

Court File No. CV-17-11857-00CL

**TK HOLDINGS INC., TAKATA CORPORATION,
AND RELATED PARTIES**

**SECOND REPORT OF FTI CONSULTING CANADA INC., IN ITS
CAPACITY AS INFORMATION OFFICER**

December 28, 2017



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**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 (the "Chapter 11
Debtors")**

**AND IN THE MATTER OF TAKATA CORPORATION, AND THOSE OTHER
COMPANIES LISTED ON SCHEDULE "B" HERETO (the "Japanese Debtors",
and collectively with the Chapter 11 Debtors, the "Debtors")**

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

**SECOND REPORT TO THE COURT
SUBMITTED BY FTI CONSULTING CANADA INC.
IN ITS CAPACITY AS INFORMATION OFFICER**

INTRODUCTION

1. On June 25, 2017, TK Holdings Inc. ("**TK Holdings**"), 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**") filed voluntary petitions for relief under chapter 11 of title 11 of the United States Code in the United States Bankruptcy Court for the District of Delaware (the "**U.S. Court**") (the "**Chapter 11 Proceedings**").



2. Concurrently, albeit on June 26, 2017, in Japan, Takata Corporation, Takata Kyushu Corporation 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**").
3. The Chapter 11 Debtors obtained certain First Day Orders (listed below) from the U.S. Court on June 27, 2017.
4. On June 28, 2017, TK Holdings, as the foreign representative of the Chapter 11 Debtors (the "**Chapter 11 Foreign Representative**"), obtained an order of the Ontario Superior Court of Justice (Commercial List) (the "**Canadian Court**"), among other things, granting a stay of proceedings against the Chapter 11 Debtors pursuant to Part IV of the *Companies' Creditors Arrangement Act* (the "**CCAA**") (the "**Initial Recognition Order**").
5. Also on June 28, 2017, the Canadian Court issued a supplemental order (the "**Supplemental Recognition Order**", and together with the Initial Recognition Order, the "**Canadian Recognition Orders**") which, among other things, (i) appointed FTI Consulting Canada Inc. as an officer of the Court (the "**Information Officer**"), and (ii) recognized the following "First Day Orders" of the U.S. Court in the Chapter 11 Proceedings:
 1. Order Directing Joint Administration of Chapter 11 Cases;
 2. Order Appointing Prime Clerk LLC as Claims and Noticing Agent;
 3. Interim 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;

4. 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);

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

6. Interim Order to Pay Prepetition Obligations Owed to Certain Critical Vendors;

7. 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;

8. 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;

9. Interim Order to Continue Insurance Programs and Pay All Obligations With Respect Thereto;

10. Interim Order to (I) Pay Certain Prepetition Taxes and Assessments, and (II) Authorize Banks to Honor and Process Related Checks and Transfers;

11. 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;
 12. Order Enforcing the Protections of 11 U.S.C. §§ 362, 365, 525, and 541(c);
 13. Order authorizing TK Holdings, Inc. to Act as Foreign Representative on Behalf of the Debtors' Estates; and
 14. Order Implementing Certain Notice Procedures and Approving the Form and Manner of Notice of Commencement.
6. No recognition of the Japanese Proceedings was sought at that time.
 7. On July 12, 2017, the plaintiffs in the Continuing Actions (as defined below) served a Notice of Motion for a motion to, among other things, set aside or to vary the Canadian Recognition Orders (the "**Plaintiff's Notice of Motion**").
 8. Subsequent to the service of the Plaintiff's Notice of Motion, counsel for the Chapter 11 Foreign Representative, counsel for the plaintiffs in the Canadian Class Actions (as defined below), the Information Officer and counsel to the Information officer entered into discussions with respect to the issues raised in the Plaintiff's Notice of Motion. The issues were ultimately resolved on the basis that, among other things: (i) counsel for the plaintiffs in the Continuing Actions wrote to Justice Perell to adjourn the case conference scheduled for August 17, 2017 in the Continuing Actions; (ii) the plaintiffs in the Continuing Actions withdrew their objections to the Canadian Recognition Orders; and (iii) the Chapter 11 Foreign Representative clarified that the scope of the stay of proceedings in the Canadian Recognition Orders did not extend to the plaintiffs' claims as against non-Takata (defined below) defendants, without prejudice to the Chapter 11 Foreign Representative's ability to bring a motion to extend the stay

- of proceedings to non-Takata defendants or the plaintiffs' ability to oppose such a motion.
9. On September 1, 2017, the Chapter 11 Foreign Representative and Takata Corporation, as the foreign representative of the Japanese Debtors (the "**Japanese Foreign Representative**", and collectively with the Chapter 11 Foreign Representative, the "**Foreign Representatives**"), obtained an order of the Canadian Court, among other things, amending the Canadian Recognition Orders to extend recognition and various rights to the Japanese Debtors from and after September 1, 2017. Copies of the amended Initial Recognition Order (the "**Amended Initial Recognition Order**") and the amended Supplemental Recognition Order (the "**Amended Supplemental Recognition Order**") are attached as Schedules "C" and "D", respectively.
 10. The Amended Supplemental Recognition Order, among other things, recognized the following Orders made in the Japanese Proceedings:
 1. Order Commencing Rehabilitation Proceedings for Takata Corporation, dated June 28, 2017, except Article 2 of that Order;
 2. Order Appointing Supervisor of Takata Corporation, Dated June 26, 2017;
 3. Order Commencing Rehabilitation Proceedings for Takata Kyushu Corporation, dated June 28, 2017, except Article 2 of that Order;
 4. Order Appointing Supervisor of Takata Kyushu Corporation, Dated June 26, 2017;
 5. Order Commencing Rehabilitation Proceedings for Takata Service Corporation, dated June 28, 2017, except Article 2 of that Order; and
 6. Order Appointing Supervisor of Takata Service Corporation, Dated June 26, 2017.

11. On October 13, 2017, the Foreign Representatives obtained Orders (the “**October 13 Orders**”) of the Canadian Court which, among other things, (i) recognized a claims process order granted in the Chapter 11 Proceedings (the “**U.S. Claims Order**”), (ii) recognized certain provisions of Orders granted in the Japanese Proceedings relating to a claims process, and (iii) recognized the following “Second Day Orders” made in the Chapter 11 Proceedings:

1. Final 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;
2. Final Order to (I) Pay Prepetition Wages, Salaries, and Other Compensation and Benefits, and (II) Maintain Employee Benefit Programs and Pay Related Administrative Obligations;
3. Final 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;
4. Final Order Authorizing the Debtors to (I) Pay Certain Prepetition Taxes and Assessments, and (II) Authorize Banks to Honor and Process Related Checks and Transfers;
5. Order Pursuant to 11 U.S.C. §§ 105(a), 327, 328, and 330 Authorizing the Debtor to Employ Professionals Used in the Ordinary Course of Business *Nunc Pro Tunc* to the Petition Date;
6. Order Pursuant to 11 U.S.C. §§ 331 and 105(a) Authorizing Debtors to Establish Procedures for Interim Compensation and Reimbursement of Expenses of Professionals;

