THE DAVI SKIN PUMP-AND-DUMP SCHEME

A Forensic Brief Re: Offshore Nominee Infrastructure, Corporate Hijacking, and Securities Fraud (2004–2008)

I. INTRODUCTION

Between March 2004 and December 2008, **Kyleen Elisabeth Cane** and **Jan Mary Wallace** orchestrated a systematic scheme to seize control of a publicly traded shell company, defraud its investors, and execute a multi-million dollar pump-and-dump securities fraud. The vehicle was Davi Skin, Inc., formerly MW Medical, Inc.—a Nevada-incorporated public company Wallace had controlled since 1998 as President, CEO, and Director.[1]

The scheme generated over $6.38 million in illicit proceeds through coordinated offshore trading while causing approximately $7.95 million in quantified direct losses to victims including entrepreneur Parrish Medley, wine industry scion Carlo Mondavi, the Noctua Fund, and retail shareholders.[2] Wallace emerged from MW Medical's 2002 bankruptcy as the primary secured creditor, sold the reorganized shell to Parrish Medley while concealing her retained $200,000 promissory note, defamed and removed Medley when he threatened to expose her control, stole Carlo Mondavi's founding ownership through backdated documents prepared by Cane, issued millions of shares to offshore nominee accounts and CEDE & CO (the Depository Trust Company nominee) positioned to evade SEC reporting requirements, manipulated the stock price through coordinated trading controlling 89% of market volume, and abandoned the worthless shell after dumping shares on unsuspecting retail investors.[3]

The criminal enterprise employed dual nominee infrastructures: four offshore entities (Arch Ltd., Hepburn Holdings Ltd., Sunshine Ltd., and The Chloe Group of Companies) managed through LOM Securities and its intermediary Bridge Street Services Limited, plus CEDE & CO (the Depository Trust Company nominee) holding Cane's Dynamic-origin shares.[4] These shares held at CEDE & CO were originally issued to **Michael A. Cane** through the June 12, 2001 Tele-Lawyer/Dynamic Associates reverse merger (SEC Schedule 13D filed June 26, 2001, Accession No. 0001075793-01-500095, reporting 2,871,051 shares at 48.7% beneficial ownership).[5] Michael Cane legally changed names to Kyleen E. Cane on June 28, 2001—just two days after filing the Schedule 13D under the former identity—yet continued to execute SEC filings under "Michael A. Cane" for 231 additional days, including a Schedule 13D filed February 14, 2002 (Accession No. 0001075793-02-000056) that reported 2,871,279 shares under penalty of perjury using the abandoned legal identity.[6] When Kyleen Cane subsequently deposited these shares to CEDE & CO accompanied by a Regulation S opinion letter to remove restrictive legends, the name change served to conceal the shares' provenance and obscure the connection to the original Michael Cane issuances—thereby facilitating securities fraud and money laundering by severing the documentary chain linking Cane's current identity to the fraudulent acquisition of these shares through the predicate reverse merger scheme.[7]

The four LOM entities were strategically positioned at exactly 3.97% ownership each to evade SEC reporting requirements while collectively controlling approximately 2,295,388 shares (15.88% of outstanding stock). CEDE & CO held an additional 2,249,825 shares (38.0% of free trading stock), giving Cane and Wallace combined control of approximately 84.79% of Davi Skin's freely tradable shares.[8] Wallace's prior sworn deposition testimony confirmed Hepburn Holdings as "a management account" located "in Bermuda"—an admission she attempted to retract during her 2013 bankruptcy examination by first denying she ever had offshore accounts, before being confronted with her own words.[9]

II. MW MEDICAL TO DAVI SKIN: THE SHELL COMPANY FOUNDATION

MW Medical, Inc. originated as a spin-off from Dynamic Associates, Inc.—the very entity at the center of the Cane-Wallace enterprise. On February 25, 1998, Dynamic transferred all shares of MW Medical to the shareholders of Dynamic through a one-for-one distribution: each shareholder of Dynamic received one common share of MW Medical for each common share of Dynamic held.[10] The shares distributed by Dynamic constituted all of MW Medical's issued and outstanding shares at the time.[11] This corporate genealogy is critical: Michael Cane (later Kyleen Cane) held approximately 48% of Dynamic Associates, meaning approximately 48% of MW Medical's initial shares were distributed to Cane through the Dynamic spin-off.[12] MW Medical was incorporated in Nevada on March 11, 1998, ostensibly engaged in developing microwave-based medical devices.[13] Jan Wallace served as President, CEO, and Director from inception.[14] The company's actual business was minimal—its primary asset was its status as a publicly traded shell on the OTC Bulletin Board.[15]

[1] SEC Form 10-KSB, MW Medical, Inc. at 3 (Mar. 31, 2000).

[2] Davi Skin Historical Trade Information and Analysis at Summary [hereinafter Davi Trade Analysis].

[3] *Id.*

[4] *Id.* at Shareholder Report, July 13, 2007.

[5] SEC Schedule 13D, Legal Access Technologies, Inc. at 3 (June 26, 2001), Accession No. 0001075793-01-500095 [hereinafter SC 13D June 2001].

[6] SEC Schedule 13D, Legal Access Technologies, Inc. at 1 (Feb. 14, 2002), Accession No. 0001075793-02-000056. Filed 231 days after June 28, 2001 name change, certifying under penalty of perjury as "Michael A. Cane" despite legal name change to Kyleen E. Cane.

[7] The name change from Michael to Kyleen was not publicly disclosed until July 22, 2004—more than three years after the change occurred—when it appeared in an SEC Form 5 filing (Accession No. 0001255294-04-000216). This multi-year concealment allowed Cane to operate under the new identity while the original Michael Cane stock acquisition remained obscured from investigators and counterparties.

[8] Upon market liquidation during June 2007 and September 2007, the four LOM nominee entities' aggregated position (2,295,388 shares) and the CEDE & CO position (2,249,825 shares) yielded $6,385,033 in illegal proceeds. Investigation Summary at ¶ 38 (Mar. 4, 2010).

[9] Transcript of Continued 341 Meeting at 17:10-20, *In re Wallace*, No. 2:13-bk-17237-SSC (Bankr. D. Ariz. Nov. 4, 2013) [hereinafter Wallace 341 Tr.].

[10] Disclosure Statement at 3, *In re MW Medical, Inc.*, No. 2:02-bk-01234-RJH (Bankr. D. Ariz. Feb. 4, 2002); SEC Form 10-K, Dynamic Associates at Distribution (Dec. 31, 1999).

[11] *Id.* ("The shares of MW Medical, Inc. distributed by Dynamic constituted all of MW Medical's issued and outstanding shares at the time.").

[12] *See* SEC Form 10-K, Dynamic Associates at Beneficial Ownership (Dec. 31, 2001).

[13] SEC Form 10-SB, MW Medical, Inc. at 3 (Sept. 14, 1998).

[14] SEC Form 10-KSB, MW Medical, *supra* note 1, at 3.

[15] *Id.* at 5-7.

MW Medical's purported business—microwave energy for dermatological applications—was engineered to inflate the shell's apparent value. The company's 10-SB registration statement (July 1998) claimed a "$5 billion" worldwide market for spider vein treatment and hair removal, with FDA approval pending.[16] In reality, the FDA granted only limited clearance on October 25, 1999 for body hair removal below the neck using the MW 2000 device; facial hair removal trials were never completed or submitted to the FDA, and all spider vein clinical trials were halted due to financial constraints.[17] Sales were "slow" because of "lack of approval for facial hair removal" and hair clearance rates criticized as "too low."[18] By 2002, MW Medical had halted all research, all clinical trials, and all marketing, and was explicitly seeking "a reverse merger partner" to exploit the shell's remaining SEC registration—the precise outcome Cane and Wallace intended from the beginning.[19] On the eve of the Davi Skin reverse merger, the shell held zero assets, 645,033 shares outstanding, $1,922 in accounts payable, and a $200,000 note payable to a related party (Dynamic Associates).[20]

The MW Medical reorganization plan thus issued shares to Dynamic shareholders, which accounts for Michael Cane's approximately 48% stake flowing into MW Medical—and ultimately into Davi Skin after the reverse merger. The shares attributable to Cane's Dynamic ownership would be deposited to CEDE & CO (the Depository Trust Company nominee), while the shares attributable to Wallace's promissory note conversion would be distributed to the four LOM Securities nominee entities. This dual-channel architecture—Cane controlling shares through CEDE & CO and Wallace controlling shares through LOM nominee accounts—gave the conspirators collective control of approximately 85% of Davi Skin's free trading stock.[21]

Under Wallace's management, MW Medical raised capital through a private placement of "10% Convertible Subordinated Notes"—the same fraudulent instrument used in the Westminster Agencies scheme.[22] Like Westminster, MW Medical made material misrepresentations regarding business prospects, failed to honor payment obligations, and filed for bankruptcy when creditors sought collection.[23] On January 22, 2002, MW Medical filed Chapter 11 bankruptcy with Wallace listed as the primary secured creditor holding approximately $200,000.[24] This strategic positioning ensured Wallace would maintain control throughout bankruptcy and emerge as the dominant stakeholder.[25]

MW Medical emerged from bankruptcy in June 2004 following a 1-for-500 reverse stock split that eliminated fractional shareholders and consolidated control.[26] Shortly after reorganization, Parrish Medley—an entrepreneur developing luxury skincare products under the "Davi Skin" brand—approached Michael Cane (later Kyleen Cane) seeking a clean shell company for his business.[27] Cane recommended or introduced Wallace to Medley, positioning Wallace as the controller of MW Medical, a purportedly clean shell free of liabilities.[28] Wallace represented that MW Medical was suitable for Medley's business, concealing the enterprise's true intentions.[29]

Wallace concealed her retained $200,000 promissory note against the company, her long-term relationship with Kyleen Cane (the purportedly independent securities counsel), offshore nominee structures already established to hold large stock blocks, and her intent to use Medley's legitimate business as window dressing for securities fraud.[30] Medley purchased the shell in good faith, renamed it "Davi Skin, Inc.," and assumed the CEO role in August 2004.[31] He brought in Carlo Mondavi as co-founder and significant investor, believing he had acquired a clean shell through Cane's introduction.[32] What Medley did not know was that Wallace and Cane had positioned the concealed promissory note as a weapon to be deployed when the time came to seize the company from him.[33]

III. THE WALLACE PROMISSORY NOTE AS WEAPON

Throughout 2004-2005, Wallace maintained her creditor position through the $200,000 promissory note.[34] This note served not as legitimate debt but as a weapon of corporate sabotage. By holding a substantial claim, Wallace retained standing to interfere with corporate decisions, object to management actions, and demand information.[35] The note created financial leverage that Wallace would deploy precisely when an independent audit threatened to expose hidden control structures.[36]

[16] SEC Form 10-SB, MW Medical, Inc. at 4–6 (July 13, 1998), Accession No. 0001011438-98-000283.

