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DEFECTS INVESTIGATION

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(7 pages)

Safety Defect and Noncompliance Report Guide for Vehicles
PART 573 Defect and Noncompliance Responsibility and Reports¹

On April 19, 2006, Saleen, Inc. decided that a noncompliance with Federal Motor Vehicle Safety Standard No. 113 exists in the motor vehicles listed below, and is furnishing notification to the National Highway Traffic Safety Administration in accordance with 49 CFR Part 573 Defect and Noncompliance Responsibility and Reports.

Date this report was prepared: April 26, 2006

Furnish the manufacturer's identification code for this recall (if applicable): _____

1. Identify the full corporate name of the fabricating manufacturer of the vehicle being recalled. If the recalled vehicle is imported, provide the name and mailing address of the designated agent as prescribed by 49 U.S.C. §30164.

Saleen, Inc.

76 Fairbanks

Irvine, CA 92618

Identify the corporate official, by name and title, whom the agency should contact with respect to this recall.

Manny Margaretis

Director of Aftermarket Operations and Warranty

Telephone Number: (949) 597-3805 Fax No.: (949) 457-0859

Name and Title of Person who prepared this report.

Erich Brock

Sr. Technical Writer

Signed:  Erich Brock

¹ Each manufacturer must furnish a report, to the Associate Administrator for Safety Assurance, for each defect or noncompliance condition which relates to motor vehicle safety.

This guide was developed from 49 CFR Part 573, "Defect and Noncompliance Responsibility and Reports" and also outlines information currently requested. Any questions, please consult the complete Part 573 or contact Mr. George Person at (202) 366-5210 or by FAX at (202) 366-7882.

I. Identify the Vehicle Models Involved in the Recall

2. Identify the Vehicles Involved in the Recall, for each make and model or applicable vehicle line (provide illustrations or photographs as necessary to describe the vehicle), provide:

Make(s): Saleen Model Years Involved: 2005 & 2006 Model(s): S281

Production Dates: Beginning: 11/1/2004 Ending: 4/20/2006

VIN Range: Beginning: Serial number 05-0010 Ending: Serial number 06-1152

Vehicle Type: 2+2 Bodystyle: Coupe & Convertible

Descriptive information which characterizes/distinguishes the recalled vehicles from those model vehicles not included in the recall:

The vehicle has "Saleen" front brake calipers, 14" or 15" diameter front brake rotors, and front steel braided brake lines.

Make(s): _____ Model Years Involved: _____ Model(s): _____

Production Dates: Beginning: _____ Ending: _____

VIN Range: Beginning: _____ Ending: _____

Vehicle Type: _____ Bodystyle: _____

Descriptive information which characterizes/distinguishes the recalled vehicles from those model vehicles not included in the recall:

Make(s): _____ Model Years Involved: _____ Model(s): _____

Production Dates: Beginning: _____ Ending: _____

VIN Range: Beginning: _____ Ending: _____

Vehicle Type: _____ Bodystyle: _____

Descriptive information which characterizes/distinguishes the recalled vehicles from those model vehicles not included in the recall:

Identify the approximate percentage of the production of all the recalled models manufactured by your company between the inclusive dates of manufacture provided above, that the recalled model population represents. For example, if the recall involved Widgets equipped with certain items of equipment from January 1, 1996 through April 1, 1997, then what was the percentage of the recalled Widgets of all Widgets manufactured during that time period. 35%

II. Identify the Recall Population

3. Furnish the total number of vehicles recalled potentially containing the defect or noncompliance.

Model	Year	Number of Vehicles Potentially Involved:
S281 Supercharged	2006	ALL
S281 Extreme	2006	ALL
S281 3-Valve with 14" brake upgrade	2005 & 2006	ALL
S281 Supercharged with 14" brake upgrade	2005	ALL

Total Number Potentially Affected by the Recall: 851

4. Furnish the approximate percentage of the total number of vehicles estimated to actually contain the defect or noncompliance: less than 1%

Identify and describe how the recall population was determined--in particular how the recalled models were selected and the basis for the beginning and final dates of manufacture of the recalled vehicles:

The recall population was determined by auditing all manufacturing records to identify which vehicles were upgraded with 14" or 15" brake systems.

III. Describe the Defect or Noncompliance

5. Describe the defect or noncompliance. The description should address the nature and physical location of the defect or noncompliance. Illustrations should be provided as appropriate.

The end fittings of the front hydraulic brake hoses (LH and RH) can leak or completely separate. Figure 1 (below) shows a separated part.

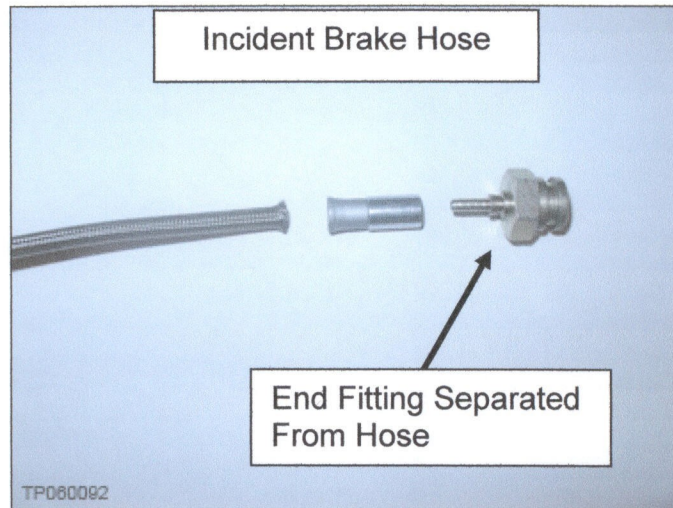


Figure 1

Describe the cause(s) of the defect or noncompliance condition.

