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UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA
- - -

PARRISH MEDLEY, )
Plaintiff, )
vs. ) CV 06-3370 R (SSx)
JAN WALLACE, an individual, and DOES 1 through 20, inclusive, )
Defendants. )
and related counter-claim. )

DEPOSITION OF:
JAN M. WALLACE
WEDNESDAY, DECEMBER 20, 2006
10:51 A.M.

Reported by: VANCE L. JARVIS
RPR, CSR No. 9014

0002

Deposition of JAN M. WALLACE, taken on behalf of the PLAINTIFF AND COUNTER-DEFENDANT, at 9401 Wilshire Boulevard, Suite 575, Beverly Hills, California, on Wednesday, December 20, 2006, at 10:51 a.m., before VANCE JARVIS, CSR No. 9014.

APPEARANCES:

FOR THE PLAINTIFF AND COUNTER-DEFENDANT:
LAW OFFICES OF ALAN S. GUTMAN
BY: ALAN S. GUTMAN, ESQ.
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FOR THE DEFENDANT AND COUNTER-CLAIMANT:
CLAIRE C. AMBROSIO, Attorney at Law
5455 Wilshire Boulevard
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Los Angeles, California 90036
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ALSO PRESENT:
STEPHEN SMITH, Videographer

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I N D E X

WITNESS EXAMINATION PAGE

QUESTION DEPONENT INSTRUCTED NOT TO ANSWER:

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BEVERLY HILLS, CALIFORNIA; WEDNESDAY, DECEMBER 20, 2006
10:51 A.M.

VIDEO OPERATOR: Here begins volume one, videotape No. 1 in the deposition of Jan Wallace in the matter of Medley versus Wallace in United States District Court, Central District of California. Case number is CV 06-3370 R (SSx).

Today's date is December 20, 2006. The time on the video monitor is 10:51.

Video operator today is Stephen Smith a notary public contracted by Merrill Legal Solutions at 20750 Ventura Boulevard, Suite 205, Woodland Hills, California 91364.

This video deposition is taking place at the Law Offices of Alan S. Gutman and was noticed by Alan Gutman.

Counsel please voice identify yourselves and state whom you represent.

MR. GUTMAN: My name is Alan Gutman. I'm representing Mr. David Kagel and Mr. Parrish Medley.

MS. AMBROSIO: My name is Claire Ambrosio and I'm representing Jan Wallace.

VIDEO OPERATOR: Would all others present please state their name for the record.

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MR. MEDLEY: Parrish Medley.

VIDEO OPERATOR: The court reporter today is Vance Jarvis of Merrill Legal Solutions.

Would the reporter please swear in the witness.

JAN M. WALLACE,
having been first duly sworn, was
examined and testified as follows:

VIDEO OPERATOR: Please begin.

EXAMINATION

BY MR. GUTMAN:

Q. Would you please state your full name for the record.
A. Jan Mary Wallace.
Q. Ms. Wallace, I have a check for you in the amount of $260 which was the amount that we stipulated between myself and your counsel to reimburse you for travel expenses here to Los Angeles. Do appreciate you coming in even though you were 45 minutes late this morning. I understand you flew in this morning; is that correct?
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A. Yes, I did.
Q. Okay. Have you ever had your deposition taken before?
A. Yes.
Q. On how many different occasions?
A. Oh, gosh. I would say half a dozen times.
Q. When was the last time?
A. About a month and a half ago.
Q. In connection with what type of case?
A. It's a public company that I'm CEO of against former management.
Q. What is the name of that company?
A. SDI, Secured Diversified Investments.
Q. Where is that lawsuit pending?
A. Orange County.
Q. Who is the attorney representing SDI in that case?
A. Claire Ambrosio.
Q. What is the name of the other party in that lawsuit that you said former management?
A. I believe it's three names. Actually it may be four names. Clifford Strand. And I think it was set aside for Alliance Title. I'm not sure.
Q. Do you know the name of the attorney that's representing the defendants in that matter?
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A. Robert Coviello.
Q. Could you spell the last name?
A. No.
Q. Is it with a C or a K?
A. A C.
Q. Do you know the name of the firm?
A. No.
Q. Their offices are in what city?
A. I believe it's San Juan Capistrano.
Q. Was your deposition completed in that case? Did you finish your deposition in that case?
A. Yes.
Q. Okay. The time immediately prior to that deposition, how long ago was that?
A. About a month.
Q. A month prior to that? And what type of action was that?
A. David Leeper.
Q. Last name is spelled how?
A. Leeper, L-e-e-p-e-r.
Q. Mr. Leeper is one of the parties in that lawsuit?
A. Yes.
Q. Are you one of the parties in that lawsuit also?

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A. Yes.
Q. Which party are you in that lawsuit?
A. I am the, I believe the plaintiff.
Q. Where is that lawsuit pending?
A. State of Arizona in Phoenix.
Q. What type of lawsuit is that?
A. Mr. Leeper took some money.
Q. Do you recall the name of the attorney that took your deposition in that case?
A. Chad was his first name. His last name was very long and started with an S.
Q. Are you the plaintiff, the named plaintiff in that lawsuit?
A. Ah, yes. Myself and a Mr. Patrick McNevin.
Q. Mc --
A. M-c-N-e-v-i-n.
Q. Prior to that deposition when was the time prior to -- how long before that deposition in the Leeper case were you last deposed?
A. Maybe 1999.
Q. Do you recall the name of the case in which you gave a deposition back in 1999?
A. It was Jan Wallace plaintiff against Mr. Daniel Ben Mayer.
Q. Ben Mayer?

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A. Ben Mayer.
Q. Is that two words, B-e-n and then M-a-y-o?
A. No. Ben, two words, M-a-y-e-r. Ben Mayer.
Q. Got you.
And where was that lawsuit?
A. In Arizona.
Q. What type of a case was that?
A. He was a contractor that I gave $200,000 to and came back and he went with the money.
Q. Prior to that particular deposition do you recall any other cases in which you gave a deposition?
A. I'm searching. I'm trying to think. No, I can't -- no, I can't think of it right now.
Q. Okay. Have you ever been known by any other names?
A. In my whole life?
Q. Yes.
A. Yes, my maiden name.
Q. Which was?
A. Jan Mary Jardiné.
Q. Could you spell the last name?
A. J-a-r-d-i-n-é.
Q. Up until what date were you known by that name?

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A. 1977.
Q. Are you still married?
A. No.
Q. When did you marriage end?
A. 1977.
Q. Just the one marriage?
A. Just one.
Q. What's your date of birth?
A. 2nd of July 1955.
Q. Are you a U.S. citizen?

A. No.
Q. Under what legal basis are you in this country?
A. I work under a visa and I'm making my application for an investment visa.
Q. For how long have you resided in the United States?
A. 19 -- well, I was coming and going for six months. So I would probably say since about '97.
Q. Have you resided in the State of Arizona that entire time?
A. Yes.
Q. Have you resided in any other states other than Arizona in the past 20 years?
A. No.
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Q. Even though you are very familiar with the whole process in the deposition I'm going to go over a few of the ground rules so we have it clear on the record.
You have been placed under oath by court reporter. That is the same oath that would be administered to you if you were to testify in a courtroom. What you need to understand about that oath is if you knowingly misrepresent your testimony you could be charged with a crime of perjury.
Do you understand the oath?
A. Yes.
Q. You are doing a wonderful job in responding only in English audible and intelligent words and it's very important as our court reporter indicated that we speak slowly in a way that he can take down all of the testimony that is being said.
I would ask that you wait until I complete my question before you begin yours and I'll try to show you the same courtesy.
It's also important that if you want to refer to certain sounds or give examples that you do so with proper English words so that when the court reporter does transcribe it, and you will have the opportunity to review that in a booklet form, you
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will be able to understand the words that we are using as opposed to giving sort of the types of communication that you and I would use in everyday normal communication, "uh-huh," "uh-uh" or shaking the head which would not easily be transcribable to a way where we would be able to understand it.
You will have an opportunity once the court reporter has completed his transcript to review your testimony, make any changes or corrections to the testimony that you provided here today. I should caution you however that in the event you make any changes or corrections to any substantive portions it could prove to be personally embarrassing or damaging to the claims that you are asserting or the defenses that you are asserting in this case.
When I say a substantive change, saying yes here on the record today and changing that to a no or claiming that you don't know anything about a particular subject and then later on claiming that you know all kinds of information about that same specific subject.

So do you understand that admonition?
A. Yes.
Q. Also, if for any reason, whether it's because I'm not clear or I don't ask my questions in
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an artful or very intelligible manner, if you don't understand one of my questions will you agree to tell me that you don't understand it?
A. Yes.
Q. Because if you do respond to my questions we are going to conclude that you understood it at the time that I asked it.
Is that okay with you?
A. Yes.
Q. Is there any reason either medical or under any sort of emotional pressure today that you do not feel or believe that you could give your best testimony in connection with this case?
A. No.
Q. Did you review any documents in preparation for your deposition here today?
A. No.
Q. When is the last time -- would you like some water?
A. Please. Thank you.
Q. Here, let me help you.
When is the last time you reviewed any documents in connection with the claims that are being asserted in this case?
A. Probably when I received the lawsuit.
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Q. When you say received the lawsuit you are referring to the complaint that was filed by whom?
A. By Mr. Medley.
Q. Are you aware -- let me just make sure you are. I'm representing Mr. David Kagel also.
Do you understand that?
A. Yes, I was told that.
Q. And are you aware that Mr. Kagel also filed a lawsuit?
A. Yes.
Q. Were you aware that you filed a counterclaim in this case?
A. Yes.
Q. Have you seen that counterclaim?
A. Yes.
Q. And that was at some time after you received one or both of the complaints that are material to this lawsuit.
Would that be correct?
A. Yes.
Q. Now, I take it from your prior responses that you were born in Canada; is that correct?
A. I'm confused.
Q. If you are confused let me restate the question.
0015
Where were you born?
A. Georgetown British Guiana, South America.
Q. Here we go, what country are you a citizen?
A. Canada.
Q. At what point did you move to Canada?
A. I was a young child. I'm not sure I know.

Q. I'm sorry. Could you speak up.
A. I was a young child. I don't recall.
Q. Other than South America in British Guiana, Canada and the United States have you ever resided in any other countries?
A. No.
Q. Would it be accurate to state that you did all of your what we would call secondary education in Canada up through high school?
A. Yes.
Q. Did you graduate from high school?
A. Yes.
Q. Where?
A. I'm trying to think now. God, that's a long time ago.
I went to Loretta Abbey and then I graduated from Erindale High.
Q. Could you spell that?
A. E-r-i-n-d-a-l-e.

Q. And that's in what city?
A. Mississauga, Ontario Canada.
Q. You better spell that.
A. M-i-s-s-i-s-s-a-u-g-a.
Q. And what year would that have been?
A. You are really testing my memory. Well, '70 something.
Q. Okay. We will leave it at that.
Did you attend any other academic institutions after high school?
A. Yes, I did.
Q. Whereabouts?
A. I went to Queens University in Kingston, Ontario Canada and Carleton University in Ottawa Canada.
Q. Did you obtain a degree from either institution?
A. No, I did not.
Q. What did you study at Queens University?
A. Political science and a minor in economics.
Q. How long did you study at Queens University?
A. I believe Queens two years. Carleton one year.
Q. Did you study the same courses of subject

at Carelton University as you described for Queens University?
A. Yes.
Q. Have you now told me all of the academic institutions that you've attended since high school?
A. I think so.
Q. This two-year and one-year period that you described for Queens University and Carelton University respectively, were they immediately following your graduation from high school?
A. No.
Q. How much time off or can you tell us what years you went to those particular institutions?
A. In the '80s. I can't remember the year.
Q. When did you first come to the United States to reside for any period of time?
A. I think '90 -- oh, I'm sorry. Boston. I'm

trying to think.  I was in Boston for a short time.
     Q.  How long were you in Boston for?
     A.  About a month and a half.
     Q.  What year was that?
     A.  1991 I believe.
     Q.  After that one and a half month period did you return to Canada?
     A.  Yes.
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     Q.  And when did you next reside in the United States?
     A.  Well, I would have to say Arizona I suppose.
     Q.  Starting in what year?
     A.  It would have been about '94 but that was short-term.
     Q.  When you say short-term can you quantify that?
     A.  Five months.  Maybe four months.  Six months.  Something like that.
     Q.  Okay.  After that short-term in Arizona in or about 1994 when did you next reside in the United States?
     A.  I think in Arizona I started residing there in about '96.
     Q.  And have you lived in Arizona continuously since 1996?
     A.  Yes.
     Q.  All right.  Have you lived in Canada at all since 1996?
     A.  I still have a home there.
     Q.  Where is your home in Canada?
     A.  It's on -- oh, my God.  This is going to be -- it's in Ottawa.  I think it's Hunt Club Road.
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I'm sorry.  They changed the road names recently and they built a development.
     Q.  How long have you owned that house in Canada?
     A.  I think a couple years.
     Q.  Can you quantify a couple?
     A.  One or two.
     Q.  Have you ever resided at that house in Ottawa?
     A.  Well, I have things there.
     Q.  By having things there does that constitute in your mind residing there?
     A.  Yeah, if I go there that's where I go.
     Q.  When was the last time you were there for more than one week?
     A.  May.
     Q.  How long did you spend there in May?
         May of this year I assume?
     A.  Yes.
     Q.  2006.
         How long did you spend there in May?
     A.  About three weeks.
     Q.  Does anybody else reside at that property on Hunt Club Road in Ottawa?
     A.  Yes.
0020
     Q.  Who?
     A.  My daughter's grandparents.

Q. So that would be your former husband's parents?
A. Yes.
Q. What are their names?
A. Violet and Irve Cutler.
Q. With a C, C-u-t-l-e-r?
A. Yes.
Q. Have they resided in the house on Hunt Club Road since you acquired it?
A. Yes.
Q. Does your daughter reside there as well?
A. No. My daughter lives in Arizona.
Q. What's your daughter's name?
A. Chloe.
Q. C-h-l-o-e?
A. Yes.
Q. Same last name as you, Wallace?
A. No.
Q. What's her last name?
A. Her name would be Cutler.
Q. How old is Chloe?
A. Going to be 15 January 24th.
Q. Any other children other than Chloe?

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A. Yes.
Q. Name?
A. Mandy Moll, M-o-l-l.
Q. How old is Mandy?
A. She just turned 26 December 10th.
Q. Where does she reside?
A. In my home.
Q. In Arizona?
A. Yes.
Q. Not in Canada?
A. Correct.
Q. Any other children?
A. Yes.
Q. Name?
A. My son Michael James Wallace III and he will be 28 on March 6th.
Q. And where does he reside?
A. In Canada.
Q. Whereabouts in Canada?
A. Toronto.
Q. You've now told me the names of all your children?
A. Yes.
Q. I want to start from high school and get your employment history if I might but before I ask

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that I want to identify, are you currently employed?
A. Yes.
Q. In what capacity?
A. I'm the CEO of Secured Diversified Investments.
Q. For how long have you been employed in that capacity?
A. Year and a half.
Q. At the current time are you employed by any other companies or organizations or self-employed in any capacity?
A. I'm self-employed.
Q. In what capacity? I should say what type

of work are you doing in your capacity as self-employed?

A. I'm a consultant. People hire me when they want to know how to run a public company.

Q. This consulting business, does it have a name?

A. Wallace Black.

Q. I'm sorry?

A. Wallace Black.

Q. What type of entity is that?

A. An LLC.

Q. That's organized where?

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A. Arizona.

Q. Do you have offices? I should say does Wallace Black LLC have an office?

A. No, not a separate office.

Q. Maybe I wasn't very clear in my question.

Does Wallace Black rent any space or own any space where it has an office?

A. No.

Q. Okay. Do you -- the work that you do with Wallace Black, do you do that out of your house or some other office?

A. Out of my home.

Q. I assume, and maybe if I'm wrong you can correct me, is Black referring to some individual?

A. Yes.

Q. Who might that individual be?

A. Kelly Black.

Q. How long has Wallace Black been in existence?

A. Two years.

Q. Have you worked with Ms. Black -- is Kelly a woman?

A. Yes.

Q. Okay. Ms. Black, have you worked with her more than two years or just for this two-year

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period --

A. Since about 2001.

Q. And where does Ms. Black reside?

A. In Arizona.

Q. What city?

A. Gilbert. I think it's Gilbert. It's on the line of Gilbert and Mesa.

Q. And what type of background does Kelly Black have?

A. Kelly Black has done banking, stock promotion work, PR work. That's it.

Q. Does Kelly Black work for Wallace Black LLC full time?

A. No.

Q. Do you know approximately how many hours a week or how you would come up with an appropriate apportionment of how much time she spends working with Wallace Black?

A. We work about equal proportion.

Q. Obviously I wasn't clear in my question. How much -- let me back up.

How much of your time do you spend working with Wallace Black as opposed to your other professional engagements?

A. I would say probably 12 percent. 10,
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12 percent maybe.
Q. How did you come up with that 10 to 12 percent range?
A. Well, we do a lot of our work in the evening. We catch up after the day. So there is just so many hours in the day.
Q. So what do you consider the 10 to 12 percent of the day?
A. I would tell you any time after 6:00 and before 1:00 in the morning.
Q. Okay. So would it be fair to say you don't spend any of your time say during normal working hours Monday through Friday 9:00 to 6:00 p.m. working for Wallace Black LLC?
A. Except for phone calls.
Q. Does Kelly Black have other employment other than as a consultant or as a member of Wallace Black LLC?
A. Yes. She has a company called Premier.
Q. Just Premier?
A. Yes.
Q. What kind of business is Premier?
A. They do PR.
Q. They have offices?
A. I believe so.
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Q. Do you know where?
A. I believe it's her home.
Q. And that would again be in Gilbert or Mesa?
A. Yes.
Q. Just to finish up, you mine if I call Secured Diversified Investments, if I refer to that as SDI?
A. No, that's perfectly fine.
Q. How many employees does SDI have?
A. Actually two employees now and a consultant.
Q. And I neglected to ask this in connection with Wallace Black. How many employees does Wallace Black have, if any?
A. It has no employees.
Q. Does SDI have an office?
A. Yes.
Q. Where?
A. 12202 North Scottsdale Road, Phoenix, Arizona 85254.
Q. What is the business of SDI?
A. Real estate transactions.
Q. You say transactions. Management? Brokerage?
A. A little bit of everything.
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Q. So a little bit of everything. Why don't you identify what you mean by everything.
A. We have some office and shopping center space. We have investment properties. We have a subsidiary that's in the mortgage business. That's it.
Q. Just so I can be clear, when you say we have office and shopping center space, is SDI the owner of certain commercial real estate?

A. Yes.
Q. How much commercial real estate does SDI own?
A. There is an office building in Newport.
Q. Newport Beach, California?
A. Newport Beach, California on Campus.
Q. The name of the street? I'm sorry.
A. Campus.
Q. Campus.
A. There is a shopping center.
Q. Where is that?
A. In Orange County.
Q. What city?
A. You are tricking me. Orange County. The shopping center is called Katella. I don't know the exact --

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Q. With a K?
A. Yes.
Q. Sounds like Irvine or Anaheim?
A. Sounds like Irvine.
Q. Okay. And that's the extent of the commercial real estate portfolio owned or managed -- let me just break it down.
-- owned by SDI?
A. No.
Q. How many other properties are owned by SDI?
A. There is a percent ownership in Arizona on Lincoln that is a commercial building.
Q. Okay.
A. And there is a percent ownership of the Cactus Scottsdale property which is a redevelopment property.
Q. When you say percent ownership, does SDI have the controlling ownership in either the Lincoln property or the Cactus Scottsdale property?
A. It doesn't have percentage ownership in Campus, Lincoln or the Cactus property. They have a position. Not the major position.
Q. SDI is a publicly held corporation?
A. Yes.
Q. Are the holdings set forth in any public disclosures that you are aware of?

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A. Every one of them.
Q. Okay. So I can refer to those?
A. Yes.
Q. I may have some more questions about SDI. I don't want to belabor through them right now.
Let's start what I originally announced the subject would be. I want to go through your employment history. So starting with high school why don't you tell us what employment you've had for any period of time that you can recall.
A. Wow, high school. I am an old woman. High school. Huron Park Recreation Center. I was a cashier.
Q. For how long did you do that?
A. Two years.
The Sword and Shield shop in Mississauga. Also a part-time job in high school.
Oh, A&W. I was a car hostess.
Q. This is after high school or during high

school?
A. This is during and after and -- I always worked.
Q. Okay.
A. Let's see. A&W. That was a good one.
0030
I worked at Dollar Bills in Kingston, Ontario. It was a restaurant.
Q. How long did you work there?
A. A year.
Q. Okay. Next employment that you can recall?
A. Let's see. What else did I do? Oh. Dalmys clothing store.
Q. Could you spell that name?
A. D-a-l-m-y-s.
Q. How long did you work there?
A. I think a year, year and a half.
Q. And that's also in Canada?
A. Yes.
Q. Okay.
A. I'm thinking.
Oh, what was that called? Penningtons. I worked at Penningtons.
Q. What type of an establishment is Penningtons?
A. It's a clothing store.
Q. For how long did you work there?
A. Oh, I don't know. Six months, seven months. These were all school jobs.
Q. Okay. During high school or during college?
0031
A. A little bit of both.
Let me see. I guess right after that I guess it would be Pitney Bowes.
Q. When did you start working at Pitney Bowes or for Pitney Bowes?
A. Pitney Bowes took me out of university so now I have to think about what year that was. '83, '84. Something like that.
Q. Okay. And for how long did you remain at Pitney Bowes?
A. Two years.
Q. What was your job title while you were at Pitney Bowes?
A. At the beginning or the end?
Q. At the beginning, I'm sorry?
A. At the beginning or at the end? I'm not sure how to answer that.
Q. Oh, I understand.
Let's start at the beginning and then if you had a promotion or some sort of lateral change why don't you just describe what the title was, what various titles you had at Pitney Bowes.
A. They hired me -- there were not a lot of females in the corporation and they tested me and hired me to join their management program in their
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training center in Atlanta, Georgia.
Q. How long did you remain at the management program in the training center in Atlanta, Georgia of Pitney Bowes?
A. Three weeks.

Q. And at the conclusion of the three weeks did you have some other job title or job description?
A. They then made me a sales representative under a new team that they were introducing.
Q. How long did you have the position as a sales rep.?
A. Not long. Six months, seven months.
Q. After that did you continue to work for --
A. I became --
Q. -- Pitney Bowes?
A. Yes. Yes, I did.
Q. In what capacity?
A. I then became manager.
Q. Manager of what?
A. My own sales team.
Q. Based out of where?
A. Pitney Bowes.
Q. What city?
A. Mississauga. No. No, that's impossible.
0033
I had already left there. Ottawa.
Q. And was that the position that you stayed in until you left Pitney Bowes?
A. They actually moved me up to senior manager.
Q. How long did you remain as a senior manager?
A. About four or five months. Four or five months.
Q. And was that the position when your employment at Pitney Bowes ended?
A. Yes.
Q. What did you do after Pitney Bowes?
A. I opened my own company.
Q. What was the name of that?
A. Mailhouse Plus, Ltd.
Q. Nailhouse, N-a-i --
A. Mail.
Q. Mailhouse?
A. Mailhouse.
Q. M-i?
A. M-a-i-l-h-o-u-s-e.
Q. Ltd.?
A. Mailhouse Plus, Ltd.
Q. Mailhouse Plus, Ltd. Pardon me.
0034
What kind of business was Mailhouse Plus, Ltd.?
A. Same business as Pitney Bowes.
Q. How would you describe that?
A. It was a sales organization that sold competitive equipment to Pitney Bowes in the mail indicia business.
Q. And you spelling indicia how?
A. Indicia is that little red stamp on your envelopes, i-n-d-i-c-i-a.
Q. When did you open the business Mailhouse Plus, Ltd.?
A. 1998. Someplace around there.
Q. 1998?
A. Around there, yes.
Q. I'm a little confused. Between -- let me

just see if I can clarify.
          According to my notes you went to work for Pitney Bowes in 1983 or 1984 for two years; is that correct?
     A.  Oh, I'm sorry.  You are right.  1998 is not right.  It would be 1988.
     Q.  Okay.
     A.  You are right.  That's a big jump.
     Q.  Did you have any employment in between

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working for Pitney Bowes and opening Mailhouse Plus, Ltd.?
     A.  No.
     Q.  Were you the sole owner of Mailhouse Plus, Ltd.?
     A.  Yes.
     Q.  How many employees did you have at Mailhouse Plus, Ltd. at its peak?
     A.  Eight.
     Q.  Where was Mailhouse Plus, Ltd. located?
     A.  Ottawa, Canada.
     Q.  For how long did you operate or -- let me put it this way:  How long was Mailhouse Plus, Ltd. in business?
     A.  I'm confused.
     Q.  Let me restate the question.
          How long did you remain affiliated with Mailhouse Plus, Ltd.?
     A.  Almost five years.
     Q.  Is it still in business?
     A.  It was sold and merged.
     Q.  Do you know the name of the company that it merged with?
     A.  Absolutely.
     Q.  What is that?