7. Order Pursuant to 11 U.S.C. §§ 327(a) and 328(a), Fed. R. Bankr. P. 2014 and 2016, and Local Rules 2014-1 and 2016-1 Authorizing Debtors to Retain and Employ Weil, Gotshal & Manges LLP as Attorneys for Debtors *Nunc Pro Tunc* to the Petition Date;
8. Order Pursuant to 11 U.S.C. § 327, Fed. R. Bankr. P. 2014(a) and 2016, and Local Rule 2014-1 Authorizing Debtors to Employ and Retain Prime Clerk LLC as Administrative Advisor *Nunc Pro Tunc* to the Petition Date;
9. Order Authorizing the Debtors to Employ and Retain Richards, Layton & Finger, P.A. as Co-Counsel Pursuant to Section 327(a) of the Bankruptcy Code, Bankruptcy Rules 2014(a) and 2016 and Local Rule 2014-1, *Nunc Pro Tunc* to the Petition Date;
10. Order Authorizing the Employment and Retention of Covington & Burling LLP as Special Litigation, Regulatory and Corporate Counsel for the Debtors *Nunc Pro Tunc* to the Petition Date;
11. Order Pursuant to 11 U.S.C. §§ 327(a), 328 and 330(a), Fed. R. Bankr. P. 2014 and 2016 and Local Rules 2014-1 and 2016-1 For Authorizing Debtors to Retain and Employ and PricewaterhouseCoopers LLP as Financial Advisors to the Debtors *Nunc Pro Tunc* to the Petition Date and Waiving Certain Information Requirements of Local Rule 2016-2;
12. Final Order to Pay Prepetition Obligations Owed to Certain Critical Vendors;
13. Final 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;

14. Final Order to Continue Insurance and Surety Bond Programs and Pay All Obligations With Respect Thereto;

15. Order Pursuant to 11 U.S.C. §§ 327(a) and 328(a), Fed. R. Bankr. P. 2014 and 2016 and Del. Bankr. L.R. 2014-1 Authorizing the Retention and Employment of Lazard Freres & Co. LLC and Lazard Freres K.K. as Investment Banker to the Debtors Nunc Pro Tunc to the Petition Date and Waiting Certain Information Requirements of Local Rule 2016-2;

16. Order Pursuant to 11 U.S.C. §§ 105 and 1103 and Federal Rule of Bankruptcy Procedure 2014 Authorizing the Retention and Employment of Frankel Wyrton LLP Counsel to the Future Claimants' Representative, Nunc Pro Tunc to July 24, 2017;

17. Order Pursuant to 11 U.S.C. §§ 105 and 1103 and Federal Rule of Bankruptcy Procedure 2014 Authorizing the Retention and Employment of Ashby & Geddes, P.A. as Co-Counsel to the Future Claimants' Representative, Nunc Pro Tunc to July 24, 2017;

18. Order Appointing Roger Frankel as Legal Representative for Future Personal Injury Claimants Nunc Pro Tunc to July 20, 2017;

19. Order Appointing Fee Examiner and Establishing Procedures for Consideration of Requested Fee Compensation and Reimbursement of Expenses;

20. Final 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);

21. Order Pursuant to 11 U.S.C. 105, 363 and 503 For Authority to Pay Fees and Expenses Incurred by the NHTSA Monitor, to Pay the NHTSA Civil Penalty, and to Honor Certain Related Obligations; and

22. Final 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.

Copies of the October 13 Orders (without exhibits) are attached as Schedules “E” and “F”, respectively.

12. As discussed in the Foreign Representatives’ motion record in support of the October 13 Orders, the U.S. Claims Order provided that in order to provide notice to unknown potential creditors, including individuals who own, or may have owned, vehicles equipped with PSAN Inflators (as defined below) in Canada, the Chapter 11 Debtors would publish notice of the various claims bar dates as soon as practicable in 58 different publications in 38 countries, including publication in The Globe and Mail (National Edition) and Le Devoir in Canada. Copies of the publications in The Globe and Mail (National Edition) from October 25, 2017 and Le Devoir on October 27, 2017 are attached as Schedules “G” and “H”, respectively.
13. In its capacity as Information Officer, FTI Consulting Canada Inc. is maintaining a website where documents relating to the recognition proceedings are being made available: <http://cfcanada.fticonsulting.com/TKHoldingsInc/>. Further information on the Chapter 11 Proceedings can be found on the following website: <https://restructuring.primeclerk.com/takata/Home-Index>.

14. Pursuant to paragraph 14(b) of the Amended Supplemental Recognition Order, the Information Officer is required to, among other things, report to the Canadian Court at least once every three (3) months with respect to the status of the Canadian recognition proceedings.
15. The purpose of this, the Second Report of the Information Officer, is to report to the Canadian Court in compliance with paragraph 14(b) of the Amended Supplemental Recognition Order. This Second Report is not intended to be a comprehensive update with respect to the Foreign Proceedings, but is instead intended to highlight certain matters or developments since the last attendance before the Canadian Court that the Information Officer believes are particularly relevant for the Canadian Court.
16. In preparing this Second Report, the Information Officer has relied solely on information and documents provided by the Foreign Representatives and their counsel. The Information Officer has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of this information in a manner that would comply with the Generally Accepted Assurance Standards pursuant to the *Chartered Professional Accountants of Canada Handbook*.

BACKGROUND

17. Takata Corporation, together with its direct and indirect subsidiaries ("**Takata**"), is a manufacturer of automotive safety components, including seatbelts and airbags.
18. 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**"), who in turn manufacture and sell automobiles in Canada.

19. 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.
20. 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 (five of which have been consolidated into national class actions proceeding in Ontario (the “**Continuing Actions**”), four of which have been dismissed, and five of which are currently in abeyance (collectively, the “**Canadian Economic Loss Class Actions**”) and three personal injury actions (collectively the “**Canadian Personal Injury Actions**”). Although several of the Canadian Actions allege personal injuries, Takata advises that there have been no known instances of inflator rupture in Canada to date.
21. Takata Corporation and TK Holdings, along with certain OEMs, are also defendants in putative competition class actions in four (4) Canadian provinces (British Columbia, Ontario, Saskatchewan, and Quebec) (the “**Canadian Competition Class Actions**”, and collectively with the Canadian Economic Loss Class Actions and Canadian Personal Injury Actions, the “**Canadian Actions**”). The Canadian Competition Class Actions purport to be on behalf of certain consumers in Canada whose claims relate to the sale of occupant safety systems, including airbags, seat belts, and steering wheels. In each of these actions, certain of Takata’s competitors are also named as defendants.
22. 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 (the “**Plea**

- Agreement**”), USD \$850 million of which remains outstanding and must be satisfied in full by February 27, 2018;
- ii. An up to USD \$200 million civil penalty owed by TK Holdings 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 TK Holding’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 undertaken, exceed the enterprise value of Takata; 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.
23. Notwithstanding the foregoing, after an expansive sale and marketing process, Takata is finalizing the terms of a global transaction with Key Safety Systems, Inc. (collectively with one or more of its current or future subsidiaries or affiliates, the “**Plan Sponsor**”) for the sale of substantially all of Takata’s global operations (the “**Global Transaction**”).
24. While the Debtors were close to finalizing the Global Transaction, they determined that their liquidity position was not sustainable without an insolvency filing in light of vendor reaction to news of a then pending bankruptcy filing.

