiors In Flight, Inc (U.S.A.) Acquired: Jul 24, 2013 1102 [IIF] USD 2,600,000
(1%) (99%)
EQUIPO AUTOMOTORIZ AMERICANA S.A. DE C.V. (Mexico) Incorporated:Dec 17,1973 MXN 46,051,850
(1%) (99%)
INDUSTRIAS IRVIN DE Mexico, S.A. DE C.V. (Mexico) Incorporated: Jan 23, 1989 1022 [IIM] MXN 10,492,500
(1%) (99%)
FALCOMEX SA DE CV (Mexico) Incorporated: Jan 23, 1989 1024 [FALC] MXN 33,734,640
(1%) (99%)
TAKATA DE MEXICO S.A. DE C.V. (Mexico) Incorporated: Jun 3,1994 1040 [TDM] MXN 99,934,900
(1%) (99%)
STROSSHE-MEX S.DE R.L. DE C.V. (Mexico) Incorporated: Jul, 2004 1074 [SMX] MXN 3,000
100% JPY1,165,900,001(2011/3減損)
Takata (Changxing) Safety Systems Co., Ltd. (China) Incorporated: Dec 1, 2005 1078 [TCX] 202,242,527 CNY
100% JPY 1(2011/3減損)
Takata Automotive Electronics Shanghai (China) Incorporated: May 22, 2008 1082 [TAES] CNY 34,850,799
100% JPY 1,600,000,000
Takata (Tianjin) Automotive Component Co. ,Ltd. (China) Incorporated: April 30, 2012 1094 [TTAC] CNY 124,390,400
100% CNY 100,000,000
Takata (Jingzhou) Automotive Component Co.,Ltd. (China) Incorporated: Aug 13, 2013 1099 [TJAC] CNY 100,000,000
100% USD 20,000,000
Takata (Shanghai) Automotive Component Co., Ltd. (China) Incorporated: Sep 12, 2003 1066 [TSAC] CNY 165,539,250
100% CNY 15,000,000
Takata (Shanghai) Vehicle Safety Systems Technical Center Co.,Ltd. (China) Incorporated: Nov 10, 2006 1093 [TSTC] CYN 15,000,000
96% ※2 EUR 408,275
RTA Holdings, Inc. (Philippines) Incorporated: Oct 29, 1997 1045 [RTAH] PHP 25,000,000
60% PHP 24,000,000
RTA Properties, Inc. (Philippines) Incorporated: Nov 18, 1997 1046 [RTAP] PHP 40,000,000
40% EUR 327,056
100% EUR 35,530,628
Takata (Philippines) Corporation (Philippines) Incorporated: Apr 11, 1997 1044 [TPC] USD 35,841,384
100% EUR 9,551,642
TAKATA ASIA Pte Ltd (Singapore) Incorporated: Apr 16, 1992 1041 [TKA] SGD 18,485,229
51% EUR 1,169,714
Takata CPI Singapore Pte., Ltd (Singapore) Incorporated: Mar 2, 1999 1043 [TKCPI] USD 8,000,059
TIF: 4,080,030 USD
Advanced Material Engineering Pte. Ltd: 3,920,029 USD
75% EUR 31,249,815
Takata-TOA CO., Ltd. (Thailand) Incorporated: Jun 5, 1995 1047 [TTC] THB 200,000,000
TIF: 146,666,667 THB
TOA Paint (Thailand) Co., Ltd.: 9,000,000 THB
※3 TKJP: 9,533 JPY
100% EUR 35,786,283
Takata Korea Co., Ltd. (S.Korea) Incorporated: Dec 1, 2001 1049 [TKK] KRW 49,828,256,960
100% EUR 1,581,503
Takata Automotive Safety Systems (M) Sdn.Bhd. (Malaysia) Incorporated:Aug 9,2001 1050 [TSM] MYR 500,000
75.0% EUR 35,604,006
Takata India Private Limited (India) Incorporated: Jul 20, 2007 1081 [TKJI] INR 2,744,000,000
TIF: 505,000,000 INR
ANAND AUTOMOTIVE SYSTEMS LIMITED: 18,333,300 INR
100% EUR 4,322,962
PT.TAKATA AUTOMOTIVE SAFETY SYSTEMS INDONESIA (Indonesia) Incorporated: Nov 1, 2010 1090 [TASSI] IDR 53,538,000,000
※3 TKJP: 6,104,382 JPY

Tab B

This is **Exhibit "B"** referred to in the
affidavit of **SCOTT E. CAUDILL**
sworn before me this
27th day of June, 2017

Lesley A. Morris

LESLEY A. MORRIS
MY COMMISSION
EXPIRES
JANUARY 5, 2019
NOTARY PUBLIC
STATE OF DELAWARE


JAPAN
EUROPE
AMERICAS
ASIA
Takata Corporation (Japan) Incorporated: Nov 19, 1956 1002 [TKJP]
Capital ¥41,862,008,251
APIC ¥42,579,261,893
Total ¥84,441,270,144
41.5% USD 14,192,574
20.9% USD 7,154,290
Takata International Finance B.V. (Netherlands) Incorporated: Sep 27,1988 1011[TIF] EUR 435,988,470
TAKATA Reinsurance Inc.(U.S.A.) Incorporated: Aug 30, 2010 1089 [TKRI] USD 34,208,555
Takata Kyushu K.K. (Japan) Incorporated: May 20, 1991 1001[TKK] JPY 70,000,000
Takata Service K.K. (Japan) Incorporated: Dec 5, 1979 1004 [TKS] JPY 40,000,000
TAKATA Europe GmbH (Germany) Incorporated: Apr 23, 1991 105 2 [TKEUR] EUR 390,084,651
Takata Rus LLC (Russia) Incorporated: Jul 28, 2010 1088 [TKRU] RUB 1,351,808,883
TAKATA PlasTec GmbH (Germany) Incorporated: Mar 24,2006 1080 [TKPT] EUR 25,000
TAKATA Maroc S.A.R.L. (Morocco) Incorporated: Mar 10,2010 1085 [TKMR] EUR 1,165,074
Takata Istanbul Automotive Safety Systems Production and Trading Ltd. (Turkey) Incorporated: Spe 3, 2008 TRY 280,000
European Automotive Systems Limited (U.K.) Incorporated: Jun 30, 1988 1012[EAS] GBP 24,489,149
Takata Safety Systems Hungary Kft. (Hungary) Incorporated: Oct 11, 2013 2011 [TKHU] EUR 45,803,883
TAKATA Sachsen GmbH (Germany) Incorporated: Jul 13, 1995 1054 [TKSAC] EUR 25,566,010
TAKATA Sibiu S.R.L. (Romania) Incorporated: Aug 9, 2004 1068 [TKSB] EUR 9,000,800
TAKATA AG (Germany) Acquired: Jun 8, 2000 4500 [TKAG] EUR 206,442,587
TAKATA Ostalb Systems GmbH (Germany) Incorporated:Sep 26, 2012 1084 [TKOS] EUR 25,000
TAKATA Orșova S.R.L. (Romania) Incorporated: Apr 15, 2010 1086 [TKOR] RON 82,372
TAKATA Deta S.R.L. (Romania) Incorporated:Apr 15, 2010 1087 [TKDR] RON 82,372
TAKATA Jilbou S.R.L. (Romania) Incorporated:Jul 13, 2011 1092 [TKJR] RON 84,436
Dalphi Metal Espana S.A. Madrid, Spain
TAKATA Parts s.r.o. (Czech Rep.) Acquired: Jun 8, 2000 1057 [TKPS] EUR 1,485,580
TAKATA Parts Polska Sp. z o.o. (Poland) Acquired: Jun 8, 2000 1058 [TKPP] EUR 31,824,476
TAKATA Spólka z o.o (Poland) Acquired: Jun 8, 2000 1059 [TKSP] EUR 5,690,413
TAKATA Romania S.R.L. (Romania) Acquired : Jun 8, 2000 1060 [TKRO] EUR 32,824,827
TAKATA GmbH Inflator Systems (Germany) Acquired: Jun 8, 2000 1061 [TKIS] EUR 25,000
TAKATA South Africa (Pty.) Ltd. (South Africa) Acquired: Jun 8, 2000 1062 [TKSAF] ZAR 83,554,578
Dalphi Metal Seguridad S.A. Madrid, Spain
Dalphi Metal International S.A. Madrid, Spain
Dalphi Metal Portugal S.A. Vila Nova d.C., Portugal
TAKATA AMERICAS (U.S.A.) Incorporated: Mar 28, 2003 1014 [TKAM] USD 456,331,510
Takata Uruguay S.A. (Uruguay) Incorporated: Feb 14, 2011 1091 [TKU] USD 8,986,020
TK HOLDINGS INC. (U.S.A.) Incorporated: Nov 13, 1989 1019 [TKH] 802,202,796 USD
TAKATA BRASIL LTDA (Brazil) Acquired: Mar 28, 2003 1056 [TKBR] BRL 189,859,084
TK Finance LLC (U.S.A.) Incorporated: May 9, 2003 1015 [TKF] USD 10,802,566
Syntec Seating Solution LLC (U.S.A.) North Carolina Acquired: Jun 15, 2012 1084 [SSS] USD 7,850,000
TK China LLC (U.S.A.) Incorporated: May 9, 2003 1016 [TKC] USD 18,602,566
Highland Industries,Inc. (U.S.A.) Incorporated:Mar 8,1988 1026 [HII] USD 40,000,000
ALS Inc. (Japan) Acquired: Jun 13, 2000 1037 [ALS] JPY 25,000,000
TK Mexico Inc. (America) Incorporated: Aug 6, 2004 1075 [TKMI] USD 78,500,100
Takata Protection Systems, Inc. (U.S.A.) Acquired: Mar 6, 2012 1095 [TPS] USD 8,110,270
TK Mexico LLC (America) Incorporated: Aug 6, 2004 1076 [TKML] USD 238,251
TK HOLDINGS DE MEXICO S.DE R.L. DE C.V. (Mexico) Incorporated: Aug 2, 2004 1077 [TKHM] MXN 946,231,000
Interiors In Flight, Inc (U.S.A.) Acquired: Jul 24, 2013 1102 [IIF] USD 2,600,000
EQUIPO AUTOMOTORIZ AMERICANA S.A. DE C.V. (Mexico) Incorporated:Dec 17,1973 MXN 48,051,650
INDUSTRIAS IRVIN DE Mexico, S.A. DE C.V. (Mexico) Incorporated: Jan 23, 1989 1022 [IIM] MXN 10,492,500
FALCOMEX SA DE CV (Mexico) Incorporated: Jan 23, 1989 1024 [FALC] MXN 33,754,840
TAKATA DE MEXICO S.A. DE C.V. (Mexico) Incorporated: Jun 3,1994 1040 [TDM] MXN 99,934,900
STROSSHE-MEX S.DE R.L. DE C.V. (Mexico) Incorporated: Jul, 2004 1074 [SMK] MXN 3,000
Takata (Changxing) Safety Systems Co., Ltd. (China) Incorporated: Dec 1, 2005 1078 [TCX] 202,242,827 CNY
Takata Automotive Electronics Shanghai (China) Incorporated: May 22, 2008 1082 [TAES] CNY 34,850,799
Takata (Tianjin) Automotive Component Co.,Ltd. (China) Incorporated: April 30, 2012 1094 [TTAC] CNY 154,368,400
Takata (Jingzhou) Automotive Component Co.,Ltd. (China) Incorporated: Aug 13, 2013 1099 [TJAC] CNY 100,000,000
Takata (Shanghai) Automotive Component Co., Ltd. (China) Incorporated: Sep 12, 2003 1066 [TSAC] CNY 165,539,250
Takata (Shanghai) Vehicle Safety Systems Technical Center Co.,Ltd. (China) Incorporated: Nov 10, 2006 1093 [TSTC] CYN 15,000,000
RTA Holdings, Inc. (Philippines) Incorporated: Oct 29, 1997 1045 [RTAH] PHP 25,000,000
RTA Properties, Inc. (Philippines) Incorporated: Nov 18, 1997 1046 [RTAP] PHP 40,000,000
Takata (Philippines) Corporation (Philippines) Incorporated: Apr 11, 1997 1044 [TPC] USD 35,941,384
TAKATA ASIA Pte Ltd (Singapore) Incorporated: Apr 16, 1992 1041 [TKA] SGD 18,485,229
Takata CPI Singapore Pte., Ltd (Singapore) Incorporated: Mar 2, 1999 1043 [TKCPI] USD 8,200,059
Takata-TOA CO., Ltd. (Thailand) Incorporated: Jun 5, 1995 1047 [TTC] THB 200,000,000
Takata Korea Co., Ltd. (S.Korea) Incorporated: Dec 1, 2001 1049 [TKK] KRW 40,828,256,980
Takata Automotive Safety Systems (M) Sdn.Bhd. (Malaysia) Incorporated:Aug 9,2001 1050 [TSM] MYR 800,000
Takata India Private Limited (India) Incorporated: Jul 20, 2007 1081 [TKI] INR 2,744,000,000
PT.TAKATA AUTOMOTIVE SAFETY SYSTEMS INDONESIA (Indonesia) Incorporated: Nov 1, 2010 1090 [TASSI] IDR 63,836,000,000

Tab C

This is **Exhibit "C"** referred to in the
affidavit of **SCOTT E. CAUDILL**
sworn before me this
27th day of June, 2017

Lesley A. Morris

LESLEY A. MORRIS
MY COMMISSION
EXPIRES
JANUARY 5, 2019
NOTARY PUBLIC
STATE OF DELAWARE

TAKATA

Takata Corporation
Corporate Brochure 2016

Takata: A Company of Firsts

From our first steps in the 1950s to our latest strides on the global stage, we've been putting safety first as a pioneer in automotive safety systems.

Takata Corporation is one of the world's leading automotive safety systems companies, supplying nearly all the world's major automakers with a product range that includes seat belts, airbag systems, steering wheels, child seats, and electronic devices such as satellite sensors and electronic control units.

Takata began operations in 1933 as a textile company in Shiga Prefecture, Japan, and began to focus on businesses relating to automotive safety systems from the early 1950s.

Since bringing Japan's first seat belt to market in 1960, we have developed a strong track record of firsts—in Japan and worldwide. First with innovative products. First with sophisticated systems that take automotive safety to the next level.

Over the course of more than 80 years, we have grown both organically and through acquiring and successfully integrating businesses around the globe. Today, Takata has 57 plants in 21 countries* and is one of the most vertically integrated manufacturers in the global automotive safety industry, operating within a regional and global framework that encompasses the entire value chain.

Six decades of firsts

Since beginning research into seat belts in 1952, Takata has been driven by the pursuit of safety. Takata continues to evolve today, advancing with each groundbreaking achievement toward a safer future.

1960
Seat belt

First in Japan to commercialize two-point seat belts

1962
Crash test

First in Japan to conduct public seat belt crash tests

1977
Child restraint systems

First in Japan to commercialize child restraint systems

1980
Airbags

First in world to commercialize driver airbag modules (Petri AG, now Takata AG)

1996
Force limiter seat belts

First in Japan to commercialize force limiter seat belts

Takata continues to undertake advanced research into high-technology safety systems and products, and has received numerous awards for innovation and excellence in automotive safety. We are investing for growth in emerging and developed markets worldwide, building on our strong relationships with global and local automakers to provide consistently high quality, reliable supply, and close alignment with end-user needs.

Of course, to be a company of firsts you must first have a dream. Our dream is for a society with zero fatalities from traffic accidents, and our mission is to make this dream a reality.

**As of March 31, 2016*

2005

Twin bag systems

First in world to commercialize twin bag systems

2006

Motorcycle airbags

First in world to commercialize motorcycle airbags

2010

Airbelts

First in world to commercialize safety airbelts

2012

Front center airbags

First in world to commercialize front center airbags

2013

D-shape curtain airbags

First in world to commercialize D-shape curtain airbag

One World, One Takata

Takata is a global company with capital of ¥41,862 million and consolidated sales of ¥718,003 million*, operating 57 plants in 21 countries with 50,530 employees.

Japan

7
Plants

1
R&D facility

¥77,040 million
Net sales*

10.7%
of total sales*

Our global headquarters is located in Tokyo, and in Japan Takata has seven manufacturing plants and one R&D facility. In February 2013, we completed construction of the new No. 3 Evaluation Building at our Echigawa Plant in Shiga, and introduced a new servo sled that incorporates the latest advances in crash scenario simulation. The addition of this facility further enhances our global R&D network. We have approximately 1,300 employees in Japan.

The Americas

20
Plants

7
R&D facilities

¥319,603 million
Net sales*

44.5%
of total sales*

Takata's regional headquarters for the Americas is in Auburn Hills, Michigan. We have seven plants and five R&D facilities in the U.S., and nine plants and one R&D facility in Mexico. In South America, we have three plants and one R&D facility in Brazil, and in 2011 we established our first plant in Uruguay. We currently have approximately 32,000 employees in the Americas.

Europe and Africa

17
Plants

5
R&D facilities

¥170,638 million
Net sales*

23.8%
of total sales*

Takata's regional headquarters for Europe and Africa is located in Aschaffenburg, Germany, 40 km southeast of Frankfurt. We have 17 factories and five R&D facilities in the region. In 2013 we established a subsidiary company in Hungary and constructed a factory there in 2014. We have approximately 13,400 employees in the region.

Asia *(excluding Japan)*

13
Plants

4
R&D facilities

¥150,720 million
Net sales*

21.0%
of total sales*

In the Asia region we have 13 plants and four R&D centers in eight countries, including China, India, South Korea, Thailand and Indonesia. To strengthen our capabilities in the growing China market we established a factory in the city of Jingzhou (Hubei province) in 2015. We have approximately 3,700 employees in the region excluding Japan.

Fiscal year ended March 31, 2016

Message from the Chairman and CEO

As chairman and CEO of Takata Corporation, I would like to apologize for the concern caused to the driving public, our business partners and our shareholders by the extensive market recalls of vehicles fitted with Takata airbags.

We are working on many fronts to ensure the safety of the driving public and restore trust in our company's products. In partnership with our automaker customers, we are investigating and analyzing the cause of the problems. We are providing complete support for the market recalls, and we are cooperating fully and closely with the U.S. National Highway Traffic Safety Administration (NHTSA) and other regulators to resolve the issues and ensure the safety of our end-users.

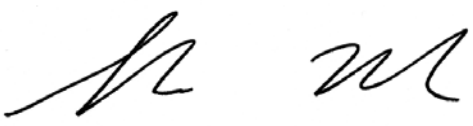
Product quality is our highest priority. Throughout our organization we have adopted a range of new measures and reforms to further increase our focus on product quality. Under the direction of our newly established Takata Quality Drive Division, we are engaging in measures to strengthen our approach to quality in all of our business processes, including development, design, procurement, manufacturing and logistics.

We have been engaging in initiatives throughout our organization, including establishing a manufacturing reform project to clarify and analyze every step of our production process, adopting new development and design methods, and providing additional programs to foster expertise among our personnel.

Alongside our product development for passive safety systems that act directly to protect human life in the event of an impact, we are developing pre-crash safety systems that help to minimize injuries, and active safety systems that, through the use of integrated front and rear camera sensors, warn drivers of potential dangers and help prevent accidents from occurring.

We also see opportunities to apply our experience in safety technology in other areas where human lives need to be protected, and are investigating the potential for further systems development in aircraft safety and other forms of transportation.

Safety is the foundation of our business, and we will continue to pursue the development and production of innovative, high-quality systems and products that advance the cause of transportation safety and help protect the traveling public.



Shigehisa Takada
Chairman and CEO

Total Safety Systems

Our product range encompasses the full spectrum of passive and active automotive safety technology, and the results of our advanced research and relentless attention to detail can be found throughout the anatomy of a car—helping to reduce the impact of traffic accidents on individuals and on society.

Seat belts

Since commercializing Japan's first seat belts in 1960, we have continued to improve the effectiveness and comfort of seat belts through innovation in areas such as textiles and weaving technology. Recently we modified our motorized seat belt to provide enhanced comfort and safety. In addition to automatically tightening to restrain vehicle occupants when pre-crash sensors detect risk of collision, the new comfort function reduces the pressure exerted by the seat belt during normal driving while holding vehicle occupants in position during sudden braking or sharp turns. In 2010 we became the first in the world to commercialize the Airbelt, a new type of seat belt that inflates like an airbag at the time of impact. We also recently developed new state-of-the-art inkjet printing technology which allows us to create seat belt webbing with patterns, words or logos in a variety of colors.

1. **Driver seat belts (Motorized seat belts)**
2. **Passenger seat belts (Motorized seat belts)**
3. **Rear seat belts (Airbelts)**

Airbag systems

Takata successfully commercialized the world's first driver airbags in 1980, which were supplied to Daimler Benz for its S-Class model. Since then we have continued to enhance our capabilities in the development, design and production of airbag systems and products, from airbag textiles to hazard detection control units and inflator technology, and today most of these operations are carried out in-house. In addition to driver and passenger airbags, side airbags, curtain airbags and knee airbags that protect the legs of front seat occupants, we have commercialized innovative new products such as the Front Center Airbag, which inflates between the left and right front seats and serves as an energy absorbing cushion between the driver and front seat passenger in both near and far side-impact crashes.

1. **Driver airbags**
2. **Passenger airbags (Twin bag systems)**
3. **Knee airbags**
4. **Side airbags**
5. **Curtain airbags (D-shape curtain airbags)**
6. **Pedestrian head protection airbags**
7. **Front center airbags**

Steering wheels

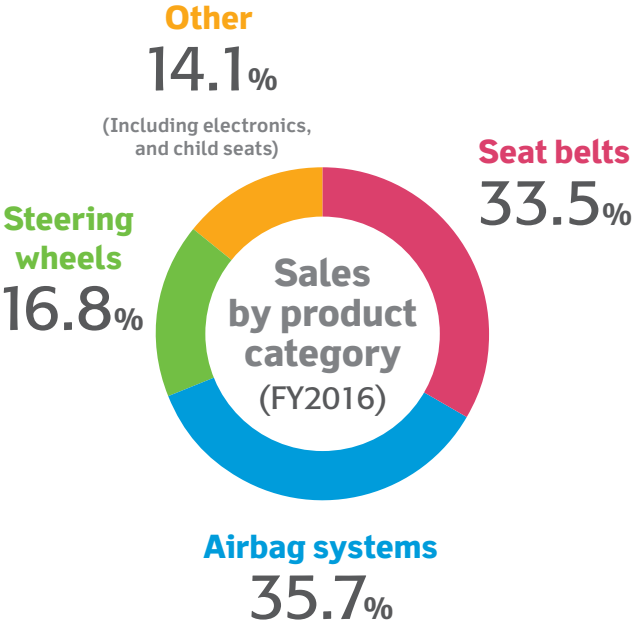
Steering wheels are an essential component of automotive safety systems, combining safety and other vehicle control functions in a package that must be both functional and stylish. Takata's fully integrated steering wheel development and production system encompasses a variety of needs, from die-cast magnesium inner frames to leather wrapping, switching systems and final assembly.

Ongoing innovations, such as Takata's Vacuum Folding Technology, have reduced the size of some driver airbags in Takata's product line-up, and introduced new features for safety and comfort. This is enabling interior designers to explore new opportunities to enhance the driving environment and differentiate their vehicles for the needs of each market and consumer segment.

Takata has recently introduced a vibration steering wheel, featuring a unit inside the spoke of the wheel that vibrates to notify the driver of potential dangers such as inadvertent lane departure, travelling too close to the car in front, over-acceleration, and falling asleep at the wheel. We are also currently developing an Active Front Steering system that improves the driver experience by allowing for movement of the vehicle's front tires to vary with respect to the movement of the steering wheel based on vehicle speed.

1. **Steering wheels**

Total Safety Systems *(cont.)*



Electronics

In vehicles of today, sophisticated electronics form part of nearly every automotive safety feature, and enable the integration of multiple passive and active safety functions to enhance total safety system effectiveness. In addition to the use of electronics in conventional safety systems such as airbags and seat belt pretensioners, active pre-crash safety systems have opened up new realms of possibilities in safety, with highly developed sensors being used to identify hazards and help prevent accidents from occurring. Recent technology under development includes Hands on Wheel sensing technology, and a Lightbar Steering Wheel, which provides a visual warning of potentially dangerous situations.

1. **Satellite sensors**
2. **Electronic control units (ECUs)**
3. **Occupant classification sensors**
4. **Vision sensors**

Child restraint systems

Since pioneering child restraint systems in Japan with the first domestic commercial child seat in 1977, Takata has continued to set the most exacting standards for in-vehicle child safety, with the firm belief that they are the equivalent of seat belts for children.

Since the late 1980s, Takata has embraced the ISOFIX standard, created by the International Standards Organization to assure that child restraint systems for automobiles are installed properly. In 2011, Takata launched the takata04-i fix, Japan's first ever ISOFIX child seat suitable for newborns through to toddlers which meets new EC standards.

ISOFIX is a system to prevent incorrect fitting of child seats, using a fitment method which differs from the traditional system of securing the child seat with the vehicle seat belt. Instead, it directly fixes the child seat in place using special connectors fitted to the vehicle.

1 **Child seats**

Other

Takata produces a wide range of interior parts for automobiles including seat covers, headrests, cargo shades, center and door armrests, sun visors and bolsters. Takata also produces specialty textile products, drawing on more than 80 years of experience in industrial fabrics. The diverse applications for Takata's textiles include products in the aerospace, automotive and marine industries.

More recently, Takata has expanded into non-automotive safety systems, most notably with the 2012 acquisition of a BAE Systems subsidiary that produces and sells seat belts for airplanes and helicopters, as well as other safety equipment for this market. Takata also acquired SynTec Seating Solutions LLC, the largest independent school bus seat manufacturer in the U.S., extending an existing partnership with Takata in lap/shoulder belts for school buses and creating opportunities for safety products in other areas.

1 **Interior trim**
2 **Pop-up hood devices**
○ **Aircraft safety business**
○ **Seat systems for buses**
○ **Full harness seat belts for motor sports**

A Pioneer's History: 1933 – 2015

Takata has always been a pioneer in meeting the needs of the times. Driven by our dedication to save human life, we have spread our pioneering spirit to all of our locations worldwide.

1933 Takata Company, a textile manufacturer was established by Takezo Takada in Shiga Prefecture, Japan

1952 Stimulated by American research on equipping cars with seat belts, Takata began its own research on using textile weaving technology to manufacture seat belts

1960 Began production and sales of Japan's first seat belts

1965 Began a series of tests using crash test dummies, which received nationwide media coverage

1973 Participated in U.S. National Highway Traffic Safety Administration (NHTSA) crash tests. Takata was the only company out of six to clear the 32.3 mph standard

1977 Began production of "Guardian®" child restraint systems

1980 Began production and sales of the world's first driver airbags (PETRI AG; now TAKATA AG)

1983 Changed trade name to Takata Corporation

1984 Established Takata Fisher Corporation, a joint venture in Michigan, U.S.A., to manufacture and sell seat belts

1988 Established European Components Company (ECC) in Northern Ireland as a production base for Europe. Began production and sales of seat belts in Europe

1989 Established TK HOLDINGS INC. in North Carolina, U.S.A.

Takata logo

The logo mark of Takata is as unique as our history. It is a shape that represents the safety concept specific to Takata. Visually, it represents the space that is normally invisible between the world and Takata, the space that divides yet joins us. The curve on the left is taken from the sphere of the world and the shape to its right from the T of Takata.