0036

     A.  Ascom-Hasler.
     Q.  You better spell that for us.
     A.  A-s-c-o-m-H-a-s-l-e-r.
     Q.  Is that a public company?
     A.  Yes, it is.
     Q.  Was Mailhouse Plus, Ltd. a public company?
     A.  No.
     Q.  Was Ascom-Hasler your first connection or affiliation with ownership of a public company?
     A.  No.
     Q.  What would that have been?
     A.  Pitney Bowes.
     Q.  Under a stock ownership plan --
     A.  Yes.
     Q.  -- as an employee?
     A.  Yes.
     Q.  How long did -- withdraw that.
          Have you now told me about all of your employment up through Mailhouse Plus, Ltd. that you can recall?
     A.  That I can recall here today, yes.
     Q.  Fine.
          Did you work for Ascom-Hasler?
     A.  I had a consulting contract with them.
     Q.  For how long?

0037

     A.  Short.  Three months, four months.

Something like that.
Q. Is Ascom-Hasler still in business?
A. Yes.
Q. You say it like I should know it.
A. Ascom is a huge corporation, world known.
Q. Except for in my head.
It's based out of where?
A. Bern Switzerland.
Q. After your three months on your consulting contract was up with Ascom-Hasler did you continue to do any work with Ascom-Hasler?
A. No.
Q. When was Mailhouse Plus Ltd. sold to Ascom-Hasler?
A. 1993.
Q. You were living in Arizona at the time?
A. No.
Q. Still in Canada?
A. Yes.
Q. What did you next do for employment?
A. Active Systems.
Q. What kind of business is that?
A. SGML software.
Q. Something in software. I didn't hear.
0038
A. SGML software development.
Q. What does that stand for?
A. SGML is a software language. It stands for SGML.
Q. Okay. Again you've touched upon something that I'm not aware of.
What type of software is it?
A. Are you familiar with Oracle?
Q. I've heard of the company Oracle.
A. Right.
Q. But I don't know their type of software.
A. This was a software that used language.
Q. What was your connection with the company?
A. I was senior vice president.
Q. And what does Active Systems do in connection with this SGML Software?
A. It is a software company that was merged.
Q. With who?
A. Another software company and I can't think of the name right now.
Q. Did Active Systems sell any product?
A. Yes.
Q. What did it sell?
A. Software.
Q. Did it provide services or it just sold
0039
bundled software?
A. No, it bundled software and it sold the services so that you can access help. Had a call center.
Q. How long were you at Active Systems?
A. A year.
Q. Were you a senior vice president during that entire time?
A. Yes.
Q. What was the one-year period roughly as best as you could recall? When did it begin and end, what year?

A. Near the end of '93, maybe '94. Someplace around there.
Q. Have you had any affiliation with Active Systems since '93 or '94?
A. No.
Q. Your position as senior vice president at Active Systems, were you working in an office somewhere or --
A. Yes.
Q. And where was that office located?
A. Holland Avenue in Ottawa Canada.
Q. Is Active Systems still in business?
A. Not under that name.
0040
Q. Do you know what name it's currently in business under?
A. No. It merged and I don't recall the software company that bought it.
Q. I got you.
After Active Systems do you recall the name of the next company that you worked with or for?
A. This is a tad confusing for me to answer.
Q. Can you explain why?
A. Well, I was working with a venture capitalist in Boston and I was involved with many companies all in the public realm either taking them public, raising investment capital, IPOs. There were several of them.
Q. What was the name of the venture capitalist?
A. Stanley Young.
Q. Stanley?
A. Young.
Q. Y-o-u-n-g?
A. Yes.
Q. For how long did you work with Mr. Young?
First of all I should say is it an individual or the name of a company? Sounds like an individual.
0041
A. It's an individual.
Q. Okay. How long did you work with Mr. Young?
A. Oh, Stanley and I worked off and on for gosh -- what year am I now? 19 -- probably right up until about '97.
Q. During this period of time between say 1994 and 1997 did you work with anyone else or receive any salary from anybody other than through your work with Stanley Young?
A. Okay. I'm a little -- I'm sorry. I'm confused again.
Q. Let me see if I could clarify.
A. Okay.
Q. Were you an employee of Stanley Young?
A. No.
Q. Did you have any regular employment between 1994 and 1997?
A. Yes.
Q. With whom?
A. A company by the name of Claire Technologies.
Q. Is it C-l-a-i-r-e?

A. Yes.
Q. Where is Claire Technology located?
0042
A. It doesn't exist anymore.
Q. Where was it located?
A. In Arizona.
Q. What city?
A. Scottsdale.
Q. And what was your position with Claire Technology?
A. Chief operating officer.
Q. During what period of time?
A. Until it was sold. That would be -- what year am I at? I'm all over the map. This is too -- this is a lot to recall.
MS. AMBROSIO: 2006.
MR. GUTMAN: Rapidly approaching it hopefully sooner than you can imagine.
THE WITNESS: I was there I think like seven or eight months.
BY MR. GUTMAN:
Q. What type of business was Claire Technology in?
A. Commercial HVAC systems.
Q. When you say HVAC you are referring to heating, ventilation and air-conditioning systems is the --
A. And purification.
0043
Q. And purification?
A. Yes.
Q. You said Claire Technology was sold. When was that sold?
A. I don't recall that but I recall the company that bought it.
Q. What was that?
A. Hyperflow. Was it -- no. I'm sorry. No, no, no, no. It was sold -- I'm sorry. The assets were pulled from the company and sold to a company called Hyperflow. Claire Technologies the public shell was transferred to Mr. Billy Means and his partners in Louisiana.
Q. Means is M-e-a-n-s?
A. Yes.
Q. In Mississippi?
A. In Louisiana.
Q. I'm sorry.
Were you involved in that transfer?
A. Yes.
Q. In what capacity?
A. I was either COO or CEO. I cannot recall.
Q. Do you know what the company is currently called?
A. No.
0044
Q. Do you know what it was called after the transfer?
A. No.
Q. Mr. Billy Means of Louisiana, do you know what city in Louisiana?
A. Shreveport. It just came to me. Shreveport.
Q. You recall approximately what year this

public shell was transferred to Billy Means, the Claire Technology company?
A. By the time all the transactions were done I think it ran into '96, '97. I'm not sure. Took a long time to do the transaction.
Q. Okay. Have you had other transactions with Billy Means?
A. Yes.
Q. How many?
A. Genesis Health Management.
Q. What does that name refer to? Another transaction or that's the name --
A. That's a name of a company.
Q. What did you do with Genesis Health Management?
A. Genesis Health Management was a subsidiary of Dynamic Associates a public company.
0045
Q. Okay. And what did you do in connection with Genesis Health Management?
A. I was a director on the board and I represented the parent company Dynamic Associates.
Q. When you say represented the parent company, what capacity?
A. I was the CEO of the parent and I sat on the board of the subsidiary.
Q. Is this a company that was sold to Billy Means?
A. No.
Q. How does Billy Means factor into the equation --
A. Billy Means was president of Genesis Health Management.
Q. I got you.
For how long were you the CEO of Dynamic Associates?
A. Two or three years.
Q. When did that, your tenure as CEO of Dynamic end?
A. When we sold it.
Q. When was that?
A. '98.
Q. You say "we." Who else was involved in
0046
that sale?
A. Well, it's a public company so there would be board of directors and other officers.
Q. Who was it sold to?
A. The subsidiaries were broken out. Dynamic the entity was transferred in a reverse merger to a company called Tele, Tele -- I can't recall. Tele something.
And the Genesis Health Management was sold to a healthcare company in Texas called Perspectives. Perspectives.
And MW Medical a development company and -- oh, God, what was the other name? P&H Industries merged and became a public company called MW Medical.
Q. Can you just clarify how MW Medical a development company, how that ties back to Dynamic Associates, if at all?
A. Dynamic Associates had -- I'm sorry. So I

contract because this is really as you can see and you have a piece of paper, I'm trying to follow the flow and your last question I believe was my association with Billy Means and a company, any other company. Genesis Health Management Billy Means was the president. It was a subsidiary of

0047

Dynamic. There was an MMC Medical which was a subsidiary of Dynamic and there was P&H Industries which was a subsidiary of Dynamics. So it had three subsidiaries.

Genesis Health Management a subsidiary was sold to Perspectives in Texas a healthcare company.

The P&H Industries and MMC Medical merged together, filed a filing with the securities and exchange and became its own public entity with the name being MW Medical.

Q. And that would be the same MW Medical that ultimately became the Davi Skin Company?
A. That would be the same.
Q. Okay. When did that merger occur with P&H Industries? Is it MW Medical a development company or MMC? You said --
A. MMC was the research and development arm of what became MW Medical.
Q. So MMC and P&H merged?
A. Correct.
Q. Fine.
When did that merger take place between MMC and P&H?
A. Between '98 and '99.
Q. When did your association with Dynamic

0048

Associates begin?
A. After Claire Technologies, '9 -- I don't know where we are anymore. '96. Maybe '96.
Q. What business was Dynamic Associates in?
A. Dynamic Associates was actually a holding company that held the three subsidiaries of which I have described.
Q. So Dynamic Associates didn't generate any revenues; is that correct?
A. No, not of its own.
Q. Sorry?
A. No, not of its own.
Q. Not of its own.
Any of the subsidiaries generate any revenues?
A. Yes.
Q. Let's go through them one by one.
Genesis Health Management, what was the business of that subsidiary?
A. Genesis Health Management owned 32 hospital geriatric psychiatric units in seven states and generated almost a million dollars a month.
Q. You said per month?
A. Yes.
Q. MMC generate any revenues?

0049

A. MMC was a research and development company. So it spent money.
Q. So the answer to my question would be no, it did not generate any revenues; is that correct?

A. No, it did not generate any revenues.
Q. Thank you.
P&H Industries generate revenues?
A. Yes.
Q. What was its business?
A. It sold high reliability components in the microwave industry to the Army, the Navy, NASA I believe, Freiden/Alcatel. Many corporations.
MR. GUTMAN: Can you repeat that answer for me. I didn't get it down.
(The following record was read:
It sold high reliability components in the microwave industry to the Army, the Navy, NASA I believe, Freiden/Alcatel. Many corporations.)
MR. GUTMAN: Thank you.
Q. At the time of the merger with P&H and MMC was P&H still an operating business?
A. Yes.
Q. So after the merger was completed between MMC and P&H did P&H continue or did the new company
0050
MW Medical continue to sell these components for the microwave industry?
A. Yes.
Q. Did that stop at some point in time?
A. Yes, when it was sold.
Q. When was that?
You talking about when it was sold to become Davi Skin?
A. No. P&H Industries -- I'm sorry. I thought you asked me about P&H Industries.
Q. My question -- let me make sure that you are clear and I apologize if you are getting confused by my questions. I'm not attempting to confuse you. It's a little bit confusing for me because I haven't heard a lot of these names or I should say any of these names.
MMC and P&H merged?
A. Yes.
Q. At the time of the merger P&H was in the business of selling components in the microwave industry?
A. Yes.
Q. After the merger between MMC and P&H the new company that was formed as a result of that merger was called MW Medical?
0051
A. Yes.
Q. Did MW Medical continue to sell the components in the microwave industry that P&H previously had sold?
A. Yes.
Q. Until when?
A. Until we sold it.
Q. And what's the "it" that we sold?
A. P&H Industries.
Q. Okay. So MW Medical sold P&H Industries?
A. Yes.
Q. When?
A. We might be in the twos now. I think -- oh, my goodness. Either end of '99, beginning 2000. This is all in the public realm so you could look it

up.
Q. All right. But the best of your recollection is somewhere in '99, 2000?
A. Somewhere around there, yes.
Q. After the P&H business was sold from MW Medical what source of revenue did MW Medical have, if any?
A. We raised capital and MMC the microwave company started to distribute sales of its microwave product.
0052
Q. Again I'm confused. MMC I thought was the research and development arm; is that correct?
A. Yes.
Q. So what products was MMC selling after P&H was sold?
A. MMC was the research and development arm of MW Medical. MMC was responsible for building the equipment that MW Medical sold under its name.
Q. So what equipment was MMC building?
A. The E2000 I believe was the model name, the first one.
Q. What is the E2000?
A. It's a microwave technology device that has patents in the crose (phonetic) subcutaneous tissue.
Q. Patents and then the word after that?
A. Patents and methodology in subcutaneous tissue.
Q. Methodology. Thank you.
Who owns those patents today?
A. I do.
Q. How did you obtain those?
A. I funded the company in the form of promissory notes and loans and I held the UCCs.
Q. And you have what?
A. The UCCs.
0053
Q. The security instruments?
A. Yes.
Q. And what point in time did you personally obtain title to any of the patents or other intellectual property that were the property at one point of MW Medical?
A. When was the year the market started to crash? Was that end of --
Q. Whenever I get into it.
A. Good answer.
'99 we started to feel the buzz, the market started hitting around the summer. By about December 2000 everybody was dying. Probably -- I started funding when the market fell. By about January of 2000 everybody was dead. About three hundred and something companies filed bankruptcy. I started funding the company someplace in around 2000, first quarter of 2000 I believe. Someplace around there.
Q. My question though pertained to not when you started funding but when you acquired the patents and other intellectual property that had been the property of MW Medical.
A. I'm sorry. I thought that was the same sort of question because when I started funding the
0054

promissory notes, the loan agreements and the UCCs were all handed to me.
     Q.  Okay.  Did you foreclose or notify the company that it was in default of its obligations in connection with those promissory notes?
     A.  I didn't have to do that.  We had to file a chapter 11.  I was debtor in possession and the federal bankruptcy court decided how things went out.
     Q.  So you acquired the patent for the E2000 through the bankruptcy proceeding?
     A.  Through my position as being the major creditor.
     Q.  As a secured creditor?
     A.  Yes.
          MR. GUTMAN:  Okay.  We have been going a little over an hour.  Why don't we take a five-minute break and with your permission we will go another hour and then take a lunch break.  How's that sound?
          MS. AMBROSIO:  That sounds fine.
          MR. GUTMAN:  Thank you.
          THE WITNESS:  Could I just ask how long.
          VIDEO OPERATOR:  Going off the record.  The time is 11:57.
0055
          (Recess.)
          VIDEO OPERATOR:  Okay.  We are back on the record.  The time is 12:07.
BY MR. GUTMAN:
     Q.  Ms. Wallace, when we left off we were talking about MMC, that company.
          After the chapter 11 bankruptcy did MW Medical, Inc. have any source of income?
     A.  During the bankruptcy?
     Q.  Following its --
     A.  No.  It ceased operations.
     Q.  Well, did it ever emerge from its chapter 11 proceeding?
     A.  Did it emerge?
     Q.  Let me clarify.  Did there exist an MW Medical, Inc. any time after --
     A.  Yes.
     Q.  -- the bankruptcy had been filed?
     A.  Yes.
     Q.  What was the source of revenue for MW Medical, Inc. after bankruptcy?
     A.  Nothing other than me.
     Q.  What do you mean other than you?
     A.  Well, every penny that had anything to do with it keep going or whatever, I had to pay the
0056
taxes.  I still as a matter of fact am liable for the taxes.  It was my personal money.
     Q.  Well, what was the business of MW Medical, Inc. after the bankruptcy?
     A.  It ceased.  It just was a registered public company where I paid all the fees and it was reorganized and restructured and we spun off MW Asia.  We did distribution license agreements.
     Q.  Now, prior to the bankruptcy you indicated that you had loaned the company some money that were secured by promissory notes and UCCs in connection

with its patents and intellectual property.
A. Uh-huh.
Q. How much did you loan to the company MW Medical prior to its bankruptcy?
A. Over a million dollars.
Q. And what form did those loans occur?
A. Whenever the company needed money I infused capital.
Q. Through cash contributions?
A. Yes.
Q. And it was all out of your own pocket?
A. Yes.
Q. As opposed to deferring salaries or things of that nature?
0057
A. No, deferring salaries was over and above.
Q. Have you been able to sell those patents that you acquired through the bankruptcy court --
A. I haven't tried to sell them.
Q. Up through the present have we now identified every employment that you had with any company since you first started working?
A. As I recall sitting here I think I've done a pretty good job which I can't believe I've done.
Q. But as you sit here right now you can't recall any other public companies or any other private employers or any self-employment that you've had that we haven't talked about already today on the record; is that correct?
A. The question is confusing.
Q. Well, let me see if I can break it down for you.
Is there any employer that you've had any time since high school that you have not identified on the record here today?
A. Not that I recall.
Q. Are there any businesses in which you have been affiliated as an officer, a director or as a consultant that you have not identified on the record here today?
0058
A. I can't think -- I'm trying to but I can't think -- there might have been but I can't think of any I can give you the name of.
Q. Well, let's say over the last six years give or take, since 2000 have you been affiliated with any companies other than SDI, MW Medical and Wallace Strand, LLC?
A. I'm sorry. I don't recognize Wallace Strand.
Q. I'm sorry. Wallace Black. I'm looking at the wrong page. Wallace Black, LLC. Let me repeat the question.
Since 2000 have you been affiliated with any companies or any employers other than MW Medical, Inc. or SDI or Wallace Black, LLC?
A. Maybe it would help you if I explain that in my capacity in being sort of a venture capitalist I am called all the time by lots of companies who I give free advice to sometimes or consult for some other form of compensation and I do that on a regular basis. If you threw the word consultancy in there I am telling you I could not recall them all.

Q. Okay. How many companies that are public companies have you been an officer of?
A. Well, let's see. Officer. That would

0059

count director also?
Q. Well, we will break it down.
How many companies you are an officer of. How many companies you are a director of.
A. Claire, officer, director.
Dynamics, officer, director. Director chairman of the subsidiary. Director chairman of the subsidiary. Director chairman of that subsidiary.
Officer for MW Medical. Chairman for MW Medical. Director for MW Medical.
I'm trying to think if I sat on Active System. I was an officer.
I may have sat on some of Stanley's boards on some of his companies. I really don't recall. A few.
Q. To the best of your recollection have you now identified every public company in which you held a position as an officer?
A. Yes, as I sit here today that's I believe all I can recall.
Q. Are you currently an officer of any publicly traded corporation today?
A. SDI, Secured Diversified Investments.
Q. That's the only one?

0060

A. Yes.
Q. How many times have you been involved in a sale of a public company?
A. It's got to be five. Four or five. Something on -- but when you say a public company are you also talking about their subsidiaries? I'm a little confused.
Q. Well --
A. Maybe I'm confusing you.
Q. No, it's okay.
In the course of your career if I understood correctly the one company that engendered several subsidiaries would be Dynamics, Dynamic Associates; is that correct?
A. Yes.
Q. So when you are having some question about whether or not you should include subsidiaries you would be referring to the Dynamic Associates situation; correct?
A. And MW. MW has a subsidiary also.
Q. What was MW's subsidiary?
A. MMC.
Q. Okay. Was MMC sold off at some point in time?
A. MMC ceased research and development when

0061

the company ceased. They were both in the bankruptcy.
Q. With a separate case number that is?
A. That is correct.
Q. MMC separately filed for bankruptcy protection?
A. Absolutely.

Q. But MMC did not emerge from the bankruptcy?
A. No. It only did research and development. It had nothing to emerge to.
Q. So MMC then would not have been sold --
A. No.
Q. -- after the bankruptcy.
Was that converted to a seven, a chapter 7 do you know?
A. No.
Q. It was just dissolved?
A. It was just dissolved.
Q. So back to my question. We were talking about the sale of companies that were public that you had been involved in and I believe your answer was four or five and I just wanted to identify those.
So can you identify the four or five companies that you were involved in that were sold?
0062
A. As an officer?
Q. As an officer.
A. Thank you.
Well, I guess Claire Technologies, Active Systems, Dynamic, P&H Industries, Genesis Health Management, MW Medical. As an officer those.
Q. Other than SDI is there any publicly traded corporation in which you have been an officer that hasn't been sold?
A. Sold and merged, are they the same?
Q. What were you thinking as far as merged?
A. Well, MMC and P&H merged.
Q. Okay. Any others?
A. Some of them the companies were not sold. The assets were sold. Some of the companies were dissolved. If they had certain tax implications to them that would take the lead.
I guess my answer would be it's just not as simple to say that they were sold.
Q. Okay. Let's go through them one by one.
Claire Technology, you were an officer of Claire Technology; right?
A. Yes.
Q. It was sold; right?
A. Claire Technologies sold the assets to
0063
Hyperflow.
Q. What happened to the shell?
A. The public entity was sold off to Mr. Billy Means.
Q. Okay. Active Systems, that company was sold; correct?
A. The company was sold. I believe there was a -- I'm trying to remember. There was a tax implication and they had to create an -- I can't remember the whole thing of it and I can't remember if the assets were merged in or if they merged the two companies and a sole survivor came. I don't remember at all. Something like that.
Q. Dynamic Associates, that was sold?
A. Dynamic Associates sold its subsidiary Genesis Health Management to Perspective. That one was sold, the subsidiary was sold.
Q. What happened to the shell of Dynamic

Associates?
A. Oh, the actual shell. I'm sorry. I thought we were on Genesis Health Management.
Q. Sure.
A. Dynamic Associates the entity was done in a reverse merger to Tele, Tele something.
Q. Uh-huh. Okay. Then of course MW Medical
0064
that was sold off to what became Davi Skin, Inc.; correct?
A. I'm going to try to be helpful. The word sold would not be --
Q. How would you characterize it?
A. You do a reverse merger transaction.
Q. Okay. How many reverse mergers have you been involved with with companies in which you were an officer?
A. Claire, Dynamic, and MW Medical.
Q. Is that it?
A. I think so. I'm not sure but I think so.
Q. How many reverse mergers have you been involved in as a consultant?
A. Oh, as a consultant is that where people pick up the phone and they ask me how to do it?
Q. Well, how would you describe your work as a consultant?
A. Sometimes as a consultant I'll just give away free advice.
Q. Are there other situations where you are consulted and you are paid a fee?
A. Or equity. Sometimes yes.
Q. Okay. How many times have you been involved as a consultant in a reverse merger where
0065
you've received some equity in a deal?
A. There was one called Aero-Axial, something like that.
Q. Can you spell that?
A. A-e-r-o-A-x-i-a-l. Aero-Axial.
Q. And what did you do in connection with that particular reverse merger?
A. They phoned up and wanted to know how they would go around or go about doing a reverse or a merger and a reverse.
Q. And you were compensated in connection with your consulting work on that deal?
A. Yes. They were to give me equity.
Q. How much equity did you receive in the company?
A. I think it was something like 200,000 warrants or something.
Q. Any other situations where you consulted with anybody in connection with a reverse merger in which you received some equity for your consulting services?
A. There was a coffee company, what were they called, here in California. It was a coffee company. They had this idea where they -- you could go in like a Starbucks and drink coffee and hook up
0066
to the net or web something. And same thing, they called and wanted to know what I thought about this and that and so on and so forth and I said well, why

am I doing this for free and they said well, we will give you something. They are the other ones that I can think of right off --
     Q. But you don't recall the name?
     A. No. It was a coffee company for sure with a web base. Maybe you will see it finally opening in California. Let's hope so.
     Q. How many shares of stock or other security?
     A. Those were warrants also and I think it was like 100,000 warrants or something.
     Q. Any other situations in which you acted as a consultant in exchange for equity in connection with any reverse mergers?
     A. I can't think of any.
     Q. This one that you described for Aero-Axial, when did that occur?
     A. 2004 maybe.
     Q. Do you still hold those warrants?
     A. I don't think so.
     Q. What did you do -- how did you dispose of those warrants?
     A. I either sold them, called them in or

0067

swapped them out. Something. I did something. Just don't remember what I did with those, Aero-Axial.
     Q. The situation where you acted as a consultant in connection with this coffee company, when did that occur?
     A. About the same time.
     Q. 2004?
     A. Yeah, 2004, yeah.
     Q. And what did you do with the warrants you received in connection with that consulting engagement?
     A. They still hold them.
     Q. You still have them?
     A. No. They still have them.
     Q. So have you now told me about all the situations in which you consulted regarding a reverse merger?
     A. As I sit here today that's what I can recall.
     Q. And I should have clarified. In which you consulted in exchange for some equity.
          Have you -- have you now told me about all the situations in which you consulted for exchange for equity in a company for providing consulting

0068

services in connection with a reverse merger?
     A. I think so.
     Q. All right. Have you provided consulting services in connection with a reverse merger to any public corporations other than for equity as in for any other form of compensation or for no compensation?
     A. No compensation?
     Q. Or some compensation.
          Well, you indicated sometimes -- I wrote down give away free advice sometimes. So I'm trying to determine did you consult with somebody, some company regarding a reverse merger either where you were paid in cash, through some other form of

compensation or consideration or you were not paid or compensated at all other than the Aero-Axial and the coffee company whose name you could not recall? All other consulting engagements in connection with a reverse merger.