25. On November 16, 2017, the Chapter 11 Debtors, the Plan Sponsor and a group of fifteen (15) of Takata's OEM customers (the "**Consenting OEMs**") entered into a restructuring support agreement (the "**U.S. RSA**"), and on December 8, 2017, the U.S. Court authorized the Chapter 11 Debtors' entry into the U.S. RSA and approved the Plan Sponsor Protections (as defined in the U.S. RSA).
26. The Plan Sponsor and certain of the Consenting OEMs also entered into a restructuring support agreement with the Japanese Debtors, dated October 30, 2017, in connection with the Global Transaction.

THIRD PARTY STAY

27. As described in the First Report of the Information Officer dated September 28, 2017 (the "**First Report**"), a copy of which (without exhibits) is attached as Schedule "I", on August 9, 2017, the U.S. Court heard an all-day motion brought by the Chapter 11 Debtors for an order, among other things, preliminarily enjoining certain actions from proceeding against third party defendants to actions involving the Chapter 11 Debtors and the Consenting OEMs.
28. The U.S. Court issued an oral ruling, which was read into the record on August 16, 2017, which granted the motion in part, and stayed certain claims against the Takata Corporation and the Consenting OEMs through and including November 15, 2017, subject to further extensions by the U.S. Court, among other things.
29. As the Canadian Court was advised by counsel to the Foreign Representatives on September 1, 2017, rather than seek to have the Injunction Order recognized in Canada, the Chapter 11 Foreign Representative and counsel for the plaintiffs in the Continuing Actions agreed to an arrangement whereby:
 - (i) Until November 15, 2017 the plaintiffs in the Continuing Actions would take no formal steps to advance the litigation in Canada;
 - (ii) The Chapter 11 Foreign Representative would not seek to recognize the Injunction Order in Canada prior to November 15, 2017;

- (iii) The arrangement was without prejudice to the Chapter 11 Foreign Representative's ability to seek recognition of any future orders (including any new or extended third party injunction order) or to seek recognition of the Injunction Order if any steps were taken in the Canadian Class Actions in Canada; and
 - (iv) In the event that the plaintiffs in the Continuing Actions determined it would be necessary to seek any relief in these proceedings in Canada, the plaintiffs would provide 5 days' notice to Takata. If Takata objected within this 5 day period, Takata and the plaintiffs would, in the following 5 days, use best efforts to agree upon a schedule for the Chapter 11 Foreign Representative to seek to recognize the Injunction Order, failing which the parties would appear before Hainey J. with respect to the schedule. The plaintiffs would not take any formal steps to advance the Continuing Actions in Canada during that time.
30. Upon a motion brought by the Chapter 11 Debtors, the U.S. Court issued a further oral ruling, which was read into the record on November 20, 2017, which extended the Injunction Order through and including February 27, 2018.
31. The Information Offer understands that the arrangement reached between the Chapter 11 Foreign Representative and counsel for the plaintiffs in the Continuing Actions was similarly extended to February 27, 2018.
32. The Information Officer was, and remains, supportive of the arrangement entered into.

U.S. PLAN AND DISCLOSURE STATEMENT

33. On November 13, 2017, the Chapter 11 Debtors filed their Chapter 11 Plan of Reorganization, and on November 15, 2017, they filed the Disclosure Statement related thereto. On December 19, 2017, the Chapter 11 Debtors filed an Amended Chapter 11 Plan (as amended, the "**Plan**") and a Disclosure Statement for the Plan (the "**Disclosure Statement**").

34. The Information Officer understands that the U.S. Court is currently scheduled to hold a hearing on January 3, 2018 where the Chapter 11 Debtors will seek, among other things, approval of the Disclosure Statement. The Information Officer further understands that the U.S. Court is currently scheduled to hold a hearing on February 13 and February 14, 2018 where the Chapter 11 Debtors will seek to, among other things, confirm the Plan. Copies of the Plan and Disclosure Statement can be found at <https://restructuring.primeclerk.com/takata/Home-Index> at Docket #1399 and Docket #1400.
35. It is a condition precedent to the Plan becoming effective that the U.S. Court Order confirming the Plan be recognized by the Canadian Court, and the Plan is intended to become effective on February 27, 2018.¹ Accordingly, the Information Officer understands that, provided that the U.S. Court issues an Order confirming the Plan, the Chapter 11 Foreign Representative currently intends to seek recognition of that Order on February 22, 2018.
36. In connection with such a motion, the Information Officer will file a further report summarizing the Plan and providing its views with respect to recognition thereof.
37. The Information Officer is advised that recognition of the Japanese Debtors' restructuring plan will not need to be sought until a later date, if at all.

Dated this 28th day of December 2017.

¹ The Plea Agreement provides that a sale of Takata must occur by no later than February 27, 2018. If the Plan is not effective on or before February 27, 2018, and the Department of Justice does not extend that deadline or consequently terminates the Plea Agreement, then the Plan Sponsor and the Consenting OEMs would have the right to terminate the Global Transaction.

FTI Consulting Canada Inc., solely in its capacity as the Information Officer of the Debtors, and not in its personal or in any other capacity



Jeffrey Rosenberg
Senior Managing Director

SCHEDULE "A"

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"

1. Takata Corporation
2. Takata Kyushu Corporation
3. Takata Service Corporation

SCHEDULE "C"

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 TAKATA CORPORATION, AND THOSE OTHER
COMPANIES LISTED ON SCHEDULE "B" HERETO (the "Japanese Debtors", and
collectively with the Chapter 11 Debtors, the "Debtors")

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

AMENDED 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, and by Takata Corporation ("TKJP") in its capacity as foreign representative of the Japanese Debtors (the "Japanese Foreign Representative", and collectively with the U.S. Foreign Representative, the "Foreign Representatives") 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 Sharon Kour sworn June 28, 2017 and

the Affidavit of Hiroshi Shimizu sworn August 24, 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 Representatives 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 Representatives, 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**"), 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 REPRESENTATIVES

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**").
4. **THIS COURT ORDERS AND DECLARES that the Japanese Foreign Representative is the "foreign representative" as defined in section 45 of the CCAA of the Japanese Debtors in respect of the petition commenced by the Japanese Debtors with the 20th Department of the Civil**

Division of the Tokyo District Court pursuant to Article 21(1) of the Civil Rehabilitation Act of Japan (the "Japanese Proceedings").