1997 Established Takata do Brasil Autopeças Ltda. (now TAKATA BRASIL S.A.) to serve the South American seat belt market

2000 Acquired PETRI AG, a major German steering wheel manufacturer, and established TAKATA-PETRI AG (now TAKATA AG)

2006 Began manufacturing of the world's first mass-produced motorcycle airbags

Listed in the First Section of the Tokyo Stock Exchange

2010 Developed the world's first airbelt for passenger vehicles; began fitting to mass-produced vehicles

Established TAKATA-PETRI MAROC SARL (now TAKATA Maroc S.A.R.L.) in Morroco, and TAKATA-PETRI Rus LLC (now TAKATA Rus LLC) in Russia

2012 Acquired BAE Systems subsidiaries BAE Systems Safety Product Inc. and Schroth Safety Products GmbH, to enter the aircraft safety arena and strengthen business in motor sport

Acquired SDI-Molan GmbH & Co. KG, and established TAKATA Ignition Systems GmbH

1999 Began production and sales of "MiLiB®" and "ISOFIX" child restraint systems

2002 Established Takata (Shanghai) Safety Systems Co., Ltd. (now Takata (Shanghai) Automotive Components Co., Ltd.) in China

2007 Established TAKATA INDIA PRIVATE LIMITED in India

2011 Established Takata Uruguay S.A. airbag manufacturing plant in Uruguay, South America, and PT. TAKATA AUTOMOTIVE SAFETY SYSTEMS INDONESIA in Indonesia

2013 Established Takata Safety Systems Hungary Kft.

Takata Around the World

Japan

Takata Corporation
Headquarters *TOKYO FRONT TERRACE 2-3-14 Higashishingawa, Shinagawa-ku, Tokyo, 140-0002 Japan* (S)
- *Hikone Plant, Shiga* (P)
- *Nagahama Plant, Shiga* (P)
- *Echigawa Plant, Shiga* (RD)(P)
- *Aisho Plant, Shiga* (P)
- *Nagoya Office, Aichi* (S)
- *Hiroshima Office, Hiroshima* (S)
- *Utsunomiya Office, Tochigi* (S)
- *Atsugi Office, Kanagawa* (S)

Takata Kyusyu Corporation
- *Taku Plant, Saga* (P)
- *Arita Plant, Saga* (P)

Takata Service Corporation *(Shiga)* (S)(P)

(S) *Sales*
(RD) *Research & Development*
(P) *Production*

The Americas

TK HOLDINGS INC. *(U.S.A.)*
Headquarters *2500 Takata Drive, Auburn Hills, Michigan, 48326 U.S.A.* (S)(RD)
- *Ohio Office* (S)
- *Pontiac Facility* (RD)
- *Armada Facility* (RD)
- *San Antonio Plant* (P)
- *Moses Lake Plant* (P)

Highland Industries, Inc. *(U.S.A.)*
- *Cheraw Plant* (RD)(P)
- *Kernersville Plant* (P)
- *Kernersville Facility* (S)

Interiors In Flight, Inc. *(U.S.A.)* (S)(P)

SynTec Seating Solutions LLC *(U.S.A.)* (S)(P)

Takata Protection Systems Inc. *(U.S.A.)* (P)

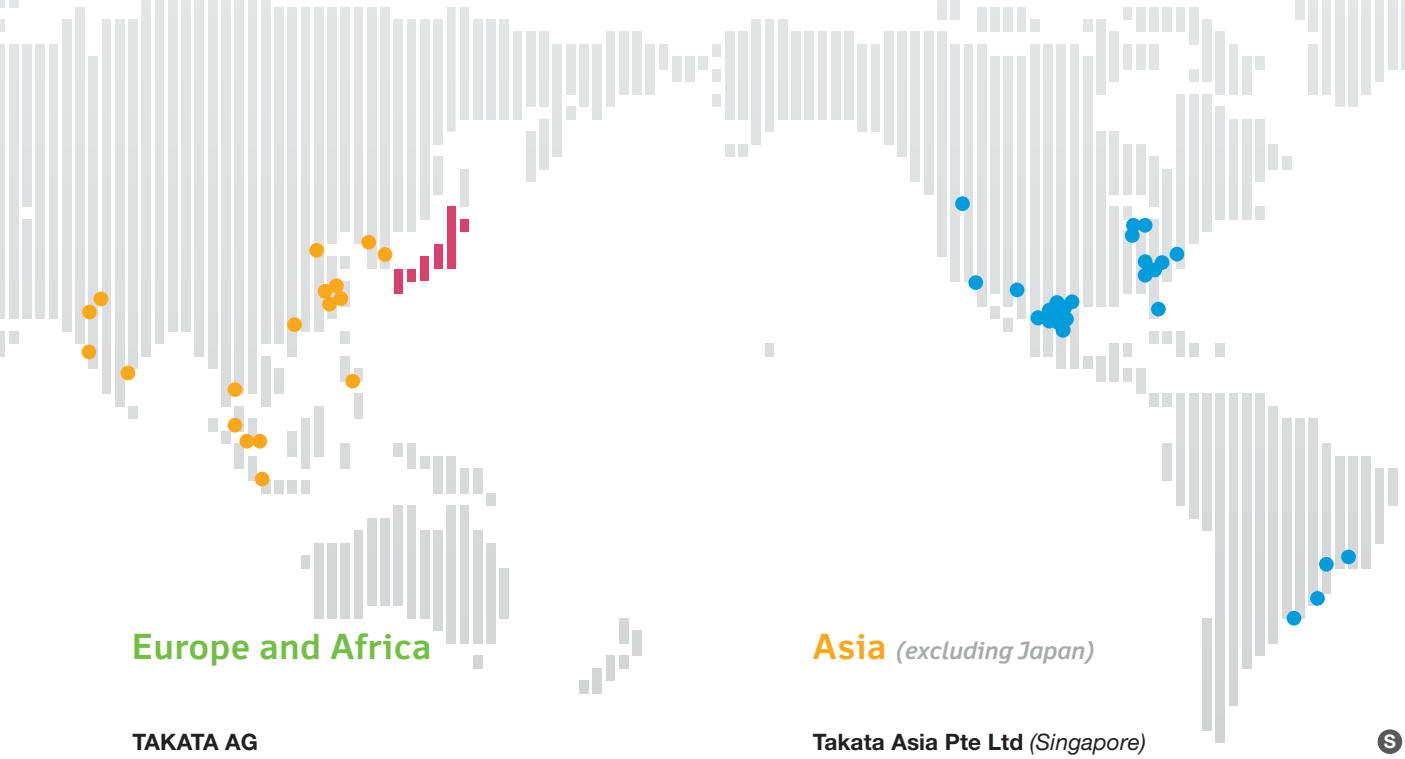
Equipo Automotriz Americana, S.A. de C.V. *(Mexico)*
- *Agua Prieta Plant* (P)
- *Monterrey Plant 1* (P)
- *Monterrey Plant 2* (P)
- *Monterrey Technical Center* (RD)

Industrias Irvin de Mexico, S.A. de C.V. *(Mexico)* (P)

Takata de Mexico, S.A. de C.V. *(Mexico)*
- *Monclova Plant* (P)
- *Torreon Plant* (P)

TAKATA BRASIL S.A. *(Brazil)*
- *Jundiai Plant* (S)(RD)(P)
- *Piçarras Plant* (P)
- *Mateus Leme Plant* (P)

Takata Uruguay S.A. *(Uruguay)* (P)



Europe and Africa

TAKATA AG
Headquarters *Bahnweg 1, 63743 Aschaffenburg, Germany* (S)(RD)(P)
(Germany)
- *Aschaffenburg-Nilkheim Plant* (P)
- *Berlin Facility* (RD)
- *Ulm Facility* (RD)

(France)
- *Paris Office* (S)

(Italy)
- *Torino Office* (S)

TAKATA Sachsen GmbH *(Germany)*
- *Elterlein Plant* (P)
- *Freiberg Plant* (P)
- *Döbeln Plant* (P)

TAKATA PlasTec GmbH *(Germany)* (S)(P)

SCHROTH Safety Products GmbH *(Germany)*
- *Headquarters* (S)(P)
- *Kaiserhaus Facility* (RD)

TAKATA Ignition Systems GmbH *(Germany)* (S)(P)

TAKATA Parts s.r.o. *(Czech Republic)*
- *Dolní Kalná Plant* (P)
- *Rtyne Plant* (P)

TAKATA Parts Polska Sp. z o.o. *(Poland)* (P)

Takata Safety Systems Hungary Kft. *(Hungary)* (P)

TAKATA Romania S.R.L. *(Romania)* (RD)(P)

TAKATA Sibiu S.R.L. *(Romania)* (P)

TAKATA Rus LLC *(Russia)* (S)(P)

TAKATA South Africa (Pty.) Ltd. *(South Africa)*
- *Durban Plant* (P)

TAKATA Maroc S.A.R.L. *(Morocco)* (S)(P)

Asia *(excluding Japan)*

Takata Asia Pte Ltd *(Singapore)* (S)

TAKATA CPI SINGAPORE PTE LTD *(Singapore)* (P)

Takata (Philippines) Corporation *(Phillippines)* (S)(P)

TAKATA-TOA CO., LTD. *(Thailand)* (S)(P)

Takata Automotive Safety Systems (M) Sdn. Bhd. *(Malaysia)* (S)(P)

TAKATA KOREA CO., LTD. *(Korea)*
- *Hwaseong Plant* (S)(RD)(P)
- *Busan Office* (S)

Takata (Shanghai) Automotive Component Co., Ltd. *(China)*
- *Shanghai Plant* (S)(P)
- *Guangzhou Office* (S)
- *Changchun Office* (S)

Takata (Tianjin) Automotive Component Co., Ltd. *(China)* (P)

Takata (Jingzhou) Automotive Component Co., Ltd. (P)

Takata (Shanghai) Vehicle Safety Systems Technical Center Co., Ltd. *(China)* (RD)

TAKATA (CHANGXING) SAFETY SYSTEMS CO., LTD. (China) (P)

Takata Automotive Electronics (Shanghai) Co., Ltd. *(China)* (S)(RD)(P)

TAKATA INDIA PRIVATE LIMITED *(India)* (P)
- *Neemrana Plant* (S)(RD)(P)
- *Chennai Plant* (S)
- *Pune Office*

PT. TAKATA AUTOMOTIVE SAFETY SYSTEMS INDONESIA *(Indonesia)* (S)(P)

**As of December 2016*

Japan

America

Brazil

Mexico

Uruguay

Czech Republic

France

Germany

Italy

Morocco

Poland

Hungary

Romania

Russia

South Africa

China

India

Indonesia

Korea

Malaysia

Philippines

Singapore

Thailand

www.takata.com

Tab D

This is **Exhibit "D"** referred to in the
affidavit of **SCOTT E. CAUDILL**
sworn before me this
27th day of June, 2017

Takata recalls in Canada

Transport Canada has not received any complaints from Canadians alleging abnormal deployment of airbags supplied by Takata and is not aware of any related incidents in Canada. Auto manufacturers have also confirmed that no abnormal deployments of airbags supplied by Takata have occurred in Canada.

In Canada, vehicle manufacturers are responsible for carrying out notice of defect (recall) campaigns, not parts suppliers, such as Takata. All vehicles currently affected by a recall or safety improvement campaign involving Takata airbag inflators are listed in Transport Canada's motor vehicle recalls database (http://wwwapps.tc.gc.ca/Saf-Sec-Sur/7/VRDB-BDRV/search-recherche/menu.aspx?lang=eng). Several auto manufacturers have announced expansions of recalls in Canada relating to Takata airbags in May 2015.

Transport Canada will take all necessary actions to protect the safety of Canadians and will continue to provide updates as new information becomes available.

⚠ Update, June 2016:

2001-2003 Honda and Acura owners who had their airbags recalled in 2008 and 2010 should ensure they have them replaced immediately. New U.S. research shows that Takata airbags on these vehicles may be at higher risk of failure. See recalls 2008414 (http://wwwapps.tc.gc.ca/Saf-Sec-Sur/7/VRDB-BDRV/search-recherche/detail.aspx?lang=eng&&rn=2008414) and 2010042 (http://wwwapps.tc.gc.ca/Saf-Sec-Sur/7/VRDB-BDRV/search-recherche/detail.aspx?lang=eng&&rn=2010042) in our recalls database to find out if you're affected.

Is your vehicle affected by a Takata recall?

Below is a list of all recalls regarding Takata airbags dating back to 2008. For information on individual recalls, click the recall number provided below. You can also contact your vehicle manufacturer (/eng/motorvehiclesafety/safevehicles-defectinvestigations-1415.html) or dealer. If you are impacted by a recall, please have your vehicle serviced at the earliest opportunity.

Filter items Showing 1 to 10 of 80 entries

Show 10 **entries**

Recall Number (Click for more information)	Recall Date	Manufacturer Name	Make / Model
2017261 (http://wwwapps.tc.gc.ca/Saf-Sec-Sur/7/VRDB-BDRV/search-recherche/detail.aspx?lang=eng&&rn=2017261)	2017-05-12	REV Recreation Group	FLEETWOOD RV ICON [2010]
2017186 (http://wwwapps.tc.gc.ca/Saf-Sec-Sur/7/VRDB-BDRV/search-recherche/detail.aspx?lang=eng&&rn=2017186)	2017-03-30	HONDA	HONDA ACCORD [2003]
2017131 (http://wwwapps.tc.gc.ca/Saf-Sec-Sur/7/VRDB-BDRV/search-recherche/detail.aspx?lang=eng&&rn=2017131)	2017-03-10	CHRYSLER	DODGE SPRINTER [2007, 2008, 2009]
2017054 (http://wwwapps.tc.gc.ca/Saf-Sec-Sur/7/VRDB-BDRV/search-recherche/detail.aspx?lang=eng&&rn=2017054)	2017-02-03	NISSAN	INFINITI QX4 [2002] NISSAN PATHFINDER [2002]

Recall Number (Click for more information)	Recall Date	Manufacturer Name	Make / Model
2017034 (http://wwwapps.tc.gc.ca/Saf-Sec-Sur/7/VRDB-BDRV/search-recherche/detail.aspx?lang=eng&&rn=2017034)	2017-01-20	BMW	BMW 3 SERIES [2001, 2002] BMW 5 SERIES [2001, 2002] BMW X5 [2001, 2002, 2003]
2017027 (http://wwwapps.tc.gc.ca/Saf-Sec-Sur/7/VRDB-BDRV/search-recherche/detail.aspx?lang=eng&&rn=2017027)	2017-01-13	TESLA	TESLA MODEL S [2012]
2017026 (http://wwwapps.tc.gc.ca/Saf-Sec-Sur/7/VRDB-BDRV/search-recherche/detail.aspx?lang=eng&&rn=2017026)	2017-01-13	VOLKSWAGEN	AUDI A4 [2006, 2007, 2008] AUDI A6 [2005, 2006, 2007, 2008] AUDI RS4 [2007, 2008] AUDI S4 [2006, 2007, 2008] AUDI S6 [2007, 2008]

Recall Number (Click for more information)	Recall Date	Manufacturer Name	Make / Model
2017024 (http://wwwapps.tc.gc.ca/Saf-Sec-Sur/7/VRDB-BDRV/search-recherche/detail.aspx?lang=eng&&rn=2017024)	2017-01-12	FORD	FORD EDGE [2007, 2008] FORD FUSION [2006, 2007, 2008] FORD GT [2006] FORD MUSTANG [2005, 2006, 2007, 2008] FORD RANGER [2007, 2008] LINCOLN MKX [2006, 2007, 2008] LINCOLN MKZ [2006, 2007, 2008] LINCOLN ZEPHYR [2006, 2007, 2008]
2017023 (http://wwwapps.tc.gc.ca/Saf-Sec-Sur/7/VRDB-BDRV/search-recherche/detail.aspx?lang=eng&&rn=2017023)	2017-01-12	NISSAN	INFINITI FX35 [2005, 2006, 2007, 2008] INFINITI FX45 [2005, 2006, 2007, 2008] INFINITI M35 [2006, 2007, 2008, 2009, 2010] INFINITI M45 [2006, 2007, 2008, 2009, 2010] NISSAN VERSA [2007, 2008]
2017021 (http://wwwapps.tc.gc.ca/Saf-Sec-Sur/7/VRDB-BDRV/search-recherche/detail.aspx?lang=eng&&rn=2017021)	2017-01-11	GENERAL MOTORS	SAAB 9-2X [2006]

1 2 3 4 5 … 8 Next ➔

Frequently asked questions

▼ 1. Why are Takata airbags being recalled?

The driver or passenger front airbag inflators of certain vehicles could produce too much pressure when the airbag opens. This may break the inflator and increase the risk of injury. Poorly inflated airbags don't provide maximum protection, and broken inflators may propel sharp fragments towards the driver or passengers.

This defect is more likely to occur if your vehicle has been exposed to sustained high humidity and temperatures for long periods of time. Since these conditions typically do not exist in Canada, Transport Canada considers the risk to Canadians to be low.

▼ 2. How many incidents or complaints regarding Takata airbags have there been in Canada?

Transport Canada has not received any complaints from Canadians or manufacturers alleging abnormal deployment of Takata airbags and is not aware of any incidents in Canada.

If you believe a safety-related defect may be affecting your vehicle, call us at 1-800-333-0510 or use our online public complaint form (https://wwwapps.tc.gc.ca/Saf-Sec-Sur/7/PCDB-BDPP/fc-cp.aspx?lang=eng).

▼ 3. How do I find out if my vehicle is affected by a Takata recall?

Visit Transport Canada's motor vehicle safety recalls database: www.tc.gc.ca/recalls (http://www.tc.gc.ca/recalls). You can also find a list of all affected vehicles at: http://www.tc.gc.ca/eng/motorvehiclesafety/safevehicles-defectinvestigations-1433.html (/eng/motorvehiclesafety/safevehicles-defectinvestigations-1433.html).

Visit your auto manufacturer's (/eng/motorvehiclesafety/safevehicles-defectinvestigations-1412.html) website to see if you can check the recall status of your vehicle using its 17-digit vehicle identification number (VIN).

You can also contact your vehicle manufacturer (/eng/motorvehiclesafety/safevehicles-defectinvestigations-1415.html) or dealer for more information.

▼ 4. Will the dealer replace my airbag free of charge?

Yes, dealers will replace airbag and/or airbag inflator free of charge. If a recall affects you, please bring your vehicle to your dealer for service.

▼ 5. My vehicle has been recalled. Should I have it repaired?

Yes. Vehicle owners are responsible not only for their own safety, but for the safety of anyone who drives or rides in their vehicle, including future owners.

If a recall affects your vehicle, have it repaired as soon as possible.

▼ 6. When will the replacement parts arrive?

Due to the large number of vehicles affected worldwide and the fact that each inflator is specific to each model and manufacturer, it could take some time before replacement parts are received.

Your dealer will send you a letter as soon as replacement parts are available.

▼ 7. In the mean time, is it safe to drive my vehicle?

We believe the risk to Canadians is low since the defect is linked to long exposure to high humidity and temperatures.

Some dealers are offering loaner vehicles until they can replace inflators. Please contact your dealer for more information.

▼ 8. How many vehicles in Canada are affected?

To date, over 4.3 million Takata airbag inflators have been subject to a recall in Canada. Several driver and passenger frontal airbags are affected.

As some vehicles may require the replacement of both the driver and passenger airbag, the figure mentioned above is not the number of vehicles involved, but the number of airbags recalled.

▼ 9. How is this new recall different from the special service campaign announced by some vehicle manufacturers in late 2014?

Generally, a special service campaign is a voluntary action taken by a vehicle manufacturer to address issues that are not likely to affect safety. A recall is used for issues that are likely to affect safety.

In late 2014, several manufacturers announced recalls for Takata airbags in vehicles originally sold or registered in southern U.S. states. Following these targeted recalls, several manufacturers announced special service campaigns for areas outside the target area (including Canada) because they did not believe the airbags in non-recalled vehicles were likely to affect safety. However, further study shows that a risk may exist for vehicles outside of the target area, so manufacturers issued formal recalls.

Under these new recalls, dealers will replace Takata airbags and/or inflators free of charge.

▼ 10. What is Transport Canada doing about the situation here in Canada?

Transport Canada is working closely with vehicle manufacturers to monitor Takata recalls in Canada. Last year, Transport Canada asked manufacturers to provide information on any cases of abnormal deployment in Canada. All manufacturers complied fully with the request and indicated that no complaints or incidents had been reported.

Transport Canada has been in regular contact with the U.S. National Highway Traffic Safety Administration and vehicle manufacturers to ensure Canadians have the latest information on vehicles affected by Takata recalls.

In Budget 2015, the Government of Canada committed to further strengthening the recall system by giving the Minister new powers to order recalls and fine manufacturers.

▼ 11. How are vehicles recalled in Canada?

Under the *Motor Vehicle Safety Act*, companies must issue a notice of safety defect (recall) when they becomes aware of a defect in the design, construction or functioning of a vehicle that affects or is likely to affect safety.

Manufacturers are responsible for identifying how to fix the defect. Transport Canada assesses the proposed solution, which can involve evaluating, analyzing, or testing it.

The manufacturer must provide the notice of safety defect to the Minister of Transport, to everyone who purchased the vehicle or equipment, and to the current owner of the vehicle or equipment. It must describe the defect, the safety risk, and how to fix it. The manufacturer must provide a follow-up report to the Minister within 60 days and then every four months for up to two years.

Transport Canada notifies provincial authorities of recalls, gathers all information necessary to inform Canadians, and publishes the recall information in its database (http://wwwapps.tc.gc.ca/saf-sec-sur/7/vrdb-bdrv/search-recherche/menu.aspx?lang=eng).

To learn about defect investigations and recalls, visit: http://www.tc.gc.ca/eng/motorvehiclesafety/safevehicles-defectinvestigations-information-index-80.htm (/eng/motorvehiclesafety/safevehicles-defectinvestigations-information-index-80.htm).

▼ 12. Are some Takata airbags more dangerous than others?

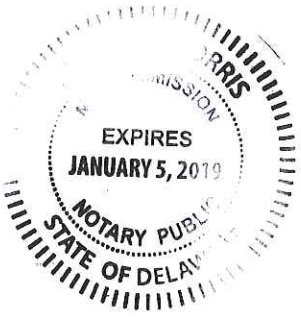
New U.S. research shows that certain Takata airbags recalled back in 2008 and 2010 may be at higher risk of failure. This applies to Honda and Acura vehicles made between 2001 to 2003. See recalls 2008414 (http://wwwapps.tc.gc.ca/Saf-Sec-Sur/7/VRDB-BDRV/search-recherche/detail.aspx?lang=eng&&rn=2008414) and 2010042 (http://wwwapps.tc.gc.ca/Saf-Sec-Sur/7/VRDB-BDRV/search-recherche/detail.aspx?lang=eng&&rn=2010042) in our recalls database.

Date modified:

2017-05-24

Tab E

This is **Exhibit "E"** referred to in the
affidavit of **SCOTT E. CAUDILL**
sworn before me this
27th day of June, 2017



Summary of Canadian Class Actions

Case Name	Date Filed	Plaintiffs(s)	Jurisdiction	Takata Entities	OEMs	Amount Claimed	Class Counsel
Continuing Actions							
Des-Rosiers et al. v. Takata Corporation et al., CV-16-543767-00CP	Nov. 7, 2014	• Rick Des-Rosiers • Stephen Kominar	Ontario	• TKH TKJ	• Honda	$650 million	Sutts, Strosberg LLP and McKenzie Lake LLP
McIntosh v. Takata Corporation et al., CV-16-543833-00CP	Nov. 7, 2014	• John McIntosh	Ontario	• TKH TKJ	• Toyota	$650 million	Sutts, Strosberg LLP and McKenzie Lake LLP
Coles v. Takata Corporation et al., CV-16-543764-0CP	May 21, 2015	• Gary Coles	Ontario	• TKH TKJ	• Fiat Chrysler	$650 million	Sutts, Strosberg LLP and McKenzie Lake LLP
Mailloux v. Takata Corporation et al., CV-16-543763-00CP	Apr. 10, 2015	• Jeff Mailloux	Ontario	• TKH TKJ	• Nissan	$650 million	Sutts, Strosberg LLP and McKenzie Lake LLP
D'Haene et al. v. Takata Corporation et al., CV-16-543766-00CP	Apr. 10, 2015	• Donald D'Haene • Keith Sanford • Mary Salmon • Beverley Cyr • Arlene Stevenson	Ontario	• TKH TKJ	• BMW • Ford • GM • Mazda • Subaru (Fuji)	$650 million	Sutts, Strosberg LLP and McKenzie Lake LLP

Case Name	Date Filed	Plaintiffs(s)	Jurisdiction	Takata Entities	OEMs	Amount Claimed	Class Counsel
		• Nidhi Prashar • Mira Melien • Josee Gaulin			• Mitsubishi • Mercedes-Benz • Volkswagen		
Abeyance Actions							
Rai v. Takata Corporation et al., S-148694	Nov. 12, 2014	• Reena Rai	British Columbia	• TKH • TKJ • Highland	• Honda	Not specified	Garcha & Company
Loewenthal v. Takata Corporation et al., S-149072	Nov. 25, 2014	• Colin Loewenthal	British Columbia	• TKH • TKJ • Highland	• BMW	Not specified	Garcha & Company
Covill v. Takata Corporation et al., QBG 2561/2014	Dec. 5, 2014	• Liesa Covill	Sask.	• TKH • TKJ • Highland	• None	Not specified	Merchant Law Group
Hall v. Takata Corporation et al., QBG 1284/2015	Jun. 1, 2015	• Dale Hall	Sask.	• TKH • TKJ • Highland	• Honda • Toyota • Subaru (Fuji) • BMW • Nissan • Mazda • Ford • GM • Fiat	Not specified	Merchant Law Group

Case Name	Date Filed	Plaintiffs(s)	Jurisdiction	Takata Entities	OEMs	Amount Claimed	Class Counsel
					Chrysler		
Vitoratos et al. v. Takata Corporation et al., 500-06-000723-144	Dec. 5, 2014	• Eleni Vitoratos • Andrea Frey	Quebec	• TKH • TKJ • Highland	• Honda • Toyota • Subaru (Fuji) • BMW • Nissan • Mazda • Ford • GM • Fiat Chrysler • Mitsubishi	Amount to be determined by the court	Consumer Law Group
Dismissed Actions							
Pham v. Takata Corporation et al., CV-14-41719-00CP	Dec. 1, 2014	• John Pham	Ontario	• TKH • TKJ • Highland	None	$1.1 billion	Merchant Law Group
Khalid v. Takata Corporation et al., CV-15-529679-00CP	Jun. 5, 2014	• Bilal Khalid	Ontario	• TKH • TKJ • Highland	• Honda • Toyota • Nissan • BMW • Ford • GM • Mazda • Subaru (Fuji)	$4.9 billion	Merchant Law Group

Case Name	Date Filed	Plaintiffs(s)	Jurisdiction	Takata Entities	OEMs	Amount Claimed	Class Counsel
					• Fiat Chrysler • Mitsubishi		
Hayvren v. Takata Corporation et al., CV-15-63216-00CP	Jan. 29, 2015	• Michael Hayvren	Ontario	• TKH • TKJ • Highland	• Honda • Toyota • Subaru (Fuji) • BMW • Nissan • Mazda • Ford • GM • Fiat Chrysler • Mitsubishi	Not specified	Consumer Law Group
Alafogiannis v. Takata Corporation et al., CV-15-530703-00CP	Jun. 18, 2015	• Nikolaos Alafogiannis	Ontario	• TKH • TKJ • Highland • Automotive Systems Laboratory Inc. • Inflation Systems Inc.	• Honda • BMW • Nissan • Toyota • Subaru (Fuji) • Mazda • Ford • GM • Fiat Chrysler • Mitsubishi	$1 billion	Rochon Genova LLP

Tab F

This is **Exhibit "F"** referred to in the
affidavit of **SCOTT E. CAUDILL**
sworn before me this
27th day of June, 2017

Court File No.: CV-16-543833-00CP

ONTARIO
SUPERIOR COURT OF JUSTICE

B E T W E E N:

JOHN M. MCINTOSH

Plaintiff

- and -

TAKATA CORPORATION, TK HOLDINGS INC., TOYOTA MOTOR CORPORATION, TOYOTA MOTOR MANUFACTURING CANADA INC., and TOYOTA MOTOR MANUFACTURING, INDIANA, INC.

Defendants

Proceeding under the *Class Proceedings Act, 1992*

AMENDED THIS July 6, 2018 PURSUANT TO / MODIFIÉ CE CONFORMÉMENT À
☑ RULE/LA RÈGLE 26.02 (d)
☐ THE ORDER OF / L'ORDONNANCE DU
DATED / FAIT LE
REGISTRAR / GREFFIER
SUPERIOR COURT OF JUSTICE / COUR SUPÉRIEURE DE JUSTICE

SECOND AMENDED FRESH AS AMENDED STATEMENT OF CLAIM

Notice of Action issued on November 7, 2014

DEFINED TERMS

1. In this Amended Statement of Claim, in addition to the terms that are defined elsewhere herein:

(a) "**Airbag Inflator**" means a chamber that generates gas to inflate and deploy an airbag in order to protect a vehicle occupant;

(b) "**Automotive Systems**" means Automotive Systems Laboratory Inc., a corporation under the laws of Delaware;

(c) ~~(b)~~ "**Body Control Module**" means an electronic control unit responsible for monitoring and controlling various electronic accessories in the vehicle's body, and which communicates with other onboard computers;

(d) ~~(c)~~ "***CJA***" means the Ontario *Courts of Justice Act*, RSO 1990, c.C-43, as amended;

(e) ~~(d)~~ "**Class**" or "**Class Members**" means all persons in Canada who owned or leased one of the subject **Vehicles** as of the date of the **Recalls**;

(f) ~~(e)~~ "***CPA***" means the *Class Proceedings Act, 1992,* SO 1992, c.6, as amended;

(g) ~~(f)~~ "**Defendants**" means **Takata**, **TK**, **Toyota Motor**, **Toyota Canada** and **Toyota Indiana**;

(h) ~~(g)~~ "**Excluded Persons**" means the **Defendants** and their officers, directors and their respective heirs, successors and assigns;

(i) ~~(h)~~ "**McIntosh**" means John M. McIntosh;

(j) ~~(i)~~ "***Motor Vehicle Safety Act***" means the *Motor Vehicle Safety Act,* SC 1993, c.16, as amended;

(k) ~~(j)~~ "**NHTSA**" means the U.S. National Highway Traffic Safety Administration;

(l) ~~(k)~~ "**Plaintiff**" means **McIntosh**;

(m) ~~(l)~~ "**Recalls**" means Transport Canada Recall #2013113 issued on April 11, 2013, Transport Canada Recall #2014224 issued on June 12, 2014, Transport Canada Recall #2015197 issued on May 13, 2015, Transport Canada Recall #2015198 issued on May 13. 2015, Transport Canada Recall #2015269 issued on June 17, 2015, and Transport Canada Recall #2016103 issued on March 2, 2016;

(n) ~~(m)~~ "**Takata**" means Takata Corporation, a corporation under the laws of Japan;

(o) ~~(n)~~ "**Takata Defendants**" means collectively, **Takata** and **TK**;

(p) ~~(o)~~ "**TK**" means TK Holdings Inc.;

(q) ~~(p)~~ "**Toyota Canada**" means Toyota Motor Manufacturing Canada Inc.;

(r) ~~(q)~~ "**Toyota Defendants**" means collectively **Toyota Canada**, **Toyota Indiana**, and **Toyota Motor**;

(s) ~~(r)~~ "**Toyota Indiana**" means Toyota Motor Manufacturing, Indiana, Inc., a corporation organized and existing under the laws of the State of Indiana;

(t) ~~(s)~~ "**Toyota Motor**" means Toyota Motor Corporation, a corporation organized and existing under the laws of Japan; and

(u) ~~(t)~~ "**Vehicles**" means those vehicles subject to Transport Canada Recall #2013113, Transport Canada Recall #2014224, Transport Canada Recall #2015197, Transport Canada Recall #2015198, Transport Canada Recall #2015269 and Transport Canada Recall #2016103, as described in paragraph 3.