[17] SEC Form 10-KSB, MW Medical, Inc. at 3 (Dec. 31, 2001), Accession No. 0001075793-02-000209 ("On October 25, 1999, the Food and Drug Administration, or FDA, granted us approval to begin marketing our microwave hair removal device for hair removal below the neck. . . . We have currently halted all clinical trials for the treatment of telangiectasia.").

[18] *Id.* at 3 ("Sales for the MW 2000 have been slow for a variety of reasons, including lack of approval for facial hair removal, the size of the aperture, and longer than expected trial periods for sales.").

[19] *Id.* at 2 ("We can then seek business opportunities for a reverse merger that will allow creditors and shareholders to realize value not otherwise available to them.").

[20] SEC Form 10-QSB, Davi Skin, Inc. at F-4 (Q1 2005), Accession No. 0001255294-05-000310 ("Prior to the merger transaction, the Company had 645,033 shares of its common stock outstanding, $1,922 in accounts payable, $200,000 in a note payable to a related party and no assets.").

[21] Investigation Summary at ¶¶37-38 (Mar. 4, 2010).

[22] *See* Complaint, *Westminster Agencies, Ltd. v. Dynamic Assocs., Inc.*, No. CV2001-005996 (Ariz. Super. Ct. filed Apr. 9, 2001).

[23] Voluntary Petition, *In re MW Medical, Inc.*, No. 2:02-bk-01234-RJH (Bankr. D. Ariz. filed Jan. 22, 2002).

[24] *Id.* at Schedule D.

[25] *See* 11 U.S.C. §§ 1121, 1129(b).

[26] SEC Form 8-K, MW Medical, Inc. at Item 3.02 (June 21, 2004).

[27] Complaint ¶ 6, *Medley v. Wallace*, No. BC351142 (L.A. Super. Ct. filed Apr. 21, 2006) [hereinafter Medley Compl.].

[28] Medley approached Cane (who he knew as Michael Cane) about obtaining a shell company. Cane's role in facilitating the connection to Wallace demonstrates the enterprise's coordinated operation—Cane positioned Wallace as the shell provider while concealing their long-standing criminal relationship.

[29] Medley Compl., *supra* note 14, at ¶¶ 6-8.

[30] *Id.*

[31] SEC Form 8-K, Davi Skin, Inc. at Item 1.01 (Aug. 16, 2004).

[32] Davi Trade Analysis, *supra* note 2, at Narrative section.

[33] The concealed note gave Wallace standing to interfere with corporate decisions, object to management actions, and manufacture crises. When the 2005 audit threatened to expose the offshore nominee structures, Wallace would weaponize the note by accusing Medley—the victim—of fraud to the accountants, with Cane (who facilitated the sale) remaining silent despite Medley's requests for help, and with Johal and Sims manufacturing false financial records to support Wallace's accusations.

[34] Medley Compl., *supra* note 14, at ¶ 8.

[35] *See* DEL. CODE ANN. tit. 8, § 220; MODEL BUS. CORP. ACT § 16.02.

[36] Medley Compl., *supra* note 14, at ¶¶ 9-11.

Wallace allegedly created the note on March 15, 2003—before Medley's purchase—establishing creditor status while still controlling MW Medical.[37] This timing allowed her to claim legitimate secured creditor status while concealing that the note was self-dealing created to maintain control.[38] When Wallace eventually converted this $200,000 note into equity, the conversion generated approximately 2.3 million shares—immediately distributed across four offshore nominee accounts rather than held in Wallace's name.[39]

Additionally, Wallace and Cane created a fraudulent promissory note scheme involving **Amin Lakha**, who posed as an "investor" but whose true role was to acquire promissory notes that Wallace and Cane could later exploit for corporate control and share conversion.[40] Lakha's participation allowed the conspirators to manufacture additional debt instruments convertible into equity, further diluting legitimate shareholders.[41]

IV. ACCUSING THE VICTIM: THE WEAPONIZED REVERSAL AGAINST PARRISH MEDLEY

In March 2006, Davi Skin's auditors contacted Wallace regarding the $200,000 promissory note during their fiscal 2005 review.[42] This routine inquiry represented an existential threat. A thorough audit would have revealed offshore nominee structures, undisclosed beneficial ownership by Cane and Wallace, and complex related-party transactions.[43] Wallace's response was to deploy the enterprise's signature tactic: **accuse the victim of the very fraud the perpetrators are committing**.[44]

A. Wallace Accuses Medley of Fraud to the Accountants

Wallace's response was swift and vicious. Rather than cooperate with the audit inquiry, Wallace transmitted a defamatory statement via facsimile to Davi Skin's accounting firm, accusing Parrish Medley—the legitimate entrepreneur who had purchased the shell in good faith—of being the fraudster.[45]

> "I state clearly, in the 2 and half years I have known Parish [sic], I find him to be a liar, a cheat, self-serving and of low moral character."

The accusation was a calculated lie designed to destroy Medley's credibility with the accounting firm. Wallace and Cane—the actual fraudsters orchestrating a multi-million dollar offshore pump-and-dump scheme—were positioning **Medley** as the dishonest party to the very professionals (the auditors) who might otherwise expose the offshore nominee architecture.[46]

B. Cane's Silent Betrayal

When Medley sought help from Kyleen Cane—who had facilitated the shell sale and presented herself as independent securities counsel—Cane remained silent.[47] Medley had trusted Cane based on her role in the transaction and her representation as disinterested counsel. But Cane was Wallace's partner in the scheme. Cane's silence while Wallace destroyed Medley's reputation was an act of betrayal that allowed the conspiracy to advance.[48]

C. Johal and Sims Manufacture False Evidence

With Wallace accusing Medley of fraud and Cane remaining silent, **Munjit Johal** (CFO) and **Grace Sim** manufactured false financial records to support Wallace's accusations.[49] Johal and Sim, both in Wallace and Cane's control, created the appearance of missing funds, unauthorized expenses, or financial irregularities that could be attributed to Medley's management.[50] The manufactured evidence gave Wallace's defamatory accusations the veneer of substance, making it appear to the accounting firm that Medley was indeed the problem.[51]

[37] Davi Trade Analysis, *supra* note 2, at Timeline section.
[38] *Id.*
[39] *Id.* at Shareholder Report, July 13, 2007.
[40] *Id.* at Narrative section.
[41] *Id.*
[42] Medley Compl., *supra* note 14, at ¶ 9.
[43] *Id.*
[44] This reversal tactic—accusing the legitimate entrepreneur of fraud while the accusers themselves are committing systematic securities fraud—serves multiple purposes: it positions the perpetrators as victims seeking justice, it isolates the target by making them appear untrustworthy to accountants and business partners, and it manufactures justification for removing the target from operational control so the offshore pump-and-dump can proceed unimpeded.
[45] *Id.* at ¶ 10.
[46] *Id.* at ¶¶ 10-11.
[47] *Id.*
[48] Cane's role demonstrates the coordinated nature of the enterprise. Cane facilitated the sale to Medley, concealed her relationship with Wallace, and when Wallace deployed the promissory note weapon and accused Medley of fraud, Cane provided no defense or clarification—allowing the manufactured crisis to proceed exactly as designed.
[49] Davi Trade Analysis, *supra* note 2, at Narrative section.
[50] Johal had worked with Wallace and Cane at SDI Ventures in the same capacity—manufacturing false financial records to support enterprise schemes. His presence at Davi Skin as CFO was not coincidental but part of the enterprise's systematic deployment of complicit financial officers across multiple shells.
[51] The manufactured evidence served dual purposes: it supported Wallace's defamatory accusations to the accountants, and it created documentary justification for removing Medley from operational control so that Wallace, Cane, and Lakha could install themselves on the Board and execute the offshore share distributions without interference.

D. The Lockout

The defamation worked. By May 2006, Medley was effectively ousted from operational control.[52] The Board—now including Cane as Secretary and General Counsel, and Lakha as Director—voted to remove Medley's authority.[53] On March 17, 2006, Medley executed a separation agreement stating he was owed "nothing" by the company.[54] The legitimate entrepreneur who had purchased the shell, invested his capital, and brought in Carlo Mondavi as co-founder had been accused of fraud by the actual fraudsters, betrayed by the counsel who facilitated the sale, framed by manufactured financial records, and locked out of his own company.[55]

E. The Medley v. Wallace Litigation and Attorney Involvement

Within ten days of the separation agreement, a fraudulent twist emerged. Medley's attorney and associate, **David Kagel**, claimed to have purchased the Wallace promissory note from Medley.[56] On March 27, 2006—just ten days after Medley stated he was owed "nothing"—Kagel demanded $381,000 payment based on the same Wallace note Medley had purportedly purchased.[57] On April 24, 2006, Kagel transmitted a formal demand letter claiming the note was now his property.[58]

This sequence raises questions about Medley's complicity or Kagel's independent fraud:

- March 15, 2006: Wallace transmits defamatory fax accusing Medley of fraud
- March 17, 2006: Medley separation agreement—owed "nothing"
- March 27, 2006: Kagel (Medley's attorney) demands $381,000
- April 24, 2006: Kagel formal demand letter

Medley subsequently filed suit against Wallace in Los Angeles Superior Court on April 21, 2006, alleging fraud, defamation, and breach of fiduciary duty.[59] The complaint detailed Wallace's concealment of the promissory note, her defamatory statements to auditors, and her scheme to use the note as leverage to seize corporate control.[60] But the damage was done. Wallace had successfully deployed the concealed promissory note as a weapon, accused the legitimate entrepreneur of being the fraudster, manufactured false evidence through complicit insiders, and locked Medley out of his own company—clearing the path for the offshore pump-and-dump scheme to proceed without interference from the only person with motive and standing to investigate.[61]

V. THEFT OF CARLO MONDAVI'S OWNERSHIP

Carlo Mondavi, scion of the Mondavi wine family, had invested substantial capital and reputation into Davi Skin as co-founder alongside Parrish Medley.[62] Mondavi's involvement provided crucial legitimacy to attract investors and retail interest. But once Medley was ousted, Mondavi's founding ownership became an obstacle to the offshore pump-and-dump operation.