CENTRE OF MAIN INTEREST AND RECOGNITION OF FOREIGN PROCEEDINGS

5. **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.

6. **THIS COURT DECLARES** that the centre of main interests for each of the Japanese Debtors is in Japan, and that the Japanese Proceedings are hereby recognized as "foreign main proceedings" as defined in section 45 of the CCAA.

STAY OF PROCEEDINGS

7. **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

8. **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

9. **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-C** (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.

10. **THIS COURT ORDERS** that, as soon as reasonably practicable after September 1, 2017, and in any event by September 8, 2017, the Japanese Foreign Representative, with the assistance of the Proposed Information Officer, shall cause to be published a notice substantially in the form attached to this Order as **Schedule D** (the "**Supplemental Notice of Recognition Proceeding**"), once a week for two consecutive weeks, in the Globe and Mail (National Edition) and the National Post.

11. **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 Representatives and their respective counsel and agents in carrying out the terms of this Order.

12. **THIS COURT ORDERS AND DECLARES** that this Order shall be effective with respect to the Chapter 11 Debtors, the Chapter 11 Proceedings and the U.S. Foreign Representative as of 12:01 a.m. on the date of this Order.

13. **THIS COURT ORDERS AND DECLARES** that this Order shall be effective with respect to the Japanese Debtors, the Japanese Proceedings and the Japanese Foreign Representative as of 12:01 a.m. on September 1, 2017.

14. **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 be delivered on or before July 12, 2017 to the ~~Chapter 11 Debtors, the U.S. Foreign Representatives,~~ 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" – Japanese Debtors

1. Takata Corporation
2. Takata Kyushu Corporation
3. Takata Service Corporation

SCHEDULE "D"

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")

AND IN THE MATTER OF TAKATA CORPORATION, AND THOSE OTHER
COMPANIES LISTED ON SCHEDULE "B" HERETO (the "Japanese Debtors", and
collectively with the Chapter 11 Debtors, the "Debtors")

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

AMENDED SUPPLEMENTAL 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, and by Takata Corporation in its capacity as foreign representative of the Japanese Debtors (the "Japanese Foreign Representative", and collectively with the U.S. Foreign Representative, the "Foreign Representatives"), 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 Sharon Kour sworn June 28, 2017 and the Affidavit of Hiroshi Shimizu sworn August 24, 2017, each filed, and on hearing the submissions of Canadian counsel for the U.S. Foreign Representatives, 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, 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 Amended Supplemental Order shall be interpreted in a manner complementary and supplementary to the provisions of the Amended 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 Amended Supplemental Order and the provisions of the Amended Initial Recognition Order, the provisions of the Amended 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 that the following orders, copies of which are attached as Schedule "O" to "V" of this Order, (the "Japanese Court Orders", and collectively with the U.S. First Day Orders, the "Initial Foreign Orders") of the 20th Department of the Civil Division of the Tokyo District Court made in the Japanese 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 Commencing Rehabilitation Proceedings for Takata Corporation, dated June 28, 2017, except Article 2 of that Order;
- (b) Order Appointing Supervisor of Takata Corporation, dated June 26, 2017;
- (c) Order Commencing Rehabilitation Proceedings for Takata Kyushu Corporation, dated June 28, 2017, except Article 2 of that Order;
- (d) Order Appointing Supervisor of Takata Kyushu Corporation, dated June 26, 2017
- (e) Order Commencing Rehabilitation Proceedings for Takata Service Corporation, dated June 28, 2017, except Article 2 of that Order; and

(f) Order Appointing Supervisor of Takata Service Corporation, dated June 26, 2017.

6. **THIS COURT ORDERS AND DECLARES** that, in the event of any conflict between the terms of the U.S. First Day Initial Foreign 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. **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

8. **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

9. **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

10. **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

11. **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.

12. **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.

13. **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

14. **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~~ their duties as the ~~U.S.-Foreign~~ Representatives 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-Foreign~~ 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 14(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 14(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.

15. **THIS COURT ORDERS** that the ~~Chapter 11-Debtors~~ and the ~~U.S.-Foreign~~ Representatives shall (i) advise the Information Officer of all material steps taken by the ~~Chapter 11-Debtors~~ or the ~~U.S.-Foreign~~ Representatives in these proceedings or in the ~~Chapter 11-Foreign~~ 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.

16. **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.

17. **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.

18. **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 Representatives and the relevant ~~Chapter 11~~-Debtors may agree.

19. **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 Representatives 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 Representatives, *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.

20. **THIS COURT ORDERS** that, if requested by the any 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 Foreign~~ Proceedings.

SERVICE AND NOTICE

21. **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/>.

22. **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 Representatives 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

23. **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.

24. **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, Japan or elsewhere, to give effect to this Order and to assist the ~~Chapter 11~~-Debtors, the ~~U.S.~~-Foreign Representatives, 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 Representatives, 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 Representatives, and the Information Officer and their respective agents in carrying out the terms of this Order.

25. **THIS COURT ORDERS** that each of the ~~Chapter 11~~-Debtors, the ~~U.S.~~-Foreign Representatives 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.

26. **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.

27. **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 be delivered on or before July 12, 2017 to the ~~Chapter 11~~-Debtors, the ~~U.S.~~-Foreign Representatives, 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.

28. **THIS COURT ORDERS** that this Order shall be effective with respect to the Chapter 11 Debtors, the Chapter 11 Proceedings and the U.S. Foreign Representative as of 12:01 a.m. on the date of this Order.

29. **THIS COURT ORDERS AND DECLARES** that this Order shall be effective with respect to the Japanese Debtors, the Japanese Proceedings and the Japanese Foreign Representative as of 12:01 a.m. on September 1, 2017.

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" – Japanese Debtors

1. Takata Corporation
2. Takata Kyushu Corporation
3. Takata Service Corporation

SCHEDULE "E"



Court File No. CV-17-11857-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

THE HONOURABLE MR.)
JUSTICE HAINES)
FRIDAY, THE 13th
DAY OF OCTOBER, 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")

AND IN THE MATTER OF TAKATA CORPORATION, AND THOSE OTHER
COMPANIES LISTED ON SCHEDULE "B" HERETO (the "Japanese Debtors", and
collectively with the Chapter 11 Debtors, the "Debtors")

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

CLAIMS PROCESS RECOGNITION ORDER

THIS MOTION, made by TK Holdings Inc. in its capacity as foreign representative (the "U.S. Foreign Representative") of the Chapter 11 Debtors and by Takata Corporation in its capacity as foreign representative of the Japanese Debtors, (the "Japanese Foreign Representative", and collectively with the U.S. Foreign Representative, the "Foreign Representatives") 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 Motion Record at Tab 4, was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the Notice of Motion, the affidavit of Keith A. Teel sworn October 5, 2017, (the "Teel Affidavit"), the affidavit of Hiroshi Kasuya sworn October 2, 2017 (the "Kasuya Affidavit"), and the First Report of FTI Consulting Canada Inc., in its capacity as Information Officer (the "Information Officer"), each filed,

AND UPON HEARING the submissions of Canadian counsel for the Foreign Representatives, counsel for the Information Officer, and any such other counsel as were present:

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 Teel Affidavit or the Kasuya Affidavit.
2. **THIS COURT ORDERS** that the time for service of the Notice of Motion and the Motion Record is hereby abridged and validated so that this Motion is properly returnable today and hereby dispenses with further service thereof.

