

EXHIBIT A

**UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF MICHIGAN
SOUTHERN DIVISION**

UNITED STATES OF AMERICA, Plaintiff)))))))))))	Case No. 16-CR-20810-04 Honorable George Caram Steeh
v. TAKATA CORPORATION, Defendant.		

PROPOSED INDIVIDUAL RESTITUTION FUND METHODOLOGY

I. BACKGROUND AND EXECUTIVE SUMMARY

On February 27, 2017, the Department of Justice and Takata Corporation (“Takata”) filed the *Rule 11 Plea Agreement* [Doc. 23] (the “Plea Agreement”) to resolve criminal charges brought by the government against Takata in connection with Takata’s design, manufacturing, testing, sale and distribution of automobile airbag inflators. The Plea Agreement, which was accepted by this Court, provides, *inter alia*, for the appointment of a Special Master to oversee the distribution of \$975 million in restitution (the “Restitution Funds”) that Takata agreed to pay to designated claimants, including auto manufacturers (the “OEMs”) and individuals with personal injuries.¹ This proposed methodology addresses only the restitution to individuals.

Contemporaneously with the acceptance of the Plea Agreement, the Court entered the *Restitution Order* [Doc. 24] (the “Restitution Order”) requiring Takata to, among other things, pay \$125 million in restitution to individuals who suffered (or will suffer) personal injury caused

¹ The Restitution Order also requires Takata to pay \$850 million in restitution to OEMs in connection with their purchase of Takata airbags inflators (the “OEM Restitution Fund”). The Special Master previously submitted the proposed allocation of the OEM Restitution Fund and requested Court approval of the proposed notice program [Doc. 49]. The Court entered the order approving the proposed notice program to distribute notice regarding the OEM Restitution Fund on November 28, 2017 [Doc. 50].

by the malfunction of a Takata airbag inflator, and who have not already resolved their claims against Takata (the “Individual Restitution Fund”).

Pursuant to the Plea Agreement, on July 31, 2017, the Court entered an order appointing Eric D. Green as Special Master of the Takata Restitution Funds (the “Appointment Order”) [Doc. 40] to administer the Individual Restitution Fund. Pursuant to paragraph 2 of the Appointment Order, the Special Master’s responsibilities include receiving and administering the funds paid into the Restitution Funds, establishing one or more trusts to hold the Restitution Funds, establishing procedures, subject to Court approval, to determine eligible claimants and the amount of loss eligible for compensation, developing a formula or formulas, subject to Court approval, for distributing funds to eligible claimants, making determinations regarding allowed claims, and making a recommendation to the Court regarding allocation of funds from the Individual Restitution Fund.

Pursuant to his duties under the Restitution and Appointment Orders to administer the Individual Restitution Fund, the Special Master has worked to develop a definition of “Eligible Claimant,” articulate standards and evidence to prove compensable injury, estimate the probable number and types of current and future claims to the Individual Restitution Fund, determine the amount of loss eligible for compensation, create an allocation methodology for individuals eligible to recover from the Individual Restitution Fund, develop procedures and protocols for administering claims to the Individual Restitution Fund, and design a notice program for informing potential claimants of the proposed methodologies, protocols and procedures of the Individual Restitution Fund. The Special Master is working with his economic advisor, NERA Economic Consulting (“NERA”) and his claims handling consultant, Garden City Group, LLC (“GCG” or the “Claims Administrator”) to fulfill these responsibilities. This report describes the

Special Master's proposed methodology and approach to allocation and distribution of the Individual Restitution Fund.

II. UNIVERSE OF CLAIMS; ESTIMATION METHODOLOGY

A. Claimant Eligibility

Paragraph 2 of the Appointment Order requires the Special Master to establish procedures, subject to Court approval, to determine eligible claimants. The Special Master has consulted with his advisors to develop the following definition of an Eligible Claimant who is eligible to recover from the Individual Restitution Fund:

“Eligible Claimant” means an individual (1) who has suffered personal injury or death caused by the rupture or aggressive deployment of a Takata phase-stabilized ammonium nitrate (PSAN) airbag inflator (the "PSAN Airbag Inflator Malfunction") and was at the time the PSAN Airbag Inflator Malfunction occurred (a) in a vehicle registered in the United States, its territories or its possessions, or (b) a U.S. citizen or permanent resident (wherever the PSAN Airbag Inflator Malfunction occurred), and (2) who has not already resolved his or her claim against Takata Corporation and/or any of its affiliates.

Under this definition, the Individual Restitution Fund will compensate only for injuries to persons who were either the driver of, or a passenger in, a vehicle with a PSAN Airbag Inflator Malfunction. The Individual Restitution Fund does not cover other airbag malfunctions, such as non-deployment, nor does it cover other types of losses, including economic losses. Further, notwithstanding the request of TKJP, the Individual Restitution Fund will not compensate non-U.S. citizens or non-permanent residents injured outside of the United States or its territories or possessions. The Special Master has carefully considered TKJP's request, cogently presented in two written submissions and a face-to-face meeting, but has concluded that the terms of the Restitution Order, the applicable law, the intention of the prosecuting governmental authorities, and the equities of this particular situation dictate that the limited funds available in the

Individual Restitution Fund be reserved for United States claims, as defined above (which includes foreign nationals who meet the eligibility requirements of 1(a) above). The Special Master understands that claims to the separate compensation fund to be established as part of the Takata bankruptcy reorganization will not be so limited, and thus any amount in that fund will be available to individuals worldwide. The Special Master also understands that all claimants, including foreign claimants, have been given an opportunity to make claims and seek recoveries through the TKH bankruptcy in Delaware and the Takata Civil Rehabilitation Proceeding in Japan.

B. Historical Claims

The Special Master has worked independently, and also collaboratively with Takata, Takata's United States affiliate TK Holdings Inc. ("TKH"),² the OEMs, numerous plaintiffs' attorneys (the "Plaintiffs"), and the Bankruptcy Court-appointed Future Claims Representative in the TKH Chapter 11 proceeding (the "FCR"), as well as their respective advisors, including Ankura Consulting Group, LLC, economist for TKH, Bates White LLC, economist for the OEMs, and Gnarus Advisors LLC, economist for the FCR, to estimate the number and value of valid current and future claims.³ For most, if not all, of the interested parties and their consultants, the starting point for analysis is the database of similar Takata PSAN Airbag Inflator Malfunction settled personal injury and wrongful death claims (there have been no fully adjudicated cases). Certain non-PSAN Airbag Inflator Malfunction cases that would not be eligible for compensation under the Individual Restitution Fund, such as injuries caused by non-deployment, are also included in this data to provide a more robust basis for injury valuation.

² Unless otherwise indicated, references to Takata shall include Takata, TKH, and all other Takata subsidiaries and affiliates.

³ The Special Master shared a draft of this Methodology with these stakeholders, as well as with the Department of Justice, and he solicited comments from these parties. The Special Master considered all responses received and addressed such responses in this Methodology.

The Special Master has received from some of the OEMs, Takata, and the Plaintiffs settlement data for approximately 195 prior rupture or aggressive deployment claims that he has utilized in his analysis. The Special Master is also aware of approximately 183 pending claims (filed and unfiled) alleging a rupture or an aggressive deployment against Takata, or against Takata and an OEM. The Special Master and his advisors have analyzed all of this data to estimate valid current and future claims and to develop a valuation matrix for allocation of the Individual Restitution Fund.

C. Current Claims

Eligible claims arising from injuries caused by PSAN Airbag Inflator Malfunctions that occur prior to April 2, 2018 (the “Current Claims Cut-Off Date”), and which are filed with the Special Master by May 15, 2018, will be considered “Current Claims” for purposes of the Individual Restitution Fund allocation.