On July 13, 2007, Davi Skin's shareholder report showed the four offshore entities as the four largest unrestricted shareholders, collectively holding approximately 2,295,388 shares (approximately 15.88% of outstanding stock).[63] Carlo Mondavi's name appeared nowhere on the shareholder register.[64] His founding stake had been diluted to nothing through massive issuances to the offshore nominees—issuances authorized by the Cane-controlled Board installed after Medley's removal.[65]

The shareholder report documents the theft through forensic precision: all four offshore entities received identical share allotments (573,847 shares each) on the same date (April 3, 2007) via sequential certificate numbers (5309-5312), demonstrating a single batch transaction, not four independent investments.[66] As corporate Secretary and General Counsel, Kyleen Cane controlled the corporate records and had sole authority to execute stock certificates and prepare the legal documentation purporting to authorize these share distributions.[67] The offshore entities received shares purportedly from Wallace's promissory note conversion—yet no SEC filing disclosed the conversion, the beneficial ownership, or the related-party nature of the transaction.[68] The corporate action

[52] Medley Compl., *supra* note 14, at ¶ 12.

[53] Davi Trade Analysis, *supra* note 2, at Corporate Actions Timeline.

[54] *Id.*

[55] This pattern—accusing the victim of the perpetrator's own crimes—is a signature tactic of the Cane-Wallace enterprise. The same reversal was deployed against Mark Phillips at MOD Systems, where Wallace and Bay accused Phillips of stealing intellectual property while they were systematically looting his company and stealing his technology. The tactic works because it positions the perpetrators as victims seeking justice, making investigators and third parties view the actual victim with suspicion.

[56] *Id.*

[57] *Id.*

[58] *Id.*

[59] Medley Compl., *supra* note 14, at ¶¶ 1-15.

[60] *Id.*

[61] The Medley lockout demonstrates the enterprise's operational pattern: identify a legitimate business or entrepreneur, infiltrate through a shell sale or partnership, position complicit insiders (Cane as counsel, Johal as CFO, Lakha as investor), manufacture a crisis to justify removing the legitimate party, then execute the offshore fraud scheme using the legitimate business as window dressing. The pattern repeats across MW Medical, Davi Skin, SDI Industries, and MOD Systems.

[62] *Id.* at Narrative section.

[63] *Id.* at Shareholder Report, July 13, 2007.

[64] *Id.*

[65] *Id.*

[66] Davi Trade Analysis, *supra* note 2, at Shareholder Report, July 13, 2007 (sequential certificate numbers 5309-5312, all dated 04/03/2007, each for exactly 573,847 shares).

[67] As Secretary, Cane had authority to execute stock certificates and maintain the stock transfer ledger. As General Counsel, Cane prepared legal opinions, corporate resolutions, and subscription agreements. The dual role gave Cane complete control over both the legal justification and mechanical execution of share issuances.

[68] No SEC Form 8-K, 10-Q, or 10-K filing during 2007 disclosed the April 3, 2007 conversion of Wallace's $200,000 promissory note into 2,295,388 shares or the distribution of those shares to four offshore nominee entities. The September 2007 Form 10-QSB referenced a conversion to an "unrelated third party" while simultaneously using "Ms. Wallace" elsewhere in the same filing—a deliberate obfuscation to prevent linking Wallace to the converted shares.

was executed through Cane's document control while Cane simultaneously served on the Board that authorized the transaction, creating a complete circle of self-dealing.[69]

Cane's control was not merely internal: SEC EDGAR submission records establish her as the continuous filer of record for the entity from the Tele-Lawyer/Dynamic origin through the Davi Skin period. The company's filings (under MW Medical and then Davi Skin, CIK 1059577) were transmitted under the same EDGAR submitter identifications Cane used for her own Schedule 13D reports and the Legal Access Technologies filings—identification 0001075793 for the 1999–2003 period (the same submitter that filed the June 26, 2001 Michael A. Cane Schedule 13D) and identification 0001255294 from November 13, 2003 through May 14, 2007.[70] Beginning in mid-2006 and exclusively after May 2007, Davi Skin's submissions were rerouted through unaffiliated commercial filing agents, removing Cane's filer identity from the public EDGAR metadata even as she continued, as Secretary and General Counsel, to prepare and control the underlying filings.[71]

Mondavi lost not just his investment but his equity ownership—stolen through fraudulent corporate actions authorized by Cane and executed to benefit Wallace's offshore nominee structure.

VI. CANE'S UNDISCLOSED RELATIONSHIP WITH WALLACE AND CONCEALMENT OF CONFLICTS

A. The False Representation of Independence

Kyleen Cane presented herself to Davi Skin as independent securities counsel with no prior relationship to Jan Wallace.[72] This representation was false. Cane and Wallace had worked together since at least 2000 across multiple schemes including Westminster Agencies, SDI Ventures, and MW Medical.[73]

The depth of the Cane-Wallace relationship is confirmed by documentary evidence of their coordinated management of the offshore nominee infrastructure. Wallace corresponded directly with LOM Securities personnel—including Devi Johal (Munjit Johal's sister, managing Cayman operations), Kevin Gunther (LOM account manager), and the Lines brothers (LOM owners)—regarding account renewals, wire transfers, and stock deposits.[74] Wallace wired nominee account renewal fees through Bridge Street Services Limited to The Bank of Bermuda and Bank of NT Butterfield, using accounts at JP Morgan Chase and HSBC Bank USA.[75] Cane, as both corporate counsel and Board member, prepared and executed the legal documents authorizing share issuances to these same nominee accounts—the very accounts Wallace was simultaneously funding and managing.

B. Cane's Undisclosed Stock Ownership and LATI Connection

Cane's conflict of interest was material and multi-layered. As purportedly independent counsel, Cane owed fiduciary duties to Davi Skin and its shareholders. Instead, Cane served Wallace's interests by preparing false documents, authorizing fraudulent share issuances, and facilitating the offshore architecture that enabled the pump-and-dump scheme.[76]

Cane also concealed her own stock ownership and financial interests. Cane controlled 45.95% of Legal Access Technologies, Inc. (LATI), holding 2,821,279 shares.[77] On August 31, 2004, Cane caused LATI to issue 2,249,825 shares to CEDE & CO (the Depository Trust Company nominee), effectively controlling the float.[78] LATI shares were used as fraudulent conversion instruments in the Davi Skin scheme—Cane authorizing conversion of Wallace's promissory notes into both Davi Skin and LATI shares without disclosing her beneficial ownership of LATI's controlling stake.[79]

When questioned by FBI investigators, Cane falsely minimized her stock ownership, claiming she held only a "small amount of stock" in LATI.[80] In reality, Cane controlled nearly half the company and used it as a vehicle for securities fraud parallel to the Davi Skin scheme.[81]

C. Cane's Direct Control as Corporate Insider

When Cane joined the Board of Directors as Secretary in May 2006, she brought direct insider control—voting to oust Medley while preparing the legal infrastructure for massive offshore share distributions.[82] Cane's dual role as counsel and corporate officer eliminated any pretense of independence. She drafted the resolutions, voted to approve them, and executed them as corporate Secretary—a complete circle of self-dealing.[83]

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[69] Cane's triple role—(1) corporate Secretary executing stock certificates, (2) General Counsel preparing legal documentation, and (3) Board member voting to authorize the transaction—eliminated any separation of duties or independent review that might have exposed the fraud.

[70] SEC EDGAR submission history for Davi Skin, Inc. (f/k/a MW Medical, Inc.), CIK 1059577, records 50 filings transmitted under submitter identification 0001255294 between November 13, 2003 and May 14, 2007. The same identification transmitted filings for Legal Access Technologies, Inc. (CIK 878146) and Cane's backdated personal Form 5 (Accession No. 0001255294-04-000216), establishing it as the common EDGAR filing operation across the Cane entity cluster.

[71] After May 14, 2007, Davi Skin filings were submitted only through third-party commercial filing agents (EDGAR submitter identifications 0001104659, first appearing June 16, 2006; 0001117768; 0001144204; and 0001137091, first appearing July 11, 2008). The change removed Cane's filer identity from the public submission record while she retained corporate-officer control over the content of the filings.

[72] Medley Compl., *supra* note 14, at ¶ 13.

[73] *See* Forensic Brief 02: Entity Genealogy, Section VIII (detailing Cane-Wallace collaboration from 2000-2002).

[74] Phillips v. Cane RICO Compl. at Statement of Facts (E.D.N.Y. filed Oct. 5, 2012).

[75] IRS Form 211 Application at ¶15 (filed May 23, 2011).

[76] *Id.* at Corporate Actions Timeline.

[77] *See* SEC Schedule 13D, Legal Access Technologies, Inc. (Aug. 31, 2004).

[78] *Id.*

[79] Davi Trade Analysis, *supra* note 2, at Related Party Transactions.

[80] *See* FBI Interview Notes, Kyleen Cane (date redacted).

[81] *Id.*

[82] Davi Trade Analysis, *supra* note 2, at Corporate Actions Timeline.

[83] *Id.*

VII. OFFSHORE NOMINEE ARCHITECTURE AND UNREGISTERED SECURITIES DUMPING

A. The Four LOM Securities Nominee Entities

The offshore architecture consisted of four nominee entities holding accounts at LOM Securities (Bermuda) Ltd., a Bermuda-based brokerage firm.[84] These entities were structured to evade SEC disclosure requirements while facilitating the systematic dumping of unregistered securities into U.S. markets.[85]

Table 1: Offshore Nominee Share Distribution (Shareholder Report, July 13, 2007)

Entity	Date Issued	Cert No.	Shares	%
Arch Ltd.	04/03/2007	5309	573,847	3.97%
Hepburn Holdings Ltd.	04/03/2007	5310	573,847	3.97%
The Chloe Group of Companies	04/03/2007	5311	573,847	3.97%
Sunshine Ltd.	04/03/2007	5312	573,847	3.97%
Total LOM Nominees			**2,295,388**	**15.88%**

All four entities received identical share allotments on the same date—April 3, 2007—the date Cane converted Wallace's MW Medical/Davi Skin promissory note.[86] Each entity used the same address: The LOM Building, 27 Reid Street, Hamilton, Bermuda.[87] The sequential certificate numbers (5309–5312) confirm the shares were issued in a single batch transaction, not through independent investments by unrelated parties.

The shareholder report also reveals critical additional data points. Wallace herself held 100 shares under certificate number 5064—a nominal holding that placed her on the shareholder register while concealing her true beneficial ownership of 2,295,388 shares across the four nominees.[88] Aberdeen Holdings Ltd. Inc. appeared on the report with 33 shares issued September 22, 2001 (certificate 1966), also at The LOM Group address in Hamilton.[89] The Aberdeen Holdings issuance date aligns with the Dynamic Associates share distributions attributable to Michael Cane, establishing that LOM Securities nominee accounts were used to hold Dynamic-origin stock years before the Davi Skin scheme—confirming these offshore structures predated the specific fraud and were part of the enterprise's permanent infrastructure.

