RECEIVED
OCT 0 2 2012
Utah Department of Commerce
Division of Securities

SEP 2 0 2012

Division of Securities
Utah Department of Commerce
160 East 300 South
Box 146760
Salt Lake City, UT 84114-6760
Telephone: (801) 530-6600
FAX: (801) 530-6980

**BEFORE THE DIVISION OF SECURITIES
OF THE DEPARTMENT OF COMMERCE
OF THE STATE OF UTAH**

IN THE MATTER OF: **INSANE ASYLUM SKATEBOARDS, INC., DAVID CURTIS ALLEN** **Respondents.**	**STIPULATION AND CONSENT ORDER** **Docket No. SD-12-0003** **Docket No. SD-12-0004**

The Utah Division of Securities (the Division), by and through its Director of Enforcement, Thomas Brady, and Insane Asylum Skateboards, Inc. and David Curtis Allen hereby stipulate and agree as follows:

1. Insane Asylum Skateboards, Inc., and David Curtis Allen (collectively, Respondents), were the subject of an investigation conducted by the Division into allegations that they violated certain provisions of the Utah Uniform Securities Act, Utah Code Ann. § 61-1-1, *et seq.*, as amended (the Act).

2. In connection with that investigation, the Division issued an Order to Show Cause against Respondents on or about January 3, 2012, alleging securities fraud.

3. Respondents waive any right to a hearing to challenge the Division's evidence and present evidence on their behalf. Respondents understand that by waiving a hearing, they are waiving the requirement that the Division prove the allegations against them by a preponderance of evidence, waiving their right to confront and cross-examine witnesses who may testify against them, to call witnesses on their own behalf, and any and all rights to appeal the findings, conclusions and sanctions set forth in this Stipulation and Consent Order.

4. Respondents are represented by attorney Steven Killpack and are satisfied with his representation and advice in this matter.

5. Respondents acknowledge that this Stipulation and Consent Order does not affect any enforcement action that might be brought by a criminal prosecutor or any other local, state, or federal enforcement authority.

6. Respondents admit the jurisdiction of the Division over them and over the subject matter of this action.

I. THE DIVISION'S FINDINGS OF FACT

THE RESPONDENTS

7. Insane Asylum Skateboards, Inc. (IAS) was a Utah Corporation that registered with the Utah Division of Corporations on December 29, 2008. Its current status is listed as

expired for failure to file a renewal as of April 5, 2010. Joshua Mark Richards was the registered agent, director and officer of the entity. IAS has never been licensed with the Division.

8. David Curtis Allen (Allen) was at all relevant times a resident of the State of Utah. Allen has never been licensed in the securities industry in any capacity.

GENERAL ALLEGATIONS

9. From December 2009 to March 2011, Respondents offered and sold stock to investors, in or from Utah and collected at least $47,352.

10. Shares of stock are securities under the Act.

11. Respondents made material misstatements and omissions in connection with the offer of securities to the investors below.

12. Investors lost $45,852 of their principal.

INVESTOR J.S.

13. J.S. met Allen through a prior business relationship.

14. In late 2009, Allen began discussing investment opportunities in IAS with J.S. when they would meet on other business matters.

15. In or about December 2009, Allen formally offered an investment in IAS to J.S. During the conversations between J.S. and Allen, Allen made the following statements about an investment in IAS:

    a. Allen had other investors in IAS, and he wanted to buy them out;

b. If J.S. invested, his funds would be used to buy out prior investors;

c. J.S. would receive a 5% ownership interest in IAS, which would sell finished skateboards and a 5% ownership interest in Velos, a company that would produce "trucks" (a skateboard part);

d. J.S. would receive stock certificates representing his ownership in the companies;

e. J.S.'s ownership would entitle him to a share of profits of the company, dividend distributions, and voting rights, but no day-to-day managerial responsibilities;

f. J.S. would receive monthly payments of 2% of his investment;

g. The profits of the company would be significant;

h. Allen already had a warehouse of product ready to sell and was already selling product;

i. The prior owner of IAS, Joshua Richards[1] (Richards), had a patent on the trucks Velos would produce and Allen was stepping in as the new owner to reorganize the company;

j. Allen had "in's" (sic) with the Costco road show and just needed to get additional boards pressed;

k. IAS's business model would be to press its own boards and enter the market at a price point that would be attractive to Costco consumers;

1Richards spoke with an investigator from the Division and said that in November 2009 he and Allend discussed transferring ownership of IAS to Allen. The transfer was conditional on Allen's future performance as Chief Executive Officer of IAS.

l. Entering the market at the "Costco price-point" would be undercutting the competitors' prices significantly; and

m. Allen was in a hurry, and he already had the paperwork ready to go.

16. Allen showed J.S. a mock invoice but never provided financial statements.

17. Based on Allen's statements, J.S. invested $25,000 in IAS. On or about February 3, 2010, J.S. gave Allen a check for $25,000 made payable to "David C. Allen Consulting" while in Salt Lake County, Utah.

