

STATE OF WASHINGTON  
DEPARTMENT OF FINANCIAL INSTITUTIONS  
SECURITIES DIVISION

IN THE MATTER OF determining  
Whether there has been a violation of the  
Securities Act of Washington by:

Action Sports, Ltd. and  
Dale Carone,

Respondents.

SDO -14 – 99

STATEMENT OF CHARGES AND NOTICE  
OF INTENTION TO ENTER ORDER TO  
CEASE AND DESIST

Case No. 98-03-10

THE STATE OF WASHINGTON TO: Action Sports, Ltd.  
8001 Irvine Center Drive, Suite 830  
Irvine, CA 92618  
  
Dale Carone  
8001 Irvine Center Drive, Suite 830  
Irvine, CA 92618

**STATEMENT OF CHARGES**

Please take notice that the Securities Administrator of the State of Washington has reason to believe that Respondents, Action Sports, Ltd. and Dale Carone, have violated the Securities Act of Washington and that their violations justify the entry of an order of the Securities Administrator under RCW 21.20.390 to cease and desist from such violations. The Securities Administrator finds as follows:

**TENTATIVE FINDINGS OF FACT**

1. Action Sports, Ltd. (“Action”) is a manufacturer and distributor of snowboards and related accessories with its principal place of business at 8001 Irvine Center Drive, Suite 830 Irvine, CA 92618-2920.
2. Dale Carone (“Carone”) is an agent for Action’s Investor Relations Division.

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360-902-8760

1 3. On or about January 23, 1998, Action, through its agent Carone, made unsolicited telephone calls to at  
2 least one Washington Resident (“Resident”) soliciting purchases of shares in Action.

3 4. Carone told the Resident that Action was just starting up and would be involved in a merger with a  
4 company called Willow Run. Carone told the resident he could “get him in at thirty-eight cents even though the shares  
5 were trading at forty-three cents per share on the market.

6 5. Neither Action nor Carone had a pre-existing relationship with the Resident.

7 6. Carone followed up the telephone solicitation, on or about January 23, 1998, by sending the Resident a  
8 letter describing Action, as a publicly traded company with several subsidiaries and enclosed a fact sheet.

9 7. The fact sheet, and other information Carone provided to the resident, falsely stated that Action was  
10 traded on the NASDQ Bulletin Board under the symbol AMCX.

11 8. Carone failed to advise the resident that AMXC is the symbol for Amex Systems Corporation, a  
12 company entirely unrelated to Action.

13 9. Carone failed to advise the resident that two companies called Action Sports Limited were trading on the  
14 NASD Bulletin Board, at the time of the solicitation, one under the symbol WLLO and the other under the symbol ACTB.

15 10. Action has not registered its shares for sale with the state of Washington, nor has any notice of exemption  
16 been filed in relation to said shares and the shares have not been listed on any national or regional exchange.

17 11. Carone is not currently registered to as a securities salesperson or broker-dealer in the state of  
18 Washington and has not previously been so registered.

19 The Securities Administrator finds that the continued offer and sale of securities by the respondents present a  
20 threat to the investing public.

21 Based upon the above Tentative Findings of Fact, the following Conclusions of Law are made:

22  
23 **CONCLUSIONS OF LAW**

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1 The offer and/or sale of NWP described above constitute the offer and/or sale of a security as defined in RCW  
2 21.20.005(10) and (12), to wit: Stock.

3 1. The offer and/or sale of share of Action are in violation of RCW 21.20.140 because no registration or  
4 notification of claim of exemption for such offer and/or sale is on file with the Administrator of Securities, state of  
5 Washington and it appears that NWP shares do not otherwise qualify for an exemption from registration.

6 2. Respondents Action and Carone have violated RCW 21.20.040 by offering and/or selling said securities  
7 while not registered as a securities salesperson or broker-dealer in the state of Washington.

8 3. The offer and/or sale of said securities were made in violation of RCW 21.20.010 because Respondents  
9 made untrue statements of material fact regarding the status of Action to Washington Residents.

10 **NOTICE OF INTENTION TO ORDER THE RESPONDENT TO CEASE AND DESIST**

11  
12 Based upon the above Tentative Findings of Fact and Conclusions of Law, the Securities Administrator intends to  
13 order that the respondent, its agents, and employees permanently cease and desist from violations of RCW 21.20.010,  
14 21.20.040, and RCW 21.20.140.

15 **AUTHORITY AND PROCEDURE**

16  
17 This STATEMENT OF CHARGES AND NOTICE OF INTENTION TO ENTER ORDER TO CEASE AND  
18 DESIST is entered pursuant to the provisions of RCW 21.20.390, RCW 21.20.325, and is subject to the provisions of ch.  
19 34.05 RCW. The Respondents, Action and Carone, may make a written request for a hearing as set forth in the NOTICE  
20 OF OPPORTUNITY TO DEFEND AND OPPORTUNITY FOR HEARING accompanying this order. If Respondents  
21 do not make written requests for hearings in accordance with the NOTICE OF OPPORTUNITY TO DEFEND AND  
22 OPPORTUNITY FOR HEARING, the Securities Administrator will enter a final order in accordance with the  
23 FINDINGS OF FACT AND CONCLUSIONS OF LAW AND NOTICE OF INTENT TO ORDER THE  
24 RESPONDENTS TO CEASE AND DESIST.

25 STATEMENT OF CHARGES AND NOTICE OF 3  
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DATED this \_\_\_\_\_ day of \_\_\_\_\_, 1999.

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DEBORAH R. BORTNER  
Securities Administrator

Presented by:

\_\_\_\_\_  
Kristina L. Kneip  
Securities Examiner

Approved by:

\_\_\_\_\_  
Michael E. Stevenson  
Chief of Compliance

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