Table 2: Davi Skin Stock Control Summary (July 13, 2007)

Category	Shares	% of Free Trading
Free Trading Stock	5,926,598	—
Restricted Stock	8,684,610	—
Shares Outstanding	14,611,208	—
LOM Nominee Entities (4)	2,295,388	38.7%
CEDE & CO (DTC – Cane)	2,249,825	38.0%
Artist House Holdings (cancelled)	566,667	9.6%
Combined Cane/Wallace Control	**4,545,213**	**84.79%***

*Excluding Artist House shares (required to be cancelled).

Table 2A: Cane Family Control of Dynamic Associates and MW Medical Share Distribution

Table 2A. Dynamic Associates ownership structure and MW Medical share flow to CEDE & CO

Shareholder	Dynamic Shares	% Ownership	MW Medical Distribution (1998)
Michael A. Cane (later Kyleen Cane)	2,881,279	46.9%	2,881,279 MW Medical shares (1:1)
Mekelburg Family Trust (executor: Stuart Cane)	607,182	9.88%	607,182 MW Medical shares (1:1)
Herbert Cane (father)	328,750	5.35%	328,750 MW Medical shares (1:1)
Shirley Cane (mother)	328,750	5.35%	328,750 MW Medical shares (1:1)
Brian M. Cane (sibling)	328,750	5.35%	328,750 MW Medical shares (1:1)
Nancy M. Cane (sibling)	328,750	5.35%	328,750 MW Medical shares (1:1)
Cane Family Total	**4,803,461**	**78.22%**	**4,803,461 MW Medical shares**
Other Dynamic Shareholders	1,337,692	21.78%	1,337,692 MW Medical shares (1:1)
Total Dynamic/MW Medical	**6,141,153**	**100%**	**6,141,153 MW Medical shares**
Flow to Davi Skin via CEDE & CO (2003–2007):			
CEDE & CO deposits from Cane-controlled LATI/Dynamic	2,249,825	—	36.6% of Cane family MW Medical distribution
CEDE & CO balance (July 13, 2007 report)	335,960	—	Remaining after pump-phase selling

Cane deposited 2,249,825 shares to CEDE & CO from Legal Access Technologies (formerly Dynamic Associates) over the period August 2003 through July 2007.[90] These shares originated from the **Cane family's 78.22% collective ownership of Dynamic Associates** (Cane 46.9%, plus Mekelburg Family Trust with Stuart Cane as executor 9.88%, plus parents Herbert and Shirley Cane and siblings Brian and Nancy Cane at 5.35% each), which had distributed MW Medical shares one-for-one to Dynamic shareholders

[84] Davi Trade Analysis, *supra* note 2, at Shareholder Report, July 13, 2007.
[85] *Id.*
[86] Davi Trade Analysis, *supra* note 2, at Shareholder Report, July 13, 2007.
[87] *Id.*
[88] *Id.* (Wallace listed as holding 100 shares, Cert. No. 5064).
[89] *Id.* (Aberdeen Holdings Ltd. Inc., 33 shares, Cert. No. 1966, issued 09/22/2001, at The LOM Group, 27 Beld St., Hamilton).
[90] Artist House Holdings Pleading at ¶37 (L.A. Super. Ct. Jan. 22, 2010).

in 1998.[91]

Mathematical Proof of Cane Family Source: The 2,249,825 shares deposited to CEDE & CO could not have originated from the remaining Dynamic Associates shareholders (1,337,692 shares, 21.78% of Dynamic). **The CEDE & CO deposits exceed the total non-Cane shareholder pool by 912,133 shares** (2,249,825 - 1,337,692 = 912,133), making it mathematically impossible for these shares to have come from anyone other than the Cane family's 4,803,461-share pool.[92] This forensic arithmetic demonstrates that Kyleen Cane was selling **substantially her own shares** (2,871,279 shares individually held, representing 46.9% of Dynamic) or shares under her direct control through family members, not from independent third-party shareholders.[93]

Table 2C: CEDE & CO Share Certificates (July 13, 2007 Shareholder Report)

The following table documents the 36 individual stock certificates deposited to CEDE & CO between June 25, 2004 and June 26, 2007, totaling 2,249,825 shares. The certificate-level detail reveals controlled staging inconsistent with retail brokerage activity, including the anomalous March 5, 2007 deposit of 946,085 shares (42% of the total balance) during peak promotional activity.[94]

Table 2C. CEDE & CO Stock Certificates (Davi Skin Shareholder Report, July 13, 2007)

Date Issued	Cert No.	Shares	Phase
06/25/2004	2029	10,000	Initial (2004–2006)
06/25/2004	2030	11,900	Initial (2004–2006)
12/07/2004	5095	50	Initial (2004–2006)
03/07/2005	5106	5,000	Initial (2004–2006)
03/29/2005	5107	125,000	Initial (2004–2006)
05/09/2005	5147	5,000	Initial (2004–2006)
06/08/2005	5158	12,000	Initial (2004–2006)
07/22/2005	5160	50	Initial (2004–2006)
08/18/2005	5176	37,000	Initial (2004–2006)
10/13/2005	5183	1	Initial (2004–2006)
11/10/2005	5186	50,000	Initial (2004–2006)
12/16/2005	5191	20,000	Initial (2004–2006)
02/24/2006	5225	49,970	Initial (2004–2006)
04/07/2006	5232	1	Preparation (Apr–Dec 2006)
06/08/2006	5237	11,800	Preparation (Apr–Dec 2006)
06/14/2006	5238	1	Preparation (Apr–Dec 2006)
06/27/2006	5240	100,000	Preparation (Apr–Dec 2006)
08/15/2006	5245	20,000	Preparation (Apr–Dec 2006)
08/31/2006	5257	20,000	Preparation (Apr–Dec 2006)
09/14/2006	5260	50,000	Preparation (Apr–Dec 2006)
09/21/2006	5261	60,000	Preparation (Apr–Dec 2006)
09/28/2006	5262	50,000	Preparation (Apr–Dec 2006)
10/10/2006	5265	30	Preparation (Apr–Dec 2006)
10/20/2006	5266	1	Preparation (Apr–Dec 2006)
11/01/2006	5267	3,636	Preparation (Apr–Dec 2006)
11/28/2006	5269	20,000	Preparation (Apr–Dec 2006)
01/24/2007	5300	26,000	Promotional (Jan–Jun 2007)
01/26/2007	5301	100,000	Promotional (Jan–Jun 2007)
02/23/2007	5303	200,000	Promotional (Jan–Jun 2007)
03/05/2007	**5304**	**946,085**	**Promotional (LARGEST)**
03/15/2007	5306	49,970	Promotional (Jan–Jun 2007)
03/23/2007	5308	6,353	Promotional (Jan–Jun 2007)
05/02/2007	5314	150,000	Promotional (Jan–Jun 2007)
05/09/2007	5315	50,000	Promotional (Jan–Jun 2007)
05/22/2007	5317	49,976	Promotional (Jan–Jun 2007)
06/26/2007	5323	10,001	Promotional (Jan–Jun 2007)
Total (36 certs)		**2,249,825**	

Table 2B: Original Stock Issuances to Michael A. Cane (Prior to Name Change)

The following table documents the original stock issuances to Michael A. Cane through SEC Schedule 13D filings, establishing the provenance of the shares that were later deposited to CEDE & CO. Once deposited, shares held at CEDE & CO in street name can be beneficially owned by anyone; Kyleen Cane's role would be as the attorney providing opinion letters to remove restrictive legends, not as the beneficial owner on the DTC records.[95] These issuances occurred through the June 12, 2001 Tele-Lawyer/Dynamic Associates reverse merger, which became Legal Access Technologies, Inc. (LATI). The name change from Michael to Kyleen occurred on June 28, 2001, yet Cane continued filing SEC documents under the former identity for 231 additional days.[96]

[91] Dynamic Associates beneficial ownership data from SEC Form 10-K (Dec. 31, 2001); SC 13D filing (Sept. 2002) for Mekelburg Family Trust. MW Medical share distribution pursuant to February 25, 1998 spin-off (one-for-one to Dynamic shareholders). CEDE & CO deposit data from Artist House Holdings Pleading at ¶ 37 (L.A. Super. Ct. Jan. 22, 2010).

[92] Calculation: CEDE & CO deposits (2,249,825) minus total non-Cane Dynamic shareholders (1,337,692) equals 912,133-share shortfall. Since only 1,337,692 shares existed outside Cane family control, the remaining 912,133+ shares deposited to CEDE & CO necessarily originated from Cane family holdings (4,803,461 shares available). This proves exclusive Cane family sourcing for CEDE & CO deposits.

[93] Cane's individual holdings (2,871,279 shares) alone exceed the CEDE & CO deposits (2,249,825 shares) by 621,454 shares, making it mathematically unnecessary to attribute deposits to other family members' shares. The deposits represent 78.4% of Cane's individual LATI position, demonstrating these were substantially **Cane's own shares**, not shares she acquired from or through family members.

[94] Source: Davi Skin Active Shareholder Report (July 13, 2007), CEDE & CO entry (PO BOX 222 BOWLING GREEN STATION, NEW YORK, NY 10274-0222, TIN 13-2555119). The three-phase deposit pattern—initial accumulation (14 certs, 335,960 shares), pump preparation (13 certs, 285,468 shares), promotional phase (10 certs, 1,638,385 shares including the 946,085-share anomaly)—demonstrates controlled staging by beneficial owners preparing for coordinated liquidation, not organic retail brokerage activity.

[95] The name change from Michael A. Cane to Kyleen E. Cane occurred on June 28, 2001, but was not publicly disclosed until July 22, 2004 when it appeared in an SEC Form 5 filing. During the intervening three years, Cane executed two Schedule 13D filings under penalty of perjury using the abandoned "Michael A. Cane" identity while legally operating as Kyleen E. Cane—constituting material misrepresentations in SEC filings designed to conceal the identity shift and obscure the connection between the original Michael Cane stock acquisition and subsequent CEDE & CO deposits executed under the Kyleen Cane identity.

[96] The critical point: shares originally issued to Michael A. Cane were deposited to CEDE & CO (the Depository Trust Company nominee), where they are held in street name for the beneficial owners. The beneficial ownership of shares at CEDE & CO is not publicly disclosed and could be held by any party—individuals, offshore entities, or the four LOM Securities nominee companies documented elsewhere in this brief. Kyleen Cane's connection

Table 2B. Original Michael A. Cane Stock Issuances via SEC Schedule 13D Filings

Date	Entity	Form/Accession	Shares	Identity Used
06/12/2001	LATI (Dynamic)	Merger event	2,871,051	Michael A. Cane
06/26/2001	LATI	SC 13D: 0001075793-01-500095	2,871,051	Michael A. Cane
06/28/2001	—	*Name change effective*	—	*Michael -> Kyleen*
07/02/2001	LATI	SC 13D/A: 0001075793-01-500108	2,871,279	**Michael A. Cane***
02/14/2002	LATI	SC 13D: 0001075793-02-000056	2,871,279	**Michael A. Cane****

*Filed +4 days after name change under former identity (penalty of perjury).
**Filed +231 days after name change under former identity (penalty of perjury).
Name change disclosure: SEC Form 5 (July 22, 2004), Accession 0001255294-04-000216.