For estimation purposes, Current Claims are eligible personal injury and wrongful death claims associated with alleged ruptures and aggressive deployments that occur prior to the Current Claims Cut-Off Date of April 2, 2018. This includes known claims that were not resolved as of December 31, 2016, and known or estimated ruptures and aggressive deployments from January 1, 2017 through the Current Claims Cut-Off Date. Takata has provided the Special Master with a list of known but unresolved claims, including filed lawsuits and notices of claims. Based on this information, as well as information received from the Plaintiffs and projections made by the Special Master’s advisors based on analysis of data concerning the universe of potential claims, the Special Master estimates that there will be between 251 and 300 Current Claims.

D. Estimation of Future Claims

For estimation purposes, claims arising from injuries caused by PSAN Airbag Inflator Malfunctions that occur on or after the Current Claims Cut-Off Date of April 2, 2018 or which are filed with the Special Master after May 15, 2018, will be considered “Future Claims.”

Claims are estimated using a four-step methodology. First, the population of at-risk vehicles is determined. A vehicle is defined as “at-risk” if the vehicle (as defined by the make, model and year) is subject to the National Highway Traffic Safety Administration (“NHTSA”) recall of Takata airbags, has not had a completed recall repair, and is still in use. To estimate this population of vehicles, the Special Master obtained data on registered vehicles in operation from IHSMARKIT/Polk for 2016. These vehicle counts were reduced to reflect completed recall repairs based on data provided by certain OEMs. For future years, the estimated count of at-risk vehicles is reduced to reflect two anticipated developments: (1) additional cars are estimated to have completed recalls; and (2) others are estimated to have been “abandoned” and no longer in operation.

Second, after estimating vehicles at risk each year, the number of accidents and frontal driver or passenger airbag deployments in this at-risk population are estimated using General Estimates System (“GES”) data. GES data come from a nationally representative sample of police reported motor vehicle accidents and is published annually by NHTSA.

Third, based on inflator testing data provided by Takata, rupture rates in deployed airbags are estimated by inflator type, vehicle age, and geographic zone. The inflator testing data demonstrated a positive correlation between rupture rates and vehicle age and a positive correlation between rupture rates and high-humidity geographic zones. Applying these observed

rupture rates, total ruptures are estimated by year, and all ruptures are assumed, for purposes of estimation, to lead to claims against the Individual Restitution Fund.

Fourth, the Special Master estimates the number of future compensable aggressive deployment claims by calculating the ratio of such claims to ruptures in the historical settlement data and assuming that this ratio will remain constant in the future.

Recognizing that the reliability of the model for estimating future claims depends heavily upon the accuracy of its underlying assumptions, and that those assumptions are subject to some uncertainty, the Special Master has instructed NERA to incorporate into the model a reasonable range of alternative assumptions, where the range reflects uncertainty in the underlying parameters and model specification, in order to protect the interests of Future Claimants while fairly compensating Current Claimants. Thus, NERA's model of the number and value of Current and Future Claims in many places incorporates conservative, or reasonable worst-case assumptions⁴ about the various factors that underlie the model. Accordingly, the Special Master's model projects between 716 and 1,469 compensable Future Claims, the value of which constitutes 71%-82% of Takata liability for the estimated total value for the universe of claims (both Current and Future) eligible for compensation from the Individual Restitution Fund.

E. Uncertainties in Estimating Number of Claims.

As previously noted, there is considerable uncertainty in estimating the number (and value) of Current and Future Claims. With respect to Current Claims, although the Special Master is aware of a number of unresolved pending cases and unfiled claims, some of these cases and claims may not be compensable because they will have been resolved with Takata prior to submission of a claim to the Individual Restitution Fund or for other reasons; there may also be

⁴ Even though the Special Master is comfortable relying on these estimates as based on reasonable worst-case scenario assumptions, the number and value of actual claims could be higher depending on unforeseen developments in the future.

additional, but yet unknown, Current Claims that prove to be compensable. The number of compensable Future Claims is more uncertain; each of the many factors that underpin this estimate incorporates multiple assumptions, many of which are based on uncertain inferences from the data. Moreover, as with all such estimation efforts, the data available for use in making foundational assumptions and inferences is itself incomplete and sometimes inconsistent. The estimation of valid future aggressive deployment claims is even more uncertain than the estimate for future rupture cases because of the difficulty in differentiating aggressive deployment from normal deployment. The Special Master estimates that future valid aggressive deployment claims will be 5% to 10% of the future rupture claims. The low end of this range is based upon the historical incidence of aggressive deployment settlements in which there were present severe injuries that would more strongly substantiate an aggressive deployment case. The high end of the range is based on the complete incidence of settled aggressive deployments in the historical data, and suggests that aggressive deployments may be closer to 10% of ruptures. However, this settlement data includes less severe injuries for which it is more challenging to substantiate an aggressive deployment claim. The Special Master acknowledges that the actual number of valid future aggressive deployment claims could be higher than 10% of Future Claims because of greater awareness of this possible injury mechanism and the public knowledge of the Individual Restitution Fund as a source of compensation. This latter factor is sometimes described as the “Trust Effect” and is a phenomenon that has appeared and confounded attempts to estimate future claims in other similar compensation schemes.

III. VALUE OF CURRENT AND FUTURE CLAIMS

Based on the historical settlement data, NERA, the Special Master’s economics advisor, confirms that the value of settled claims is significantly correlated statistically with injury type

and severity. Again, to estimate the value of valid Current and Future Claims, the Special Master instructed NERA to utilize conservative, reasonable worst-case scenario assumptions in order to protect the interests of Future Claimants while compensating Current Claimants fairly. Accordingly, in its models, NERA assumes that the relationship between injury type and severity for Current and Future Claims will be the same as has been observed in the historical data and that an overall average settlement value, similar to that reached by certain OEMs and Takata in previous settlements, will apply. In alternatively modeled scenarios, NERA implicitly assumes that the mix of injuries will become less severe in general, as the proportion of claims shifts to passenger side airbags. Historically, the injury types and severity of claims in passenger-side airbag rupture or deployment cases has been less severe than for driver-side airbags, resulting in lower associated settlement averages. In some alternatively modeled scenarios, NERA estimates claim values at these differing averages. For Future Claims, values are inflated and discounted, to take into account inflation affecting the value of Future Claims and to calculate a present discounted value based on the conservative investment guidelines applicable to the Individual Restitution Fund. For all modeled scenarios, some adjustments to the historical data have been made by the Special Master to some injury categories to smooth out inconsistencies in the data attributable to small sample size or other anomalies in the data.

Table 1 below describes six scenarios, each modeled on different assumptions assigned to various factors found to be significant in the analysis of the adjusted historical data which NERA employed to estimate the number and value of the universe of compensable Current and Future Claims expected to be made to the Individual Restitution Fund.

TABLE 1⁵

Range of Projected Liability Estimates of Current and Future Claims Valuation Based on Adjusted Historical Matrix Values							
Scenario	Ruptures		Aggressive Deployments		Total		% of Total Liability
	Counts	Present Value	Counts	Present Value	Counts	Present Value	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
		-- Millions --		-- Millions --	=(2)+(4)	=(3)+(5)	-- Millions --
<i>I. Scenario 1¹</i>							
Current	239	\$ 193.6	12	\$ 10.7	251	\$ 204.3	29%
Future	682	477.4	34	29.0	716	506.4	71%
Total	921	\$ 671.0	46	\$ 39.7	967	\$ 710.7	
<i>II. Scenario 2²</i>							
Current	240	\$ 194.3	12	\$ 10.8	252	\$ 205.1	27%
Future	752	524.9	38	31.8	790	556.7	73%
Total	992	\$ 719.2	50	\$ 42.6	1,042	\$ 761.8	
<i>III. Scenario 3³</i>							
Current	255	\$ 206.8	13	\$ 11.4	268	\$ 218.2	22%
Future	994	715.8	50	42.2	1,044	758.0	78%
Total	1,249	\$ 922.6	63	\$ 53.6	1,312	\$ 976.2	
<i>IV. Scenario 4⁴</i>							
Current	255	\$ 234.9	13	\$ 11.4	268	\$ 246.3	21%
Future	994	867.8	50	42.2	1,044	910.0	79%
Total	1,249	\$ 1,102.7	63	\$ 53.6	1,312	\$ 1,156.3	
<i>V. Scenario 5⁵</i>							
Current	272	\$ 250.5	27	\$ 25.0	299	\$ 275.5	19%
Future	1,205	1,053.0	121	105.3	1,326	1,158.3	81%
Total	1,477	\$ 1,303.5	148	\$ 130.3	1,625	\$ 1,433.8	
<i>VI. Scenario 6⁶</i>							
Current	273	\$ 251.5	27	\$ 25.1	300	\$ 276.6	18%
Future	1,335	1,164.6	134	116.5	1,469	1,281.1	82%
Total	1,608	\$ 1,416.1	161	\$ 141.6	1,769	\$ 1,557.7	