2. The Plaintiff, on his own behalf and on behalf of all Class Members, seeks:

(a) an order certifying this action as a class proceeding and appointing him as the representative plaintiff;

(b) general damages and special damages in the amount of $500,000,000;

(c) punitive and/or exemplary damages the amount of $150,000,000;

(d) a reference to decide any issues not decided at the trial of the common issues;

(e) prejudgment interest compounded and post-judgment interest pursuant to the *CJA*;

(f) the costs of this action pursuant to the *CPA*, alternatively, on a substantial indemnity basis, plus the cost of administration and notice pursuant to s.26(9) of the *CPA* plus applicable taxes; and

(g) such further and other relief to this Honourable Court seems just.

NATURE OF THIS ACTION

3. This class action concerns the life threatening, negligent and dangerous design, manufacture and installation of defective Airbag Inflators in the Vehicles subject to Transport Canada Recalls #2013113, #2014224, #2015197, #2015198, #2015269 and #2016103, and in Toyota's June 28, 2016 press release as specified below:

MAKE	MODEL	MODEL YEARS: INCLUSIVE
LEXUS	SC-430	2002-2010
TOYOTA	COROLLA	2003-2008
	MATRIX	2003-2008
	PRIUS	2010-2012
	PRIUS PLUG-IN HYBRID	2010, 2012
	SEQUOIA	2002-2007
	TUNDRA	2003-2006
	RAV4	2004-2005

4. More than 14 million vehicles worldwide, containing Takata-made Airbags, have been recalled. At least ~~eight~~ten deaths and ~~dozens of~~more than a hundred injuries have been linked to ~~injuries caused by~~the over-explosive Airbag Inflator propellant causing metal components within the device to break and project through the airbag cushion material at vehicle occupants.

~~5. Takata's CEO said: "[T]he moisture absorption control of the gas generating agent in some driver seat airbags had not been correctly implemented at the time of~~

~~manufacture, as a result of which an inflator canister may rupture when the airbag deploys. ... We deeply regret that the problem in our airbags have caused problems."~~

THE PLAINTIFF

5. ~~6.~~ McIntosh is a 74 year-old retired University of Windsor chemistry professor residing in the City of Windsor, in the Province of Ontario. On March 4, 2002 he purchased a 2003 Toyota Corolla. He currently owns this Vehicle.

PARTICULARS OF THE CLASS

6. ~~7.~~ The Class is comprised of all persons in Canada who, owned or leased one of the Vehicles subject to the Recalls. The Members of the Class are known to ~~the~~ Toyota Canada.

7. As further detailed below, Toyota Canada will report new recalls to Transport Canada about the Airbag Inflators in its Vehicles until at least December 2019. Every Vehicle manufactured with Airbag Inflators containing ammonium nitrate propellant without ~~dessicant~~ desiccant will be recalled. The Plaintiff intends to eventually amend this statement of claim and/or common issues to plead every recall on this basis.

THE DEFENDANTS AND THEIR RELATIONSHIP

8. Takata is a corporation organized and existing under the laws of Japan. Takata describes itself as a vertically-integrated company involved in automotive safety

systems. Takata was responsible for the engineering, design, development, research and manufacture of the Airbag Inflator. By order dated June 7, 2016, Mr. Justice Perell ordered this action stayed only against Takata.

9. TK is a corporation organized and existing under the laws of the State of Delaware. It was also responsible for the engineering, design, development, research and manufacture of the Airbag Inflator. TK is and was at all material times a wholly-owned subsidiary of Takata.

10. Toyota Motor is a corporation organized and existing under the laws of Japan. Toyota Motor describes itself as a company involved in the automobile, finance, housing, and information and communication businesses. Its automobile division is engaged in the design, manufacture and sale of car products, including sedans, minivans, 2BOX cars, sport-utility vehicles, trucks and related parts and accessories. Toyota Motor was responsible for the engineering, design, development, research and manufacture of the Vehicles.

11. Toyota Canada is a federally incorporated Canadian company with its head office in Cambridge, Ontario. It was also involved in the engineering, design, development, research and manufacture of the Vehicles. Toyota Canada is and was at all material times a wholly-owned subsidiary of Toyota Motor.

12. Toyota Indiana is a corporation organized and existing under the laws of the State of Indiana. It was also involved in the engineering, design, development, research

and manufacture of the Vehicles. Toyota Indiana is and was at all material times a wholly-owned subsidiary of Toyota Motor.

THE DANGEROUS DEFECT IN THE AIRBAG INFLATOR

13. Airbags consist of three main component parts: (i) the Airbag Inflator, (ii) the airbag cushion material, and (iii) the airbag module that holds both the Inflator and cushion material in the steering wheel, dashboard, or elsewhere in the vehicle.

14. When the airbag is triggered to deploy, a chemical propellant, housed within the metal Airbag Inflator in the form of a solid wafer, is ignited. The heat from the ignition causes the propellant wafer to undergo a chemical reaction, which produces a gas. The inflator has a number of holes that allows the gas to exit and fill the Airbag. The holes initially are sealed, often with a thin layer of aluminum, and the force of the gas breaks the seal after the propellant is ignited, allowing for a properly timed inflation of the Airbag. Upon inflation, the Airbag is drawn out of the steering while or dashboard. When the vehicle occupant makes contact with the Airbag, the gas is dispersed through vents located along the sides and back of the bag causing it to deflate. This whole process happens within milliseconds of a crash.

15. The filled airbag's purpose is to cushion the Vehicle's occupants during a crash and provide protection to their bodies when they strike interior vehicle components such as the steering wheel or a window.

16. An Airbag Inflator rupture occurs when there is too much pressure from the gas within the Airbag Inflator. This happens when the propellant density is too low, which causes it to burn faster and produce gas too quickly after it is ignited or when the propellant wafers crumble or break. Instead of only exiting through the inflator's designed holes, the excessive pressure of the gas ruptures the inflator's metal housing. This metal can then puncture the airbag cushion, can break into fragments, and can come into contact with vehicle occupants.

17. ~~In or about 1999, Takata and TK researchers in Michigan were pressured by Takata executives to develop a more cost-effective propellant for use in its Airbag Inflators. The Takata researchers proposed a propellant based on ammonium nitrate.~~On May 4, 2016, NHTSA released the expert report of Harold R. Blomquist Ph.D. Dr. Blomquist was retained by NHTSA to identify the primary factors contributing to the root cause of the rupturing Airbag Inflators.

18. Dr. Blomquist concluded that there are two groups of Airbag Inflators that are defective. One group was not manufactured as designed and intended and the manufacturing errors cause degradation of the ammonium nitrate propellant. A second group of Airbag Inflators was manufactured as intended but suffers from a design defect whereby the Airbag Inflators rupture due to a combination of time, environmental moisture and high temperature fluctuations that contribute to the degradation of the ammonium nitrate propellant in the Airbag Inflators.

19. The two groups of Airbag Inflators present their defects in the same way. In the event of an Airbag Inflator deployment, the degradation of ammonium nitrate can

cause the propellant to burn too quickly, which creates too much pressure and can rupture the inflator module and send dangerous shrapnel through the airbag, potentially injuring or killing Vehicle occupants.

20. Dr. Blomquist also concluded about the ammonium nitrate propellant used in the Airbag Inflators:

> experts have found [it] to degrade over time, sometimes causing excessive pressure to be generated during deployment, and potentially causing the steel inflator housing to rupture, propelling steel fragments outward. These metal fragments present vehicle occupants with the potential for injury or death.

21. As a result of the release of Dr. Blomquist's report, on May 4, 2016, NHTSA also announced that:

> the agency is expanding and accelerating the recall of Takata air bag inflators. These expansions are planned to take place in phases between May 2016 and December 2019. The expansions mean that all Takata ammonium nitrate-based propellant driver and passenger frontal air bag inflators without a chemical drying agent, also known as a desiccant, will be recalled.

Usually, Transport Canada follows NHTSA's lead.

22. In 1991, the Takata Defendants or TK established Automotive Systems located in Michigan as its principal research and development center in the USA. Automotive Systems was merged with TK as at October 1, 2006.

23. As early as 1995, before the Takata Defendants or TK made the decision to adopt ammonium nitrate propellant for their Airbag Inflators, they knew that the propellant

was inherently unsafe and cheaper than tetrazole or guanidine nitrate used by its competitors.

24. On February 16, 1995, Automotive Systems filed US patent no. 5,872,329. In this document, Automotive Systems described ammonium nitrate propellants as "problematic" and disclosed that:

> gas generant compositions using ammonium nitrate are ***thermally unstable*** propellants .... Known ammonium nitrate compositions are also hampered by poor ignitibility, delayed burn rates, and significant performance viability. [***emphasis in original***].

25. On June 6, 1995, Automotive Systems filed US patent no. 5,561,941. In this document, Automotive Systems disclosed that ammonium nitrate propellant is vulnerable to temperature changes and that its casing "might even blow up":

> One of the major problems with the use of AN [ammonium nitrate] is that it undergoes several crystalline phase changes. One of these phase changes occurs at approximately 32° C. and is accompanied by a large change in volume. If a gas generant containing a significant amount of AN is thermally cycled above and below this temperature, the AN crystals expand and contract and change shape resulting in growth and cracking in the gas generant. This is totally unacceptable in a gas generant used in air bag inflators because the burning characteristics would be altered such that the inflator would not ***operate properly or might even blow up because of the excess pressure generated.*** [***emphasis in original***]

26. In or about 1999, Takata and/or TK researchers in Michigan were pressured by Takata and/or TK executives to develop a more cost-effective propellant for use in its Airbag Inflators. The Takata and/or TK researchers, despite knowing the ammonium nitrate propellant was "problematic", "thermally unstable" and "might blow up", proposed a propellant based on ammonium nitrate.

27. ~~18.~~ The Takata and/or TK engineering team in the Moses Lake, Washington plant responsible for assembling the propellant wafers into the Airbag Inflators raised objections to using a propellant based on ammonium nitrate because they understood it to be a "risky compound".

28. ~~19.~~ The former senior engineer at the propellant plant in Moses Lake, Washington, Mr. Mark Lillie, advised Takata and/or TK executives that explosives manuals warned that the compound "tended to disintegrate on storage under widely varying temperature conditions" with "irregular ballistic" consequences.

29. ~~20.~~ In or about 2000, Takata and/or TK adopted ammonium nitrate as its propellant base due to its low cost, among other things, so as to remain competitive in the Airbag Inflator market.

30. ~~21.~~ Since 2000, other Airbag Inflator manufacturers in North America have refused to adopt ammonium nitrate based propellants due to safety concerns.

31. ~~22.~~ In an interview on November 19, 2014 with the New York Times, Mr. Lillie described Takata and/or TK' s adoption of the ammonium nitrate based propellant in its Airbag Inflators: "It's a basic design flaw that predisposes this propellant to break apart, and therefore risk catastrophic failure in an inflator [sic]."

32. ~~23.~~ Takata and TK provided the Airbag Inflators to all of the recalled Vehicles as further described below.

THE AIRBAG INFLATOR DEFECT CAUSED BY MANUFACTURING ERROR

33. ~~24.~~ In or about 2000, Takata and/or TK developed internal guidelines and specifications for the manufacturing of the new Airbag Inflators with ammonium nitrate propellant. Specifically, the ammonium nitrate propellant was to be stored in sealed containers to protect it from humidity prior to being pressed into propellant wafers. Each individual propellant wafer and propellant wafer stack was to be pressed at a specific force to ensure combustion within the Airbag Inflator was controlled. Each Airbag Inflator was to contain a stack of seven propellant wafers.

34. ~~25.~~ Between 2000 and 2002, when Takata and/or TK manufactured the Airbag Inflators at its factories in La Grange, Georgia and in Monclova, Mexico, they did not handle or produce the ammonium nitrate wafers in accordance with their own guidelines and specifications. The La Grange, Georgia and Monclova, Mexico factories were owned and/or operated by TK.

35. ~~26.~~ Production of the Airbag Inflators at the Moses Lake, Washington factory commenced on April 13, 2000. Between April 13, 2000 and September 11, 2002, this factory produced propellant wafers with an inadequate compaction force. Although the Moses Lake factory had an "auto-reject" function that could detect and reject propellant wafers with inadequate compression by monitoring the compression load that had been applied, this function was turned off manually by the machine operator in this plant. Takata and/or TK thus shipped Airbag Inflators for assembly into the Vehicles which were pressed with insufficient force. The Moses Lake, Washington factory was owned and/or operated by TK.

36. ~~27.~~ Production of the Airbag Inflators at the Monclova, Mexico factory commenced on October 4, 2001. Between October 4, 2001 and October 31, 2002, the employees at this factory produced propellant wafers that were exposed to dangerous levels of humidity. Although ~~Takata and~~ TK had internal specifications on the handling of the ammonium nitrate containers, the ammonium nitrate was left sitting in unsealed containers and exposed to moisture from the factory floor. These propellant wafers absorbed moisture beyond the allowable limits.

37. ~~28.~~ At that time, Takata and TK knew that its Monclova, Mexico factory was manufacturing Airbag Inflators with a defect rate that was "six to eight times above acceptable limits, or roughly 60 to 80 defective parts for every one million Airbag Inflators shipped. Defective Airbag Inflators were shipped to the Toyota from the Monclova, Mexico factory for assembly into the Vehicles.

38. ~~29.~~ Takata and TK's propellant wafer lot production history records and its Airbag Inflator production records do not permit ~~it the identification of whether all or some, or which, of the Airbag Inflators were manufactured with the previously described defects. Throughout this statement of claim, these Airbag Inflators are referred to as "Defective Airbag Inflators"~~them to identify the Vehicles that were equipped Airbag Inflators that were defective because of manufacturing error.

39. ~~30.~~ The Defendants knew that each Vehicle was equipped with with an Airbag Inflator that was made with ammonium nitrate. The Defendants do not know which of the Vehicles were assembled with Airbag Inflators ~~manufactured at these factories during the~~

~~time periods previously described are defective, and which are not defective~~that were defective due to manufacturing error.

40. ~~31.~~ The only way to ensure a Vehicle does not contain ~~a defective~~an Airbag Inflator that is defective due to manufacturer error is to recall it and service it with an Airbag Inflator that is not defective.

TAKATA AND/OR TK MANIPULATED AIRBAG INFLATOR TEST DATA

41. ~~32.~~ ~~The Defendants~~Takata and/or TK manipulated airbag test data so that the unacceptable defect rates ~~was~~ were not discovered by the regulators or the Class Members until the Recalls.

42. ~~33.~~ In November 2000, TK employees prepared an internal report whereby they raised concerns about airbag defect rate manipulations. The report concludes that in several instances, "pressure vessel failures", or air ruptures, were reported to vehicle manufacturers as normal airbag deployments.

43. ~~34.~~ In 2004, a vehicle was involved in an otherwise non-catastrophic collision that caused the Airbag Inflator to deploy. It deployed abnormally, having ruptured and killed the vehicle's driver. Because of the nature of the lacerations to the driver's face, the responding police initially treated the case as a homicide. But the Los Angeles County Coroner's report concluded that the deceased driver's lacerations came from "a metallic portion" of the defective Airbag Inflator that "hit the deceased on the face as it deployed". This incident is referred to as the 2004 Los Angeles Airbag Inflator rupture.

44. ~~35.~~ A former TK lab employee described his review of the defective Airbag Inflator in 2004 in the Los Angeles Airbag Inflator rupture by saying that it "looked like it had exploded, and had a hole punched out of the side of the canister."

45. ~~36.~~ TK conducted a series of tests on 50 defective Airbag Inflators retrieved from inoperable Vehicles in junkyards to determine the cause of the 2004 Los Angeles Airbag Inflator rupture. Each of these Vehicles had been assembled with the defective Airbag Inflators manufactured at the Moses Lake, Washington or the Monclova, Mexico factories during the periods described above.

46. ~~37.~~ The tests were conducted outside of normal business hours, during evenings and weekends at a site with restricted access. The tests revealed that two of these defective Airbag Inflators showed cracks and the start of "rapid disassembly" during the tests. "Rapid disassembly" was TK's preferred term for explosion. This is a very high failure rate in the Airbag Inflator manufacturing industry.

47. ~~38.~~ TK employees theorized that a problem with the welding of the Airbag Inflator's canister, intended to hold the airbag's explosives, made its structure vulnerable to splitting and rupturing. These employees were directed to design prototypes for possible fixes and a second canister to strengthen the unit was designed.

48. ~~39.~~ After the design of the replacement second canister, TK directed that further testing be stopped, and all lab employees involved with this testing of defective Airbag Inflators were instructed to destroy all related data, including video and computer backups.

The prototypes of the prototype non-defective Airbag Inflators were also ordered to be disassembled and disposed of in a scrap-metal dumpster.

49. ~~40.~~ In January 2005, TK employees continued to raise concerns about the Takata Defendants' airbag defect rate manipulation. In an internal email, Bob Schubert, a TK airbag engineer, alerted other TK employees that he had been "repeatedly exposed to the Japanese practice of altering data presented to the customer," adding that such conduct was described by Takata and TK as "the way we do business in Japan." Mr. Schubert described this practice as having "gone beyond all reasonable bounds and now most likely constitutes fraud."

THE AIRBAG INFLATOR DESIGN DEFECT

50. The defendants received complaints about ruptures in the Airbag Inflators as soon as sale of the Vehicles commenced. The manufacturing errors at TK's factories, discussed above, could not account for the defect complaints received by the defendants and the ruptures of the Airbag Inflators which continued to occur in the Vehicles.

51. On October 2, 2006, Sean Burns, the Director or Research and Development at Automotive Systems (or TK after the merger between TK and Automotive Systems) filed US patent application no. 20070084532. In this document, Mr. Burns discussed that environmental testing of the ammonium nitrate propellant in the Airbag Inflators indicated "***over-pressurization of the inflator*** leading to ***rupture.*** [***emphasis in original***]." This patent application stated a fix for such rupturing. This patent application is an example of

Takata and/or TK's attempt at fixing the Airbag Inflator, which they knew was defective. This attempt was unsuccessful and Takata and/or TK continued to supply defective Airbag Inflators to the Toyota Defendants until NTHSA ordered it to stop, as futher discussed below.

52. ~~41.~~ From May to August of 2007, TK received three accident reports from another automobile manufacturer involving ruptured defective Airbag Inflators. In response, TK began collecting defective Airbag Inflators for inspection from the field, investigating the root cause of the defect.

53. ~~42.~~ By September 2008, the investigation undertaken by TK after August 2007 confirmed what TK already knew during 2000 - 2002: that a defect existed in the Airbag Inflators because of the inadequate manufacturing processes involving propellant wafers produced between 2000 and 2002 in its factories in Moses Lake, Washington and Monclova, Mexico, and because of a design defect stemming from the use of ammonium nitrate propellant.

54. ~~43.~~ As a result, between 2008 and 2011, Toyota reported a series of safety recalls for cars equipped with defective driver Airbag Inflators, produced between 2000 and 2002 ~~occurred~~. This included approximately 1.1 million vehicles in Canada and the U.S., model years ranging from 2001 to 2004. But not all Vehicles manufactured with the defective Airbag Inflators were recalled at this time, leaving these dangerous Vehicles on the road until they were recalled later, as described below.

55. ~~44.~~ Throughout this first set of recalls, Takata and TK did not know which of the Vehicles had been assembled with Airbags Inflators that were defective due to manufacturing error or by design. During a meeting of high-level Takata and TK executives on July 22, 2009, Hidenobu Iwata, who at the time oversaw TK, pressed Takata's president, Shigehisa Takada, on the extent of the defect. The Minutes of this meeting indicate that Mr. Iwata asked Mr. Takada: "I am constantly worrying how far it spread out. I want you to stude [study] the reason quickly."

56. ~~45.~~ The Minutes of the July 22, 2009 meeting of high-level Takata and TK executives also identify an engineer known as "Otakaa"~~as~~. He was also pressing Mr. Takada on the reasons for the defect: "Why does the propellant deteriorate with age? Why does it explode? I want to know the truth."

57. ~~46.~~ In 2011, Takata and TK were notified of Airbag Inflator ruptures occurring in scrapyards in Japan by salvage operations conducting "end of life" recycling processes for expired Vehicles. Takata and TK launched an investigation and began testing defective Airbag Inflators taken from Vehicles in the field.

58. ~~47.~~ By October 2012, the investigation undertaken by Takata in 2011 confirmed what it already knew in 2000 – 2002 and what TK already concluded from its investigation in September 2008: that inadequate compression of the propellant wafers and exposure to poor moisture conditions, in combination with aging of the propellant, and a design defect stemming from the use of ammonium nitrate propellant was causing the defective Airbag Inflators to rupture.

59. ~~48.~~ Starting in or about September 2012, Toyota received field reports of three U.S. Vehicles with fractured inflators – two were front passenger side airbags ~~and~~ that deployed inadvertently. Toyota recovered 144 in-use inflators from both the Japan and U.S. markets for Takata to evaluate. In February 2013, Takata informed Toyota that some of the propellant wafers found within the recovered inflators were cracked, possibly due to lower material density.

60. ~~49.~~ Also in 2012, Takata, TK and another automobile manufacturer commissioned a study by the High Pressure Combustion Laboratory at Pennsylvania State University, to study the use of ammonium nitrate in the airbags. The study's conclusion cast doubt on the use of ammonium nitrate, suggesting it was sensitive to changes in pressure. The findings and methodology of the study were disputed by Takata and/or TK. This test was not ~~share with~~disclosed to NHTSA until two years later.

61. ~~50.~~ By April 2013, Takata and TK confirmed the existence of ~~this Airbag Inflator defect to NHTSA.~~ a defect in the Airbag Inflators to NHTSA. But Takata and TK did not then admit that all Airbag Inflators were defective due to the use ammonium nitrate propellant in them. This led to a second series of safety recalls for Vehicles equipped with defective Airbag Inflators.

62. ~~51.~~ On April 11, 2013 Toyota Canada reported Road Safety Recall #2013113 to Transport Canada. A total of 75,000 of the Vehicles were recalled. This published Road Safety Recall reads as follows:

Road Safety Recalls Database

Transport Canada Recall # 2013113

Recall Date	2013/04/11
Notification Type	Safety Mfr
System	Airbag
Manufacturer Recall Number	193-194
Units Affected	75,000
Category	Car, Light Truck & Van, Minivan
Recall Details	
On certain vehicles, the passenger (frontal) airbag inflator could produce excessive internal pressure during airbag deployment. Increased pressure may cause the inflator to rupture, which could allow fragments to be propelled toward vehicle occupants, increasing the risk of injury. This could also damage the airbag module, which could prevent proper deployment. Failure of the passenger airbag to fully deploy during a crash (where deployment is warranted) could increase the risk of personal injury to the seat occupant. Correction: Dealers will inspect and, if necessary, replace the passenger airbag inflator.	

Make	Model	Model Year(s) Affected
LEXUS	SC 430	2002 2003
TOYOTA	COROLLA	2003 2004
TOYOTA	MATRIX	2003 2004
TOYOTA	SEQUOIA	2002 2003
TOYOTA	TUNDRA	2003 2004

Manufacturer Name	Toll Free Number	Web Site
TOYOTA	1-888-869-6828	

63. ~~52.~~ On April 11, 2013, Kazuo Higuchi, Senior Vice President of ~~Takata~~TK wrote to NHTSA regarding "a potential defect relating to motor vehicle safety in certain air bag [sic] inflators" arising from manufacturing errors at ~~the~~TK's Moses Lake, Washington and

Monclova, Mexico factories. Mr. Higuchi wrote that the reason for this defect was that the Airbag Inflator "could potentially deteriorate over time due to environmental factors, which could lead to over-aggressive combustion in the event of an air bag deployment. This could create excessive internal pressure within the inflator, and the body of the inflator could rupture".

64. ~~53.~~ In this letter, Mr. Higuchi also admits that it does not know how many of its defective Airbag Inflators were installed into Vehicles because it did not have those records~~.~~ Takata and/or TK does not know how many of the Airbag Inflators are defective, and how many of the defective Airbag Inflators were installed into Vehicles because Takata and/or TK did not have those records. Mr. Higuchi described the defects in the Airbag Inflators as arising out of manufacturing errors and did not admit that the Airbag Inflators suffered from a design defect:

TAKATA
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Washington, DC 20006 USA
TEL: 202-729-6332
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April 11, 2013

Ms. Nancy Lewis:
Associate Administrator of Enforcement
National Highway Traffic Safety Administration
Attn: Re: Recall Management Division (NVS-215)
Room W48-302
1200 New Jersey Avenue, S.E.
Washington, D.C. 20590

RE: Defect Information Report, Certain Air Bag Inflators Used as Original Equipment

Dear Ms. Lewis:

TK Holdings Inc. ("Takata") is submitting this Defect Information Report ("DIR") pursuant to 49 CFR 573.3(f) and 573.6(c). This DIR contains information about a potential defect relating to motor vehicle safety in certain air

bag inflators used as original equipment in vehicles produced by several vehicle manufacturers.

If you have any questions about this DIR, please contact the undersigned at (202) 729-6332 or at kazuo.higuchi@takata.com.

Sincerely,

Kazuo Higuchi

Senior Vice President

Enclosure

DEFECT INFORMATION REPORT

1. **Manufacturer's name:**

TK Holdings Inc.

2. **Items of Equipment Potentially Containing the Defect:**

Certain air bag inflators installed in frontal passenger-side air bag modules equipped with propellant wafers manufactured at Takata' s Moses Lake, Washington plant during the period from April 13, 2000 (start of production) through September 11, 2002 (an improved quality control process was confirmed to be in place no later than September 12, 2002), and certain air bag inflators manufactured at Takata' s Monclova, Mexico plant during the period from October 4, 2001 (start of production) through October 31, 2002 (an improved quality control system for handling and storing of the propellant wafers was confirmed to be in place no later than November 1, 2002).

The inflators covered by this determination were installed as original equipment in vehicles manufactured by the following entities:

Toyota Motor Corporation
Contact: Bob Waltz, Group VP
Product Quality and Service Support
Toyota Motor Sales, Inc.
91001 South Western Ave.
Torrance CA 90501
(310) 468 9048

Honda Motor Co., Ltd.
Contact: Jay Joseph
American Honda Motor Co., Inc
1919 Torrance Boulevard
Torrance, CA 90501-2746
(310) 783-2000

Nissan Motor Co., Ltd.
Contact: Dale Weiss and James Hunter
Nissan North America, Inc.
610 Enon Spring Rd. E,
Smyrna, TN 37167-4410
(615) 223-3199

Mazda Motor Corporation
Contact: Max Yamashita, Manager, Part Quality Assurance
26900 Hall Road
Woodhaven, MI 48183
(734) 692-3681

BMW
Contact: Robert Janssen
Bayerische Motoren Werke AG
Knorrstr. 147
80788 Munchen Germany
+49 89 382-45277

General Motors
Contact: M. Carmen Benavides, Director Product
Investigations and Safety Regulations
30001 Van Dyke Rd.
Warren Mi 48090-9020

3. **Total Number of Items of Equipment Potentially Involved:**

Although Takata knows the number of subject air bag inflators it supplied to each vehicle manufacturer, Takata does not know how many of the subject inflators were installed in vehicles sold in the United States. That information is available from the vehicle manufacturers.

4. **Approximate Percentage of Items of Equipment Estimated to Actually Contain the Defect:**

Unknown. However, based on the very small number of field incidents that have occurred, it is extremely low.

5. **Description of the defect:**

Some propellant wafers produced at Takata's plant in Moses Lake, Washington between April 13, 2000 and September 11, 2002 may have been produced with an inadequate compaction force. (Beginning in September 2001, Takata utilized an " auto-reject" ("AR") function that can detect and reject propellant wafers with inadequate compression by monitoring the compression load that had been applied. However, for the next year, that function could be turned on and off manually by the machine operator in the plant.

No later than September 12, 2002, the machine was modified by the addition of an interlock feature that precluded production of propellant wafers without the AR function in place.)

In addition, some propellant wafers used in inflators produced at Takata's plant in Monclova, Mexico between October 4, 2001 and October 31, 2002 may have been exposed to uncontrolled moisture conditions. Those wafers could have absorbed moisture beyond the allowable limits. (Production processes were revised no later than November 1, 2002 to assure proper handling and environmental protection of all in-process propellant.)

In both cases, the propellant could potentially deteriorate over time due to environmental factors, which could lead to over-aggressive combustion in the event of an air bag deployment. This could create excessive internal pressure within the inflator, and the body of the inflator could rupture.

6. **Chronological summary of events leading to this determination**:

October 2011 -Takata was first notified of an incident related to this issue, which involved the deployment of a passenger air bag in Japan. Takata promptly began an investigation, consisting of a fault tree analysis and an analysis of production records.

November 2011 -Takata was made aware of an incident in which an air bag inflator ruptured in a U.S vehicle (in Puerto Rico).

February -June 2012 -Takata conducted replication tests on inflators taken from vehicles in the field, but could not reproduce the problem.

September -November 2012 -Takata was informed of three additional incidents in the United States (two in Puerto Rico and one in Maryland (the Maryland vehicle had previously been operated in Florida for eight years)).

