

FILED DISTRICT COURT
Third Judicial District

JAN 31 2012

SALT LAKE COUNTY
by [Signature]
Deputy Clerk

CHÉ ARGUELLO, Bar No. 12412
Assistant Attorney General
MARK L. SHURTLEFF, Bar No. 4666
Utah Attorney General
5272 South College Drive, #200
Murray, Utah 84123
Telephone: (801) 281-1221
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IN THE THIRD JUDICIAL DISTRICT COURT IN AND FOR
SALT LAKE COUNTY, STATE OF UTAH

THE STATE OF UTAH, :
 :
 Plaintiff, : **AFFIDAVIT OF PROBABLE CAUSE**
 :
 vs. :
 :
 DAVID CURTIS ALLEN : Case No: 121900966
 DOB: June 18, 1958 :
 :
 Defendant. : Judge: _____

STATE OF UTAH)
 :ss
 COUNTY OF SALT LAKE)

The undersigned, DOUGLAS WAWRZYNSKI, being first duly sworn upon oath,
deposes and states as follows:

1. I am currently employed as a full time securities compliance investigator with the Utah
Division of Securities. I am currently investigating possible violations of securities



fraud statutes and related criminal code violations by DAVID CURTIS ALLEN (“Allen”).

2. The facts set forth in this affidavit are based upon the results of an investigation during which I have collected and reviewed records from witnesses and other sources. I have received information from Allen, James Schoudel, Brian Christensen, Joshua Richards and others.

PARTIES

3. Allen, at all relevant times, resided in Utah. Allen's last known address is 11944 N. Apollo Way, Highland, UT 84003. At all relevant times, Allen was the CEO of Insane Asylum Skateboards, Inc. Allen has never held a securities license.
4. Insane Asylum Skateboards, Inc. (“IA”) registered with the Utah Department of Commerce, Division of Corporations on December 29, 2008 as a Utah Corporation. The status of the registration is expired for failure to file renewal as of April 5, 2010.
5. James Schoudel (“Schoudel”), at all relevant times, resided in Utah. Schoudel’s last known address is 12028 South Doves Landing, Riverton, UT 84065. Schoudel invested \$20,000 in the form of stock in IA.
6. Brian Christensen (“Christensen”), at all relevant times, resided in Utah. Christensen’s last known address is 2328 East Mercer Point, Draper, UT 84020. Christensen invested \$22,352 in the form of stock in IA.

BACKGROUND

7. Between December 2009, to March 2011, Allen raised, directly or indirectly, no less than \$47,352 from no less than two (2) investors and promised stock to those investors.
8. Shares of stock are securities as defined by Utah Code 61-1-13.
9. In connection with the offer and/or sale of securities, Allen either directly or indirectly, made material omissions and/or misstatements of material facts that a reasonable investor would rely on when deciding whether to invest.

COUNT 1 SECURITIES FRAUD, a second degree felony (Investor Schoudel)

10. In late 2009, approximately three to six months before Schoudel invested with Allen, Allen began discussing IA with Schoudel when they would meet on other business matters. In or about December, 2009 and January, 2010, at Schoudel's place of business in Sandy, UT, Allen made a formal offer to Schoudel to buy into IA. Allen provided a five page letter that was addressed to "Brent and Casey"¹. Allen stated he currently had other investors in IA and he wanted to buy them out. Allen did not disclose the identity of the other investors. If Schoudel invested, his funds would be used to buy out prior investors. Schoudel would receive 5% ownership of IA, which would sell finished

¹Based on information and belief, "Brent and Casey" refers to Brent and Casey Nay, who were other investors. It is believed Allen distributed this letter as is, rather than draft a letter addressed to each prospective investor.

skateboards and 5% ownership of Velos, which would produce trucks (a skateboard part). Allen told Schoudel he would receive stock certificates representing his ownership in the companies. Schoudel'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. In addition to profits/dividends, Schoudel would receive a monthly payment that represented 2%/month of his invested funds. Schoudel stated this payment was neither considered interest nor a pay-down of his principal investment. Rather it was an additional incentive to investing in the company. Schoudel asked Allen how he could afford to pay that kind of return. Allen responded the profits of the company would be significant. Allen already had a warehouse of product ready to sell and was presently selling product. Allen told Schoudel the minimum investment was \$25,000.