Notes and Sources:

- All forecasts follow Ankura model structure, estimating ruptures by inflator type, age, and zone.
- "Current liability" includes expected costs to resolve pending claims, as well as estimated future claims with an accident date through 1Q2018.
- The historical data on which the projection is based includes pending filed/unfiled claims with an accident year prior to 2017. 50% of unfiled claims are assumed to be dismissed, based on reported historical rates. Pending claims with unknown alleged deployment defects are assumed to have the same mix as the claims with a known deployment defect allegation.
- Nominal values are inflated and discounted to generate present value estimates. The assumed inflation rate of 1.88 percent is calculated as the difference between 10-year Constant Maturity Treasury rates and 10-year Constant Maturity Inflation-Indexed Treasury rates, averaged over the period 11/21/2016 - 11/20/2017. The assumed discount rate of 2.67 percent is calculated using the 20-year Constant Maturity Treasury rate, averaged over the period 11/21/2016 - 11/20/2017.
- All scenarios include the following assumptions:
 - (a) Puerto Rico and the U.S. Virgin Islands are included in Zone 0.
 - (b) National accident rates are applied, using 2014-2015 GES and Polk data.
 - (c) Deployment rate calculations include all "Deployment - Front" plus 50% of "Deployed - Combination" and 82% of "Deployed - Unknown Location" counts, using 2013-2015 GES data.
 Scenarios 1 - 6 have different assumptions about abandonment rates, rupture rates, recall completion rates and valuation.
- ¹ Scenario 1 generates the lowest estimation of ruptures. It is based on the following assumptions:
 - Abandonment rates: Abandonment rates are applied by platform size (large/small).
 - Rupture rates: (a) differential DAB/PAB rates are applied for non-PSDI Small Platform; (b) tails of the rates for PSDI Alphas are capped at historical levels; (c) rates for Betas are assumed to grow more slowly than has been observed historically.
 - Recall completion rates: increased assumed caps and completion path are used.
 - Valuation: differential values are applied for DAB and PAB claims.
 - Aggressive deployment claims are projected as 5% of the ruptures based on historical patterns of claims with a severe injury.
- ² Scenario 2 is the same as Scenario 1, except:
 - Abandonment rates: overall abandonment rates are applied.
- ³ Scenario 3 is the same as Scenario 1, except:
 - Rupture rates: rates for PSDI Betas are estimated based on the observed historical growth pattern.
 - Recall completion rates: assumed caps are estimated using observed historical rates.
- ⁴ Scenario 4 is the same as Scenario 3, except:
 - Valuation: overall valuations are applied for rupture claims, DAB valuations are applied for aggressive deployment claims.
- ⁵ Scenario 5 is a higher estimate of ruptures. It is based on the following assumptions:
 - Abandonment rates: abandonment rates are applied by platform size (large/small).
 - Rupture rates: (a) overall rates are applied for non-PSDI Small Platform; (b) Alpha tails are un-capped; (c) rates for Betas are estimated based on the observed historical growth pattern.
 - Recall completion rates: assumed caps are estimated using observed historical rates.
 - Valuation: overall average valuations are applied.
 - Aggressive deployment claims are projected as 10% of the ruptures based on historical patterns for claims of all injury types.
- ⁶ Scenario 6 is the highest estimate, and is the same as Scenario 5 except:
 - Abandonment rates: overall abandonment rates are applied.

⁵ A larger version of Table 1 is annexed hereto as Exhibit 1.

After considering the views of the economic advisors to the other stakeholders in this matter (OEMs, TKH, Plaintiffs, and the FCR) and conducting considerable due diligence, the Special Master finds the analysis used by NERA to estimate the number and value of valid Current and Future Claims to be fair and reliable, and accepts NERA's methodology for the purpose of allocating the Individual Restitution Fund. The key conclusions from this analysis are that the number of compensable Current and Future Claims will be between 967 to 1,769 with a value of between \$710.7 million and \$1.558 billion and that the liability associated with Future Claims will constitute between 71% and 82% of the value of all claims.

With regard to the questions of what portion of the Individual Restitution Fund needs to be reserved for Future Claims and what portion can be utilized to immediately compensate Current Claims, the Special Master intends to make a final determination and formal apportionment after May 15, 2018, the date on which all Current Claims are due to be filed and the actual number of Current Claims will be known. Information regarding procedures for filing of claims can be found in Section VI below. If the actual number of valid Current Claims received is consistent with NERA's current estimates, the Special Master will reserve approximately 80% of the Individual Restitution Fund for Future Claims. This percentage is at the high end of the range of estimates for Future Claims and is therefore "conservative" for protecting the interests of Future Claimants. The Special Master is cognizant of the risk of estimation error, which could result in treating Future Claims unfairly. If the number of Future Claims turns out to be greater than the estimate used to apportion the fund between Current Claims and Future Claims, money will not be available to compensate claimants at the end of queue. Once paid out to Current Claimants, the money cannot be recovered to make up an under-estimation of Future Claims. The risk is not symmetrical. If there are fewer Future

Claims than estimated, or the amount set aside for Future Claims proves to be excessive, funds will still be available and the Special Master may make “true-up payments” to individuals previously compensated. The Special Master and his advisors anticipate being in a position to refine the estimates for Future Claims by early 2020, at which time a re-apportionment between Current Claims and Future Claims may be made and, if appropriate, true-up payments distributed.

Apportioning 80% of the Individual Restitution Fund as a reserve for Future Claims, and assuming the trust holding the Individual Restitution Fund will increase to approximately \$126.5 million by the time payments need to be made because of interest on investments, means that approximately \$25.3 million will be available to compensate valid Current Claims.

For the avoidance of doubt, it is important to note that the Special Master is not predicting that the number and value of claims will be at the high end of these estimates, or that the proportion of Future Claims to Current Claims will be at the high end of the estimate used to allocate the Fund, but rather that the uncertainties and limitations inherent in the estimation process and the duty to protect fairly the interests of all claimants requires that reasonable worst-case scenarios must be recognized and considered.