The Artist House Holdings shares (566,667) were, on information and belief, required to be cancelled and therefore not eligible to be traded.[97] Excluding Artist House, the LOM nominee companies and CEDE & CO depository certificates comprised 84.79% of Davi Skin's free trading stock—giving Cane and Wallace near-total control of the float.[98]

The volume and movement from the nominee accounts exceeded the 5,926,598 shares reported as free trading and the 335,960 shares held at CEDE & CO on the report date, indicating that shares were being actively traded through and replenished in the nominee accounts during the pump phase.[99] The shareholders on the report holding more than one million shares—including Josh Levine, Carlo Mondavi, and Parrish Medley—were the legitimate business partners who had been defrauded by Cane and Wallace, their restricted holdings serving as window dressing while the conspirators controlled the actual trading float.[100]

B. Strategic Positioning Below SEC Reporting Thresholds

The precision is damning. All four entities hold exactly 3.97%—positioned immediately below the 5% threshold requiring Schedule 13D disclosure under Section 13(d) of the Securities Exchange Act of 1934.[101] This threshold is no accident. Beneficial owners of 5% or more must file Schedule 13D within 10 days, disclosing their identity, source of funds, and purpose.[102] By fragmenting ownership across multiple nominees each holding 3.97%, the conspirators evaded disclosure requirements while maintaining collective control of approximately 15.88% of outstanding shares.[103]

On April 3, 2007, Kyleen Cane converted Wallace's MW Medical/Davi Skin promissory note and equally distributed the resulting 2,295,388 shares across the four LOM Securities nominee accounts in a single transaction evidenced by sequential certificate numbers 5309 through 5312.[104] This distribution was not disclosed in any SEC filing. In September 2007, Cane omitted material disclosures of the conversion in registered filings, describing the beneficiary only as an "unrelated third party" while the filing concurrently uses "Ms. Wallace" elsewhere—a deliberate obfuscation designed to prevent linking Wallace to the converted shares.[105]

The absence of email correspondence in Wallace's records regarding the physical deposit of stock certificates into the nominee accounts is itself significant. In the parallel SDI Ventures scheme, Wallace's emails documented the stock deposit process in detail. The lack of such correspondence for Davi Skin suggests that the shares were transferred directly from CEDE & CO or via paper certificates—bypassing the electronic communication trail that Wallace's email archive would have captured. The MW Medical reorganization plan's issuance of shares to Dynamic shareholders (48% to Michael Cane) provided the mechanism: Cane's Dynamic-origin shares could be deposited to CEDE & CO, then after the promissory note conversion, expedited into the four nominee entities using the CEDE & CO depository or paper certificates. The matching share amounts (573,847 per entity, totaling 2,295,388) and single-day issuance confirm a coordinated deposit, not four independent transactions.[106]

C. Contrasting SEC Filings with Sworn Testimony and Communications

SEC Filing Representations vs. Reality:

Davi Skin's SEC filings during 2007-2008 made no disclosure of related party transactions with the four offshore entities.[107] Forms 10-K and 10-Q certified by CEO Jan Wallace and CFO Munjit Johal represented that the company had no material related party transactions and that management was unaware of any beneficial ownership exceeding 5% beyond disclosed shareholders.[108]

These representations were materially false, as proven by Wallace's own sworn bankruptcy testimony.

Wallace's Bankruptcy Admissions:

In her November 4, 2013 bankruptcy creditors' meeting, Wallace was examined under oath by Mr. Murphy. The examination revealed Wallace's pattern of denial followed by confrontation with prior sworn testimony—a sequence demonstrating consciousness of guilt.[109]

would be as legal counsel executing the Regulation S opinion letters and corporate documentation necessary to remove restrictive legends and deposit the shares, not as the named holder at DTC.

[97] *Id.*

[98] Investigation Summary at ¶37 (Mar. 4, 2010).

[99] *Id.* at ¶¶37-38.

[100] *Id.* at ¶¶37-38.

[101] 15 U.S.C. § 78m(d); 17 C.F.R. § 240.13d-1.

[102] *Id.*

[103] Davi Trade Analysis, *supra* note 2, at Summary.

[104] *Id.* at Timeline section; Davi Trade Analysis, *supra* note 2, at Shareholder Report, July 13, 2007 (Cert. Nos. 5309-5312, all dated 04/03/2007).

[105] Artist House Holdings Pleading at ¶29 (L.A. Super. Ct. Jan. 22, 2010).

[106] *See* Investigation Summary at ¶26 (Mar. 4, 2010) ("Wallace created appearances of Phillips' ownership in one or more of the nominee companies during the sales of the shares.").

[107] *Id.*

[108] *Id.* (Forms 10-K and 10-Q for fiscal years 2006-2007 contained false Sarbanes-Oxley certifications).

[109] Wallace 341 Tr., *supra* note 5.

Wallace first denied any connection to offshore accounts:

> **Mr. Murphy**: "Have you filed a tax return for every year from 1996 forward with the United States government?"
> **Ms. Wallace**: "Yes, I have."
> **Mr. Murphy**: "Were you delinquent at any point in your filings, ma'am?"
> **Ms. Wallace**: "Many times."
> **Mr. Murphy**: "You've made up those delinquencies?"
> **Ms. Wallace**: "Yes."
> **Mr. Murphy**: "Did any of those reports include income from offshore accounts?"
> **Ms. Wallace**: "No."
> **Mr. Murphy**: "Is it your testimony, ma'am, that you never had offshore accounts?"
> **Ms. Wallace**: "That is correct."

Murphy then confronted Wallace with her own prior sworn testimony, reading from page 113 of a previous deposition:

> **Mr. Murphy**: "Ma'am, what is Hepburn Holdings Limited?"
> **Ms. Wallace**: "Hepburn Holdings Limited is what's called a custodian account that is held by the public companies, and the stock held in the public companies are listed in the public company records."
>
> **Mr. Murphy**: "—at page 113. I'll start at line—113, line 6:
> Question: 'Savannah Corporation?'
> Answer: 'I have a corporation called Savannah, yes.'
> Question: 'MW Fitness?'
> Answer: 'That is a defunct corporation.'
> Question: 'That was yours?'
> Answer: 'Yes.'
> 'How about Hepburn Holdings?'
> Answer: 'That is in a management account, yes.'
> Question: 'And where is that?'
> Answer: 'That's in Bermuda.' "
>
> "That was the testimony you gave under oath, wasn't it, ma'am?"
> **Ms. Wallace**: "That's correct, yes."
> **Mr. Murphy**: "Was that false testimony?"

Murphy further established Wallace's concealment of asset transfers to her daughter:

> **Mr. Murphy**: "Ma'am, have you transferred any assets at any time to your daughter, Chloe Cutler?"
> **Ms. Wallace**: "No."
> **Mr. Murphy**: "Never?"
> **Ms. Wallace**: "Not that I can think of."

This denial is demonstrably false. The July 13, 2007 shareholder report lists Wallace holding 100 shares under certificate number 5064, while "The Chloe Group of Companies"—named for Wallace's daughter—held 573,847 shares under certificate 5311, received on April 3, 2007.[110] Wallace's attempt to characterize Hepburn Holdings as merely a "custodian account" held by "public companies" is contradicted by the shareholder report, which lists all four nominee entities at the same LOM Building address in Bermuda with shares issued on the same date from the same promissory note conversion.

Email Evidence of Offshore Coordination and the Phillips Framing Gambit:

Wallace's email correspondence documents both her direct management of the offshore nominee infrastructure and a deliberate scheme to create false appearances that Mark Phillips owned or controlled the nominee accounts—a gambit designed to frame Phillips as a participant in the offshore fraud.

On April 18, 2007—just fifteen days after the promissory note conversion deposited 573,847 shares into each of the four nominee accounts—Wallace emailed Phillips with instructions regarding the nominee accounts:[111]

> "i have the instructions. please go to a fax and call me when you are ready to receive i moved it to hepburn holdings its been around for a long time, less obvious. please keep the facts hidden."

Wallace provided Phillips with offshore account information under the pretext that it was needed for a "test account for writing software"—a manufactured justification to create documentary evidence associating Phillips and his social security number with the offshore Davi Skin stock positions. On September 12, 2007, Wallace and Cane acquired Phillips' social security number by deceiving his assistant, Jamee Nunelee, claiming "the sec attorney need your SSN for the form 3 filing with the SEC for your Davi shares."[112] Five days later, on September 17, 2007, Wallace requested social security numbers from Kenn Gordon and Phillips for purported "consulting" payment purposes, while simultaneously offering Gordon 556,000 shares of Davi Skin stock for "accounting consulting."[113] Gordon declined. The intent was transparent: by associating Phillips' and Gordon's social security numbers with the Davi Skin offshore structure, Wallace and Cane created a false paper trail designed to implicate innocent parties in the nominee account fraud.

[110] *Id.*; Davi Trade Analysis, *supra* note 2, at Shareholder Report, July 13, 2007.
[111] Email from Jan Wallace to Mark Phillips (Apr. 18, 2007).
[112] Email from Jan Wallace to Mark Phillips re: SSN for SEC Filing (Sept. 12, 2007).
[113] Email from Jan Wallace re: SSN Requests and Stock Offer to Kenn Gordon (Sept. 17, 2007).

Simultaneously, Wallace deployed emotional manipulation to deepen Phillips' entanglement. In June 2007, Wallace falsely told Phillips that she had been diagnosed with breast cancer—a fabrication—and that her father had recently passed away.[114] Wallace then asked Phillips to become guardian to her daughter Chloe in the event of Wallace's death. This gambit served to associate Phillips personally with Wallace's daughter Chloe, whose name was already attached to one of the four nominee entities (The Chloe Group of Companies), and to associate Phillips with Kevin Gunther, the LOM Securities account manager who facilitated the nominee structures and coordinated trading activities.[115]

Wallace's management of the offshore accounts was conducted through direct correspondence with LOM Securities and its intermediary, Bridge Street Services Limited. Wallace emailed Devi Johal (Munjit Johal's sister, who managed affairs for the enterprise in the Cayman Islands), Brian and Scott Lines (the Lines brothers who owned LOM Securities), and Kevin Gunther (LOM account manager) for invoices and account confirmation.[116] Wallace wired renewal fees of $2,500 per account from her JP Morgan Chase and HSBC Bank USA accounts to Bridge Street Services Limited at The Bank of Bermuda (account 1010-956504) and to LOM Client Funds at Bank of NT Butterfield (account 20.006.840.351501.100, reference: 1001790—Hepburn Holdings Ltd.).[117]

D. LOM Securities: Criminal Infrastructure Provider

LOM Securities (Bermuda) Ltd. and LOM Securities (Cayman) Ltd. served as the primary brokerage infrastructure for the Davi Skin pump-and-dump scheme. LOM is owned and operated by brothers Brian Lines and Scott Lines through their parent company LOM Holdings.[118] The acronym "LOM" stands for "Lines Overseas Management."[119]

SEC Enforcement Action Against LOM Securities:

On December 19, 2007—during the height of the Davi Skin pump-and-dump scheme—the SEC filed a civil enforcement action in the Southern District of New York against Brian N. Lines, Scott G.S. Lines, and LOM Holdings for engaging in illegal pump-and-dump penny stock schemes.[120] The SEC complaint alleged that LOM Securities provided nominee account structures to U.S.-based fraudsters to evade SEC reporting requirements and facilitate unregistered securities dumping.[121]

The SEC described LOM Securities' business model.[122]

> "The Lines brothers and LOM Holdings are currently being sued by the SEC for engaging in illegal 'pump and dump' penny stock scams."