October 2012 -After considering a wide range of possible causes, Takata concluded that there was a possibility that the propellant in certain propellant wafers produced at the Moses Lake, Washington plant might not have been adequately compressed. Through replication tests, Takata confirmed that the combination of an inadequately compressed propellant wafer and exposure to certain environmental conditions for an extended period could create excessive internal pressure within the inflator during a deployment, and the body of the inflator could rupture. However, Takata also discovered at this time that, beginning in September 2001, the machine that molded the propellant into wafers was equipped with an "auto-reject" CHAR") function that would identify and reject wafers with inadequate compression.

February -March 2013 -Takata discovered that, for approximately one year, the AR function could be turned on and off manually by the machine operator in the plant. Takata subsequently confirmed that an interlock feature was added no later than September 12, 2002, which precluded production of wafers unless the AR function was in place.

Takata also discovered that some propellant wafers that were used in inflators produced at its plant in Monclova, Mexico between October 4, 2001 and October 31, 2002 may have been exposed to uncontrolled moisture conditions, and that those wafers could have absorbed moisture beyond the allowable limits. Takata confirmed that the combination of excess moisture in a propellant wafer and

exposure to certain environmental conditions for an extended period also could lead to an inflator rupture due to excessive internal pressure.

Takata is aware of only six such incidents involving the subject inflators in vehicles in the field (four in the United States and two in Japan). (In addition, there were six incidents that occurred in salvage yards in Japan.) Moreover, Takata is not aware of any injuries associated with the improper deployment of any air bags containing the suspect inflators. However, in view of the possibility that such a deployment could lead to an injury, on April 5, 2013, Takata decided that a defect related to motor vehicle safety exists.

7. **Description of the Remedy Program:**

Takata will work with the manufacturers of the vehicles in which the covered air bag inflators were installed to implement an appropriate field action.

65. ~~54.~~ On June 12, 2014 Toyota Canada expanded the vehicle population being recalled for the defective Airbag Inflator and Transport Canada Recall #2014224 was issued. This increased the total number of recalled Vehicles by 32,339 for a total of 107,339 recalled Vehicles.

Road Safety Recalls Database

Transport Canada Recall # 2014224

Recall Date	2014/06/12
Notification Type	Safety Mfr
System	Airbag
Manufacturer Recall Number	SSC 241/242
Units Affected	107,339
Category	Car, Light Truck & Van, Minivan
Recall Details	
On certain vehicles, the passenger (frontal) airbag inflator could produce excessive internal pressure during airbag deployment. Increased pressure may cause the inflator to rupture, which could allow fragments to be propelled toward vehicle occupants, increasing the risk of injury. This could also damage the airbag module, which could prevent proper deployment. Failure of the passenger airbag to fully deploy during a crash (where deployment is warranted) could increase the risk of personal injury to the seat occupant. Note: This recall supersedes recall 2013113. As part of the previous	

recall, vehicles were inspected and only select airbag inflators were replaced. Correction: All vehicles having not received a replacement inflator as part of the previous recall will now have a replacement inflator installed by dealers.

Make	Model	Model Year(s) Affected
LEXUS	SC 430	2002 2003
TOYOTA	COROLLA	2003 2004
TOYOTA	MATRIX	2003 2004
TOYOTA	SEQUOIA	2002 2003
TOYOTA	TUNDRA	2003 2004
Manufacturer Name	**Toll Free Number**	**Web Site**
TOYOTA	1-888-869-6828	

66. ~~55.~~ In Transport Canada Recalls #2013113 and #2014224, Toyota explains that the reason for both recalls was that the Airbag Inflator could:

> produce excessive internal pressure during airbag deployment. Increased pressure may cause the inflator to rupture, which could allow fragments to be propelled toward vehicle occupants, increasing the risk of injury. This could also damage the airbag module, which could prevent proper deployment. Failure of the passenger airbag to fully deploy during a crash (where deployment is warranted) could increase the risk of personal injury to the seat occupant

67. ~~56.~~ On October 20, 2014, Toyota recalled 247,000 vehicles in the U.S. in respect of the Takata and/or TK's Airbag Inflator problem. This recall is in addition to the previous recalls of April 2013 and June 2014. Similar Transport Canada Recalls were issued in 2015 (per below).

68. ~~57.~~ On November 24, 2014, the Takata Defendants announced that the chemical composition of the propellant which had been used in the Airbag Inflators manufactured at the Moses Lake, Washington and Monclova, Mexico factories was being changed for the production of the Airbag Inflators which would be used for servicing the recalled Vehicles.

69. ~~58.~~ On or about November 27, 2014, Toyota Motor announced it would also be recalling an additional approximately 57,000 worldwide, relating to concerns over defective Takata ~~airbags~~Airbag Inflators. Specifically, Rav4 and Yaris models manufactured between 2002 and 2003, are affected. It is not clear how many of these newly recalled vehicles are from Canada, if any. To date, these makes and model years have not yet been subject to a Transport Canada Recall.

70. ~~59.~~ On December 18, 2014, Takata and/or TK took out a full-page advertisement in various major nation U.S. newspapers, apologizing for the Airbag Defect and the resulting crisis. The "Open Letter from Takata Corporation", reads in part, as follows:

> "Even one failure is unacceptable and we are truly and deeply saddened that five fatalities have been attributed to auto accidents where Takata air bags malfunctioned [...] We understand the public's concerns and we take them seriously."

71. ~~60.~~ In February 2015, NHTSA fined Takata $14,000 per day for not cooperating fully with the agency's investigation into the Airbag Inflator defect.

72. ~~61.~~ On May 13, 2015, Toyota Canada expanded the vehicle population being recalled for the defective passenger's side Airbag Inflators in their 2003-2004 Sequoia and 2003-2004 Tundra models:

Road Safety Recalls Database
Transport Canada Recall # 2015197

Recall Date	2015/05/13
Notification Type	Safety Mfr
System	Airbag
Manufacturer Recall Number	SSC 241
Units Affected	4,407
Category	Light Truck & Van

Recall Details

On certain vehicles, the passenger (frontal) airbag inflator could produce excessive internal pressure during airbag deployment. Increased pressure may cause the inflator to rupture, which could allow fragments to be propelled toward vehicle occupants, increasing the risk of injury. This could also damage the airbag module, which could prevent proper deployment. Failure of the passenger airbag to fully deploy during a crash (where deployment is warranted) could increase the risk of personal injury to the seat occupant. Note: This recall is superseded by recall 2016103. Please see recall 2016103 for more information.

Make	Model	Model Year(s) Affected
TOYOTA	SEQUOIA	2003 2004
TOYOTA	TUNDRA	2003 2004

Manufacturer Name	Toll Free Number	Web Site
TOYOTA	1-888-869-6828	

73. ~~62.~~ On May 13, 2015, Toyota Canada expanded the vehicle population being recalled for the defective driver's side Airbag Inflators in their 2004-2005 RAV4 model:

Road Safety Recalls Database
Transport Canada Recall # 2015198

Recall Date	2015/05/13
Notification Type	Safety Mfr
System	Airbag

Manufacturer Recall Number	SRC R06
Units Affected	14,570
Category	SUV
Recall Details	
On certain vehicles, the driver's (frontal) airbag inflator has a potential for intrusion of moisture over time due to insufficient air sealing. This could result in the inflator rupturing during a deployment, and/or an abnormal deployment of the driver's (frontal) airbag during a crash (where deployment is warranted), which could increase the risk of injury to the seat occupant. Correction: Dealers will replace the driver's (frontal) air bag inflator with an updated part.	

Make	**Model**	**Model Year(s) Affected**
TOYOTA	RAV4	2004 2005
Manufacturer Name	**Toll Free Number**	**Web Site**
TOYOTA	1-888-869-6828	

74. ~~63.~~ On June 17, 2015, Toyota Canada expanded the vehicle population being recalled again, this time for the passenger-side defective Airbag Inflator and Transport Canada Recall #2015269 was issued:

Road Safety Recalls Database
Transport Canada Recall # 2015269

Recall Date	2015/06/17
Notification Type	Safety Mfr
System	Airbag
Manufacturer Recall Number	SSC241 & SSC242
Units Affected	366,860
Category	Car, Light Truck & Van, SUV
Recall Details	
On certain vehicles, the passenger (frontal) airbag inflator could produce excessive internal pressure during airbag deployment. Increased pressure may cause the inflator to rupture, which could allow fragments to be propelled toward vehicle occupants, increasing the risk of injury. This could also damage the airbag module, which could prevent proper deployment. Failure of the	

passenger airbag to fully deploy during a crash (where deployment is warranted) could increase the risk of personal injury to the seat occupant. Note: This recall supersedes recalls 2013113, 2014224 and 2015197. Correction: All vehicles having not received a replacement inflator as part of the previous recall will now have a replacement inflator installed by dealers.

Make	**Model**	**Model Year(s) Affected**
LEXUS	SC 430	2002 2003 2004 2005 2006 2007
TOYOTA	COROLLA	2003 2004 2005 2006 2007
TOYOTA	MATRIX	2003 2004 2005 2006 2007
TOYOTA	SEQUOIA	2002 2003 2004 2005 2006 2007
TOYOTA	TUNDRA	2003 2004 2005 2006
Manufacturer Name	**Toll Free Number**	**Web Site**
TOYOTA	1-888-869-6828	

75. ~~64.~~ On March 2, 2016, Toyota Canada expanded the vehicle population being recalled again, this time for the passenger-side defective Airbag Inflator and Transport Canada Recall #2016103 was issued:

Road Safety Recalls Database
Transport Canada Recall # 2016103

Recall Date	2016/03/02
Notification Type	Safety Mfr
System	Airbag
Manufacturer Recall Number	SRC241 & SRC242
Units Affected	400,124
Category	Car
Recall Details	
On certain vehicles, the passenger (frontal) airbag inflator could produce excessive internal pressure during airbag deployment. Increased pressure may cause the inflator to rupture, which	

could allow fragments to be propelled toward vehicle occupants, increasing the risk of injury. This could also damage the airbag module, which could prevent proper deployment. Failure of the passenger airbag to fully deploy during a crash (where deployment is warranted) could increase the risk of personal injury to the seat occupant. Note: This recall supersedes recalls 2013113, 2014224, 2015197 and 2015269. Correction: All vehicles having not received a replacement inflator as part of the previous recall will now have a replacement inflator installed by dealers. For Matrix model vehicles, dealers may replace the front passenger airbag assembly with one equipped with a newly specified inflator.		
Make	**Model**	**Model Year(s) Affected**
LEXUS	SC 430	2002 2003 2004 2005 2006 2007 2008 2009 2010
TOYOTA	COROLLA	2003 2004 2005 2006 2007 2008
TOYOTA	MATRIX	2003 2004 2005 2006 2007 2008
TOYOTA	SEQUOIA	2002 2003 2004 2005 2006 2007
TOYOTA	TUNDRA	2003 2004 2005 2006
Manufacturer Name	**Toll Free Number**	**Web Site**
TOYOTA	1-888-869-6828	

76. On June 28, 2016, the Toyota Defendants published a press release announcing that they were recalling a further 482,000 Vehicles worldwide for Airbag Inflators, manufactured by Autoliv Inc., that suffer from cracked welding which can cause a partial inflation of the Airbag Inflator leading to an increased risk of injury. This press release reads as follows:

> Toyota Recalls Certain Prius and Lexus CT Vehicles
>
> June 28, 2016
>
> PLANO, Texas, June 28, 2016 – Toyota Motor Sales, U.S.A., Inc. today announced that it is conducting a safety recall of approximately 482,000 Model Year 2010 - 2012 Prius; 2010 and 2012 Prius Plug-In Hybrids and 2011 and 2012 Lexus CT 200h vehicles.
>
> The involved vehicles are equipped with curtain shield air bags (CSA) in the driver and

passenger side roof rails that have air bag inflators composed of two chambers welded together. Some inflators could have a small crack in the weld area joining the chambers, which could grow over time, and lead to the separation of the inflator chambers. This has been observed when the vehicle is parked and unoccupied for a period of time. If an inflator separates, the CSA could partially inflate, and, in limited circumstances, one or both sections of the inflator could enter the interior of the vehicle. If an occupant is present in the vehicle, there is an increased risk of injury.

All known owners of the involved vehicles will be notified by first class mail. Toyota and Lexus dealers will install retention brackets on the curtain shield air bag inflators at no cost. These retention brackets are designed to prevent the inflator chambers from entering the vehicle interior if separation occurs.

77. On June 29, 2016, Autoliv Inc. announced that there have been seven incidents with the Toyota Prius whereby a side curtain airbag partially inflated without a deployment signal being given by the airbag controller.

NEGLIGENCE

78. ~~65.~~ The Defendants, at all material times, owned a duty of care to the ~~Plaintiff and~~ Class Members to provide a product that did not have a design defect. The Vehicles pose a serious risk of injury and death to the ~~Plaintiffs and~~ Class Members on account of the Airbag Inflator defect.

79. ~~66.~~ The Defendants, as the designers, engineers, manufactures, co-manufacturers, promoters, marketers and distributors of the Vehicles and their component parts, intended for use by ordinary consumers, owed a duty of care to the ~~Plaintiff and~~ Class Members to ensure that the Vehicles and their component parts were reasonably safe for use.

80. ~~67.~~ TK and Takata owed a duty of care to the Class Members. This duty of care was breached by TK and Takata's use of ammonium nitrate in its Airbags, when TK and Takata knew or ought to have known that ammonium nitrate was not in use by comparable airbag manufacturers ~~and that it was subject to instability;~~, that ammonium nitrate is unstable, that its use was a design defect ~~and constitutes a breach of the standard of care~~. TK and Takata knew or ought to have known that a safer ~~and economically feasible~~but more expensive alternative was available, and was, in fact, being used by other comparable manufacturers in their airbag inflator products~~.~~. But, TK and Takata chose not to use such an alternative to gain a competitive advantage in the OEM market place.

81. ~~68.~~ At all material times, the Toyota Defendants ow~~n~~ed a duty of care to the ~~Plaintiff and~~ Class Members, and breached the standard of care expected in the circumstances. ~~Once aware of the Airbag defect, the Defendants had a duty to warn Class Members of the risks associated with use of the~~They knew that ammonium nitrate was not used by any other airbag manufacturer as the primary propellant except Takata and TK. But the Toyota Defendants bought Takata's and TK's airbags because their product was cheaper. They also had a duty to cease buying Takata and TK Airbags when they appeared unsafe. But, the Toyota Defendants continued to buy the Takata and TK Airbags and continued to install TK and Takata's Defective Airbags in new model Vehicles.

82. ~~69.~~ The Defendants also owed the ~~Plaintiff and other~~ Class Members a duty to carefully monitor the safety and post-market performance of the airbags in the Vehicles. The Defendants had a duty to warn or promptly warn the ~~Plaintiffs and~~ Class Members of danger associated with the use of the Vehicles. They failed ~~in their duty to have those~~to

promptly recall the Vehicles ~~recalled~~ from the Canadian market upon discovering the defect which could cause serious personal injury and death, in conditions of ordinary use and which otherwise reduced the value of the Vehicles and resulted in costs associated with the loss of use of the Vehicles.

83. ~~70.~~ The circumstances of the Defendants being in the business of designing, manufacturing and placing the Vehicles and their component parts into the Canadian stream of commerce are such that all the Defendants were in a position of legal proximity to the Class Members, and therefore under an obligation to be fully aware of their safety when designing, manufacturing, assembling and selling a product such as the Airbags in the Vehicles.

84. ~~71.~~ It was reasonably foreseeable that a failure by the Defendants to design and manufacture reasonably safe airbags, and thereafter to monitor the performance of such airbags following market introduction (and to take corrective measures when required) would cause harm to the ~~Plaintiff and~~ Class Members.

85. ~~72.~~ The Defendants or TK or the Toyota Defendants, through their employees, officers, directors and agents, failed to meet the reasonable standard of conduct (care) expected in the circumstances in that:

(a) they wrongfully ~~and~~or intentionally accepted the foreseeable risk of injury and loss of life and property damage to the drivers, passengers and the public because of the Airbag Inflator defect;

(b) notwithstanding that they foresaw personal injuries and the loss of life and property of the drivers and passengers in the Vehicles, they failed or failed promptly to eliminate or correct the Airbag Inflator defect in the Vehicles;

(c) they knew about the Airbag Inflator defect in 2000 but they did not announce a recall until April 11, 2013 in the case of Transport Canada Recall #2013113~~;~~; June 12, 2014 in the case of Transport Canada Recall #2014224~~;~~; May 13, 2015 in the case of Transport Canada Recall #2015197~~;~~; May 13, 2015 in the case of Transport Canada Recall #2015198~~;~~; June 17, 2015 in the case of Transport Canada Recall #2015269~~;~~; and March 2, 2016 in the case of Transport Canada Recall #2016103;

(d) they knew or ought to have known about the Airbag Inflator defect and should have promptly announced it to the public and to the Class Members;

(e) they designed, developed, tested, manufactured, assembled, distributed and sold a defective Airbag Inflator in Vehicles;

(f) they failed to warn the drivers, passengers and the public about the defective Airbag Inflators until April 11, 2013 in the case of Transport Canada Recall #2013113~~;~~; June 12, 2014 in the case of Transport Canada Recall #2014224~~;~~; May 13, 2015 in the case of Transport Canada Recall #2015197~~;~~; May 13, 2015 in the case of Transport Canada Recall #2015198~~;~~; June 17, 2015 in the case of Transport Canada Recall #2015269~~;~~; and March 2, 2016 in the case of Transport Canada Recall #2016103;

(g) they failed to change the design, manufacture and assembly of the Airbag Inflator in the Vehicles in a reasonable and timely manner;

(h) they failed to properly or promptly test the Airbag Inflator;

(i) they failed to establish any, or any adequate, procedures to ensure that the design of the Airbag Inflator was appropriate in the Vehicles;

(j) they failed to establish any, or any adequate, procedures for evaluating the design defects of the Airbag Inflator in the Vehicles;

(k) they failed to properly instruct their employees to evaluate the injuries, deaths and accidents involving the Airbag Inflator and ~~its~~the Airbag Inflator's excessive internal pressure during deployment;

(l) they failed to review and evaluate the accidents in the Vehicles and complaints about the Airbag Inflator and the Airbag Inflator's excessive internal pressure during deployment in the Vehicles;

(m) they failed to initiate timely review, evaluation and investigation of the Airbag Inflator and the Airbag Inflator's excessive internal pressure following complaints, injuries and deaths if a malfunction occurred in the Vehicles;

(n) they knew or ought to have known about the defect in the Airbag Inflator in the Vehicles in 2000 but they kept this defect a secret;

(o) they failed to review, evaluate, and maintain all records of written and oral complaints about the Vehicles relative to the reliability, safety, effectiveness and performance of the Airbag Inflator in other Vehicles;

(p) they failed to implement a safety recall until April 11, 2013 in the case of Transport Canada Recall #2013113; June 12, 2014 in the case of Transport Canada Recall #2014224; May 13, 2015 in the case of Transport Canada Recall #2015197; May 13, 2015 in the case of Transport Canada Recall #2015198; June 17, 2015 in the case of Transport Canada Recall #2015269; and March 2, 2016 in the case of Transport Canada Recall #2016103;

(q) they failed to disclose to the owners and drivers of the Vehicles and to the public that, in some crashes, airbags did not fully deploy because the Airbag Inflator could rupture;

(r) they knew or ought have known that the Vehicles suffered from this design defect in the Airbag Inflator;

(s) they failed to conform with good manufacturing practices;

(t) they hired incompetent personnel;

(u) they failed to properly supervise their employees;

(v) they failed to train their employees in proper documentation process;

(w) they failed to encourage discussion of safety issues, including discussion of defects and safety consequences of defects;

(x) they knew or ought to have known from Airbag Inflator reports to them that there was an excessive internal pressure and risk of safety to the drivers, passengers and the public;

(y) they failed to report this dangerous Airbag Inflator defect to the owners and drivers of the Vehicles and to the public;

(z) they failed to protect the Class Members and the public from the defective Airbag Inflators in the Vehicles;

(aa) they failed to make timely, full, frank and complete disclosure about the Vehicles to the regulators, the public, their customers and the Class Members;

(bb) they failed to institute a proper risk/management system;

(cc) they failed to advise the owners and drivers of the Vehicles, until April 11, 2013 in the case of Transport Canada Recall #2013113; June 12, 2014 in the case of Transport Canada Recall #2014224; May 13, 2015 in the case of Transport Canada Recall #2015197; May 13, 2015 in the case of Transport Canada Recall #2015198; June 17, 2015 in the case of Transport Canada Recall #2015269; and March 2, 2016 in the case of Transport Canada Recall #2016103 that they should have their Vehicles inspected to replace the Airbag Inflator;

(dd) they failed, until April 11, 2013 in the case of Transport Canada Recall #2013113; June 12, 2014 in the case of Transport Canada Recall #2014224; May 13, 2015 in the case of Transport Canada Recall #2015197; May 13, 2015 in the case of Transport Canada Recall #2015198; June 17, 2015 in the case of Transport Canada Recall #2015269; and March 2, 2016 in the case of Transport Canada Recall #2016103 to adequately warn owners and drivers of the Vehicles that there was a serious risk of injury associated with the Vehicles;

(ee) when the Vehicles were recalled, they replaced the Airbag Inflators with the same defective Airbag Inflators;

(ff) when the Vehicles were recalled, they replaced the Airbag Inflators with the same defective ammonium nitrate propellant;

(gg) they adopted ammonium nitrate as a propellant in the Airbag Inflators due to its lower cost than competitors paid for tetrazole and guanidine nitrate; and

(hh) ~~(cc)~~they failed to exercise reasonable care and judgment.

REGULATORY INVESTIGATION

~~73. On November 7 2014, U.S. lawmakers asked the U.S. Justice Department to open a criminal investigation into Takata's destruction of the test results of the 50 defective Airbag Inflators in 2004, as previously described.~~

~~74. On November 13, 2014, a U.S. federal grand jury commenced the criminal investigation by subpoenaing Takata for documents relating to the destruction of the test results of the 50 Airbag Inflators in 2004. The U.S. Justice Department's criminal investigation is ongoing.~~

~~75. On November 21, 2014, the Japanese Transport Ministry ordered Takata to conduct an internal investigation into the defective Airbag Inflators and comprehensively explain their defect. Takata's internal investigation is ongoing.~~

~~76. On or about December 3, 2014, during a United States Congress subcommittee hearing in Washington, D.C., Takata Senior Vice President Hiroshi Shinnizu rejected NHTSA's demand for a nationwide recall, claiming there was "not enough scientific evidence" to expand the recalls.~~

86. In May of 2015, NHTSA released a statement that Takata ~~had~~ and TK acknowledged that the Airbag Inflators ~~it~~they produce~~s~~ are defective. The NHTSA statement also announced that NHTSA ~~had issued~~ was in the process of issuing a Consent

Order to ~~Takata~~ TK, which requires, among other things, ~~the company to~~ TK will cooperate in future regulatory actions.

87. On June 22, 2015, the US Committee on Commerce, Science and Transportation released its "Danger Behind the Wheel: The Takata Airbag Crisis and How to Fix Our Broken Auto Recall Process". The Committee concludes that "it appears that Takata [and TK were] aware, or should have been aware, of serious safety and quality control lapses in its manufacturing plants as early as 2001". It also wrote:

> After more than 100 injuries and eight deaths allegedly caused by shrapnel from its rupturing airbags – over a period of more than 10 years – Takata cannot identify a root cause of these ruptures. Yet, Takata is currently producing hundreds of thousands of replacement inflators each month that may not completely eliminate the risk of airbag rupture. Overall, the Committee minority staff's ongoing investigation reveals a pattern of failures and missteps that did not quickly or effectively respond to a serious safety defect.

88. ~~78.~~ On November 2, 2015, TK entered into two consent orders issued by NHTSA for a $200 million civil penalty, the largest NHTSA has ever imposed. The consent orders also dealt with the following admissions by TK and findings by NHTSA:

(a) TK in several instances provided NTHSA with selective, incomplete and inaccurate information relating to NHTSA's inflator investigation;

(b) TK in several instances supplied its customers (vehicle manufacturers) with selective, incomplete and inaccurate data about its inflators;

(c) TK used recalled inflators as interim replacement parts to other recalled inflators;

(d) TK 's initial root cause theories of production issues at its Monclova, Mexico and Moses Lake, Washington, even if correct, do not account for the ongoing issues with inflator rupture;

(e) TK has been unable to determine the root cause of inflator ruptures despite its decade-long investigation; and

(f) TK has agreed to phase out production of phase-stabilized ammonium nitrate-based propellants because NTHSA lacks "confidence in the long-term performance of such inflators".

89. On June 1, 2016, the US Committee on Commerce, Science and Transportation released its "The Takata Recalls: Consumers Are Still Stuck in Neutral: Investigation of Takata Recalls Shows Low Recall Completion Rates, Use of Ammonium-Nitrate Inflators as Replacements, and Continued Sale of New Vehicles with Problem Inflators" report. The Committee concluded that "Toyota, one of the two companies that did not provide specific years and models, said that it expects to produce approximately 175,000 unspecified vehicles with the defective Takata inflators between March 2016 and July 2017."

90. On February 23, 2016, the US Committee on Commerce, Science and Transportation provided an Addendum to its "Danger Behind the Wheel: The Takata Airbag Crisis and How to Fix Our Broken Auto Recall Process". The Committee reviewed documents that were made available to it after its initial report was published on June 22, 2015 and concluded that they represent:

> a culture within Takata that, at a minimum, did not prioritize the safety of its products – and perhaps operated with an utter disregard for safety. Numerous internal documents and emails reference the widespread manipulation of inflator testing results by Takata employees. ... emails and documents reviewed by Committee minority staff demonstrate that these data integrity issues continued even in the years after the airbag recalls began, when fatalities had been linked to rupturing airbags.

91. ~~79.~~ In part to address and appease NHTSA, and because Transport Canada does not have the same ability as its American counterpart to investigate and fine a vehicle or vehicle part manufacturer, Takata and TK have prioritized the manufacturing and distribution of replacement airbag inflators for affected vehicles in the United States, over the vehicles driven by the Class Members in Canada.

ADMISSIONS BY TAKATA CEO

92. ~~80.~~ Shigehisa Takata is Takata Japan's Chairman and CEO. On November 13, 2014, in Japan, Mr. Takata reported to Takata's shareholders at a meeting of the shareholders in Tokyo, Japan and he apologized to the U.S. and Canadian customers, the Class Members and the public for this dangerous Airbag Inflator safety defect. He admitted that: "[T]he moisture absorption control of the gas generating agent in some driver seat airbags had not been correctly implemented at the time of manufacture, as a result of which an inflator canister may rupture when the airbag deploys....We deeply regret that the problem in our airbags have caused problems."

93A. ~~81.~~ On December 1, 2014, on behalf of Takata and TK, Mr. Takata also apologized for the loss of life caused by the Airbag Inflators: "Takata deeply regrets the injuries and fatalities that have occurred in accidents involving ruptured airbag inflators." As Chairman and CEO he had a duty to report the true facts to the shareholders and to the markets. Under Japanese law, an apology may be an admission of liability and may be evidence proving relevant facts. Under Japanese law, there is no equivalent to the Ontario *Apology Act*.

93B. On November 20, 2014, Mr. Hiroshi Shimizu, Senior Vice President for Global Quality Assurance Takata Corporation, testified before the U.S. Senate Committee on Commerce, Science and Transportation in Washington D.C. The administrative proceeding was entitled "Examining Takata Airbag Defects and the Vehicle Recall Process." In his opening statement, Mr. Shimizu addressed Chairman Nelson, Ranking Member Thune and the Members of the Committee, stating that, *"[A]ny failure of an airbag to perform as designed...is incompatible with Takata's standards for highest quality assurance. We are deeply sorry and anguished about each of the reported instance in which a Takata airbag has not performed as designed and a driver or passenger has suffered personal injuries or death. Our sincerest condolences go out to all those who have suffered in these accidents and to their families."*

93C. On December 3, 2014, Mr. Hiroshi Shimizu made a similar statement to the Subcommittee on Commerce, Manufacturing and Trade, U.S. Committee on Energy and Commerce in Washington D.C. The administrative proceeding was entitled "Takata Airbag Ruptures and Recalls." Speaking to Chairman Terry, Ranking Member Schakowsky and Members of the Subcommittee, Mr. Shimizu's opening statement included a formal apology. Mr. Shimizu stated that, "*All of us at Takata know that the airbag inflator ruptures that has* [sic] *been the subject of recent recalls involve serious issues of public safety. We are deeply sorry about each case where Takata airbag has not performed as designed and the driver or passenger has suffered personal injuries or death.*"

93D. Under U.S. Federal law and under the law in the District of Columbia, an apology may be an admission of liability and may be evidence proving relevant facts. Under U.S. Federal law and under the law in the District of Columbia, there is no equivalent to the Ontario *Apology Act*.

94. ~~82.~~ Mr. Takata's statements are an admission that Takata and TK were in breach of the standard of conduct (care) in manufacturing the Airbag Inflators. ~~They~~These statements are also an admission of a breach of the standard of conduct (care) in the safety

aspects to the owners, drivers and passengers in the Vehicles to the public in Canada and the U.S. and to the regulators in Canada and the U.S.

