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OFFICE OF DEFECTS
INVESTIGATION

Form Approved: O.M.B. No. 2127-0004

PART 573 Defect and Noncompliance Report

06V-366
(24 pages)

LS MotorSports, LLC, a Nevada Corporation (herein referred to as "LSM"), has determined that a defect which relates to motor vehicle safety 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 Reports.

Date this report was prepared: September 14, 2006

Furnished the manufacturer's identifiable code for this recall (if applicable): NA

Identify the full corporate name of the fabricating manufacturer of the vehicle being recalled.

Manufacturer

Zhejiang Lingyun Motorcycle Co., LTD
No.598, Yinxhan Road, Huangyan,
Taizhou Zhejiang China P.C. 318020

Importer and Agent of Record

LS MotorSports, LLC
12505 Reed Road, Suite 145
Sugar Land, TX 77478

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

Mathu Solo, President

Or

Jeff Conrad, Safety Recall Coordinator

Telephone Number: 281-277-6140

Fax Number: 281-277-6145

Name and Title of Person who prepared this report.

Mathu Solo, President 281-277-6140

Signed:



Mathu Solo, President

I. Identify the Vehicle Models Involved in the Recall

- 1.1 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:**

A. Make: DIAMO **Model Years Involved:** 2004, 2005, 2006 **Model:** Velux

Production Dates: Beginning: June 2004

Ending: August 2006

VIN Range: See Attached List

Vehicle Type: Motorcycle Body Style: N/A

- 1.2 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 population represents.**

100%

II. Identify the Recall Population

- 2.1 Furnish the total number of vehicles recalled potentially containing the defect or noncompliance.**

674

- 2.2 Model Year Potentially Involved**

2004, 2005 and 2006

- 2.3 Total Number Potentially Affected by the Recall:**

(674 units delivered to dealer or customer)

- 2.4 Furnish the approximate percentage of the total number of vehicles estimated to actually contain the defect or noncompliance:**

LSM does not actually know the percentage actually containing the defect; therefore, this notification and remedy campaign will include 100% of the vehicles identified in item 2.1.

2.5 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 problem was identified with the fuel filler hose. The fuel filler hose is connected to the fuel inlet at one end and the fuel tank on the other. The fuel filler hose can possibly crack causing fuel to leak causing a potential fire hazard. All Velux motorcycles have been recalled as they all have the fuel filler hose. In all cases the beginning date is the first date of manufacture, and the end date is the date on which the fix for the problem was introduced in the manufacturing process.

III. Describe the Defect or Noncompliance

3.1 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 fuel filler hose incorporates a bend so that it will fit between the fuel cap opening and the fuel tank opening. The fuel filler hose was not cut to a proper length which caused the hose to bend excessively and kink. The fuel hose could eventually show stress cracks at the areas where the hose was bent or kinked which could possibly allow fuel to leak.

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

See response to 3.1

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

The fuel filler hose can crack allowing fuel to leak and possibly ignite of the exhaust of the bike which is positioned below.

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

None.

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

Zhejiang Lingyun Motorcycle Co., LTD
No.598, Yinxhan Road, Huangyan,
Taizhou Zhejiang China P.C. 318020

