

# **EXHIBIT B**

**IN THE UNITED STATES DISTRICT COURT  
FOR THE DISTRICT OF FLORIDA  
Miami Division**

**MDL No. 2599  
Master File No.: 15-MD-02599-MORENO  
S.D. Fla. Case No. 1:14-cv-24009-MORENO**

**IN RE: TAKATA AIRBAG PRODUCT  
LIABILITY LITIGATION**

**THIS DOCUMENT RELATES TO:**

**ECONOMIC LOSS TRACK CASES  
AGAINST BMW, MAZDA, SUBARU, AND  
TOYOTA DEFENDANTS**

**DECLARATION OF KIRK D. KLECKNER REGARDING THE  
CUSTOMER SUPPORT PROGRAM AND RENTAL CAR/LOANER PROGRAM**

KIRK D. KLECKNER, of full age, declares as follows:

**1. Summary of Opinions**

a. This declaration pertains to the valuation of the Customer Support Program Warranty (CSP Warranty) and Rental Car/Loaner Program (RCL) in settlements with Defendants BMW, Mazda, Subaru, and Toyota (Defendants).

b. Based on the analyses explained below, I have determined within a reasonable degree of professional certainty:

i. the valuation of the Customer Support Program Warranty for BMW, Mazda, Subaru, and Toyota.

ii. that the value of the Rental Car/Loaner Program of the BMW, Mazda, and Toyota Settlements exceeds the 10% credit allocated for the program in the settlements.

**2. Experience and Qualifications**

a. I am a Certified Public Accountant in the United States with an MBA. I have an ABV accreditation in business valuation and intangible asset valuation from the American Institute of Certified Public Accountants (AICPA). I am an Accredited Senior Appraiser (ASA-

BV) from the American Society of Appraisers. I have litigation-related experience in valuing economic losses and damages, and I have a Certified in Financial Forensics (CFF) accreditation from the AICPA.

b. My experience includes seven years as the Chief Financial Officer for a well-respected Top 50 United States automotive dealership group; 19 years with an accounting firm including roles as shareholder, Chief Operating Officer, and Director of Business Valuation and Litigation Support Services; and performing services for hundreds of companies in a wide array of industries, including but not limited to retail dealerships, property and casualty insurance, warranty insurance, and distribution.

c. My experience as CFO included service and warranty matters. My duties as CFO included establishing and overseeing extended service contractual relationships, and establishing and overseeing automotive dealer-owned reinsurance entities and structures for extended service warranty contracts and other insurance-related products.

d. My experience as an expert includes the following automotive warranty related class action settlement valuation determinations: 1) Warranty Extension and other class member benefits provided for by the Volkswagen and Audi Warranty Extension class action settlement agreement (VW/Audi)<sup>1</sup>; 2) the Customer Support Program related class member benefits provided for by the Toyota-United States class action settlement agreement (Toyota-US)<sup>2</sup>; and 3) Customer Support Program in the Toyota-Canadian class action settlement agreement (Toyota-Canadian)<sup>3</sup>.

e. My *curriculum vitae* is attached as Exhibit A.

### **3. Valuation Purpose, and Scope and Materials Considered**

a. Plaintiff's Counsel asked me to independently:

i. Value the Class Member benefits derived from this class action litigation and settlement related to the Customer Support Program Warranty (CSP Warranty) made available to Class Members; and

ii. Determine whether the value of the Class Member benefits related to the Rental Car/Loaner Program (RCL) made available to BMW, Mazda, and Toyota Class Members with Priority Group 1 Vehicles exceed the credit of 10%

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<sup>1</sup> The United States District Court District Of Massachusetts, In re Volkswagen and Audi Warranty Extension Litigation, Docket No. 1:07-md-01790

<sup>2</sup> Central District Of California, Southern Division, In Re: Toyota Motor Corp. Unintended Acceleration Marketing, Sales Practices, And Products Liability Litigation, United States District Court, Case No. 8:10ML2151 JVS (FMOx)

<sup>3</sup> Canadian Toyota Unintended Acceleration Marketing, Sales Practices, And Products Liability Litigation Settlement Agreement (various courts)

of the overall Settlement Amounts allocated to the respective RCL programs in the BMW, Mazda, and Toyota settlements.

b. In conducting my work and forming my opinions, I was provided and have considered, in addition to my substantial experience in this area, the materials identified in Exhibit B. I believe that the information made available to me by the Defendants, taken as a whole, provided sufficient data from which I could draw valid valuation conclusions.

c. My Valuation Primary Assumptions, Information Requested, Valuation Methodologies, Valuation Conclusions, and Certifications and Representations are profiled below.

