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July 10, 2007

Kathleen C. DeMeter, Director
Office of Defects Investigation
Enforcement
U.S. Dept. of Transportation – NHTSA
1200 New Jersey Avenue SE
Washington, DC 20590

Re: Foreign Tire Sales, Inc.
Recall No. 07T-003

Dear Ms. DeMeter:

I write this letter on behalf of Mr. Richard Kuskin and Foreign Tire Sales, Inc. Please accept this letter in response to yours dated July 6th.

We had anticipated beginning the recall on July 16, 2007, as it is Foreign Tire Sales' desire to timely and expeditiously remove all of the defective tires that FTS had sold, from the road. Given the issues and questions you raise, we do not believe that we will meet that very ambitious date and would like to discuss these issues with you in more detail as we finalize our action plan and the specifics for which you requested. Moreover, HZ had written to our Chinese attorney advising that they will cooperate with NHTSA. Given the fact that NHTSA has given HZ to July 31, 2007, we urge that the recall commence after HZ provides said information.

Given the nature of this recall and the unique circumstances surrounding the lack of cooperation of the manufacturer – Hangzhou Zhongce – and the additional importers of these same tires, we hope you will continue to assist and guide Foreign Tire Sales in our efforts to educate the public.

We are somewhat confused by some of the questions raised by your letter as we believe that we had addressed them in the Supplemental and Amended Safety Defect Information Report dated July 2, 2007. We will attempt to clarify any issue that was unclear and respond to the concerns noted in your recent letter.

The first issue you have raised was directly addressed in FTS' July 2, 2007 report. FTS indicated that it will require a consumer who believes that he/she has affected tires to fill out a questionnaire. This is absolutely essential since FTS did not import all of the

tires which contain the safety problem identified. Also, given the variation in size, model and DOT code possible, it is imperative that FTS confirm each consumer's eligibility to obtain replacement tires. We attach a Process Flow Chart outlining the steps FTS proposes in terms of the recall.

Once the consumer's eligibility is confirmed (which included assuring that the tire was imported by FTS and not by another company as NHTSA is well aware has occurred), the consumer will be directed to an authorized outlet for the replacement. Not every tire shop or local garage can be considered an authorized outlet. We plan to have FTS customers provide the names of their customers that sell retail tires, available for this purpose. FTS also plans to provide consumers with the telephone number of the closest wholesale outlet (i.e. FTS' customer) so that the consumer will be directed to a convenient authorized outlet for replacement of the affected tire(s).

Since FTS does not stock tires nor has it been able to secure an inventory of tires to replace the affected tires, FTS will reimburse the replacing outlet for the tire it uses from the latter's stock to replace the recalled tire. FTS will reimburse to dealer as follows:

| <u>Size</u> | <u>Models</u> | <u>Max. Reimbursed Price(including all labor))</u> |
|----------------|---------------------|---|
| LT235/75R-15 | CR861, CR857 | \$90.00 |
| LT225/75R-16 | CR861 | \$90.00 |
| LT235/85R-16 | CR860, CR861, CR857 | \$105.00 |
| LT245/75R-16 | CR860, CR861, CR857 | \$105.00 |
| LT265/75R-16 | CR860, CR861, CR857 | \$120.00 |
| LT31X10.5 R-15 | CR857, CR861 | \$125.00 |

FTS objects to being automatically required to pay for balancing. Many consumers do not pay to have their tires balanced. If FTS is required to automatically pay for balancing, many consumers will be unjustly enriched. If the recalled tire had been previously balanced, FTS will pay to balance the substitute tire.

With regard to pre-notification remedies, once it is determined that the replaced tire(s) was in fact a recalled tire, and it was serviceable at the time of replacement, FTS will reimburse the consumer directly upon submission of proof that the replaced tire was subject to the recall and proof of the replacement and cost thereof. The replacement would have to have taken place no earlier than June 11, 2007 and no later than the date that the actual recall begins. For any consumer that had replaced a tire subject to this recall at their own expense which has not been the subject of an adjustment, the earliest date that FTS will reimburse that customer will be May 15, 2007. FTS shall not reimburse a consumer for pre-notification remedies if the replaced tire was abused, misused, was unserviceable for reasons un-related to the recall, or in the absence of adequate documentation.

Consumers seeking pre-notification remedies may mail their request and appropriate documentation to:

Foreign Tire Sales, Inc.
2204 Morris Avenue
Union, New Jersey 07083
Attn: HZ LRT Recall Administrator

With regard to your second point, FTS does not expect delays once the recall begins since the tires to be used to replace the affected tires will come out of dealer stock. In the unlikely chance that a given dealer does not have a replacement tire of similar value as set forth above, the consumer may contact the distributor in that area to find another dealer or wait for the first dealer to obtain the stock. This should be a minimal and sporadic situation at most.

