



Lotus Cars USA, Inc.

VIA UPS and EMAIL

May 22, 2009

Associate Administrator for Enforcement
National Highway Traffic Safety Administration
Department of Transportation
1200 New Jersey Ave SE
Washington, DC 20059

RECEIVED
2009 MAY 26 P 2:53
OFFICE OF DEFECTS
INVESTIGATION

Attention: Ms Kathleen DeMeter, Director, Office of Defect Investigations

RE: Part 573 Notice of Lotus Cars Limited Regarding Defect Determination

Dear Ms DeMeter:

Enclosed is Lotus Cars Limited's Part 573 Notice of Defect Determination as regards MY 2009 Lotus Elise-Exige.

1. GENERAL

- A. Date this report was prepared: May 22, 2009.
- B. Manufacturer's identification code for this recall: will use NHTSA number
- C.
 - i. Full corporate name of the fabricating manufacturer of the vehicle being recalled: Lotus Cars Limited
 - ii. The recalled vehicle is imported; the name and mailing address of the designated agent is: *Arnold A. Johnson,
Lotus Cars USA, Inc.
2236 Northmont Pkwy
Duluth, GA 30096*

- iii. Identify the corporate official whom agency should contact:
Name Arnold A. Johnson
Title Director of Operations
Telephone 770 476 6559
Fax 770 476 6541
Email ajohnson@lotuscars.com

2. IDENTIFICATION OF THE VEHICLE MODEL INVOLVED

- A. Make(s): Lotus
Model Year Involved: 2009

Model: Elise and Exige:

Production Dates: Beginning: January 14, 2009 - Ending: May 05, 2009

VIN Numbers: See attached sheet.

Vehicle Type: Passenger car

Body style: coupe and convertible

B. Descriptive information which characterizes/distinguishes the recalled vehicles from those model vehicles NOT RECALLED: The recall is based on which vehicles were produced during a certain period of time since January 14, 2009, excluding those vehicles which have already been checked either at the factory, at the ports or in dealer stock.

C. The approximate percentage of vehicles estimated to actually contain the defect: Based on audits completed on a number of production vehicles, Lotus estimates that approximately two (2) percent of the vehicles may actually contain the defect.

Note: This document only addresses the USA recall population. Recalls outside USA will be handled separately and NHTSA will be informed of the details through TREAD Act reporting.

3. IDENTIFICATION OF THE AFFECTED VEHICLE POPULATION

The total number of vehicles potentially containing the defect in the USA is 27.

The recall population was determined as follows:

Lotus assembles the rolling chassis for TESLA vehicles. The hub assembly for the TESLA Roadster is similar (but not identical) to that on the Lotus Elise, Exige, Europa and 2-Eleven. The Lotus Elise and Exige are sold for use on the public highway in USA. The Europa is not sold in USA. The 2-Eleven is sold in USA but for use on track only and not for use on the public highway.

The first vehicle found to be affected by the defect was TESLA Roadster VIN 236. This vehicle commenced production (in Lotus Factory 5) on February 04, 2009.

No vehicles built prior to this date have been found to be affected by the defect.

Changes in the production process, checks and improvements were made on April 30, 2009 to prevent a recurrence of the issue. The first car built after the changes were introduced came off the production line on May 07, 2009.

All available evidence shows that cars in USA at risk were built between January 14, 2009 and May 05, 2009.

4. DESCRIPTION OF THE DEFECT

A. Description of the defect: bolts securing the rear hubs to the suspension may not have been correctly tightened.

B. Description of the cause of the defect: failure to follow production procedure

C. Description of the consequences of the defect: incorrectly tightened bolts may result in an insecure rear wheel hub, leading to a possible loss of vehicle control.

D. Description of any warnings that the defect exists: none

E. The defect is not in a component which was purchased from a supplier.

5. CHRONOLOGY OF EVENTS IN DETERMINING THE DEFECT

A. The occurrences and dates of the principal events that were the basis for the defect determination were as follows:

February 04, 2009: TESLA Roadster VIN 236 commenced progress down the production line in Lotus Factory 5.