11. Allen told Schoudel the prior owner of IA, Joshua Richards, had a patent on the trucks Velos would produce and Allen was stepping in as the new owner to reorganize the company, which included buying out investors and firing an employee, Chris Rudy.
12. Allen stated he had "in's" with the Costco Road show and just needed to get additional boards pressed. IA'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. Schoudel was aware of the competition in the skateboard market and discussed this with Allen. Allen stated

by entering the market at the “Costco price-point” they would be undercutting the competitor’s prices significantly.

13. Allen showed Schoudel a mock invoice showing the projected cost of a board, other overhead and expected profits per board. Schoudel inquired about financials for the company and Allen stated he would get them. Allen never delivered financials for IA or Velos but returned to asked Schoudel whether he wanted to invest. Schoudel told Allen he was still unsure he wanted to invest and wanted to have an attorney look over the investment. Allen responded he was in a hurry and that he already had the paperwork ready to go.
14. On or about February 3, 2010, Schoudel invested \$25,000 by personal check. The check was hand delivered to Allen by Schoudel at Allen’s place of business at 9513 South 500 West, Sandy, UT.
15. Schoudel stated he authorized his funds to be used to buy out previous investors to consolidate ownership of IA. Schoudel did not authorize his funds to be used for any other purpose, including but not limited to, salary and personal expenses of Allen.
16. Schoudel never received the stock certificates or his principal. Schoudel received \$1,500 from Allen as a part of what was supposed to be the monthly 2% investor incentive.

17. In connection with the offer or sale of a security Allen made misrepresentations of material facts, including but not limited to those set forth below in paragraphs 18 through 20.
18. Schoudel was purchasing stock in IA and Velos, which would be memorialized by stock certificates. However, Allen never issued and/or delivered stock to Schoudel.
19. Allen stated Schoudel's funds would be used to buy out other investors. However, Allen did not use the funds to buy out other investors. Instead Allen used the funds, in part, to pay interest to other investors and pay for personal expenses.
20. Schoudel requested financial information for IA and Allen responded he would obtain them for Schoudel. However, Allen did not deliver the financial records and instead pressured Schoudel to invest because he was in a hurry and had "the paperwork" all ready to go.
21. In connection with the offer or sale of a security Allen made omissions of material facts, including but not limited to those set forth below in paragraphs 22 through 26.
22. Allen stated there were other investors but did not disclose the current capitalization of IA.
23. Allen stated he would be CEO of IA and running the company but did not disclose he filed for Chapter 7 bankruptcy in 1998 and received a discharge.

24. Allen stated he would be CEO of IA and running the company but did not disclose he owed the IRS \$6,000 as of 2009.
25. Allen stated he would be CEO of IA and running the company but did not disclose he owed UPS \$305 as of the time of the investment.
26. Allen stated he would be CEO of IA and running the company but did not disclose owed as much as \$90,360 in credit card debt at the time of the investment.

COUNT 2
THEFT, a second degree felony
(Investor Schoudel)

27. Schoudel stated he authorized his funds to be used to buy out previous investors to consolidate ownership of IA.
28. Allen obtained money from Schoudel and exercised unauthorized control of the money with the purpose to deprive Schoudel thereof.
29. The value of the money obtained was in excess of \$5,000.
30. Bank records indicate, Schoudel's \$25,000 investment was deposited to Allen's account on February 4, 2010, bringing the balance to \$29,596.28 and was spent in the following manner:

- \$1,000 to Kriss Russell,
- \$500 to Dave Allen [Cash],
- \$6,480 to Ariki [Invoice #1397],
- \$25 to Outgoing Wire Fee,
- \$25 to Outgoing Wire Fee,
- \$5,963.76 to Custom Molded Products [Inv#1090175],

- \$3,000 to Elevate Fulfillment,
- \$2,400 to “Smileon” SMILEMON,LLC [Int. Dec/Jan],
- \$2,000 to Allen’s personal account,
- \$2,000 to Dave Allen [Lil Diner Show],
- \$375 to McKay Pinegar [Int],
- \$125 to Kris Russell [IA Photo],
- \$1,005 to Euler Hermes UMA,
- \$1,642.52 to Washington Mutual,
- \$495.92 to Ocwen Loan Servicing,
- \$425.47 to Verizon Wireless,
- \$418.07 to Citimortgage,
- \$200 to Conoco
- \$1,000 to Allen’s personal account, and
- \$259 to IRG Health Ins. Payments Allen,D***.