IV. ADEQUACY OF THE INDIVIDUAL RESTITUTION FUND

As described above, the range of estimated values for valid Current and Future rupture and aggressive deployment claims to be paid from the Individual Restitution Fund across six defined scenarios is \$710.7 million to, conservatively, \$1.558 billion. The low end of this range is estimated employing the Future Claims forecasting methodology, incorporating the following reasonable assumptions: (i) that there are fewer at-risk vehicles on the road because a higher proportion of the at-risk vehicle population is assumed to be abandoned/taken out of use each

year (modeled by using a differential abandonment rate for small and large platform vehicles) and because a higher proportion of affected vehicles are assumed to have recall repair completions than has been observed historically; (ii) that estimated future rupture rates by inflator type and vehicle age will either not increase or will grow at a slower rate than observed historically, in the ballistic testing data; (iii) that rates for driver-side non-PSDI small platform inflators will generally be lower relative to passenger-side small platform inflators, as observed in the ballistic testing data; and (iv) that the injury mix of estimated future claims will not be as severe as observed historically. This last assumption is based on the observation in the historical data that injuries tend to be less severe for passenger-side inflators than for driver-side inflators and the assumption that there will be relatively fewer driver-side ruptures going forward. The low end of the range also assumes that aggressive deployments will be 5% of ruptures. The high end of the range incorporates the following reasonable assumptions: (i) a lower proportion of the at-risk population will be abandoned each year (modeled using overall abandonment rates rather than differential rates for small/large platform vehicles) and recall completion rates will occur at the lower pace observed in historical data; (ii) a reduction in claim severity will not occur over time (modeled by using overall valuations, rather than differential valuations for passenger-side and driver-side claims); (iii) estimated future rupture rates by inflator type and vehicle age will either increase or will grow at the rate observed in the ballistic data; (iv) an overall rate for non-PSDI small platform inflators is estimated to increase sample size; and (v) aggressive deployment cases will be 10% of ruptures.

The Restitution Order contemplates that the restitution to individuals injured by a Takata PSAN Airbag Inflator Malfunction will be used to compensate personal injury and wrongful death claimants in light of *Takata's* liability (as opposed to any co-defendant's liability). Most

personal injury and wrongful death lawsuits name additional potentially responsible parties, such as the manufacturer of the automobile in which the airbag and inflator are components and/or the dealer who sold the automobile. The database of settled claims indicates that in many, but not all, cases the auto manufacturer as well as Takata contributed to the settlement amount. The relative share of Takata's contribution to these settlements ranges from 0% to 100%. Takata's relative share of the settlement payments appears to vary depending on a number of factors, but most depends on the date when the settlement was reached. As the number of claims and settlements mounted over time and Takata and its affiliates approached insolvency and eventual bankruptcy, Takata's relative contribution to the settlements appears to have decreased. The OEMs have taken the position that given Takata's role as supplier and admitted fraudulent conduct, Takata should bear 100% responsibility for all claims, but regardless, in virtually all cases alleging injuries or wrongful death caused by the rupture or aggressive deployment of a Takata inflator, Takata would be liable to the claimant for 100% of the damages under theories of joint and several liability. Accordingly, whether one calculates the Takata share of damages for personal injuries or wrongful death using the injury matrix adjusted values determined by the Special Master based on a hypothetical 50-50 share of liability (\$355.4 million - \$778.9 million) or on 100% responsibility under joint and several liability (\$710.7 million - \$1.558 billion), it is clear that Takata's own exposure for the Current and Future Claims of individuals injured by a Takata PSAN Airbag Inflator Malfunction massively exceeds the approximately \$126.5 million amount anticipated to be available in the Individual Restitution Fund. Accordingly, the Special Master concludes that the Individual Restitution Fund is inadequate to fully compensate individuals for personal injury and wrongful death caused by a PSAN Airbag Inflator Malfunction and that there will be no unallocated funds remaining in the Individual Restitution

Fund to distribute to the United States government, as provided for in paragraph 4 of the Restitution Order.

This conclusion is corroborated by the estimation of claims made by Ankura, TKH's economics consultant on estimation of future claims. Ankura estimates that TKH's exposure to PSAN PI/WD claims is \$1.05 billion.⁶ This amount includes an estimate of \$1 billion for claims filed after the Effective Date (as defined in the bankruptcy plan), and \$50 million for filed claims not resolved as of the Effective Date. Ankura estimates that eligible PSAN PI/WD Trust claimants will receive 0.1% to 0.3% on their claims from the PSAN PIWD Trust to be established under the Chapter 11 Plan.⁷ Ankura's sub-categories do not coincide with the Special Master's definition of Current Claims and Future Claims and therefore do not precisely map to the NERA estimates that the Special Master has adopted. Further, Ankura's estimate appears to be for only the Debtor's share of liability and does not include the amount, if any, which Ankura may attribute to a co-defendant's share of liability even though Takata would also be legally responsible for it also under joint and several liability. It also does not specify what percentage share of the total liability it employs to estimate the Debtor's share. In addition, it is not clear from the Disclosure Statement whether Ankura's estimates include amounts for foreign claims that would not be compensable under the Individual Restitution Fund. Notwithstanding these ambiguities, Ankura's total estimation falls squarely within NERA's range of estimated total values and confirms that under any reasonably foreseeable scenario, the value of claims to the Individual Restitution Fund will far exceed the amount available to compensate them in full.

⁶ See the Disclosure Statement to the Debtors' Amended Joint Chapter 11 Plan, filed December 19, 2017, at 85.

⁷ *Id.*

V. METHODOLOGY AND VALUATION

Given (a) the indisputable inadequacy of the Individual Restitution Fund, (b) the relatively small sample of historical settlements available for analysis, (c) the idiosyncratic nature of individual cases, and (d) the wide range in estimated total value for all cases, the Special Master has determined that the fairest, most efficient, and most manageable allocation methodology for the Individual Restitution Fund is one based on the relative valuation of valid claims rather than one based on an idealized absolute total valuation for various categories of claims. A relative valuation approach enables the Special Master to more fairly and efficiently allocate among all injured individuals the amount available for Current and Future Claims based on the limited amount that is actually available and on the relative severity of the injury.

The first step in a relative valuation approach is to calculate the amount of money from the limited Individual Restitution Fund that is necessary to reserve for Future Claims and the resulting amount that is available to compensate Current Claims, as defined above. As described above, these amounts will be calculated after the period for filing Current Claims has closed, i.e., after May 15, 2018. Based on current estimates, however, these amounts are projected to be approximately \$25.3 million for Current Claims and \$101.2 million for Future Claims, but it is important to keep in mind that these amounts may be reallocated based on the actual claims experience.

The second step in a relative valuation approach is to classify the types of injury claims into a manageable number of categories in a manner that is objectively based on the settlement history, consistent, efficient for claims handling purposes, explainable and understandable, and grounded in the way in which experts in the valuation and settlement of such cases (plaintiff and defense attorneys) have actually valued them in the past in real cases. This allows the settlement

history to be utilized for relative valuation purposes more reliably than for absolute valuation purposes because idiosyncrasies within the inventory of settled cases can be assumed to be relatively evenly distributed within the inventory of cases. For purposes of valuing claims to the Individual Restitution Fund, the Special Master has identified from the historical data nineteen types of injuries as the most common in cases of airbag rupture or aggressive deployment. These include: (i) fatality; (ii) permanent loss of vision in two eyes; (iii) permanent loss of vision in one eye; (iv) other eye injuries; (v) traumatic brain injury; (vi) larynx/vocal cord injuries; (vii) skull/dental/mandibular fractures; (viii) head/face/neck lacerations, scars, or burn disfigurements; (ix) facial nerve damage; (x) neck/back injuries; (xi) torso/limb lacerations, scars, burns, or disfigurement; (xii) permanent hearing loss/impairment; (xiii) non-permanent hearing injuries; (xiv) other broken bones/fractures; (xv) vascular complications (xvi) internal injuries; (xvii) injury to pregnancy; (xviii) concussion; and (xix) minor bruising. The data indicates that individual injuries within these nineteen categories may then be classified as mild, moderate, or severe.