18. J.S. never received the stock certificates.

19. J.S. received payments from Allen totaling $1,500.

20. Allen and IAS still owe J.S. $23,500 in principal alone.

21. Bank records show $24,744 of J.S.'s funds were used by Respondents in the following manner:

a. $5,964 paid to Custom Molded Products;

b. $3,384 paid to Ariki;

c. $3,000 paid to Elevate Fulfillment;

d. $3,000 transferred to Allen's personal account;

e. $2,400 paid to Smilemon, LLC;

f. $2,000 paid to Lil Diner Show;

g. $1,643 paid to Washington Mutual;

h. $1,005 paid to Euler Hermes UMA (debt collection);

i. $496 paid to Ocwen Loan Servicing;

j. $425 paid to Verizon Wireless;

k. $418 paid to Citimortgage;

l. $375 paid to McKay Pinegar:

m. $259 paid to health insurance premiums;

n. $200 paid to Conoco;

o. $125 paid to Kris Russell; and

p. $50 paid to bank fees.

INVESTOR B.C.

22. In February 2010, Allen met with B.C. in Salt Lake County, Utah to discuss an investment opportunity in IAS. Allen told B.C. that he owned IAS and was seeking investors.

23. Between this meeting and March 29, 2010, Allen met with B.C. four or five times.

24. During the meetings, Allen made the following statements about an investment in IAS:

a. Allen owned and controlled IAS;

b. Allen owed Richards 10% of the vaule of IAS in the event of a sale of the company;

c. Allen was raising capital and would grant ownership in IAS to investors;

d. Ownership in IAS would be memorialized through certificates;

e. IAS had a few smaller investors that Allen was working to "eliminate;"

f. The smaller investors had not necessarily invested cash;

g. Allen and B.C. would be equal partners;

h. Allen owed a 10% ownership interest in the company to two individuals operating as KCNay, as well as a 10% ownership interest to an Idaho investor;

i. B.C.'s money would be used to purchase inventory and press boards;

j. Allen would have IAS's inventory shipped to Simple Products warehouse;

k. IAS was currently producing skateboards through a third party;

l. IAS was already selling boards and components on the internet;

m. Kahuna Boards was buying IAS trucks;

n. Allen compared IAS's financial prospects to a competing board company called Sector 9. Sector 9 sold for $40 million. Allen stated that after just one year, IAS was where Sector 9 had been after four years;

o. Allen planned to out-compete the competition by pressing IA's own boards;

p. Allen stated IAS would be profitable within thirty days;

q. Investors would be paid from profits of sales of skateboards and would receive payments related to their capital investment as well as through dividends of their stock ownership;

r. B.C. could reduce his risk by holding IAS's inventory at his warehouse;

s. Allen needed $38,560 from B.C. for inventory and labor; and

t. Allen offered to memorialize the investment in IAS with dividend paying stock

certificates.

25. On March 19, 2010, B.C. received an email from Allen stating that B.C. would receive a 20% ownership interest in IAS for his investment.

26. Based on Allen's statements, B.C. invested $22,352 in IAS. On or about March 29, 2010, B.C. wire transferred $22,352 to Allen's account.

27. B.C. never received the stock certificates.

28. B.C. never received any payments from Respondents and is still owed $22,352 in principal alone.

29. Bank records show that Respondents used B.C.'s investment funds in the following manner:

    a. $7,980 paid to Custom Molded Products;

    b. $4,036 paid to Shane Mckenn;

    c. $3,238 paid to Chase Home Finance Loan;

    d. $2,200 cashed;

    e. $1,600 paid to Netmark Essentials;

    f. $1,325 paid to Adams Mfg. Corp.;

    g. $1,000 paid to Dave Allen;

    h. $302 paid to Smith's;

    i. $303 paid to Peppermill Cash;

    j. $196 paid to Office Depot;

k. $97 paid to Chevron;

l. $55 paid to Holiday Oil; and

m. $20 paid to Wire Transfer Fees.

SECURITIES FRAUD UNDER § 61-1-1 OF THE ACT

30. The Division incorporates and re-alleges paragraphs 1 through 29.

31. The investment opportunities offered and sold by Respondents are securities under § 61-1-13 of the Act.

32. In connection with the offer and sale of a security to the investors, Respondents, directly or indirectly, made false statements, including, but not limited to, the following:

a. Investors would receive stock certificates memorializing their investment, when in fact, this was false;

b. J.S.'s investment funds would be used to buy out other investors, when in fact, funds were used to pay interest to other investors and Allen's personal expenses;

c. Allen owned and operated IAS, when in fact, Allen did not own IAS; and

d. B.C.'s investment funds would be used to purchase inventory for IAS, when in fact, funds were used to pay interest to other investors and Allen's personal expenses.

