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Theodore M. Hester
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March 30, 2010

The Honorable Bruce L. Braley
U.S. House of Representatives
1019 Longworth House Office Building
Washington, DC 20515

**CONFIDENTIAL TREATMENT
REQUESTED. PROVIDED TO THE
COMMITTEE ON ENERGY AND
COMMERCE ON BEHALF OF TOYOTA
MOTOR NORTH AMERICA, INC.
PURSUANT TO COMMITTEE REQUEST.**

Dear Mr. Braley:

On behalf of Toyota Motor North America, Inc. ("TMA" or "Toyota"), I am writing to respond to the questions you raised at the Energy and Commerce, Subcommittee on Oversight and Investigations hearing on February 23, 2010, regarding Exponent. Toyota has asked me to provide the following response and documentation.

Over its 40-year history, Exponent (formerly Failure Analysis Associates) has conducted more than 50,000 investigations in areas such as fires and explosions, human performance, electrical engineering, civil/structural engineering, product or process risk assessment, and biomechanics. It is authorized by the General Services Administration (GSA) to provide professional engineering services and has a long history of assisting federal and state governmental entities. In 1986, Exponent advised the Presidential Panel investigating the Challenger explosion. In the aftermath of the January 1994 Northridge earthquake, Exponent engineers volunteered as Safety Assessment Evaluators with California's Office of Emergency Services and worked with FEMA to evaluate the extent of the damage. After the Oklahoma City Bombing, Exponent was called in to determine how to safely conduct the rescue effort, and its engineers were on FEMA's Search and Rescue Team following September 11, 2001, and Hurricane Katrina. Exponent is currently working on projects for the U.S. Department of the Interior and is assisting the United States Army's efforts in Afghanistan and Iraq.

Toyota engaged Exponent in December 2009 to assist in its efforts to understand customer reports and claims of unintended acceleration in vehicles installed with ETCS-i (Electronic Throttle Control System with intelligence). In response to your request for documents outlining the scope of the agreement, Toyota is providing the engagement letter (Attachment A), the terms and conditions of the agreement (Attachment B), and the schedule of rates and charges (Attachment C). Toyota did not limit the scope or budget of Exponent's investigation.

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In response to your request for an accounting of fees Toyota has paid to Exponent, Attachment D sets forth the dollar amounts Toyota has paid Exponent for each year from 2000 through 2009. During this ten year period, Exponent's revenues from Toyota represented less than one percent of Exponent's total revenue.

If you have any questions regarding this matter, or need additional information, please call me at 202-626-[REDACTED]

Sincerely,

A handwritten signature in black ink, appearing to read 'Theodore M. Hester', with a large loop at the top and a stylized 'H'.

Theodore M. Hester

cc: The Honorable Henry A. Waxman, Chairman
The Honorable Joe Barton, Ranking Member
Committee on Energy and Commerce

The Honorable Bart Stupak, Chairman
The Honorable Michael Burgess, Ranking Member
Subcommittee on Oversight and Investigations

Exponent
Failure Analysis Associates®

Subbaiah V. Malladi, Ph.D., P.E.
Chief Technical Officer

Exponent
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Menlo Park, CA 94025

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www.exponent.com

December 7, 2009

Joel Smith, Esq.
Bowman & Brooke
1441 Main Street, Suite 100
Columbia, SC 29201

Subject: Toyota Class Actions
Project No. 0907698.000

Dear Joel:

Per our discussions, Exponent Failure Analysis Associates (Exponent) is pleased to offer our assistance in the subject matters. Our scope of services is anticipated to include engineering consulting services related to class actions filed against Toyota.

Exponent's services will be provided on a time-and-expense basis. Charges will include professional fees (commensurate with the level of expertise of the personnel assigned to the project), equipment usage fees, and other out-of-pocket expenses according to our *Schedule of Rates & Charges*, a copy of which is enclosed and made a part hereof by reference. For your information, the billing rates of key individuals expected to contribute to these efforts are listed below.

Subbaiah Malladi, Ph.D., P.E.	\$395
Ph.D., P.E.	\$310
Matthew Schwall, Ph.D., P.E.	\$215
Shukri Souri, Ph.D., P.E.	\$425
	\$195
	\$125

Exponent's services are provided only in accordance with our *Terms and Conditions of Agreement*, a copy of which is enclosed and made a part hereof by reference. It is our understanding that Exponent's retention on this project is solely with your organization and all charges (i.e., fees and expenses) incurred by Exponent on this project will be the responsibility of Bowman and Brooke, independent of other parties/payees involved. If our understanding is not correct and your organization is not responsible for these charges, please have the responsible party sign this letter to signify that the terms are acceptable and Exponent is authorized to commence work as described herein. If invoices should be mailed to an address other than the one above, please provide that information with the signed letter.

Based on the information you have provided, we have performed a conflict-of-interest check for the following parties:

- Toyota Motor Company
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ATTACHMENT A

Using this information, Exponent has determined that it does not currently have a conflict that would preclude us from assisting you in this matter. Please inform me as soon as possible if this list of parties is inaccurate or incomplete, or if other parties become involved as this matter proceeds.