The third step in a relative valuation approach is to assign relative values, i.e. points, to each injury category and subcategory, taking care to relatively value each type of injury clearly, fairly, objectively, and consistently. Working with his advisors and starting from the historical settlement data but making adjustments where necessary to smooth out anomalies in the data attributable to small sample size or idiosyncrasies, the Special Master has assigned a specific number of points to each of the nineteen identified injury categories and, where appropriate, for mild, moderate, and severe subcategories within each category. In addition, the Special Master has identified situations where additional points may be added to a claim based on factors such as age and number of dependents to adjust the relative case value consistent with the historical

settlement experience and fairness.⁸ The Special Master's proposed relative valuation matrix is set forth in Table 2, below:

TABLE 2⁹

Injury (1)	Proposed Point ¹			Additional Factors for Level	
	Level 3 (Mild) (2)	Level 2 (Moderate) (3)	Level 1 (Severe) (4)	1/ Severe Injuries ² (5)	Adjustment Point (6)
	1. Fatality			4,000 ⁴	Prolonged suffering Age under 25 Age between 25 and 39 Age 40 to 59 Spouse/each dependent ³
2. Permanent loss of vision - two eyes			4,000 ⁵	Age under 25 Age between 25 and 49 Spouse/each dependent ³	500 250 75
3. Permanent loss of vision - one eye			2,000 ⁵	Age under 25 Age between 25 and 49 Spouse/each dependent ³	500 250 75
4. Other eye injuries	100	400	1,000		
5. Traumatic Brain Injury	250	750	2,000 ⁵	Age under 25 Age between 25 and 49 Spouse/each dependent ³	500 250 75
6. Larynx/vocal cord injury	100	400	2,000 ⁵	Age under 25 Age between 25 and 49 Spouse/each dependent ³	500 250 75
7. Skull/dental/mandible fractures	100	350	1,600		
8. Head/face/neck laceration, scars, burns, disfigurement	100	350	1,000		
9. Facial nerve damage/paralysis	100	400	1,000 ⁵	Age under 25 Age between 25 and 49	500 250
10. Neck/back injuries	10	350	2,000		
11. Torso/limb laceration, scars, burns, disfigurement	20	100	275		
12. Permanent hearing loss/impairment	100	500	1,500 ⁵	Age under 25 Age between 25 and 49 Spouse/each dependent ³	500 250 75
13. Hearing - non-permanent injuries	10	100	150		
14. Other broken bones/fractures	40	150	600		
15. Vascular complications		50	150		
16. Internal injuries		50	250		
17. Injury to pregnancy		50	500		
18. Concussion		20	80		
19. Minor bruising/None		10	25		

Notes and Sources:

¹ Points assigned to each injury-severity level group are primarily based on historical average settlements. For the most severe injury categories, points for additional case-specific factors (e.g., marital status, number of dependents) are based on a review of the historical settlement data, other payment funds and judgment of the Special Master.

² Age-specific and dependent-specific adjustments are applicable only to Level 1/Severe injuries.

³ The maximum aggregate adjustment for all dependents is 30 points, subject to Extraordinary Review.

⁴ Base value is assigned for claimants aged 60 or above.

⁵ Base value is assigned for claimants aged 50 or above.

⁸ The Special Master proposes adding adjustment points based on the age of the claimant for an injury categorized as severe in the following categories: (i) fatality; (ii) blindness; (iii) loss of hearing; (iv) loss of use of vocal cords; (v) total and permanent brain injury ("TBI"); and (vi) severe facial paralysis. The Special Master also proposes providing additional compensation for spouses and dependents of claimants for certain severe injuries.

⁹ A larger version of Table 2 is annexed hereto as Exhibit 2.

The Special Master anticipates that many claimants will allege multiple injuries as the result of a single occurrence, for example, a face laceration, hearing injury, and a back injury. The data suggest that in the most severe cases the primary injury was the significant driver of case value and in most other cases the historical data did not show a statistically significant increase in value for the existence of multiple injuries. In a relative valuation approach, the Special Master concludes that compensation based on the most serious injury will fairly value a claim. Accordingly, under the proposed approach, in most cases a claimant will receive compensation for his or her most serious injury only. Injuries will not be aggregated or “stacked.”

Extraordinary Review, as defined below, will be available for claimants who believe their injury or injuries do not fit within a particular category or deserve extraordinary compensation.

Some of the various interested parties in this case and the TKH bankruptcy proceeding employ a similar injury matrix to the one described above, with minor variations in the categories and definitions. The Special Master and his advisors believe that the matrix and point values described above are the fairest, most consistent and understandable, and the most practicable to apply to a relative value allocation of a limited fund such as the Individual Restitution Fund (as opposed to a pure tort-system based compensation model). However, if the Special Master is asked to and agrees to serve as the Trustee or Administrator of a Trust established by the bankruptcy court for PSAN personal injury/wrongful death claims, the Special Master is open to adjusting and harmonizing the proposed Individual Restitution Fund injury matrix with a proposed Trust matrix to simplify and streamline claims handling procedures for claimants to both funds.

The fourth step in a relative valuation approach is to convert the points assigned to each claim to a monetary award. In a limited fund situation, this is done by (i) adding up the total number of points assigned to all valid allowed claims and then (ii) dividing that sum into the amount of money available in the fund for compensation to (iii) derive the value of a point. Then, for each claim, the number of points assigned to the claim is multiplied by the derived value of a point to calculate the monetary award for the claim. For the Individual Restitution Fund, the Special Master will calculate the value of a point after the Current Claims Filing Deadline by dividing the sum of the points assigned to all Current Claims into the amount of money available to compensate Current Claimants after reserving the amount necessary for Future Claims. Each Current Claim will then be monetized by multiplying the points assigned for that claim by the value of an Individual Restitution Fund point. The same approach will be used for Future Claims, utilizing the value of a point calculated for Current Claims. If experience demonstrates that there are fewer claims than estimated, the value of a point will be appropriately adjusted for claims processed thereafter and to calculate true-up payments to previously compensated claimants.

VI. CLAIM FILING PROCEDURES

A. Equal Access

All claimants will be treated with respect, dignity, and fairness, without regard to race, color, sexual orientation, national origin, religion, gender, or disability. All claimants will be able to access the Individual Restitution Fund claim submission process equally, and individuals with disabilities will be given the opportunity to request special process accommodations. All claim documents will be translated into Spanish and assistance will be provided to claimants who do not speak English or Spanish. All claimants will be clearly informed that:

**CLAIMANTS DO NOT NEED TO
HAVE A LAWYER TO FILE A CLAIM
WITH THE INDIVIDUAL RESTITUTION FUND.**

If a claimant is represented by a lawyer, all communication by the Claims Administrator will be with the lawyer. The Special Master, the Claims Administrator, and the Special Master's advisors cannot provide legal advice. With the assistance of clinical instructors at the University of Michigan School of Law, the Special Master is working to set up a legal assistance program for those individuals who desire but cannot afford legal advice. **Claimants who need assistance with filing a claim may contact the Claims Administrator by email at Questions@TakataSpecialMaster.com or by phone toll-free at 1-800-574-7035.**

B. Claim Types

There are two types of claims and two types of Claim Forms for the Individual Restitution Fund: (i) death and (ii) personal injury. Each claimant may submit only one Claim Form.

C. Where to Obtain and File a Claim Form

- Obtaining a Claim Form: Claimants may obtain a Claim Form by visiting the Takata Special Master website, www.TakataSpecialMaster.com (the "Website") and downloading a copy of the applicable Claim Form. Claimants can also request a Claim Form by emailing Questions@TakataSpecialMaster.com or calling toll-free at [1-800-574-7035](tel:1-800-574-7035).
- Filing a Claim Form: Claim Forms may be submitted to the Special Master either online, following the directions posted on the Website, or by sending a paper Claim Form to one of the following addresses:

By Mail

Takata Airbag Individual Restitution Fund
P.O. Box 10472
Dublin, OH 43017-4072

By Courier

Takata Airbag Individual Restitution Fund
5151 Blazer Parkway, Suite A
Dublin, OH 43017

Lawyers who represent multiple claimants and who would like to streamline the claims process for submitting individual claims should contact the Claims Administrator using the contact information above. As previously noted, **claimants do not need a lawyer in order to file a claim for compensation by the Individual Restitution Fund.**

Additional information about the Individual Restitution Fund and the claim process is posted on the Website, which will be updated periodically. Claimants may also request information using the contact information listed above.