The SEC action documented $5.8 million in illegal proceeds generated through LOM Securities nominee accounts—methodology identical to that employed in the Davi Skin scheme.[123] LOM account managers Kevin Gunther and Devi Johal facilitated the nominee structures and coordinated trading activities.[124]

DOJ Parallel Investigation:

The Department of Justice opened a parallel criminal investigation into LOM Securities during the same period, though criminal charges were not publicly filed.[125] The investigation focused on whether LOM Securities and the Lines brothers knowingly facilitated securities fraud by providing offshore nominee structures designed to evade SEC registration and disclosure requirements.[126]

Connection to Sedona Software and Systematic Pattern:

The SEC enforcement action against LOM Securities specifically identified Sedona Software Corporation as one of the victim companies used in the pump-and-dump schemes.[127] Kyleen Cane's law firm, Cane Clark LLP, served as corporate counsel to Sedona Software during the identical time period when the SEC-prosecuted scheme occurred.[128] This establishes Cane's direct involvement in multiple LOM Securities-facilitated pump-and-dump schemes using the same offshore nominee architecture.[129]

This was not isolated misconduct but a systematic criminal enterprise—Wallace, Cane, and co-conspirators executing the same offshore nominee structure across multiple shell companies (MW Medical, Davi Skin, SDI Ventures, Sedona Software) using LOM Securities as the enabling infrastructure provider.

VIII. PUMP-AND-DUMP EXECUTION

With offshore nominees holding approximately 15.88% of outstanding shares and controlling 89% of trading volume, Cane and Wallace executed a classic pump-and-dump scheme. The "pump" phase involved promoting Davi Skin through press releases touting partnerships, product launches, and celebrity endorsements while Cane authorized share issuances to the offshore accounts.[130] The "dump" phase involved coordinated selling by the offshore entities into the artificially inflated market.[131]

[114] Phillips v. Cane RICO Compl. at Statement of Facts (E.D.N.Y. filed Oct. 5, 2012).
[115] *Id.*
[116] Phillips v. Cane RICO Compl. at Statement of Facts (E.D.N.Y. filed Oct. 5, 2012); IRS Form 211 Application at ¶15 (filed May 23, 2011).
[117] BSS USD Wire Transfer Instructions (att. to Wallace email, Jan. 31, 2006); Phillips v. Cane Federal Compl. at Ex. (E.D.N.Y. filed Apr. 3, 2013).
[118] *See* SEC Litigation Release No. 20378, *SEC v. Lines*, No. 07-cv-11566 (S.D.N.Y. filed Dec. 19, 2007).
[119] *Id.*
[120] *Id.*
[121] *See* SEC Complaint, *SEC v. Lines*, No. 07-cv-11566 at ¶¶15-32 (S.D.N.Y. filed Dec. 19, 2007).
[122] *Id.* at ¶ 18.
[123] *Id.* at ¶ 48.
[124] Davi Trade Analysis, *supra* note 2, at Narrative section.
[125] *See* DOJ Press Release (date redacted).
[126] *Id.*
[127] SEC Complaint, *SEC v. Lines*, *supra* note 85d, at ¶¶25-28.
[128] *See* Forensic Brief 15: Cane Identity Fraud, Section V (detailing Cane Clark LLP's role as Sedona Software corporate counsel during fraud).
[129] *Id.*
[130] Davi Trade Analysis, *supra* note 2, at Price and Volume Analysis.
[131] *Id.*

Trading analysis shows the offshore entities controlled 89% of total trading volume during the pump phase from July 2007 through November 2007.[132] This concentrated control allowed precise manipulation—selling just enough to extract cash while preventing price collapse, then dumping massively once promotional efforts ceased.[133]

The scheme generated **$6,385,033 in gross proceeds** through offshore sales from the four LOM nominee entities and CEDE & CO.[134] After accounting for trading costs and LOM Securities fees, net illicit proceeds to Wallace, Cane, and Lakha totaled approximately **$6.0 million**.[135]

By December 2008, the stock price collapsed to $0.0001 per share.[136] The offshore entities had liquidated their positions. Retail shareholders who purchased during the pump phase lost 99.9% of their investment. Davi Skin filed for bankruptcy in 2009, abandoned by Wallace and Cane once the shell had been drained of value.[137]

IX. NOCTUA FUND FRAUD

During the pump phase, Wallace and Cane targeted the Noctua Fund, a California-based investment fund, for a direct fraudulent investment.[138] In October 2007, Wallace and Cane presented a private placement memorandum to Noctua offering preferred shares of Davi Skin at $1.50 per share.[139] The memorandum made material misrepresentations including:

- Representing Davi Skin as a growing skincare company with legitimate operations
- Concealing Wallace's beneficial ownership of approximately 15.88% of common stock through offshore nominees
- Failing to disclose the ongoing pump-and-dump scheme
- Misrepresenting Cane's role as independent counsel rather than co-conspirator[140]

Noctua invested **$650,000** based on these material misrepresentations.[141] Within 60 days, the stock price collapsed. Noctua's investment became worthless. Wallace and Cane had used Noctua's capital to provide liquidity for their own offshore selling—essentially stealing $650,000 directly from the fund.[142]

X. COMPLICITY OF JOHAL, AMBROSIO, AND LAKHA

The Davi Skin scheme required complicit actors beyond Wallace and Cane. Three individuals played critical enabling roles: **Munjit Johal**, **Claire Ambrosio**, and **Amin Lakha**.[143]

Munjit Johal served as Chief Financial Officer of Davi Skin during the critical pump phase from 2006-2008.[144] Johal had previously worked with Wallace and Cane at SDI Ventures, another fraudulent shell company scheme, where he served as CFO under Wallace's administration and later as complicit CEO during bankruptcy proceedings.[145] Johal's role at Davi Skin included preparing and filing SEC reports, managing corporate bank accounts, and authorizing share issuances to the offshore nominees.[146] As CFO, Johal executed the technical financial mechanics enabling the offshore share distributions while maintaining books and records designed to conceal beneficial ownership. Johal signed Sarbanes-Oxley certifications for SEC filings he knew to be materially false.[147]

Claire Ambrosio served as a Director of Davi Skin and held signatory authority over corporate bank accounts.[148] Ambrosio was an owner of a shell company originating from the MW Medical corporate genealogy—establishing her connection to the Cane-Wallace enterprise predating the Davi Skin scheme.[149] Like Johal, Ambrosio had worked with Wallace and Cane at SDI Ventures in the same capacities, where she also acted as securities attorney on SEC filings.[150] Ambrosio's role at Davi Skin included approving offshore wire transfers, authorizing share issuances, and signing corporate resolutions prepared by Cane that falsely documented the offshore transactions.[151]

Amin Lakha served as a Director from May 2006 onward.[152] Lakha presented himself as a "billionaire investor" to Carlo Mondavi and other legitimate stakeholders, positioning himself as a deep-pocket investor who could provide credibility and capital to the enterprise.[153] His true role was multi-faceted: acquiring fraudulent promissory notes alongside Wallace, providing Cane with additional debt instruments to convert into equity for offshore nominee distribution, and participating in either money laundering

[132] *Id.* at Volume Analysis by Shareholder.
[133] *Id.*
[134] Investigation Summary at ¶ 38 (Mar. 4, 2010) ("Upon market liquidation during June 2007 and September 2007, the four LOM nominee entities' aggregated stock position of 2,295,388 shares and the CEDE & CO position of 2,249,825 shares yielded $6,385,033 in illegal proceeds.").
[135] Davi Trade Analysis, *supra* note 2, at Summary.
[136] *Id.* at Price History.
[137] *Id.* at Corporate Events Timeline.
[138] *Id.* at Narrative section.
[139] *Id.*
[140] *Id.*
[141] *Id.*
[142] *Id.*
[143] *Id.* at Narrative section.
[144] *Id.*
[145] *See* Forensic Brief 06: SDI Industries (detailing Johal's role as CFO under Wallace and complicit CEO during bankruptcy).
[146] Davi Trade Analysis, *supra* note 2, at Corporate Actions Timeline.
[147] *Id.* at SEC Filing Analysis.
[148] *Id.*
[149] Exhibit List, *Artist House Holdings v. Davi Skin* (L.A. Super. Ct. Dec. 18, 2006) (identifying "Claire Ambrosio acting as the securities attorney" on SDI 10-QSB filing).
[150] *See* Forensic Brief 06: SDI Industries.
[151] Davi Trade Analysis, *supra* note 2, at Corporate Documents.
[152] Davi Trade Analysis, *supra* note 2, at Narrative section.
[153] Lakha's presentation as a wealthy investor served to legitimize the enterprise in Mondavi's eyes and provide cover for the offshore nominee infrastructure. Lakha made clear to all participants that Wallace was "his girl" and that anyone who crossed her would be "taken out"—a pattern of intimidation designed to prevent whistleblowing and maintain enterprise cohesion.

(purchasing Davi Skin stock from LLCs to claim artificial losses while Wallace and Cane extracted proceeds) or direct profit-taking from the pump-and-dump scheme.[154]

On May 14, 2007, Cane and Wallace orchestrated the execution of a $2,200,000 convertible promissory note signed by Lakha and Joe Spellman, with Carlo Mondavi executing related agreements under the false belief this was a bona fide investment.[155] The investment documents were fraudulently represented to management and directors, with the express purpose of creating a position for Lakha to facilitate future transactions.[156] Lakha's role as manufactured "investor" paralleled similar patterns across the enterprise: Lakha at Davi Skin, Phillip Yablon at SDI Industries, and Arnold/Smyth at MOD Systems—each presenting as deep-pocket investors while actually serving as enterprise operatives facilitating control mechanisms and providing legitimacy facades.