With regard to point number three, FTS will notify point of sale retailers in the same manner that it notifies consumers, i.e. through publication and video new release. NHTSA can not possibly require FTS to notify every local tire sales outlet or local gas station. On our July 2, 2007 report, we attached the wholesale customers to which FTS sold and distributed these tires. FTS does not deal with retail outlets directly (except for those wholesalers who as stated above sell at retail as well) and would have no way of reaching these outlets as you seem to suggest. As noted above, it is anticipated that the vast majority of replacements will be made by retail outlets that have some relationship with one of FTS customers. In the event that a consumer needs to have his/her tires replaced at an unauthorized outlet, full instructions will be made available on FTS' website. Hence, the owners of such facilities will be notified about the recall in the exact same way that the consumers are notified of it. In the rare occasion that a consumer can not obtain recall service as set forth above, FTS will deal on a case by case basis with such situations.

With regard to your fourth point, we have revised our notice publishing plan. We may publish in the following periodicals which are in the areas of the highest concentration of sales by FTS:

- *Arizona Republic*
- *Sacramento Bee*
- *LA Times*
- *SF Chronicle*
- *Denver Post*
- *Miami Herald*
- *Orlando Sun-Sentinel*
- *Minneapolis Star Tribune*
- *Springfield News-Leader (MO)*
- *Kansas City Star*
- *El Nuevo Dia (Puerto Rico)*
- *Houston Chronicle*
- *Dallas Morning News*
- *Fort Worth Star Telegram*

Fifth, as we have done up to now, we will provide NHTSA with copies of all copy for print advertisements, draft notification letters, the call center script and the like. We will also provide a script for the video news release. We will request that NHTSA evaluate that expeditiously as we are making plans for taping. Once the release is taped, FTS plans on broadcasting it. The costs of redoing the VNR are prohibitive and FTS believes that editing it a second time will reduce the amount of money available to replace tires per the recall.

Sixth: We have made the change to the sample dealer letter per your instruction. See attached.

We anticipate that once the recall begins, all of the mailed notifications will take place at one time and be completed on the initiation date of the recall. Given the extremely wide press attention to this issue, we believe that prolonged publication is not warranted. Hence, we anticipate that the published notification will be completed within seven days of the initiation of the recall.

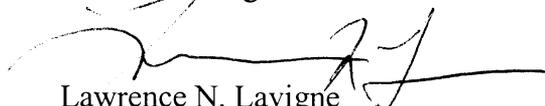
Kindly advise of the status of NHTSA's efforts to bring the other importers into this recall.

Lastly, we anticipate that the recall will last for a period of 75 days from initiation. The regulations provide that consumers that receive direct mailing have 60 days to seek recall service. Given that there were relatively few product registrations, it seems fair that the terminus date not be much longer than that.

