

I. ACTIVITIES IN THE REPORTING PERIOD.

A. APPROVAL OF THIRD IRF DISTRIBUTION REQUEST.

1. On May 18, 2020, the Special Master filed the *Special Master's Request for Approval of Third Distribution of Individual Restitution Fund* (the "Third IRF Distribution Request") [Dkt. No. 123], seeking approval from this Court for: (i) a third distribution from the IRF to compensate eighteen (18) additional eligible Claims; and (ii) the denial of forty-two (42) additional ineligible Claims. On May 19, 2020, the Court entered an order granting the Special Master's Request. *See Order Granting Special Master's Request For Approval Of Third Distribution Of Individual Restitution Fund* (Dkt. No. 126). As of the date of this filing, the Special Master's office has received signed releases for eight of the compensable Claims approved in respect of the Third IRF Distribution Request.

B. CURRENT CLAIMS PAYMENT PROCESS.

2. Contemporaneous with this filing, the Special Master also filed the *Special Master's Request for Approval of Fourth Distribution of Individual Restitution Fund* (the "Fourth IRF Distribution Request") [Dkt. No. [127], seeking Court-approval for: (i) a fourth distribution from the IRF to compensate six (6) eligible Claims, and (ii) the denial of fourteen (14) ineligible Claims.

3. As described in the Fourth IRF Distribution Request, the Special Master evaluated each Claim referenced therein, determined whether it is eligible for compensation and, if eligible, assigned a point value. In total, after all internal reviews and appeals, 2,250 points were awarded to the six (6) eligible Claims, amounting to a proposed distribution of \$159,772.50. The Special Master also determined fourteen (14) Claims to be ineligible for compensation.

4. Consistent with the procedures set forth in the *Minutes of July 25, 2019 Conference with Special Master* (the “July 2019 Minutes Order”) [Dkt. No. 110], the Special Master will notify affected Claimants: (i) of their point award and the monetary value of the award (if any); (ii) of the filing of the Fourth IRF Distribution Request; and (iii) that such Claimants may object to the Fourth IRF Distribution Request by submitting a written response to the Special Master on or before August 7, 2020 (the “Objection Deadline”).

5. As the Court is aware, there are two conditions that must be met for Claimants with compensable Claims to receive payment from the IRF. First, all Claimants must execute and submit to the Special Master the Court-approved release agreement (a “Release”). Additionally, if any Claimant was represented by counsel, such counsel must execute and submit to the Special Master a fee rider (a “Fee Rider”) acknowledging and agreeing to abide by the restriction on attorney’s fees set forth in the IRF Methodology Order. [Dkt. No. 78, PageID 2219]. The

Special Master will issue payment to eligible Claimants on a rolling basis following receipt of the necessary documentation.

II. OUTREACH LETTER TO POTENTIAL CLAIMANTS.

6. It has come to the Special Master's attention that there may be as many as sixty (60) personal injury cases involving the rupture or aggressive deployment of a Takata phase-stabilized ammonium nitrate ("PSAN") airbag inflator that had been settled with an original equipment manufacturer prior to the establishment of the IRF, but for which claimants have yet to file a corresponding claim with the IRF. Based on our records, up to one half of these cases potentially involved individuals who were not represented by counsel, and a portion of these individuals appear to have executed releases that did not release Takata.

7. The Special Master believes that it is consistent with and in furtherance of his mandate to provide additional individualized notice to these persons concerning the potential for compensation from the IRF. Therefore, the Special Master intends to notify each of the previously described individuals via mailing that they may be eligible for compensation from the IRF and directing them to contact the Special Master's office for additional information.

III. BDO ENGAGEMENT.

8. Although the IRF's constitutional documents do not require a formal audit, the Special Master engaged BDO USA LLP ("BDO"), an audit firm, to

perform limited audit procedures on the IRF. On June [●], 2020, the Court entered an order approving BDO's engagement agreement. Since that date, the BDO has made substantial progress in completing the agreed-upon procedures. The Special Master's office has worked closely with BDO over the course of the examination, providing various documentation, including banking information, claim data, and financial reporting. BDO is expected to complete the agreed-upon procedures by July 31, 2020. Thereafter, the Special Master will inform the Court of the results of BDO's examination.

IV. GOING FORWARD EFFORTS.

9. As stated above, the Special Master and his team will continue to receive claims for compensation from the IRF and TATCTF (in his capacity as Trustee of that Trust), and will continue the process of reviewing, evaluating, and distributing funds on account of claims. The Special Master and his team will also continue to evaluate the claims data and recall completion rate data in connection with any future point-value evaluations. The Special Master and his claims evaluation team remain committed to completing its initial evaluation of Claims within thirty (30) days of Special Master's receipt thereof.

10. The Special Master is continuing to closely monitor the number of claims submitted to the IRF and the percentage and number of claims approved for compensation. It appears so far that the number of claims predicted for this year

by the IRF/Trust's economic expert (NERA) based, in part, on the NHTSA/OEM data is substantially greater than the number of claims actually submitted and approved. There are many possible explanations for this disparity, including effects of the Covid-19 pandemic, recall rates, rupture rates, filing rates and the assumptions/structure of the estimation model that generates the experts' estimations. A material decrease from the model's projections in the number of actual valid claims paid by the IRF would have a proportionate positive effect on the value of a point, with a corresponding positive effect on the amount of money the IRF can pay to each eligible claimant.

11. The Special Master is also continuing to closely monitor the investment returns on the assets held by the IRF and invested pursuant to the Court-approved investment guidelines. The economic crisis caused by the Covid-19 pandemic has resulted in a decrease of the already-modest yields on these investments. This will have a slightly negative effect on the Fund's assets over the long term and the value of a point.

12. Based on the Special Master's observation of claim rates and investment returns as described in paragraphs 9 and 10 above, the Special Master is preparing to conduct a major re-estimation process in the first quarter of 2021. This may result in a change in the value of a point and could result in true-up

payments for claimants who have already been compensated at then-existing point values.

CONCLUSION

13. Subject to the matters referred to above, the Special Master will continue to perform his responsibilities and duties consistent with the Appointment Order and all other directives of this Court.

Dated: July 17, 2020

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'E. D. Green', written over a horizontal line.

Eric D. Green, Special Master