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

Wang Jian, President

IV. Provide the Chronology in Determining the Defect/Noncompliance

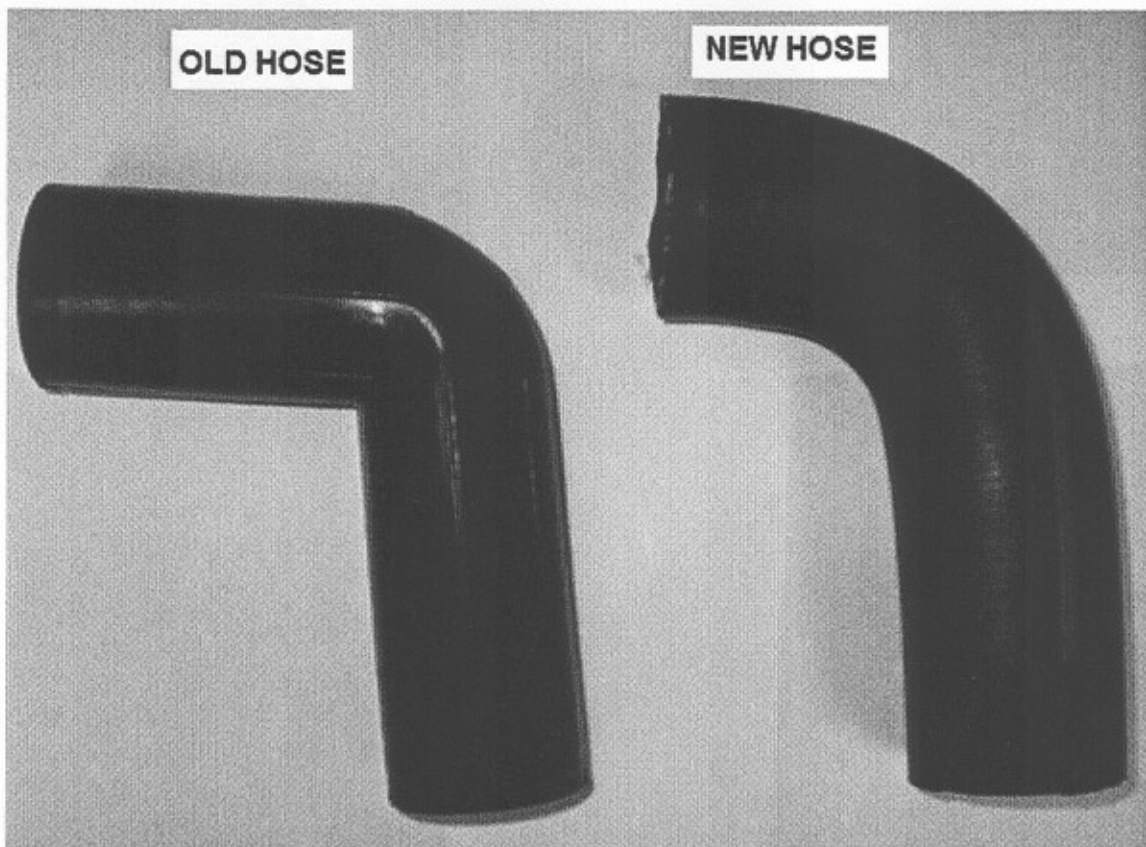
4.1 With respect to a defect, furnish a chronological summary (including dates) of all the principle events that were the basis for determination of the defect. The summary should include, but not be limited to, the number of reports, accidents, injuries, fatalities, and warranty claims.

On August 18, 2006 LSM received a fax notice from the NHTSA ODI notifying us that they had received a complaint that the rubber fuel filler neck leaks fuel. LSM then undertook an investigation of warranty claims to determine the frequency, severity, and cause of the possible leaks. LSM then determined that there was record of a previous claim regarding this defect at that the design and quality of the part was such that the probability of the leak occurring on other Velux motorcycles warranted a recall and redesign of the existing fuel filler hose. LSM has not received any reports of accidents, injuries or fatalities related to the recall condition.

V. Identify the Remedy

5.1 Furnish a description of the manufacturers remedy for the defect or noncompliance. Clearly describe the differences between the recall condition and the remedy.

LS MotorSports, LLC has sourced a replacement fuel fill hose that is manufactured from a thicker, reinforced, fuel resistant and weather resistant compound to replace the existing fuel fill hose. The new hose is manufactured by Gates Corporation, part number 24717, for specific use as an automotive fuel fill hose. The new hose will be cut to the exact length required eliminating the unnecessary bends that stressed the old hose.



- 5.2 Clearly describe the distinguishing characteristics of the remedy component versus the recall component.**

See 5.1

- 5.3 Identify and describe how and when the recall situation was corrected in production. If the production remedy was identical to the remedy in the field, so state. If production was discontinued, so state.**

The recall condition will be corrected on all future production starting after September 1, 2006. The manufacturer will purchase the same part number 24717 purchased from Gates Corporation and will cut the fuel filler hose to the exact length specified by LSM.

VI. Furnish Recall Communications

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

Notification Schedule: The Service Bulletin will be sent to all dealers of LS Motorsports who have purchased the Velux motorcycle the week of September 18, 2006. The consumer letter will be sent as soon as it is approved by NHTSA.

Remedy Schedule: LSM will immediately order enough parts from Gates Corporation to correct all Velux motorcycles that have been imported into the USA. We anticipate having the parts by September 29, 2006 and will send them to dealers the following week to begin repairs until the recall is completed.