COUNT 3
SECURITIES FRAUD, a second degree felony
 (Investor Christensen)

31. In or about mid-February, 2010, David Curtis Allen (“Allen”), met personally with Christensen at the office of Christensen’s business, Simple Products, in Sandy, UT. Allen described a skateboard manufacturing and retail company called Insane Asylum Skateboards (“IA”). Allen stated he owned the company and was seeking investors.
32. Between the first meeting in February, 2010 and when Christensen invested on March 29, 2010, Allen met with Christensen at Christensen’s office in Sandy, UT, four or five times. During these meetings, Christensen and Allen negotiated Christensen’s investment in IA.
33. Prior to Christensen’s investment, Allen made the following representations:
- Allen owned and controlled IA.

- Allen owed a 10% of value of IA to Josh Richards in the event of a sale of the company.
- Allen was raising capital and would grant ownership in IA to investors.
- Ownership in IA would be memorialized through certificates.
- IA had some smaller investors that Allen was working to “eliminate.”
- The smaller investors had not necessarily invested cash.
- Allen and Christensen would be equal partners. Christensen initially interpreted that to mean 50%. Later that was reduced to 30% and finally down to 20% in an email from Allen to Christiansen.
- Allen owed 10% ownership to two individuals operating as KCNay as well as 10% to an Idaho investor.
- Christensen’s money would be used to purchase inventory and press boards (Allen prepared purchase orders detailing how Christensen’s money would be used).
- Allen would have IA’s inventory shipped to Simple Products warehouse, which would reduce Christensen’s risk.
- IA was currently producing skateboards through a third party.
- IA was already selling boards and components on the internet.
- Kahuna Boards was buying IA/Velos trucks.

- Allen compared IA's financial prospects to a competing board company called Sector 9. Sector 9 was sold for \$40 million. Allen stated IA within one year was where it took Sector 9, four years to get.
 - Allen discussed competition in the skateboard market. Allen planned to out-compete the competition by pressing IA's own boards.
 - Allen stated IA would be profitable within thirty days.
 - Investors would be paid from profits of sales of skateboards and would receive payments related to their capital investment as well as through stock dividends.
 - Allen made no other risk disclosures.
 - Allen needed \$38,560 from Christensen for inventory and to press boards.
 - Allen offered to memorialize investments in IA with dividend paying stock certificates.
34. On or about February 23, 2010, shortly before investing, Christensen received from Allen a letter addressed to "Casey and Brent", purportedly written by Dave Allen, describing the business plan and structure for IA.
35. On March 19, 2010, Christensen received an email from Allen memorializing a prior conversation. The email stated Christensen would receive twenty percent (20%) ownership in Insane Asylum Skateboards for his capital investment.

36. On March 29, 2010, Christensen invested via a wire transfer of \$22,352 to Allen's account. Christensen never received any return on his investment.
37. In connection with the offer or sale of a security Allen made misrepresentations of material facts, including but not limited to those set forth below in paragraphs 38 through 40.
38. Allen promised to deliver stock certificates representing ownership in IA but never delivered them.
39. Allen stated Christensen's funds would be used to purchase inventory and to press boards. However, Allen used the funds for other purposes.
40. Allen stated he would ship inventory to Christensen's warehouse, but instead the inventory was shipped directly to Allen.
41. In connection with the offer or sale of a security, Allen made omissions of material facts, including but not limited to those set forth below in paragraphs 42 through 50.
42. Allen provided an accounting method for cost of goods but did not provide financial statements of IA.
43. Allen stated IA currently had other investors but did not disclose the current capitalization of IA.
44. Allen stated IA currently had other investors but did not disclose Allen's track record to other investors, including that he had misused prior investor funds.