#### **4. Valuation Primary Assumptions and Limiting Conditions**

a. My analyses, opinions, and conclusions are limited only by the Valuation Primary Assumptions and Limiting Conditions outlined in Exhibit C, which include, among others:

i. My calculations assume a Valuation Effective Date of June 15, 2017; if the timing of the final approval date of the Settlement Agreement occurs as expected during the fourth quarter of 2017, my valuation conclusions will be materially accurate.

ii. Given the complexity of this valuation, number of Defendants involved, and time constraints of the project, I reserve the right to submit a revised valuation to correct any inadvertent errors or omissions.

#### **5. Information Requested**

a. To understand the nature of potential CSP Warranty claims and the monetary exposure, I asked each Defendant to:

i. Define the inflator's various repair and replacement procedures included in the CSP Warranty program and provide the average per vehicle warranty claim amount for each procedure.

ii. Provide the estimated average per vehicle Takata recall remedy cost (including temporary and permanent remedies).

b. To determine the number of Subject Vehicles to receive benefits and to estimate the CSP Warranty value and Rental Car/Loaner Program value, I asked each Defendant to provide:

i. The number of Subject Vehicles originally sold by model year and type, including the number of vehicles with original equipment Takata PSAN desiccated inflators, the number of recalled Priority Group 1 Vehicles, and the number of recalled Non-Priority Group 1 Vehicles.

ii. The number of permanent remedies to be performed with Non-Takata inflators as of June 15, 2017.

iii. The estimated quarterly supply timeline of non-Takata replacement inflators for vehicles with original equipment Takata PSAN desiccated inflators, recalled Priority Group 1 vehicles, and recalled non-Priority Group 1 vehicles.

c. To determine the number of effective CSP Warranty coverage years for the Subject Vehicles, I asked each Defendant to provide, by the model and model year, the new vehicle warranty coverage (e.g. 3-years/36,000 miles) for the inflator.

d. To assess the consumer value proposition of each Defendant's new vehicle warranty coverage in contrast to the CSP Warranty coverage and to assess the variability of such by vehicle 'in-service' year, I asked each Defendant to provide for pertinent model years:

i. U.S. vehicles sold by model years in U.S.

ii. U.S. new vehicle warranty costs paid by model year (excluding any recall costs), or summary ranges of warranty costs

e. To assess the consumer value proposition of each Defendant's extended service contracts (ESC)<sup>4</sup> sold in contrast to the CSP Warranty coverage and to assess the variability of such by vehicle 'in-service' year, I asked each Defendant to provide U.S. Vehicle ESC warranty costs by ESC term and contract year, the number of ESCs sold by model year, and average cost to dealer by model year.

f. Although some of the information requested was not available for every Defendant, I believe that the information provided to me by the Defendants, taken as a whole and supplemented by my extensive knowledge of the industry, provided sufficient data from which I could draw valid valuation conclusions.

## **6. Customer Support Program Warranty (CSP Warranty) – Valuation Methodology and Valuation Conclusion**

a. To estimate the value of the Customer Support Program Warranty (CSP Warranty), I relied upon information provided by the Defendants. If particular information I requested was not available for a certain Defendant, I made best efforts judgements based on my professional knowledge of the industry and data provided by the other Defendants.

b. To estimate the value of the CSP Warranty, my valuation approach was based on estimating the market price Class Members would pay to purchase a Hypothetical Extended

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<sup>4</sup> An extended service contract (ESC), sometimes called an extended warranty or plan, provides a warranty on certain vehicle parts beyond the coverage of the vehicle's original standard manufacturer warranty. Typical ESC levels of coverage vary from "power train only" up to full "bumper to bumper". The ESC is a contractual agreement between the vehicle owner and the ESC obligor (typically an independent insurance company or manufacturer affiliated insurance company). Consumers typically purchase an ESC from a dealer at the point of vehicle purchase.

Service Contract (Hypothetical ESC) that is equivalent to the financial protection<sup>5</sup> resulting from the existence of the CSP Warranty. This approach has been accepted by many courts and was incorporated in my valuations—upon which the courts and parties relied—in the VW/Audi, Toyota-US and Toyota-Canadian class actions mentioned in Section 2 above. Thus, I employed methods and analyses of a type reasonably relied upon by courts and experts in my field in forming opinions or inferences on the subject. In developing the prices of the Hypothetical ESCs, my primary considerations included the following:

i. The CSP Warranty covered services are to repair or replace both the replacement inflators installed as part of a recall and non-recalled Takata PSAN Inflators. Based on Defendant-provided information, I estimated the average retail price to repair/replace the covered inflators each Defendant.

ii. Based on marketplace retail prices and the specific facts and circumstances of the CSP Warranty, I used a percentage<sup>6</sup> of the current retail cost to repair/replace the replacement inflator as a reasonable estimate of the retail price of a one-year Hypothetical ESC that is equivalent to the CSP Warranty. To arrive at this reasonable estimate, I derived and considered the following data points:

1. Point of Service Sale (POSS) warranties have, in recent years, become available from some dealership service departments in the marketplace, and are priced at a certain percentage of the service invoice amount for three-year coverage. Dividing this retail price ratio for a three-year warranty provides a price ratio for a one-year warranty.