A. There were a few where I got nothing. Those would be -- oh, my God. That's a long list. Efoora, a blood technology. Neuro Navigational, a veinal structure technology.

Q. You better slow down for both my sake and the court reporter.

0069

A. I'm sorry.

Q. Efoora would be E-p-h-o-r-a?

A. No. E-f-o-o-r-a, Efoora.

Q. Okay.

A. Cord blood.

Q. That's C-o-r-d?

A. Yes.

Oh, God. Who else didn't do it? Oh, there was the one with the 411 technology. What were they called? P3411. Something like that was the name of that company.

The ones that had a new washable solution for contact lenses. What were they called? They were trying to compete with Bausch & Lomb. Just met -- oh, the one with the saphenous vein, removal of the saphenous vein. It was eventually sold to Medtronic, that one, hmm.

Oh, gosh. There is a lot of them. I'm lucky these are rolling off my tongue right now. There's a few. People call me all the time.

Q. And the examples that you just gave us, Efoora, Cord Blood, P3411, something having to do with contact lens solution, and this saphenous vein ones, these are the situations where you provided consulting services and were not compensated at all?

0070

A. Correct.

Q. Are there any other companies in which you provided consulting services in connection with a reverse merger in which you received any type of compensation other than the Aero-Axial and the coffee company?

A. I'm sure there have been. I just can't think of them right now.

Q. Okay. Can you tell us what type of services you provided in connection with Aero-Axial, the consulting services that you actually provided?

A. Aero-Axial wanted -- they had done a reverse merger. The CEO was not very well versed in the public realm. They had problems with news announcements. They didn't know how to distribute options so that it wouldn't affect Black Shoals which is a criteria in the public company, accounting criteria. Things like that. They just -- basically a lot of people don't know what they are doing when they get in the public market. So it was broad spectrum.

Q. How long -- how much time did you spend in connection with Aero-Axial in providing consulting services to them?

A. Telephone conversations, some conference

0071
calls, one meeting. I don't know. Here and there. Mostly phone.
Q. More than ten hours?
A. A little bit more. Not much.
Q. You comfortable estimating between what, 10 and 20 hours?
A. Sure.
Q. Well, look --
A. See for me to answer the way that you would like me to I'm trying hard to recall all of this but it is a lot of stuff and people will pick up the phone -- as a matter of fact, just like an attorney, once people know who you are and what you do all of a sudden you are the go-to person. So in the middle of something that they've decided to do they will call. So if I was to add up in my day over months of time how much that was you could pick a number but it would be a best guess.
Q. Okay. A couple things there I just want to clarify. Sometimes I'll ask you to estimate and what I'm looking for is your best recollection which we are entitled to. I don't want you to guess or speculate.
The difference would be if I asked you how much time you spent waiting for your plane this
0072
morning you would have an estimate even though you are probably not keeping track of the specific time.
A. Right.
Q. But if I asked you to tell me how much time I waited for a plane last weekend you would have no idea. That would be a guess or speculation. So what we say as far as what we do, that based upon your own perception you could make an estimate; that is, something that you saw, heard, felt, in some other way you could make an estimate. But if it's not something that you observed or heard or have some other basis for having some knowledge then you can't speculate as to what that would be.
Same as you could estimate the size of this table. You may be terrible at feet and inches or at meters or whatever form of reference that you use. But if I asked you to say how big the dining room table is in my house you would be guessing.
A. Right.
Q. Okay.
A. Thank you very much for that explanation because with that explanation I would tell you then I don't recall.
Q. That's fine and I rather have you --
A. Thank you.
0073
Q. -- just say you don't recall as opposed to just throwing something out there --
A. Okay.
Q. -- and I say 10 to 20 hours and you say sure.
A. Okay.
Q. We are not looking for that.
A. Okay. Thank you.
Q. I'm not trying to pin you down like that but I would like to ask you some other further

questions.

A. Sure.

Q. Was there any written agreement in connection with your services on Aero-Axial?

A. I would think there was. Well, for warrants you have to have some kind of written agreement even if it's the warrants.

Q. Right.

A. So I would have to say I would think so.

Q. Do you recall if you had any agreement in connection with your consulting services that set forth a description of what services would be provided?

A. I don't recall.

Q. Have you ever had any sort of agreement

0074

that you provided in connection with consulting services for public companies that were doing a reverse merger?

A. I'm sorry. Could you say that again.

Q. Let me restate it.

Have you ever entered into a written agreement that set forth the terms or the scope of what services you would be providing as a consultant in connection with a reverse merger?

A. No.

Q. Your consulting company now that is referred to as Wallace Black LLC, do you provide any consulting services in connection with reverse mergers?

A. At times, yes.

Q. Do you have written agreements that you enter into with the parties that you are providing consulting services for?

A. If I had one I could think of I would say we would have a contract. I just can't think of any right now in a reverse merger.

Q. Okay. Do you normally have written agreements in connection with the individuals or entities that you provide consulting services for?

A. Yes, most of the time but not all the time.

0075

Q. And what is the scope of the consulting services that you provide to your clients at Wallace Black?

A. They usually hire me and choose to bring me in for three months at a time. I don't like to do longer than six months so my contracts are usually based between three months and six months. I basically come in, take a look at the company, I write a report, tell them what I've observed, what I think they should do and then they hand it to the board of directors and the board of directors decides what they want to do.

Q. Have you ever written a report in the scope of your, the course of your consulting services regarding a reverse merger?

A. No.

Q. Have you now told me about every company in which you've been involved in a reverse merger? And when I say involved I'm trying to use that in the broadest possible way imaginable.

A. To the best of my recollection.

Q. Okay. I'd like to mark for purposes of identification as Exhibit No. 2 -- and the reason I'm starting with two is I did identify an Exhibit 1 in Kyleen Cane's deposition.

0076

MS. AMBROSIO: Oh, okay.
MR. GUTMAN: This is a five-page -- six-page document. Bears the Bates Nos. K --
THE WITNESS: Uh-huh.
MR. GUTMAN: -- /M 75 through 80.
(Deposition Exhibit 2 was marked for identification by the court reporter.)
BY MR. GUTMAN:
Q. Ms. Wallace, the first page title appears to be "STOCK PURCHASE AND NOTE ASSIGNMENT AGREEMENT BETWEEN MS. JAN WALLACE/MS. GRACE SIM AND MW MEDICAL, INC. AND PARRISH MEDLEY OR HIS DESIGNATES." Further down on the first page says March 15, 2004.
Just with respect to this first page and if I show you the first page have you seen this document before?
A. I've seen a document like this before.
Q. Okay. That's fine.
Turn to the last page of Exhibit No. 2. It's Bates numbered -- and when I say the name Bates it's referring to the number in the lower right-hand corner.
A. Yes.
Q. Bates No. 80, do you recognize your signature on this page?

0077

A. Yes, I do.
Q. Does that appear to be your signature?
A. Yes.
Q. Do you have any reason to believe that you did not sign this document?
A. Not this one. The original.
Q. The original.
Let me put it to you another way: Do you have any reason to believe that this is not a true and accurate photocopy of a document that you signed?
A. I believe that to be my signature on a representative copy of this that you presented to me.
Q. Thank you.
Were you present when anybody else signed this document? And we are looking at page six of the document Bates No. K/M 80.
A. Say the question again.
Q. Were you present when this document which we've marked as Exhibit No. 2 was signed by anybody other than yourself?
A. I would not absolutely recall but I would think so.
Q. All right. But you don't have a specific

0078

recollection of being present when it was signed by any of the other two parties that are identified on the last page of Exhibit 2; correct?
A. Not specifically.
Q. Thank you.
You see the name directly beneath yours on

the last page of Exhibit 2, Grace Sim, S-i-m?
A. Yes.
Q. Do you recognize that name?
A. Yes.
Q. Who is Ms. Sim in connection with this company that we are talking about, MW Medical, Inc.?
A. Grace Sim was the CFO.
Q. CFO of MW Medical, Inc.?
A. Yes.
Q. When is the last time you spoke to Grace Sim?
A. Yesterday.
Q. Where does she reside?
A. In Arizona.
Q. Did you talk to her about this case?
A. No.
Q. Have you ever spoken to Ms. Sim about this case?
A. I don't recall.
0079
Q. Prior to yesterday when was the last time you spoke to Ms. Sim?
A. Two days before that.
Q. And prior to that when was the last time that you spoke to Ms. Sim?
A. Maybe last Monday.
Q. And what was the purpose of your conversations with Ms. Sim over the course of the last week and a half or so?
A. Multiple things.
Q. Are you involved in any business transactions with Ms. Sim at the current time?
A. Yes.
Q. How so?
A. She is the controller of Secured Lending a subsidiary of Secured Diversified Investments.
Q. For how long has Ms. Sim been the controller of Secured Lending?
A. Three months. Maybe four months.
Q. How many employees does Secured Lending have?
A. Two.
Q. Does secured lending have offices?
A. Yes.
Q. Where are those offices?
0080
A. 12202 North Scottsdale Road, Phoenix, Arizona 85254.
Q. That address sounds vaguely familiar. Is that the same address for SDI?
A. Yes.
Q. Are the number of employees at Secured Lending the same two employees that are also working for SDI?
A. No.
Q. So there is two separate employees at Secured Lending distinct from the number of employees at SDI?
A. Yes.
Q. So how many employees work at the office that is located at 12202 North Scottsdale Road that work for either SDI or any subsidiary of SDI?
A. Three.

Q. Who are those three employees?
A. Jan Wallace, Grace Sim, Jeannie Denoia.
Q. Jeannie the last name?
A. Denoia.
Q. You better spell that for us.
A. Okay. I believe it's capital D-e-n-o-i-a, I believe.
Q. What does Ms. Denoia do?
0081
A. She is an underwriter.
Q. For what?
A. Secured Lending.
Q. And what type of secured lending does the company, the subsidiary Secured Lending do?
A. It's a mortgage company. I'm sorry. I mentioned it right at the beginning.
Q. Please, no need to apologize. It is I who should be apologizing for somewhat less than stellar recall.
A. You are doing great.
Q. Do you know where Grace Sim was working prior to her employment at Secured Lending?
A. She wasn't.
Q. Are both Grace Sim and Jeannie Denoia full-time employees at Secured Lending?
A. I don't think Grace is full time. Jeannie is.
Q. How long has Jeannie been working for Secured Lending?
A. Five months.
Q. Referring again to the last page of Exhibit No. 2 Bates No. 80, were you present when Grace Sim signed this document?
A. Again, specifically I don't recall but I
0082
would think so.
Q. On what basis or what facts lead you to believe that you would think that you weren't present when she signed it?
A. Well, I'm looking at the document and if we sign offline there would be multiple pages where there is a signature on this page and then the next page would be attached and her signature would be on it. That's when you sign off site. If everybody is in the room or in close proximity; for instance, I could run from this place down the street, then we'd all sign it on the same page.
Q. Is that the only basis that leads you to believe that everybody signed it in the presence of one another?
A. I think so.
Q. All right. So it's strictly based upon the fact that all the signatures appear on one page as opposed to having counter signatures or separate signature pages with each individual's signature on them; is that correct?
A. I would say it's reasonable.
Q. Okay. But no other basis for your belief that you were present when Grace Sim signed it?
A. The only other thing is I would believe
0083
looking at the document that this was filed publicly and if it is filed publicly then the protocol is to

have all signatures on the same page; however, they sometimes will FedEx it around so that all the signatures stay on the same page but they may not be in the same room at the same time.
Q. Okay. So you don't have any recollection one way or another how it was done in connection with Exhibit No. 2; is that correct?
A. Correct.
Q. All right. With respect to Grace Sim's signature on this page, it's the last page of Exhibit No. 2, do you recognize her signature?
A. Yes.
Q. Does that appear to be a true signature of Grace Sim?
A. Looks very much like her signature.
Q. Any reason to believe that's not her signature or a photocopy of her signature I should say?
A. Given that lots of people reproduce things I guess the best I could say is I recognize that signature. Looks a lot like Grace's signature.
Q. Fine.
I was notified by the videographer that we are about to run out of tape so maybe this is a convenient time to go offline as you used the expression.

0084

VIDEO OPERATOR: This marks the end of tape No. 1 in the deposition of Jan Wallace. We are going off the record. The time is 12:48.
(At the hour of 12:48 p.m. the luncheon recess was taken, proceedings to resume at 1:50 p.m.)
(At the hour of 2:01 p.m. the following proceedings were had at the same place with the same persons present.)
VIDEO OPERATOR: All right. We are back on the record. The time is 2:01.
MR. GUTMAN: Thank you.
Q. Good afternoon, Ms. Wallace. We are looking at Exhibit No. 2. I'd like to direct your attention to the second page of Exhibit No. 2 which is Bates marked with the number 76.
You have that in front of you?
A. Yes.
Q. All right. The first thing I want to ask you about is on this particular document, stock purchase and note assignment agreement, do you recall who prepared this document?

0085

A. No.
Q. Did you participate in any negotiation of any of the terms in this document?
A. I may have. I don't recall.
Q. Was Kyleen Cane representing you in connection with this transaction?
A. Yes.
Q. Was she representing MW Medical, Inc. in connection with the transaction?
A. I believe so.
Q. Was she representing Ms. Grace Sim in connection with this transaction?
A. Yes.

Q. Has Kyleen Cane represented you in connection with any other transactions?
A. Dynamic Associates.
Q. What specifically did Kyleen Cane do in connection with Dynamic Associates?
A. She was the SEC attorney for the company.
Q. The date of March 15, 2004 appears in the first paragraph on the second page of Exhibit No. 2. Is that the date that you recall that this agreement was signed?
A. That's what it says. I don't recall if that's the date it was when it was signed but that's
0086
what it says.
Q. Do you have any recollection of when it was signed?
A. Probably sometime around then.
Q. When you say sometime around then, do you have some estimate as to how many days, weeks, months that it might --
A. Less than 30 days.
Q. And what is that based on?
A. Recollection.
Q. I asked you earlier if you reviewed any documents in connection with this case in preparation for your deposition. Have you -- my recollection was you answered in the negative.
Do you have a diary, a calendar, some sort of record of your activities during the year 2004?
A. I may have one. Did I have one, I'm not sure. I may have had one. I may have one but I don't have one that I can access.
Q. Access right now you mean?
A. Yeah, or ever. I don't know -- 2004 is a while ago. I don't know if I keep them all.
Q. Okay. If you had -- withdraw that.
What is the form in which your calendar that you had during 2004 took?
0087
A. Handwritten notes.
Q. And where are those handwritten notes stored or maintained?
A. Could be anywhere.
Q. Okay. Were they in the form of a calendar, a booklet form or --
A. Oh, I'm sorry.
Yes, it would be a little Cartier daytimer thing, whatever.
Q. Did you keep track of all the appointments that you had during the year 2004 in that Cartier daytimer?
A. I don't think I could say every one but I relatively kept my appointments.
Q. Did you also keep any sort of computerized calendar that would indicate what type of appointments or other events of some significance that --
A. No.
Q. No?
A. No.
Q. If you were to look for this Cartier daytimer from 2004 where would you look for it?
A. Boxes I would think if I stored it in a

box.
0088
Q. In your home?
A. No, not necessarily.
Q. Where else would you look?
A. Maybe in a storeroom.
Q. Where would the storeroom be located?
A. I think it's on a road called Indian Bend. I think.
Q. And that's in what city?
A. Arizona.
Q. What city?
A. Scottsdale.
Q. This is a storage facility that you rent?
A. Uh-huh.
Q. Is that a "yes"?
A. Yes. I'm sorry. Yes.
Q. That's okay.
And the storage unit or facility that you are renting is that -- what type of -- what company or what's the name of the facility?
A. Storage something. Storage -- it starts with Storage.
Q. Is this the type of a place where you pay a monthly fee to store --
A. Yes.
Q. -- personal things?
0089
A. Yes.
Q. Is that in your name or is it in the name of one of the companies you have been affiliated with?
A. I'm not sure.
Q. How long have you maintained this storage facility?
A. Maybe two years. Maybe two and a half years. Might have been another one too before this one. At one point things moved and I -- I don't handle it.
Q. Who handles it?
A. Anybody I hire.
Q. Well, who have you hired in the last three years to handle storage of documents?
A. I don't recall that. It could be any moving company.
Q. You mean a moving company?
A. Yes.
Q. Is there -- I'm sorry. You finished your answer?
A. I just call people, tell them I need to move something from someplace to another place and they take care of it.
Q. There is not any individual who handles any
0090
of your personal paperwork or things like that?
A. No.
Q. Such as a secretary or personal assistant?
A. No. No.
Q. Other than this Cartier daytimer would you have any other document that might identify certain events or meetings that you had during the calendar year 2004?
A. Every now and then I carry around a little

art book. I'm a frustrated artist so I carry around a little blank art book and I draw in it and sometimes I make notes in it.
Q. If you needed to determine what you were doing on March 15, 2004 what records would you look at in order to determine what you were doing or where you were on that particular date?
A. 2004? Other than the Cartier book I can't think of anything.
Q. Okay. Directing your attention to paragraph A at the top of the second page of Exhibit 2,
"Whereas, Wallace and Sim own approximately" -- and then the number appears to be crossed out and corrected, the correct number being "77,350,000
0091
shares of the Company and hold a combined secured debt obligation of the Company of approximately $856,432."
Do you see that line I just read?
A. Yes.
Q. Did I read it accurately?
A. Yes, if you want to make the 78 that looks to me -- I don't know if that's a correction but --
Q. Is that your initial or initials JW?
A. Yes.
Q. Do you have some understanding of why you initialed on the page directly above the number, the 78,350 -- that's 78,350,000?
A. If there was a correction I'm sure that we would have initialed but some people like to initial certain places on documents, like a corner or if there is a number that's significant to them. So I really couldn't tell you. Maybe it's because of the number change.
Q. Okay. Does there appear to be a number change?
A. There seems to be a scribble here. I don't see the seven. Did you say seven, 77?
Q. To me it looks like the eight was crossed out and there is a seven immediately above the three
0092
but I may be wrong.
A. Doesn't it look like a loop to you? Am I crazy or does it --
Q. Okay.
A. Doesn't that look like a loop?
Q. It doesn't to me but I'm not concerned --
A. Okay.
Q. -- about my testimony here.
A. Okay. I see two initials. I see some scribble. I see 78,350,000.
Q. All right. Other than that though with respect to the number of shares I read that sentence correctly --
A. Yes.
Q. -- would you agree?
I want to ask you what is this combined secured debt obligation of the company of approximately $856,432? What is the source or basis for that number?
A. That number is probably comprised of cash

over a period of time.
     Q.  Are there any documents that evidence how that amount was determined?
     A.  I'm sure there is.
     Q.  What is your understanding as to what
0093
documents would identify that amount?
     A.  Probably loan agreements, promissory notes, UCCs.
     Q.  Where would I locate those documents?
     A.  Public filings.
     Q.  These are all debts that were incurred since the company emerged from bankruptcy; is that correct?
     A.  Prior.  The loans started prior.
     Q.  The amount of $856,432, that's not just from the amounts incurred subsequent to the bankruptcy?
     A.  Those are amounts subsequent and then there are amounts that are not on here that were during and after the bankruptcy because I was debtor in possession.
     Q.  As you sit here today do you have any recollection of how the amount of $856,432 was calculated?
     A.  Um, I am sure that I would have to rely on the CFO and the public accounting done by the auditors of the company that that is what they calculated to be cash loans I made to the company.
     Q.  The CFO was Grace Sim?
     A.  Correct.
0094
     Q.  Did MW Medical, Inc. ever have another CFO other than Grace Sim?
     A.  Yes.
     Q.  Who was that?
     A.  Dean Drummond.
     Q.  D-e-a-n D-r-u-m-m-o-n-d?
     A.  Correct.
     Q.  Do you know where Mr. Drummond resides?
     A.  I believe somewhere on the East Coast.
     Q.  Have you ever worked with Mr. Drummond in connection with any other companies?
     A.  None I can recall.
     Q.  Is Mr. Drummond a CPA?
     A.  I believe he is.
     Q.  When you say East Coast do you know in what state he's currently residing?
     A.  No.
     Q.  Do you know where he was residing at the time that he's CFO of MW Medical, Inc.?
     A.  Arizona.
     Q.  When did Grace Sim become the CFO?
     A.  I think right from the beginning.
     Q.  Maybe I wasn't clear.
         When did Grace Sim become the CFO of MW Medical, Inc.?
0095
     A.  Right from the beginning.
     Q.  Oh.  When was Dean Drummond the CFO then?
     A.  Dean Drummond replaced Grace Sim about a year and a half into the company.
     Q.  Was Grace Sim the CFO as of March 15, 2004?

A. Yes.
Q. What are you referring to when you say at the beginning Grace Sim was the CFO at the beginning?
A. Of MW Medical.
Q. And when was that?
A. Again timelines. MW Medical was formed when we put the two together '97, '98. Someplace around there. I think I mentioned it before.
Q. And at some point did Grace Sim stop being the CFO?
A. Yes.
Q. When was that?
A. Sometime about a year and a half into the company. Maybe a year -- someplace around there. '99 maybe.
Q. Did she come back as a CFO at some point in time?
A. Yes, she did.
Q. I understand.

0096

So how long was Dean Drummond the CFO then?
A. I believe maybe ten months.
Q. And then Grace Sim returned as the CFO?
A. Yes. Dean went to the East Coast.
Q. Did the amount of $856,432 include all the debt that was owed to you by the company?
A. No.
Q. What else was not included?
A. Unpaid salaries. I had a lease right on the equipment. If we leased it out to anybody else the company was to pay me the lease rights on it.
Q. Anything else?
A. Again, any costs that were incurred during the bankruptcy were all mine and those all were added as security debts.
Q. Were those included in the $856,432?
A. I don't believe so.
Q. Are those amounts reflected in any documents?
A. Bankruptcy documents.
Q. Other than in bankruptcy documents are the amounts that were owed to you by the company reflected in any other documents?
A. Promissory notes, loan agreements and UCCs filed in the public records of MW Medical.