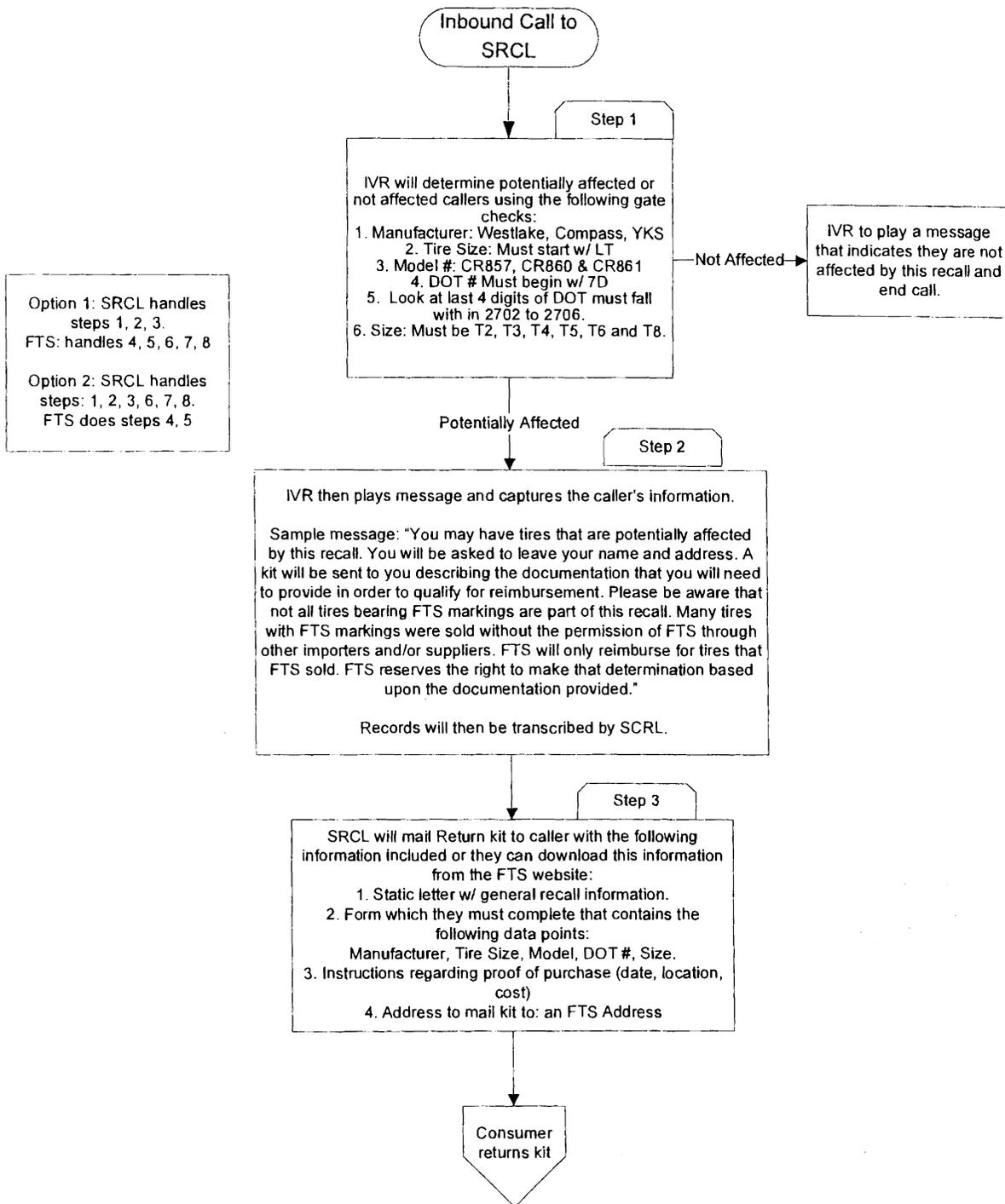
Please feel free to contact the undersigned with any additional questions or concerns.

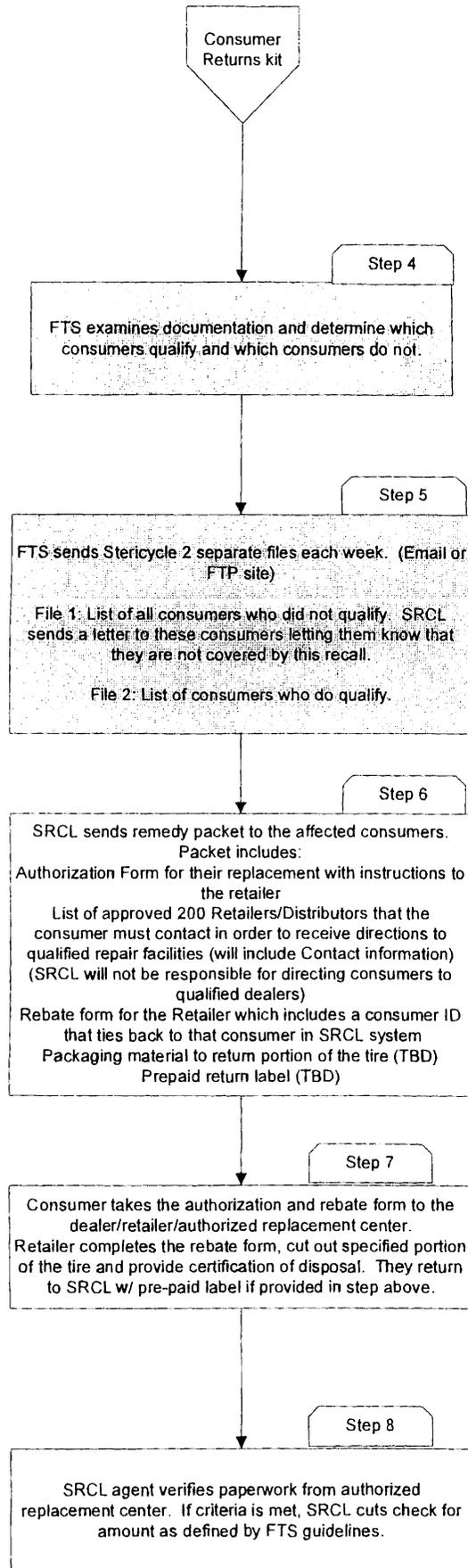
Thank you for your consideration.

Very truly yours,
Norris McLaughlin & Marcus


Lawrence N. Lavigne

FTS Process Flow





FTS Process Flow