2. Information provided by the Defendants indicating a range of ‘per year’ retail costs consumers would pay for repair work if not for the existence of applicable new vehicle warranties, as a percentage of vehicle retail prices.

3. Based on information from a third-party insurance company, I analyzed retail prices for ESCs as a percentage of the retail price for the underlying vehicle. This percentage tended to be higher for older vehicle purchases than for newer vehicle purchases, while vehicle prices are lower for older vehicles than for newer vehicle purchases. With the two factors in the percentage moving inversely, the percentage

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<sup>5</sup> OPINION AND ORDER, JOSEPH A. O’KEEFE Plaintiff v. MERCEDES-BENZ USA, LLC Defendant, Civil Action No. 01-CV-2902, Civil Action No. 03-CV-1480, United States District Court, E.D. Pennsylvania, April 2, 2003, B, 2 – “We believe that the benefits to the class are most accurately measured by making an estimation of the Extended Coverage Program’s market price. We realize that this figure is difficult to estimate because the Extended Coverage Program—or any similar warranty product—is not on the market. Yet, economists, actuaries, investors and businesspeople must estimate and value risk in all types of market transactions. A warranty is simply the ex ante market price of insuring against a foreseeable risk. Any other measure except the market price would over or underestimate the benefit to the class.”

<sup>6</sup> The Price within this range is dependent on many factors including vehicle miles and remaining life expectancy, and model year estimated coverage years.

increases significantly for older vehicles. It is also reasonable to assume that fewer older vehicles would be still in service compared to newer models, so the weighted average skews closer to the lower end of the range for the purpose of this valuation.

4. Based on Defendant-provided information, I analyzed the retail prices of ESCs as a percentage of the retail prices of the underlying vehicles.

5. Using these four data points, I arrived at a reasonable estimate of the retail price of one-year coverage under a Hypothetical ESC that is equivalent to the CSP Warranty, and I used this estimate in my valuation calculations.

c. I considered coverage terms and limitations from the Customer Support Program in the Settlement Agreements for each Defendant, including coverage year maximums and minimums, and mileage limitations:

i. “If the Subject Vehicle has been recalled and the Recall Remedy has been completed as of the date of the issuance of the Court’s Preliminary Approval Order, then the Customer Support Program will last for 10 years measured from the date the Recall Remedy was performed in the Subject Vehicle, subject to a maximum limit of 150,000 miles measured from the date the Subject Vehicle was originally sold or leased (“Date of First Use”), but not less than 75,000 miles from the date the Recall Remedy was performed on the Subject Vehicle. However, each eligible Subject Vehicle will receive no less than two years of coverage from the date of the issuance of the Court’s Preliminary Approval Order.”

ii. “If the Subject Vehicle has been or will be recalled and the Recall Remedy has not been completed as of the date of the issuance of the Court’s Preliminary Approval Order, then the Customer Support Program will last for 10 years from the Date of First Use or, if the Recall Remedy is performed on the Subject Vehicle, the date the Recall Remedy was performed, subject to a maximum limit of 150,000 miles measured from the Date of First Use, but not less than 75,000 miles for the date the Recall Remedy was performed on the Subject Vehicle. However, each eligible Subject Vehicle will receive no less than two years of coverage from the date of issuance of the Court’s Preliminary Approval Order or from the date the Recall Remedy was performed on the applicable Subject Vehicle, whichever is later.”

iii. “If the Subject Vehicle contains a desiccated Takata PSAN inflator in the driver or passenger front airbag as original equipment, then the Customer Support Program will last for 10 years, measured from the Date of First Use, subject to a maximum limit of 150,000 miles, measured from the Date of First Use. However, each eligible Subject Vehicle will receive no less than two years of coverage from the date of the issuance of the Court’s Preliminary Approval

Order.”

iv. “In the event desiccated Takata PSAN inflators in the driver or passenger front airbag models in any of the Subject Vehicles are recalled in the future, then the Customer Support Program will be extended to last for 10 years, measured from the date such future Recall Remedy is performed in the Subject Vehicle, subject to a maximum limit of 150,000 miles, measured from the Date of First Use, but not less than 75,000 miles from the date the Recall Remedy was performed on the Subject Vehicle, provided that each eligible Subject Vehicle will receive no less than two years of coverage from the date of the future Recall Remedy.”

v. “Inoperable vehicles and vehicles with a salvaged, rebuilt or flood-damaged title are not eligible for the Customer Support Program.”

d. My calculations to arrive at a Valuation Conclusion for the Customer Support Program Warranty included:

i. The number of Class Vehicles originally sold, by model year, that could benefit from the settlement was provided by the Defendants, and adjusted for the declining number on the road over time by utilizing vehicle survivability data from the National Highway Traffic Safety Administration (NHTSA) to derive the number of Subject Vehicles covered.