April 06, 2009: TESLA informed Lotus that the owner of TESLA Roadster VIN 236 had complained that the car “felt wobbly” during turns. TESLA informed Lotus that, on investigation its technicians found that the bolts securing the rear wheel hubs to the suspension had not been correctly tightened.

The assembly process for the rear hubs was checked and re-enforced by Lotus Quality Team and a “care point” was issued on to the relevant stage April 07, 2009.

April 17 to 20, 2009 TESLA carried out audits on vehicles prior to delivery to customers and reported that it had found a further 6 vehicles affected (ie with all rear hub bolts not correctly tightened).

All vehicles notified to Lotus as affected were built between February 04, 2009 and May 07 2009.

Lotus commenced checks of Lotus Elise, Exige, Europa and 2-Eleven vehicles as a precautionary / investigatory measure. (Note: Europa and 2-Eleven vehicles are not sold for use on the public highway in USA.)

April 30, 2009 Changes in the production process, checks and improvements were introduced to prevent a recurrence of the issue.

May 11, 2009: A Lotus 2-Eleven VIN 90581 was discovered to have all rear hub bolts incorrectly tightened. This vehicle’s build was completed on February 18 2009.

May 13, 2009: Components from the 2-Eleven VIN 90581 were returned to Lotus for inspection.

May 18, 2009 An Engineering report confirming the nature and cause of the defect was issued. Directors of Lotus Cars Ltd held a meeting and determined to instigate a recall.

There have been no reports of any accidents, injuries or fatalities. There are no known warranty claims. There have been no reports of any Lotus cars which are sold for use on the public highway in USA being affected by the issue.

6. IDENTIFICATION OF THE REMEDY

A. How and when the condition was corrected in production. On April 30, 2009 the assembly process was changed and over checks and improvements were implemented to ensure that the correct procedure to tighten the rear wheel hub bolts is followed.

B Identification of Recall Remedy Strategy: The following recall will be undertaken: Investigation has identified that cars potentially affected were manufactured during the period from January to May, 2009. All cars potentially affected are to be recalled. The remedy shall be to check the bolts securing both rear hubs to the suspension to ensure that

they have been correctly tightened and, if found to be necessary, remove the bolts, re-install and tighten them using a specified procedure. As an additional precautionary / investigatory measure a technical service bulletin will be implemented requiring dealers to check all cars built since June 20, 2008 at the next opportunity. If, as a result of the recall or technical service bulletin, any cars which were built prior to January 2009 are discovered to be affected by the defect the recall population will be re-evaluated and widened if appropriate.

C. Of the cars within the recall population in USA only 3 have been delivered to customers and all 3 are still within warranty. It is therefore believed that no owner will have paid for the remedy prior to the recall. We therefore propose not to include any notice regarding reimbursement of cost of remedy prior to recall in the letter to owners.

D. The recall schedule for the notification to dealers and owners is as follows:
Of the vehicles within the recall population only 3 have been delivered to customers, the remainder are in dealer stock, in port stock, in transit to dealers or in transit to port. All vehicles in transit or located at ports will be checked by Lotus Cars USA personnel prior to delivery to dealers. Dealers will be instructed to check all vehicles at their premises prior to delivery to customers. Contact information for the 3 customers who have already taken delivery of vehicles within the recall population will be obtained from the selling dealers if possible. The Vehicle Defect Notification letter will be sent to them and the dealers will also be asked to make contact with them.

7. COPIES OF COMMUNICATIONS

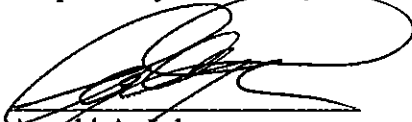
Drafts of the following recall communications are attached:

1. Draft dealer bulletin for potentially affected vehicles
2. Second dealer bulletin as a precaution to check vehicles built after June 2008.
3. Owners letter

8. OTHER ENCLOSURE

A list of the affected VINS is enclosed.

Respectfully submitted,



Arnold A. Johnson
Director of Operations
Lotus Cars USA, Inc.

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Fax: 770 476 6541