Recognition of Claims Process Orders

3. **THIS COURT ORDERS** that the Order Pursuant to 11 U.S.C. §§ 105(a) and 502(b)(9), Fed. R. Bankr. P. 2002, 3003(c)(3), 5005, and 9007, and Local Rules 2002-1(e), 3001-1 and 3003-1 for Authority to (I) Establish Deadlines For Filing Proofs of Claim, (II) Establish the Form and Manner of Notice Thereof, and (III) Approve Procedures for Providing Notice of Bar Date and Other Important Deadlines and Information to Potential PSAN Inflater Claimants, a copy of which is attached as Schedule "C" this Order (the "**Chapter 11 Claims Process Order**") of the United States Bankruptcy Court for the District of Delaware made in the Chapter 11 Proceedings is hereby recognized and given full force and effect in all provinces and territories of Canada pursuant to section 49 of the CCAA.
4. **THIS COURT ORDERS** that the specified provisions of the following orders, copies of which are attached as Schedules "D" to "F" of this Order (the "**Japanese Court Orders**", and collectively with the Chapter 11 Claims Process Order, the "**Claims Process Orders**") of the 20th Department of the Civil Division of the Tokyo District Court made in the Japanese

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) Article 2 of the Order Commencing Rehabilitation Proceedings for Takata Corporation, dated June 28, 2017;
- (b) Article 2 of the Order Commencing Rehabilitation Proceedings for Takata Kyushu Corporation, dated June 28, 2017; and
- (c) Article 2 of the Order Commencing Rehabilitation Proceedings for Takata Service Corporation, dated June 28, 2017.

5. **THIS COURT ORDERS AND DECLARES** that, in the event of any conflict between the terms of the Claims Process 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 in the Supplemental Order (Foreign Main Proceeding) of this Court, dated June 28, 2017, as amended by Order dated September 1, 2017 and as may be further amended by Order from time to time) in Canada.

Aid and Assistance

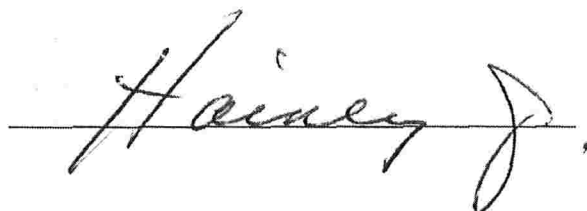
6. **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada, the United States of America, Japan or elsewhere, to give effect to this Order and to assist the Debtors, the Foreign Representatives, the Information Officer, 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 Debtors, the Foreign Representatives, 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 Debtors, the Foreign Representatives, and the Information Officer and their respective agents in carrying out the terms of this Order.

7. **THIS COURT ORDERS** that each of the Debtors, the Foreign Representatives 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.

Effective Time

8. **THIS COURT ORDERS** that this Order shall be effective as of 12:01 a.m. on the date of this Order.

A handwritten signature in cursive script, reading "Hainey J.", is written over a horizontal line.

ENTERED AT / INSCRIT À TORONTO
ON / BOOK NO:
LE / DANS LE REGISTRE NO:

OCT 16 2017

Handwritten initials "MB" in cursive script.

PER / PAR:

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" – Japanese Debtors

1. Takata Corporation
2. Takata Kyushu Corporation
3. Takata Service Corporation

IN THE MATTER OF APPLICATION OF AN APPLICATION BY TK HOLDINGS INC.
AND TAKATA CORPORATION UNDER SECTION 46 OF THE COMPANIES'
CREDITORS ARRANGEMENT ACT

Court File No. CV-17-11857-00CL

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

Proceeding Commenced at Toronto

CLAIMS PROCESS RECOGNITION ORDER

McCarthy Tétrault LLP
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Toronto ON M5K 1E6

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Lawyers for the Foreign Representatives
16920162

SCHEDULE "F"



Court File No. CV-17-11857-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

THE HONOURABLE MR.) FRIDAY, THE 13th
JUSTICE HAINEY) DAY OF OCTOBER, 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")

AND IN THE MATTER OF TAKATA CORPORATION, AND THOSE OTHER
COMPANIES LISTED ON SCHEDULE "B" HERETO (the "Japanese Debtors", and
collectively with the Chapter 11 Debtors, the "Debtors")

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

SECOND DAY RECOGNITION ORDER

THIS MOTION, 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 Motion Record at Tab 5, was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the Notice of Motion, the affidavit of Keith A. Teel sworn October 5, 2017, (the “**Teel Affidavit**”) and the First Report of FTI Consulting Canada Inc., in its capacity as Information Officer (the “**Information Officer**”), each filed,

AND UPON HEARING the submissions of Canadian counsel for the U.S. Foreign Representative, counsel for the Information Officer, and any such other counsel as were present:

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 Teel Affidavit.
2. **THIS COURT ORDERS** that the time for service of the Notice of Motion and the Motion Record is hereby abridged and validated so that this Motion is properly returnable today and hereby dispenses with further service thereof.

Recognition of U.S. Second Day Orders

3. **THIS COURT ORDERS** that the following orders, copies of which are attached as Schedules “C” to “X” of this Order (collectively, the “**U.S. Second Day Orders**”) of the United States Bankruptcy Court for the 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) Final 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;
- (b) Final Order to (I) Pay Prepetition Wages, Salaries, and Other Compensation and Benefits, and (II) Maintain Employee Benefit Programs and Pay Related Administrative Obligations;
- (c) Final 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; and