GENERAL AND SPECIAL DAMAGES

95. ~~83.~~ As a result of the negligence of the Defendants, particularly the dangerous defects in the Airbag Inflator in the Vehicles, the failure of the Defendants to disclose this safety defect to the Plaintiff and Class Members until the Recalls, the Class has suffered, damages. These damages include but are not limited to the following:

(a) the value of each of the Vehicles is reduced;

(b) the Class Members overpaid for the Vehicles and/or did not get what they bargained for;

(c) each Class Member must expend the time to have his/her Vehicle repaired and be without their motor vehicle (from the time they drop their Vehicles off at authorized repair shops/dealers, to when they pick them up again). The Defendants should compensate each Class Member for their losses and inconvenience;

(d) some Class Members have incurred out of pocket expenses for, among other things, alternative transportation and prior repairs to the Airbag Inflator; and

(e) some Class Members have experienced personal injuries as a result of the Airbag Inflator Defect, and are entitled to recovery of damages relating thereto.

96. ~~84.~~ The Class Members are unable to have their Airbag Inflator repaired immediately because the Toyota Defendants do not have the parts and service capability to repair their Vehicles. The Class Members must drive a dangerous Vehicle. They are entitled to have the Defendants supply a replacement vehicle or a "courtesy car" until

Toyota Canada fixes the Airbag Inflators at no cost to the Class Members as a matter of course, and not only at the request and effort of the Class Members.

97. ~~85.~~ The Class Members have driven their Vehicles less than they otherwise would due to fear of personal injury. Some of the Class Members have taken taxis, used public transportation or imposed on friends, family and others. The Class Members have incurred expenses.

98. ~~86.~~ The Plaintiff pleads that the Class Members' damages were sustained in Ontario and in the rest of Canada.

PUNITIVE DAMAGES

99. ~~87.~~ The Defendants' conduct described above was arrogant, high-handed, outrageous, reckless, wanton, entirely without care, deliberate, secretive, callous, willful, disgraceful, in contemptuous disregard of the Class' rights and intentionally disregarded the interests of the Class Members and the public. For such abhorrent conduct and motivated by economic consideration, the defendants are liable to pay punitive and aggravated damages.

THE RELEVANT STATUTES

100. ~~88.~~ The Plaintiff pleads and relies upon the provisions of the *CPA, CJA* and the *Motor Vehicle Safety Act*.

PLACE OF TRIAL

101. ~~89.~~ The Plaintiff proposes that this action be tried in the City of Toronto, Province of Ontario.

SERVICE

102. ~~90.~~ This originating process may be served without court order outside Ontario in that the claim is:

(a) in respect of a tort committed in Ontario (rule 17.02(g)); and

(b) against a person ordinarily resident or carrying on business in Ontario; (rule 17.02(p)).

~~January 7~~~~March 30~~July 6, 2016

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TAKATA CORPORATION et al.
Defendants

Court File No. CV-16-543833-00CP

ONTARIO
SUPERIOR COURT OF JUSTICE

PROCEEDING COMMENCED AT
WINDSOR and TRANSFERRED TO TORONTO

SECOND AMENDED FRESH AS AMENDED STATEMENT OF CLAIM

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Court File No.: CV-16-543833-00CP

ONTARIO
SUPERIOR COURT OF JUSTICE

B E T W E E N :

JOHN M. MCINTOSH

Plaintiff

- and -

TAKATA CORPORATION, TK HOLDINGS INC., TOYOTA MOTOR CORPORATION, TOYOTA MOTOR MANUFACTURING CANADA INC., and TOYOTA MOTOR MANUFACTURING, INDIANA, INC.

Defendants

Proceeding under the *Class Proceedings Act*, 1992

STATEMENT OF DEFENCE
OF THE DEFENDANT, TK HOLDINGS INC.

1. The defendant, TK Holdings Inc. ("**TK Holdings**"), has no knowledge, or insufficient knowledge, of the allegations contained in paragraphs 5, 10 to 12, 62, 65 to 67, 69 and 72 to 77 of the Second Amended Fresh as Amended Statement of Claim (the "**Claim**").

2. The letter and announcement referenced at paragraphs 64 and 68, respectively, of the Claim speak for themselves.

3. The allegations contained in paragraphs 92 to 94 have been struck by Order of this Court dated July 29, 2016.

4. Except as expressly admitted below, TK Holdings denies the allegations contained in the remaining paragraphs of the Claim.

5. TK Holdings specifically denies the allegations in paragraph 85 of the Claim.

Background

6. TK Holdings is a corporation organized under the laws of the State of Delaware with its head office in Auburn Hills, Michigan.

7. TK Holdings designs, manufactures, and sells a wide range of automotive safety parts, including airbags, seat belts, and steering wheels. TK Holdings sells its products to automotive manufacturers, who incorporate those products into their automobiles. TK Holdings does not sell products to end consumers of automobiles.

Airbag Inflators

8. Airbags are important safety features of motor vehicles. They are intended to inflate during a collision to cushion vehicle occupants so as to help prevent injury caused due to striking hard objects in the vehicle.

9. Driver and passenger inflators are contained in airbag module assemblies. Each airbag module is comprised of four principal components: the plastic cover, the airbag cushion, the housing (which attaches the module to the automobile), and the inflator.

10. The inflator is a metal structure within the airbag module that contains a chemical propellant. An inflator is a device that generates gas in order to inflate the airbag cushion in the airbag module assembly. When an automobile is involved in a collision, a sensor in the vehicle sends a signal to an internal control unit. That unit, in turn, sends a signal to the inflator, causing it to inflate.

11. Airbags inflate as follows: An electrical charge is sent to the initiator component of the inflator. The initiator then ignites a small amount of booster propellant. That booster propellant creates heat that passes through holes in the inflator's interior walls. The heat ignites the primary propellant. The primary propellant burns and gas begins to pass through a filter. The filter removes solid, particulate matter (or effluents). The gas builds pressure inside the inflator, which breaks the inflator's tape seal, opening small holes in the inflator's outer wall. Gas is then released out of the inflator and into the airbag cushion.

12. This entire process occurs within milliseconds of when the vehicle detects a collision.

TK Holdings' PSAN Inflators

13. In the late 1990s, TK Holdings developed a new propellant that used phase-stabilized ammonium nitrate ("PSAN"). PSAN poses at least three advantages over sodium azide, which was then the industry-standard propellant. First, PSAN has a very high gas efficiency, which means that fewer grams of propellant are required to generate enough gas to inflate the airbag cushion. Second, and relatedly, PSAN inflators are smaller and lighter than sodium azide inflators. Third, PSAN releases fewer toxic gases into the passenger cabin upon deployment and thereby reduces the risk of occupant injury.

14. Ammonium nitrate that is not phase-stabilized can undergo phase changes at different temperatures that result in volume and density changes. These changes can affect the rate at which the propellant burns and the rate at which the airbag cushion inflates. TK Holdings solved this problem by mixing ammonium nitrate with potassium nitrate, a well-recognized method of phase stabilization. Analysis has shown no loss of phase stabilization in PSAN airbags after many years in the field.

15. Automotive manufacturers issue specifications designating the testing required of airbag inflators. At all material times, each automobile manufacturer or group of manufacturers had unique specifications for airbag inflators.

16. TK Holdings performed substantial testing and validation of the design and production of its PSAN inflators to satisfy its automaker customers' specifications. These tests included, without limitation, ballistic testing, environmental simulations (including heat age testing, humidity testing, dynamic testing, drop testing, and thermal shock and thermal cycle testing), helium leak testing, hydroburst testing, electrostatic discharge testing, auto-ignition testing, and safety factor calculations. TK Holdings also developed guidelines and procedures to ensure an appropriate manufacturing process.

17. TK Holdings' automaker customers universally accepted the use of PSAN propellant. TK Holdings' PSAN inflators used in airbag modules have deployed

successfully millions of times, saving thousands of lives and reducing even more injuries.

18. TK Holdings manufactured inflators containing PSAN propellant for numerous automobile manufacturers, including Toyota Motor Corporation. At no time did TK Holdings, or anyone for whom it is in law responsible, sell an airbag to the Plaintiff or any member of the proposed class.

Inflator Ruptures and Root Cause Investigation

19. It is now known that a defect may arise in some PSAN inflators, which can result in the body of the inflator rupturing upon deployment. To date, ruptures have occurred in only a minuscule fraction of all worldwide deployments. TK Holdings is not aware of a single rupture of an inflator made by TK Holdings that has occurred in Canada.

20. From the time that it learned of the first rupture in a vehicle, TK Holdings has continuously performed thorough testing and analysis to determine the root cause of the problem, including by testing hundreds of thousands of returned inflators.

21. TK Holdings shared the results of its root cause investigation with the automotive manufacturers and appropriate regulators.

22. Determining the root cause of the ruptures is made extremely difficult by the fact that the propellant is consumed during the airbag deployment.

23. TK Holdings now knows that ruptures have two independent and unforeseeable causes. First, inflators manufactured before 2002 may contain propellant that was pressed on a machine that used insufficient compaction force to make propellant wafers, thereby potentially rendering some propellant wafers defective.

24. Second, TK Holdings now knows that, in the absence of a desiccant (drying agent), PSAN can sometimes degrade after long-term exposure to environmental moisture and fluctuating high temperatures in geographic regions in which such conditions are prevalent. Industry-standard tests, performed pursuant to testing protocols established by the automotive manufacturers, are not capable of detecting this phenomenon.

25. Although the automotive manufacturers are responsible for initiating and conducting recalls, at all times TK Holdings proactively recommended recalls that were appropriate given its then-current understanding of the root cause of inflator ruptures. As TK Holdings' root cause theory evolved, further recalls were recommended.

26. TK Holdings has cooperated with the automotive manufacturers and appropriate regulators to accomplish the recalls, producing millions of replacement kits and undertaking the first ever digital outreach campaign by an automotive supplier.

27. On or about May 18, 2015, TK Holdings entered into a Consent Order with the U.S. National Highway Traffic Safety Administration ("NHTSA"). The Consent Order described a defect in certain of TK Holdings' airbag inflators. Consistent with TK Holdings' understanding of the root cause of inflator ruptures, the Consent Order stated that the potential impact of the defect depends on a number of factors, including, without limitation, the length of exposure to high absolute humidity, vehicle design factors, and manufacturing variability. TK Holdings continues to cooperate with NHTSA's investigation into the airbag inflators and associated recalls.

28. With regard to assertions that some Takata employees improperly altered certain test data in validation reports, validation testing issues are not related to the root cause of the field ruptures that have occurred with TK Holdings' inflators subject to recalls.

29. TK Holdings has implemented numerous internal measures to ensure the integrity of its data, including by creating a dedicated Product Safety Group, appointing a Chief Safety Assurance and Accountability Officer and a Chief Compliance Officer, and implementing the recommendations of an independent Quality Assurance Panel led by a former U.S. Secretary of Transportation.

This action should not be certified and should be dismissed

30. Certification of this action as a class proceeding should be denied.

31. The Plaintiff and proposed class members only seek damages for pure economic loss. There has been no injury to a person or property in Canada in respect of airbags for which TK Holdings is responsible. The Plaintiff and proposed class members are not

required to pay the replacement cost of any vehicle at issue in this action. Moreover, and in any event, the economic damages sought cannot be quantified on a class-wide basis. The Plaintiff and the proposed class members have not driven their motor vehicles less often or any differently than they otherwise would have but for the recalls. In any event, driving habits cannot be determined on a class-wide basis. The Plaintiff and proposed class members' motor vehicles have not diminished in value. In any event, any diminution in the value of the motor vehicles cannot be determined on a class-wide basis.

32. TK Holdings does not owe a duty of care to the Plaintiff or any member of the proposed class. The Plaintiff and proposed class members have not established that airbag inflators in vehicles they own are dangerous.

33. In the alternative, TK Holdings did not breach any duty owed to the Plaintiff or any member of the proposed class. TK Holdings specifically denies that it failed to warn the Plaintiff or any member of the proposed class of a danger in respect of its airbags for which it was responsible.

34. TK Holdings denies that airbag inflators in automobiles owned by the Plaintiff and proposed class members contain any defect that is attributable to negligence in its design, testing and manufacturing, which were at all times consistent with the applicable standard of care and with industry practice. TK Holdings also denies that there existed any alternative airbag design that was both safer and economically feasible to manufacture.

35. The Plaintiff and proposed class members have not suffered the damages alleged in the Claim. In the alternative, if the Plaintiff and proposed class members have suffered the damages alleged, they were not caused by any act, omission or breach of duty on the part of TK Holdings. In the further alternative, the Plaintiff and proposed class members' alleged damages are excessive, too remote, not recoverable in law and they have failed to mitigate their losses.

36. For greater certainty, the Plaintiff and proposed class members are not entitled to pre-judgment interest. Claims for pre-judgment interest are governed by the substantive law applicable to each proposed class member's causes of action asserted and would

therefore be governed by the laws of the province or territory in which the proposed class member resides, as follows:

(a) in respect of causes of action asserted by proposed class members that are governed by the substantive law of British Columbia: the *Court Order Interest Act*, R.S.B.C. 1996, c. 79;

(b) in respect of causes of action asserted by proposed class members that are governed by the substantive law of Alberta, the *Judgment Interest Act*, R.S.A. 2000, c. J-1;

(c) in respect of causes of action asserted by proposed class members that are governed by the substantive law of Saskatchewan, the *Pre-judgment Interest Act*, S.S. 1984-85-96, c. P-22.2;

(d) in respect of causes of action asserted by proposed class members that are governed by the substantive law of Manitoba, the *Court of Queen's Bench Act*, C.C.S.M. c. C280;

(e) in respect of causes of action asserted by proposed class members that are governed by the substantive law of Ontario, including the Plaintiff, the *Courts of Justice Act*, R.S.O. 1990, c. C.43;

(f) in respect of causes of action asserted by proposed class members that are governed by the substantive law of Quebec, the *Civil Code of Québec*, C.Q.L.R. c. C.C.Q.-1991;

(g) in respect of causes of action asserted by proposed class members that are governed by the substantive law of New Brunswick, the *Judicature Act*, R.S.N.B. 1973, c. J-2;

(h) in respect of causes of action asserted by proposed class members that are governed by the substantive law of Nova Scotia, the *Judicature Act*, R.S.N.S. 1989, c. 240;

(i) in respect of causes of action asserted by proposed class members that are governed by the substantive law of Prince Edward Island, the *Judicature Act*, R.S.P.E.I. 1988, c. J-2.1;

(j) in respect of causes of action asserted by proposed class members that are governed by the substantive law of Newfoundland and Labrador, the *Judgment Interest Act*, R.S.N.L. 1990, c. J.-2;

(k) in respect of causes of action asserted by proposed class members that are governed by the substantive law of the Yukon, the *Judicature Act*, R.S.Y. 2002, c. 128;

(l) in respect of causes of action asserted by proposed class members that are governed by the substantive law of the Northwest Territories, the *Judicature Act*, R.S.N.W.T. 1988, c. J-1; and

(m) in respect of causes of action asserted by proposed class members that are governed by the substantive law of Nunavut, the *Judicature Act*, R.S.N.W.T. (Nu) 1988, c. 34, s. 1.

37. TK Holdings specifically denies the allegations contained in paragraphs 2 and 99 of the Claim and denies that there is any factual or legal basis for an award of punitive or exemplary damages.

38. The Plaintiff has not commenced this action within the time prescribed by the applicable limitation period for his claims. TK Holdings pleads and relies on the *Limitations Act, 2002*, S.O. 2002, c. 24, Schedule B, as amended, and all predecessor and successor legislation.

39. TK Holdings therefore asks that certification be denied and this action be dismissed as against it, with costs.

August 26, 2016

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JOHN M. MCINTOSH
Plaintiff

and

TAKA CORPORATION et al
Defendants

Court File No.: CV-16-543833-00CP

ONTARIO
SUPERIOR COURT OF JUSTICE

Proceeding commenced at Windsor and
transferred to Toronto

STATEMENT OF DEFENCE OF THE DEFENDANT, TK HOLDINGS INC.

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Court File No. CV-16-543833-00CP

ONTARIO
SUPERIOR COURT OF JUSTICE

BETWEEN:

JOHN M. MCINTOSH

Plaintiff

- and -

TAKATA CORPORATION, TK HOLDINGS, INC., TOYOTA MOTOR CORPORATION, TOYOTA MOTOR MANUFACTURING CANADA INC. and TOYOTA MOTOR MANUFACTURING, INDIANA, INC.

Defendants

Proceeding under the *Class Proceedings Act, 1992*

AMENDED STATEMENT OF DEFENCE AND CROSSCLAIM

1. The Defendants, Toyota Motor Corporation ("TMC"), Toyota Motor Manufacturing Canada Inc. ("TMMC") and Toyota Motor Manufacturing, Indiana, Inc. ("TMMI"), sometimes collectively referred to hereinafter as the context requires as "**Toyota**" or the "**Toyota Defendants**", admit the first sentence of paragraph 10, the first sentence of paragraph 11, and the first sentence of paragraph 12 of the Second Amended Fresh as Amended Statement of Claim ("**Claim**"). With respect to the last sentence of paragraphs 11 and 12 of the Claim, TMMC and TMMI are direct or indirect subsidiaries of TMC. With respect to the last sentence of paragraph 10 and the second sentence of both paragraphs 11 and 12 of the Claim, TMC was responsible for the overall design, development and testing of the Toyota and Lexus vehicles at issue. TMC also manufactures and/or assembles, in the ordinary course of its business, numerous models of Toyota, Lexus and Scion motor vehicles. Several vehicle models, however, are also manufactured and assembled by other entities, including TMMI, under TMC's direction and supervision. TMC did not design, manufacture or assemble the Takata airbag inflators at issue in the Claim. Neither TMMC or TMMI had involvement in or responsibility for the design and developmental testing of

the Toyota and Lexus vehicles at issue. TMMC and TMMI operate plants located in Canada and the U.S., respectively, that assemble some but not all Toyota vehicles that are sold in North America and neither entity assembles any of the Lexus vehicles that are at issue in the Claim. Unless otherwise noted, Toyota has used herein the defined terms as set out in the Claim.

2. With respect to paragraphs 5, 7, 62, 65, 66, 67, 72, 73, 74, 75 and 76 of the Claim, the Toyota Defendants did not sell any of the Vehicles in Canada and were not responsible for and did not file recalls in Canada with respect to the Toyota and Lexus Vehicles at issue in the Claim. In particular, TMMC did not file the recalls in Canada as alleged. A different entity is responsible for and filed the recalls in Canada referred to in the Claim. In addition, with respect to paragraphs 76 and 77 of the Claim, the Toyota Defendants deny that Recall No. 2016335 relates to the Vehicles or the subject matter of the Claim. This recall relates to inflators on curtain shield airbags. Some of these inflators could have a small crack in the weld area joining the chambers, which could grow over time and lead to separation. This problem has been observed when the vehicle is parked and unoccupied. The referenced curtain shield airbag inflators were not manufactured by Takata.

3. Paragraphs 13-38 inclusive, 41-49 inclusive, 51-53, 55-58, 60-61, 63-64, 68, and 70-71 of the Claim make no reference whatsoever to the Toyota Defendants, but rather are allegations made against Takata Corporation and TK Holdings Inc. The Plaintiff unilaterally chose to stay the claim as against Takata Corporation but continues to make allegations against it and the remaining Defendant, TK Holdings Inc., therefore they will be referred to collectively herein as "**Takata**". In addition, paragraphs 86 to 94 inclusive of the Claim primarily reference Takata (and to the extent the Toyota Defendants are minimally referenced, those paragraphs are denied and dealt with herein).

4. Save and except as admitted in paragraph 1 above, all the other paragraphs of the Claim are denied.

5. As this Claim pleads and as was the case, Takata was "responsible for the engineering, design, development, research and manufacture of the Airbag Inflators". Takata was at all relevant times a large and sophisticated corporate entity with billions of

dollars of sales per year. It has been one of the largest suppliers of airbags for motor vehicles airbag for many years. It had an established track record and its airbags have been incorporated in millions of motor vehicles from a variety of automakers, including Toyota. Toyota was not negligent in using Takata as a supplier of airbags for the Vehicles. Takata was considered to be a top-tier, competent and reliable supplier at all times material to this Claim prior to the developments discussed herein.

6. Toyota did not buy inflators from Takata as a stand-alone part for use as original equipment in production vehicles. Rather, certain Toyota entities purchased driver and front passenger airbag modules from Takata that contained inflators and other components. TMC requires its suppliers to design airbags (including inflators) that comply with its Technical Standards and other requirements. TMC relied on Takata with respect to all aspects of the design of the inflators at issue. TMC did not specify the propellant to be used in the Takata inflators at issue.

7. Toyota includes frontal airbags in cars assembled for sale in Canada (and many other countries). TMC requires its suppliers to design airbags (including inflators) that comply with its Technical Standards. TMC relied on Takata with respect to all aspects of the design of the inflators at issue. TMC did not specify, specifically test or analyze the propellant to be used in the Takata inflators at issue. Rather, Takata selected, tested and analyzed the propellant. To TMC's knowledge, all of the Takata inflators used in the Vehicles met TMC's Technical Standards at the time they were purchased and installed into the vehicles. Takata was responsible for verifying it had conducted Design Validation and Production Validation testing to ensure compliance with Toyota's Technical Standards and its own internal standards.

8. As noted above, very large parts of the Claim make allegations solely against Takata with respect to things Takata is alleged to have done. Takata has advised this Honourable Court that it intends to fully defend the allegations made against it. Insofar as these paragraphs are concerned, the Toyota Defendants have either no knowledge or only partial knowledge and are not in a position to admit any of the paragraphs making allegations against Takata.

9. In paragraph 17 through 21, the Claim advances allegations that Takata's Airbag Inflators are defective and references a May, 2016 expert report from a U.S. expert engaged by a U.S. regulator. As most, if not all these allegations are aimed at Takata and are not within the knowledge of the Toyota Defendants, the Toyota Defendants are not in a position to admit any of these paragraphs. To date, the Toyota Defendants have not been given access to all of the materials upon which this expert report was based. For their part, the Toyota Defendants are part of the Independent Testing Coalition ("ITC") formed by a group of automakers, that has retained a third party expert to conduct an independent investigation into the root cause of the Takata inflator ruptures.

10. As set out in paragraph 4 of the Claim, there have been world-wide recalls of the Takata airbag inflators by a number of automakers, including Toyota. To the extent paragraph 4 of the Claim is intended to refer to Canada and/or the Toyota Defendants, there have not been any confirmed Takata inflator ruptures in Toyota, Lexus or Scion vehicles in Canada and therefore no injuries or deaths have occurred as a result of the Takata inflator issue.

11. Further, with regard to existing Canadian recalls of Toyota, Lexus or Scion vehicles, as outlined in paragraphs 62, 65, 66, 67, 69, 72, 73, 74, and 75, owners or lessees of the Vehicles have been notified of the recall and their inflators are being or will be replaced at no cost to the owners or lessees. The first Toyota recall of Takata inflators was issued in April 2013, as identified in paragraph 62, not earlier as alleged. Therefore, no owner or lessee of a Toyota, Lexus or Scion Vehicle has suffered or will suffer any loss or compensable damage. As an example, on the assumption that paragraph 5 of the Claim is basically accurate, the proposed representative plaintiff has owned and driven his Toyota vehicle for over 14 years without incident. Further the current definition of Class in the Claim is inappropriate for a number of reasons including that it covers persons who could not, even theoretically, have any possible claims.

12. The root cause investigation to date, as conducted by Takata, the ITC and other experts has determined that a combination of time, environmental exposure to high humidity and high temperature cycling can result in changes to the phase-stabilized

ammonium nitrate ("PSAN") propellant that can increase the risk of ruptures. Many of the confirmed inflator ruptures referenced in the Claim or known to regulators have occurred in South Florida or in other areas with high heat and high absolute humidity. There have been no confirmed ruptures of Takata inflators in Toyota, Lexus or Scion vehicles in Canada, which may reflect the fact that environmental conditions in Canada are less likely to involve high heat and humidity.

13. With respect to paragraphs 13 and 15 of the Claim, airbag modules include inflators, airbag cushions and other components. Toyota did not buy inflators from Takata as a stand-alone part for use as original equipment in production vehicles. Rather, certain Toyota entities purchased driver and front passenger airbag modules from Takata that contained inflators, airbag cushions and other components. Airbags are supplemental restraint systems designed to supplement the seatbelt system and improve occupant protection in certain types of vehicle collisions.

14. To the knowledge of the Toyota Defendants, the propellant in use in the Takata Airbag Inflators is PSAN. TMC did not specify, specifically test or analyze the propellant to be used in the Takata inflators at issue. Rather, Takata selected, tested and analyzed the propellant. To TMC's knowledge, all of the Takata inflators used in the Vehicles met TMC's Technical Standards at the time they were purchased and installed into the vehicles. Takata was responsible for verifying it had conducted Design Validation and Production Validation testing to ensure compliance with Toyota's Technical Standards and its own internal standards. The Toyota Defendants deny that they were or ought to have been aware of any of the allegations made against Takata in the Claim with respect to the appropriateness or otherwise of the use of PSAN in Takata's inflators.

15. The Toyota Defendants expressly deny that they had any knowledge of the alleged misconduct, actions or inactions of Takata that led to the alleged Inflator Defects.

16. The Toyota Defendants deny the allegations as stated in paragraph 35. In 2013, Takata advised TMC that some propellant wafers produced at Takata's facility in Moses Lake, Washington between April 13, 2000 and September 11, 2002 may have been produced with an inadequate compaction force. Takata said that the "auto-reject" function was

manually turned off at certain times, which could lead to this problem. TMC had no knowledge of this issue prior to being informed of it by Takata in 2013. All of the inflators in Toyota and Lexus vehicles that could have been affected by this issue have been recalled and at the time those recalls were announced, the Toyota Defendants had no basis to believe that any additional vehicles should be recalled.

17. The Toyota Defendants deny the allegations as stated in paragraph 36. In 2013, Takata advised TMC that some propellant wafers at the Monclova, Mexico facility between October 4, 2001 and October 31, 2002 may have been exposed to uncontrolled moisture conditions during weekends or holiday periods and thus could have absorbed moisture beyond the allowable limits. TMC had no knowledge of this issue prior to being informed of it by Takata in 2013. All of the inflators in Toyota and Lexus vehicles that could have been affected by this issue have been recalled and at the time those recalls were announced, the Toyota Defendants had no basis to believe that any additional vehicles should be recalled

18. In paragraphs 41 to 49 inclusive of the Claim, allegations are made that Takata manipulated Airbag Inflator test data. These allegations pertain to Takata's conduct and do not allege any knowledge of such by Toyota. Toyota affirmatively states that it had no knowledge of the alleged data manipulation, misrepresentations or material omissions relating to airbag inflators for Toyota, Lexus or Scion vehicles at the time of manufacture and sale of the Vehicles in the Claim. These allegations assist in demonstrating that the Toyota Defendants did not know or have any reason to know of potential defects in Takata Airbag Inflators.

19. In general, with respect to the allegations made against Takata in the Claim, the Toyota Defendants had no knowledge of the alleged internal discussions at Takata, nor were they informed of any problems or concerns regarding the inflators resulting from the use of PSAN or the potential for rupture at all relevant times.

20. In paragraphs 50 to 75, the Claim contains a number of allegations against Takata and sporadically and incorrectly includes allegations against "the defendants" or Toyota in some paragraphs where the allegations are manifestly unfounded or baseless with respect to Toyota.

21. The Vehicles were driven for many years and tens of thousands if not hundreds of thousands of kilometers (or miles) before any incidents were reported to the Toyota Defendants. The first North American inflator rupture incident in a Toyota or Lexus vehicle occurred in Puerto Rico and became known to Toyota in or about September 2012. If and to the extent Takata or other automakers had knowledge of inflator ruptures in North America prior to that time as alleged in paragraphs 43, 50, 52, 53 of the Claim or conducted investigations as alleged in paragraph 53 of the Claim, these were not known to Toyota.

22. Similarly with respect to paragraphs 54 and 55 there were no recalls of Toyota or Lexus Vehicles in Canada in the period alleged of 2008 to 2011.

23. Further to the extent that Takata or other automakers recalled Takata inflators prior to 2013, Toyota had no reason to believe that the issues that led to those recalls affected any Takata airbag inflators in Toyota or Lexus vehicles.

24. With respect to paragraph 60 of the Claim the Toyota Defendants deny that they had any knowledge of the alleged study, or were provided any of the findings of the study at any time prior to the action.

25. As already noted, the Toyota Defendants were aware that in April 2013, Takata informed NHTSA of a potential defect in certain airbag inflators. According to Takata, at that time the alleged defect related to propellant wafers manufactured in Takata's Moses Lake, Washington factory between April 13, 2000 and September 11, 2002, and inflators manufactured in the Monclova, Mexico factory between October 4, 2001 and October 31, 2002. Some of these wafers may have been used in airbag inflators installed in certain Toyota and Lexus vehicles. All Toyota or Lexus vehicles that could be affected by this issue were recalled, and at that time, the Toyota Defendants had no basis to believe that any additional vehicles should be recalled. A supplier identifying a manufacturing issue that affects a limited number of products is not an unexpected or rare event, and Toyota acted reasonably and responsibly in promptly recalling the affected inflators based on the information provided by Takata.

26. As information came to light and issues arose as to the potential reliability or accuracy of the initial root causes identified by Takata, Toyota also reacted entirely properly and responsibly.

27. In October 2014, approximately 247,000 Toyota and Lexus vehicles were recalled in certain regions of the U.S. and its territories. The recalled vehicles were those that were registered or originally sold in areas that, unlike any area in Canada, had consistently high absolute humidity. The affected areas were parts of South Florida, along the Gulf Coast, Puerto Rico, Hawaii, the U.S. Virgin Islands, Guam, Saipan, and American Samoa. At that time, the cause of potential ruptures and the influence of high absolute humidity were under investigation. Additional recalls were later issued in Canada.