0097

Q. What promissory notes are you aware of that were in existence as of March 15, 2004?
A. A lot.
Q. Can you identify any of them?
A. Well, again as the company needed money I would put money in the company and then they would draw the appropriate documents and they would give me the appropriate documents.
So over time there was probably five or six. At one point it got to be so consistent there was a cumulative number.
Q. I'm talking about number over and above or separate and apart from the $856,432.
You understand that?
A. Yes.
Q. So how many notes were there that reflected

amounts that were owed to you by the company other than the $856,432 amount?
A. Back wages. And in the documentation in bankruptcy there was an accounting done by the U.S. tax department that said exactly what I had to pay and that was over and above.
Q. All right. So you believe that there were two separate notes issued by the company?
A. I'm sorry. I don't want to confuse you.
0098
This -- you asked me if 856 as of this date and I'm trying to tell you that that I believe is the cash that was accumulated in multiple promissory notes that were given to me as I put the money into the company. It is not all of the money that I was owed. The money that I was owed that is not representative there are things like back wages, fees I had to pay through bankruptcy as debtor in possession and notes on leases of the equipment that the company had to lease from me because I had its patent rights and those are all public whether in MW Medical or in the bankruptcy documents.
Q. Okay. My question was a little bit different.
I was asking you what promissory notes were in existence as of March 15, 2004 that referred to amounts that were owed by the company to you other than the $856,432 that's reflected in Exhibit 2.
A. And I'm trying to answer. I believe they are all in filings. Do I recall which ones they are and where they would be, everything that I had to do had to go in the public filings. So if you find promissory notes in those public filings that reflect those things or mention those things that's where they are.
0099
Q. Other than -- withdraw that.
How many promissory notes were in existence as of March 15, 2004 that you believed were not included as part of the stock purchase and note assignment agreement that is signed here that we marked as Exhibit No. 2?
A. As Exhibit No. 2, line A, there are promissory notes in existence that would be in the public filings that absolutely state the monies over and above the 856,000.
MR. GUTMAN: Move to strike as nonresponsive.
Q. If you could just follow my question.
A. I'm trying to, truly.
Q. We will start with the number of notes.
How many notes were in existence that you did not believe were included in Exhibit No. 2?
A. I would bet another one, two or three.
Q. Do you know the amounts of any of those notes?
A. As I sit here and try to recall I don't know the individual amounts. Again I am absolutely sure they are in the records though.
Q. When is the last time that you looked at Exhibit No. 2?
0100
A. Oh, God. Years.

Q. Okay. Do you believe -- withdraw that.
How many different notes were issued for your back wages by the company?
A. Either one or two.
Q. How much did you understand you were owed in back wages by the company as of March 15, 2004?
A. I don't recall the exact amount.
Q. You have any approximate amount?
A. Anywhere between three and five.
Q. 300,000 and 500,000?
A. Yes.
Q. And what's that recollection based upon?
A. What I recall.
Q. Do you have some understanding as to how much you were entitled to be compensated for in annual compensation?
A. I can't remember if it was $180,000 or $200,000 but it also would be reflected in the records.
Q. Well, I appreciate you referring me to records but let's just point out that no records have been produced by your attorney in connection with any of these matters that I'm asking you about. So --
0101
A. The public filings. I'm sorry. You mean the public filing?
Q. You are saying they are in public filings.
A. Right.
Q. I don't know whether or not they are indeed and I'm not sure that they actually are.
A. Okay.
Q. But I'm asking for your understanding at this point in time. So reference to public filings is not going to advance our cause in this little --
A. Okay.
Q. -- question and answer.
The issue that I'm concerned about is are you able to determine from Exhibit No. 2 which amounts were not included in this agreement that is clearly titled stock purchase and note assignment agreement, which notes were not included in the assignment pursuant to Exhibit No. 2?
A. I'm sorry. I don't want to be difficult but I think I pointed it out in the first round of questions and I told you it would be back wages, leases that the company owed because I had the ownership rights of the equipment, and any other liabilities I had to incur through the bankruptcy and they are not on here.
0102
Q. Do you know if they are disclosed anywhere in Exhibit No. 2?
A. No.
Q. You don't know or they are not disclosed?
A. They are not disclosed.
Q. Thank you.
Directing your attention to paragraph B at the top of the page of Exhibit 2,
"Whereas, the Purchaser desires to purchase both Wallace and Sim's debt and equity positions in the Company, all according to the terms and conditions of

this Agreement."
What are the debt and equity positions that you and Ms. Sim had in the company?
A. The debt would be mine. The equity would be both mine and Ms. Sim.
Q. And is it your testimony under oath here today that the debt did not include any promissory notes for back wages?
A. Absolutely.
Q. And what is that based upon?
A. I hate to say it but the bankruptcy documents has the total calculation of back wages and all fees and any other funds and it is not
0103
$856,000 which this document references.
Q. Okay. Did you read and review Exhibit No. 2 before you signed it?
A. I'm pretty sure I would have.
Q. Did you have an attorney advise you as to any aspect of this transaction before you signed it?
A. I would believe I would do that.
Q. Do you have any recollection of that?
A. I don't recall but I can't imagine I wouldn't have.
Q. Do you recall who that attorney was who advised you in connection with this transaction?
A. More than likely it would be Kyleen Cane. And I may have called the bankruptcy attorney.
Q. At the time that you signed this agreement, Exhibit No. 2, did you understand that your back wages were not included?
A. Yes.
Q. And that's based on what?
A. Exactly the way the transaction is written and my understanding of how the deal was to happen.
Q. So when you signed the document that stated for example --
A. Yes.
Q. -- the purchaser desires to purchase both
0104
Wallace and Sim's debt and equity positions in the company --
A. Yes.
Q. -- it was your understanding that the company's debts to you for back wages and expenses incurred in the bankruptcy and expenses related to some leases for equipment were not included?
A. Yes.
Q. And that's based solely on what?
A. Solely on me recalling some of the important details of the transaction and the records.
Q. And the records you are referring to?
A. Bankruptcy records and the records of MW Medical.
Q. Are there any documents in connection with this transaction that is documented in Exhibit No. 2, any document whatsoever that states that you are entitled to receive your back wages separate and apart from this stock purchase and note assignment agreement?
A. Yes.
Q. Which?

A. The bankruptcy documents and the public filings of MW Medical. I must disclose everything.

0105

Not a few things, everything. And I hate to sound redundant or I'm not cooperating but I am just telling you that is where everything is.
Q. Okay. But those are the only records that you know about?
A. I'm sure if I had some or it was someplace. That's what I know of today.
Q. When was the bankruptcy completed?
A. November of 2002 I believe. November 2002.
Q. In connection with the sale that's reflected in Exhibit No. 2 were there any documents that were signed by anybody indicating that the back wages would not be included in the sale of MW Medical, Inc.?
A. The question is confusing. Say it again.
Q. Why is it confusing?
A. I'm sorry. Say it again.
Q. Sure.
Are there any documents that were signed in connection with the stock purchase and note assignment agreement that's Exhibit No. 2 that show or state or evidence --
A. Uh-huh.
Q. -- that your back wages were not included in the assignment that's reflected in Exhibit No. 2?

0106

A. Yes.
Q. Which?
A. The public records when I have to sign for the certification and the sign off by the auditors will reflect those exact numbers.
Q. Which exact numbers?
A. The numbers that have my wages and any other lease payments or outstanding debts.
Q. Let me direct your attention to paragraph 1.2 about halfway down the page and in particular subparagraph a) and then bullet, the third bullet point and I'll read that sentence aloud.

"All rights to cash advances, non-employment debt, and payroll debt in the amount of approximately $856,432."

Do you see that?
A. Yes.
Q. What does payroll debt refer to?
A. I don't know.
Q. Did you have some understanding at the time you signed it what payroll debt was referring to?
A. I'm sure at the time I understood it.
Q. Did you raise any questions about what was meant by payroll debt with anyone to your

0107

recollection --
A. No.
Q. -- prior to signing this document?
A. I don't recall. I don't know. I don't. But there would be -- other than the overall substance of the document there isn't much in here that would be a big discussion point.
Q. Isn't it a fact, Ms. Wallace, that the

payroll debt refers to your back wages?
A. No.
Q. Why do you come to that conclusion?
A. Because there is separate documentation that is present that anyone could look up. I think the problem might be is people don't know how to find it but it is in there and you could go to those filings, both the public filings and the bankruptcy filings and it will actually score out the numbers. It's as simple as that. It does not include the debt.
856,000 had a cash transaction of promissory notes. The rest is all stated. It's in black and white. You could look it up on Edgar. And again I'm not trying to be argumentative. I'm trying to answer as best as I can and I keep coming back to the same place.

0108

Q. Okay. What does the payroll debt that is part of the $856,432 refer to?
A. I have no idea.
Q. Okay. The cash advances that are part of the $856,432, what does that refer to?
A. The bulk of that has to be my money. Straight cash.
Q. And those are all reflected in the notes?
A. Absolutely.
Q. The notes --
A. I'm sorry.
Q. The notes that you were issued by the company; correct?
A. Yes.
Q. What does non-employment debt refer to?
A. I don't know.
Q. Have you now told me about all the debt that you believe existed other than that that's reflected in Exhibit No. 2 at the time that this transaction occurred?
A. I'm sorry. Again a little confusing. Are you asking --
Q. Let me restate it.
Have you now identified all the debt that existed other than that debt that is identified in

0109

Exhibit No. 2? And I believe just so we are clear you were talking about back wages, leases and any liabilities that were incurred through the bankruptcy.
A. Correct.
Q. So there are no other debts that you are aware of other than those items?
A. I don't think so. I'm not sure. I don't recall.
Q. Okay. Under paragraph 1.2 subparagraph b) talks about the total compensation or I should say consideration paid in connection with the stock purchase and note assignment.
Do you see that?
A. Yes.
Q. If you add up those amounts it talks about $250,000.
Do you see that?
A. Yes.

Q. Would you agree that that's the amount that is stated in paragraph b)?
A. Yes.
Q. I should say 1.2, paragraph b).
Did you or did you or Ms. Sim receive the $250,000 provided for under this agreement?
0110
A. Yes.
Q. I want to direct your attention to the fourth page. It's got the Bates No. 78 at the bottom.
A. Yes.
Q. Paragraph 2.1.5 entitled "Full Disclosure" and I'll read it into the record.
"None of the representations and warranties made by Wallace and Sim herein will contain any untrue statement of material fact, or omits any material fact, the omission of which would be misleading."
Do you see that?
A. Yes.
Q. Did I read it correctly?
A. Absolutely.
Q. Do you believe that this is a true statement?
A. Yes, I do.
Q. So it's your understanding that this particular document, Exhibit No. 2, does not omit any material fact that should have been disclosed in connection with this agreement?
A. Yes.
0111
Q. Okay. Now I'll mark for purposes of identification as Exhibit No. 3 a one-page document with the Bates No. K/M 51. Hand a copy to your counsel and place that in front of you, Ms. Wallace.
(Deposition Exhibit 3 was marked for identification by the court reporter.)
THE WITNESS: Thank you. Yes.
BY MR. GUTMAN:
Q. The document is entitled "PROMISSORY NOTE" and in the upper left-hand corner it says "Principal Amount $248,325.00."
Do you see it?
A. Yes.
Q. Do you recognize this document?
A. Yes.
Q. When is the last time you saw a copy of this promissory note?
A. I believe it's in Mr. Kagel's complaint or what do you call it, complaint.
Q. Okay. So sometime after this litigation started?
A. Yes.
Q. Any time since then?
A. No, I don't think so.
Q. At any time since this litigation was
0112
commenced did you review any documents that you have in your possession to determine whether or not you had any additional documents that were responsive to any requests made for documents?

A. Sure. I would -- if there was a request for documents, my attorney asked me to produce what I have, I would go hunting and whatever I found I would give to her.
Q. Did you find any additional promissory notes other than the one that we are looking at?
A. Um, not right now but I am still on the hunt.
Q. Where do you intend to look?
A. Everywhere I can.
Q. Where have you looked so far?
A. All through my house. It's a big house. And in between everything else I do with my children every now and then I take a few hours and maybe think I'll find something.
Q. Where is this house located?
A. In Arizona.
Q. Whereabouts?
A. On Cheney Drive.
Q. What city?
A. Paradise Valley.
0113
Q. Other than the home on Cheney Drive in Paradise City --
A. Paradise Valley.
Q. -- Paradise Valley have you looked in any other places to see if you could find any other documents that are related to the transaction or the issues in this lawsuit?
A. Not right now, no.
Q. Do you intend to look in any other locations other than in your house?
A. I will always intend to look for things as best as I can whenever there is a problem. So, yes, I will keep looking if I think I can think of another place or something.
Q. Did you look in your storage facility?
A. No. Unfortunately, no.
Q. Is there some reason that you did not look in there?
A. Yes.
Q. Why?
A. It's jammed packed and I don't want to. Not right now. I'm busy with the holidays. I'm busy with SDI. Whenever I get a chance to get to it I'm sure I'll look.
Q. Have you asked anybody else to look for any
0114
documents either in your house and any office that you've ever occupied or in any storage facility in which you've had documents stored? And when I say have you asked them to look for any documents, in connection with this lawsuit.
A. I think I asked my children to pull some boxes out of the garage and I think I asked my sister to look through a couple boxes but that's about it.
Q. Okay. Directing your attention to Exhibit No. 3, do you know who prepared this promissory note?
A. No.
Q. Is that Grace Sim's signature to the best of your knowledge?

A. Yes.
Q. Do you know when this note was prepared?
A. No, but it has a date on it.
Q. Do you have any reason to believe that that's not an accurate date?
A. I don't know. Do I have any reason? I see what it says. It's quite possible. Do I recall exactly, no, I don't but it has this date on it and maybe that's the date.
Q. And the date we are referring to is the
0115
15th day of March 2003; correct?
A. Well, there is another date.
Q. What's the date you are referring to?
A. The one up above in the first paragraph, due and payable on June 15th of '03.
Q. Okay. I'm talking about the date --
A. Oh, okay.
Q. -- signed this 15th day of March, 2003.
You see that?
A. Yes.
Q. Do you have any reason to believe that this promissory note that we marked as Exhibit No. 3 was not signed on the 15th day of March 2003?
A. I hate those kind of questions because it's so -- I don't absolutely know that that's the date it was signed. I'm looking at it and it says the 15th of March. It more than likely could be the 15th of March or some area around that time. I know some kind of document was done like this but you are asking me absolute. I don't have an absolute.
Q. Well, for example, do you have any reason to believe that this document was prepared sometime in 2004?
A. No, I don't have any reason to think that.
Q. So are you certain that it was prepared in
0116
2003?
A. Probably sometime in 2003.
Q. And what leads you to that conclusion?
A. The amount is a little off from later so --
Q. What is that based on?
A. Well, the 248,000 like I explained before, there was a cumulative effect and in March 2003 at that point which I've also explained before to this day I still get documents from the U.S. tax department for me to pay taxes, back taxes on the two companies MMC and MW Medical.
So this date, this number would probably be sometime around 2003, in that moment of time might be that number.
MS. AMBROSIO: Can we put the heat on in this room?
THE WITNESS: It's a little cold.
MS. AMBROSIO: Because it's freezing in here.
THE WITNESS: You keep the butter in here?
MR. GUTMAN: Why don't we go off the record for a minute.
VIDEO OPERATOR: Going off the record. The time is 2:41.
(Recess.)
0117

VIDEO OPERATOR: Back on the record. The time is 2:41.
BY MR. GUTMAN:
Q. Do you know whether or not the promissory note that we are looking at that's been marked as Exhibit 3 was prepared in 2004 so that it would complete the set of documents to be used in connection with the transaction of the stock purchase and note assignment agreement that we looked at in Exhibit No. 2?
A. No.
Q. It was not or you don't know?
A. Again, in 2004, if you are asking about 2004 at the time of the stock purchase agreement, I'm looking at the amount of money and the best of my recollection like I stated before the number seems to trigger sometime around '03.
Q. Well, I'm not stating that the number may be wrong. What I'm suggesting possibly is whether or not this note, Exhibit 3, was prepared in 2004 but the number was inserted to make it look like --
A. No.
Q. -- it was prepared in 2003.
A. No.
Q. What leads you to that conclusion?
0118
A. I would not -- I would not have documents prepared or things signed, neither will Ms. Sim knowing our history and then fill numbers in later. It just -- that's what would lead me to believe that you don't insert something and then put a number. No. No.
Q. So then every document that you or Ms. Sim signed would have the date that the document was actually signed on it; is that what you are saying?
A. Relatively in a relative time period. Anything that is, you know, within a certain -- listen, something could happen three days down the road or a week or something only because. But it would not be a year. It just would not.
Q. So what do you consider a relative time period when you are referring to the time period in which it's acceptable to sign something that's not on the exact date that's stated?
A. The day after, two days at the most. If somebody is sick we might review it again. Something like that. And if it's important and it's in a filing we would actually change the date.
Q. Okay. So, for example, with Exhibit No. 2 even though it says March 15, 2004 --
A. '03.
0119
Q. I'm referring to Exhibit No. 2 now.
A. Oh, I'm sorry.
Q. The stock purchase and note assignment agreement.
A. Yes.
Q. -- it would be your testimony that that would have been signed within two days of March 15, 2004?
A. Again, I am pretty sure that this is in the public filings and they would insist that the date be the date of the signing.

Q. I'm not asking about public filings or anything like that. I'm asking is it your testimony that you would not have signed that agreement with more than two days deviating from March 15, 2004?
A. That's fair, yes.
Q. Okay. So it's your testimony that the Exhibit 2, the stock purchase and note assignment agreement, that you definitely did not sign that any time after March 17, 2004; is that accurate?
A. Sure, yes.
Q. Thank you.
All right. Going back to Exhibit No. 3, do you know what the purpose of this promissory note being issued was?
0120
A. No, I don't know.
Q. Well, why was the company issuing this promissory note in the amount of $248,325 to you?
A. Again, from time to time for filing, from time to time as requests from auditors there would be an amount of money that has not been reflected in the 856,000 in this number that would keep accumulating. So at this date and at this time that amount of money probably reflects that.
Q. All right. Directing your attention to the third paragraph of Exhibit No. 3.
A. Yes.
Q. I'll read it.
"This Promissory Note is made in settlement of all wages and employment fees owed to payee to date."
Do you see that?
A. Yes.
Q. Did I read it accurately?
A. Yes.
Q. Do you now understand that this particular promissory note was for wages and employment fees?
A. As of this time, yes.
Q. That would be as of March 15, 2003; correct?
0121
A. Right.
Q. Now I'll direct your attention back up to the first full paragraph. At the very end you noted that there was another date other than March 15, 2003. It talks about June 15, 2003.
You see that?
A. Yes.
Q. That's the date that this note, Exhibit No. 3, is due and payable.
You agree with that?
A. Yes.
Q. Why was the date of June 15, 2003 selected on this note as the due date?
A. I have no idea; however, and I will go back again, it was cumulative. If the company or whoever could not pay me that amount of money it kept running and then there would be another note that would have another date that would say it must be paid by this time. It's all my money. I still had control of the company. I just had to keep updating the records as the debt accrued. So that's why you see a date.

MR. GUTMAN: Move to strike everything as nonresponsive after I have no idea.
Q. With respect to any time after June 15,
0122
2003 was there another promissory note issued by the company for wages and employment fees owed to payee to date?
A. I don't know.
Q. Do you recall ever seeing such a note?
A. No, I don't recall.
Q. Did you ever make a demand to the company for payment of the outstanding amounts owed for wages and employment fees?
A. No.
Q. Did you ever declare the company in default for failure to pay any wages or employment fees?
A. I believe it's in the public filings.
Q. All right. My question was not what you believe in public filings. My question was did you make a demand to the company for --
A. No.
Q. -- payment?
Thank you.
I'll mark for purposes of identification as Exhibit No. 4 a one-page document with a Bates No. 52. It's entitled "NOTICE OF PARTIAL CANCELLATION OF PROMISSORY NOTE".
(Deposition Exhibit 4 was marked for identification by the court reporter.)
0123
BY MR. GUTMAN:
Q. Have you ever seen this document before?
A. Yes.
Q. Is this your signature on there?
A. Yes.
Q. Do you know when you signed this particular document?
A. There is a date on there that says June of 2004. Maybe it's around then. But I don't recall exactly.
Q. Well, you said earlier that you wouldn't sign documents that were more than a couple of days off from the stated date.
A. Uh-huh.
Q. You still agree with that?
A. Uh-huh.
Q. Is that a "yes"?
A. Yes.
Q. So do you have any reason to believe that you did not sign this document that we marked as Exhibit No. 4 sometime in June of 2004?
A. This document says June 2004 with no date filled in. If my two-day rule applied that means I have a span of another 28 days. So how can I answer that question?
0124
Q. Where you get 28 days? I thought you would get four days.
A. No, I'm sorry. June with no specific date. If I accept June to have 30 days and I told you maybe in around a two-day time period this doesn't apply at all and you preferenced the question with it because June has 30 days. I signed this document

in blank.

Q. Is that a practice of yours, to sign documents with no dates?

A. If the person who presented to me or the situation presented to me made some sort of sense, yes, I may choose to do that.

Q. What are those situations that would make sense to you where you sign documents without a date on them?

A. Without recalling all of them I certainly recall this one.

Q. What was the situation that led you to sign this document, Exhibit No. 4, without the date filled in?

A. Mr. Medley, representative of Davi Skin in the reverse merger, for a short period of time in the reverse merger I was the president of Davi Skin or Davi or whatever the name was and when I switched

0125

off and Parrish became the officer for the company this document was created so that Parrish Medley can have the rights to use my note to convert it if he so wished to give it to investors so that they would have the right to a tacking period to either gain free trading shares which could be converted to cash or cash. That's exactly what I was told.

Q. Okay. Let's take a look at this note -- at this document. It says,

"NOTICE OF PARTIAL CANCELLATION OF PROMISSORY NOTE."

You agree with that, that's the title?

A. Yes.

Q. It says,

"To: Davi Skin, Inc., f.k.a." I presume that means formally known as "MW Medical, Inc.;" correct?

A. Yes.

Q. Pursuant -- and I'll just read it. It's short. It's one sentence.

"Pursuant to that certain agreement for the sale of stock, the undersigned hereby elects to cancel a portion of the attached Promissory Note dated March 15, 2003 in the amount of $301,719.90, and

0126

agrees to reduce the amount of principal owing on the Note by that amount, leaving a balance owing of $200,000 plus any accrued interest from the date of issuance."

Did I read it correctly?

A. Yes.

Q. Do you know who prepared this particular document, Exhibit No. 4?

A. No.

Q. Do you know when it was prepared?

A. No.

Q. And as we already discussed you are not sure when it was signed; correct?

A. As I sit here today, no, I'm not sure exactly when it was signed.

Q. Do you know if this was signed before or after Exhibit No. 2, the stock purchase and note

assignment agreement?
A. It would be after.
Q. You agree that the first paragraph, the certain -- where it says -- I should say the first line, certain agreement for the sale of stock, that's referring to Exhibit No. 2, is it not, the stock purchase and note assignment agreement dated
0127
March 15, 2004; is that correct?
A. I don't know if that's correct.
Q. Well, do you know of any other agreement for the sale of stock?
A. Not that I could think of right now.
Q. Have you ever seen any other agreement for the sale of stock?
A. Not that I can recall.
Q. Do you have any reason to believe when it's referred to in the first line of Exhibit 4, this notice of partial cancellation of promissory note, where it says pursuant to that certain agreement for the sale of stock that it's not referring to Exhibit No. 2, the stock purchase and note assignment agreement dated March 15, 2004?
A. I don't know. I really -- it could be but I really -- you want absolute answers from me and I really don't know.
Q. Is there some reason that you don't know?
A. Only because it's over two years ago and there is lots of transactional documents that take place when you are doing this. And the attorneys set it all up. So am I absolutely sure there weren't other ones, no, I can't say I don't, whatever.
0128
Q. When you say the attorney set it all up what attorney or attorneys set it all up?
A. I'm sorry. Draft documents. They help in the draft of these documents. So there is lots of documents that you see and you read and it's over two years ago. If I don't recall or know exactly if this pursuant to that certain agreement for the sale of stock refers to your Exhibit No. 2 I can only tell you I don't absolutely recall.
Q. Okay. As you sit here today do you recall ever seeing any other agreement for the sale of stock from MW Medical to Davi Skin, Inc.?
A. You know, I got to say I'm not sure. I don't know.
Q. All right. Let's continue with -- Exhibit 4 we are looking at. That's still on that first line, the undersigned hereby elects to cancel a portion of the attached Promissory Note dated March 15, 2003. And then it says in the amount of $301,719.90.
A. Yes.
Q. Can you take a look back for a moment at Exhibit No. 3. It should be right underneath four in front of you.
A. Sure.
0129
Q. And you see this is a promissory note, Exhibit No. 3, signed this 15th day of March 2003.
Do you see that?