- (d) Final Order Authorizing the Debtors to (I) Pay Certain Prepetition Taxes and Assessments, and (II) Authorize Banks to Honor and Process Related Checks and Transfers;
- (e) Order Pursuant to 11 U.S.C. §§ 105(a), 327, 328, and 330 Authorizing the Debtor to Employ Professionals Used in the Ordinary Course of Business *Nunc Pro Tunc* to the Petition Date;
- (f) Order Pursuant to 11 U.S.C. §§ 331 and 105(a) Authorizing Debtors to Establish Procedures for Interim Compensation and Reimbursement of Expenses of Professionals;
- (g) Order Pursuant to 11 U.S.C. §§ 327(a) and 328(a), Fed. R. Bankr. P. 2014 and 2016, and Local Rules 2014-1 and 2016-1 Authorizing Debtors to Retain and Employ Weil, Gotshal & Manges LLP as Attorneys for Debtors *Nunc Pro Tunc* to the Petition Date;
- (h) Order Pursuant to 11 U.S.C. § 327, Fed. R. Bankr. P. 2014(a) and 2016, and Local Rule 2014-1 Authorizing Debtors to Employ and Retain Prime Clerk LLC as Administrative Advisor *Nunc Pro Tunc* to the Petition Date;
- (i) Order Authorizing the Debtors to Employ and Retain Richards, Layton & Finger, P.A. as Co-Counsel Pursuant to Section 327(a) of the Bankruptcy Code, Bankruptcy Rules 2014(a) and 2016 and Local Rule 2014-1, *Nunc Pro Tunc* to the Petition Date;
- (j) Order Authorizing the Employment and Retention of Covington & Burling LLP as Special Litigation, Regulatory and Corporate Counsel for the Debtors *Nunc Pro Tunc* to the Petition Date;

- (k) Order Pursuant to 11 U.S.C. §§ 327(a), 328 and 330(a), Fed. R. Bankr. P. 2014 and 2016 and Local Rules 2014-1 and 2016-1 For Authorizing Debtors to Retain and Employ and PricewaterhouseCoopers LLP as Financial Advisors to the Debtors *Nunc Pro Tunc* to the Petition Date and Waiving Certain Information Requirements of Local Rule 2016-2;
- (l) Final Order to Pay Prepetition Obligations Owed to Certain Critical Vendors;
- (m) Final 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;
- (n) Final Order to Continue Insurance and Surety Bond Programs and Pay All Obligations With Respect Thereto;
- (o) Order Pursuant to 11 U.S.C. §§ 327(a) and 328(a), Fed. R. Bankr. P. 2014 and 2016 and Del. Bankr. L.R. 2014-1 Authorizing the Retention and Employment of Lazard Freres & Co. LLC and Lazard Freres K.K. as Investment Banker to the Debtors *Nunc Pro Tunc* to the Petition Date and Waiving Certain Information Requirements of Local Rule 2016-2;
- (p) Order Pursuant to 11 U.S.C. §§ 105 and 1103 and Federal Rule of Bankruptcy Procedure 2014 Authorizing the Retention and Employment of Frankel Wyron LLP Counsel to the Future Claimants' Representative, *Nunc Pro Tunc* to July 24, 2017;
- (q) Order Pursuant to 11 U.S.C. §§ 105 and 1103 and Federal Rule of Bankruptcy Procedure 2014 Authorizing the Retention and Employment of Ashby & Geddes, P.A. as Co-Counsel to the Future Claimants' Representative, *Nunc Pro Tunc* to July 24, 2017;
- (r) Order Appointing Roger Frankel as Legal Representative for Future Personal Injury Claimants *Nunc Pro Tunc* to July 20, 2017;

- (s) Order Appointing Fee Examiner and Establishing Procedures for Consideration of Requested Fee Compensation and Reimbursement of Expenses;
- (t) Final 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);
- (u) Order Pursuant to 11 U.S.C. 105, 363 and 503 For Authority to Pay Fees and Expenses Incurred by the NHTSA Monitor, to Pay the NHTSA Civil Penalty, and to Honor Certain Related Obligations; and
- (v) Final 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.

4. **THIS COURT ORDERS AND DECLARES** that, in the event of any conflict between the terms of the U.S. Second 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 in the Supplemental Order (Foreign Main Proceeding) of this Court, dated June 28, 2017, as amended by Order dated September 1, 2017 and as may be further amended by Order from time to time) in Canada.

Information Officer

5. **THIS COURT ORDERS** that the First Report and the activities of the Information Officer described therein be and are hereby approved.

Aid and Assistance

6. **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.

7. **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.



ENTERED AT / INSCRIT À TORONTO
ON / BOOK NO:
LE / DANS LE REGISTRE NO:

OCT 16 2017

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PER / PAR:

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" – Japanese Debtors

1. Takata Corporation
2. Takata Kyushu Corporation
3. Takata Service Corporation

IN THE MATTER OF APPLICATION OF AN APPLICATION BY TK HOLDINGS INC.
AND TAKATA CORPORATION UNDER SECTION 46 OF THE COMPANIES'
CREDITORS ARRANGEMENT ACT

Court File No. CV-17-11857-00CL

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

Proceeding Commenced at Toronto

SECOND DAY RECOGNITION ORDER

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SCHEDULE "G"

SCHEDULE "H"

SCHEDULE "I"

Court File No. CV-17-11857-00CL

**TK HOLDINGS INC., TAKATA CORPORATION,
AND RELATED PARTIES**

**FIRST REPORT OF FTI CONSULTING CANADA INC., IN ITS
CAPACITY AS INFORMATION OFFICER**

September 28, 2017

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 (the "Chapter 11
Debtors")

AND IN THE MATTER OF TAKATA CORPORATION, AND THOSE OTHER
COMPANIES LISTED ON SCHEDULE "B" HERETO (the "Japanese Debtors",
and collectively with the Chapter 11 Debtors, the "Debtors")

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

FIRST REPORT TO THE COURT
SUBMITTED BY FTI CONSULTING CANADA INC.
IN ITS CAPACITY AS INFORMATION OFFICER

INTRODUCTION

1. On June 25, 2017, TK Holdings Inc. ("**TK Holdings**"), 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**") filed voluntary petitions for relief under chapter 11 of title 11 of the United States Code (the "**Bankruptcy Code**") in the United States Bankruptcy Court for the District of Delaware (the "**U.S. Court**") (the "**Chapter 11 Proceedings**").

2. Concurrently, albeit on June 26, 2017, in Japan, Takata Corporation, Takata Kyushu Corporation 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**").
3. The Chapter 11 Debtors obtained certain First Day Orders (listed below) from the U.S. Court on June 27, 2017.
4. On June 28, 2017, TK Holdings, as the foreign representative of the Chapter 11 Debtors (the "**Chapter 11 Foreign Representative**"), obtained an order of the Ontario Superior Court of Justice (Commercial List) (the "**Canadian Court**"), among other things, granting a stay of proceedings against the Chapter 11 Debtors pursuant to Part IV of the *Companies' Creditors Arrangement Act* (the "**CCAA**") (the "**Initial Recognition Order**").
5. Also on June 28, 2017, the Canadian Court issued a supplemental order (the "**Supplemental Recognition Order**", and together with the Initial Recognition Order, the "**Canadian Recognition Orders**") which, among other things, (i) appointed FTI Consulting Canada Inc. as an officer of the Court (the "**Information Officer**"), and (ii) recognized the following "First Day Orders" of the U.S. Court in the Chapter 11 Proceedings:
 1. Order Directing Joint Administration of Chapter 11 Cases;
 2. Order Appointing Prime Clerk LLC as Claims and Noticing Agent;
 3. Interim 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;

4. 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);

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

6. Interim Order to Pay Prepetition Obligations Owed to Certain Critical Vendors;

7. 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;

8. 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;

9. Interim Order to Continue Insurance Programs and Pay All Obligations With Respect Thereto;

10. Interim Order to (I) Pay Certain Prepetition Taxes and Assessments, and (II) Authorize Banks to Honor and Process Related Checks and Transfers;

11. 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;

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

13. Order authorizing TK Holdings, Inc. to Act as Foreign Representative on Behalf of the Debtors' Estates; and

14. Order Implementing Certain Notice Procedures and Approving the Form and Manner of Notice of Commencement.

6. No recognition of the Japanese proceedings was sought at that time.
7. On July 12, 2017, the plaintiffs in the Continuing Actions (as defined below) served a Notice of Motion for a motion to, among other things, set aside or to vary the Canadian Recognition Orders (the “**Plaintiff’s Notice of Motion**”).