Devi Johal, Munjit Johal's sister, managed affairs for the enterprise in the Cayman Islands.[157] Devi Johal served as a key member of the organization, residing in the Cayman Islands and coordinating with Wallace on nominee account administration, annual renewals, and wire transfers through Bridge Street Services and LOM Securities.[158] The familial connection between Munjit Johal (CFO signing false Sarbanes-Oxley certifications in the United States) and Devi Johal (managing the offshore nominee infrastructure in the Cayman Islands) demonstrates the integrated domestic-offshore architecture of the criminal enterprise.

The presence of these three individuals—all of whom had worked with Wallace and Cane in prior schemes—demonstrates the organized nature of the criminal enterprise. This was not opportunistic fraud but a repeat pattern executed by a consistent group of co-conspirators.

XI. POSSIBLE CRIMINAL VIOLATIONS

The Davi Skin scheme involved the following criminal overt acts:

1. **Securities Fraud (1933 Act § 17(a))**: Wallace made materially false statements to Parrish Medley regarding MW Medical being a "clean shell" while concealing her retained $200,000 promissory note, offshore nominee structures, and relationship with Cane.[159]
2. **Securities Fraud (1934 Act § 10(b), Rule 10b-5)**: Wallace, Cane, Johal, and Ambrosio engaged in a scheme to defraud Davi Skin shareholders through coordinated offshore trading, false SEC filings, and manipulation of stock price.[160]
3. **Schedule 13D Violations (1934 Act § 13(d))**: Wallace, Cane, and Lakha beneficially owned more than 5% of Davi Skin through offshore nominees but failed to file required Schedule 13D disclosures identifying beneficial ownership.[161]
4. **Wire Fraud (18 U.S.C. § 1343)**: Wallace and Cane used interstate wire communications including emails and faxes to execute the scheme, including Wallace's defamatory fax to Davi Skin's auditors and coordination emails regarding offshore account management.[162]
5. **Mail Fraud (18 U.S.C. § 1341)**: Wallace and Cane caused false SEC filings including Forms 10-K, 10-Q, and 8-K to be transmitted through U.S. mail and interstate commerce containing material misrepresentations regarding beneficial ownership and related party transactions.[163]
6. **Market Manipulation (1934 Act § 9(a)(2))**: The offshore entities controlled 89% of trading volume during the pump phase, creating artificial demand and price inflation to facilitate selling at fraudulent prices.[164]
7. **False Statements (1934 Act § 32(a))**: Johal and Ambrosio signed SEC filings containing materially false statements regarding beneficial ownership, related party transactions, and offshore nominee structures.[165]
8. **Conspiracy (18 U.S.C. § 371)**: Wallace, Cane, Johal, Ambrosio, and Lakha agreed to commit securities fraud and executed overt acts in furtherance including installing Cane and Lakha on the Board, ousting Medley, issuing shares to offshore nominees, coordinating offshore trading, and concealing beneficial ownership.[166]
9. **Money Laundering (18 U.S.C. § 1956)**: Wallace coordinated the movement of fraud proceeds through LOM Securities accounts in Bermuda and the Cayman Islands, wiring funds through Bridge Street Services Limited and Bank of NT Butterfield to conceal the source and ownership of fraud proceeds, while Devi Johal managed the Cayman-based nominee infrastructure.[167]
10. **Obstruction of Justice (18 U.S.C. § 1503)**: Wallace transmitted defamatory statements to Davi Skin's auditors to disrupt the 2005 audit that would have exposed offshore nominee structures and beneficial ownership fraud.[168]

[154] *Id.*
[155] Artist House Holdings Pleading at ¶¶31-32 (L.A. Super. Ct. Jan. 22, 2010); Investigation Summary at ¶¶31-32 (June 15, 2007).
[156] Artist House Holdings Pleading at ¶¶31-32 (L.A. Super. Ct. Jan. 22, 2010); Investigation Summary at ¶¶31-32 (June 15, 2007).
[157] Second Amended RICO Compl. at ¶47, *Phillips v. Cane*, No. 14-cv-1374 (E.D.N.Y. filed Mar. 10, 2014).
[158] *Id.*
[159] Medley Compl., *supra* note 14, at ¶¶ 6-8.
[160] Davi Trade Analysis, *supra* note 2, at Summary.
[161] *Id.* at Shareholder Report, July 13, 2007.
[162] Medley Compl., *supra* note 14, at ¶ 10; Davi Trade Analysis, *supra* note 2, at Annotations.
[163] Davi Trade Analysis, *supra* note 2, at SEC Filing Analysis.
[164] *Id.* at Volume Analysis by Shareholder.
[165] *Id.* at SEC Filing Analysis.
[166] *Id.* at Narrative section.
[167] IRS Form 211 Application at ¶15 (filed May 23, 2011); Second Amended RICO Compl. at ¶47, *Phillips v. Cane*, No. 14-cv-1374 (E.D.N.Y. filed Mar. 10, 2014).
[168] Medley Compl., *supra* note 14, at ¶¶ 9-11.

11. **Bankruptcy Fraud (18 U.S.C. § 152)**: Wallace concealed beneficial ownership of offshore accounts and proceeds during her 2013 bankruptcy proceedings until confronted with documentary evidence by the trustee.[169]

XII. FINANCIAL SUMMARY

The Davi Skin scheme generated the following quantified proceeds and losses:

Illicit Proceeds:

- Gross offshore trading proceeds (LOM nominees + CEDE & CO): **$6,385,033**[170]
- Net proceeds after fees: ~**$6.0 million** (estimated)[171]

Victim Losses:

- Noctua Fund direct investment loss: **$650,000**
- Parrish Medley investment and equity theft: **$500,000** (estimated)
- Carlo Mondavi investment and equity theft: **$1 million** (estimated)
- Retail shareholder losses: **$5.8 million** (based on trading volume during pump phase)[172]
- **Total quantified victim losses**: **$7.95 million**

Upon market liquidation during June 2007 and September 2007, the four LOM nominee entities' aggregated stock position of 2,295,388 shares and the CEDE & CO position of 2,249,825 shares yielded $6,385,033 in illegal proceeds.[173] The scheme's financial structure—converting Wallace's fraudulent $200,000 promissory note into 2.3 million shares distributed to offshore nominees, while Cane's Dynamic-origin shares flowed through CEDE & CO—gave the conspirators 84.79% control of the free trading float and demonstrates systematic looting of a public company through layered fraud.

XIII. SHAREHOLDER DILUTION AND MANIPULATION EVIDENCE

Forensic analysis of shareholder records between the March 10, 2006 and July 13, 2007 reports reveals systematic dilution of legitimate shareholders through massive unregistered share issuances to Cane and Wallace's nominee entities.[174] The shareholder count remained constant at **565 active shareholders** in both reports, but the share structure was fundamentally transformed through the offshore nominee architecture.

Table 13: Share Structure Transformation (2006–2007)

Category	March 2006	July 2007	Change
Active Shareholders	565	565	0
Active Certificates	636	637	+1
Free Trading Shares	449,347	5,926,598	+5,477,251 (+1,219%)
Restricted Shares	11,099,806	8,684,610	-2,415,196 (-22%)
Total Outstanding	**11,549,153**	**14,611,208**	**+3,062,055 (+27%)**
Cane/Wallace Control (July 2007):			
LOM Nominees (4 entities)	—	2,295,388	38.7% of free trading
CEDE & CO (Cane)	—	2,249,825	38.0% of free trading
Combined Control	—	**4,545,213**	**76.7% of free trading**

The manipulation evidence is forensically significant. While the shareholder count remained constant at 565, the **free trading float exploded by 1,219%** (from 449,347 to 5,926,598 shares) during the sixteen-month period when Wallace and Cane were positioning the offshore nominee infrastructure.[175] This massive increase was driven almost entirely by:

1. **LOM nominee issuances**: 2,295,388 shares distributed across four entities (Arch Ltd., Hepburn Holdings Ltd., Sunshine Ltd., The Chloe Group of Companies) on April 3, 2007 via Wallace's promissory note conversion, positioned at exactly 3.97% each to evade SEC reporting.[176]

2. **CEDE & CO deposits**: 2,249,825 shares deposited by Cane from her Dynamic Associates ownership stake during 2003-2007.[177]

The transformation demonstrates systematic looting. Legitimate shareholders—including Parrish Medley, Carlo Mondavi, and Josh Levine—held restricted stock that served as window dressing while Cane and Wallace controlled **76.7% of the actual tradable float** through their nominee structures.[178] The 565 shareholders on both reports included the conspirators' offshore entities, not 565 independent investors.

The dilution pattern is consistent with the trading volume analysis showing the offshore entities controlled 89% of total trading volume during the July–November 2007 pump phase.[179] The four LOM nominees maintained static positions at exactly 3.97%

[169] Wallace 341 Tr., *supra* note 5, at 17:10-20.

[170] Investigation Summary at ¶ 38 (Mar. 4, 2010) ("Upon market liquidation during June 2007 and September 2007, the four LOM nominee entities' aggregated stock position of 2,295,388 shares and the CEDE & CO position of 2,249,825 shares yielded $6,385,033 in illegal proceeds.").

[171] Davi Trade Analysis, *supra* note 2, at Summary.

[172] *Id.*

[173] Investigation Summary at ¶38 (Mar. 4, 2010).

[174] Analysis based on shareholder reports filed with SEC during 2006-2007 period.

[175] *Id.*

[176] Shareholder Report, July 13, 2007 (sequential certificate numbers 5309-5312, all dated 04/03/2007).

[177] The July 13, 2007 report shows CEDE & CO holding 335,960 shares on the report date, down from 2,249,825 shares deposited during 2003-2007 period, indicating active selling through the DTC depository system during the pump phase.

[178] *See* Table 2, *supra* (showing combined Cane/Wallace control of 4,545,213 shares representing 84.79% of free trading stock when excluding Artist House Holdings' 566,667 shares required to be cancelled).

[179] *See* section VIII, *supra*.

each (to evade SEC reporting thresholds) while CEDE & CO actively sold shares (down from 2,249,825 deposited to 335,960 on report date), demonstrating coordinated manipulation: Cane and Wallace dumping shares through both the DTC system and the offshore nominees while retail shareholders were systematically diluted through massive unregistered share issuances that transformed the free trading float from 449,347 shares to 5,926,598 shares—a 1,219% increase driven entirely by the conspirators' nominee infrastructure, not by legitimate capital raises for business operations.

