

STATEMENT OF JOSEPH PERKINS, SENIOR VICE PRESIDENT AND CHIEF FINANCIAL OFFICER, KEY SAFETY SYSTEMS, INC., BEFORE THE SENATE COMMERCE COMMITTEE, SUBCOMMITTEE ON CONSUMER PROTECTION, PRODUCT SAFETY, INSURANCE AND DATA SECURITY

Mr. Chairman, Mr. Ranking Member, members of the Committee, good afternoon. My name is Joe Perkins. I am Senior Vice President and Chief Financial Officer for Key Safety Systems, a 100 year-old safety company headquartered in Michigan. Our company, Key Safety, as our name emphasizes, manufactures and sells safety-critical automotive components to vehicle manufacturers worldwide.

Thank you for the opportunity to appear today to tell you about Key Safety's efforts to acquire most of the operating business of Takata. This transaction enables us to expand our investment in our core business and contribute to the supply of critical safety components for new vehicle production and recall kits.

I was born and raised in Michigan and have worked in the U.S. auto industry for nearly 30 years.

Two years ago, I was asked to lead an effort by Key Safety to purchase most of Takata's assets through a complex series of transactions. Beyond being a good business decision, Key Safety pursued the deal in an effort to stabilize the industry by providing a reliable ongoing supply of safety products and recall kits. This transaction also facilitates providing recovery to victims and saving American jobs.

In my role, I became one of Key Safety's lead negotiators in our effort to purchase Takata and to address the issues of key stakeholders.

At the beginning of the transaction process in July 2016, Key Safety competed with a number of bidders to purchase Takata's assets. After a lengthy competitive process, Key Safety was ultimately selected as the best fit for the job, having earned the support of nearly all of the world's automobile manufacturers. After months of review, the OEMs, Takata, and a steering committee nominated by Takata selected Key Safety as the chosen purchaser.

I am happy to report to this Committee that last month the U.S. Bankruptcy Court in Delaware entered a confirmation order granting approval of the transaction. The bankruptcy proceedings in Canada and Japan have also been addressed.

Beyond the approval of these courts, the Key Safety-Takata transaction requires review from several other government bodies, and satisfaction of remaining key conditions to close.

First, the U.S. Department of Justice has a Plea Agreement with Takata and we needed to work out go-forward terms with DOJ. We did so, and I am happy to report that the \$850 million penalty owed by Takata to DOJ will be paid upon closing of the transaction.

Second, NHTSA has a Consent Order over Takata, and we needed to work with NHTSA on several issues related to the transaction. We did so, thanks in large measure to NHTSA Deputy Administrator Heidi King and her team.

Third, because Key Safety is ultimately foreign-owned, the parties submitted a joint voluntary notice to the Committee on Foreign Investment in the United States (CFIUS). Clearance by that Committee is a condition to closing the transaction. I can report that Takata and Key Safety are working closely with CFIUS and we are hopeful that it will clear the transaction which will enable us to close in April 2018.

The purchase of most of Takata by Key Safety goes toward addressing the Takata airbag crisis head-on. As part of the transaction, certain parts of existing Takata and certain newly created entities—which we call RTK, or “Reorganized Takata,” will emerge from the Takata bankruptcy to continue to address any remain PSAN airbag inflator issues. Key Safety will produce critical airbag modules and recall kits. Some airbags will use the PSAN inflators made by RTK. Others will use other inflators. These outputs will enable OEMs to fulfill the pending Takata airbag recalls and continue their global production.

The deal is also anticipated to provide more than \$130 million to Takata victims, which is in addition to the \$125 million paid as part of the DOJ Plea Agreement. Absent the deal, these funds would not be available.

For me, as a proud Michigander who has spent his entire life in the U.S. auto industry, this transaction has become personal. This is also reaching for a day when the airbag crisis is fully resolved and when this transaction provides full stability to the industry. This transaction will resolve a critical issue in the industry and facilitate the continuity of supply needed to maintain stability in our industry. We at Key Safety are happy to play a role in the solution and in achieving this result.

I want to thank the Committee for inviting me to speak today. I am happy to answer any questions. Thank you.