8. Subsequent to the service of the Plaintiff's Notice of Motion, counsel for the Chapter 11 Foreign Representative, counsel for the plaintiffs in the Canadian Class Actions, the Information Officer and counsel to the Information Officer entered into discussions with respect to the issues raised in the Plaintiff's Notice of Motion. The issues were ultimately resolved on the basis that, among other things: (i) counsel for the plaintiffs in the Continuing Actions wrote to Justice Perell to adjourn the case conference scheduled for August 17, 2017 in the Continuing Actions; (ii) the plaintiffs in the Continuing Actions withdrew their objections to the Canadian Recognition Orders; and (iii) the Chapter 11 Foreign Representative clarified that the scope of the stay of proceedings in the Canadian Recognition Orders did not extend to the plaintiffs' claims as against non-Takata (defined below) defendants, without prejudice to the Chapter 11 Foreign Representative's ability to bring a motion to extend the stay of proceedings to non-Takata defendants or the plaintiffs' ability to oppose such a motion. A copy of the letter with respect to the aforementioned is attached as Schedule "C".
9. On September 1, 2017, the Chapter 11 Foreign Representative and Takata Corporation, as the foreign representative of the Japanese Debtors (the "**Japanese Foreign Representative**", and collectively with the Chapter 11 Foreign Representative, the "**Foreign Representatives**"), obtained an order of the Canadian Court, among other things, amending the Canadian Recognition Orders to extend recognition and various rights to the Japanese Debtors from and after September 1, 2017. Copies of the amended Initial Recognition Order (the "**Amended Initial Recognition Order**") and the amended Supplemental Recognition Order (the "**Amended Supplemental Recognition Order**") are attached as **Schedules "D" and "E"**, respectively.
10. The Amended Supplemental Recognition Order, among other things, recognized the following Orders made in the Japanese Proceedings:
 1. Order Commencing Rehabilitation Proceedings for Takata Corporation, dated June 28, 2017, except Article 2 of that Order;

2. Order Appointing Supervisor of Takata Corporation, Dated June 26, 2017;
 3. Order Commencing Rehabilitation Proceedings for Takata Kyushu Corporation, dated June 28, 2017, except Article 2 of that Order;
 4. Order Appointing Supervisor of Takata Kyushu Corporation, Dated June 26, 2017;
 5. Order Commencing Rehabilitation Proceedings for Takata Service Corporation, dated June 28, 2017, except Article 2 of that Order; and
 6. Order Appointing Supervisor of Takata Service Corporation, Dated June 26, 2017;
11. In its capacity as Information Officer, FTI Consulting Canada Inc. is maintaining a website where documents relating to the recognition proceedings are being made available: <http://cfcanada.fticonsulting.com/TKHoldingsInc/>. Further information on the Chapter 11 Proceedings can be found on the following website: <https://restructuring.primeclerk.com/takata/Home-Index>. Further information on the Japanese Proceedings can be found on the following website: <http://www.takata.com/en/>.
 12. Pursuant to paragraph 14(b) of the Amended Supplemental Recognition Order, the Information Officer is required to, among other things, report to the Canadian Court at least once every three (3) months with respect to the status of the Canadian recognition proceedings.
 13. The purpose of this, the First Report of the Information Officer, is to report to the Canadian Court in compliance with paragraph 14(b) of the Amended Supplemental Recognition Order. This First Report is not intended to be a comprehensive update with respect to the Foreign Proceedings, but is instead intended to highlight certain matters the Information Officer believes are particularly relevant for the Canadian Court.

14. In preparing this report, the Information Officer has relied solely on information and documents provided by the Foreign Representatives and their counsel. The Information Officer has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of this information in a manner that would comply with the Generally Accepted Assurance Standards pursuant to the *Chartered Professional Accountants of Canada Handbook*.

BACKGROUND

15. Takata Corporation, together with its direct and indirect subsidiaries ("**Takata**"), is a manufacturer of automotive safety components, including seatbelts and airbags.
16. 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**"), who in turn manufacture and sell automobiles in Canada.
17. Recently, 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.
18. 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 (five of which have been consolidated into national class actions proceeding in Ontario (the "**Continuing Actions**"), four of which have been dismissed, and five of which are currently in abeyance (collectively, the "**Canadian Class Actions**") and three 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, Takata advises that there have been no known instances of inflator rupture in Canada to date.

19. Takata Corporation and TK Holdings, along with certain OEMs, are also defendants in putative competition class actions in four (4) Canadian provinces (British Columbia, Ontario, Saskatchewan, and Quebec) (the "**Canadian Competition Class Actions**"). The Canadian Competition Class Actions purport to be on behalf of certain consumers in Canada whose claims relate to the sale of occupant safety systems, including airbags, seat belts, and steering wheels. In each of these actions, certain of Takata's competitors are also named as defendants.
20. 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 by February 27, 2018;
 - ii. An up to USD \$200 million civil penalty owed by TK Holdings 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 TK Holdings 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 undertaken, exceed the enterprise value of Takata; and
 - iv. Significant ongoing and potential future litigation claims in the United States and Mexico (in addition to the Canadian Actions and the Canadian

Competition Class Actions) asserting damages claims for personal injury, wrongful death and economic losses, among other things, relating to the affected airbags.

21. Notwithstanding the foregoing, after an expansive sale and marketing process, Takata is close to finalizing the terms of a global transaction with Key Safety Systems, Inc. for the sale of substantially all of Takata's global operations (the "**Global Transaction**").
22. While the Debtors are close to finalizing the Global Transaction, they determined that their liquidity position was not sustainable without an insolvency filing in light of vendor reaction to news of a then pending bankruptcy filing.