VII. Furnish Recall Communications

- 7.1 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.**

The following documents are attached:

List of Affected VINs
Service Bulletin
Draft Consumer Letter

Order #	Dealer / Customer	VIN NO.
5955		L1ETPJD935A200079
4709		L1ETPJD965A200013
4709		L1ETPJD955A200097
5202		L1ETPJD954A800262
5997		L1ETPJD905A200069
7455		L1ETPJD976A102206
7455		L1ETPJD926A102226
4355		L1ETPJD975A200005
4355		L1ETPJD995A200068
4355		L1ETPJD995A200085
4355		L1ETPJD945A200088
4355		L1ETPJD985A200093
5343		L1ETPJD9X5A200161
5343		L1ETPJD965A200125
7068		L1ETPJD966A102200
7193		L1ETPJD9X6A102197
5477		L1ETPJD925A200171
5642		L1ETPJD925A200008
5642		L1ETPJD945A200169
6584		L1ETPJD975A200070
6584		L1ETPJD935A200082
8086		L1ETPJD976A102531
8086		L1ETPJD966A102567
6370		L1ETPJD936A102087
6862		L1ETPJD996A102210
5478		L1ETPJD915A200002
6915		L1ETPJD976A102044
5594		L1ETPJD955A200164
5816		L1ETPJD935A200146
5816		L1ETPJD946A102082
5816		L1ETPJD926A102114
5816		L1ETPJD926A102081
5487		L1ETPJD925A200056
5383		L1ETPJD915A200159
2885		L1ETPJD974A600046
2877		L1ETPJD964A800142
1903		L1ETPJD914A600043
3921		L1ETPJD924A800137
5588		L1ETPJD905A200024
6168		L1ETPJD986A102098
7795		L1ETPJD906A102578
7795		L1ETPJD956A102575
7795		L1ETPJD936A102543
6423		L1ETPJD9X6A102068
6263		L1ETPJD996A102062
4426		L1ETPJD9X4A800127
4559		L1ETPJD914A600091
6126		L1ETPJD935A200020
6126		L1ETPJD915A200064

4704		L1ETPJD905A200010
5948		L1ETPJD985A200028
6198		L1ETPJD946A102051
7964		L1ETPJD9X6A102541
7964		L1ETPJD926A102579
7964		L1ETPJD986A102554
5757		L1ETPJD9X5A200080
3130		L1ETPJD924A600021
8569		L1ETPJD936A102560
8516		L1ETPJD946A102535
8569		L1ETPJD946A102549
5937		L1ETPJD995A200006
6895		L1ETPJD906A102077
7267		L1ETPJD996A102224
7267		L1ETPJD936A102204
6895		L1ETPJD936A102199
7267		L1ETPJD9X6A102216
4597		L1ETPJD984A800112
4597		L1ETPJD934A800227
5635		L1ETPJD925A200011
4598		L1ETPJD915A200100
5635		L1ETPJD985A200174
5635		L1ETPJD9X5A200130
3507		L1ETPJD994A800149
2338		L1ETPJD904A600051
2587		L1ETPJD964A600037
2587		L1ETPJD984A600086
2587		L1ETPJD984A600105
3620		L1ETPJD944A800186
2514		L1ETPJD944A600019
2516		L1ETPJD924A600052
2511		L1ETPJD994A600064
2513		L1ETPJD904A600003
2515		L1ETPJD974A600080
2739		L1ETPJD974A600015
1718		L1ETPJD944A600070
6290		L1ETPJD976A102089
6968		L1ETPJD916A102203
6968		L1ETPJD936A102218
4798		L1ETPJD955A200052
4294		L1ETPJD955A200021
6177		L1ETPJD906A102063
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1878		L1ETPJD914A600009
7777		L1ETPJD986A102215
4294		L1ETPJD935A200132
4207		L1ETPJD944A800222
3419		L1ETPJD994A800152
3908		L1ETPJD934A800213
5837		L1ETPJD906A102113

6896		L1ETPJD946A102048
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3642		L1ETPJD964A800156
7552		L1ETPJD916A102573
5887		L1ETPJD915A200033
5639		L1ETPJD975A200134
5639		L1ETPJD926A102095
4203		L1ETPJD9X4A600056
5075		L1ETPJD905A200055
6776		L1ETPJD956A102074
7041		L1ETPJD966A102195
6390		L1ETPJD976A102092
1538		L1ETPJD974A600029
7519		L1ETPJD916A102542
4186		L1ETPJD934A600030
5432		L1ETPJD955A200004
5432		L1ETPJD945A200141
3688		L1ETPJD994A800202
3688		L1ETPJD9X4A800256
3688		L1ETPJD914A800159
3688		L1ETPJD9X4A800211
3688		L1ETPJD934A800129
5163		L1ETPJD985A200059
6910		L1ETPJD926A102212
2789		L1ETPJD9X4A600039
5205		L1ETPJD905A200119
4409		L1ETPJD984A800238
4409		L1ETPJD924A800171
4409		L1ETPJD984A800255
4064		L1ETPJD934A800177
7732		L1ETPJD966A102570
5512		L1ETPJD955A200102
6008		L1ETPJD935A200034
6008		L1ETPJD915A200095
1741		L1ETPJD934A600061
3205		L1ETPJD964A800172
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6004		L1ETPJD946A102101
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2368		L1ETPJD924A600004
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4699		L1ETPJD9X5A200175
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2471		L1ETPJD914A600012
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4415		L1ETPJD965A200111
4415		L1ETPJD995A200121
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Technical Service Bulletin