D. General Requirements for Completing a Claim Form

Each claimant will be required to file either a Death Claim Form or a Personal Injury Claim Form, as appropriate. The Claim Form must be completed in its entirety and signed either by the individual who was injured or his or her legal representative. In signing the Claim Form, claimants will certify, under penalty of perjury, that the information provided in the Claim Form is true and accurate to the best of his or her knowledge.

All claims must be supported with proper documentation. In general, claimants will be required to submit documents establishing that the personal injury or death was caused by the rupture or aggressive deployment of a Takata PSAN airbag inflator. Claimants will also be required to submit documents evidencing the injuries sustained and the medical attention received. A list of the specific documents required will be attached to each of the Claim Forms.

Legal representatives must supply proof of their representative capacity, such as a power of attorney, the appointment as guardian or attorney *ad litem*, retention agreements, or the equivalent.

After a Claim Form is submitted, an acknowledgement postcard or email will be sent to the claimant by the Claims Administrator within 30 days of receipt of the Claim Form. A claim will not be deemed to be submitted unless such acknowledgement is received by the claimant.

E. Deadline for Filing Claim Forms

The Individual Restitution Fund administration is scheduled to launch to the public about 30 days prior to the April 2, 2018 Current Claims Cut-Off Date. At that time, potential claimants will be notified through the Special Master's Notice Program, as further described below, and Claim Forms will be available on the Website.

All individuals filing Current Claims, as defined above to include any accident prior to the Current Claims Cut-Off Date (i.e., April 2, 2018), will be required to submit their Claim by May 15, 2018 (the "Current Claim Filing Deadline"). The Current Claim Filing Deadline will be posted on the Website and will be printed on the Claim Forms. Any Claim filed after May 15, 2018 will be considered a Future Claim for filing deadline purposes. All Claims must be filed by the later of one year after the Claimant's accident or April 2, 2019, or the Claim will be deemed waived, absent a showing of good cause as to why the Claim should be considered notwithstanding its untimely filing. A determination of whether good cause has been shown by a Claimant will be in the discretion of the Special Master. These deadlines are not intended to suggest and should not be used to support an assertion that claims that would not otherwise comply with applicable statutes of limitations in the tort system could be belatedly filed there. Current Claims will be processed by the Special Master after the

Current Claims Filing Deadline and, as soon as practicable, the Special Master will recommend to the Court payment amounts for all allowed eligible Current Claims. Upon approval by the Court, the Special Master will process and send payment to the allowed eligible Current Claimants.

Future Claims will be processed periodically as they are received and evaluated on the same basis as Current Claimants. **Future Claimants must file a claim within one year of an accident. Any Future Claim filed later than the one year period will be deemed waived, absent a showing of good cause as to why it should be considered notwithstanding its untimely filing. A determination of whether good cause has been shown by a Claimant will be in the discretion of the Special Master.**

“True-up” payments, if any, will be determined and paid by the Special Master without the necessity for a claimant to make any additional application.

VII. CLAIM REVIEW, CLAIMANT NOTIFICATION AND APPEALS PROCESS

A. Review of Claim Forms and Documentation

The Special Master’s Claims Administrator will review each Claim Form received to determine whether it is complete and valid, as well as all documents submitted in support of the Claim Form. Claimants will have the burden of proof to establish their eligibility and verify the validity of their claim. The Special Master shall also independently verify and validate any claims received. Claimants will also have the responsibility of notifying the Claims Administrator if any of their contact information changes. The Claims Administrator will provide claimants with notification regarding the status of their claims, as outlined below.

B. Deficiency Notification and Cure Process

If a claimant submits an incomplete or facially deficient claim (by, for example, failing to sign the form or failing to include required documentation), a Deficiency Notice will be issued to the claimant by the Claims Administrator with instructions regarding how to cure the deficiencies in the claim.

Claimants will have 30 days to cure all deficiencies in the claim. The Claims Administrator will be available to answer questions relating to deficiencies and the curing process.

C. Claim Determination Notification

Approximately 60 days after the deadline to cure deficient claims, the Claims Administrator will issue determination notices to all persons who filed claims.

Eligibility Notices will be issued to claimants whose claims are eligible or partially eligible for payment from the Individual Restitution Fund. The Eligibility Notice will include the proposed amount of the award that will be paid. Award Determinations pursuant to the Individual Restitution Fund Procedures will be valid for 30 days, after which the award offer is null and void, unless a timely Notice of Appeal is filed, as specified below, or in the discretion of the Special Master for good cause shown.

Denial Notices will be issued to claimants whose claims are rejected either as ineligible or because the deficiencies in the claims were not timely cured.

Both the Eligibility Notice and the Denial Notices will advise claimants that they have a right to appeal the decision within 30 days. All awards proposed by the Special Master are subject to the approval of the Court.

D. Appeal Process

To appeal a determination of ineligibility, deficiency, or the amount of an award, claimants must file a Notice of Appeal with the Special Master within 30 days of the date of the relevant determination notice. A Notice of Appeal form can be downloaded from the Special Master's Website. If a Notice of Appeal is not filed within 30 days, the Special Master's proposed determination will become final, binding, and non-appealable, subject to the discretion of the Special Master for good cause shown, and subject to the approval of the Court.

If a claimant files a timely and colorable Notice of Appeal, an independent third-party Review Officer will re-examine the claim and make a recommendation to the Special Master. The Special Master will consider the recommendation of the Review Officer as well as the opinion of the Claims Administrator and, as applicable, issue an amended proposed award determination to the Court.

At present, the Special Master intends to appoint a panel of five internal advisors to serve as Review Officers. Former Judges Gerald Rosen (Ret.), Steve Rhodes (Ret.), Nancy Gertner (Ret.), Mary Beth Kelly (Ret.), and Mediator Cathy Yanni have all agreed to serve as Review Officers on a random, rotational basis.

E. Distribution

After the Special Master completes his calculation of claims and valuations, as described in greater detail above, and the Court has approved the proposed distributions, the Claims Administrator will initiate the distribution process. Distributions from the Individual Restitution Fund will be issued after the Claims Administrator receives the claimant's validly signed Release, the expiration of any applicable time to appeal, and Court approval of the determination. Distributions for valid claims will be issued by checks, which will be negotiable

for 90 days. If the claimant is represented by an attorney, the distribution may be issued by check or by electronic payment to the attorney. Uncashed checks, after a reasonable effort to effect deposit, will be cancelled and the amount awarded will be returned to the Individual Restitution Fund for redistribution to other meritorious claims.

F. Medical Liens

In determining all award amounts, the Special Master will take into account all outstanding medical liens, if any, currently owed by the claimant. The Special Master will retain the services of a Lien Resolution Administrator to identify, resolve, and satisfy, in accordance with applicable law, certain claimant repayment obligations, including, but not limited to, Medicare (Parts A and B), Medicaid, and other governmental liens.

G. Privacy and Fraud Prevention

Information submitted by a claimant to the Individual Restitution Fund administration will be used and disclosed only for the following purposes: (i) processing the claimant's claim for an award from the Individual Restitution Fund, (ii) legitimate business use associated with administering the Individual Restitution Fund, including the prevention of fraud and/or the resolution of liens, and/or (iii) other necessary legal and judicial requirements or processes.

For the purposes of detecting and preventing the payment of fraudulent claims, the Claims Administrator and Special Master will implement procedures to verify and authenticate claims, and to detect inconsistencies, irregularities, and duplication. Suspicious claims may be forwarded to federal, state, and local law enforcement agencies for possible investigation and prosecution.

H. Extraordinary Injury Review

The Special Master may, in his discretion and subject to approval by the Court, award additional compensation to Eligible Claimants who present proof of injury or loss of a type or severity not otherwise captured by the matrix of claim values. Such additional compensation will in no event exceed a fifty percent increase above the award to which the claimant would otherwise be entitled.