Please indicate your understanding and acceptance of the terms of retention by signing and returning a copy of this letter. If you have any questions or require additional information, please do not hesitate to contact me at (650) 688-7272. We look forward to working with you.

Sincerely,

Accepted by:



Authorized Signature

Name and Title

Organization

Date

Subbaiah Malladi, Ph.D., P.E.
Chief Technology Officer

Attachments (2)

TERMS AND CONDITIONS OF AGREEMENT**CHARGES**

Work performed under a fixed-price arrangement will be billed at the agreed fixed amount. Work performed on a time-and-expenses basis will be charged in accordance with the most current Consulting Services Schedule of Rates & Charges of Exponent. Any unusual work not specifically covered by that schedule will be charged at a rate mutually determined to be reasonable in relation to the type of work to be performed.

At the discretion of Exponent, a suitable retainer may be required from the client in advance. Such an amount will be held by Exponent until the final invoice is prepared, at which time the client's account will be reconciled.

Evidence storage and disposal after closure of Exponent's case file will be the responsibility of the client. Upon the client's request, Exponent may agree to provide temporary storage space for a reasonable fee, which the client agrees to pay monthly upon presentation of an invoice from Exponent.

Taxes will be charged where applicable.

PAYMENT

Invoices are typically rendered monthly or in accordance with the agreed upon payment schedule, and are due upon receipt. Outstanding balances past due over 30 days are subject to a delinquency charge until paid. Exponent, without liability, may withhold delivery of reports and other data, and may suspend performance of its obligations to the client, pending full payment of all charges. Exponent reserves the right to decline further work with any client delinquent in payment of charges due to Exponent for previous work, until such balances are paid in full.

EXECUTION OF SCOPE OF SERVICES

Exponent will work in accordance with generally accepted professional engineering practice. No other warranty, express or implied, is made concerning work performed under the agreement, including Exponent's findings, recommendations, specifications, or professional advice.

Exponent will diligently proceed with the contracted work and report to the client in a timely manner, except for delays occasioned by factors beyond Exponent's control, by factors that were not reasonably foreseeable, or by factors initiated by the client.

Work under the agreement will be terminated upon receipt by Exponent of written notice from the client, except that Exponent may complete such analyses, records, and reports as are reasonably necessary to adequately document the work performed through termination. Charges for such work will be kept to a reasonable minimum, not exceeding 10% of total charges incurred through the date of termination. Work under a fixed-price agreement that is terminated before completion will be billed on a percentage of completion basis for effort expended up to the receipt of client's written notice of termination. Work under the agreement may be terminated by Exponent only for just cause. This includes, but is not limited to: development of a material conflict of interest, judicially required participation in onerous discovery or other legal process outside the intended scope of the work, or the presence of circumstances beyond Exponent's control, such as natural disasters or government intervention.

Exponent, unless other specific arrangements are made, will maintain its technical files for 30 days after the final payment is received and the case file is closed. Financial records will be retained according to I.R.S. requirements, but not less than one year after the case file is closed.

MISCELLANEOUS

The client assumes full and complete responsibility for all uses and applications of Exponent's recommendations, or work under this agreement, or failure to use recommendations or work, and agrees to indemnify and hold harmless Exponent, its affiliates, officers, directors, employees, agents, and stockholders against any and all liability, damages, losses, claims, demands, actions, causes of action, and costs including attorney's fees and expenses resulting from the death or injury to any person or damage to any property or any other alleged or actual damages resulting from the aforementioned use, application, or nonuse of Exponent's recommendations or work under this agreement.

The client agrees that in no event shall Exponent, its affiliates, officers, directors, employees, agents, or stockholders be liable for any incidental or consequential damages, direct or indirect, arising from Exponent's services under this agreement.

Exponent will hold in strictest confidence all proprietary information and trade secrets of the client to which it may be given access. Unless otherwise expressly agreed in writing, all reports, recommendations, procedures, and other information provided to the client under this agreement shall be joint property of the client and Exponent, and may be used without restriction by either. However, unless otherwise expressly agreed in writing, Exponent shall retain exclusive rights to all proprietary information, technologies, trade secrets, inventions, or patentable ideas developed during the performance of this agreement.

In any litigation involving the client in which Exponent is compelled by subpoena or court order to testify at a deposition or judicial proceeding, or to produce documents regarding work performed by Exponent, the client agrees to compensate Exponent, at its prevailing hourly rate, for all time spent by Exponent in responding to such legal process, including all time spent in preparing for such testimony. The client also agrees to pay Exponent's reasonable attorney's fees and expenses included in connection with the foregoing. In the event of any such subpoena or court order, Exponent will promptly notify the client to enable the client to object to any such testimony or production of documents.

In the event of a lawsuit between the client and Exponent under this agreement, such lawsuit shall be filed and tried only in a court of competent jurisdiction within San Francisco County, California. California law shall apply to any such proceeding. The prevailing party in any action shall recover from the losing party its reasonable attorney's fees and costs of suit incurred in addition to any other relief granted.