Make: Diamo

Model: VELUX

Year: 2004-2006

Service Bulletin Number: LSMS05055150/06

Bulletin Sequence Number: 018

Date: 9/14/2006

Component: FUEL FILL HOSE

Typical Symptoms:

LEAKING FUEL FILL HOSE

Issue:

ALL VELUX 150CC AND 250CC MODELS PRODUCED PRIOR TO 9/1/2006 ARE EQUIPPED WITH A FUEL FILL HOSE THAT COULD DEVELOP CRACKS IN THE HOSE RESULTING IN A FUEL LEAK AND POTENTIAL HAZARD FROM FUEL LEAKING ONTO AND NEAR THE ENGINE AND EXHAUST.

Action:

DIAMO USA IS ISSUING A VOLUNTARY RECALL OF ALL VELUX 150CC AND 250CC MODELS PRODUCED PRIOR TO 9/1/2006 TO REPLACE THE FUEL FILL HOSE WITH A SUPERCEDED PART. THE FUEL FILL HOSE IS TO BE REPLACED WITH THE SUPERCEDED PART FOLLOWING THE PROCEDURE LISTED BELOW. ALL VELUX 150CC AND 250CC MODELS PRODUCED PRIOR TO 9/1/2006 SHOULD HAVE THIS MODIFICATION PERFORMED DURING DEALER PREP OF IN STOCK UNITS. ALL CONSUMERS ARE BEING INSTRUCTED TO CONTACT THE DEALER TO HAVE THE REPLACEMENT FUEL FILL HOSE INSTALLED.

Service Procedure:

* BEFORE BEGINNING THIS PROCEDURE IT IS RECOMMENDED THAT THE FUEL TANK BE LESS THAN 1/2 FULL. USE SAFE PRACTICES WHEN PERFORMING REPAIRS TO FUEL SYSTEMS. PERFORM PROCEDURE IN A WELL VENTILATED AREA.

- 1) THE FUEL FILL HOSE IS ACCESSED FROM THE TRUNK COMPARTMENT ON ALL VELUX MODELS.
- 2) REMOVE THE UPPER CENTER SCREW AND THE THREE SCREWS FROM THE RIGHT SIDE OF THE FORWARD TRUNK LINER. SEE FIG.1. PULL THE LINER TO THE LEFT TO GAIN ACCESS TO THE FUEL FILL HOSE. SEE FIG. 2.
- 3) LOOSEN THE TWO HOSE CLAMPS THAT SECURE THE FUEL FILL HOSE. THE SEAT MAY NEED TO BE REMOVED TO GAIN ACCESS TO THE LOWER CLAMP, SOME UNITS WERE ASSEMBLED WITH THE CLAMP FACING FORWARD. REMOVE OLD FILL HOSE.
- 4) INSPECT THE FUEL FILL FITTING AND FUEL TANK FITTING FOR DAMAGE. ENSURE BOTH FITTINGS ARE CLEAN AND FREE OF ANY ITEMS THAT MAY INTERFERE WITH THE INSTALLATION OF THE NEW HOSE. SEE FIG. 3
- 5) INSTALL NEW HOSE AND CLAMPS. SOME MINOR TRIMMING MAY BE REQUIRED TO ENSURE A SECURE FIT. HOSE MUST BE INSTALLED IN A MANNER THAT DOES NOT KINK OR TWIST HOSE. USE CARE TO NOT OVERTIGHTEN CLAMPS WHICH COULD DAMAGE THE FITTINGS. SEE FIG. 4
- 6) FILL FUEL TANK WITH FRESH FUEL AND INSPECT HOSE CONNECTIONS FOR LEAKS
- 7) REINSTALL TRUNK LINER AND SEAT (IF REMOVED).
- 8) TEST DRIVE, INSPECT FOR LEAKS AND NORMAL OPERATION.