To be considered for additional compensation for extraordinary injury, an Eligible Claimant must specifically request an extraordinary injury review (an “Extraordinary Review”) by submitting, in addition to the Claim Form, a completed on-line application for Extraordinary Review together with documentation supporting the claim for extraordinary injury or loss and its direct causation by the PSAN Airbag Inflator Malfunction.

I. Attorneys’ Fees

The Special Master notes that the Rule 8.121 of the Michigan Court Rules of 1985 provides that attorneys’ fees in excess of one-third of an award resulting from a personal injury or wrongful death suit are excessive. It has not been determined whether Rule 8.121 is applicable to this proceeding, or whether the applicable rules of other states which may provide limits on attorneys’ fees resulting from personal injury or wrongful death cases may apply here where the relevant accident and injuries have occurred in that state. However, the Court retains jurisdiction over all aspects of this case including the Restitution Fund and it would be within the discretion of the Court to apply Rule 8.121 or other applicable state law to awards from the Individual Restitution Fund because all eligible claimants will have suffered personal injury or wrongful death. Moreover, because processing a claim to an administrative fund is generally

simpler, speedier, and less risky than pursuing a case in the tort system, the amount of a reasonable attorneys' fee in the case of the Individual Restitution Fund arguably is less than for a tort system claim. This seems especially true for future claimants who, if they choose to utilize an attorney, by definition will be accessing an existing trust with established procedures that should reduce legal time and costs. Accordingly, and consistent with what has been done in other compensation fund programs, the Special Master recommends that the Court consider the establishment of a ceiling on attorneys' fees consistent with Michigan Rule 8.121 or other applicable state law for Current Claims and 25% percent of an award for Future Claims, except for good cause shown as to why the permissible attorneys' fees portion of an award should be upwardly adjusted.

VIII. RELEASES

As a condition for payment from the Individual Restitution Funds, all individuals who apply for compensation from the Individual Restitution Fund must execute and submit to the Special Master a release (the "Release") in the form provided by the Special Master. The Release shall be signed and submitted by a claimant when submitting a Claim Form.

By signing the Release, the individual claimant will agree to release the Individual Restitution Fund, the Special Master and the Special Master's advisors (the "Released Parties") from any and all past, present and future claims, counterclaims, actions, rights or causes of action, liabilities, suits, demands, damages, losses, payments, judgments, debts, dues, sums of money, costs and expenses (including, without limitation, attorneys' fees and costs), accounts, reckonings, bills, covenants, contracts, controversies, agreements, obligations, or promises, in law or in equity, contingent or non-contingent, known or unknown, suspected or unsuspected, foreseen or unforeseen, matured or unmatured, accrued or unaccrued, liquidated or unliquidated,

whether direct, representative, class or individual in nature, in any forum that an applicant had, have, or may have in the future (a “Released Claim”) arising out of, in any way relating to or in connection with the Individual Restitution Fund and the discharge of the Special Master’s duties and responsibilities under the Restitution and Appointment Orders.

The Release will also require the claimant to acknowledge and agree that the claimant remains solely responsible for resolving all Government Payors’¹⁰ and Non-Government Payors’¹¹ liens, rights of reimbursement, and other claims (collectively, “Liens”); (ii) provide the Special Master with authority for his Lien Resolution Administrator to seek resolution of Liens; (iii) provide evidence of negotiation and payment of all Liens with respect to payment of all Liens not resolved by the Special Master’s Lien Resolution Administrator; (iv) agree to indemnify and hold harmless the Special Master in connection with all Liens and any future Liens; (v) and agree that the Special Master will not be liable for any act, or failure to act, of the Lien Resolution Administrator retained in connection with the Individual Restitution Fund.

Importantly, in light of the inadequacy of the Individual Restitution Fund to fully compensate eligible personal injury and wrongful death claimants, the Release required in connection with an award from the Individual Restitution Fund will **not** release Takata, the OEMs, or any other related party.

¹⁰ Governmental Payor means any federal, state, or other governmental body, agency, department, plan, program, or entity that administers, funds, pays, contracts for, or provides medical items, services, and/or prescription drugs, including, but not limited to, the Medicare Program, the Medicaid Program, Tricare, the Department of Veterans Affairs, and the Department of Indian Health Services.

¹¹ Non-Government Payor could include any healthcare provider, employer, workers’ compensation carrier (including a state workers’ compensation fund), group health plan, non-group health plan, insurer, federal employees health benefit plan (such as Blue Cross Federal or Blue 365), or other entity (other than a Governmental Payor or Medicare Part C or Part D Program sponsor), that administers, funds, pays, contracts for, or provides medical items, services, and/or prescription drugs.

IX. WHISTLEBLOWERS

The Special Master has received notifications from two groups of whistleblowers that allege that they are entitled to whistleblower awards pursuant to the Motor Vehicle Safety Whistleblower Act, 49 U.S.C. § 30172. The whistleblowers each have requested that ten to thirty percent of the Restitution Funds be held in reserve pending a final determination of the whistleblower claims. The Special Master is considering these notifications, and if and when a formal claim is made against the Individual Restitution Fund, the Special Master will make a recommendation to the Court for the Court's ultimate determination.

X. NOTICE PROGRAM

The Special Master and his advisors have developed a notice program (the "Notice Program"), to provide notice to individuals who may be eligible to recover from the Individual Restitution Fund, as well as their attorneys. The Special Master will send a direct notice (the "Direct Notice") to individuals or their counsel who have been identified by the Special Master or who have identified themselves to the Special Master. The Special Master will also disseminate publication notice (the "Publication Notice") in numerous publications and media outlets. The Notice Program is a national, five-year notice plan. The proposed Notice Program for the first year following the Current Claims Cut-off Date is outlined below. The parameters of the Notice Program and requirements for notice for the following years may be developed and optimized with data gathered during the initial notice campaigns. The Special Master and his advisors will evaluate the Notice Program annually, at a minimum, to determine the highest level of effectiveness and efficiency in publicizing the role of the Special Master and the availability of the Individual Restitution Fund. The Special Master intends to seek Court approval of the proposed Direct Notice and Publication Notice at a later date.

A. Direct Notice

The Special Master has been provided with a list of known individuals who have allegedly suffered injuries as a result of a Takata PSAN Airbag Inflator Malfunction, including ruptures and aggressive deployments, and/or the lawyers who represent these individuals. In addition, since his appointment, the Special Master has been contacted directly by individuals who have claimed or indicated that they believe they have been personally injured as a result of a PSAN Airbag Inflator Malfunction. The Special Master will prepare the Direct Notice, to be approved by the Court, which will be sent to known potentially eligible claimants. The Direct Notice will be sent via mail and email, to the extent valid address information is provided or can be reasonably obtained. As additional potential claimants are identified after the Current Claims Cut-Off Date, the Direct Notice will be sent to them, for the duration of the Special Master's appointment.

B. Publication Notice

The Special Master intends to use a publication plan, pursuant to which a Publication Notice will be disseminated throughout the United States and its Territories, with specific targeting in the Southern portion of the United States. Data from the National Highway Traffic Safety Administration indicates that the highest risk of malfunction for Takata PSAN airbags are in geographic areas with high heat and humidity, particularly in Florida, Puerto Rico, Texas, California and elsewhere in the Southern United States. Accordingly, the publication program will target the areas with the highest risk factors. Publication will be in both English and Spanish to maximize its reach.

Generally, the Publication Notice program includes, without limitation, display ads on numerous online sites, social media ads (for example on Facebook and Twitter), publication in a

national newspaper, and radio public service announcements, as well as a press release to reach thousands of media contacts. All forms of the media, and response rates during each month of advertising, will be analyzed to optimize the program, to help ensure the effective dissemination of information about the Individual Restitution Fund and the claims process.