CONSULTING SERVICES SCHEDULE OF RATES & CHARGES

PROFESSIONAL FEES

The staff of Exponent comprises highly qualified professionals - both employees and consultants. Exponent charges its clients for services provided according to the skill level of the individual assigned to the client's project. For billing purposes, Exponent provides the following staff classifications that designate relative experience, training, and accomplishment within a technical field together with the range of standard hourly fees charged for their services.

Principal / Officer*	Senior-level technical or management person, responsible for technical direction or general management or administration of the Firm.	\$260.00 - \$600.00
Senior Manager	Senior technical professional providing high-level or individual consulting assignments, or overall technical direction of projects, may have management responsibility for a technical field within the Firm.	\$225.00 - \$425.00
Manager	Senior technical professional providing high-level or individual consulting assignments or overall technical direction of projects.	\$175.00 - \$375.00
Senior Engineer/ Scientist/Associate	Experienced technical professional skilled in planning, organizing, controlling, and executing complex, higher-order projects or assignments.	\$140.00 - \$260.00
Engineer/Scientist/ Associate	Trained/degreed professional responsible for executing technical assignments in support of client projects.	\$100.00 - \$225.00
Technical/Research Specialist	Personnel experienced in instrumentation, programmer testing, library science, or the development or execution of research methodologies in support of technical/engineering projects.	\$ 80.00 - \$195.00
Technical Assistant	Laboratory, data processing, engineering-graphics, engineering technician, or other personnel responsible for the execution of specialized tasks in support of technical / engineering projects.	\$ 60.00 - \$135.00
Administrative/ Non-technical Assistant	Personnel who assist technical staff in various administrative non-technical areas, including scheduling, report productions, communications, logistics, and project support.	\$ 60.00 - \$125.00

* Rates do not include Chairman Emeritus, Dr. Roger McCarthy. Dr. McCarthy's rate is \$800.00/hour.

The above hourly rates represent the professional fees charged by Exponent for work performed within the continental United States. A rate is established for each employee within his/her classification, based on that person's individual qualifications and experience. These rates are modified annually on or about January 1, or otherwise at the discretion of Exponent. For projects conducted outside the continental United States, premium rates may be applied to adjust for cost-of-living differentials. Premium rates may also be applied when, at the client's request, work is to be accomplished in such a way as to increase costs to Exponent. This may occur due to schedule constraints or planned inefficiencies. Premium rates for this work shall be no less than 15% greater than the hourly rates quoted above. Payment is required in U.S. dollars within thirty (30) days after receipt of invoice, or interest charges may be applied.

FIXED-PRICE SERVICES

When the services required or the character of the final work product are sufficiently defined, Exponent may provide such services or deliverables on a fixed-price basis.

SPECIAL PROJECTS

Specialized software, methodologies, services, or technical products developed by Exponent will be charged at rates that reflect development costs and equivalent technical value. Specific prices and terms of agreement will be provided upon request.

EQUIPMENT CHARGES

Technical equipment may be used both in-house and in the field to assist Exponent personnel in their work. An hourly access fee is charged for selected equipment, for which examples are the scanning electron microscope and the Materials Test System.

OTHER PROJECT EXPENSES

Air travel is charged at the most effective fare basis for the project involved and is invoiced to the client at Exponent's cost. Exponent personnel below the principal classification charge coach fares per Exponent's policy. Local mileage is charged in accordance with I.R.S. guidelines. Some project expenses requiring administrative processing are charged at cost plus fifteen percent (15%). These may include (but are not necessarily limited to) meals, materials, equipment, outside laboratory tests, outside computer charges, special printing and reproduction, shipping charges, special fees, or supplemental insurance. Consumable materials may be charged in some instances on an applied rate rather than an incurred cost basis. Professional expenses related to legal discovery requirements brought about by Exponent's services will be charged at the above rates.

ATTACHMENT D

**Exponent Revenues from Toyota
Fiscal Years 2000 through 2009
(Dollars in thousands)**

Fiscal Year	Exponent Revenues from Toyota	Exponent Revenues from All Clients	Percentage of Exponent Revenues from Toyota
2000	\$469	\$131,830	0.36%
2001	\$149	\$123,559	0.12%
2002	\$383	\$134,307	0.29%
2003	\$778	\$149,059	0.52%
2004	\$1,092	\$158,445	0.69%
2005	\$1,415	\$167,994	0.84%
2006	\$1,541	\$173,084	0.89%
2007	\$1,374	\$210,253	0.65%
2008	\$1,591	\$235,040	0.68%
2009	\$2,111	\$234,602	0.90%

“Exponent Revenues from Toyota” are based on work performed in the corresponding fiscal year where Exponent was retained directly by a client with Toyota in its name. Additionally, “Exponent Revenues from Toyota” includes gross revenues for Exponent clients, such as law firms, insurance companies, or third party claim administrators, who informed Exponent that the work performed was for their client Toyota. Exponent believes the result of the search provides a reasonable estimate of gross revenues from Toyota.