33. In connection with the offer and sale of a security to the investors, Respondents, directly or indirectly, failed to disclose material information, including, but not limited to, the following, which was necessary in order to make statements made not misleading:

a. Whether Allen was drawing a salary or other compensation from investor funds;

b. Allen had filed for Chapter 7 bankruptcy in 1989;[2]

c. Allen owed the IRS $6,000 as of 2009;[3]

d. Allen owed as much as $90,360 in credit card debt at the time of the investment;[4]

e. Some or all of the information typically provided in an offering circular or prospectus regarding IAS and Allen, such as:

i. Financial statements;

ii. Risk factors;

iii. The involvement of Allen and IAS's principals in legal proceedings;

iv. The number of investors;

v. Suitability factors for the investment;

vi. Nature of competition;

vii. Whether the investment was a registered security or exempt from registration; and

viii. Whether Respondents were licensed to sell securities.

II. THE DIVISION'S CONCLUSIONS OF LAW

34. Based on the Division's investigative findings, the Division concludes that:

a. The investment opportunity offered and sold by Respondents is a security under §

---

[2] *In re Allen*, Case No. 89-24541 (Bankr. D. Utah 1989).
[3] *In re Allen*, Case No. 10-37103 (Bankr. D. Utah 2010).
[4] *Id.*

61-1-13 of the Act;

b. Respondents violated § 61-1-1(2) of the Act by making misrepresentations of material fact and omitting to state material facts in connection with the offer and sale of a security, disclosure of which was necessary in order to make representations made not misleading.

III. REMEDIAL ACTIONS/SANCTIONS

35. Respondents admit the Division's findings of fact and conclusions of law and consent to the sanctions below being imposed by the Division.

36. Respondents represent that any information provided to the Division as part of the Division's investigation of this matter is accurate.

37. Respondents agree to the imposition of a cease and desist order, prohibiting them from any conduct that violates the Act.

38. Allen agrees that he will be barred from (i) associating[5] with any broker-dealer or investment adviser licensed in Utah; (ii) acting as an agent for any issuer soliciting investor funds in Utah, and (iii) from being licensed in any capacity in the securities industry in Utah.

39. Respondents agree to cooperate with the Division, the State of Utah, and the Federal

[5] "Associating" includes, but is not limited to, acting as an agent of, receiving compensation directly or indirectly from, or engaging in any business on behalf of a broker-dealer, agent, investment adviser, or investment adviser representative licensed in Utah. "Associating" does not include any contact with a broker-dealer, agent, investment adviser, or investment adviser representative licensed in Utah incidental to any personal relationship or business not related to the sale or promotion of securities or the giving of investment advice in the State of Utah.

Government in any future investigations and/or prosecutions relevant to the matter herein.

IV. FINAL RESOLUTION

40. Respondents acknowledge that this Stipulation and Consent Order, upon approval by the Securities Commission, shall be the final compromise and settlement of this matter.

41. Respondents further acknowledge that if the Securities Commission does not accept the terms of the Stipulation and Consent Order, it shall be deemed null and void and without any force or effect whatsoever.

42. Respondents acknowledge that the Stipulation and Consent Order does not affect any civil or arbitration causes of action that third-parties may have against them rising in whole or in part from their actions, and that the Stipulation and Consent Order does not affect any criminal causes of action that may arise as a result of their conduct referenced herein.

43. Respondents acknowledge that a violation of this Stipulation and Consent Order is a third degree felony pursuant to § 61-1-21(1)(b) of the Act.

44. The Stipulation and Consent Order constitutes the entire agreement between the parties herein and supersedes and cancels any and all prior negotiations, representations,

understandings, or agreements between the parties. There are no verbal agreements which modify, interpret, construe, or otherwise affect the Stipulation and Consent Order in any way.

Utah Division of Securities

Date: 10/2/12

By: Thomas A. Brady

Thomas A. Brady
Director of Enforcement

Approved:

D. Scott Davis

D. Scott Davis
Assistant Attorney General
D.W.

Respondents

Date: 9/16/12

By: David Curtis Allen

David Curtis Allen, individually
and on behalf of Insane Asylum
Skateboards, Inc.

Approved:

Steven Killpack

Steven Killpack
Counsel for Respondents

ORDER

IT IS HEREBY ORDERED THAT:

1. The Division has made a sufficient showing of Findings of Fact and Conclusions of Law to form a basis for this settlement.
2. Insane Asylum Skateboards, Inc. and David Curtis Allen cease and desist from violating the Utah Uniform Securities Act.
3. David Curtis Allen is barred from the securities industry in Utah.

BY THE UTAH SECURITIES COMMISSION:

DATED this 29th day of October, 2012.

Brent Baker

Tim Bangerter

Jane Cameron

Erik Christiansen

Laura Polacheck

Certificate of Mailing

I certify that on the 17th day of October, 2012, I mailed, by regular mail, a true and correct copy of the Stipulation and Consent Order to:

INSANE ASYLUM SKATEBOARDS, INC.
DAVID CURTIS ALLEN
1778 COBBLESTONE ROAD
SPRINGVILLE, UT 84663

Steven B. Killpack
Attorney for Respondents
43 East 400 South
Salt Lake City, Utah 84111

Executive Secretary