28. In reference to paragraph 69 of the Claim, in November 2014, certain 2002 and 2003 Toyota Yaris and RAV4 vehicles were recalled. The recalled vehicles were sold in Japan and Australia, as well as parts of Asia, Africa, the Middle East, Central America, and South America. The Toyota Defendants deny that any of these vehicles were imported for sale in Canada, and thus no recall has been issued in Canada for these vehicles, nor is there any reason to do so.

29. In response to the allegations in paragraph 72 of the Claim, on May 13, 2015, the front passenger inflators in certain 2003 and 2004 model year Toyota Sequoia and Tundra vehicles were recalled pursuant to Recall No. 2015197. The Toyota Defendants deny that this recall was issued by TMMC.

30. In response to the allegations in paragraph 73 of the Claim, on May 13, 2015, the frontal driver inflators in certain 2004 and 2005 model year Toyota RAV4 vehicles were recalled pursuant to Recall No. 2015198. The Toyota Defendants deny that this recall was issued by TMMC.

31. On June 17, 2015, certain Toyota and Lexus vehicles were recalled pursuant to Recall No. 2015269. The Toyota Defendants deny that this recall was issued by TMMC.

32. On March 2, 2016, certain Toyota and Lexus vehicles were recalled pursuant to Recall No. 2016103. The Toyota Defendants deny that this recall was issued by TMMC.

33. On June 28, 2016, a separate entity, Toyota Motor Sales, U.S.A., Inc. ("TMS") issued a press release regarding the recall of certain Toyota Prius and Lexus CT 200h vehicles in the United States that were equipped with curtain shield airbags manufactured by Autoliv Inc. As already noted, the recall announced on June 28, 2016 is completely unrelated to the recalls involving Takata airbag inflators.

34. Paragraphs 78 to 85 of the Claim make omnibus allegations of negligence against all Defendants without regard to the acknowledged fact that Toyota did not have any role in or responsibility for the "engineering design, development, research and manufacture of the Airbag Inflators." TMC did not specify, specifically test or analyze the propellant to be used in the Takata inflators at issue. Rather, Takata selected, tested and analyzed the propellant. To TMC's knowledge, all of the Takata inflators used in the Vehicles met TMC's Technical Standards at the time they were purchased and installed into the vehicles. Takata was responsible for verifying it had conducted Design Validation and Production Validation testing to ensure compliance with Toyota's Technical Standards and its own internal standards. The Toyota Defendants deny that they were or ought to have been aware of any of the allegations made against Takata in the Claim with respect to the appropriateness or otherwise of the use of PSAN in Takata's inflators.

35. To the extent that the Toyota Defendants owed any duty to the Plaintiff the standard of care is not as alleged by the Plaintiff, and in the alternative and in any event Toyota did not breach any duty or applicable standard of care.

36. With respect to the omnibus allegations, the Toyota Defendants did and were entitled in fact and law to rely upon Takata with respect to all aspects of the design and manufacture of the Airbag Inflators. In particular the Toyota Defendants did not and were not required to be involved in the selection of the propellant by Takata or to specify or direct the use of any particular propellant. To TMC's knowledge, all of the Takata inflators used in the Vehicles met TMC's Technical Standards at the time they were purchased and installed into the vehicles. Takata was responsible for verifying it had conducted Design Validation and Production Validation testing to ensure compliance with Toyota's Technical Standards and its own internal standards.

37. With respect to the alleged duty to warn in the omnibus paragraphs, to the extent any such duty exists, Toyota has acted properly and promptly with respect to the Vehicles and in its reaction to the information as it has developed and come to Toyota's attention. In particular Toyota has investigated all information in a timely manner including initially asking Takata to respond, cooperating with regulatory authorities, initiating prompt recalls of affected inflators, itself investigating the information to the extent able and participating in the ITC, including the retention of an independent expert to attempt to establish root cause.

38. Paragraph 85 of the Claim includes a "kitchen sink" pleading of 34 allegations made in blanket form against the "Defendants or TK or the Toyota Defendants." Many of these sub-paragraphs are inapplicable to Toyota and are inconsistent with other assertions in the Claim. The Toyota Defendants deny that these duties or standards of care as pleaded apply to them or, if they do, as modified and in context the Toyota Defendants were not in breach of any of them. At all events, the Toyota Defendants were not negligent in any aspect of their conduct as it relates to matters in the Claim.

39. Paragraphs 93 to 99 of the Claim advance a claim for damages including a claim for punitive damages. The Toyota Defendants deny that Plaintiffs have incurred any compensable damages, in law or in fact, including reduced value of the Vehicles, overpayment for the Vehicles, or alleged costs incurred in connection with carrying out the recall repairs to their Vehicles. Further, there is absolutely no basis whatsoever for any claim for punitive damages against the Toyota Defendants and if it continues to be maintained the Toyota Defendants will seek the appropriate order in costs. The owners of Toyota Vehicles in Canada have not suffered any harm or compensable damages whatsoever and have failed to mitigate either appropriately or at all, including by taking advantage of programs Toyota or related entities already have in place. By reason of the recalls, owners of Toyota Vehicles either have had or will have these Airbag Inflators replaced at no cost to them.

40. The Toyota Defendants ask that the Claim against them be dismissed with costs.

CROSSCLAIM

41. The Toyota Defendants claim against Takata Corporation and TK Holdings Inc.:

(a) Contribution and indemnity in respect of any amount the Toyota Defendants (or any of them) are found liable to the Plaintiff and/or the proposed class;

(b) Damages in respect of the costs associated with the recall of the Takata airbag inflators at issue in the Claim;

(c) Damages for fraudulent or negligent misrepresentation;

(d) Prejudgment interest and postjudgment interest pursuant to the *Courts of Justice Act*, R.S.O. 1990, c. C. 43;

(e) Costs of their defence of the main action on a substantial indemnity basis;

(f) Costs of maintaining this crossclaim on a substantial indemnity basis; and,

(g) Such further and other relief as to this Honourable Court may seem just.

42. The Toyota Defendants repeat and rely upon the facts alleged in their Statement of Defence above.

43. To the extent the Toyota Defendants are found liable to the Plaintiff or the proposed class in the main action, the Toyota Defendants state that they are entitled to full contribution and indemnity from Takata Corporation and TK Holdings Inc.

44. In addition, Takata has a contractual duty to indemnify and hold the Toyota Defendants harmless for all damages, including recall costs, legal fees and administrative costs and expenses, arising out of, resulting from or related to the alleged defects in the Takata airbag inflators at issue pursuant to the following contracts:

(a) On June 14, 1999, Toyota Motor Manufacturing North America, Inc. ("TMMNA") and Takata entered into a written contract with an effective date of October 1, 1998, that, along with certain Permanent Amendments thereto, governed the terms of the parties' relationship with respect to the supply of certain products for the North American market, including certain frontal airbag modules that include the allegedly defective Takata inflators now at issue (the "1999 Contract"). The 1999 Contract provides that the Toyota

Defendants are third party beneficiaries and each of the Toyota Defendants has the right to enforce the terms of the 1999 Contract.

(b) In 2009, Toyota Motor Engineering & Manufacturing North America, Inc. ("TEMA") and Takata entered into a written contract that governed the terms of the parties' relationship with respect to the supply of certain products for the North American market, including certain purchases of frontal airbag modules that include the allegedly defective Takata inflators now at issue (the "2009 Contract"). The 2009 Contract provides that the Toyota Defendants are third-party beneficiaries.

45. On or about February 1, 1994, November 7, 2005 and October 1, 2013, TMC and Takata Corporation entered into written contracts that governed the terms of the parties' relationship with respect to the supply of certain products produced in Japan for the North American market, including certain purchases of frontal airbag modules that include the Takata inflators now at issue. Those contracts govern Takata's responsibility to indemnify and compensate TMC for damages and costs incurred with respect to the Takata airbag inflators at issue and recalls.

46. On January 13, 2017, Takata Corporation entered into a Plea Agreement with the U.S. Department of Justice. Takata agreed to plead guilty to one count of wire fraud, to pay $1 billion in fines and restitution and agreed to a Statement of Facts. In the Statement of Facts, Takata agrees that beginning in or around 2000, it "knowingly devised and participated in a scheme to obtain money and enrich [itself] by, among other things, inducing the victim OEMs [including Toyota] to purchase airbag systems from Takata that contained faulty, inferior, nonperforming, non-conforming, or dangerous PSAN inflators by deceiving the OEMs through the submission of false and fraudulent reports and other information that concealed the true and accurate test results for the inflators which the OEMs would not have otherwise purchased as they were." Takata pled guilty on February 27, 2017 and was sentenced in accordance with the Plea Agreement.

47. Toyota would not have purchased these airbag systems from Takata as they were had the true and accurate test data been communicated to them. If Toyota had known of the

true and accurate information and data, it would have insisted that the problems be resolved prior to installation of the airbags in Toyota, Lexus and Scion vehicles or would have refused to purchase them for installation into those vehicles.

48. As a result of Takata's fraud and misrepresentation, the Toyota Defendants have sustained damages, including but not limited to recall costs, costs of the action and administrative costs and expenses.

49. The Toyota Defendants plead and rely upon:

(a) *Negligence Act*, R.S.O. 1990, c. N.1

(b) *Courts of Justice Act*, R.S.O. 1990, c. C.43

(c) *Sale of Goods Act*, R.S.O. 1990, c. S.1

(d) *Motor Vehicle Safety Act*, S.C. 1993, c. 16

50. The Toyota Defendants propose that this crossclaim be tried together with the trial of the main action.

May 9, 2017

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JOHN M. McINTOSH Plaintiff	and	TAKATA CORPORATION *et al.* Defendants

Court File No. CV-16-543833-00CP

ONTARIO
SUPERIOR COURT OF JUSTICE

Proceeding commenced at Windsor
and transferred to Toronto

Proceeding under the *Class Proceedings Act, 1992*

AMENDED STATEMENT OF DEFENCE AND CROSSCLAIM

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Tab G

This is **Exhibit "G"** referred to in the
affidavit of **SCOTT E. CAUDILL**
sworn before me this
27th day of June, 2017

Lesley A. Morris

LESLEY A. MORRIS
MY COMMISSION
EXPIRES
JANUARY 5, 2019
NOTARY PUBLIC
STATE OF DELAWARE

Summary of Canadian Personal Injury Actions

Case Name	Plaintiffs(s)	Jurisdiction	Takata Entities	Amount Claimed	Counsel to the Plaintiff(s)
Bluestone et al. v. Takata Corporation et al., CV-15-535772	• Alan Bluestone • Greta Bluestone	Ontario	• TKH	$2 million	Srebrolow Lebowitz Spadafora, PC
Hallett v. Takata Corporation et al., CV-16-55579700CP	• Bryan Hallett	Ontario	• TKH • TKJ • Highland	$1.5 million	Merchant Law Group

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

Proceeding Commenced at Toronto

AFFIDAVIT OF SCOTT E. CAUDILL

(Sworn June 27, 2017)

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Lawyers for the U.S. Foreign Representative
16771960

Tab 3

Court File No.

ONTARIO

SUPERIOR COURT OF JUSTICE

(COMMERCIAL LIST)

THE HONOURABLE MR.	)	WEDNESDAY, THE 28th
	)	
JUSTICE HAINEY	)	DAY OF JUNE, 2017

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C 36, AS AMENDED

AND IN THE MATTER OF TK HOLDINGS INC., AND THOSE OTHER COMPANIES LISTED ON SCHEDULE "A" HERETO (the "Chapter 11 Debtors")

APPLICATION OF TK HOLDINGS INC.
UNDER SECTION 46 OF THE
COMPANIES' CREDITORS ARRANGEMENT ACT

INITIAL RECOGNITION ORDER
(FOREIGN MAIN PROCEEDING)

THIS APPLICATION, made by TK Holdings Inc. in its capacity as foreign representative (the "**U.S. Foreign Representative**") of the Chapter 11 Debtors, pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**") for an Order substantially in the form enclosed in the Application Record at Tab 3, was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the Notice of Application, the affidavit of Scott E. Caudill sworn June 27, 2017 (the "**Caudill Affidavit**") and the affidavit of ● sworn June ●, 2017, each filed, and upon being provided with copies of the documents required by s. 46 of the CCAA,

AND UPON BEING ADVISED by Canadian counsel for the U.S. Foreign Representative that in addition to this Initial Recognition Order, a Supplemental Order (Foreign

Main Proceeding) is being sought substantially in the form enclosed in the Application Record at Tab 4,

AND UPON HEARING the submissions of Canadian counsel for the U.S. Foreign Representative, Canadian counsel for the Plan Sponsor (as defined in the Caudill Affidavit) and counsel for the proposed information officer, FTI Consulting Canada Inc. (the "**Proposed Information Officer**"), which parties were served on a confidential basis as appears from the affidavit of service of ●, sworn June ●, 2017, and upon being advised that no other persons were served with the Notice of Application:

DEFINED TERMS AND SERVICE

1. **THIS COURT ORDERS** that all capitalized terms used but not defined herein have the meaning given to them in the Caudill Affidavit.

2. **THIS COURT ORDERS** that the time for service of the Notice of Application and the Application Record is hereby abridged and validated so that this Application is properly returnable today and hereby dispenses with further service thereof.

FOREIGN REPRESENTATIVE

3. **THIS COURT ORDERS AND DECLARES** that the U.S. Foreign Representative is the "foreign representative" as defined in section 45 of the CCAA of the Chapter 11 Debtors in respect of the petitions commenced by the Chapter 11 Debtors in the United States Bankruptcy Court, District of Delaware for relief under chapter 11 of title 11 of the United States Code (the "**Chapter 11 Proceedings**").

CENTRE OF MAIN INTEREST AND RECOGNITION OF FOREIGN PROCEEDINGS

4. **THIS COURT DECLARES** that the centre of main interests for each of the Chapter 11 Debtors is in the United States of America, and that the Chapter 11 Proceedings are hereby recognized as "foreign main proceedings" as defined in section 45 of the CCAA.

STAY OF PROCEEDINGS

5. **THIS COURT ORDERS** that until otherwise ordered by this Court:

(a) all proceedings taken or that might be taken against any Chapter 11 Debtor under the *Bankruptcy and Insolvency Act* or the *Winding-up and Restructuring Act* are stayed;

(b) further proceedings in any action, suit or proceeding against any Chapter 11 Debtor are restrained; and

(c) the commencement of any action, suit or proceeding against any Chapter 11 Debtor is prohibited.

NO SALE OF PROPERTY

6. **THIS COURT ORDERS** that, except with leave of this Court, each of the Chapter 11 Debtors is prohibited from selling or otherwise disposing of:

(a) outside the ordinary course of its business, any of its property in Canada that relates to the business; and

(b) any of its other property in Canada.

GENERAL

7. **THIS COURT ORDERS** that within 7 days from the date of this Order, or as soon as reasonably practicable after the entry of this Order, the U.S. Foreign Representative, with the assistance of the Proposed Information Officer, shall (a) cause to be published a notice substantially in the form attached to this Order as **Schedule B** (the "**Notice of Recognition Proceeding**"), once a week for two consecutive weeks, in the Globe and Mail (National Edition) and the National Post; and (b) send a copy of the Notice of Recognition Proceeding and this Order to the proposed representative plaintiffs in each Canadian Class Action and the plaintiff(s) in each Canadian Personal Injury Action, in each case by sending a copy to counsel of record by email in accordance with the E-Service Protocol of the Commercial List (which can be found on the Commercial List website at http://www.ontariocourts.ca/scj/practice/practice-directions/toronto/e-service-protocol/), service of which will be effective on transmission, or by prepaid ordinary mail, courier, personal delivery or facsimile transmission service of which will be deemed to be received on the next business day following the date of forwarding thereof, or if sent by ordinary mail, on the third business day after mailing.

8. **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada, to give effect to this Order and

to assist the Chapter 11 Debtors and the U.S. Foreign Representative and their respective counsel and agents in carrying out the terms of this Order.

9. **THIS COURT ORDERS AND DECLARES** that this Order shall be effective as of 12:01 a.m. on the date of this Order.

10. **THIS COURT ORDERS** that any interested party may apply to this Court to vary or amend this Order or seek other relief on not less than seven (7) days' notice to the Chapter 11 Debtors, the U.S. Foreign Representative, the Proposed Information Officer, the Plan Sponsor and their respective counsel, and to any other party or parties likely to be affected by the order sought, or upon such other notice, if any, as this Court may order.

Schedule "A" – Chapter 11 Debtors

1. TK Holdings Inc.
2. Takata Americas
3. TK Finance, LLC
4. TK China, LLC
5. TK Mexico Inc.
6. TK Mexico LLC
7. Interiors in Flight, Inc.
8. Takata Protection Systems Inc.
9. TK Holdings de Mexico S. de R.L. de C.V.
10. Industrias Irvin de Mexico, S.A. de C.V.
11. Takata de Mexico, S.A. de C.V.
12. Strosshe-Mex, S. de R.L. de C.V.

Schedule "B" – Notice of Recognition Proceeding

Court File No.

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C 36, AS AMENDED

AND IN THE MATTER OF TK HOLDINGS INC., AND THOSE OTHER COMPANIES LISTED ON SCHEDULE "A"

APPLICATION OF TK HOLDINGS INC.
UNDER SECTION 46 OF THE
COMPANIES' CREDITORS ARRANGEMENT ACT

NOTICE OF RECOGNITION ORDERS

PLEASE BE ADVISED that this Notice is pursuant to an Order of the Ontario Superior Court of Justice (Commercial List) (the "**Canadian Court**"), granted on June 28, 2017.

PLEASE TAKE NOTICE that, on June 25, 2017, TK Holdings Inc., Takata Americas, TK Finance, LLC, TK China, LLC, TK Mexico Inc., TK Mexico LLC, Interiors in Flight, Inc., Takata Protection Systems Inc., TK Holdings de Mexico S. de R.L. de C.V., Industrias Irvin de Mexico, S.A. de C.V., Takata de Mexico, S.A. de C.V., and Strosshe-Mex, S. de R.L. de C.V. (collectively, the "**Chapter 11 Debtors**"), commenced proceedings in the United States Bankruptcy Court, District of Delaware for relief under chapter 11 of title 11 of the United States Code (the "**Chapter 11 Proceedings**"). In connection with the Chapter 11 Proceedings, TK Holdings Inc. has been appointed as the foreign representative (the "**U.S. Foreign Representative**").

PLEASE TAKE FURTHER NOTICE that an Initial Recognition Order and Supplemental Order (together, the "**Recognition Orders**") have been issued by the Canadian Court pursuant to Part IV of the *Companies' Creditors Arrangement Act* (Canada) (the "**Canadian Recognition Proceedings**") that, among other things: (i) recognizes the Chapter 11 Proceedings as "foreign main proceedings"; (ii) recognizes TK Holdings Inc. as the foreign representative of the Chapter 11 Debtors; (iii) orders a stay of proceedings in Canada of any action, suit or proceeding against any Chapter 11 Debtor, among other things; (iv) recognizes certain orders made in the Chapter 11 Proceedings; and (v) appoints FTI Consulting Canada Inc. as "Information Officer" in the Canadian Recognition Proceedings.

PLEASE TAKE FURTHER NOTICE that the Information Officer has established a website at http://cfcanada.fticonsulting.com/tkholdingsinc/ (the "**Website**") on which it will post all Orders of the Canadian Court made in the Canadian Recognition Proceedings and all reports of the Information Officer filed in the Canadian Recognition Proceedings, among other things. Any person who wishes to receive a copy of the Recognition Orders or obtain any further information

in respect thereof or in respect of the matters set forth in this Notice, should have regard to the Website and/or contact the Information Officer at:

FTI Consulting Canada Inc.
TD Waterhouse Tower
79 Wellington Street West
Suite 2010, P.O. Box 104
Toronto, Ontario M5K 1G8

Attention: Jeffrey Rosenberg
Tel: 416-649-8073
Fax: 416-649-8101
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PLEASE TAKE FURTHER NOTICE that legal counsel for the U.S. Foreign Representative is:

McCarthy Tétrault LLP
Suite 5300, TD Bank Tower
Box 48, 66 Wellington Street West
Toronto ON M5K 1E6

Attention: Heather L. Meredith and Eric S. Block
Tel: 416-601-8342/416-601-7792
Fax: 416-868-0673
Email: hmeredith@mccarthy.ca/eblock@mccarthy.ca

PLEASE TAKE FURTHER NOTICE that additional information regarding the Chapter 11 Proceedings may also be accessed by contacting counsel to the Chapter 11 Debtors in the Chapter 11 Proceedings at:

Weil, Gotshal & Manges LLP
767 Fifth Avenue
New York, NY, 10153
United States

Attention: Marcia L. Goldstein
Tel: 212-310-8214
Fax: 212-310-8007
Email: marcia.goldstein@weil.com

And via the website established in the Chapter 11 Proceedings at http://●.

Dated at Toronto, Ontario this ● day of ●, 2017.

IN THE MATTER OF APPLICATION OF AN APPLICATION BY TK HOLDINGS INC. UNDER SECTION 46 OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*	Court File No.

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

Proceeding Commenced at Toronto

INITIAL RECOGNITION ORDER

McCarthy Tétrault LLP
Suite 5300, Toronto Dominion Bank Tower
Toronto ON M5K 1E6

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Lawyers for the U.S. Foreign Representative
16785641

Tab 4

Court File No.

ONTARIO

SUPERIOR COURT OF JUSTICE

(COMMERCIAL LIST)

THE HONOURABLE MR.	)	WEDNESDAY, THE 28th
	)	
JUSTICE HAINEY	)	DAY OF JUNE, ~~20~~2017

IN THE MATTER OF THE *COMPANIES~~'~~' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C 36, AS AMENDED

AND IN THE MATTER OF ~~THE [](the "~~TK HOLDINGS INC., AND THOSE OTHER COMPANIES LISTED ON SCHEDULE "A" HERETO (the "Chapter 11 Debtors")

APPLICATION OF ~~[NAME OF FOREIGN REPRESENTATIVE]~~TK HOLDINGS INC.
UNDER SECTION 46 OF THE
COMPANIES' CREDITORS ARRANGEMENT ACT

INITIAL RECOGNITION ORDER
(FOREIGN MAIN[1] PROCEEDING)

THIS APPLICATION,[2] made by ~~[]~~TK Holdings Inc. in its capacity as ~~the~~ foreign representative (the "**U.S. Foreign Representative**") of the Chapter 11 Debtors, pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**") for an Order substantially in the form enclosed in the Application Record~~,~~ at Tab 3, was heard this day at 330 University Avenue, Toronto, Ontario.

~~1 Under section 47 the Canadian Court must be satisfied that the application for the recognition of a foreign proceeding relates to a foreign proceeding and that the applicant is a foreign representative in respect of that foreign proceeding, and then determine if the foreign proceeding is a foreign "main" or a foreign "non-main" proceeding. If the Canadian Court recognizes a foreign proceeding as a "main" proceeding, then section 48 of the CCAA provides that the Court must grant certain relief, subject to any terms and conditions it considers appropriate. The provisions of this model Order are minimal, and based on the mandatory relief set out in section 48 of the CCAA with respect to a foreign main proceeding. As noted below, supplemental and other relief is set out in the model Supplemental Order (Foreign Main Proceeding).~~

~~2 Part IV of the CCAA governs cross-border insolvencies.~~

ON READING the Notice of Application, the affidavit of ~~[] sworn [], [the preliminary report of [], in its capacity as *proposed information officer* (the "Proposed Information Officer") dated [],~~Scott E. Caudill sworn June 27, 2017 (the "**Caudill Affidavit**") and the affidavit of ● sworn June ●, 2017, each filed, and upon being provided with copies of the documents required by s. 46 of the CCAA,

AND UPON BEING ADVISED by Canadian counsel for the U.S. Foreign Representative that in addition to this Initial Recognition Order, a Supplemental Order (Foreign Main Proceeding) ~~[will be/~~is being~~] sought,~~[3] sought substantially in the form enclosed in the Application Record at Tab 4,

AND UPON HEARING the submissions of Canadian counsel for the U.S. Foreign Representative, ~~[~~Canadian counsel for the Plan Sponsor (as defined in the Caudill Affidavit) and counsel for the *proposed information officer*, FTI Consulting Canada Inc. (the "**Proposed Information Officer**~~,] counsel for [],~~"), which parties were served on a confidential basis as appears from the affidavit of service of ●, sworn June ●, 2017, and upon being advised that no other persons were served with the Notice of Application:[4]

DEFINED TERMS AND SERVICE

1. **THIS COURT ORDERS** that all capitalized terms used but not defined herein have the meaning given to them in the Caudill Affidavit.

2. ~~1.~~ **THIS COURT ORDERS** that the time for service of the Notice of Application and the Application Record is hereby abridged and validated[5] so that this Application is properly returnable today and hereby dispenses with further service thereof.

~~[3] In addition to the mandatory relief contained in this Order pursuant to section 48 of the CCAA, certain discretionary relief may be granted by the Court pursuant to section 49 of the CCAA. Examples of such discretionary relief are contained in a model Supplemental Order (Foreign Main Proceeding), also available on the Commercial List website.~~

~~[4] Revise to be consistent with the service recital in the Supplemental Order, if it is being sought concurrently.~~

~~[5] If service is effected in a manner other than as authorized by the Ontario *Rules of Civil Procedure*, an order validating irregular service is required pursuant to Rule 16.08 of the *Rules of Civil Procedure* and may be granted in the appropriate circumstances.~~

FOREIGN REPRESENTATIVE

3. ~~2.~~ **THIS COURT ORDERS AND DECLARES** that the U.S. Foreign Representative is the "foreign representative" as defined in section 45 of the CCAA of the Chapter 11 Debtors in respect of ~~[]~~ ~~(the "Foreign Proceeding~~the petitions commenced by the Chapter 11 Debtors in the United States Bankruptcy Court, District of Delaware for relief under chapter 11 of title 11 of the United States Code (the "**Chapter 11 Proceedings**").

CENTRE OF MAIN INTEREST AND RECOGNITION OF FOREIGN ~~PROCEEDING~~PROCEEDINGS

4. ~~3.~~ **THIS COURT DECLARES** that the centre of ~~its~~ main interests for each of the Chapter 11 Debtors is ~~[]~~in the United States of America,[6] and that the ~~Foreign Proceeding is~~Chapter 11 Proceedings are hereby recognized as ~~a~~ "foreign main ~~proceeding~~"[7]proceedings" as defined in section 45 of the CCAA.

STAY OF PROCEEDINGS[8]

5. ~~4.~~ **THIS COURT ORDERS** that until otherwise ordered by this Court:

(a) all proceedings taken or that might be taken against any Chapter 11 Debtor under the *Bankruptcy and Insolvency Act* or the *Winding-up and Restructuring Act* are stayed;

(b) further proceedings in any action, suit or proceeding against any Chapter 11 Debtor are restrained; and

(c) the commencement of any action, suit or proceeding against any Chapter 11 Debtor is prohibited.

NO SALE OF PROPERTY[9]

6. ~~5.~~ **THIS COURT ORDERS** that, except with leave of this Court, each of the Chapter 11 Debtors is prohibited from selling or otherwise disposing of:

(a) outside the ordinary course of its business, any of its property in Canada that relates to the business; and

(b) any of its other property in Canada.

~~6 A "foreign main proceeding" as defined in section 45 of the CCAA is "a foreign proceeding in a jurisdiction where the debtor company has the centre of its main interests". Accordingly, the Court must make this determination in concluding that the proceeding being recognized is a foreign main proceeding. This determination should be made for each individual Debtor.~~

~~7 A separate model order is being developed with respect to foreign non-main proceedings.~~

~~8 The provisions of this paragraph 4 are based on section 48 of the CCAA. More comprehensive stay provisions are found in the model Supplemental Order (Foreign Main Proceeding).~~

~~9 Based on section 48(d) of the CCAA.~~

GENERAL

7. ~~6.~~ **THIS COURT ORDERS** that ~~[without delay][~~within ~~[]~~7 days from the date of this Order, or as soon as reasonably practicable ~~thereafter]~~[10] after the entry of this Order, the U.S. Foreign Representative, with the assistance of the Proposed Information Officer, shall (a) cause to be published a notice substantially in the form attached to this Order as **Schedule** ~~[*],~~[11] **B** (the "**Notice of Recognition Proceeding**"), once a week for two consecutive weeks, in ~~[]~~the Globe and Mail (National Edition) and the National Post; and (b) send a copy of the Notice of Recognition Proceeding and this Order to the proposed representative plaintiffs in each Canadian Class Action and the plaintiff(s) in each Canadian Personal Injury Action, in each case by sending a copy to counsel of record by email in accordance with the E-Service Protocol of the Commercial List (which can be found on the Commercial List website at http://www.ontariocourts.ca/scj/practice/practice-directions/toronto/e-service-protocol/), service of which will be effective on transmission, or by prepaid ordinary mail, courier, personal delivery or facsimile transmission service of which will be deemed to be received on the next business day following the date of forwarding thereof, or if sent by ordinary mail, on the third business day after mailing.[12]

8. ~~7.~~ **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada, to give effect to this Order and to assist the Chapter 11 Debtors and the U.S. Foreign Representative and their respective counsel and agents in carrying out the terms of this Order.