Service Time: 1.25 Hour

Service Parts:

SUPERCEEDED FUEL FILL HOSE AND CLAMPS

PART NUMBER	PART DESCRIPTION
55-09-0902A	FILL HOSE, FUEL TANK
55-09-0902B	CLAMP, FUEL FILL HOSE (2 REQ)

Figure detail:

FIGURE 1



FIGURE 2



FIGURE 3

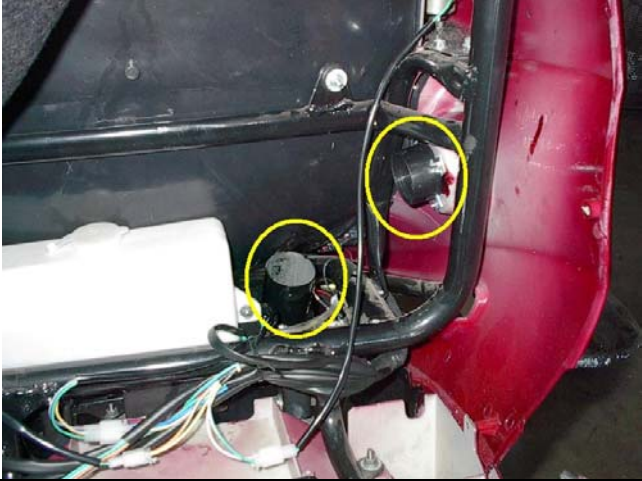


FIGURE 4





(THIS IS A DRAFT PART 577 Letter 09-14-06#1)

[DATE]

Owner Name
Street Address
City, State, Zip

Re: Safety Recall Notice; Investigation No. PE 06-032
LS MotorSports Rubber Fuel Filler Neck Remedy

Dear [Owner]:

This notice is sent to you in accordance with the requirements of the National Traffic and Motor Vehicle Safety Act.

LS MotorSports, LLC (LSM) has decided that a defect related to motor vehicle safety exists in some 2004, 2005 and 2006 DIAMO Velux motorcycles (scooters) imported and distributed by LSM that were built by Zhejiang Lingyun Motorcycle, Co. LTD. The subject scooters have a rubber fuel filler hose may crack and result in fuel leakage when refueling. If an ignition source is present, fire could occur.

The scooters involved in this campaign were built from June 2004 through August 2006. Motorcycles built after September 1, 2006 was corrected by the manufacturer during production.

According to our records, your scooters, VIN _____, is affected. For this reason we ask that you return your scooter to the dealer that you purchased the scooter from to correct the defect without delay. If your dealer is no longer in business or you have moved and need a new dealer to make the necessary repairs please contact LSM at 281-277-6140 and we will make arrangements for the repairs to be made for you at our expense. If you have received this notice and are not the owner of the referenced motorcycle, please contact LSM at 281-277-6140 immediately.

As the importer and distributor of your scooter, LSM is responsible for conducting this recall. LSM has agreed to perform the recall remedy service. The service labor, required parts and shipping described in this letter will be provided to you free of charge.

WHAT WE WILL DO

Your LS MotorSports Dealer or a repair shop authorized by LS MotorSports will replace the fuel filler hose with new ones. This free service should take less than 1 hour to complete, but you dealer or repair shop may require your scooter for a longer period of time based upon their work schedule.

12505 Reed Road, Suite 145
Sugar Land, TX 77478
Phone: 281-277-6140 / Fax: 281-277-6145

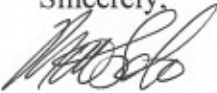
WHAT YOU SHOULD DO

Immediately upon receiving this notice, please contact your local dealer that you purchased the scooter from or call LSM at 281-277-6140. If you have had the rubber fuel filler neck replaced prior to this notice you still need to have your scooter corrected with the remedy that has been approved by this recall. For more information please contact Jeff Conrad, Safety Recall Coordinator at 281-277-6140.

After calling LSM, if you are not able to have the safety defect corrected without charge or within a reasonable time, you may submit a written complaint to the Administrator, National Highway Traffic Safety Administration, 400 Seventh Street, SW, Washington, DC 20590, or call 188-DASH-2-DOT (1-888-327-4236).

We are sorry to cause this inconvenience; however, we have taken this action in the interest of your safety and continued satisfaction with our products.

Sincerely,



Mathu Solo
President

Note: Federal regulations requires that any vehicle lessor receiving this notice must forward a copy of this notice to the lessee within 10 days.