

To: Al Bernat
CC:
From: Bob Schubert
Date: 1/6/2005
Re: Integrity

Al:

As part of my audits of ASL and ISI, it is becoming increasingly clear that there are major issues of integrity present in the ASL-IO organization. I cannot, in good conscience, fail to report these issues to you. To do so exposes me and the company to potentially significant penalties.

Background

I've been involved in the inflator group for more than a decade. In this time, I've been repeatedly exposed to the Japanese practice of altering data presented to the customer. This practice is described as simply "the way we do business in Japan."

During my tenure as Engineering Director at ISI, I was aware that some of our reports were altered by IO prior to presentation to Japanese customers. I would characterize these alterations as "prettying up" the data. This would usually take the form of removing one or more test plots from the report. To the best of my knowledge, these alterations never changed the fundamental conclusion of the report. Our data was in spec, the Japanese alterations simply made the results "more" in. The practice confounded my engineers, but we managed to deal with it by always insuring we had a fully compliant product and the data to support that conclusion, and accepting that indeed there are differences in the way business is conducted in Japan and the US.

Recently, it has come to my attention that the practice has gone beyond all reasonable bounds and now most likely constitutes fraud.

Specific Concerns

1. The PSDI5 PV report presented to Honda is not representative of the true technical status of the product. I've provided you with a detailed summary of the differences between the US and Japan reports, but in summary, the US report details the failure of the product to meet

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the effluent requirements, particulate requirements, and the factor of safety data is altered to show a higher margin than actually exists.

2. There exists a PSPI6c DV report, presented to the customer that represents a complete fabrication. The report is simply a collection of sample LAT data and other general engineering tests, assembled as a DV report and described as compliant. In this instance, the product is reported to have passed environments when no such tests have occurred. When I asked the engineer about the DV, he responded "I'm not finished with the testing, but there is already a complete report in the hands of the customer." The DV *may* ultimately be found to be acceptable, but the data presented to the customer represents a wholesale fabrication.
3. Real concerns, raised by the engineering staff are ignored by ASL management. Specifically, there is a significant

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