



# Attorney General Doug Peterson

# News Release

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## **ATTORNEY GENERAL DOUG PETERSON REACHES SETTLEMENT WITH TAKATA'S U.S. SUBSIDIARY OVER DEFECTIVE AIRBAG SYSTEMS**

LINCOLN - Attorney General Doug Peterson announced today a settlement with TK Holdings, Inc., the U.S. subsidiary of Takata, over allegations that the company concealed safety issues related to its airbag systems which were installed in a wide variety of vehicles. TK Holdings, Inc. filed a bankruptcy case in chapter 11 in June 2017, and its reorganization plan has been confirmed by the United States Bankruptcy Court for the District of Delaware. The consent decree and settlement agreement have been presented to that court for approval.

The settlement, reached between the attorneys general of 44 states and the District of Columbia and TK Holdings, Inc., concludes a multistate investigation into the company's failure to timely disclose known safety defects associated with certain airbag inflators using phase-stabilized ammonium nitrate as a propellant.

"Our goals were to protect Nebraska consumers and to ensure this never happens again." Attorney General Doug Peterson said. "We feel those goals were accomplished. This settlement sends a strong message that behavior that endangers consumers will not be ignored."

Beginning in 2008, auto manufacturers issued a number of recalls of vehicles containing these airbag inflators in response to ruptures upon deployment of the airbag. More than 50 million airbags in more than 37 million vehicles have been recalled to date, with future anticipated recalls through the end of 2019 likely, bringing the total number of affected airbags to around 65 or 70 million.

The recalls involved the use of phase-stabilized ammonium nitrate ("PSAN") to inflate the airbags upon deployment. As the compound was exposed to heat and humidity over time, particularly in warmer and wetter parts of the United States, the propellant degraded. Consequently, upon deployment the inflator could rupture explosively, destroying the metal casing surrounding the propellant and spraying shrapnel into the vehicle's passenger cabin. At least 20 people have died worldwide and hundreds more have been injured as a result of this defect.

The multistate alleged that the company knew that the airbag inflator posed a safety defect because of testing failures and, indeed, TK Holdings, Inc.'s parent company pled guilty to manipulating testing data and submitting false and misleading reports to auto manufacturers. The company knew about several ruptures which occurred as early as 2004, but appropriate action to recall these unsafe inflators did not occur until November 2014. However, despite this knowledge, the company failed to properly notify regulators and the public of the serious danger posed by this defect.

The states alleged that these actions were unfair and deceptive and that the automaker's actions violated state consumer protection laws, including Nebraska's Uniform Deceptive Trade Practices Act, Neb. Rev. Stat. §87-301, et seq.

Under the consent decree and settlement agreement, TK Holdings, Inc. and its successor, Reorganized TK Holdings, shall:

- Not advertise or otherwise represent the safety of its airbag systems or phase-stabilized ammonium nitrate in any way that is false, deceptive, or misleading;
- Not represent that its airbags are safe unless supported by competent and reliable scientific or engineering evidence;
- Not falsify or manipulate testing data, or provide any testing data that the companies know is inaccurate;
- Except as needed to fulfill its obligations under the various recalls, sell any airbag systems using PSAN as a propellant;
- Comply with state and federal law as well as the NHTSA Consent Order and Coordinated Remedy Order; and
- Continue to cooperate with auto manufacturers to ensure that replacement airbag inflators are made available as expeditiously as possible from all possible sources.

TK Holdings, Inc. has also agreed to reimburse the multistate for its investigative costs, and for the entry of stipulated civil penalty in the amount of 650 million dollars. The multistate agreed that, given the pending bankruptcy and the company's inability to pay its debts, this penalty would be subordinated in order to maximize the recovery available to consumers who were the victims of this airbag defect.

In addition to Nebraska, the multistate group – led by South Carolina, Arkansas, Arizona, Connecticut, District of Columbia, Florida, Georgia, Illinois, New Jersey, Ohio, South Dakota, Tennessee and Texas – includes Alabama, Alaska, California, Delaware, Idaho, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maine, Maryland, Massachusetts, Michigan, Minnesota, Mississippi, Missouri, Montana, Nevada, New Hampshire, New York, North Carolina, North Dakota, Oklahoma, Oregon, Pennsylvania, Rhode Island, Utah, Virginia, Washington, and Wisconsin.

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