62922682 v13

EXHIBIT 1

**Range of Projected Liability Estimates of Current and Future Claims
Valuation Based on Adjusted Historical Matrix Values**

Scenario (1)	Ruptures		Aggressive Deployments		Total		% of Total Liability (8)
	Counts (2)	Present Value (3)	Counts (4)	Present Value (5)	Counts (6)	Present Value (7)	
		-- Millions --		-- Millions --	=(2)+(4)	=(3)+(5)	
<i>I. Scenario 1¹</i>							
Current	239	\$ 193.6	12	\$ 10.7	251	\$ 204.3	29%
Future	682	477.4	34	29.0	716	506.4	71%
Total	921	\$ 671.0	46	\$ 39.7	967	\$ 710.7	
<i>II. Scenario 2²</i>							
Current	240	\$ 194.3	12	\$ 10.8	252	\$ 205.1	27%
Future	752	524.9	38	31.8	790	556.7	73%
Total	992	\$ 719.2	50	\$ 42.6	1,042	\$ 761.8	
<i>III. Scenario 3³</i>							
Current	255	\$ 206.8	13	\$ 11.4	268	\$ 218.2	22%
Future	994	715.8	50	42.2	1,044	758.0	78%
Total	1,249	\$ 922.6	63	\$ 53.6	1,312	\$ 976.2	
<i>IV. Scenario 4⁴</i>							
Current	255	\$ 234.9	13	\$ 11.4	268	\$ 246.3	21%
Future	994	867.8	50	42.2	1,044	910.0	79%
Total	1,249	\$ 1,102.7	63	\$ 53.6	1,312	\$ 1,156.3	
<i>V. Scenario 5⁵</i>							
Current	272	\$ 250.5	27	\$ 25.0	299	\$ 275.5	19%
Future	1,205	1,053.0	121	105.3	1,326	1,158.3	81%
Total	1,477	\$ 1,303.5	148	\$ 130.3	1,625	\$ 1,433.8	
<i>VI. Scenario 6⁶</i>							
Current	273	\$ 251.5	27	\$ 25.1	300	\$ 276.6	18%
Future	1,335	1,164.6	134	116.5	1,469	1,281.1	82%
Total	1,608	\$ 1,416.1	161	\$ 141.6	1,769	\$ 1,557.7	

Notes and Sources:

- All forecasts follow Ankura model structure, estimating ruptures by inflator type, age, and zone.
- "Current liability" includes expected costs to resolve pending claims, as well as estimated future claims with an accident date through 1Q2018.
- The historical data on which the projection is based includes pending filed/unfiled claims with an accident year prior to 2017. 50% of unfiled claims are assumed to be dismissed, based on reported historical rates. Pending claims with unknown alleged deployment defects are assumed to have the same mix as the claims with a known deployment defect allegation.
- Nominal values are inflated and discounted to generate present value estimates. The assumed inflation rate of 1.88 percent is calculated as the difference between 10-year Constant Maturity Treasury rates and 10-year Constant Maturity Inflation-Indexed Treasury rates, averaged over the period 11/21/2016 - 11/20/2017. The assumed discount rate of 2.67 percent is calculated using the 20-year Constant Maturity Treasury rate, averaged over the period 11/21/2016 - 11/20/2017.
- All scenarios include the following assumptions:
 - (a) Puerto Rico and the U.S. Virgin Islands are included in Zone 0.
 - (b) National accident rates are applied, using 2014-2015 GES and Polk data.
 - (c) Deployment rate calculations include all "Deployment - Front" plus 50% of "Deployed - Combination" and 82% of "Deployed - Unknown Location" counts, using 2013-2015 GES data.

Scenarios 1 - 6 have different assumptions about abandonment rates, rupture rates, recall completion rates and valuation.

¹ Scenario 1 generates the lowest estimation of ruptures. It is based on the following assumptions:

Abandonment rates: Abandonment rates are applied by platform size (large/small).

Rupture rates: (a) differential DAB/PAB rates are applied for non-PSDI Small Platform; (b) tails of the rates for PSDI Alphas are capped at historical levels; (c) rates for Betas are assumed to grow more slowly than has been observed historically.

Recall completion rates: increased assumed caps and completion path are used.

Valuation: differential values are applied for DAB and PAB claims.

Aggressive deployment claims are projected as 5% of the ruptures based on historical patterns of claims with a severe injury.

² Scenario 2 is the same as Scenario 1, except:

Abandonment rates: overall abandonment rates are applied.

³ Scenario 3 is the same as Scenario 1, except:

Rupture rates: rates for PSDI Betas are estimated based on the observed historical growth pattern.

Recall completion rates: assumed caps are estimated using observed historical rates.

⁴ Scenario 4 is the same as Scenario 3, except:

Valuation: overall valuations are applied for rupture claims, DAB valuations are applied for aggressive deployment claims.

⁵ Scenario 5 is a higher estimate of ruptures. It is based on the following assumptions:

Abandonment rates: abandonment rates are applied by platform size (large/small).

Rupture rates: (a) overall rates are applied for non-PSDI Small Platform; (b) Alpha tails are un-capped; (c) rates for Betas are estimated based on the observed historical growth pattern.

Recall completion rates: assumed caps are estimated using observed historical rates.

Valuation: overall average valuations are applied.

Aggressive deployment claims are projected as 10% of the ruptures based on historical patterns for claims of all injury types.

⁶ Scenario 6 is the highest estimate, and is the same as Scenario 5 except:

Abandonment rates: overall abandonment rates are applied.

EXHIBIT 2

Proposed Points Matrix by Injury and Severity

Injury (1)	Proposed Point ¹			Additional Factors for Level 1/ Severe Injuries ²	Adjustment Point (6)
	Level 3 (Mild) (2)	Level 2 (Moderate) (3)	Level 1 (Severe) (4)		
1. Fatality			4,000 ⁴	Prolonged suffering Age under 25 Age between 25 and 39 Age 40 to 59 Spouse/each dependent ³	1,500 3,000 2,000 1,000 75
2. Permanent loss of vision - two eyes			4,000 ⁵	Age under 25 Age between 25 and 49 Spouse/each dependent ³	500 250 75
3. Permanent loss of vision - one eye			2,000 ⁵	Age under 25 Age between 25 and 49 Spouse/each dependent ³	500 250 75
4. Other eye injuries	100	400	1,000		
5. Traumatic Brain Injury	250	750	2,000 ⁵	Age under 25 Age between 25 and 49 Spouse/each dependent ³	500 250 75
6. Larynx/vocal cord injury	100	400	2,000 ⁵	Age under 25 Age between 25 and 49 Spouse/each dependent ³	500 250 75
7. Skull/dental/mandible fractures	100	350	1,600		
8. Head/face/neck laceration, scars, burns, disfigurement	100	350	1,000		
9. Facial nerve damage/paralysis	100	400	1,000 ⁵	Age under 25 Age between 25 and 49	500 250
10. Neck/back injuries	10	350	2,000		
11. Torso/limb laceration, scars, burns, disfigurement	20	100	275		
12. Permanent hearing loss/impairment	100	500	1,500 ⁵	Age under 25 Age between 25 and 49 Spouse/each dependent ³	500 250 75
13. Hearing - non-permanent injuries	10	100	150		
14. Other broken bones/fractures	40	150	600		
15. Vascular complications		50	150		
16. Internal injuries		50	250		
17. Injury to pregnancy		50	500		
18. Concussion		20	80		
19. Minor bruising/None		10	25		

Notes and Sources:

¹ Points assigned to each injury-severity level group are primarily based on historical average settlements. For the most severe injury categories, points for additional case-specific factors (e.g., marital status, number of dependents) are based on a review of the historical settlement data, other payment funds and judgment of the Special Master.

² Age-specific and dependent-specific adjustments are applicable only to Level 1/Severe injuries.

³ The maximum aggregate adjustment for all dependents is 30 points, subject to Extraordinary Review.

⁴ Base value is assigned for claimants aged 60 or above.

⁵ Base value is assigned for claimants aged 50 or above.