45. Allen did not disclose how many other investors there were or would be and what percentage of IA would be sold off.
46. Allen stated he would be CEO of IA and running the company did not discuss if he was drawing a salary or taking compensation from investor funds.
47. Allen stated he would be CEO of IA and running the company but did not disclose he filed for Chapter 7 bankruptcy in 1998 and received a discharge.
48. Allen stated he would be CEO of IA and running the company but did not disclose he owed the IRS \$6,000 as of 2009.
49. Allen stated he would be CEO of IA and running the company but did not disclose he owed UPS \$305 as of 2009.
50. Allen stated he would be CEO of IA and running the company but did not disclose he owed as much as \$90,360 in credit card debt at the time of the investment.

COUNT 4
THEFT, a second degree felony
(Investor Christensen)

51. Christensen stated he authorized his funds to purchase inventory and labor for IA.
52. Allen obtained money from Christensen and exercised unauthorized control of the money with the purpose to deprive Christensen thereof.
53. The value of the money obtained was in excess of \$5,000.

54. Bank records indicate, Christensen's \$22,352 investment was deposited to Allen's account on March 29, 2010, bringing the balance to \$22,525.88 and was spent in the following manner:

- \$10 to Wire Trans Service Charge,
- \$4,200 to Shane McKenn,
- \$2,200 to Allen [Cash],
- \$1,324.50 to The Huntington NAT, Adams Mfg. Corp.,
- \$303 to Peppermill Cash [Wendover, US],
- \$2.50 to ATM Fee,
- \$2.50 to Monthly Service Fee,
- \$1,600 to Netmark Essentials [Invoice],
- \$49.76 to Smith's [Lehi, UT],
- \$87.92 to Smith's [Lehi, UT],
- \$54.69 to Holiday Oil [South Jordan, UT],
- \$20 to Wire Trans Service Charge,
- \$7,980 to Custom Molded Products,
- \$1,000 to Allen [Exp.],
- \$56 to Chevron [Draper],
- \$196.15 to Office Depot [American Fork],
- \$3,237.68 to Chasehomefinance Ln Pmt Allen David,
- \$40.80 to Chevron [American Fork]
- \$8.54 to Smiths [Lehi, UT],
- \$51.95 to Smiths [Lehi, UT], and
- \$125.75 to Smiths [Lehi, UT].

COUNT 5
PATTERN OF UNLAWFUL ACTIVITY
a second degree felony

55. Commencing in or about December 2009, Allen engaged in conduct which constituted the commission of at least three episodes of unlawful activity as defined in Utah Code Ann. §76-

10-1603. The unlawful activity included three or more violations of Utah Uniform Securities Act and or Theft.

SUMMARY

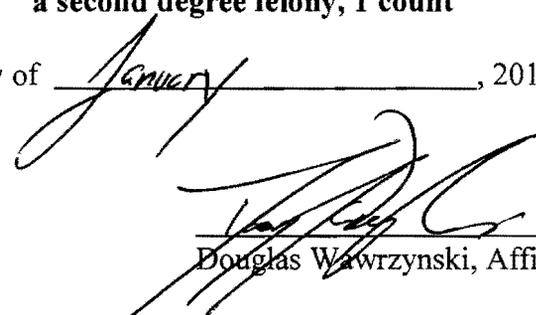
56. Based on my review of the evidence, there is probable cause to believe that Allen committed the crimes of:

SECURITIES FRAUD
a second degree felony, 2 counts

THEFT
a second degree felony, 2 counts

PATTERN OF UNLAWFUL ACTIVITY
a second degree felony, 1 count

DATED this 7th day of January, 2012.



Douglas Wawrzynski, Affiant

SUBSCRIBED AND SWORN before me this 31 day of January, 2012.

I CERTIFY THAT THIS IS A TRUE COPY OF AN ORIGINAL DOCUMENT ON FILE IN THE THIRD DISTRICT COURT, SALT LAKE COUNTY, STATE OF UTAH.