ii. The number of CSP warranty coverage years for each model year, applying estimates for the time and mileage limits and minimum coverage years for each of the categories of Subject Vehicles outlined in the Settlement Agreement and restated in Section 6.c:

1. Vehicles with Remedy Completed
2. Vehicles with Remedy Not Completed
3. Vehicles with desiccated inflator as Original Equipment

iii. The estimated retail price for a Hypothetical ESC for each model year for each Defendant, based on:

1. The current estimated retail price to repair or replace the replacement inflator which varies by manufacturer.

2. The estimated retail price of a one-year zero-deductible extended service contract coverage, based on the estimate derived from the methodology outlined in Section 6.b.

iv. For each model year, I multiplied the resulting Total Coverage Years (after adjustments) by the Estimated Retail Price of a Hypothetical ESC to arrive at the Total Value of the CSP Warranty.



e. Exhibits D1 – D4 provide the CSP Warranty Valuation Summary and Conclusion for each Defendant, displaying the results from my underlying calculations:

i. Estimated Subject Vehicles: The estimated number of Subject Vehicles (B) that will benefit from the CSP Warranty was derived by considering NHTSA vehicle survivability data (see Section 6.d.i).

ii. Estimated Coverage Years: The Coverage Years (D) is calculated as the number of Subject Vehicles by model year (B) multiplied by the number of Average Coverage Years that the ESC would cover for each model year (C) (see Section 6.d.ii).

iii. Estimated Value of Benefits: The Estimated Value of Benefits by Model Year (F) is calculated as the Coverage Years (D) multiplied by the Estimated Per Vehicle Hypothetical ESC Market Price (E) (see Section 6.d.iii).

f. My Valuation Conclusions for the Customer Support Program Warranty (CSP Warranty) made available to Class Members are:

1. BMW - \$32,240,000
2. Mazda - \$22,530,000
3. Subaru - \$22,650,000
4. Toyota - \$110,300,000

## **7. Rental Car/Loaner Program – Valuation Methodology and Conclusion.**

a. To determine whether the value of the Rental Car/Loaner Program (RCL) in the BMW, Mazda, and Toyota settlements exceeds the credit of 10% of the overall Settlement Amounts allocated to the respective programs, I relied upon information provided by the Defendants and I made reasonable judgements based on my professional knowledge of the industry.

b. The relevant terms of the RCL outlined in the Settlement Agreement that I considered in my calculations are summarized as follows:

- i. Eligibility is limited to Class Members with Priority Group 1 vehicles
- ii. Class Members qualify for a rental car/loaner after a 30-day delay.

c. To estimate the value of the RCL, my valuation approach was based on determining the total aggregate number of weeks that Class Members with Priority Group 1 Vehicles would potentially qualify for Rental Cars/Loaners due to limited availability of replacement parts at dealerships leading to delays in completing the repair/replacement work. This aggregate amount of the available benefit was then compared to the credit of 10% of the overall Settlement Amount for providing the RCL Program.

d. My analysis to arrive at a Conclusion for the Rental Car/Loaner Program included the following:

i. The Defendants provided the number of Priority Group 1 Class Vehicles originally sold and the number of replacements completed as of June 15, 2017.

ii. Based upon my experience in the industry and information provided by the Defendants about replacement part inventories and the timing of estimated future deliveries, I estimated the number of remedy delay weeks (beyond the initial 30-day delay) until the dealer has installed the replacement parts (two parts per vehicle for driver and passenger airbags).

iii. Based upon my experience in the industry, I estimated the amount of time needed to complete the repair/replacement at the dealership once the replacement part is available.

iv. I analyzed the number of estimated rental weeks based upon the data collected and derived in 7.d.i through 7.d.iii.

v. Based upon my experience in the industry and interviews with dealership personnel regarding the retail price of loaner vehicles, I estimated the average per week retail rental rate to be \$120.

vi. The Estimated Value of Benefit Made Available is calculated as the Estimated Number of Rental Weeks multiplied by the estimated Average Per Week Retail Rental Rate.

vii. I compared the Estimated Value of Benefit Made Available to the credit of 10% of the overall Settlement Amount for providing the Rental Car/Loaner Program.

e. I concluded that the Estimated Value of Benefit Made Available through the RCL in the BMW, Mazda, and Toyota settlements exceeds the amount of the credit of 10% of the overall Settlement Amount allocated to the respective programs in the settlements.

## **8. Certifications and Representations**

a. The statements of fact in this affidavit are true and correct.

b. These are my personal, impartial, and unbiased professional analyses, opinions, and conclusions, all of which are stated to a reasonable degree of professional certainty.

c. I do not have any bias, present interest, or prospective interest with respect to this matter, or any bias or personal interest with respect to the parties involved with this assignment.

d. My engagement in this assignment and the compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or any direction in value, the amount of the value opinions, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this valuation.