A. Yes. I'm sorry. My neck is stiff. Yes.
Q. In Exhibit No. 4 where it refers to the attached promissory note dated March 15, 2003 in the amount of $301,719.90, is that referring to Exhibit No. 3 or some other note?
A. Again, as I kept putting money in I would have accruals done and when you asked me could there be other promissory notes I said to you there could be. At some point between 2003 and 2004 that number went up whether it be bearing interest or more money that I had put in.
So at this point it could very well be that it's reference from this start point and now it's this amount but I don't know absolutely that I am sure because there were several notes.
MR. GUTMAN: Move to strike as nonresponsive.
Q. I'll make it very simple. You can answer "yes" or "no" or "I can't answer it."
A. Okay.
Q. The reference in Exhibit No. 4 where it says the attached promissory -- the attached
0130
promissory note dated March 15, 2003, is that referring to Exhibit No. 3 or not? "Yes," "no" or "I don't know"?
A. I don't know.
Q. Okay. Do you know of any other promissory notes that were issued by the company to you dated March 15, 2003?
A. I don't know.
Q. Fine.
Do you know the reason why Exhibit No. 4 was created?
A. I'm sure it had something to do with the transaction, the reverse merger.
Q. Do you know why the Exhibit No. 4 was created to address the reduction of the principal amount owing on the promissory note dated March 15, 2003?
A. I would only state that it might be if I read this that in the negotiation they didn't want to pay 301,000 and they wanted me to forgive an amount down to $200,000.
Q. Are you speculating or do you have a specific recollection of that?
A. I am absolutely speculating.
Q. All right. Do you have any recollection
0131
whatsoever as to the reason why you are reducing the amount of a promissory note dated March 15, 2003?
A. Other than somebody might have asked me, no.
Q. I'll mark for purposes of identification as Exhibit No. 5 another promissory note with the Bates No. -- you can keep all those out because we are going to be referring back to each of them from time to time.
(Deposition Exhibit 5 was marked for identification by the court reporter.)
THE WITNESS: Oh, okay.
BY MR. GUTMAN:
Q. As I indicated Bates No. 43 --

You have that?
THE REPORTER: Yes.
MR. GUTMAN: Thank you.
BY MR. GUTMAN:
Q. -- appears to be a promissory note.
Have you ever seen this note before?
A. Yes. Again I think it's attached to something.
Q. The date as printed on here signed this blank day of June 2003, do you see that?
A. Yes.

0132

Q. And then you see where it says Davi Skin, Inc.?
A. Yes.
Q. Do you recognize the signature on this promissory note?
A. Yes.
Q. Whose signature is that?
A. Parrish Medley.
Q. Was Parrish Medley the president of Davi Skin, Inc. as of June of 2003?
A. Impossible.
Q. And why is that?
A. It never existed in 2003.
Q. When did it begin to exist?
A. Davi Skin?
Q. Right.
A. As far as I know 2004.
Q. When in 2004?
A. I'm not sure.
Q. When is the earliest in 2004 that it could have existed?
A. Sometime just prior to March I would think.
Q. Why prior to March?
A. Because if I take a look at this transaction, the sale of the stock, I believe it was

0133

around that time that Davi Skin started to exist because if this is a stock purchase agreement, the stock purchase agreement for the transfer of those shares, this company would have just been existing. Again, it's in the records.
Q. Okay. So do you have some understanding as to why this particular promissory note has a date of June of 2003?
A. The only thing I could think of is a typo.
Q. Okay. Now let's look at the first paragraph of this promissory note.

> "FOR VALUE RECEIVED, the undersigned, DAVI SKIN, Inc., a Nevada corporation (or its successor or assigns) promises to pay to the order of Jan Wallace, an individual," and then it goes on to say "TWO HUNDRED THOUSAND and NO CENTS ($200,000.00) in U.S. currency. The entire amount of principal with 10 percent (10%) per anum shall become due and payable on December 31, 2004."

Are you following with me?
A. Yes.
Q. What was your understanding of the basis for this note being issued?

0134

A. That that was the last remaining amount of monies that the company would owe me and was transferred over when Davi Skin was formed.
Q. Why did the company owe you any money as of the time that this promissory note, Exhibit No. 5, was created?
A. Because I put a lot of money into MW Medical and when the reverse merger was done in the transaction I transferred certain assets and certain things, debt was still owed to me and that was transferred.
Q. What did this $200,000 represent?
A. Again, everything that was not in this, back wages, any other costs, these payments that were done on the equipment. Anything at all that did not reflect in the stock purchase agreement was the amount of money left over as a debt burden to the new entity.
Q. Why wasn't that included in the stock purchase and note assignment agreement?
A. Just the way it was negotiated.
Q. Do you have a recollection of participating in that negotiation?
A. I believe somebody said what do you want. I believe I said this is what I want to do this and

0135

then a portion of it was transferred over as debt.
Q. When did you have this conversation with somebody?
A. Oh, gosh. It went back and forth. Mr. Medley was on the telephone sometimes. Sometimes he had other people on the phone. Kyleen could be on the phone. They're just in the negotiations of the reverse.
Q. Do you have any notes or documents that reflect any of the negotiations --
A. No.
Q. -- of the reverse as you describe it?
A. No.
Q. Do you have any documents that reflect that that's the purpose of this $200,000 note, Exhibit No. 5?
A. Only all those that are outlined in all the promissory notes and all the money tracks in the auditor's filings. That is my money. It was a debt left. It was transferred as a debt to Davi outside of the stock purchase agreement.
MR. GUTMAN: Can you read back my last question, please.
(The following record was read:
Do you have any documents that

0136

reflect that that's the purpose of this $200,000 note, Exhibit No. 5?)
BY MR. GUTMAN:
Q. Do you have any documents that reflect the purpose of the $200,000 note was to pay debt that was owed to you by MW Medical, Inc. that was outside the stock purchase and note assignment agreement of Exhibit No. 2, reflected in Exhibit No. 2?
A. Other than promissory notes, documents submitted for the filings and any transactional

documents that were done in the reverse merger which
would also be reflected in the public filings of
Davi Skin I can't imagine there is more than that.
     Q.  Which documents are you referring to when
you say other than the promissory notes?  Which
promissory notes are you referring to?
     A.  If we wanted to accept that this is a typo
for the date this is a promissory note.
     Q.  Okay.
     A.  Okay.
     Q.  So does -- sorry.  Finish your answer.
     A.  The amount of 301, whatever it is, that
number comes because the public auditors tracked all
of the money that was owed to me and recorded it.
     Q.  Have you completed your answer?
0137
     A.  I think as best as I can.
     Q.  Which promissory notes are you claiming
refer to the debt that was owed to you by MW Medical
as of the time that the stock purchase and note
assignment agreement was executed?
     A.  The promissory notes would be all of the
notes that were handed down from MW Medical through
the bankruptcy and filed.
     Q.  Which notes other than Exhibit No. 5?
     A.  I don't know.
     Q.  Are you claiming that you are owed $200,000
by Davi Skin as the result or based upon
Exhibit No. 5?
     A.  Absolutely.
     Q.  Are there any other promissory notes that
you believe evidence a debt that's owed to you by
Davi Skin?
     A.  Except for the public filings and the
auditors, no.
     Q.  Forget about public filings and auditors.
     A.  Right.
     Q.  Listen to my question if you would, please.
     A.  Yes.
     Q.  Are there any other promissory notes that
you are claiming evidence an indebtedness by Davi
0138
Skin to you?
     A.  Any other ones?
     Q.  Other than Exhibit No. 5.
     A.  I don't know.
     Q.  What would you do in order to determine
whether there are other promissory notes that
reflect an obligation by Davi Skin to you other than
Exhibit No. 5?
     A.  Other than look?
     Q.  Well, Ms. Wallace, you brought a
counterclaim in this lawsuit.
     A.  Yes.
     Q.  What I'm trying to understand is
Exhibit No. 5 the note that you are claiming is the
basis for your claim against the company?
     A.  This is one of the documents.
     Q.  Well, is there another promissory note that
you are claiming you are owed money by Davi Skin
pursuant to this claim that you are owed for back
wages and lease rights and other obligations
incurred in connection with MW Medical?  Is there

another promissory note other than Exhibit 5?

A. There is this promissory note and the only other thing that I can tell you as of today that I can rely on is the public filings and the

0139

certification that the note is owed me.

Q. Okay. But my question is this promissory note that we are looking at, Exhibit 5 --

A. Uh-huh.

Q. -- this is the promissory note that is the basis for your claim against Davi Skin, is it not?

A. Yes.

Q. All right. So there is no other promissory note that you are claiming is the note by which Davi Skin owes you money; correct?

A. As I sit here today I can't think of any others or if I have any others.

Q. Thank you.

Let's mark for purposes of identification as Exhibit No. 6 a one-page document with the Bates No. 54.

(Deposition Exhibit 6 was marked for identification by the court reporter.)

BY MR. GUTMAN:

Q. You know what, before we go to that can I go back to Exhibit No. 5 if you don't mind.

A. Sure.

Q. I guess if you don't mine is kind of rhetorical because I'm going to ask you to go back to it anyway.

0140

I want to direct your attention to the third paragraph,

"The holder of this note and beneficiary of the Security Agreement may, at its option, convert all or any portion of the promissory note to equity" . . . and then the sentence goes on.

But what I want to direct your attention to specifically is beneficiary of the security agreement. Do you know what that refers to?

A. Where are we? I'm sorry.

Q. The third full paragraph on Exhibit 5.

A. Note and beneficiary of the security agreement may, yes.

Q. Who is the beneficiary?

A. The only person I could think of is Jan Wallace.

Q. Okay. What's the security agreement?

A. This paragraph is actually gleaned from all of my promissory notes with MW Medical.

Q. Is that right? Why don't we take a look at Exhibit 3 and put it side by side with Exhibit No. 5.

A. Which one is three?

0141

Q. Exhibit 3 is the $248,325 note.

A. Right.

Q. And you got that now side by side with Exhibit No. 5 and we will take a look at that last paragraph and if you look in Exhibit No. 3 you will see clearly that promissory note in the amount of

$248,325 has no mention of beneficiary of the
security agreement.
Do you see that?
A. Are you talking about the same last
paragraph?
Q. I'm talking about the last paragraph of
Exhibit 3 when compared to Exhibit No. 5. In
Exhibit No. 5 it refers to and beneficiary of the
security agreement. We just looked at that --
A. Right.
Q. -- that phrase.
A. Right.
Q. You will see in Exhibit No. 3 there is no
mention of any beneficiary of the security
agreement. That phrase does not appear in that
paragraph.
Do you agree with that?
A. Not in this one, no. I agree with that.
Q. And if you look -- and I can tell you that
0142
I've looked at it but I want you to feel comfortable
with my representation that otherwise that final
paragraph appears to be identical in both Exhibit 3
and Exhibit 5 but for the beneficiary of the
security agreement language.
A. I agree with that.
Q. Okay. Now, is this the standard form that
MW Medical was using in connection with the
promissory notes that it was issuing to you?
A. As I recall today without your inclusion of
beneficiary I would not be able to say absolute. I
don't recall because there was so many notes that
I've told you that paragraph may have appeared in
other notes. So I don't know.
Q. Is Exhibit No. 3 the standard form of
promissory note that MW Medical issued to you in
connection with the debts that were owed to you?
A. Oh, no.
Q. So Exhibit No. 3 is not a standard format
of promissory note that MW Medical issued to you?
A. That's correct.
Q. All right. Do you know who prepared
Exhibit No. 3?
A. Again, I think you asked me and I told you
I didn't know who prepared it.
0143
Q. If in the course of -- withdraw that.
How many different people prepared
promissory notes on behalf of MW Medical?
A. There was Grace Sim at one point. There
was Dean Drummond. Sometimes Dean would ask the
secretary who I think at the time had a name called
Marilyn or Meredith or something. They may draft
it. A few people I suppose. Three. That was
three.
Q. Did they use -- those three people, did
they use different forms each time one of them
prepared a promissory note?
A. I believe if I recall there was three or
four or five of them that were done in one format.
There were odd ones that were done in between. Like
I said, as I kept dumping money they couldn't keep
up with drafting of all the notes, all the UCCs, so

on and so forth. So sometimes it might look a little different but overall the substance was just about the same.
Q. If I recall your earlier testimony there were about six or seven promissory notes that were issued to you by MW Medical from the time of the bankruptcy through the time -- until the time of the sale.
0144
Does that sound accurate?
A. I'm sorry. Say it again. Where did you start?
Q. My impression and I may be wrong. I'm not trying to test you as to what your recollection of the record is. I'm just trying to see if I'm accurate that there are about six or seven promissory notes issued to you by the company from the time of the bankruptcy until the sale in March of 2004; is that correct?
A. No, and I'm going to be helpful.
Q. I hope so.
A. It's not correct because you started in the wrong place. The notes started to exist in MW Medical, went from MW Medical into the bankruptcy court and on to Davi Skin. They started in MW Medical.
Q. Okay. Maybe I'm not clarifying. I just wanted to get a general sense of how many notes had been issued in your favor by either MW Medical or Davi Skin. We are looking at two. We have got Exhibit 3 and Exhibit 5.
A. Right.
Q. How many additional promissory notes were there?
0145
A. There could be six, half a dozen. Probably someplace around six. Five to seven, settle at six. Someplace around there.
Q. And do we have actual copies of those promissory notes somewhere?
A. Again, I did a general kind of look see where I thought something might be, haven't found them, may find them; however, I would be very surprised if they are not listed in the public filings.
Q. I understand. Other than listing in the public filings --
A. Right.
Q. -- I want to see the actual promissory notes.
A. Oh, okay.
Yeah, as I sit here today I don't have them in my possession.
Q. So you have not seen any of them in the last say two years?
A. Yeah. I might have seen them before that but it doesn't jar my memory that I saw them.
Q. Okay. So referring back to Exhibit No. 5 with that language beneficiary of the security agreement --
0146
A. Yes.
Q. -- do you have any idea or understanding as

to what that security agreement is referring to?
     A.  Well, no.  The answer would be no.  Would I
guess?  You don't want to know what I guess.  Okay.
     Q.  Everybody would like to guess.
         All right.  Going back to Exhibit No. 6.
     A.  This one?
     Q.  Loan extension.
     A.  Yes.
     Q.  Entitled -- got Bates No. 54 on it.
     A.  Yes.
     Q.  Do you recognize this document?
     A.  Yes.
     Q.  Is that your signature on this document?
     A.  Yes.
     Q.  Do you know to what loan this particular
document relates or pertains?
     A.  The $200,000 note.
     Q.  So that would be Exhibit No. 5; correct?
     A.  Okay.
     Q.  So in your mind you are absolutely certain
that this extension as reflected in Exhibit No. 6
relates to the $200,000 promissory note that we have
marked as Exhibit No. 5; correct?
0147
     A.  Okay.  Just so I can clarify, given the
fact that we accept that this date is wrong because
otherwise it can't be right, if you say that date is
the right date it can't be the promissory note
because that company didn't exist.
         So given that oddity and given the fact
that I've already stated there might be more notes,
if we'd like we can make this loan extension be the
same as this.
     Q.  We are not negotiating what documents may
or may not exist.  I'm asking you just to identify
this loan extension to the best of your knowledge
does this loan extension document relate to
Exhibit No. 5?
     A.  To the best of --
     Q.  "Yes" or "no"?
     A.  To the best of my knowledge I guess it's
yes.
     Q.  Okay.  Why did you issue this loan
extension?
     A.  Because Mr. Medley asked me to.
     Q.  When?
     A.  Well, if I look at the fax header date
probably around April.
     Q.  April 13, 2004 is the fax legend date that
0148
you are referring to on the top left-hand portion of
Exhibit 6; correct?
     A.  Yes.
     Q.  Why did Mr. Medley ask you to?  Did he
explain why he wanted --
     A.  Yes.
     Q.  -- a loan extension?
     A.  Yes.
     Q.  What is your recollection of the
conversation pertaining to this loan extension
document?
     A.  He told me something about he had
investors, Japanese I think they were, Japanese

investors or something and he was negotiating lots of things and could I do the company a favor and extend the loan until December 31st of 2005.

Q. Did you ask for anything in return?

A. Yes.

Q. What?

A. I asked for 50,000 shares and not from treasury but from Mr. Medley himself.

Q. And did you receive those shares?

A. No, he never gave them to me.

Q. Did he say that he was going to give them to you?

0149

A. Yes. If I recall he actually signed a document saying that.

Q. When is the last time you saw that document?

A. I can't remember the last time. Probably in the same files of all this. But I certainly recall when people make me a promise to pay me something I recall. So I made him sign it.

Q. So you have a signed agreement from Mr. Medley stating that you are going to get 50,000 shares in exchange for signing the loan extension that we marked as Exhibit No. 6 extending the $200,000 loan to December 31, 2005; is that your testimony?

A. My testimony is I remember that Mr. Parrish Medley asked me to extend this note to December 31st of 2005, and as a matter of fact if my memory serves me right I think there is another one with this. In response I said to Mr. Medley after he explained what he wanted to use it for and all the good reasons I said okay. Fine, Parrish, but this ain't free. He said what do you want. I said I want 50,000 shares and I don't want it from treasury and he said he would be not willing to give me 50,000 shares and he negotiated me down to 10,000 shares.

0150

I said fine, Parrish. Send me something in writing and I think he sent me something in writing.

Q. You haven't produced that writing that evidences the agreement to give you 10,000 shares in exchange for this loan extension agreement; is that correct?

A. I haven't produced it. I may find it but you asked me to recall and this triggers my memory.

MR. GUTMAN: Just for the record I'm going to note for the benefit of counsel that if there are going to be subsequent documents produced we are going to come back and examine the witness starting from ground zero because this is absurd that there has been absolutely no effort to uncover and discover all the documents that were required to be produced in response to the requests for production.

MS. AMBROSIO: Counsel, that's not true. She told you she went and -- Counsel, my understanding of what the witness sitting next to me today said is that she looked in the most logical place for these documents.

MR. GUTMAN: I don't think that satisfies the obligation under the federal rules of civil procedure and I think you know that.

Q. All right. Exhibit No. 6, do you know who
0151
prepared it?
A. No.
Q. Do you know when it was prepared?
A. I'm sorry but I don't. Before I think it was probably done around April. Probably around the date.
Q. Fantastic.
All right. I marked for purposes of identification as Exhibit No. 7 and I believe you referred to this a moment ago and it's got the Bates No. 55 on it.
(Deposition Exhibit 7 was marked for identification by the court reporter.)
BY MR. GUTMAN:
Q. Also appears to be entitled "LOAN EXTENSION." This one states,
"I hereby agree to extend the maturity date of a $200,000 loan to September 30, 2006."
Do you see that loan extension?
A. Yes.
Q. No. 7.
A. Yes.
Q. Did you in fact sign this loan extension?
A. Yes. This is the one I think I recall it
0152
was several pieces of paper.
Q. Okay. Does this pertain to the same note that we previously identified as Exhibit No. 5?
A. Yes, I think so.
Q. You see the fax legend date April 13, 2004?
A. Yes.
Q. Did you sign this on or about this stated date of April 13, 2004?
A. Yeah, probably.
Q. So you signed both extensions --
A. Yes.
Q. -- at the same time?
A. Yes.
Q. Why is that?
A. Mr. Medley kept going on and on about how he didn't want to come back and do this again and if he was going to give me those shares from his share lot that he wanted to have a little insurance. So this is what he sent me and I signed it.
Q. So you signed both loan extensions at the same time?
A. I am pretty sure I did.
Q. And you signed them in exchange for what?
A. 10,000 shares that Mr. Medley said that he would take from his pool of stock.
0153
Q. And this is what you refer to -- withdraw that.
And it was your testimony a moment ago that you received some sort of document from Mr. Medley in which he agreed to provide you with those 10,000 shares.
A. I am pretty sure that I would not just take his word for it and I asked for a document. I think he did sign something.

Q. But you haven't produced such a document. That's correct; right?
A. No. What I said is I haven't found it. I recall it.
Q. All right. Let's mark for purposes of identification as Exhibit No. 8 a one-page document with the bates No. 74, "ASSIGNMENT OF PROMISSORY NOTE."
(Deposition Exhibit 8 was marked for identification by the court reporter.)
BY MR. GUTMAN:
Q. You recognize this document?
A. Yes.
Q. Whose signature is that on this document, Exhibit No. 8?
A. Grace Sim.
0154
Q. Do you have some understanding as to why Grace Sim was signing an assignment of a promissory note?
A. No.
Q. Do you know which promissory note that Grace Sim might have had an interest in?
A. I would think this probably went with something to do with her. I don't know what it is.
Q. Do you know whether or not MW Medical had issued any promissory notes payable to Grace Sim?
A. I don't know. Could have been. She also was owed back wages.
Q. It also states that along with any other rights she may have as a creditor of said corporation in that first sentence on this assignment Exhibit No. 8.
Do you see that?
A. Yes.
Q. Do you know what any other rights that Grace Sim might have had as a creditor of the corporation of MW Medical, Inc.?
A. No, I don't recall.
Q. Do you have some understanding as to why Grace Sim issued such an assignment?
A. I'm sure again it was something that had to
0155
do with the reverse merger. That's Grace Sim. I really shouldn't be even trying to guess at what and why she did it. I just -- I really don't know.
Q. Well, you were the CEO of MW Medical, were you not?
A. Yes.
Q. And its president; correct?
A. Yes.
Q. And also the principal shareholder; correct?
A. Yes.
Q. Did you have some understanding as to what documents were being signed in connection with the reverse merger?
A. As I stated just before, I said I know that Grace was owed some back salaries also. So it may have had something to do with that. This is really over two years ago.
Q. All right. Do you understand now that based upon this assignment of promissory note that

Grace Sim was waiving all claims that she had for back wages?
A. That's what it says.
Q. Okay. Thank you.
A. Okay.
0156
MR. GUTMAN: Can we take a five-minute break?
VIDEO OPERATOR: Going off the record. The time is 3:28.
(Recess.)
VIDEO OPERATOR: Okay. We are back on the record. The time is 3:39.
MR. GUTMAN: All right. Ms. Wallace, I'm going to mark for purposes of identification as Exhibit No. 9. It's a one-page document with the Bates No. 56 entitled "ASSIGNMENT OF PROMISSORY NOTES" dated March, no date filled in, 2004.
(Deposition Exhibit 9 was marked for identification by the court reporter.)
BY MR. GUTMAN:
Q. Does that appear to be your signature?
A. Yes.
Q. Is that your address on Cheney Road?
A. Cheney Drive, yes.
Q. It's actually known as Cheney Drive; is that what you are saying?
A. That's what I know it as.
Q. All right. Let's read this assignment of promissory notes.
"For Value Received, the undersigned
0157
note holder, hereby assigns, conveys and transfers all of her right, title and interest in the attached Promissory Notes issued by MW Medical, Inc. along with any other rights she may have as a creditor of said Corporation, to Parrish Medley or his designates."
Do you see that?
A. Yes.
Q. Did you sign it at -- withdraw that.
Did you read this prior to signing it?
A. Yes.
Q. Where it refers to attached promissory notes do you know what notes are being referred to?
A. No.
Q. Do you have some version of this document that has notes, promissory notes attached to it?
A. Me, no.
Q. All right. And it says notes issued by MW Medical, Inc. That's the name of the entity that you were the CEO of; correct?
A. Yes.
Q. And that's the entity that issued promissory notes to you before the back wages, lease rights and any other cash advances that you made;
0158
right?
A. Yes.
Q. Now, you see where it says along with any other rights she may have as a creditor of said corporation?