DATE: Jan 31 2012
[Signature]
DEPUTY COURT CLERK



[Signature]

JUDGE, THIRD DISTRICT COURT



FILED DISTRICT COURT
Third Judicial District

JAN 31 2012

SALT LAKE COUNTY

by [Signature]
Deputy Clerk

CHÉ ARGUELLO, Bar No. 12412
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Facsimile: (801) 281-1224
Attorneys for Plaintiff

IN THE THIRD JUDICIAL DISTRICT COURT IN AND FOR

SALT LAKE COUNTY, STATE OF UTAH

THE STATE OF UTAH. : Bail \$ 20,000
Plaintiff, :
vs. : **CRIMINAL INFORMATION**
: :
DAVID CURTIS ALLEN, : Case No. 121900966
DOB: June 18, 1958 :
Defendant. : Judge _____

The undersigned, DOUGLAS WAWRZYNSKI, states on information and belief that the defendant has committed the following crimes:

SECURITIES FRAUD
a second degree felony, 2 counts

THEFT
a second degree felony, 2 counts

PATTERN OF UNLAWFUL ACTIVITY
a second degree felony, 1 count



COUNT 1
SECURITIES FRAUD
a second degree felony

Commencing on or about December 2009, in the State of Utah, the defendant, in connection with the offer or sale of a security, directly or indirectly, to **JAMES SCHOUDEL**, made untrue statements of material facts or omitted to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; or engaged in an act, practice, or course of business which operated or would operate as a fraud or deceit, in violation of Utah Code Ann. §§61-1-1 and 61-1-21. This violation is a second degree felony under Utah Law.

COUNT 2
THEFT
a second degree felony

Commencing on or about February 2010, the defendant obtained or exercised unauthorized control over the property of another (**JAMES SCHOUDEL**) with a purpose to deprive him thereof. The value of the property exceeds \$5,000.00. This is a violation of Utah Code Ann. § 76-6-404, a second degree felony.

COUNT 3
SECURITIES FRAUD
a second degree felony

Commencing on or about February 2010, in the State of Utah, the defendant, in connection with the offer or sale of a security, directly or indirectly, to **BRIAN**

CHRISTENSEN, made untrue statements of material facts or omitted to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; or engaged in an act, practice, or course of business which operated or would operate as a fraud or deceit, in violation of Utah Code Ann. §§61-1-1 and 61-1-21. This violation is a second degree felony under Utah Law.

COUNT 4
THEFT
a second degree felony

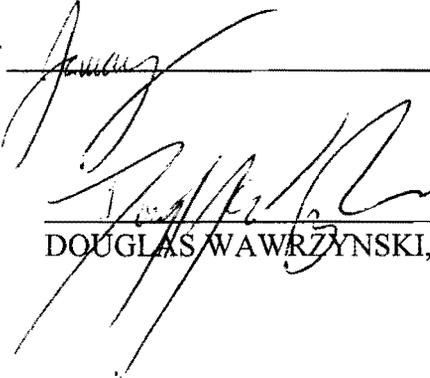
Commencing on or about March 2010, the defendant obtained or exercised unauthorized control over the property of another (**BRIAN CHRISTENSEN**) with a purpose to deprive him thereof. The value of the property exceeds \$5,000.00. This is a violation of Utah Code Ann. § 76-6-404, a second degree felony.

COUNT 5
PATTERN OF UNLAWFUL ACTIVITY
a second degree felony

Commencing on or about December 2009, the defendant has engaged in conduct which constituted the commission of at least three episodes of unlawful activity as defined in Utah Code Ann. § 76-10-1601. The defendant, through a pattern of unlawful activity: (1) received proceeds derived, directly or indirectly, from a pattern of unlawful activity, including but not limited to the acts as described above, in which he participated as a principal, or he used or invested, directly or indirectly, any part of that income, or the proceeds of the income, or the

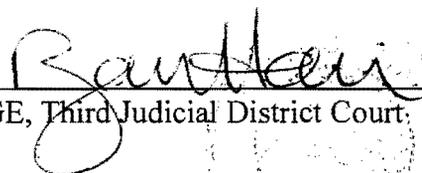
proceeds derived from the investment or use of those proceeds, in the acquisition of any interest in, or establishment or operation of, any enterprise; (2) through a pattern of unlawful activity, including but not limited to the acts as described above, acquired or maintained, directly or indirectly, any interest in or control of any enterprise; or (3) was employed by, or associated with any enterprise and conducted or participated, whether directly or indirectly, in the conduct of that enterprise's affairs through a pattern of unlawful activity. The unlawful activity, including but not limited to the acts as described above, included three or more violations of securities fraud and theft. This is a violation of Utah Code Ann. §76-10-1601 and § 76-10-1603(5) (1995), et seq. a second degree felony.