Improper crimping of the brake hose end fittings.

Describe the consequence(s) of the defect or noncompliance condition.

The front brakes can become partially or totally inoperable as a result of loss of hydraulic fluid in the brake system.

Identify any warning which can (a) precede or (b) occur.

a.) The brake pedal can seem spongy or soft. (b.) Vehicle braking performance can be negatively affected, increasing stopping distances.

If the defect or noncompliance is in a component or assembly purchased from a supplier, identify the supplier by corporate name and address.

Goodridge USA 529 Van Ness Ave. Torrance, CA 90501

Identify the name and title of the chief executive officer or knowledgeable representative of the supplier:

Adrian Nield

IV. Provide the Chronology in Determining the Defect/Noncompliance

If the recall is for a defect, complete item 6, otherwise item 7.

6. With respect to a defect, furnish a chronological summary (including dates) of all the principle events that were the basis for the determination of the defect. The summary should include, but not be limited to, the number of reports, accidents, injuries, fatalities, and warranty claims.

7. With respect to a noncompliance, identify and provide the test results or other data (in chronological order and including dates) on which the noncompliance was determined.

A report was received on April 13, 2006 indicating the one known incident. On April 17, 2006 photo documents were received and a meeting was held to discuss the content of the photo documents. On April 18, 2006 the incident part was received from the field and a meeting was held with the part supplier (Goodridge). On April 19, 2006 a corrective action plan was drafted by the Engineering group. On April 20, 2006 interim countermeasure parts were received from a different parts supplier (Stop Tech) and implemented into production until the final countermeasure parts arrived. On April 21, 2006 the final countermeasure parts were received and implemented into production.

V. Identify the Remedy

8. A description of the manufacturer's program for remedying the defect or noncompliance. This program shall include a plan for reimbursing an owner or purchaser who incurred costs to obtain a remedy for the problem addressed by the recall within a reasonable time in advance of the manufacturer's notification of owners, purchasers and dealers, in accordance with §573.13 of this part. A manufacturer's plan may incorporate by reference a general reimbursement plan it previously submitted to NHTSA, together with information specific to the individual recall. Information required by §573.13 that is not in a general reimbursement plan shall be submitted in the manufacturer's report to NHTSA under this section. If a manufacturer submits one or more general reimbursement plans, the manufacturer shall update each plan every two years, in accordance with §573.13. The manufacturer's remedy program and reimbursement plans will be available for inspection by the public at NHTSA headquarters.

Saleen, Inc. will supply new replacement front brake hoses, including complete installation instructions and technical support. Saleen, Inc. will cover all labor costs. The replacements will be completed by authorized Ford dealers. Saleen will work with dealerships to obtain status of each vehicle. Vehicles in dealership stock will be fixed before they are sold through shipping parts to dealerships during the week beginning May 1st, 2006. A TSB will be provided to all dealerships with instructions for the warranty process and instructions for installing the update kit. Instructions will also be provided with the kit. Saleen will also work with dealerships to build a database of customer information to notify all vehicle owners through the owner letter.

Saldeen will constantly audit the database and remind those owners who have not yet completed the service. A schedule of these activities is provided in section VI.

9. Furnish a description of the manufacturer's remedy for the defect or noncompliance. Clearly describe the differences between the recall condition and the remedy.

The part supplier will perform a quality inspection on all (100%) manufactured brake hose assemblies. This will ensure all hoses are properly crimped.

Clearly describe the distinguishing characteristics of the remedy component/assembly versus the recalled component/assembly.

The new brake hoses are marked with an identification tag listing the part number, supplier name and manufacture location, date of manufacture, and DOT certification number. The tag indicates that the part has successfully passed quality control requirements. The old, suspect brake hoses did not have an identification tag.

Identify and describe how and when the recall condition was corrected in production. If the production remedy was identical to the recall remedy in the field, so state. If the product was discontinued, so state.

The production remedy is identical to the recall remedy.

VI. Identify the Recall Schedule

10. Furnish a schedule or agenda (with specific dates) for notification to other manufacturers, dealers/retailers, and purchasers. Please, identify any foreseeable problems with implementing the recall.

4/24/2006: Begin customer database development.

4/25/06: Start TSB development for field fix.

4/26/2006: Initiate certified correspondence to dealers/retailers.

5/1/06: Release TSB to dealers

5/2/06: Begin shipping revised parts to dealers

5/3/06: Begin shipping owner notification letters

6/3/06: Send second owner notification letters

VII. Furnish Recall Communications

11. Furnish a final copy of all notices, bulletins, and other communications that relate directly to the defect or noncompliance and which are sent to more than one manufacturer, distributor, or purchaser. This includes all communications (including both original and follow-up) concerning this recall from the time your company determines the defect or noncompliance condition on, not just the initial notification. *A DRAFT copy of the notification documents should be submitted to this office by Fax (202-366-7882) for review prior to mailing.*

Note that these documents are to be submitted separately from those provided in accordance with Part 579.5 requirements.