A. Yes.
Q. And you understood what that meant at the time you signed it, did you not?
A. Yes.
Q. And you understood that it meant that you were waiving all claims to have any monies, to collect any monies against the corporation; didn't you understand that?
A. That's what this says.
Q. Well, did you not intend for this to be valid at the time that you signed it?
A. Yes.
Q. Let me restate that question. A little bit inartful.
At the time that you signed this assignment of promissory note that we marked as Exhibit No. 9 and intended for this to be a correct -- withdraw that.
At the time that you signed Exhibit No. 9 --



A. Yes.
Q. -- you understood that you were waiving all claims to receive any monies from the company either MW Medical, Inc. or Davi Skin; correct?
A. When I signed this blank assignment and I read it I absolutely knew that I was signing a blank assignment. Did not waive my rights for forever.
Q. All right. When you say blank assignment what are you referring to as blank?
A. Well, to me unless you put a date in there it's got no time period to it and it was always my understanding that there was a time period for this assignment.
Q. Where does it say anywhere on this document that there is a time period with this assignment?
A. It doesn't.
Q. So how did you come to the conclusion that there had to be a date on there in order for there to be a time period with this assignment?
A. Mr. Medley.
Q. So what you are saying is that we shouldn't refer just to the assignment itself to determine what this assignment says?
A. Correct.
Q. So we need to refer to a statement you are



attributing to Mr. Medley in order to interpret what the assignment of promissory notes Exhibit No. 9 means; right?
A. Yes.
Q. So what you are saying is Exhibit No. 9 entitled Assignment of Promissory Notes does not mean what it says; is that what you are saying?
A. I guess that's fair.
Q. So what you are saying is that if anybody who looked at this document, Exhibit No. 9, they should know that you did not intend for this assignment to be valid; is that what you are saying?
A. Anyone other than Mr. Medley and myself I would agree with that statement.
Q. So is there a single piece of paper in the world that you've ever seen that states that this

assignment of promissory notes is not valid?
     A.  If we are discussing the promissory note that is the note of $200,000, if the promissory, if this assignment was not for a moment in time there would be no need to get a loan extension.
          MR. GUTMAN:  Could I have my question back again.
          (The following record was read:
               So is there a single piece of paper
0161
               in the world that you've ever seen that states that this assignment of promissory notes is not valid?)
BY MR. GUTMAN:
     Q.  Can you answer that question?
     A.  I'm sorry.  Say it again.
     Q.  I'll repeat it.
     A.  Okay.
     Q.  Is there a single document anywhere that you've ever seen that says the assignment of promissory notes that we've marked as Exhibit No. 9 is not valid?
     A.  And my answer was if the $200,000 that you are referencing is the promissory note --
     Q.  Excuse me.  Let me interrupt you and move to strike as nonresponsive.
          Can you just respond to my question.  We'll get done a lot quicker.
     A.  Mr. Gutman, I really am truly trying to do that.
     Q.  I appreciate your effort but perhaps we can just focus on this question --
     A.  Okay.
     Q.  -- and move along.
     A.  Maybe if you rephrase it.
0162
     Q.  Sure.
     A.  Is there a way you could rephrase it?
     Q.  Have you seen a document that states that Exhibit No. 9 is not valid?
     A.  I -- is it possible I could explain why I'm having a problem?
     Q.  No, it's not.  You are going to answer this question, please, so we can move along.
          Have you seen a document that says that Exhibit No. 9 is not valid?  "Yes" or "no"?
     A.  If that's the way you are going to put it to me I'm going to have to say yes.
     Q.  Okay.  What is the document that you've seen that states that Exhibit No. 9 is valid?  And I don't want an explanation about the extension.  I want to see a document that says Exhibit No. 9 assignment of promissory notes is not valid.
     A.  If you don't want to see the loan extension or you don't want me to explain it then my answer would have to be no, I don't know where the document is because I would have to refer to these documents.
     Q.  You would refer to what, the loan extension?
     A.  Yes.
     Q.  Okay.  So the answer to my question is you
0163
don't know of a single document that says that the

assignment of promissory notes that we have marked
as Exhibit No. 9 is not valid; is that correct?
     A. I don't believe that this document as it is
written and as I signed it as of that date makes
this thing have no date applicable; therefore, in
the way that it is written without a date or without
my understanding of corresponding documents this is
not -- my understanding is that it's just blank.
     Q. When you say just blank you mean it's not
valid?
     A. To me it's not valid.
     Q. Okay. And the reason that you don't
believe it's valid is because it doesn't have a date
on it?
     A. No. Is that it doesn't have a
corresponding time reference of that assignment and
there was distinctly a time reference to this
assignment.
     Q. Are there any witnesses that you can
identify who can confirm what you are telling us,
that the assignment of promissory notes, Exhibit
No. 9 is not valid?
     A. Is Mr. Medley a witness?
     Q. Other than Mr. Medley is there any other
0164
human being past or present, historical or living
who can testify that assignment of promissory notes,
Exhibit No. 9, is not valid?
     A. The only way that I can say that there is
somebody else is you would have to go and find out
why the books of the company done and reported by
the auditors shows that there is a time period on
it.
     Q. Time period on what? On the assignment of
promissory notes?
     A. On the assignment of the promissory notes
and the note itself. They go hand and hand.
     Q. Okay. So in other words as you sit here
right now you cannot identify as a single witness
who can confirm what you are saying, that the
assignment of promissory notes is not valid; is that
correct?
     A. Except for Mr. Medley I guess not.
     Q. All right. And you believe that Mr. Medley
would testify in agreement with you that this
assignment of promissory notes is not valid?
     A. I have no idea what Mr. Medley would say.
     Q. Well, maybe stick around and you will find
out tomorrow.
     A. Okay.
0165
     Q. Isn't it a fact, Ms. Wallace, that you
understood when you signed this assignment of
promissory notes, Exhibit No. 9, that you were
waiving any right to any monies from MW Medical,
Inc. or Davi Skin?
     A. No.
     Q. Okay. So this -- when you signed the
assignment of promissory notes, Exhibit No. 9, it
was not a true statement; is that correct?
     A. It is not a statement just left to this
piece of paper.
     Q. But what you are telling us is you did not

intend what is stated clearly in Exhibit No. 9?
     A. I did not intend that this document did not have a corresponding date.
     Q. Well, when you say a corresponding date is there a place on Exhibit No. 9 for a corresponding date?
     A. Well, there is a date there but it's not filled in.
     Q. Well, it says March of 2004 with a blank line for the day.
     A. Right.
     Q. So are you saying that every time that there is no specific day of the month filled in on a
0166
document that that document is not valid?
     A. No, I am not saying that.
     Q. Are you saying that there has to be a date on the document before that document becomes effective?
     A. With all due respect --
     Q. Can you answer my question, please. I don't want an explanation. You will have an opportunity. When you get up on a witness stand in the courtroom your attorney can ask you questions. I'd like you to answer my questions.
     A. Mr. Gutman, I am a pleasant person and the only thing that I'm trying to tell you is if you keep asking me the questions rapid fire one after the other and I am trying to tell you exactly what took place and I'm not answering the way you want there is not much I can do.
     Q. Ms. Wallace, let me just clarify something.
     A. I'm trying to explain it.
     Q. This is not your opportunity to explain what you want to explain. This is your opportunity to answer my questions and I put a very simple question before you. Is it your understanding --
     A. Yes.
     Q. -- that when a document is signed but not
0167
dated the document is not effective. It's a yes or a no.
     A. I would say that that is no.
     Q. Okay. So a document -- an agreement can still be effective even if there is not a date on it.
          Would you agree with that?
     A. I guess so. Maybe yes or whatever.
     Q. Yet the only reason that you believe that this assignment of promissory notes, Exhibit No. 9, is not effective is because there is no date put in on the date line of this document; isn't that a fact?
     A. No. What this doesn't say enough of is that this note and the assignment was to be within the time period that Mr. Medley controlled and it is not on this document and Mr. Medley couldn't put a date on it for numbers of reasons of which he understands. That's what I'm saying.
     Q. Well, is there some other document that identifies what those reasons are?
     A. No, but if you really want to know what they are they are there.

MR. GUTMAN: Okay. I move to strike everything after the word no.
0168
Q. Have you -- withdraw that.
Did you ask for a document setting forth the terms under which this assignment of promissory notes, Exhibit No. 9, would be effective before you signed it?
A. I couldn't ask for it.
Q. You couldn't or you did not?
A. I couldn't.
Q. Did you?
A. I did not because I could not.
Q. Okay. So did you have any conversation with anyone other than Mr. Medley about this assignment of promissory notes at any time before you signed it?
A. I don't recall. Maybe counsel. I don't know.
Q. Who prepared this assignment of promissory notes, Exhibit No. 9?
A. I don't know.
MR. GUTMAN: Mark for purposes of identification as Exhibit No. 10 a one-page document with the Bates No. 57.
(Deposition Exhibit 10 was marked for identification by the court reporter.)
BY MR. GUTMAN:
0169
Q. Also entitled "ASSIGNMENT OF PROMISSORY NOTES". I'll read it. It's short.
"For Value Received, the undersigned note holder, hereby assigns, conveys and transfers all of her right, title and interest in the attached Promissory Note issued by Davi Skin, Inc., fka MW Medical, Inc., along with any other rights she may have as a creditor of said Corporation, to the individuals identified in Schedule A attached hereto in the amounts specified."
Did I read it correctly?
A. Yes, you did.
Q. I note that you are comparing Exhibit No. 10 side by side with Exhibit No. 9.
A. Yes.
Q. Is that a fact?
A. Yes. It now makes sense.
Q. That's fine. I'm glad that you have had the opportunity to put things together in your mind.
Do you know when you signed Exhibit No. 10?
A. Ah, no.
Q. Did you sign Exhibit No. 10?
A. Yes.
0170
Q. Do you know who prepared Exhibit No. 10?
A. No.
Q. Do you know when it was prepared?
A. No.
Q. Do you know what note is being referred to in Exhibit No. 10 when it states that there is assignment of promissory -- in the attached Promissory Note issued by Davi Skin, Inc.?

A. Yes.
Q. What is that note that's being identified?
A. The $200,000 note.
Q. Thank you.
I have one last question on Exhibit No. 10.
Is it your opinion that this assignment of
promissory notes is not valid because it does not
have a date on it?
A. My apologies. Yes. This is the one, not
this one. When I looked at them all together these
two are the same. Okay? These have to do with the
stock purchase agreement. That's why it
wasn't making -- I'm sorry. That's why it wasn't
making sense to me. This is the one that had a time
contingent to it and no, there is no document that
shows a time contingent or could there be. This is
the one. These two reflect the stock purchase
0171
agreement. Okay? So these two go together with
that.
Q. Let's clarify what these two are. You are
saying Exhibit 8 and Exhibit 9?
A. Yes.
Q. That one signed by Grace Sim and one signed
by you?
A. Yes.
Q. And so what you are doing is waiving any
other debt owed to you by the company as of the time
of the stock purchase and note assignment; correct?
A. No. This debt, this debt matches the
numbers in the stock purchase agreement.
Q. Okay. Let's clarify. Referring to Exhibit
No. 9 --
A. Yes.
Q. Would you put that in front of you.
A. Yes.
Q. You have Exhibit No. 9. Let's just focus
on Exhibit No. 9.
A. Yes.
Q. That was signed by you?
A. Yes.
Q. It's dated March with no specific date
2004.
0172
You see that?
A. Yes.
Q. And it states that you are assigning,
" . . . hereby assigns, conveys and
transfers all of her right, title and
interest in the attached Promissory Notes
issued by MW Medical, Inc. . . ."
You agree with that?
A. Yes.
Q. So you did intend to assign all of your
interest in any promissory notes issued by
MW Medical, Inc.?
A. Only the promissory notes that reflected
the 856,000. These two --
Q. All right.
A. -- went with this.
Q. You are saying it's only as to the 856,000;
correct?
A. Yes.

Q. All right. Let's read the next few words --
A. Okay.
Q. -- in Exhibit No. 9.
A. Yes.
Q. ". . . along with any other rights
0173
she may have as a creditor of said
Corporation. . ."
A. Right.
Q. You see that?
A. Yes.
Q. So you do not believe that includes any other rights that you had for any claims against the corporation?
A. That's absolutely correct. These two notes in the stock purchase agreement that was done in March I had told you for a short period of time had to become the president of Davi Skin. I forgave any other rights of that corporation. There was a short period of time I had to serve in the reverse merger. These reflect the promissory notes that match the stock purchase agreement and when we did the reverse I had to become president of Davi Skin until Mr. Medley then became. That Davi Skin Grace Sim and I stepped down as officers. We had to move from MW Medical to Davi Skin as a CFO and the CEO. That's when we signed those promissory notes was we had no rights to the interim corporation Davi Skin. That's what this refers to. And I'm sorry that it was so confusing before but when I saw them together that's when it hit the cord.
0174
Q. You finished your answer?
A. Yes.
Q. So it's your testimony now that even though the assignment of promissory notes that's Exhibit No. 9 that's dated March of 2004 that that does not include the $200,000 note that's dated as of what, June of 2003?
A. I'm sorry. I'm not really getting --
Q. All right. Let me just restate it so we are clear on the record.
Exhibit No. 5 is the $200,000 note that you are claiming Davi Skin owes you; is that right?
A. Let me find them all because -- okay.
Q. Exhibit No. 5 is the note that you are claiming is the amount that is owed by Davi Skin to you now; correct?
A. Yes, correct.
Q. And that's dated June of 2003; correct?
A. Yes.
Q. But you believe that date to be incorrect?
A. It would have to be because Davi Skin didn't exist which means if you accept it as '03 there was no Davi Skin and no Parrish Medley signed as president.
Q. Are the dates incorrect on any other
0175
documents that you are looking at?
A. No, this is the only one that looks kind of funny.
Q. And how are you so sure that that's the

only one where the date is not correct?
A. Just again time periods. Now that I'm able to put them together when I look at some of the time periods it's all cleanup stuff.
Q. So when is the correct date for Exhibit No. 5?
A. I would probably tell you it was around June. We closed the deal June 23rd or 24th. Someplace around June in the 20s. This I remember.
Q. Of 2004?
A. Yes, correct.
Q. So you are guessing that that's when the note was issued?
A. Yes.
Q. Was it before or after the closing?
A. No. It had to be in around the same time. It would all have been done sequentially.
Q. Sequentially or simultaneously?
A. That's hard to say. It would have all had to come together one after the other. So sequentially certain documents would be done but
0176
then at the end of the day in order to report all of it would have been all put together.
Q. All right. I've got a note I need to change the -- we need to change the tape. So we need to take a break.
A. Okay.
VIDEO OPERATOR: This marks the end of tape No. 2 in the deposition of Jan Wallace. We are going off the record. The time is 4:02.
(Recess.)
VIDEO OPERATOR: This marks the beginning of tape No. 3 in the deposition of Jan Wallace. We are back on the record. The time is 4:09.
BY MR. GUTMAN:
Q. Ms. Wallace, we were looking at Exhibit No. 5, the promissory note.
Based upon your review of Exhibit No. 9, the assignment of promissory notes along with any other rights she have as a creditor of said corporation, the document, is it your understanding now that Exhibit No. 5 is the only promissory note that remains in existence?
A. I think so. Without me having all the notes I would say I think so, yeah.
Q. Well, do you have any reason to believe
0177
that there are any other promissory notes other than Exhibit No. 5 in which you have any claim for any rights for any compensation from Davi Skin, Inc.?
A. From -- I don't think so.
Q. Okay. Let's go back to Exhibit No. 9 then.
A. Okay.
Q. So is it your testimony that Exhibit No. 9 disposes of any interest that you had in receiving any money from MW Medical, Inc. or its successor Davi Skin, Inc. based upon any promissory notes other than Exhibit 5?
A. It's a long question. No. 9 references the stock purchase agreement. What I gave up in the stock purchase agreement is what references No. 9. It's the same thing with Ms. Grace Sim in Exhibit 8.

Q. But Exhibit No. 9 does not reference the stock purchase agreement. It just states that the attached promissory notes issued by MW Medical, Inc. are all being assigned.
A. Correct.
Q. So is it your understanding that that takes care of all the promissory notes that were referred to in the stock purchase and note assignment agreement?
A. Yes, the 856,000, whatever that was.

0178

Q. Okay. What about Exhibit No. 3? Could we go back to that one. It's the March 15, 2003 promissory note in the amount of $248,325.
A. Uh-huh.
Q. Is this still a valid promissory note in which you are owed money?
A. I think it's part and parcel of the 301.
Q. How is that?
A. I'm sorry. I keep explaining. That's March 2003. It kept accumulating interest and charges so the money number kept going up.
Q. Well, here is what I don't understand.
A. Okay.
Q. Is the promissory note, Exhibit No. 3, has that been canceled or assigned or is it still valid?
A. No. All it is is an interim record. It's just an interim record.
Q. Okay. But here is my question.
A. Right.
Q. Do you believe that you can present Exhibit No. 3 the promissory note for $248,325 plus interest and say hey, Davi Skin, you owe me this amount of money?
A. I believe that this is part of that. This is only the amount in a period of time.

0179

Q. All right. This being a part of that does not enable us to understand what it is you are talking about.
A. I'm sorry. The 248,000 that was recorded as a promissory note is not a note that is the note that was handed to anybody. It's part of the record. This 248,000 is a promissory note of the March 2003. Had somebody wanted to pay me what was owed, forget Davi Skin, anybody wanted to come and buy MW Medical this note would be on the books and if they wanted to pay 248,000 as of that date and time that's the recorded amount that the company owed me at that time. This is not the end amount. Between 2003 to 2004 it kept accumulating.
Q. Can I ask the same question again and I appreciate your explanation of why you believe the amount is not correct but frankly I don't care what the amount is.
A. Okay.
Q. I just want to know was this note retired, was it assigned, was it canceled or are you claiming that it's still valid?
What's your interpretation of the validity of this note?
A. It's valid because it references the same

0180

amount of money.
Q. Okay. Are you claiming --
A. It's valid.
Q. -- that exhibit number --
A. All of it.
Q. Fine.
A. It is valid.
Q. Exhibit No. 3, does Davi Skin owe you money based upon this promissory note?
A. Part of this, yes.
Q. Which part?
A. 248,000 of 301,000 which was reduced to $200,000.
Q. All right. So you are claiming that -- is this a separate $200,000 note? Is Exhibit 3 a separate $200,000 obligation from Exhibit 5 --
A. Okay.
Q. -- or is Exhibit 5 the $200,000 note replacing Exhibit 3 the $248,000 note?
A. Yes, it accumulated.
Q. I asked you a couple of options.
A. It is valid.
Q. Is it --
A. It is valid only because it is the note that started to reference in 2003 the monies that

0181

were owed to me other than the 856,000.
Q. Ms. Wallace, how much does Davi Skin owe you as of today?
A. $200,000 plus accrued interest.
Q. Based on what?
A. Based on $248,000 that accumulated interest until the transfer of the reverse merger to Davi Skin and at that time it was 301,000 and I reduced it as per the agreement with Mr. Medley to accept $200,000 and I forgave the difference between $200,000 and 301,000.
Q. All right. So Exhibit No. 5 in the amount of $200,000 --
A. Is this five? Which one is five?
Q. It's the promissory note in the amount of $200,000.
A. Yes.
Q. Is it your testimony that Exhibit No. 5, the promissory note for $200,000, has replaced Exhibit No. 3, the note for 248,325?
A. Yes.
Q. Okay. So you are only making a claim based upon one promissory note?
A. It's all one. Yes. Yes. Yes.
Q. Ms. Wallace, all due with respect there are

0182

two separate promissory notes and regardless of your interpretation --
A. Okay.
Q. -- of them all being one --
A. Okay.
Q. -- legally you are asserting a claim based upon a promissory note. I'm just trying to determine whether you are making a claim based upon more than one promissory note.
A. This note.
Q. That would be Exhibit No. 5 in the amount

of $200,000?
A. Yes.
Q. So you are not asserting a claim against
the company Davi Skin that's predicated or based
upon Exhibit No. 3 the promissory note in the
amount, the face amount of $248,325; is that
correct?
It's not a trick question. I'm really
trying to --
A. I'm not looking at you thinking you are
trying to trick me. I guess what I can't -- this is
the only note left but all the -- the other note,
that is part and parcel of this. So if I submitted
a claim to Davi of 248,000 it would still be part of
0183
this.
Q. Isn't it a fact that Exhibit No. 9, the
assignment of promissory notes that you signed that
has a date of March something 2004 in fact disposes
or cancels Exhibit No. 3 the $248,325 promissory
note?
A. No. No.
Q. Why is that?
A. This disposes of the 856,000 cash. This
note as of --
Q. When you are saying 856 you are referring
to Exhibits 8 and 9?
A. Exhibits 8 and 9. These refer to the
action taken in the stock purchase agreement where
the cumulative total of cash was assessed. When we
moved from MW Medical into Davi Skin I gave up all
the rights based on that stock purchase transaction.
The reason that note is there is over and above the
stock purchase agreement number. There was still
outstanding $248,000 which was still owed to me. It
was separate and that note with the accumulated
interest to 2004 came to 301,000 of which at the
time of the negotiation of the reverse merger
Mr. Medley asked for me to accept a discount to the
301 which brought it down to 200 which is reflected
0184
everywhere.
Q. Fine. Let's go back to Exhibit No. 9.
A. Okay.
Q. It refers to the attached promissory notes
issued by MW Medical, Inc.
Do you know which promissory notes were
attached to this assignment, Exhibit No. 9?
A. All the notes, the six --
Q. Where are those notes?
A. I told you I haven't found them all.
Q. Okay. Thank you.
A. And they may be in the public documents.
Q. The notes from Grace Sim that are reflected
in Exhibit No. 8 --
A. Yes.
Q. Well, it says in attached promissory note
issued by MW Medical, Inc., Exhibit No. 8.
A. Yes.
Q. Where is that promissory note?
A. I am sure it is the same thing that I've
stated to you. The promissory notes, these to the
stock purchase agreement, okay, those -- this

applies to the stock purchase agreement. In it Grace Sim had a note --
Q. Can you just -- you know, we will get done
0185
in a reasonable period of time if you could just respond to my questions.
A. I'm trying.
Q. You know what, I don't believe you anymore and if you could just listen to my question and respond to the question.
A. Okay.
Q. Where is the note?
A. I don't know.
Q. Thank you.
All right. We are going to mark as the next exhibit in order as Exhibit No. 10 -- oh, pardon me. It's going to be 11. Actually we have 10 out here already. Let's just talk about 10 for a minute.
A. It's the last page. I'm putting them in order.
Q. Very good.
A. Thank you.
Q. With respect to Exhibit No. 10 it refers to the attached promissory note issued by Davi Skin fka MW Medical, Inc.
Which note was attached to this assignment of promissory notes?
A. When I signed this there wasn't anything
0186
attached to it.
Q. When did you sign it?
A. Sometime in 2004.
Q. How do you know that?
A. Because if it was a promissory note issued by Davi Skin the other note that I keep saying is wrongfully dated is the only note I could think of that was issued by Davi Skin.
Q. My question was how do you know when you signed this document?
A. I can only deduce it from the other papers you gave me.
Q. Did you sign this at the same time that the promissory note was issued?
A. I don't know. Sometime around there. That's it.
Q. Did you -- is it possible that you signed it later on?
A. Could be. I don't know.
Q. Did you sign this document separately, separate and apart like as this was the only document that you signed at one particular time?
A. Yes.
Q. All right. So you signed it after the promissory note was issued?
0187
A. I would think so.
Q. Do you have any recollection?
A. I would say -- yeah, I would say it was after the promissory note issued.
Q. That wasn't my question. Do you have any recollection?
A. No.

Q. Where were you when you signed Exhibit No. 10?

A. I think I was in an office.

Q. You think or you recall?

A. I recall I was in an office.

Q. Was anybody else present?

A. Mr. Medley.

Q. Was anybody else present other than you and Mr. Medley?

A. Not at the time, no.

Q. Where was the office located in which the two of you were present?

A. SEC counsel.

Q. Who might that be?

A. Kyleen Cane.

Q. So it's in Las Vegas?

A. Yes.

Q. Were there any other documents signed

0188

during that time that you and Mr. Medley were in Ms. Cane's office?

A. I think so. I think there were other ones that were being signed.

Q. Was Ms. Cane present when you signed this document, Exhibit No. 10, the assignment of promissory notes?

A. No. She was specifically asked to leave.

Q. By whom?

A. Parrish Medley.

Q. How long were you alone in the room together during the time that this assignment of promissory notes was signed, Exhibit No. 10?

A. Ten minutes.

Q. Was this the first time that you had met Mr. Medley?

A. No. No. No, it wasn't the first time.

Q. So during this ten minute period did you sign any other documents other than Exhibit No. 10, assignment of promissory notes?

A. No.

Q. Tell me everything that you recall discussing during this ten minute period with Parrish Medley during that ten minutes which you signed Exhibit No. 10?