DATED this 7 day of January, 2012.



DOUGLAS WAWRZYNSKI, Affiant

SUBSCRIBED AND SWORN to before me on this 7 day of January, 2012.

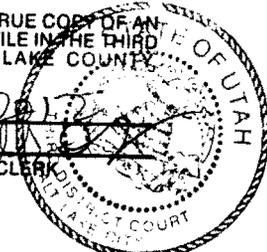


JUDGE, Third Judicial District Court.

I CERTIFY THAT THIS IS A TRUE COPY OF AN ORIGINAL DOCUMENT ON FILE IN THE THIRD DISTRICT COURT, SALT LAKE COUNTY, STATE OF UTAH.

DATE: 1/31/2012

DEPUTY COURT CLERK



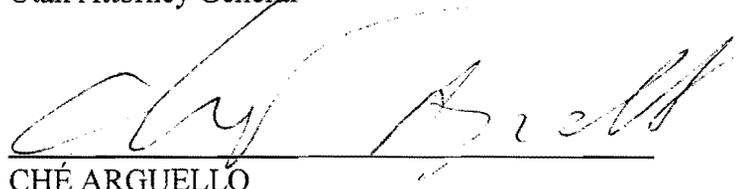
This CRIMINAL INFORMATION is based upon evidence from the following witnesses:

1. James Schoudel
2. Brian Christensen
3. Joshua Richards
4. David Curtis Allen
5. And Others

AUTHORIZED for presentment and filing this 31st day of January,
2012.

MARK L. SHURTLEFF
Utah Attorney General

By:



CHÉ ARGUELLO
Assistant Attorney General

CHÉ ARGUELLO, Bar No. 12412
Assistant Attorney General
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FILED DISTRICT COURT
Third Judicial District

JAN 31 2012

SALT LAKE COUNTY

Deputy Clerk

IN THE THIRD JUDICIAL DISTRICT COURT IN AND FOR
SALT LAKE COUNTY, STATE OF UTAH

THE STATE OF UTAH, : Bail \$ 20,000
 :
 Plaintiff, :
 : **WARRANT OF ARREST**
 vs. :
 :
 DAVID CURTIS ALLEN, : Case No: 1219009660
 DOB: June 18, 1958 :
 : Judge: _____
 Defendant. :

THE STATE OF UTAH TO ANY PEACE OFFICER IN THE STATE OF UTAH,
GREETINGS:

An Information, upon oath, having been this day made before me by Investigator Douglas Wawrzynski, and it appearing from the Information, or affidavit filed with the Information, that there is probable cause to believe that the public offense(s) of: **Securities Fraud, a second degree felony, 2 counts; Theft, a second degree felony, 2 counts; and, Pattern of Unlawful**



Activity, a second degree felony, 1 count, has been committed, and that the defendant, DAVID CURTIS ALLEN, has committed these offenses,

YOU ARE THEREFORE COMMANDED to arrest the above named defendant forthwith and bring the defendant before this court, or before the nearest or most accessible magistrate for setting bail. If the defendant has fled justice, you shall pursue the defendant into any other county of this state and there arrest the defendant. The offenses listed above are felonies.

Bail is set in the amount of \$ 20,000.-

DATED this 31 day of January, 2012.



HONORABLE,
JUDGE, THIRD DISTRICT COURT

Defendant's Last Known Address:

11944 North Apollo Way
Highland, UT 84003

I CERTIFY THAT THIS IS A TRUE COPY OF AN ORIGINAL DOCUMENT ON FILE IN THE THIRD DISTRICT COURT, SALT LAKE COUNTY, STATE OF UTAH.
DATE: 1/31/2012

DEPUTY COURT CLERK