I declare under penalty of perjury that the foregoing is true and correct. I am aware that if any of the foregoing statements made by me are willfully false, I am subject to punishment. Executed this 8<sup>th</sup> day of September, 2017, at Blaine, Minnesota.

A handwritten signature in black ink, reading "Kirk Kleckner". The signature is written in a cursive, flowing style.

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KIRK D. KLECKNER

**EXHIBIT A – Curriculum Vitae of Kirk D. Kleckner CPA MBA ABV ASA-BV CFF**

Kirk is currently:

- President of ValuationUSA, LLC - a valuation and succession planning firm serving closely held businesses and their owners
- President of Automotive Development Group Capital and Consulting, LLC – dealership profitability consulting firm

Kirk's experience includes:

- Seven years as Chief Financial Officer for a well-respected Top 50 dealership group known for its world class customer experiences and business processes
- Nineteen years with an accounting firm including roles as shareholder, Chief Operating Officer, and Director of Business Valuation and Litigation Support Services
- Consulting work for hundreds of companies in an array of industries including but not limited to: retail dealership, casualty insurance, distribution, manufacturing, construction, insurance, reinsurance, service, non-profit, bank, retail, tool and die, technology, trucking and warehouse

Kirk is a CPA, MBA and has professional accreditations including:

- Accredited in Business Valuation (ABV) from the American Institute of Certified Public Accountants (AICPA)
- Accredited Senior Appraiser in Business Valuation (ASA-BV) of the American Society of Appraisers
- Certified in Financial Forensics, AICPA (CFF)

Kirk's expertise leverages both his professional and hands-on industry experience as a Chief Financial Officer for a \$500 million business. Kirk's expertise and experience includes buying, selling and integrating of businesses; managing businesses; succession planning, business and intangible asset valuation for strategic transactions; income, gift and estate tax; owner transactions and litigation purposes.

Kirk is a qualified expert witness with experience in complex business litigation, economic damages calculations, business valuation and intangible asset valuation. Recently, Kirk was a valuation expert in the greater than \$100,000,000 damage award class action cases --- In re Volkswagen & Audi Warranty Extension Litigation (MDL 1790) and In re: Toyota Motor Corp. Unintended Acceleration Marketing, Sales Practices, and Products Liability Litigation (No. 8:10ML2151 JVS).



## STATEMENT OF QUALIFICATIONS

### Academic and Professional Credentials

- **ABV** - Accredited in Business Valuation, AICPA,
- **ASA-BV** - Accredited Senior Appraiser-Business Valuation, American Society of Appraisers
- **CFF** - Certified in Financial Forensics, AICPA (granted exclusively to CPAs who demonstrate considerable expertise in forensic accounting through knowledge, skills, and experience in areas including: family law; valuations; financial statement misrepresentation; and economic damages calculations.
- **MBA** - Master of Business Administration, Concentration Finance, University of Minnesota

- **CPA** - Certified Public Accountant, State of Minnesota and Iowa
- Bachelor of Arts, Accounting and Business Administration, Wartburg College

## Positions and Experience

**President – ValuationUSA, LLC (2008)** – Professional services consulting firm specializing in the following areas:

- succession planning, owner wealth accumulation, preservation and transfer planning
- business and intangible asset valuation
- gift and estate tax
- strategic acquisition and divestiture transactions
- value enhancement
- expert opinions – litigation, economic loss / damage analysis and independent opinions / expert testimony

**President – Automotive Development Group Capital and Consulting, LLC (2009)** – Business specializing in helping dealership groups and their owners establish and sustain competitive advantages that lead to performance at extraordinary levels.

**Executive Vice President and Chief Financial Officer - Walser Automotive Group, Minneapolis, MN (2000–2007)** - Automobile dealership group with related leasing, collision repair, reinsurance and real estate operations (\$500 million of revenues, fourteen locations and 750 employees)

**Chief Operating Officer, Director of Valuation and Consulting Department, and Shareholder - Wilkerson, Guthmann + Johnson, Ltd., St. Paul, MN (1981 – 2000)** - Public accounting firm with 40 members and offices in St. Paul, Blaine and Minneapolis. *Industries Served:* Auto dealership, casualty insurance, manufacturing, construction, insurance, service, non-profit, bank, retail, trucking and warehouse.

## Professional Affiliations

*American Society of Appraisers*, a Member and an Accredited Senior Appraiser- Business Valuation (ASA-BV) - ASA is an organization of appraisal professionals. The ASA promotes the exchange of ideas and experiences among its members; maintains the Principles of Appraisal Practice and Code of Ethics for the guidance of its members; maintains universal recognition that members of the Society are objective, unbiased appraisers and consultants, and awards professional designations to qualified members.