~~10 Section 53 of the CCAA requires publication "without delay after the order is made". The alternative language, above, may provide more certainty as to when that publication must take place.~~

~~11 The notice must contain information prescribed under the CCAA (section 53(b)).~~

~~12 Section 53(b) of the CCAA requires that the Foreign Representative publish, unless otherwise directed by the Court, notice of the Recognition Order once a week for two consecutive weeks, in one or more newspapers in Canada specified by the Court. In addition, the Foreign Representative has ongoing reporting obligations pursuant to section 53(a) of the CCAA.~~

9. ~~8.~~ **THIS COURT ORDERS AND DECLARES** that ~~[the Interim Initial Order made on [] shall be of no further force and effect once this Order becomes effective, and that]~~ this Order shall be effective as of ~~[]~~[13] 12:01 a.m. on the date of this Order~~[, provided that nothing herein shall invalidate any action taken in compliance with such Interim Initial Order prior to the effective time of this Order.]~~[14].

10. ~~9.~~ **THIS COURT ORDERS** that any interested party may apply to this Court to vary or amend this Order or seek other relief on not less than seven (7) days' notice to the Chapter 11 Debtors ~~and~~, the U.S. Foreign Representative, the Proposed Information Officer, the Plan Sponsor and their respective counsel, and to any other party or parties likely to be affected by the order sought, or upon such other notice, if any, as this Court may order.

~~13~~ ~~This time should be after the effective time that the Foreign Representative was appointed in the Foreign Proceeding.~~

~~14~~ ~~If an Interim Initial Order was not made, references to an Interim Initial Order should be removed from this paragraph.~~

Schedule "A" – Chapter 11 Debtors

1. TK Holdings Inc.
2. Takata Americas
3. TK Finance, LLC
4. TK China, LLC
5. TK Mexico Inc.
6. TK Mexico LLC
7. Interiors in Flight, Inc.
8. Takata Protection Systems Inc.
9. TK Holdings de Mexico S. de R.L. de C.V.
10. Industrias Irvin de Mexico, S.A. de C.V.
11. Takata de Mexico, S.A. de C.V.
12. Strosshe-Mex, S. de R.L. de C.V.

Schedule "B" – Notice of Recognition Proceeding

Court File No. _____

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C 36, AS AMENDED

AND IN THE MATTER OF TK HOLDINGS INC., AND THOSE OTHER COMPANIES LISTED ON SCHEDULE "A"

APPLICATION OF TK HOLDINGS INC.
UNDER SECTION 46 OF THE
COMPANIES' CREDITORS ARRANGEMENT ACT

~~**[ATTACH APPROPRIATE SCHEDULE(S)]**~~

NOTICE OF RECOGNITION ORDERS

PLEASE BE ADVISED that this Notice is pursuant to an Order of the Ontario Superior Court of Justice (Commercial List) (the "**Canadian Court**"), granted on June 28, 2017.

PLEASE TAKE NOTICE that, on June 25, 2017, TK Holdings Inc., Takata Americas, TK Finance, LLC, TK China, LLC, TK Mexico Inc., TK Mexico LLC, Interiors in Flight, Inc., Takata Protection Systems Inc., TK Holdings de Mexico S. de R.L. de C.V., Industrias Irvin de Mexico, S.A. de C.V., Takata de Mexico, S.A. de C.V., and Strosshe-Mex, S. de R.L. de C.V. (collectively, the "**Chapter 11 Debtors**"), commenced proceedings in the United States Bankruptcy Court, District of Delaware for relief under chapter 11 of title 11 of the United States Code (the "**Chapter 11 Proceedings**"). In connection with the Chapter 11 Proceedings, TK Holdings Inc. has been appointed as the foreign representative (the "**U.S. Foreign Representative**").

PLEASE TAKE FURTHER NOTICE that an Initial Recognition Order and Supplemental Order (together, the "**Recognition Orders**") have been issued by the Canadian Court pursuant to Part IV of the *Companies' Creditors Arrangement Act* (Canada) (the "**Canadian Recognition Proceedings**") that, among other things: (i) recognizes the Chapter 11 Proceedings as "foreign main proceedings"; (ii) recognizes TK Holdings Inc. as the foreign representative of the Chapter 11 Debtors; (iii) orders a stay of proceedings in Canada of any action, suit or proceeding against any Chapter 11 Debtor, among other things; (iv) recognizes certain orders made in the Chapter 11 Proceedings; and (v) appoints FTI Consulting Canada Inc. as "Information Officer" in the Canadian Recognition Proceedings.

PLEASE TAKE FURTHER NOTICE that the Information Officer has established a website at http://cfcanada.fticonsulting.com/tkholdingsinc/ (the "**Website**") on which it will post all Orders of the Canadian Court made in the Canadian Recognition Proceedings and all reports of the Information Officer filed in the Canadian Recognition Proceedings, among other things. Any

person who wishes to receive a copy of the Recognition Orders or obtain any further information in respect thereof or in respect of the matters set forth in this Notice, should have regard to the Website and/or contact the Information Officer at:

FTI Consulting Canada Inc.
TD Waterhouse Tower
79 Wellington Street West
Suite 2010, P.O. Box 104
Toronto, Ontario M5K 1G8

Attention: Jeffrey Rosenberg
Tel: 416-649-8073
Fax: 416-649-8101
Email: jeffrey.rosenberg@fticonsulting.com

PLEASE TAKE FURTHER NOTICE that legal counsel for the U.S. Foreign Representative is:

McCarthy Tétrault LLP
Suite 5300, TD Bank Tower
Box 48, 66 Wellington Street West
Toronto ON M5K 1E6

Attention: Heather L. Meredith and Eric S. Block
Tel: 416-601-8342/416-601-7792
Fax: 416-868-0673
Email: hmeredith@mccarthy.ca/eblock@mccarthy.ca

PLEASE TAKE FURTHER NOTICE that additional information regarding the Chapter 11 Proceedings may also be accessed by contacting counsel to the Chapter 11 Debtors in the Chapter 11 Proceedings at:

Weil, Gotshal & Manges LLP
767 Fifth Avenue
New York, NY, 10153
United States

Attention: Marcia L. Goldstein
Tel: 212-310-8214
Fax: 212-310-8007
Email: marcia.goldstein@weil.com

And via the website established in the Chapter 11 Proceedings at http://●.

Dated at Toronto, Ontario this ● day of ●, 2017.

IN THE MATTER OF APPLICATION OF AN APPLICATION BY TK HOLDINGS INC. UNDER SECTION 46 OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*	Court File No.

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

Proceeding Commenced at Toronto

INITIAL RECOGNITION ORDER

McCarthy Tétrault LLP
Suite 5300, Toronto Dominion Bank Tower
Toronto ON M5K 1E6

Heather L. Meredith LSUC#: 48354R
Tel: 416-601-8342
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Lawyers for the U.S. Foreign Representative
16785641

Document comparison by Workshare Compare on Tuesday, June 27, 2017 12:49:54 PM

Input:	
Document 1 ID	PowerDocs://DOCS/16785641/1
Description	DOCS-#16785641-v1-TKH_-_Initial_Recognition_Order
Document 2 ID	PowerDocs://DOCS/16785641/7
Description	DOCS-#16785641-v7-TKH_-_Initial_Recognition_Order
Rendering set	MTStandard

Legend:	
Insertion	
~~Deletion~~	
~~*Moved from*~~	
Moved to	
Style change	
Format change	
~~Moved deletion~~	
Inserted cell	
Deleted cell	
Moved cell	
Split/Merged cell	
Padding cell	

Statistics:	
	Count
Insertions	129
Deletions	95
Moved from	1
Moved to	1
Style change	0
Format changed	0
Total changes	226

Tab 5

Court File No.

ONTARIO

SUPERIOR COURT OF JUSTICE

(COMMERCIAL LIST)

THE HONOURABLE MR.	)	WEDNESDAY, THE 28th
	)	
JUSTICE HAINEY	)	DAY OF JUNE, 2017

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C 36, AS AMENDED

AND IN THE MATTER OF TK HOLDINGS INC., AND THOSE OTHER COMPANIES LISTED ON SCHEDULE "A" HERETO (the "Chapter 11 Debtors")

APPLICATION OF TK HOLDINGS INC.
UNDER SECTION 46 OF THE
COMPANIES' CREDITORS ARRANGEMENT ACT

SUPPLEMENTAL ORDER
(FOREIGN MAIN PROCEEDING)

THIS APPLICATION, made by TK Holdings Inc. in its capacity as foreign representative of the Chapter 11 Debtors (the "**U.S. Foreign Representative**"), pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**") for an Order substantially in the form enclosed in the Application Record at Tab 5, was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the Notice of Application, the affidavit of Scott E. Caudill sworn June 27, 2017 (the "**Caudill Affidavit**") and the affidavit of ●, sworn June ●, 2017, each filed, and on hearing the submissions of Canadian counsel for the U.S. Foreign Representative, Canadian counsel for the Plan Sponsor (as defined in the Caudill Affidavit) and counsel for the proposed information officer, FTI Consulting Canada Inc., which parties were served on a confidential basis as appears from the affidavit of service of ●, sworn ●, and upon being

advised that no other persons were served with the Notice of Application, and on reading the consent of FTI Consulting Canada Inc. to act as the information officer:

DEFINED TERMS AND SERVICE

1. **THIS COURT ORDERS** that all capitalized terms used but not defined herein have the meaning given to them in the Caudill Affidavit.

2. **THIS COURT ORDERS** that the time for service of the Notice of Application and the Application Record is hereby abridged and validated so that this Application is properly returnable today and hereby dispenses with further service thereof.

INITIAL RECOGNITION ORDER

3. **THIS COURT ORDERS** that the provisions of this Supplemental Order shall be interpreted in a manner complementary and supplementary to the provisions of the Initial Recognition Order (Foreign Main Proceeding) dated June 28, 2017 (the "**Initial Recognition Order**"), provided that in the event of a conflict between the provisions of this Supplemental Order and the provisions of the Initial Recognition Order, the provisions of the Initial Recognition Order shall govern.

RECOGNITION OF FOREIGN ORDERS

4. **THIS COURT ORDERS** that the following orders, copies of which are attached as Schedule “B” to “O” of this Order, (collectively, the "**U.S. First Day Orders**") of the United States Bankruptcy Court, District of Delaware made in the Chapter 11 Proceedings are hereby recognized and given full force and effect in all provinces and territories of Canada pursuant to Section 49 of the CCAA:

(a) Order Directing Joint Administration of Chapter 11 Cases;

(b) Order Appointing Prime Clerk LLC as Claims and Noticing Agent;

(c) Interim Order (i) Authorizing Debtors to Enter into Accommodation Agreement and Access Agreement With Certain Customers, (ii) Granting Adequate Protection to Certain Consenting OEMs in Connection Therewith,

(iii) Modifying the Automatic Stay to Implement and Effectuate the Terms of the Interim Order, and (vi) Scheduling a Final Hearing;

(d) Interim Order (I) Authorizing Debtors to (A) Continue Their Existing Cash Management System, (B) Honor Certain Prepetition Obligations Related to the Use Thereof, (C) Provide Certain Postpetition Claims Administrative Expense Priority, (D) Continue Intercompany Funding of Certain Non-Debtors, and (E) Maintain Existing Bank Accounts and Business Forms; and (II) Extending Time to Comply with Requirements of 11 U.S.C. § 345(b);

(e) Interim Order to (I) Pay Prepetition Wages, Salaries, and Other Compensation and Benefits, and (II) Maintain Employee Benefit Programs and Pay Related Administrative Obligations;

(f) Interim Order to Pay Prepetition Obligations Owed to Certain Critical Vendors;

(g) Interim Order Authorizing the Debtors to (I) Pay Prepetition Obligations Owed to Certain Foreign Vendors and Lien Claimants and (II) Grant Administrative Status for Certain Goods Delivered to Debtors Postpetition;

(h) Interim Order to (I) Continue Tooling and Warranty Programs in the Ordinary Course of Business and Pay Prepetition Obligations Related Thereto, and (II) Authorize Banks to Honor and Process Related Checks and Transfers;

(i) Interim Order to Continue Insurance and Surety Bond Programs and Pay All Obligations With Respect Thereto;

(j) Interim Order to (I) Pay Certain Prepetition Taxes and Assessments, and (II) Authorize Banks to Honor and Process Related Checks and Transfers;

(k) Interim Order (I) Approving Debtors' Proposed form of Adequate Assurance of Payment to Utility Companies, (II) Establishing Procedures for Resolving Objections by Utility Companies, and (III) Prohibiting Utility Companies from Altering, Refusing, or Discontinuing Service;

(l) Order Enforcing the Protections of 11 U.S.C. §§ 362, 365, 525, and 541(c);

(m) Order Authorizing TK Holdings, Inc. to Act as Foreign Representative on Behalf of the Debtors' Estates; and

(n) Order Implementing Certain Notice Procedures and Approving the Form and Manner of Notice of Commencement (the "**U.S. First Day Orders**").

5. **THIS COURT ORDERS AND DECLARES** that, in the event of any conflict between the terms of the U.S. First Day Orders and the Orders of this Court made in the within proceedings, the Orders of this Court shall govern with respect to Property (as defined below) in Canada.

APPOINTMENT OF INFORMATION OFFICER

6. **THIS COURT ORDERS** that FTI Consulting Canada Inc. (the "**Information Officer**") is hereby appointed as an officer of this Court, with the powers and duties set out herein.

NO PROCEEDINGS AGAINST THE CHAPTER 11 DEBTORS OR THE PROPERTY

7. **THIS COURT ORDERS** that until such date as this Court may order (the "**Stay Period**") no proceeding or enforcement process in any court or tribunal in Canada, including but not limited to the Canadian Actions (each, a "**Proceeding**") shall be commenced or continued against or in respect of the Chapter 11 Debtors or affecting their business (the "**Business**") or their current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate including all proceeds thereof (the "**Property**"), except with leave of this Court, and any and all Proceedings currently under way against or in respect of any of the Chapter 11 Debtors or affecting the Business or the Property are hereby stayed and suspended pending further Order of this Court.

NO EXERCISE OF RIGHTS OR REMEDIES

8. **THIS COURT ORDERS** that during the Stay Period, all rights and remedies of any individual, firm, corporation, governmental body or agency, or any other entities (all of the foregoing, collectively being "**Persons**" and each being a "**Person**") against or in respect of

the Chapter 11 Debtors, or affecting the Business or the Property, are hereby stayed and suspended except with leave of this Court, provided that nothing in this Order shall (i) prevent the assertion of or the exercise of rights and remedies outside of Canada, (ii) empower any of the Chapter 11 Debtors to carry on any business in Canada which that Chapter 11 Debtor is not lawfully entitled to carry on, (iii) affect such investigations or Proceedings by a regulatory body as are permitted by section 11.1 of the CCAA, (iv) prevent the filing of any registration to preserve or perfect a security interest, or (v) prevent the registration of a claim for lien.

NO INTERFERENCE WITH RIGHTS

9. **THIS COURT ORDERS** that during the Stay Period, no Person shall discontinue, fail to honour, alter, interfere with, repudiate, terminate or cease to perform any right, renewal right, contract, agreement, licence or permit in favour of or held by any of the Chapter 11 Debtors and affecting the Business in Canada, except with leave of this Court.

ADDITIONAL PROTECTIONS

10. **THIS COURT ORDERS** that during the Stay Period, all Persons having oral or written agreements with the Chapter 11 Debtors or statutory or regulatory mandates for the supply of goods and/or services in Canada, including without limitation all computer software, communication and other data services, centralized banking services, payroll services, insurance, transportation services, utility or other services provided in respect of the Property or Business of the Chapter 11 Debtors, are hereby restrained until further Order of this Court from discontinuing, altering, interfering with or terminating the supply of such goods or services as may be required by the Chapter 11 Debtors.

11. **THIS COURT ORDERS** that during the Stay Period, and except as permitted by subsection 11.03(2) of the CCAA, no Proceeding may be commenced or continued against any of the former, current or future directors or officers of the Chapter 11 Debtors with respect to any claim against the directors or officers that arose before the date hereof and that relates to any obligations of the Chapter 11 Debtors whereby the directors or officers are alleged under any law to be liable in their capacity as directors or officers for the payment or performance of such obligations.

12. **THIS COURT ORDERS** that no Proceeding shall be commenced or continued against or in respect of the Information Officer, except with leave of this Court. In addition to the rights and protections afforded the Information Officer herein, or as an officer of this Court, the Information Officer shall have the benefit of all of the rights and protections afforded to a Monitor under the CCAA, and shall incur no liability or obligation as a result of its appointment or the carrying out of the provisions of this Order, save and except for any gross negligence or wilful misconduct on its part.

OTHER PROVISIONS RELATING TO INFORMATION OFFICER

13. **THIS COURT ORDERS** that the Information Officer:

(a) is hereby authorized to provide such assistance to the U.S. Foreign Representatives in the performance of its duties as the U.S. Foreign Representative may reasonably request;

(b) shall report to this Court at least once every three months with respect to the status of these proceedings and the status of the Chapter 11 Proceedings, which reports may include information relating to the Property, the Business, or such other matters as may be relevant to the proceedings herein;

(c) in addition to the periodic reports referred to in paragraph 13(b) above, the Information Officer may report to this Court at such other times and intervals as the Information Officer may deem appropriate with respect to any of the matters referred to in paragraph 13(b) above;

(d) shall have full and complete access to the Property, including the premises, books, records, data, including data in electronic form, and other financial documents of the Chapter 11 Debtors, to the extent that is necessary to perform its duties arising under this Order; and

(e) shall be at liberty to engage independent legal counsel or such other persons as the Information Officer deems necessary or advisable respecting the exercise of its powers and performance of its obligations under this Order.

14. **THIS COURT ORDERS** that the Chapter 11 Debtors and the U.S. Foreign Representative shall (i) advise the Information Officer of all material steps taken by the Chapter 11 Debtors or the U.S. Foreign Representative in these proceedings or in the Chapter 11 Proceedings, (ii) co-operate fully with the Information Officer in the exercise of its powers and discharge of its obligations, and (iii) provide the Information Officer with the assistance that is necessary to enable the Information Officer to adequately carry out its functions.

15. **THIS COURT ORDERS** that the Information Officer shall not take possession of the Property and shall take no part whatsoever in the management or supervision of the management of the Business and shall not, by fulfilling its obligations hereunder, be deemed to have taken or maintained possession or control of the Business or Property, or any part thereof.

16. **THIS COURT ORDERS** that the Information Officer (i) shall post on its website all Orders of this Court made in these proceedings, all reports of the Information Officer filed herein, and such other materials as this Court may order from time to time, and (ii) may post on its website any other materials that the Information Officer deems appropriate.

17. **THIS COURT ORDERS** that the Information Officer may provide any creditor of a Chapter 11 Debtor with information provided by the Chapter 11 Debtors in response to reasonable requests for information made in writing by such creditor addressed to the Information Officer. The Information Officer shall not have any responsibility or liability with respect to the information disseminated by it pursuant to this paragraph. In the case of information that the Information Officer has been advised by the Chapter 11 Debtors is privileged or confidential, the Information Officer shall not provide such information to creditors unless otherwise directed by this Court or on such terms as the Information Officer, the U.S. Foreign Representative and the relevant Chapter 11 Debtors may agree.

18. **THIS COURT ORDERS** that the Information Officer and counsel to the Information Officer shall be paid by the Chapter 11 Debtors their reasonable fees and disbursements incurred in respect of these proceedings, both before and after the making of this Order, in each case at their standard rates and charges unless otherwise ordered by the Court on the passing of accounts. The Chapter 11 Debtors are hereby authorized and directed

to pay the accounts of the Information Officer and counsel for the Information Officer and counsel for the U.S. Foreign Representative on a weekly basis and, in addition, the Chapter 11 Debtors are hereby authorized to pay to the Information Officer and counsel to the U.S. Foreign Representative, *nunc pro tunc* retainers in the amounts of $75,000 and $100,000, respectively, to be held by them as security for payment of their respective fees and disbursements outstanding from time to time.

19. **THIS COURT ORDERS** that, if requested by the U.S. Foreign Representative, this Court or any interested party, the Information Officer and its legal counsel shall pass their accounts from time to time, and for this purpose the accounts of the Information Officer and its legal counsel are hereby referred to a judge of the Commercial List of the Ontario Superior Court of Justice, and the accounts of the Information Officer and its counsel shall not be subject to approval in the Chapter 11 Proceedings.

SERVICE AND NOTICE

20. **THIS COURT ORDERS** that the E-Service Protocol of the Commercial List (the "**Protocol**") is approved and adopted by reference herein and, in this proceeding, the service of documents made in accordance with the Protocol (which can be found on the Commercial List website at http://www.ontariocourts.ca/scj/practice/practice-directions/toronto/e-service-protocol/) shall be valid and effective service. Subject to Rule 17.05 of the *Rules of Civil Procedure* (Ontario), this Order shall constitute an order for substituted service pursuant to Rule 16.04 of the *Rules of Civil Procedure* (Ontario). Subject to Rule 3.01(d) of the *Rules of Civil Procedure* (Ontario) and paragraph 21 of the Protocol, service of documents in accordance with the Protocol will be effective on transmission. This Court further orders that a Case Website shall be established by the Information Officer in accordance with the Protocol with the following URL: http://cfcanada.fticonsulting.com/tkholdingsinc/.

21. **THIS COURT ORDERS** that if the service or distribution of documents in accordance with the Protocol is not practicable, the Chapter 11 Debtors, the U.S. Foreign Representative and the Information Officer are at liberty to serve or distribute this Order, any other materials and orders in these proceedings, any notices or other correspondence, by forwarding true copies thereof by prepaid ordinary mail, courier, personal delivery or facsimile transmission to the Chapter 11 Debtors' creditors or other interested parties at their

respective addresses as last shown on the records of the applicable Chapter 11 Debtor and that any such service or distribution by courier, personal delivery or facsimile transmission shall be deemed to be received on the next business day following the date of forwarding thereof, or if sent by ordinary mail, on the third business day after mailing.

GENERAL

22. **THIS COURT ORDERS** that the Information Officer may from time to time apply to this Court for advice and directions in the discharge of its powers and duties hereunder.

23. **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada, the United States of America or elsewhere, to give effect to this Order and to assist the Chapter 11 Debtors, the U.S. Foreign Representative, the Information Officer, and their respective agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Chapter 11 Debtors, the U.S. Foreign Representative, and the Information Officer, the latter as an officer of this Court, as may be necessary or desirable to give effect to this Order, or to assist the Chapter 11 Debtors, the U.S. Foreign Representative, and the Information Officer and their respective agents in carrying out the terms of this Order.

24. **THIS COURT ORDERS** that each of the Chapter 11 Debtors, the U.S. Foreign Representative and the Information Officer be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order.

25. **THIS COURT ORDERS** that the Guidelines for Court-to-Court Communications in Cross-Border Cases developed by the American Law Institute and attached as Schedule "P" hereto is adopted by this Court for the purposes of these recognition proceedings.

26. **THIS COURT ORDERS** that any interested party may apply to this Court to vary or amend this Order or seek other relief on not less than seven (7) days' notice to the Chapter 11 Debtors, the U.S. Foreign Representative, the Information Officer, the Plan Sponsor and their

respective counsel, and to any other party or parties likely to be affected by the order sought, or upon such other notice, if any, as this Court may order.

27. **THIS COURT ORDERS** that this Order shall be effective as of 12:01 a.m. on the date of this Order.

_____

Schedule "A" – Chapter 11 Debtors

1. TK Holdings Inc.
2. Takata Americas
3. TK Finance, LLC
4. TK China, LLC
5. TK Mexico Inc.
6. TK Mexico LLC
7. Interiors in Flight, Inc.
8. Takata Protection Systems Inc.
9. TK Holdings de Mexico S. de R.L. de C.V.
10. Industrias Irvin de Mexico, S.A. de C.V.
11. Takata de Mexico, S.A. de C.V.
12. Strosshe-Mex, S. de R.L. de C.V.

Schedule "B" – Order Directing Joint Administration of Chapter 11 Cases

See attached.

Schedule "C" – Order for Appointment of Prime Clerk LLC as Claims and Noticing Agent

See attached.

Schedule "D" – Order (i) Authorizing Debtors to Enter into Accommodation Agreement with Certain Customers, (ii) Granting Adequate Protection to Certain Consenting OEMs in Connection Therewith, (iii) Modifying the Automatic Stay to Implement and Effectuate the Terms of the Interim Order, and (vi) Scheduling a Final Hearing

See attached.

Schedule "E" – Interim and Final Orders (I) Authorizing Debtors to (A) Continue Their Existing Cash Management System, (B) Honor Certain Prepetition Obligations Related to the Use Thereof, (C) Provide Certain Postpetition Claims Administrative Expense Priority, (D) Continue Intercompany Funding of Certain Non-Debtors, and (E) Maintain Existing Bank Accounts and Business Forms; and (II) Extending Time to Comply with Requirements of 11 U.S.C. § 345(b)

See attached.

Schedule "F" – Order for Interim and Final Authority to (I) Pay Prepetition Wages, Salaries, and Other Compensation and Benefits, and (II) Maintain Employee Benefit Programs and Pay Related Administrative Obligations

See attached.

Schedule "G" – Order for Interim and Final Authority to Pay Prepetition Obligations Owed to Certain Critical Vendors

See attached.

Schedule "H" –Interim and Final Orders Authorizing the Debtors to (I) Pay Prepetition Obligations Owed to Certain Foreign Vendors and Lien Claimants and (II) Grant Administrative Status for Certain Goods Delivered to Debtors Postpetition

See attached.

Schedule "I" – Order for Interim and Final Authority to (I) Continue Tooling and Warranty Programs in the Ordinary Course of Business and Pay Prepetition Obligations Related Thereto, and (II) Authorize Banks to Honor and Process Related Checks and Transfers

See attached.

Schedule "J" – Order for Interim and Final Authority to Continue Insurance Programs and Pay All Obligations With Respect Thereto

See attached.

Schedule "K" – Order for Interim and Final Authority to (I) Pay Certain Prepetition Taxes and Assessments, and (II) Authorize Banks to Honor and Process Related Checks and Transfers;

See attached.

Schedule "L" –Interim and Final Orders (I) Approving Debtors' Proposed form of Adequate Assurance of Payment to Utility Companies, (II) Establishing Procedures for Resolving Objections by Utility Companies, and (III) Prohibiting Utility Companies from Altering, Refusing, or Discontinuing Service

See attached.

Schedule "M" – Order Enforcing the Protections of 11 U.S.C. §§ 362, 365, 525, and 541(c)

See attached.

Schedule "N" – Order Authorizing TK Holdings, Inc. to Act as Foreign Representative on Behalf of the Debtors' Estates

See attached.

Schedule "O" – Order Implementing Certain Notice Procedures and Approving the Form and Manner of Notice of Commencement

See attached.

Schedule "P" – Guidelines for Court-to-Court Communications in Cross-Border Cases

See attached.

IN THE MATTER OF APPLICATION OF AN APPLICATION BY **[TK HOLDINGS INC.]** UNDER SECTION 46 OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*	Court File No.

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

Proceeding Commenced at Toronto

SUPPLEMENTAL RECOGNITION ORDER

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Lawyers for the U.S. Foreign Representative
16787496

Tab 6

Court File No.

ONTARIO

SUPERIOR COURT OF JUSTICE

(COMMERCIAL LIST)

THE HONOURABLE MR.	)	WEDNESDAY, THE 28th
	)	
JUSTICE HAINEY	)	DAY OF JUNE, ~~20~~2017

IN THE MATTER OF THE *COMPANIES~~'~~' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C 36, AS AMENDED

AND IN THE MATTER OF ~~THE [LIST DEBTOR NAMES](the "~~TK HOLDINGS INC., AND THOSE OTHER COMPANIES LISTED ON SCHEDULE "A" HERETO (the "Chapter 11 Debtors")

APPLICATION OF ~~[NAME OF FOREIGN REPRESENTATIVE]~~TK HOLDINGS INC.
UNDER SECTION 46 OF THE
COMPANIES' CREDITORS ARRANGEMENT ACT

SUPPLEMENTAL ORDER[1]
(FOREIGN MAIN[2] PROCEEDING)

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[1] ~~As noted in several footnotes in this model order, practice under Part IV of the CCAA is still developing, and as certain issues are determined by Canadian courts, this model order will be amended to reflect the development of the law in this area.~~

[2] ~~If the Canadian Court has recognized a foreign proceeding as a "main" proceeding, then section 48 of the CCAA provides that the Court must grant certain relief, subject to any terms and conditions it considers appropriate. The provisions of the model Initial Recognition Order (Foreign Main Proceeding) fulfill the mandatory requirements of section 48 with respect to a foreign main proceeding. Section 49 of the CCAA also allows the Court to make any order that it considers appropriate for the protection of the debtor company's property or the interests of a creditor or creditors. This Supplemental Order contains discretionary relief that might be granted by the Court in the appropriate circumstances. The Model Order Subcommittee has attempted to make the provisions of this model Order consistent with similar provisions in other model Orders. Supplemental relief (whether contained in this Order or in subsequent Orders) may also include provisions dealing with the sale of assets, the recognition of critical vendors, a claims process, or any number of other matters, or may recognize foreign orders or laws granting such relief.~~

THIS APPLICATION, made by ~~[NAME OF FOREIGN REPRESENTATIVE]~~TK Holdings Inc. in its capacity as ~~the~~ foreign representative of the Chapter 11 Debtors (the "**U.S. Foreign Representative**") ~~of the Debtors~~, pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**") for an Order substantially in the form enclosed in the Application Record~~,~~ at Tab 5, was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the Notice of Application, the affidavit of ~~[NAME] sworn [DATE], [the preliminary report of [NAME], in its capacity as proposed information officer dated [DATE]], and on being advised that the secured creditors who are likely to be affected by the charges created herein were given notice~~Scott E. Caudill sworn June 27, 2017 (the "**Caudill Affidavit**") and the affidavit of ●, sworn June ●, 2017, each filed, and on hearing the submissions of Canadian counsel for the U.S. Foreign Representative, ~~[~~Canadian counsel for the Plan Sponsor (as defined in the Caudill Affidavit) and counsel for the proposed information officer,~~] counsel for [OTHER PARTIES], no one appearing for [NAME][3] although duly served~~ FTI Consulting Canada Inc., which parties were served on a confidential basis as appears from the affidavit of service of ~~[NAME] sworn [DATE]~~●, sworn ●, and upon being advised that no other persons were served with the Notice of Application, and on reading the consent of ~~[NAME OF PROPOSED INFORMATION OFFICER]~~FTI Consulting Canada Inc. to act as the information officer:

DEFINED TERMS AND SERVICE

1. **THIS COURT ORDERS** that all capitalized terms used but not defined herein have the meaning given to them in the Caudill Affidavit.