0189

A. Parrish wanted me to sign this assignment of the promissory note because my note had a tacking period on it, No. 1.

Q. I asked you what was said, not what your interpretation is. Can you resign your comments to --

A. That's what was said. We talked about the tacking period on the note. We talked about my rights under that tacking period. And if an assignment was done in the proper fashion then it would be a very valuable note. Parrish asked me to explain it. I explained it absolutely all to him what all of that meant. He turned around and said look, why don't you give me a blank assignment of the note. I said okay. For what. What's in it for me. And he said look, whatever I do I will let you know when I'm going to sign it and that I'm going to assign it to use to make a market because the

tacking period allowed those shares to become free trading and with free trading shares you could go into the market and help create volume on the stock and he was going to give it to investors that can help with the market pricing on the stock. That they could make a market. I said okay. That sounds like a good plan. I get it. What's in it for me.
0190
And he told me I would get dollar for dollar of the 250; that is, no matter what the stock price was I would get 250,000 shares if it's at a dollar. I could only be traded at a dollar. I said where is the -- what do you think. What do you think is going to happen with the company and he said I think this company is going to open up at $3 or $4 or $5. I said okay. If you think that's going to be it I like the company. I liked everything that was going to happen with it. I thought it was a great idea and so I signed it. That's exactly what we talked about.
Q. Was the assignment that we are looking at, Exhibit No. 10, was that already prepared by the time this discussion took place?
A. He gave it to me. I would say it was prepared.
Q. So it's your understanding that Mr. Medley had it prepared?
A. Yes.
Q. And he had it ready during this ten minutes that you were alone in Ms. Cane's office somewhere?
A. I don't know when he would have had it ready. I came late to that meeting. I don't know if he was five minutes, ten minutes. I mean he kept
0191
leaving the table. I don't know if he went someplace and had it written up. I have no idea. All I know --
Q. Other than this one day in which this conversation for ten minutes took place in Ms. Cane's office, did you ever have any other discussion previously with anybody about this assignment of promissory notes?
A. I think there was general discussion of what that final $200,000 note meant. I think there was general discussion.
Q. My question was was there ever -- prior to that ten minute meeting in Ms. Cane's office in which you spoke alone to Mr. Medley was there ever a discussion about this assignment of promissory notes?
A. I think so.
Q. When was that?
A. I think one time I was in the car, he was in the car and somehow it came up. Something about it came up.
Q. What do you recall about what came up about that discussion about this assignment of promissory notes?
A. How the value of this note is not just the
0192
money. The value of the note is beyond that of just the money and that's what we discussed. I don't think he understood it all right away. I think

that's why it came up again. I think he got the gist of it but I don't think he clearly understood it until that day when we sat down for ten minutes and we talked about it again.
Q. Since the time that you signed this assignment of promissory notes, Exhibit No. 10, when is the next time after that that you discussed this assignment of promissory notes?
MS. AMBROSIO: With who?
MR. GUTMAN: With anybody.
THE WITNESS: I can't remember the exact time but Kyleen Cane called me because at that time I didn't really want to speak to Mr. Medley anymore and she said Parrish would like to speak to you and I said so what.
BY MR. GUTMAN:
Q. When was this?
A. Sometime -- it's got to be about maybe early -- I don't know if it was late '04 or early '05. Sometime around there. All I know is she called me and said Parrish wants to talk to me.
Q. Why didn't you want to speak to Parrish at
0193
that point in time?
A. Have we got a while?
Q. We talking late 2004, early 2005. Why wouldn't you talk to Parrish Medley at that point in time?
A. Mr. Medley on the day of the signing behaved in a manner that is absolutely inappropriate not only for the CEO of a company, public company, but as a human being that I --
Q. Which signing are you referring to?
A. The closing documents done in June 20s of '04.
Q. Okay.
A. Mr. Medley behaved in such a fashion that I absolutely never wanted to speak to him again.
Q. You care to elaborate? You want to explain what about his behavior that you found so difficult?
A. Fine. At the end of the signing -- I had flown in. I got there a little late. All the papers were on the table. One point we are signing things, we are moving around. I know everybody in the office. He knows people in the office. So there was a little moving around and all that. So that's fine. One point we just about had everything done and then Kyleen was asked to leave. Then
0194
Parrish and I had a discussion on the value of this note and I signed the assignment. Around that. I'm pretty sure it was at that time.
I was supposed to fly back that evening on Southwest. I had a ticket for about 8:00, 8:30 I recall. I had to stop at Hermes the boutique in Las Vegas because I had a book and one bag that had arrived, crocodile handbag. They wanted $22,000 for it. Parrish said maybe we should go and have a drink while you wait for your plane. I said I don't have a car. He said I have a rent-a-car. I said okay. He rent to Hermes with me. I looked at the book and bag. I tried to negotiate. They wouldn't. He bought some cologne. I know exactly the cologne

he bought. So he bought some cologne and we left. We then went to a restaurant inside the Bellagio, ordered sliders I remember, and had a cocktail to celebrate the whole transaction. We started talking. Parrish Medley -- I'm not a drinker. I can never drink more than one drink. Parrish Medley started having lots of drinks. It got to be around quarter to 8:00. Kyleen Cane called me on the phone to make sure that I was okay to get to the airport and I said you know what, I don't know if I'm going to make it but I will call you. If I don't I will

0195

let you know. She said okay. I'm just checking to make sure you are all right. Anyhow we ended up eating some food. I had a drink. Mr. Medley had several drinks. Then Mr. Medley went to the bar of the same restaurant. He went to the bar and he was trying to pick up the waitress. At this point he had had a lot to drink. We are still laughing and ah-ha, it's funny. He asked me to assist him in helping him to pick up the bartender. The bartender told me she wasn't interested. She had a boyfriend. Blah, blah, blah. Parrish got upset. Parrish said let's get the hell out of here. I said where do you want to go. It is now about 11:30 at night. Where do you want to go.

Q. What time was your flight by the way?

A. 8:30.

Q. So this is all happening after the closing had been completed --

A. Right.

Q. -- at Kyleen Cane's office?

A. Right.

Q. So nothing happened during the closing?

A. No.

Q. It was all after the closing?

A. Right.

0196

Q. Okay.

A. Then Mr. Medley took me to the Crazy Horse, a strip club. At the Crazy Horse --

Q. Are you free to leave at this point in time?

A. Actually, no. I had no car. Mr. Medley actually left me in a very uncomfortable position.

Q. Did you attempt to leave?

A. I did.

Q. Did he prevent you physically from leaving?

A. He kept telling me he was coming out. He left me with the bill.

Q. Did he physically prevent you from leaving at any point in time?

A. When he did come out of the back VIP room he prevented me from leaving because he had my luggage and I couldn't go anywhere without my luggage and I kept telling the girl --

Q. Did you contact local police authorities?

A. Mr. Gutman, at the point of where I'm inside trying to get out of a strip club and the person that's holding my luggage --

Q. Could you just respond to my question?

A. No, I didn't call the police. It wasn't reasonable to call the police.

0197

Q. Were you harmed in any way?
A. Later I was.
Q. When later?
A. When we got out of the Crazy Horse where he left me with the bill a girl came out and told me that Mr. Medley directed her to me to give her money to buy a bump. I said I don't want any dances. She said that's not what a bump is. I said what the hell is a bump and she said it's coke. I said you know what, I'm out of here. You tell Mr. Medley give me the damn keys to the car. I want my luggage. I'm out of here.
So she went back in. Mr. Medley came out of the VIP which he was in for about an hour and a half, came out and I said I want to leave, Parrish, and I want my luggage. He said come on, come on. Relax, relax. We are going to have a party. We are going to go to this girl's place. I said no, I don't want to go anywhere. I want my luggage. I --
Q. Was anybody else present other than --
A. All the dancers. All the dancers. All the dancers.
Q. One person at a time.
Anybody else present who had been involved in the transaction with MW Medical, Inc. other than

0198

you and Mr. Medley?
A. No.
Q. So the two of you had gone out together?
A. Yes.
Q. Okay.
A. Would you like me to finish or no?
Q. You know, I don't know that this story lives up to its billing but go ahead and finish.
A. Okay.
Q. You obviously want to say that he did something that's so outrageous so let's hear it already.
A. Okay. I then went back and I didn't even have a room yet so I contacted the Bellagio --
Q. I thought you were supposed to be flying out that night.
A. That's correct.
Q. Did you make a decision not to fly out that night?
A. When it got past 8:00, yes, I made the decision.
Q. Did you make an attempt to catch your plane on time or did you decide to stay with Mr. Medley at some point in time?
A. Yes. I said that.

0199

Q. Which?
A. I said that we decided to stay at the restaurant and Parrish and I went up to the bar.
Q. Okay. So you decided to stay --
A. Yes.
Q. -- and skip your flight and you were going to get a room for the night?
A. Yes.
Q. Okay.
A. So I hadn't made the arrangements for the

room. I called when we were in the car. I called the Bellagio and booked a room for me. Parrish was supposed to go to Miami at 6:00 in the morning to go and party with some friends in South Beach. I said Parrish, you know what, I need to sleep and I need a room. I don't know what you are doing but I'm getting a room. I went to the Bellagio. I paid for it on my credit card and I got a room. Again I asked Parrish where is my luggage. He said I'll go get the luggage. Just tell me what room you are in. I said all right. Fine. This is the room number but you better get a room.

So Parrish goes to get my luggage. I go up to the room. I'm waiting. I start to undress. I took my jewelry off. I put it inside of my kelly

0200

bag and I started to get ready for bed. There was a bang on the door. Parrish comes in stupefied with two women, one blond and one brunette. He had picked them up in the Bellagio. Came to the door and pushed his way through the door and said we were going to have a little party. I said Parrish, who are these people. I am not having a party. Give me my luggage. And I said I can't believe that I just signed a deal with you. Is this your behavior? He was so wrecked. He took the girls in the bathroom. At this point I started to surmise that these weren't just nice girls because they took their clothes off awfully fast.

Now at this point I got about $200,000 worth of jewelry in a bag half undressed trying to cover up and get Parrish and these two women out of my room. I was so afraid I took the covers off the bed, I rolled up like a cacoon, I laid at the corner of the window of the hotel and tried to forget exactly what was going on. At one point Parrish wanted more coke. The girls complained that he used up their cocaine. He didn't have any more cash. He came and asked me for the cash. They got the cash, left one girl in the room and went downstairs and she came back with more stuff. All I wanted was for

0201

it to be over and him to get out of my room.

Q. Did you call security to ask them to remove Parrish from your room?

A. No, I didn't. And I can tell you this for sure. I was absolutely afraid that those two girls who are getting very upset with him because they wanted $1,000. Parrish had no money on him. I had given them all the money I had plus the money --

Q. Which is how much?

A. About $274 plus the bill I paid at the Crazy Horse.

Q. Was this the first time that you met Mr. Medley?

A. I only met him one other time before.

Q. Where was that?

A. Here in Beverly Hills.

Q. When did that occur in connection -- how much time earlier?

A. A month or two.

Q. And what happened the time that you met with Mr. Medley previously?

A. We met at the Peninsula. I had a dinner date. He said to change the date. We went to Maestro's. We went to Maestro's, had dinner at Maestro's. Talked about the deal. Went back to his

0202

house. He showed me his house. I thought it was a lovely house. He told me who used to own it. We chatted and we left. Actually we went to his house, then went to Maestro's.

Q. Did anything happen of a romantic nature with you and Medley the first time that you met him?

A. No.

Q. Were you upset with Mr. Medley about his behavior in Las Vegas because he wasn't showing you the proper affection that you wanted from him?

A. Oh, my God no. No.

Q. So is it your testimony under oath that nothing of a sexual nature happened between you and Mr. Medley on the first time that you met with him here in Beverly Hills?

A. No.

Q. Okay. So did any physical harm happen to you that night in Las Vegas?

A. At the point of where I was trying to get them out of the room when they pushed the door through with the girls, yes, he pushed the door open and I went against the wall.

Q. Okay. Did you have any medical injuries? Did you seek medical treatment?

A. No.

0203

Q. Did Mr. Medley finally leave?

A. Not until 7:00 in the morning. He missed his plane for Miami and he called and then he had the nerve to tell me to take care of his rent-a-car. I didn't take care of it. I called Sue Johnson at Cane Clark, told her what happened and she took care of the car.

Q. Did Mr. Medley leave?

A. At 7:00 in the morning.

Q. Have you now told me the reason that you were so upset and didn't want to speak to Mr. Medley?

A. Absolutely.

Q. Thank you.

Between -- withdraw that.

When did this conversation occur with Kyleen Cane where the discussion regarding the assignment of the promissory notes, Exhibit No. 10, came up again? You indicated that was sometime after the closing?

A. I just told you. It was around the time that he asked me about the tacking period and the value of the note.

Q. Was it a month later? Six months later?

A. No, no, no. It would be -- after we signed

0204

the documents and he asked Kyleen Cane to leave he asked me about signing this note.

Q. Well, you signed this assignment of promissory note if I understood you correctly the day of the closing in Las Vegas; am I correct?

A. Sometime around there, yes.

Q. So when is the next time that the discussion of the assignment of the promissory notes came up? I had asked you about that before and you said when Kyleen Cane called.
A. Right.
Q. And you said Parrish wanted to talk to you.
A. And he only used her as a go between because I wouldn't speak to him.
Q. So was that a week later, a month later, five minutes later or a year later?
A. Either the end of 2004 or the beginning of 2005 as I previously stated.
Q. And did you eventually talk to Mr. Medley again?
A. Yes.
Q. And did you eventually meet with him again?
A. No, I didn't meet with him first.
Q. Well, when did you eventually meet with him?

0205

A. I met with him in September of '05.
Q. Between the closing sometime in or about June of 2004 and September of 2005 did you see Mr. Medley face to face?
A. No.
Q. When did you meet with Mr. Medley in September of 2005?
A. I met him at the Hilton at the airport.
Q. Which Hilton? Which airport?
A. The L.A. airport. The Hilton across from the L.A. airport.
Q. On Century Boulevard?
A. Yes. I'm not from here so I guess that's where it is.
Q. The airport Hilton in Los Angeles I should say?
A. Yes.
Q. Is that correct?
A. Yes.
Q. Who was present at that meeting?
A. Claire Ambrosio, her mother, Parrish Medley and myself.
Q. How long did that meeting last?
A. Probably half an hour.
Q. Was the assignment of promissory notes

0206

discussed at that meeting?
A. Absolutely.
Q. Tell me everything you recall having been discussed about the assignment of promissory notes.
A. Parrish wanted me to sign an extension from September 30th of '06 to December 31st of '06. I said why would I sign anything for you. You still haven't given me the shares you promised the first time.
He said what do you want. I said you are going to give me money this time. I started at 50,000. We were negotiating around 30,000 and he finally said he would give 10,000.
Q. And this was all in front of your attorney Claire Ambrosio?
A. She was present and so was her mother.
Q. What's her mother's name?

THE WITNESS: What's your mother's name?
MS. AMBROSIO: Angela.
BY MR. GUTMAN:
Q. And did you receive the money at that time?
A. No.
Q. Did you ever receive $10,000?
A. Yes.
Q. When?
0207
A. About two or three weeks later I'm in Newport Beach at the offices of SDI and I walked over to Carl's Jr. and was supposed to meet with Parrish at Carl's Jr. and he pulled out $10,000 in cash.
Q. And did you sign something at that time?
A. That's when he asked me to sign.
Q. What did you sign?
A. I signed a note that gave him a loan extension to December 31st of '06.
Q. Other than the loan extensions that we've already identified as Exhibits 6 and 7?
A. Yes.
Q. Do you have a copy of that loan extension to December 31, 2006?
A. I haven't located it yet.
Q. Have you ever seen a copy of it?
A. Only the day I was there at Carl's Jr.
Q. So how did you receive a copy of it then?
A. I think Mr. Medley actually had two copies and we signed both and I think he walked away with one and I suppose he left me with one.
Q. So you've never seen a copy of that loan extension since the day you signed it in September of 2005; is that correct?
0208
A. I haven't seen it yet, no.
Q. Have you made any efforts to try and locate it?
A. Again, I went to all the places I could think off hand, my garages, the places around my home and I have not made it to the storage unit and there is probably 76 boxes, maybe more in my storage unit.
Q. Did you provide Mr. Medley with a receipt for the $10,000?
A. No.
Q. The $10,000 if I understand correctly was in cash?
A. Yes.
Q. What denominations?
A. I'm sorry, I don't remember.
Q. Well, was it customary for you to receive $10,000 in cash in connection with transactions for the public companies that you had been involved with?
A. It's an excellent question. I would have to say no, it's never happened to me before.
Q. Okay. So what did you do with the cash?
A. I went and put it in the bank.
Q. Which bank?
0209
A. Bank of America.
Q. In what account?

A. One of my accounts.
Q. Personal account?
A. Yeah.
Q. Is that a "yes"?
A. Yes.
Q. And where is your B of A account located? What city?
A. In Scottsdale, Arizona.
Q. So if understand correctly the only reason for the $10,000 paid to you was to extend the $200,000 note from September 30, 2006 to December 31, 2006?
A. Yes.
Q. And this occurred in September of 2005?
A. Yes.
Q. Okay. Was anybody else present when you were paid the $10,000?
A. There were people in the restaurant. No one I know.
Q. Anybody you could identify?
A. I don't think so, no.
Q. Do you recall any of the discussion that occurred when you received the $10,000?
0210
A. I asked him what the heck was going on. He went into some diatribe about what he was trying to do and what's taking so long with the formulation and it's all going to work out and blah, blah, blah. That's what took place. We talked about the company.
Q. How long did that meeting last?
A. Not long. Maybe six to eight minutes.
Q. All right. Going back to Exhibit No. 10, I think you have it right in front of you.
Have you now told me about every discussion that you had with Parrish Medley regarding this particular assignment of promissory notes, Exhibit No. 10?
A. As I recall.
Q. Other than with your attorney Claire Ambrosio have you had any discussions with anybody else regarding this assignment of promissory notes, Exhibit No. 10?
A. To date?
Q. Any time.
A. I think I had a discussion with the -- well, with Claire. Maybe somebody at Davi. I can't recall.
Q. Michael Watchell the attorney for Davi?
0211
A. Maybe. Maybe.
Q. Did you ever meet with Mr. Watchell?
A. Yes, I did.
Q. How many occasions?
A. To date?
Q. Yes.
A. Twice.
Q. When?
A. One recently in the last two weeks and the other one several months ago.
Q. What was the purpose of the meeting in the last two weeks?
A. To discuss business for Davi.

Q. What business for Davi did you discuss?
A. Where they were going. What's happening. Stuff like that. General stuff. Nothing --
Q. Any discussion regarding the promissory note that's at issue in this case with Mr. Watchell?
A. I don't think so.
Q. How long did that meeting last?
A. Maybe half an hour.
Q. Where did that meeting occur?
A. At the law offices.
Q. Mr. Watchtell's office?
A. Yes.
0212
Q. Was anybody else present other than you and Mr. Watchell?
A. My attorney.
Q. Ms. Ambrosio.
Did you discuss any aspect of this lawsuit with Mr. Watchell?
A. I'm sorry. Aspect?
Q. Did you discuss this lawsuit with Mr. Watchell?
A. I don't think I discussed it with him. I think he's aware of it. I don't think I discussed it with him.
Q. Did you make any statement about what was happening in connection with this lawsuit?
A. Not the last meeting but I think one of the first ones, yes.
Q. Well, you said there were two meetings; right?
A. Yes.
Q. So the first meeting was several months ago?
A. Yes.
Q. Where did that meeting occur?
A. Same place.
Q. Was Ms. Ambrosio present at that meeting as
0213
well?
A. Yes.
Q. How long did that meeting last?
A. 40 minutes. Never very long.
Q. And what was discussed at that meeting?
A. I think that they were talking about the auditor's letter.
Q. Okay. I want to mark for purposes of identification as Exhibit No. 11, it's a copy of the amended counterclaim that was filed in this action. Take a moment and look at that if you would.
(Deposition Exhibit 11 was marked for identification by the court reporter.)
BY MR. GUTMAN:
Q. Have you ever seen this document before?
A. Let me keep reading it.
Yes.
Q. Did you see it prior to it being filed?
A. I'm sorry?
Q. Did you see this counterclaim prior to it being filed?
A. I think so. I would guess that I would.
Q. Do you recall whether or not you believed that any statements contained in this counterclaim

were not accurate?

0214

MS. AMBROSIO: Alan, before she answers that -- never mind.

THE WITNESS: It looks pretty well what it is, yeah.

BY MR. GUTMAN:

Q. My question was do you recall coming to the conclusion that any of the statements contained in this amended counterclaim were not accurate?

A. Looking at it the way I do I'd say they are pretty accurate.

Q. Okay. Let's take a look at page three paragraph No. 9.

A. Okay.

Q. You have that in front of you?

A. Yes.

Q. I'll read it so that our court reporter can transcribe it.

"On or about March 15, 2003, MWMD executed a Promissory Note in favor of Wallace for the principal sum of two hundred thousand, U.S. dollars ($200,000.00)" --

A. Uh-huh.

Q. -- "for wages and employment fees owed to Wallace."

0215

Is that a true and correct statement?

A. No.

Q. What's not true about that statement?

A. Well, the March 15, 2003 and the $200,000 amount although it's the same note it wasn't the same amount as of 2003.

MR. GUTMAN: Can I get that answer back please.

(The following record was read:

Well, the March 15, 2003 and the $200,000 amount although it's the same note it wasn't the same amount as of 2003.)

BY MR. GUTMAN:

Q. When you say it was the same note are you saying that if we look at Exhibits 3 and 5 which is the two promissory notes that we marked here today, are you saying that you consider Exhibits 3 and 5 to be the same notes?

A. No. I'm saying the better word is it's the same obligation. It just isn't the same amount of the obligation that was written in 2003.

Q. Okay. Directing your attention to line No. 10 on the same page, as a result, do you see that, where the sentence begins,

0216

"As a result of that transaction other agreements where enter (sic) into where Wallace also a major shareholder in MWMD divested herself of her shareholdings but these other agreements did not include the above Promissory note for wages."

Is that a true statement?

A. Well, it's sort of written badly but the

note is the note outside of the stock purchase agreement.
     Q.  You agree that the promissory note is for wages?
     A.  The promissory note is for back employment wages, the leasing fees and anything else that I had tabulated through the bankruptcy.
     Q.  Okay.  So when this says that did not include the above promissory note for wages that's not an accurate statement?
     A.  Well, it is an accurate statement because wages was part of it, back wages.
     Q.  But you are saying it should also include other things other than wages?
     A.  It should but we generalized.  It's fine.
     Q.  Well, I just want to make sure that we are
0217
clear the $200,000 obligation --
     A.  Yeah.
     Q.  -- that you are claiming that you have a right to --
     A.  Yes.
     Q.  -- is that for wages or for wages and other things that you generally categorized together?
     A.  I categorize the obligation outside of the stock purchase agreement to be what is now the note of $200,000.  It may include back wages, lease payments that were owed to me by the company and any other things, interests that accrued.
     Q.  What documents do you have that evidence what lease payments were owed to you as of the time of the stock purchase and note assignment agreement?
     A.  The only ones that I can put at my fingertips are the ones in the record and I know you don't want me to say --
     Q.  What record are you talking about?
     A.  Public records of MW Medical.
     Q.  So other than the public records you don't know of any other documents that exist that substantiate this claim for lease payments?
     A.  Bankruptcy documents.
     Q.  Again, public records that are filed with
0218
the bankruptcy court?
     A.  Right.  I can't tell you where I can put my hands on them.
     Q.  Okay.  And what type of wages were you collecting for running MW Medical since the time of the bankruptcy?
     A.  My annual salary kept accruing and it was accrued through the bankruptcy and it came out the other end still as an accrued debt.
     Q.  What was the annual salary that you were entitled to?
     A.  I think I mentioned this before.  I think it was 180 or 200.
     Q.  $200,000?
     A.  I'm not sure.
     Q.  And that was for running a company that had no employees or had any operations at the time?
     A.  It had operations.  That's why I was putting the money in.  I started putting that money in and accruing my wages.  Obviously if I'm putting

money into the company I wouldn't turn around and pay it to myself. So I accrued my pay while the company was running.
Q. Forgive me if I misspoke but I understood, and I'll find it in my notes and maybe I can get
0219
some clarification on this, but after the company, after MW Medical, Inc. emerged from bankruptcy at the end of 2002 that it had no, no further operations.
A. Yes, but I'm trying to tell you my salary prior and during the bankruptcy which was ten months, prior to ten months while it was still an operating company that almost million dollars paid for the operations of the company and obviously I didn't pay myself since it was my money funding the company. So I accrued it and that's what entered the bankruptcy. That's it.
Q. So during the time period that the company had no operations were you still claiming that you were entitled to a salary?
A. I believe, and I'm trying to remember, I believe that the bankruptcy court or the bankruptcy, somebody told me something about what I would forgive or not forgive. I can't remember.
Q. Can you answer my question? During the time that the --
A. I'm not sure.
Q. And that would be the response to my question whether or not you were collecting or claiming a right to collect a salary during the time
0220
that MW Medical had no operations? You are saying you are not sure?
A. I'm not sure.
Q. Thank you.
The next paragraph on page three, paragraph No. 11,

> "On or about June 2004, pursuant to Medley as CEO of Davi requested that Wallace execute a blank assignment of the Promissory note the condition that the assignment was to be used to secure investors and investment capital of the company since the Promissory note could also be exchange for the company's shares."