*American Institute of Certified Public Accountants*, a Member and an Accredited in Business Valuation Member (ABV), Certified in Financial Forensics (CFF)

*Minnesota Society of Certified Public Accountants*, a Member

*Twin Cities Estate Planning Council*, a Member

#### Select Presentations

- *Business Value: What Leads to a High Performance Manufacturing Business?* 2016 Minnesota Manufacturing Executives, Minneapolis, MN
- *Eight Characteristics of High Value Dealerships*, 2014 Michigan Automotive Dealers Conference, Livonia, MI
- *Eminent Domain Asset Identification, Classification and Valuation*, Eminent Domain 2011: Essential Updates and Issues, Hennepin County Bar Association, Minneapolis, MN
- *Eight Characteristics of High Value Dealerships (And Why Dealers Should Care About Them)*, 2010 AICPA Auto Dealership Conference, Phoenix, AZ
- *AICPA / ASA Business Conference Review*, American Society of Appraisers, Minneapolis, MN
- *Fourteen Evolving Dealership Strategies*, Chicago Automobile Trade Association / Compli, Chicago; Dealer Driving Force Group, Charlotte, NC
- *Integrating Business Value Creation and Tax Planning*, 2010 Management & Business Advisers Conference, MN Society of CPAs, Minneapolis, MN
- *Tax Reduction Strategies for Today's Business Environment*, M&I Bank
- *What Leads to Dealership High Performance*, The New Dealership Era Symposium Sponsored by Compli and Wells Fargo, Bloomington, MN
- *Business and Real Estate Valuation Timely Opportunities*, Thrivent Financial Annual Meeting, Roseville, MN
- *Business Valuation for Attorneys*, Various
- *Understanding Financial Statements for Attorneys*, Various

#### Select Appraisal and Litigation Support Education

- ASA 2015 Advanced Business Valuation Conference, Las Vegas, NV
- How Probability Affects Discounts for Lack of Marketability, 2015
- ASA Annual Business Valuation Conference, 2015, 2014
- MNCPA Business Valuation Conference, 2015, 2013, 2009, 2008
- Price and Value: Discerning the Difference, 2015
- National 7 Hour USPAP for Business Valuation, 2014
- Michigan CPA Automobile Dealers Conference, 2014
- Buying and Selling a Privately Owned Business, 2014
- The NEW Choice of Entity Decision, 2014
- The Best Income Tax, Estate Tax and Financial Planning Ideas of 2013
- Family Law Conference, 2013
- Valuing Early Stage Companies, 2013
- Special Topics in the Valuation of Intangible Assets, 2012
- Using Market Data to Support Real Estate Partnership Discounts, 2012
- Reasonable Compensation: Application and Analysis for Appraisal, Tax and Management Purposes, 2011
- AICPA National Business Valuation Conference, 2011, 2008
- Factors of Comparability: Considerations Affecting Market Royalty Rates and Intangible Property Valuations, 2011
- 20<sup>th</sup> Annual National Expert Witness Conference, 2011
- Pluris Discount for Lack of Marketability Study Results, 2010
- Business Valuations for SBA Loan Purposes: Important Developments and Perspectives, 2010
- The Exploration, Examination, and Dissection of Reasonable Compensation, 2010
- Valuation Issues in Estate and Gift Tax, 2010
- Advanced Issues in Fairness and Solvency Opinions, 2010
- Real Option Valuation, 2009
- Monte Carlo Simulation, 2009
- Reconciling the Lack of Marketability Discount Theories, 2009
- Reasonable Compensation, 2008
- National Business Valuation Conference (AICPA / ASA), 2008
- Cost of Capital, 2008
- ASA International Appraisal Conference 2008
- Illinois Business Valuation Conference, 2008
- Evaluating Risk Business Valuation Conference, 2008
- Reconciling the Lack of Marketability Discount Theories 2008
- ABV Examination Review Course, 2007
- ABV Examination Review Course and Exam
- Valuation of Family Limited Partnerships and Limited Liability Companies
- S Corporation Valuation Issues
- Employment Damages Workshop
- Tax Issues in Divorce
- Expert Witness in an Untested Litigation Area
- Uniform Standards of Appraisal Practice, Course and Exam
- Selection and Use of an Expert in Litigation
- Income Tax Planning for Estates and Trusts
- Family Limited Partnerships in Minnesota

**EXHIBIT B – Primary Materials Considered**

In addition to the information data described in Sections 5 above, I considered the following:

- The United States District Court for The Southern District of Florida In Re: Takata Airbag Products Liability Litigation Settlement Agreements with BMW, Mazda, Subaru and Toyota.
- Various interviews with extended service contract professionals' familiar with the U.S. markets.
- Results of research regarding U.S. inoperable vehicles and vehicles with salvaged, rebuilt or flood-damaged titles.
- Results of research regarding U.S. vehicle survivability, age and miles driven.
- *Vehicle Survivability and Travel Mileage Schedules*, January 2006. National Highway Traffic Safety Administration.
- *2016 Official Warranty Guide*, JL Warranty
- *Toyota New Vehicle Warranty*
- Allstate vehicle service agreements
- C.N.A. National Warranty Corporation vehicle service agreements
- *C.N.A. Class Listings for Vehicle Service Contracts*
- Protective vehicle service agreements
- Various warranty insurance company state filings showing rate filings and rate manual guidelines
- Toyota Financial Services extended service contract information
- Lexus Financial Services extended service contract information
- NADA DATA Various Reports



**Exhibit C – Valuation Primary Significant Assumptions and Limiting Conditions**

- Information provided by the Defendants is accurate and responsive to the information request.
- My calculations assume a Valuation Effective Date of June 15, 2017; if the timing of the final approval date of the Settlement Agreement occurs as expected during the fourth quarter of 2017, my valuation conclusions will be materially accurate.
- While I believe my valuation conclusions are valid, I reserve the right to submit a revised valuation to correct any inadvertent errors or omissions, given the complexity of this valuation, number of Defendants involved, and time constraints of the project, including delays in providing information I requested.
- Not all information requested was available, however, I believe that the information made available to me by the Defendants, taken as a whole, provided sufficient data from which I could draw valid valuation conclusions.
- I applied a 25% probability of the occurrence of the future recall mentioned in paragraph 6.c.iv of this declaration.

**Exhibit D1****BMW CSP Warranty Valuation Summary and Conclusion**

<u>Estimated Subject Vehicles</u>		<u>Estimated Coverage Years</u>		<u>Valuation Summary</u>	
Model Year	Number of Vehicles	Average Coverage Years by Model Year	Coverage Years	Estimated Per Vehicle Hypothetical ESC Market Price	Estimated Value of Benefits By Model Year
(A)	(B)	(C)	(D) (B X C = D)	(E)	(F) (D X E = F)
2000	76,988	1.7	130,880	\$3.10	\$ 406,000
2001	148,265	2.0	296,530	\$3.10	\$ 919,000
2002	149,370	2.3	343,551	\$3.10	\$ 1,065,000
2003	143,442	2.7	387,293	\$3.10	\$ 1,201,000
2004	112,585	3.2	360,272	\$3.10	\$ 1,117,000
2005	64,909	3.7	240,163	\$3.10	\$ 745,000
2006	64,179	4.1	263,134	\$3.10	\$ 816,000
2007	133,171	4.5	599,270	\$3.10	\$ 1,858,000
2008	148,530	4.7	698,091	\$3.10	\$ 2,164,000
2009	90,380	4.8	433,824	\$3.10	\$ 1,345,000
2010	56,422	5.0	282,110	\$3.10	\$ 875,000
2011	146,007	4.9	715,434	\$3.10	\$ 2,218,000
2012	96,490	5.3	511,397	\$3.10	\$ 1,585,000
2013	152,896	5.6	856,218	\$3.10	\$ 2,654,000
2014	143,415	6.3	903,515	\$3.10	\$ 2,801,000
2015	178,212	6.3	1,122,736	\$3.10	\$ 3,480,000
2016	192,123	6.4	1,229,587	\$3.10	\$ 3,812,000
2017	157,699	6.5	1,025,044	\$3.10	\$ 3,178,000
	<u>2,255,083</u>		<u>10,399,047</u>		<u>\$ 32,239,000</u>
<b>Valuation Conclusion</b>					<b>\$ 32,240,000</b>

**Exhibit D2****Mazda CSP Warranty Valuation Summary and Conclusion**

<u>Estimated Subject Vehicles</u>		<u>Estimated Coverage Years</u>		<u>Valuation Summary</u>	
Model Year	Number of Vehicles	Average Coverage Years by Model Year	Coverage Years	Estimated Per Vehicle Hypothetical ESC Market Price	Estimated Value of Benefits By Model Year
(A)	(B)	(C)	(D) (B X C = D)	(E)	(F) (D X E = F)
2000	0	0.0	0	\$3.10	\$ -
2001	0	0.0	0	\$3.10	\$ -
2002	0	0.0	0	\$3.10	\$ -
2003	56,606	2.3	130,194	\$3.10	\$ 404,000
2004	148,977	2.8	417,136	\$3.10	\$ 1,293,000
2005	108,874	3.4	370,172	\$3.10	\$ 1,148,000
2006	88,215	3.9	344,039	\$3.10	\$ 1,067,000
2007	172,765	4.3	742,890	\$3.10	\$ 2,303,000
2008	144,326	4.5	649,467	\$3.10	\$ 2,013,000
2009	69,502	4.7	326,659	\$3.10	\$ 1,013,000
2010	274,797	3.8	1,044,229	\$3.10	\$ 3,237,000
2011	204,517	4.3	879,423	\$3.10	\$ 2,726,000
2012	237,857	4.9	1,165,499	\$3.10	\$ 3,613,000
2013	150,767	5.6	844,295	\$3.10	\$ 2,617,000
2014	34,659	6.5	225,284	\$3.10	\$ 698,000
2015	18,733	6.9	129,258	\$3.10	\$ 401,000
2016	0	0.0	0	\$3.10	\$ -
2017	0	0.0	0	\$3.10	\$ -
	<u>1,710,595</u>		<u>7,268,543</u>		<u>\$ 22,533,000</u>
<b>Valuation Conclusion</b>					<b>\$ 22,530,000</b>