~~[3] Include names of secured creditors or other persons who must be served before certain relief in this model Order may be granted. See, for example, CCAA Sections 11.2(1) and 11.52(1).~~

2. ~~1.~~ **THIS COURT ORDERS** that the time for service of the Notice of Application and the Application Record is hereby abridged and validated[4] so that this Application is properly returnable today and hereby dispenses with further service thereof.

INITIAL RECOGNITION ORDER

~~2. THIS COURT ORDERS that any capitalized terms not otherwise defined herein shall have the meanings given to such terms in the *Initial Recognition Order (Foreign Main Proceeding) dated* [DATE] (the "Recognition Order").~~

3. **THIS COURT ORDERS** that the provisions of this Supplemental Order shall be interpreted in a manner complementary and supplementary to the provisions of the *Initial Recognition Order (Foreign Main Proceeding) dated* June 28, 2017 (the "**Initial Recognition Order**"), provided that in the event of a conflict between the provisions of this Supplemental Order and the provisions of the Initial Recognition Order, the provisions of the Initial Recognition Order shall govern.

RECOGNITION OF FOREIGN ORDERS[5]

4. **THIS COURT ORDERS** that the following orders, copies of which are attached as Schedule "B" to "O" of this Order, (collectively, the "~~Foreign~~**U.S. First Day Orders**") of ~~[NAME OF FOREIGN COURT]~~the United States Bankruptcy Court, District of Delaware made in the ~~Foreign Proceeding~~Chapter 11 Proceedings are hereby recognized and given full force and effect[6] in all provinces and territories of Canada pursuant to Section 49 of the CCAA:

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[4] ~~If service is effected in a manner other than as authorized by the Ontario *Rules of Civil Procedure*, an order validating irregular service is required pursuant to Rule 16.08 of the *Rules of Civil Procedure* and may be granted in the appropriate circumstances.~~

[5] ~~This model Order adopts an approach that might be applicable to some foreign proceedings, but not others. For example, U.S. proceedings will typically generate court orders that will be brought to the Canadian Courts for recognition. Other jurisdictions may have statutory or regulatory rights (rather than court orders) that need to be recognized in Canada.~~

[6] ~~Section 50 of the CCAA provides that an order made under Part IV of the CCAA may be made on any terms and conditions that the Court considers appropriate in the circumstances. Such terms and conditions would presumably need to be consistent with the orders or laws applicable to the foreign proceeding, subject to (i) the limitations imposed by section 48(2) (an order made under section 48(1) must be consistent with any order made under the CCAA), and (ii) the limitations imposed in section 61 (which provides that the Court may apply legal or equitable rules that are not inconsistent with the CCAA, and further that the Court may refuse to do something that~~

(a) ~~[list Foreign Orders, or portions of Foreign Orders, copies of which should be attached as schedules to this Order], attached as Schedule A to this Order,~~Order Directing Joint Administration of Chapter 11 Cases;

(b) Order Appointing Prime Clerk LLC as Claims and Noticing Agent;

(c) Interim Order (i) Authorizing Debtors to Enter into Accommodation Agreement and Access Agreement With Certain Customers, (ii) Granting Adequate Protection to Certain Consenting OEMs in Connection Therewith, (iii) Modifying the Automatic Stay to Implement and Effectuate the Terms of the Interim Order, and (vi) Scheduling a Final Hearing;

(d) Interim Order (I) Authorizing Debtors to (A) Continue Their Existing Cash Management System, (B) Honor Certain Prepetition Obligations Related to the Use Thereof, (C) Provide Certain Postpetition Claims Administrative Expense Priority, (D) Continue Intercompany Funding of Certain Non-Debtors, and (E) Maintain Existing Bank Accounts and Business Forms; and (II) Extending Time to Comply with Requirements of 11 U.S.C. § 345(b);

(e) Interim Order to (I) Pay Prepetition Wages, Salaries, and Other Compensation and Benefits, and (II) Maintain Employee Benefit Programs and Pay Related Administrative Obligations;

(f) Interim Order to Pay Prepetition Obligations Owed to Certain Critical Vendors;

(g) Interim Order Authorizing the Debtors to (I) Pay Prepetition Obligations Owed to Certain Foreign Vendors and Lien Claimants and (II) Grant Administrative Status for Certain Goods Delivered to Debtors Postpetition;

(h) Interim Order to (I) Continue Tooling and Warranty Programs in the Ordinary Course of Business and Pay Prepetition Obligations Related Thereto, and (II) Authorize Banks to Honor and Process Related Checks and Transfers;

~~would be contrary to public policy). All of the Foreign Orders should be reviewed by counsel with these issues in mind, and the Court may require confirmation from counsel that there is nothing in the Foreign Orders that is inconsistent with the CCAA or that would raise the public policy exception referenced in section 61 of the CCAA.~~

(i) Interim Order to Continue Insurance and Surety Bond Programs and Pay All Obligations With Respect Thereto;

(j) Interim Order to (I) Pay Certain Prepetition Taxes and Assessments, and (II) Authorize Banks to Honor and Process Related Checks and Transfers;

(k) Interim Order (I) Approving Debtors' Proposed form of Adequate Assurance of Payment to Utility Companies, (II) Establishing Procedures for Resolving Objections by Utility Companies, and (III) Prohibiting Utility Companies from Altering, Refusing, or Discontinuing Service;

(l) Order Enforcing the Protections of 11 U.S.C. §§ 362, 365, 525, and 541(c);

(m) Order Authorizing TK Holdings, Inc. to Act as Foreign Representative on Behalf of the Debtors' Estates; and

(n) Order Implementing Certain Notice Procedures and Approving the Form and Manner of Notice of Commencement (the "**U.S. First Day Orders**").

5. ~~provided, however,~~**THIS COURT ORDERS AND DECLARES** that, in the event of any conflict between the terms of the ~~Foreign~~U.S. First Day Orders and the Orders of this Court made in the within proceedings, the Orders of this Court shall govern with respect to Property (as defined below) in Canada.

APPOINTMENT OF INFORMATION OFFICER[7]

6. ~~5.~~ **THIS COURT ORDERS** that ~~[NAME OF INFORMATION OFFICER]~~FTI Consulting Canada Inc. (the "**Information Officer**") is hereby appointed as an officer of this Court, with the powers and duties set out herein.

[7] ~~The appointment of an Information Officer is not required by the CCAA, and is in the discretion of the Court. Information Officers are normally trustees licensed under the *Bankruptcy and Insolvency Act*.~~

NO PROCEEDINGS AGAINST THE CHAPTER 11 DEBTORS OR THE PROPERTY[8]

7. ~~6.~~ **THIS COURT ORDERS** that until such date as this Court may order (the "**Stay Period**") no proceeding or enforcement process in any court or tribunal in Canada, including but not limited to the Canadian Actions (each, a "**Proceeding**") shall be commenced or continued against or in respect of the Chapter 11 Debtors or affecting their business (the "**Business**") or their current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate including all proceeds thereof (the "**Property**"), except with leave of this Court,[9] and any and all Proceedings currently under way against or in respect of any of the Chapter 11 Debtors or affecting the Business or the Property are hereby stayed and suspended pending further Order of this Court.

NO EXERCISE OF RIGHTS OR REMEDIES

8. ~~7.~~ **THIS COURT ORDERS** that during the Stay Period, all rights and remedies of any individual, firm, corporation, governmental body or agency, or any other entities (all of the foregoing, collectively being "**Persons**" and each being a "**Person**") against or in respect of the Chapter 11 Debtors ~~[or the Foreign Representative]~~, or affecting the Business or the Property, are hereby stayed and suspended except with leave of this Court, provided that nothing in this Order shall (i) prevent the assertion of or the exercise of rights and remedies outside of Canada, (ii) empower any of the Chapter 11 Debtors to carry on any business in Canada which that Chapter 11 Debtor is not lawfully entitled to carry on, (iii) ~~[~~affect such investigations or Proceedings by a regulatory body as are permitted by section 11.1 of the CCAA,~~]~~ (iv) prevent

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[8] ~~The Model Order Subcommittee notes that a "Non-Derogation of Rights" section (found, for example, in the Model Initial CCAA Order) has not been included in this model Order. In a 'full' CCAA proceeding, which would typically include a stay of proceedings made under section 11.02 of the CCAA, a number of actions or steps cannot be stayed, or the stay is subject to certain limits and restrictions. See, for example, CCAA Sections 11.01, 11.04, 11.06, 11.07, 11.08, and 11.1(2). However, in a Part IV proceeding, section 48 of the CCAA (rather than section 11.02 of the CCAA) is being relied upon when a stay of proceedings is being sought, and despite the wording of section 48(2) and section 61, it is not clear if the restrictions applicable to a section 11.02 stay of proceedings are also applicable to a section 48 stay of proceedings, or would restrict the recognition of foreign proceedings or foreign orders that include a stay of proceedings broader than permitted in a section 11.02 stay of proceedings. These issues remain open for determination by Canadian courts.~~

[9] ~~Where the Court considers it to be appropriate, it may authorize other Persons, including a Court-appointed Information Officer, to provide consent to any Proceeding. This same comment applies in paragraphs 6 through 11 of this Order.~~

the filing of any registration to preserve or perfect a security interest, or (v) prevent the registration of a claim for lien.

NO INTERFERENCE WITH RIGHTS

9. ~~8.~~ **THIS COURT ORDERS** that during the Stay Period, no Person shall discontinue, fail to honour, alter, interfere with, repudiate, terminate or cease to perform any right, renewal right, contract, agreement, licence or permit in favour of or held by any of the Chapter 11 Debtors and affecting the Business in Canada, except with leave of this Court.

ADDITIONAL PROTECTIONS

10. ~~9.~~ **THIS COURT ORDERS** that during the Stay Period, all Persons having oral or written agreements with the Chapter 11 Debtors or statutory or regulatory mandates for the supply of goods and/or services in Canada, including without limitation all computer software, communication and other data services, centralized banking services, payroll services, insurance, transportation services, utility or other services provided in respect of the Property or Business of the Chapter 11 Debtors, are hereby restrained until further Order of this Court from discontinuing, altering, interfering with or terminating the supply of such goods or services as may be required by the Chapter 11 Debtors~~, and that the Debtors shall be entitled to the continued use in Canada of their current premises, telephone numbers, facsimile numbers, internet addresses and domain names.~~[10] .

11. ~~10. [~~**THIS COURT ORDERS** that during the Stay Period, and except as permitted by subsection 11.03(2) of the CCAA, no Proceeding may be commenced or continued against any of the former, current or future directors or officers of the Chapter 11 Debtors with respect to any claim against the directors or officers that arose before the date hereof and that relates to any obligations of the Chapter 11 Debtors whereby the directors or officers are alleged under

~~[10] Section 11.01 of the CCAA provides that no order made under section 11 or 11.02 has the effect of (a) prohibiting a person from requiring immediate payment for good, services, etc. provided after the order is made, or (b) requiring the further advance of money or credit. It is unclear whether these provisions also apply to an order made pursuant to section 48 of the CCAA. Please see the discussion in footnote 8 above.~~

any law to be liable in their capacity as directors or officers for the payment or performance of such obligations.~~]~~[11]

12. ~~11.~~ **THIS COURT ORDERS** that no Proceeding shall be commenced or continued against or in respect of the Information Officer, except with leave of this Court. In addition to the rights and protections afforded the Information Officer herein, or as an officer of this Court, the Information Officer shall have the benefit of all of the rights and protections afforded to a Monitor under the CCAA, and shall incur no liability or obligation as a result of its appointment or the carrying out of the provisions of this Order, save and except for any gross negligence or wilful misconduct on its part.

OTHER PROVISIONS RELATING TO INFORMATION OFFICER

13. ~~12.~~ **THIS COURT ORDERS** that the Information Officer:

(a) is hereby authorized to provide such assistance to the U.S. Foreign ~~Representative~~Representatives in the performance of its duties as the U.S. Foreign Representative may reasonably request;

(b) shall report to this Court at least once every ~~[~~three~~]~~ months with respect to the status of these proceedings and the status of the ~~Foreign~~Chapter 11 Proceedings, which reports may include information relating to the Property, the Business, or such other matters as may be relevant to the proceedings herein;

(c) in addition to the periodic reports referred to in paragraph ~~12~~13(b) above, the Information Officer may report to this Court at such other times and intervals as the Information Officer may deem appropriate with respect to any of the matters referred to in paragraph ~~12~~13(b) above;

(d) shall have full and complete access to the Property, including the premises, books, records, data, including data in electronic form, and other financial

~~[11] Counsel should specifically address with the Court whether this provision is appropriate in the context of this Order.~~

documents of the Chapter 11 Debtors, to the extent that is necessary to perform its duties arising under this Order; and

(e) shall be at liberty to engage independent legal counsel or such other persons as the Information Officer deems necessary or advisable respecting the exercise of its powers and performance of its obligations under this Order.

14. ~~13.~~ **THIS COURT ORDERS** that the Chapter 11 Debtors and the U.S. Foreign Representative shall (i) advise the Information Officer of all material steps taken by the Chapter 11 Debtors or the U.S. Foreign Representative in these proceedings or in the ~~Foreign~~Chapter 11 Proceedings, (ii) co-operate fully with the Information Officer in the exercise of its powers and discharge of its obligations, and (iii) provide the Information Officer with the assistance that is necessary to enable the Information Officer to adequately carry out its functions.

15. ~~14.~~ **THIS COURT ORDERS** that the Information Officer shall not take possession of the Property and shall take no part whatsoever in the management or supervision of the management of the Business and shall not, by fulfilling its obligations hereunder, be deemed to have taken or maintained possession or control of the Business or Property, or any part thereof.

16. ~~15.~~ **THIS COURT ORDERS** that the Information Officer (i) shall post on its website all Orders of this Court made in these proceedings, all reports of the Information Officer filed herein, and such other materials as this Court may order from time to time, and (ii) may post on its website any other materials that the Information Officer deems appropriate.

17. ~~16.~~ **THIS COURT ORDERS** that the Information Officer may provide any creditor of a Chapter 11 Debtor with information provided by the Chapter 11 Debtors in response to reasonable requests for information made in writing by such creditor addressed to the Information Officer. The Information Officer shall not have any responsibility or liability with respect to the information disseminated by it pursuant to this paragraph. In the case of information that the Information Officer has been advised by the Chapter 11 Debtors is privileged or confidential, the Information Officer shall not provide such information to creditors unless otherwise directed by this Court or on such terms as the Information Officer, the U.S. Foreign Representative and the relevant Chapter 11 Debtors may agree.

18. ~~17.~~ **THIS COURT ORDERS** that the Information Officer and counsel to the Information Officer shall be paid by the Chapter 11 Debtors their reasonable fees and disbursements incurred in respect of these proceedings, both before and after the making of this Order, in each case at their standard rates and charges unless otherwise ordered by the Court on the passing of accounts. The Chapter 11 Debtors are hereby authorized and directed to pay the accounts of the Information Officer and counsel for the Information Officer ~~on a [TIME INTERVAL]~~and counsel for the U.S. Foreign Representative on a weekly basis and, in addition, the Chapter 11 Debtors are hereby authorized to pay to the Information Officer and counsel to the ~~Information Officer,~~U.S. Foreign Representative, *nunc pro tunc* retainers in the ~~amount[s] of $[AMOUNT OR AMOUNTS] [,~~amounts of $75,000 and $100,000, respectively,~~]~~ to be held by them as security for payment of their respective fees and disbursements outstanding from time to time.

19. ~~18.~~ **THIS COURT ORDERS** that, if requested by the U.S. Foreign Representative, this Court or any interested party, the Information Officer and its legal counsel shall pass their accounts from time to time, and for this purpose the accounts of the Information Officer and its legal counsel are hereby referred to a judge of the Commercial List of the Ontario Superior Court of Justice, and the accounts of the Information Officer and its counsel shall not be subject to approval in the ~~Foreign Proceeding~~Chapter 11 Proceedings.

~~19. THIS COURT ORDERS that the Information Officer and counsel to the Information Officer, if any, shall be entitled to the benefit of and are hereby granted a charge (the "Administration Charge") on the Property in Canada, which charge shall not exceed an aggregate amount of $[AMOUNT], as security for their professional fees and disbursements incurred in respect of these proceedings, both before and after the making of this Order. The Administration Charge shall have the priority set out in paragraphs **[21]** and **[23]** hereof.~~

INTERIM FINANCING[12]

20. THIS COURT ORDERS that the DIP Lender shall be entitled to the benefit of and is hereby granted a charge (the "DIP Lender's Charge") on the Property in Canada, which DIP Lender's Charge shall be consistent with the liens and charges created by the [DESCRIBE DIP LOAN ORDER MADE IN THE FOREIGN PROCEEDING], provided however that the DIP Lender's Charge (i) shall not secure an obligation that exists before this Order is made,[13] and (ii) with respect to the Property in Canada, shall have the priority set out in paragraphs **[21]** and **[23]** hereof, and further provided that the DIP Lender's Charge shall not be enforced except with leave of this Court.

VALIDITY AND PRIORITY OF CHARGES CREATED BY THIS ORDER

21. THIS COURT ORDERS that the priorities of the Administration Charge and the DIP Lender's Charge, as among them, shall be as follows:[14]

First – Administration Charge (to the maximum amount of $[AMOUNT]); and

Second – DIP Lender's Charge.

22. THIS COURT ORDERS that the filing, registration or perfection of the Administration Charge or the DIP Lender's Charge (collectively, the "Charges") shall not be required, and that the Charges shall be valid and enforceable for all purposes, including as against any right, title or interest filed, registered, recorded or perfected subsequent to the Charges coming into existence, notwithstanding any such failure to file, register, record or perfect the Charges.

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[12] Optional – if there is a DIP Lender which takes security over assets in Canada or in respect of Canadian Debtors. If more comprehensive interim financing provisions are required, please refer to the model CCAA Initial Order for sample provisions.

[13] This restriction appears in the interim financing provisions found in section 11.2(1) of the CCAA. It is unclear if this prohibits the recognition of a foreign order that creates a DIP Lender's Charge securing pre-filing obligations.

[14] The ranking of these Charges is for illustration purposes only, and is not meant to be determinative. This ranking may be subject to negotiation, and should be tailored to the circumstances of the case before the Court. Similarly, the quantum and caps applicable to the Charges should be considered in each case. Please also note that the CCAA now permits Charges in favour of critical suppliers and others, which should also be incorporated into this Order (and the rankings, above), where appropriate.

~~23. THIS COURT ORDERS that each of the Administration Charge and the DIP Lender's Charge (all as constituted and defined herein) shall constitute a charge on the Property in Canada and such Charges shall rank in priority to all other security interests, trusts, liens, charges and encumbrances, claims of secured creditors, statutory or otherwise (collectively, "Encumbrances") in favour of any Person.~~

~~24. THIS COURT ORDERS that except as otherwise expressly provided for herein, or as may be approved by this Court, the Debtors shall not grant any Encumbrances over any Property in Canada that rank in priority to, or *pari passu* with, the Administration Charge or the DIP Lender's Charge, unless the Debtors also obtain the prior written consent of the Information Officer and the DIP Lender.~~

~~25. THIS COURT ORDERS that the Administration Charge and the DIP Lender's Charge shall not be rendered invalid or unenforceable and the rights and remedies of the chargees entitled to the benefit of the Charges (collectively, the "Chargees") shall not otherwise be limited or impaired in any way by (i) the pendency of these proceedings and the declarations of insolvency made herein; (ii) any application(s) for bankruptcy order(s) issued pursuant to BIA, or any bankruptcy order made pursuant to such applications; (iii) the filing of any assignments for the general benefit of creditors made pursuant to the BIA; (iv) the provisions of any federal or provincial statutes; or (v) any negative covenants, prohibitions or other similar provisions with respect to borrowings, incurring debt or the creation of Encumbrances, contained in any existing loan documents, lease, sublease, offer to lease or other agreement (collectively, an "Agreement") which binds any Debtor, and notwithstanding any provision to the contrary in any Agreement:~~

~~(a) the creation of the Charges shall not create or be deemed to constitute a breach by a Debtor of any Agreement to which it is a party;~~

~~(b) none of the Chargees shall have any liability to any Person whatsoever as a result of any breach of any Agreement caused by or resulting from the creation of the Charges; and~~

~~(c) the payments made by the Debtors to the Chargees pursuant to this Order, and the granting of the Charges, do not and will not constitute preferences,~~

~~fraudulent conveyances, transfers at undervalue, oppressive conduct, or other challengeable or voidable transactions under any applicable law.~~

~~26. THIS COURT ORDERS that any Charge created by this Order over leases of real property in Canada shall only be a Charge in the applicable Debtor's interest in such real property leases.~~

SERVICE AND NOTICE

20. ~~27.~~ **THIS COURT ORDERS** that ~~that~~ the E-Service Protocol of the Commercial List (the "**Protocol**") is approved and adopted by reference herein and, in this proceeding, the service of documents made in accordance with the Protocol (which can be found on the Commercial List website at http://www.ontariocourts.ca/scj/practice/practice-directions/toronto/e-service-protocol/) shall be valid and effective service. Subject to Rule 17.05 of the *Rules of Civil Procedure* (Ontario), this Order shall constitute an order for substituted service pursuant to Rule 16.04 of the *Rules of Civil Procedure* (Ontario). Subject to Rule 3.01(d) of the *Rules of Civil Procedure* (Ontario) and paragraph 21 of the Protocol, service of documents in accordance with the Protocol will be effective on transmission. This Court further orders that a Case Website shall be established by the Information Officer in accordance with the Protocol with the following URL: ~~'<@>'~~'http://cfcanada.fticonsulting.com/tkholdingsinc/.

21. ~~28.~~ **THIS COURT ORDERS** that if the service or distribution of documents in accordance with the Protocol is not practicable, the Chapter 11 Debtors, the U.S. Foreign Representative and the Information Officer are at liberty to serve or distribute this Order, any other materials and orders in these proceedings, any notices or other correspondence, by forwarding true copies thereof by prepaid ordinary mail, courier, personal delivery or facsimile transmission to the Chapter 11 Debtors' creditors or other interested parties at their respective addresses as last shown on the records of the applicable Chapter 11 Debtor and that any such service or distribution by courier, personal delivery or facsimile transmission shall be deemed to be received on the next business day following the date of forwarding thereof, or if sent by ordinary mail, on the third business day after mailing.

GENERAL

22. ~~29.~~ **THIS COURT ORDERS** that the Information Officer may from time to time apply to this Court for advice and directions in the discharge of its powers and duties hereunder.

~~30. THIS COURT ORDERS that nothing in this Order shall prevent the Information Officer from acting as an interim receiver, a receiver, a receiver and manager, a monitor, a proposal trustee, or a trustee in bankruptcy of any Debtor, the Business or the Property.~~

23. ~~31.~~ **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada ~~or in the [JURISDICTION OF THE FOREIGN PROCEEDING]~~, the United States of America or elsewhere, to give effect to this Order and to assist the Chapter 11 Debtors, the U.S. Foreign Representative, the Information Officer, and their respective agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Chapter 11 Debtors, the U.S. Foreign Representative, and the Information Officer, the latter as an officer of this Court, as may be necessary or desirable to give effect to this Order, or to assist the Chapter 11 Debtors, the U.S. Foreign Representative, and the Information Officer and their respective agents in carrying out the terms of this Order.

24. ~~32.~~ **THIS COURT ORDERS** that each of the Chapter 11 Debtors, the U.S. Foreign Representative and the Information Officer be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order.

25. ~~33.~~ **THIS COURT ORDERS** that the Guidelines for Court-to-Court Communications in Cross-Border Cases developed by the American Law Institute and attached as Schedule ~~[*]~~"P" hereto is adopted by this Court for the purposes of these recognition proceedings.

26. ~~34.~~ **THIS COURT ORDERS** that any interested party may apply to this Court to vary or amend this Order or seek other relief on not less than seven (7) days' notice to the Chapter

11 Debtors, the U.S. Foreign Representative, the Information Officer, the Plan Sponsor and their respective counsel, and to any other party or parties likely to be affected by the order sought, or upon such other notice, if any, as this Court may order.

27. ~~35.~~ **THIS COURT ORDERS** that this Order shall be effective as of ~~[TIME]~~12:01 a.m. on the date of this Order.[15]

_____

[15] ~~The time referenced in this Order should be the same time as the time referenced in the Recognition Order, if the two Orders are made on the same date. In the absence of such a provision, Rule 59.01 of the Ontario *Rules of Civil Procedure* appears to indicate that an Order is effective as of 12:01 a.m. on the date of the Order (Rule 59.01 provides that "An order is effective from the date on which it is made, unless it provides otherwise").~~

Schedule "A" – Chapter 11 Debtors

1. TK Holdings Inc.
2. Takata Americas
3. TK Finance, LLC
4. TK China, LLC
5. TK Mexico Inc.
6. TK Mexico LLC
7. Interiors in Flight, Inc.
8. Takata Protection Systems Inc.
9. TK Holdings de Mexico S. de R.L. de C.V.
10. Industrias Irvin de Mexico, S.A. de C.V.
11. Takata de Mexico, S.A. de C.V.
12. Strosshe-Mex, S. de R.L. de C.V.

Schedule "B" – Order Directing Joint Administration of Chapter 11 Cases

~~**[ATTACH APPROPRIATE SCHEDULES]**~~
See attached.

Schedule "C" – Order for Appointment of Prime Clerk LLC as Claims and Noticing Agent

See attached.

Schedule "D" – Order (i) Authorizing Debtors to Enter into Accommodation Agreement with Certain Customers, (ii) Granting Adequate Protection to Certain Consenting OEMs in Connection Therewith, (iii) Modifying the Automatic Stay to Implement and Effectuate the Terms of the Interim Order, and (vi) Scheduling a Final Hearing

See attached.

Schedule "E" – Interim and Final Orders (I) Authorizing Debtors to (A) Continue Their Existing Cash Management System, (B) Honor Certain Prepetition Obligations Related to the Use Thereof, (C) Provide Certain Postpetition Claims Administrative Expense Priority, (D) Continue Intercompany Funding of Certain Non-Debtors, and (E) Maintain Existing Bank Accounts and Business Forms; and (II) Extending Time to Comply with Requirements of 11 U.S.C. § 345(b)

See attached.

Schedule "F" – Order for Interim and Final Authority to (I) Pay Prepetition Wages, Salaries, and Other Compensation and Benefits, and (II) Maintain Employee Benefit Programs and Pay Related Administrative Obligations

See attached.

Schedule "G" – Order for Interim and Final Authority to Pay Prepetition Obligations Owed to Certain Critical Vendors

See attached.

Schedule "H" –Interim and Final Orders Authorizing the Debtors to (I) Pay Prepetition Obligations Owed to Certain Foreign Vendors and Lien Claimants and (II) Grant Administrative Status for Certain Goods Delivered to Debtors Postpetition

See attached.

Schedule "I" – Order for Interim and Final Authority to (I) Continue Tooling and Warranty Programs in the Ordinary Course of Business and Pay Prepetition Obligations Related Thereto, and (II) Authorize Banks to Honor and Process Related Checks and Transfers

See attached.

Schedule "J" – Order for Interim and Final Authority to Continue Insurance Programs and Pay All Obligations With Respect Thereto

See attached.

Schedule "K" – Order for Interim and Final Authority to (I) Pay Certain Prepetition Taxes and Assessments, and (II) Authorize Banks to Honor and Process Related Checks and Transfers;

See attached.

Schedule "L" –Interim and Final Orders (I) Approving Debtors' Proposed form of Adequate Assurance of Payment to Utility Companies, (II) Establishing Procedures for Resolving Objections by Utility Companies, and (III) Prohibiting Utility Companies from Altering, Refusing, or Discontinuing Service

See attached.

Schedule "M" – Order Enforcing the Protections of 11 U.S.C. §§ 362, 365, 525, and 541(c)

See attached.

Schedule "N" – Order Authorizing TK Holdings, Inc. to Act as Foreign Representative on Behalf of the Debtors' Estates

See attached.

Schedule "O" – Order Implementing Certain Notice Procedures and Approving the Form and Manner of Notice of Commencement

See attached.

Schedule "P" – Guidelines for Court-to-Court Communications in Cross-Border Cases

See attached.

IN THE MATTER OF APPLICATION OF AN APPLICATION BY **[TK HOLDINGS INC.]** UNDER SECTION 46 OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*	Court File No.

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

Proceeding Commenced at Toronto

SUPPLEMENTAL RECOGNITION ORDER

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Document 2 ID	PowerDocs://DOCS/16787496/9
Description	DOCS-#16787496-v9-TKH_-_Supplemental_Recognition_Order
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Total changes	306

IN THE MATTER OF APPLICATION OF AN APPLICATION BY TK HOLDINGS INC. UNDER SECTION 46 OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*	Court File No.

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

Proceeding Commenced at Toronto

APPLICATION RECORD
(Returnable June 28, 2017)

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