XIII-A. THE POWER PLAYER PROMISSORY NOTE PATTERN

The Lakha convertible note was not an isolated investment—it was the Davi Skin instantiation of a cross-entity control mechanism the enterprise deployed at every target company.[180] In each case, Cane and Wallace recruited a wealthy individual whose conversion rights or debt position could threaten majority control, presented that individual to management as an "independent" and "unrelated" investor, and used the resulting leverage to demand board seats, management changes, and share transfers from existing shareholders. The "power player" was never independent; each was recruited by and acting in concert with the enterprise.

Table 14. Power Player Promissory Note Pattern Across Entities

Entity	Power Player	Instrument	Conversion	Control Achieved
MW Medical	Wallace	$615K+ secured loan	All assets	Ch.11 receiver (Nov 2001)
Davi Skin	Lakha	$2.2M convertible note	32.9% equity	Board seat + share transfers
SDI	Yablon/YEI	$5M equity (promised)	Mgmt conditions	Implemented w/o investment
MOD Systems	Arnold/Smyth	Series A investment	Voting trust	Board control via litigation

The Lakha transaction is the clearest paradigm. On May 14, 2007, Davi Skin entered an "Agreement for Convertible Note" with Lakha for $2,200,000 at 9% interest, secured by Constellation Wines license funds, with conversion at $0.55 per share and a guaranteed "constant equity position of at least 32.9% of total outstanding equity."[181] The agreement required the company to "facilitate the transfer of additional shares and options held by existing shareholders to Mr. Lakha"—a provision with no legitimate business purpose that functioned solely to concentrate control.[182] Lakha advanced only $500,000 of the $2,200,000 facility (23%), yet every condition was implemented: the board seat, the 32.9% equity guarantee, 908,000 warrants at $0.25, and the facilitated share transfers from existing shareholders.[183] The disproportion between the capital advanced and the control obtained—$500,000 for a board seat, a one-third equity guarantee, and mandatory share transfers from existing shareholders—demonstrates that this was not a bona fide investment but a manufactured instrument drafted by Cane (as corporate counsel) to concentrate control in enterprise hands.

The SEC filing record documents the Lakha agreement across seven separate filings, establishing its progression from original terms through Lakha's funding decline, restated terms, and ultimate warrant modification:

Table 15. Lakha SEC Filing Record – CIK 0001059577

Accession No.	Form	Filed	Period	Key Content
0001144204-07-045234	10-QSB	Aug 20, 2007	Q2 2007	Original agreement disclosure; full terms
0001144204-07-063111	10-QSB	Nov 19, 2007	Q3 2007	Lakha declined further funding
0001173473-08-000047	10-KSB	May 16, 2008	FY 2007	Annual report; full loan history + warrants
0001173473-08-000049	10-QSB	May 20, 2008	Q1 2008	Restated agreement terms
0001137091-08-000436	10-Q	Aug 19, 2008	Q2 2008	Notes Payable; restated note + warrants
0001137091-08-000514	CORRESP	Oct 7, 2008	N/A	SEC Staff response; Black-Scholes for warrants
0001137091-08-000714	CORRESP	Dec 11, 2008	N/A	Warrant modification; $23K cash; $2,460 new value

The Q3 2007 filing confirmed Lakha's withdrawal from further funding: "Mr. Lakha has determined by economic reasons to decline our request for additional funding."[184] The First Amended and Restated Agreement (April 1, 2008) reduced the note to $536,163 ($500K principal plus $36,163 accrued interest), restated warrants to 600,000 at $0.20/share plus 125,000 at $0.25/share (expiring May 14, 2012), and assigned all Constellation Wines license funds to Lakha as security.[185] By the October 2008 SEC correspondence, Black-Scholes valuation of the 600,000 warrants assumed a market price of $0.04 against the $0.20 exercise price—rendering the warrants virtually worthless and confirming that Lakha's economic return came not from legitimate investment returns but from the pump-and-dump proceeds extracted through the offshore nominee infrastructure.

The SDI parallel is equally revealing. Leonard Yablon's YEI proposed a $5 million equity investment in SDI, conditioned on management changes that the enterprise used to justify the August 2005 purge of CEO Strand and the entire original management team.[186] When Yablon withdrew on July 22, 2005, the enterprise implemented every condition regardless—proving the "investment" was never the point; the management takeover was.[187] At MOD Systems, Robert Arnold and Jeffrey Smyth served the identical

[180] *See* Forensic Brief 00: Qui Tam Claims Analysis at Section IV.9 (documenting the Power Player pattern across all enterprise entities).

[181] 10-QSB, accession 0001144204-07-045234 (Davi Skin Inc., filed Aug. 20, 2007) at Notes to Financial Statements (original agreement terms).

[182] *Id.* ("We have facilitated a transfer of shares to Mr. Lakha by existing shareholders.").

[183] 10-QSB, accession 0001144204-07-063111 (Davi Skin Inc., filed Nov. 19, 2007) (Lakha "determined by economic reasons to decline our request for additional funding" yet all conditions already implemented); 10-KSB, accession 0001173473-08-000047 (Davi Skin Inc., filed May 16, 2008) (listing Lakha with 908,000 shares/units at $0.25 exercise).

[184] 10-QSB, accession 0001144204-07-063111 (Davi Skin Inc., filed Nov. 19, 2007) (Lakha "determined by economic reasons to decline our request for additional funding" yet all conditions already implemented); 10-KSB, accession 0001173473-08-000047 (Davi Skin Inc., filed May 16, 2008) (listing Lakha with 908,000 shares/units at $0.25 exercise).

[185] 10-KSB FY2007, accession 0001173473-08-000047 (First Amended and Restated Agreement terms, April 1, 2008); CORRESP, accession 0001137091-08-000514 (Black-Scholes assumptions: market price $0.04, exercise price $0.20, 4-year term, 77% volatility, 3.95% discount rate).

[186] *See* Forensic Brief 06: SDI Industries at Section II.B ("The Yablon Pretext").

[187] *Id.*

function through the Series A investment, which Cane used to install the Voting Trust, seize Phillips's shares, and convert the Demand Review Committee into a vehicle for asset stripping.[188]

The pattern is operationally identical across entities: the "investor" creates leverage, the leverage justifies management changes, the management changes enable asset extraction, and the enterprise retains control while the legitimate stakeholders are destroyed. The consistency of this methodology across four entities spanning a decade—MW Medical (1999), Davi Skin (2007), SDI (2005), and MOD Systems (2008)—establishes that the Davi Skin scheme was not opportunistic but the deliberate execution of the enterprise's standard operating procedure.

XIV. CONCLUSION

The Davi Skin pump-and-dump scheme was not an improvised fraud but the execution of a blueprint designed from the moment of the Cane-Wallace partnership's formation. Every element of the scheme traces back to the infrastructure established through the June 12, 2001 Tele-Lawyer/Dynamic Associates reverse merger and the parallel MW Medical spin-off that preceded it. The shell companies were designed for exactly this purpose—manufactured through bankruptcy, stripped of legitimate shareholders through reverse splits, loaded with fraudulent promissory notes, and seeded with offshore nominee accounts to receive the resulting shares.

The corporate genealogy proves the premeditation. Dynamic Associates distributed MW Medical shares one-for-one to its shareholders in 1998, giving Michael Cane (later Kyleen Cane) approximately 48% of MW Medical from inception. Wallace filed MW Medical for bankruptcy in 2002, emerged as the dominant secured creditor, and held the shell in reserve until a legitimate business—Parrish Medley's Davi Skin—could be acquired to serve as window dressing for the pump-and-dump. Aberdeen Holdings Ltd., appearing on the July 13, 2007 shareholder report with 33 shares issued September 22, 2001 at The LOM Group address, demonstrates that the offshore nominee infrastructure at LOM Securities was already operational for Dynamic-origin stock years before the Davi Skin scheme commenced. The nominee entities were not created for Davi Skin; they were permanent instruments of the criminal enterprise, repurposed across schemes.

The conversion mechanics further demonstrate premeditation. On April 3, 2007, Cane converted Wallace's promissory note into 2,295,388 shares and deposited exactly 573,847 shares into each of four nominee accounts through sequential certificates 5309 through 5312—a single-day batch transaction designed to position each entity at precisely 3.97% ownership, immediately below the 5% SEC disclosure threshold. Simultaneously, Cane's Dynamic-origin shares flowed through CEDE & CO, contributing an additional 2,249,825 shares to the free trading float. Combined, the LOM nominees and CEDE & CO holdings gave Cane and Wallace control of 84.79% of Davi Skin's free trading stock. The remaining shareholders with significant holdings—Josh Levine, Carlo Mondavi, Parrish Medley—held restricted stock. They were the victims, not the beneficiaries, of the scheme.

Wallace and Cane did not merely execute the fraud—they attempted to frame innocent parties for it. Wallace fabricated a cancer diagnosis to manipulate Mark Phillips into becoming guardian of her daughter Chloe (whose name graced one of the four nominee entities), acquired Phillips' and Kenn Gordon's social security numbers through deception, and provided Phillips with offshore account information under false pretenses to create a documentary trail associating him with the nominee accounts. Wallace's own email to Phillips—"i moved it to hepburn holdings its been around for a long time, less obvious. please keep the facts hidden"—is a confession of both the fraud and the framing. When confronted with her prior sworn testimony about Hepburn Holdings during her 2013 bankruptcy examination, Wallace first denied ever having offshore accounts, then was forced to acknowledge her own deposition testimony identifying Hepburn Holdings as "a management account" located "in Bermuda."

Wallace's testimony that she "never" transferred assets to her daughter Chloe Cutler is belied by the shareholder report itself: Wallace held 100 shares (certificate 5064) while The Chloe Group of Companies held 573,847 shares (certificate 5311)—5,738 times more stock than Wallace nominally held in her own name, parked in an entity named after her daughter at the same LOM Securities address.

This was organized crime executed with the same core conspirators—Wallace, Cane, Johal, Ambrosio, Lakha, Devi Johal—across the same infrastructure (LOM Securities, Bridge Street Services, CEDE & CO) using the same methodology (promissory note conversion, offshore nominee distribution, coordinated dumping) that the enterprise deployed in MW Medical, Westminster Agencies, SDI Ventures, Sedona Software, and MOD Systems. The evidence is documentary, testimonial, and financial: shareholder reports with sequential certificate numbers, wire transfer instructions to Bridge Street Services in Bermuda, Wallace's own emails confessing the scheme, her contradictory sworn testimony, trading records showing 89% volume control, and $7.95 million in quantified victim losses.

From the Dynamic Associates/Tele-Lawyer merger in 2001 through Davi Skin's collapse in December 2008, the Cane-Wallace enterprise operated a systematic program of corporate hijacking, securities fraud, and international money laundering—with Davi Skin serving as the paradigmatic execution of a scheme that was premeditated from the enterprise's founding.

[188] *See* Forensic Brief 08: MOD Systems at Sections 2.5, 7.1–7.7 (Series A as Trojan Horse; Voting Trust Fraud).