**Exhibit D3****Subaru CSP Warranty Valuation Summary and Conclusion**

<u>Estimated Subject Vehicles</u>		<u>Estimated Coverage Years</u>		<u>Valuation Summary</u>	
Model Year	Number of Vehicles	Average Coverage Years by Model Year	Coverage Years	Estimated Per Vehicle Hypothetical ESC Market Price	Estimated Value of Benefits By Model Year
(A)	(B)	(C)	(D) (B X C = D)	(E)	(F) (D X E = F)
2000	0	0.0	0	\$1.40	\$ -
2001	0	0.0	0	\$1.40	\$ -
2002	0	0.0	0	\$1.40	\$ -
2003	100,858	2.5	252,145	\$1.40	\$ 353,000
2004	103,106	3.0	309,318	\$1.40	\$ 433,000
2005	170,206	3.5	595,721	\$1.40	\$ 834,000
2006	161,600	4.0	646,400	\$1.40	\$ 905,000
2007	108,545	4.4	477,598	\$1.40	\$ 669,000
2008	168,535	4.6	775,261	\$1.40	\$ 1,085,000
2009	200,949	4.8	964,555	\$1.40	\$ 1,350,000
2010	290,499	4.9	1,423,445	\$1.40	\$ 1,993,000
2011	307,178	5.1	1,566,608	\$1.40	\$ 2,193,000
2012	213,078	5.2	1,108,006	\$1.40	\$ 1,551,000
2013	288,934	5.4	1,560,244	\$1.40	\$ 2,184,000
2014	170,474	6.4	1,091,034	\$1.40	\$ 1,527,000
2015	223,083	7.4	1,650,814	\$1.40	\$ 2,311,000
2016	210,999	7.4	1,561,393	\$1.40	\$ 2,186,000
2017	293,159	7.5	2,198,693	\$1.40	\$ 3,078,000
	<u>3,011,203</u>		<u>16,181,233</u>		<u>\$ 22,652,000</u>
<b>Valuation Conclusion</b>					<b>\$ 22,650,000</b>

**Exhibit D4****Toyota CSP Warranty Valuation Summary and Conclusion**

<u>Estimated Subject Vehicles</u>		<u>Estimated Coverage Years</u>		<u>Valuation Summary</u>	
Model Year	Number of Vehicles	Average Coverage Years by Model Year	Coverage Years	Estimated Per Vehicle Hypothetical ESC Market Price	Estimated Value of Benefits By Model Year
(A)	(B)	(C)	(D) (B X C = D)	(E)	(F) (D X E = F)
2000	0	0.0	0	\$2.50	\$ -
2001	0	0.0	0	\$2.50	\$ -
2002	48,899	2.1	102,688	\$2.50	\$ 257,000
2003	586,260	2.5	1,465,650	\$2.50	\$ 3,664,000
2004	589,346	3.0	1,768,038	\$2.50	\$ 4,420,000
2005	696,830	3.5	2,438,905	\$2.50	\$ 6,097,000
2006	660,926	4.0	2,643,704	\$2.50	\$ 6,609,000
2007	469,618	4.4	2,066,319	\$2.50	\$ 5,166,000
2008	319,004	4.6	1,467,418	\$2.50	\$ 3,669,000
2009	610,281	4.8	2,929,349	\$2.50	\$ 7,323,000
2010	748,101	4.9	3,665,695	\$2.50	\$ 9,164,000
2011	611,467	5.1	3,118,482	\$2.50	\$ 7,796,000
2012	491,749	5.3	2,606,270	\$2.50	\$ 6,516,000
2013	548,158	5.4	2,960,053	\$2.50	\$ 7,400,000
2014	640,565	6.7	4,291,786	\$2.50	\$ 10,729,000
2015	592,040	7.3	4,321,892	\$2.50	\$ 10,805,000
2016	605,961	7.3	4,423,515	\$2.50	\$ 11,059,000
2017	504,283	7.5	3,782,123	\$2.50	\$ 9,455,000
2018	8,902	7.5	66,765	\$2.50	\$ 167,000
	<u>8,732,390</u>		<u>44,118,651</u>		<u>\$ 110,296,000</u>
<b>Valuation Conclusion</b>					<b>\$ 110,300,000</b>