NOTICES

23. Pursuant to the Initial Recognition Order, within seven (7) days from the date of the Initial Recognition Order, or as soon as reasonably practicable after that date, the Chapter 11 Foreign Representative, with the assistance of the Information Officer, was required to (a) cause a notice to be published 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 and the Initial Recognition Order to the proposed representative plaintiffs in each Canadian Class Action and the plaintiff(s) in each Canadian Personal Injury Action.
24. The Information Officer caused the notice to be published in the Globe and Mail (National Edition) on July 5, 2017 and July 12, 2017, and in the National Post on July 5, 2017 and July 12, 2017. A sample of the published notice is attached as **Schedule "F"**.

25. In addition, counsel to the Information Officer sent copies of the notice and the Initial Recognition Order to the proposed representative plaintiffs in each Canadian Class Action and the plaintiff(s) in each Canadian Personal Injury Action on or around June 30, 2017, care of their counsel. Notice was also provided by counsel to the Information Officer to the judges seized of the Canadian Class Actions and to Transport Canada.
26. Pursuant to the Amended Initial Recognition Order, as soon as reasonably practicable after September 1, 2017, and in any event by September 8, 2017, the Japanese Foreign Representative, with the assistance of the Information Officer, was required to cause a notice to be published once a week for two consecutive weeks, in the Globe and Mail (National Edition) and the National Post.
27. The Information Officer caused the further notice to be published in the Globe and Mail (National Edition) on September 12, 2017, and September 19, 2017, and in the National Post on September 12, 2017 and September 19, 2017. In addition to providing notice of the recognition proceedings, this publication also provided the following notification with respect to the Japanese claims process and deadlines:

PLEASE TAKE FURTHER NOTICE that the deadline for potential creditors to file a proof of rehabilitation claim with respect to the Japanese Debtors in the Japanese Proceedings was August 25, 2017. Proofs of claim filed after the deadline may be accepted for a limited period if the delay in filing is caused by reasons that are not attributable to the creditor. The Japanese Debtors have indicated they will make best efforts to ask the Japanese Court to accept proofs of claims from foreign creditors that are received by October 30, 2017.

A sample of the published notice is attached as **Schedule "G"**.

CLAIMS BAR DATES

28. The Japanese Court established the following schedule for the Japanese Proceedings:

August 25, 2017	Deadline for filing proofs of rehabilitation claims
October 12, 2017	Submission deadline for inventory of assets and balance sheets.
October 30, 2017	Submission deadline for the statement of approval or disapproval
November 6 to November 13, 2017	Period to examine proofs of rehabilitation claims, etc.
November 27, 2017	Submission deadline for proposed rehabilitation plan

29. On July 18, 2017, the Information Officer posted on its website that the Japanese Debtors commenced a proceeding under the Civil Rehabilitation Act (“CRA”) in Tokyo, Japan, that the deadline to file claims against the Japanese Debtors was August 25, 2017, and that more information could be obtained at <http://www.takata.com>.
30. On August 15, 2017, the Information Officer posted on its website a claims package for claims against the Japanese Debtors including (i) a Notice of Commencement of Civil Rehabilitation Proceedings, (ii) Instructions for Filing Proof of Rehabilitation Claim, (iii) a Proof of Rehabilitation Claim Form and (iv) English Translations of each.

31. The Information Officer has been advised that proofs of claim filed after the August 25, 2017 deadline may be accepted for a limited period if the delay in filing was caused by reasons that are not attributable to the creditor. The Japanese Debtors have also indicated that they will make best efforts to ask the Japanese Court to accept proofs of claims from foreign creditors (including Canadian creditors) that are received by October 30, 2017. Claims against the Japanese Debtors must be filed in Japanese.
32. As noted above, notice of the deadline for filing proofs of claim in the Japanese Proceedings, including that the Japanese Debtors will make best efforts to ask the Japanese Court to accept proofs of claim from foreign creditors up to October 30, 2017, was published in Canada on September 12, 2017 and September 19, 2017.
33. The Chapter 11 Debtors have served notice of a motion in the Chapter 11 Proceedings to establish a claims and noticing process. That motion has been adjourned on several occasions and is now scheduled for October 2, 2017.
34. The Information Officer understands that the Chapter 11 Foreign Representative intends to seek recognition of the claims and noticing process after it is approved by the U.S. Court in the Chapter 11 Proceedings.
35. In addition, since there is a substantial overlap among the potential creditors of the Chapter 11 Debtors and the Japanese Debtors, the Information Officer understands that following the approval of a noticing and claims process in the Chapter 11 Proceedings, the Japanese Foreign Representative intends to bring a motion concurrently with the Chapter 11 Foreign Representative to seek recognition of the claims and noticing process that has been established in the Japanese Proceedings.

THIRD PARTY STAY

36. On August 9, 2017, the U.S. Court heard an all-day motion brought by the Chapter 11 Debtors for an order, among other things, preliminarily enjoining certain actions from proceeding against third party defendants to actions involving the Chapter 11 Debtors and certain OEMs.
37. The U.S. Court issued an oral ruling, which was read into the record on August 16, 2017, which granted the motion in part, and stayed certain claims against the Takata Corporation and certain OEMs through and including November 15, 2017, subject to further extensions by the U.S. Court, among other things. A copy of the Order issued by the U.S. Court (the "**Injunction Order**") is attached as **Schedule "H"**.
38. As the Canadian Court was advised by counsel to the Foreign Representatives on September 1, 2017, rather than seek to have the Injunction Order recognized in Canada, the Chapter 11 Foreign Representative and counsel for the plaintiffs in the Continuing Actions agreed to an arrangement whereby:
- (i) Until November 15, 2017 the plaintiffs in the Continuing Actions will not take any formal steps to advance the litigation in Canada;
 - (ii) The Chapter 11 Foreign Representative will not seek to recognize the Injunction Order in Canada prior to November 15, 2017;
 - (iii) The arrangement is without prejudice to the Chapter 11 Foreign Representative's ability to seek recognition of any future orders (including any new or extended third party injunction order) or to seek recognition of the Injunction Order if any steps were taken in the Canadian Class Actions in Canada; and

(iv) In the event that the plaintiffs in the Continuing Actions determine it will be necessary to seek any relief in these proceedings in Canada, the plaintiffs will provide 5 days' notice to Takata. If Takata objects within this 5 day period, Takata and the plaintiffs will, in the following 5 days, use best efforts to agree upon a schedule for the Chapter 11 Foreign Representative to seek to recognize the Injunction Order, failing which the parties will appear before Hainey J. with respect to the schedule. The plaintiffs will not take any formal steps to advance the Continuing Actions in Canada during that time.

39. The Information Officer was, and remains, supportive of the arrangement entered into.

Dated this 28th day of September, 2017.

FTI Consulting Canada Inc., solely in its capacity as the Information Officer of the Debtors, and not in its personal or in any other capacity



Jeffrey Rosenberg
Senior Managing Director

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

Court File No. CV-17-11857-00CL

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

Proceeding commenced at Toronto

**SECOND REPORT OF
FTI CONSULTING CANADA INC.
IN ITS CAPACITY AS
INFORMATION OFFICER**

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