You see that paragraph that I just read?
A. Uh-huh.
Q. Is that a "yes"?
A. Pursuant -- yes.
Q. Is that the meeting during the closing day at Kyleen Cane's office that you were referring to in your testimony maybe a few minutes ago?
A. Yes, I think so.
Q. Other than what you've already testified to were there any other requests made by Mr. Medley in
0221
connection with the blank assignment of the promissory note?
A. Other than the investors? Other than what it says?
Q. Other than what it says and other than what

you testified to a few moments ago.
A. No.
Q. You have nothing to add to that?
A. I don't think so.
Q. And that day at the closing at Kyleen Cane's office is the only day that you spoke to Mr. Medley about that assignment of the promissory notes, Exhibit No. 10; is that correct?
A. No. I told you that there was maybe one other time when we were in the cars and he called me.
Q. Pardon me. You are quite right. I apologize for that.
A. Okay.
Q. All right. The next paragraph, starting at the beginning of paragraph 12 it says,

"On or about September 2005, Medley had still not used the assignment to procure investors or investment capital and the Promissory note was coming due,

0222

therefore Medley requested that Wallace execute a loan extension.

When was that promissory note coming due?
A. I was just about to say that I think that the language is wrong. It's not coming due. Is that the encroachment of the date of the first year Mr. Medley had used through 2005 and gave it to the auditors. That's why I never received a letter.
Q. Can you just answer my question. When was the date coming down?
A. Um, it would have been the December -- no, it would have been -- he knew he didn't have coverage for the December 31, '06 and to make sure it was in '05 that he wanted to get extra time from September to December 31st of '06.
Q. So as of September 2005 there was a loan extension that you had executed indicating that the loan was extended through September 30, 2006; correct?
A. As of 2005 I had already given Mr. Medley a loan extension for '05 and one for September 30th of '06.
Q. Thank you.
So in point of fact the promissory note was not coming due when we refer to paragraph 12 until

0223

September 30, 2006; is that correct?
A. No. The coming due is that Mr. Medley had used the '05 and every quarter you are supposed to file and every quarter that he didn't file the other loan extension it was not only coming due, it was going to be a requirement of the auditors to hand it in. So due that he needs to hand those things to the auditors he handed in the '05 one but he failed to hand in September 30th of '06.
Q. How do you know that?
A. Because that's the only way I could have gotten the letter from the auditors.
Q. How do you know that he did not turn the September 30, 2006 extension over to anyone?
A. Because when I spoke to the auditors the only extension that they had was 2005.

Q. Okay. When did that conversation occur?
A. In March when they contacted me.
Q. March of 2006?
A. March of 2006 when they contacted me. I was totally befuddled. I subsequently had a conversation with them. They told me -- I said why am I getting a letter now.
Q. Ms. Wallace, if you want to get out of here tonight --
0224
A. Sure.
Q. -- you are going to have to stick to the questions that I'm asking.
A. No problem.
The auditors asked me.
Q. Thank you very much.
How many conversations did you have with the auditors?
A. Maybe three or four.
Q. Did the auditors ever tell you that no loan extension through September 30, 2006 had ever been received by them?
A. Correct.
Q. They told you that?
A. They didn't name a date.
Q. Thank you.
The next sentence starting on the end of line 22 on page three,
"At that time Medley stated 'things were moving along' leading Wallace to believe that the Promissory note was still being used to attract investors and investment capital."
When did Mr. Medley state that things were moving along to you?
0225
A. When we were at Carl's Jr.
Q. Any other time?
A. Probably before we went to Carl's Jr. When we were at the hotel he was explaining the business and what was going on in it.
Q. How long did that meeting -- I believe you indicated the meeting at the hotel lasted 30 minutes.
A. Yeah, about half an hour.
Q. Was Ms. Ambrosio and her mother present the entire time of the --
A. The whole time.
Q. Great. Starting on line 25,
"Wallace wanted a good faith payment for such extension . . ."
This is the extension that you referring to earlier to go from September 30, 2006 to December 31, 2006; is that correct?
A. Correct.
Q. Now it says,
" . . . and Medley paid Wallace $10,000 in cash instead by corporate check."
I guess that should be, should have stated instead of by corporate check.
0226
A. Correct.

Q. So was it significant to you that it referred to -- that he paid you in cash instead of by a corporate check?
A. Absolutely.
Q. Did you ask Mr. Medley why he was paying you in cash?
A. I asked him even before he came how he was paying.
Q. Why?
A. Because however he paid would cause me to worry considerably.
Q. Why?
A. Because when you are the CEO of a public company and you pay somebody for a loan extension that was not reported to the auditors or the public filing you've got some serious problems.
Q. Well, why did you believe as of September 2005 that this, the loan extension hadn't been reported to the auditors?
A. No. You are getting the dates confused.
Q. No. You're talking -- no, I'm not getting them confused at all.
You are telling me the first time you spoke with the auditors was in March of 2006; is that the
0227
truth?
A. Yes.
Q. All right. September 2005 had the auditors told you that the loan extension had not been received by them?
A. No.
Q. Did Mr. Medley tell you that he hadn't turned in the loan extension documents to them?
A. No.
Q. Then what is the basis for your claim that Mr. Medley had not turned in the loan extension documents and that was the reason why he had to be concerned about paying, as the CEO paying for an extension of the loan?
A. Please excuse me but what I'm trying to say to you is at the very time that he gave me the $10,000 cash it immediately started to come in my head that Mr. Medley was not acting for the corporation.
Q. But you told me a moment ago that you asked about how he's going to be paying you --
A. I did.
Q. -- and whether by check or by cash before you even met with him.
A. Before I met at Carl's Jr. and after we
0228
left the Hilton I said Parrish, by the way, do you know how you are going to pay me and he said I'll pay you -- I'm going to come and I'll pay you and I said okay. Is it cash or check and he said don't worry about it. I'll pay you. When Parrish showed up at Carl's Jr. and gave me the cash --
Q. Ms. Ambrosio present during this conversation at --
A. At Carl's Jr.?
Q. No, at the conversation at the hotel with the cash or check.
A. No, only the amount.

Q. Where did that conversation take place?

A. Parrish Medley when he was arranging to meet me at Carl's Jr.

Q. When was that?

A. Just before we met at Carl's Jr. Sometime in September or October after the meeting at the Hilton.

Q. I thought you met at the Carl's Jr. in September 2005?

A. September we met -- around September we met either at the Hilton -- we met at the Hilton.

Shortly after the Hilton after he negotiated the money he met with me at Carl's Jr.

0229

It could have been in September. It could have been in October.

Q. How much time elapsed between the Hilton meeting and the Carl's Jr. meeting?

A. A week, maybe ten days. Something like that.

Q. So when did you have the conversation regarding whether the money was going to be paid in cash or check?

A. I think it was the day before he called me to figure out where Carl's Jr. was and so on and so forth.

Q. Why did you ask him during that conversation whether the payment would be in cash or check?

A. Because the way that Parrish paid me would let me know that Parrish is not acting for the company and for himself.

Q. But why did you ask that question before you even met with him to receive the payment?

A. I just wanted to know how he was going to pay because depending on his answer it would let me know in my mind that Parrish Medley was acting for himself and not for the company.

Q. And what benefit would it be to Parrish of

0230

getting a loan extension from September 30th to December 31, 2006 by paying $10,000 to you?

A. If Parrish Medley never turned in the loan extension Parrish Medley could then attempt to use that blank assignment for his own purposes and he was the CEO of the public company. He had a right to disclose.

Q. So why did you -- in September 2005 after you had met with your attorney present with Mr. Medley at the Hilton hotel --

A. Uh-huh.

Q. -- you negotiated at that meeting --

A. Uh-huh.

Q. -- to get $10,000 in exchange for a loan extension; is that correct?

A. Correct.

Q. And you knew that Mr. Medley already had this assignment of promissory notes in his possession; correct?

A. Yes.

Q. You gave it to him that day at the closing in June of 2004; correct?

A. I believe it was around April. Okay.

Correct.
     Q.  The assignment of the promissory notes that
0231
you signed --
     A.  I'm sorry.  You are right.
     Q.  -- in June of 2004 --
     A.  Okay.
     Q.  -- you knew he had that in his possession?
     A.  Yes.
     Q.  Right?
     A.  The assignment.  I'm sorry.  The assignment.
     Q.  Correct.
         So after you had this meeting at the Hilton where you negotiated $10,000 in exchange for a three-month loan extension you agreed to meet with Parrish Medley at the Carl's Jr. in Newport Beach; correct?
     A.  Yes.
     Q.  And you knew at that meeting that the sole purpose of meeting with Mr. Medley that day was to get $10,000 in exchange for the loan extension; right?
     A.  Yes.
     Q.  That was the only reason you were meeting with him at Carl's Jr. that day?
     A.  Absolutely correct.
     Q.  If you understood that he was acting in his
0232
own self-interest by bringing cash instead of a corporate check why did you proceed to sign that loan extension document when you knew that he already had the assignment of the promissory note and could use that to collect on the note himself?
     A.  Well, first of all Parrish Medley put the documents in front of me.  He opened a brown bag that was by his feet, showed me that he had the money in the bag, made me sign first.  So I didn't have the money in my possession.  He made me sign it first.
     Q.  So why didn't you say after you signed it hey, I think there is something wrong with this.  I'm not going through with this deal?
     A.  Because it doesn't matter to me what I did with my loan extension.  The burden is on Mr. Medley.  I don't care.
     Q.  Why?  You are the one who is claiming that the assignment of the promissory note is no good.
     A.  The assignment of the promissory note in blank was to help the company.  I agreed to help the company.
     Q.  Ms. Wallace, you told me that you knew before the Carl's Jr. meeting that Mr. Medley could misuse the assignment of promissory notes; is that
0233
true?
     A.  No.  What I said to you was dependent upon how he paid me it would put into my head that maybe Mr. Medley has a purpose for himself and not for one of the company.
     Q.  Okay.
     A.  That's what he put in my head.
     Q.  All right.  So did you take any steps after

you collected that $10,000 in cash to alert anybody that you think that there is something wrong with the manner in which Parrish Medley handled this transaction?
A. No, and I don't have to.
Q. Okay. Thank you.
Did you have a discussion at that Carl's Jr. meeting about why the assignment had not been registered?
A. Again, the last meeting -- sorry.
Q. Don't tell me again. Just answer my question or we are going to be here a long time.
Did you have a discussion at Carl's Jr. in which the word assignment was mentioned? How about start there.
A. Yes.
Q. What was discussed regarding the assignment
0234
of the promissory note?
A. Again, the business, what's going on, where is the 10,000 shares that you already promised me. What is going on --
Q. This is in addition to the $10,000 that you obtained from him?
A. Yes.
Q. You wanted the 10,000 shares? I thought that was for the earlier extension.
A. The earlier extensions for the 10,000 shares was for December 31st of 2005 and September 30th of 2006.
Q. Okay.
A. He never paid me that.
Q. So what did you discuss regarding the assignment?
A. We discussed that. I said to him I'm giving you another assignment. What the hell are you doing with the business.
Q. What's this other assignment? I thought you already signed that back in June of 2004?
A. Maybe I'm not hearing right or I think I keep saying this to you. He wanted not only an extension that he had already had in his possession which is 2005, the year-end of 2005, he also had
0235
year-end -- sorry, September 30th of 2006 in his possession. He was supposed to give me 10,000 shares. He never did. To this day he's never given me that. Then he wants now another extension and that extension took him from September 30th of 2006 to December of --
Q. That was the $10,000?
A. And that's 10,000.
Q. We already covered that.
A. Right.
Q. I asked you when did the discussion of signing another assignment come up.
A. I can't remember but --
Q. You want me to have the court reporter read back your testimony?
A. Sure.
Q. You just stated that he wanted you to sign another assignment. Was that correct or not?
A. Yes.

     Q.  When did he ask you to sign another
assignment?
     A.  Sometime prior to September when I met at
the Hilton.
     Q.  Why did he need another assignment if he
already had an assignment signed by you?
0236
     A.  He didn't have the assignment that took him
from September 30, '06 to December of '06.
          MS. AMBROSIO:  Okay.  I think there has
been a miscommunication here.  I think that the
question is a loan extension, not an assignment.
          THE WITNESS:  Right.
          MS. AMBROSIO:  I think --
          THE WITNESS:  You are right.
          MS. AMBROSIO:  She's heard the wrong words.
It's been a long day.
          THE WITNESS:  The extension, the assignment
is the only assignment from day one.
BY MR. GUTMAN:
     Q.  When I use the word assignment I'm
referring to the assignment of promissory notes that
we previously mark as Exhibit No. 10.  You see it,
assignment of promissory notes?
     A.  Right.
     Q.  I'm not referring to the document that says
loan extension like on Exhibit No. 7.
          You see that?
     A.  Thank you.
     Q.  Okay.  So did you have any discussion
regarding an assignment when you met with Mr. Medley
at the Carl's Jr.?
0237
     A.  Only the assignment.  The only discussion
we had was when are you giving me the list of the
names to assign the note.
     Q.  That's the only thing you discussed at
Carl's Jr. regarding the assignment?
     A.  The assignment.  The name of the investor
that had to go on that assignment.
     Q.  All right.  Take a look at paragraph 15 on
page four would you please.
     A.  Paragraph 15 on page four.
     Q.  You see on or about April 6, 2006?  Did you
have another meeting with Mr. Medley at the
Carl's Jr.?
     A.  Yes.
     Q.  Is this the very next time that you saw
Mr. Medley --
     A.  Yes.
     Q.  -- in between September of 2005 and April
of 2006?
     A.  Yes.
     Q.  Did you have a discussion then with
Mr. Medley regarding the assignment not having been
registered for almost two years?
     A.  Yes.
     Q.  And how did that discussion come up?
0238
     A.  Mr. Medley now knew that I had the
auditor's letter.  Mr. Medley directed me what to
say in the auditor's letter.  I told him I would not
do that because it was not the truth.  He said let's

meet and talk about it. I said fine, Parrish, but I'm not going to be doing anything that causes me any problems or commit any frauds. We met at Carl's Jr. It was a terribly heated discussion. Parrish Medley left the place saying that he was going back to Beverly Hills and signing over and filling in the date of the assignment.
Q. What did you tell Mr. Medley that you wanted in exchange for the assignment or to do in connection with the auditor's letter?
A. I asked Mr. Medley what the heck are you doing and what are you trying to do with this and he said -- you want me to answer it?
Q. Please.
A. Okay. He said that that assignment was his. I agreed to it a long time ago.
I said you know what, Parrish, you didn't give me the 10,000 shares. You threw $10,000 at me. I'm still waiting to see some kind of financial recovery. I was supposed to have dollar for dollar on this note. Give me my damn money.
0239
Q. So how much did you tell him you wanted?
A. I don't even recall. It was just yelling back and forth.
Q. What did you tell Mr. Medley --
A. I don't recall.
Q. $100,000?
A. I don't recall.
Q. $200,000?
A. I think I certainly said my 250 is my 250.
Q. $250,000?
A. Right. That's what I had estimated the note to now be worth.
Q. So if you felt that you had the legal right to the note and you had the right to collect it from the company why did you even bother to meet with Mr. Medley that day in April of 2006?
A. Because Mr. Medley wouldn't stop bugging me.
Q. So he contacted you after you received the auditor's letter?
A. Yes.
Q. Or you contacted him?
A. Excuse me. He had contacted again Kyleen Cane because I won't speak to him. Kyleen Cane told me again that Parrish Medley is trying to find me
0240
and I said what for now.
Q. So why didn't you just ignore him?
A. That would have been nice.
Q. Well, why don't you explain why.
A. Because every time I have to get on the phone with Parrish Medley I still have a note on that company that he represented to take care of.
Q. Isn't it a fact, Ms. Wallace, that you went to Mr. Medley because you were looking to get some money that you otherwise weren't entitled to?
A. No.
Q. Then why didn't you just ignore him?
A. I just told you why. He had in his knowledge exactly what that note was to be used for. I wanted to know. So either he gave me my money

from 2004 or he explained to me what the new story was.
Q. Why didn't you just present the note to Davi Skin?
A. Because it can't be presented until December 31st of '06. How do you make a demand on a note when it has a loan extension until the deal hasn't even reached?
Q. Why didn't you just send the note back to the auditor without meeting with Mr. Medley first?
A. I just told you why.
Q. Because Mr. Medley wanted to meet with you?
A. Yes.
Q. And no other reason?
A. Absolutely correct.
Q. Thank you.
I want to direct your attention on page five paragraph 20 of the amended counterclaim.

> "Since 2004, Medley made false representations to Wallace about the conditional assignment of the Promissory note . . ."

You see that?
A. Uh-huh.
Q. Is that a "yes"?
A. Yes.
Q. What is conditional assignment? What does that mean?
A. Again, the assignment was only so Mr. Medley could use that note. I had to fill in the names of the investors and the market makers. He was supposed to provide me those names so that the note would transfer to those individuals. He kept telling me it would happen shortly. It didn't happen. He had lots of excuses why it didn't happen.
Q. Is there any document that you've ever seen that refers to market makers or investors in connection with this promissory note that is the subject of this lawsuit?
A. No.
Q. Do you have any witnesses anywhere who can testify about any discussion in which Parrish Medley said that he got that assignment from you of the promissory note solely to try and interest investors or to get, what is it, make a market?
A. Right.
Q. Do you have any witnesses who can testify to that?
A. No, we couldn't.
Q. Okay. All right. Let's move on and identify next in order. Will be Exhibit No. 12.
(Deposition Exhibit 12 was marked for identification by the court reporter.)
MS. AMBROSIO: How many more exhibits do you have?
MR. GUTMAN: I've got four prepared but I don't know that I'm going to need them all.
MS. AMBROSIO: You think you will be done in the next half hour?

MR. GUTMAN: I'm going to try.
MS. AMBROSIO: Okay. Because at 6:00 we are leaving.
MR. GUTMAN: Okay. Never had somebody just like turn to me and say it quite like that.
MS. AMBROSIO: I'm just letting you know.
MR. GUTMAN: I understand that's really --
MS. AMBROSIO: You're from New York. You should get it.
MR. GUTMAN: You know, doesn't really offend me but does sound kind of coarse.
Q. I marked for purposes of identification as Exhibit No. 12 document Bates No. K/M 39 through K/M 41.
Have you seen this document before?
A. Yes.
Q. This is in fact the auditor's letter with a couple of additional handwritten comments that have been inserted on it. At least that's what the first page is.
Do you understand that?
A. Yes.
Q. The auditor's letter is dated March 24, 2006.
Would you agree with that?
0244
A. Yes.
Q. Now, there are certain handwritten portions contained on this first page of Exhibit No. 12 starting about halfway -- in between the third and halfway down, this note is retained by me.
A. Yes.
Q. Is that your handwriting?
A. Yes.
Q. And with the exception of the signature of Josh Levine it looks like under very truly yours --
A. Yes.
Q. -- is every other portion of this page that's handwritten your handwriting?
A. Yes.
Q. When did you write this?
A. Probably around April.
Q. April of 2006; correct?
A. Yes.
Q. Did you write it after the meeting that you had with Mr. Medley at the Carl's Jr. in Newport Beach?
A. Not necessarily.
Q. Well, did you meet with Mr. Medley at the Carl's Jr. in Newport Beach in April of 2006 before or after you wrote your handwritten comments on
0245
Exhibit 12?
A. I think I started to write some of this and then I think I finished it up. I'm just trying to remember what time I started scripting it. I think I wrote lots and threw them in the garbage. I think I stopped some places and I think some of it I started with and then I added more.
Q. Okay. Do you have the ability to determine which parts you wrote before the meeting at Carl's Jr. in Newport Beach in April of 2006?
A. Sure. The part where Mr. Medley had

announced at Carl's Jr. that he was going to sign the note and give it to Mr. Kagel, whoever he is.
Q. So you learned that from the discussion at Carl's Jr.?
A. Yes.
Q. All right. Let's focus on the first page of Exhibit No. 12 Bates numbered 39, that first sentence, this note, first sentence that's in your handwriting.
"This note is retained by me, as Mr. Parish Medley then CEO of Davi Skin misrepresented the use of this note and did not deliver the compensation to me."
What is the compensation that you are
0246
referring to?
A. The 250,000 dollar for dollar that I was supposed to get to assign the note.
Q. When did you have that agreement to get 250,000 dollar for dollar to assign the note?
A. As stated before, that all happened when he asked Kyleen Cane to leave the room.
Q. That's the only time that that was discussed?
A. Yes.
Q. Did you ever have any discussion about that $250,000 any time other than in June of 2004 in Kyleen Cane's office prior to writing your handwritten comments on Exhibit 12?
A. I probably may have mentioned it once before to Parrish in a harsh voice.
Q. Okay. I want to direct your attention to the third page of Exhibit No. 12.
A. Uh-huh.
Q. Bates numbered 41. And the last sentence.
"I state clearly, in the 2 and half years I have known Parish, I find him to be a liar, a cheat, self-serving and of lower moral character."
Is that your handwriting?
0247
A. Yes.
Q. And did you cause this letter to be sent back to the auditors at least?
A. I think it says who it's supposed to go to.
Q. And who is that?
A. Mr. Spellman and/or present management of Davi.
Q. Did you send it to anybody else?
A. It was faxed -- Crystel Makin asked me to fax my response. I faxed it to Crystel Makin and told Crystel Makin to give this document -- that to make sure Mr. Spellman or Carlo Mondavi or somebody in management got the document.
Q. Anybody else?
A. That's it.
Q. How did you transmit this document to them?
A. She gave me a fax number and I faxed it.
Q. So you faxed it to two different fax numbers?
A. No, just one.
Q. I thought you sent one to Mr. Spellman and one to Crystel Makin?

A. No. I didn't know Davi's fax number. Crystel Makin asked me to please fill out because they were getting close to filing date. She asked
0248
me to please fill out my responses, fax it to her. I told her I'm going to fax it to her. Could she please make sure that Mr. Spellman or Carlo Mondavi or somebody at Davi management gets this letter.
Q. Okay. I want you to tell me now about every single lie that you are aware that Mr. Medley told you in the two and a half years you have known him.
A. Well the one, big one is what he was going to do with the assignment. It never happened.
Q. Which assignment are you talking about?
A. That he was going to use the assignment and give me a list of names of investors or market makers and that's how the assignment was going to be used. It never took place.
Q. Okay.
A. We also -- Parrish Medley called me when he was trying to raise some money and wanted Kelly Black and I to raise some money.
I called him back and told him that I have some people that he could raise some money with. I set up all the appointments in Arizona. He came over to Arizona. I set them all up. He promised -- after we went to two meetings one group was interested in giving him the $3 million. I said
0249
okay, Parrish, if we are going to raise this money you have to sign one of my consulting contracts.
Parrish said yeah, yeah, don't worry about it. I got to go to Vancouver.
I said well, do me a favor. Promise you are going to call these people back. Don't make me look bad.
Parrish Medley never called the people back who kept calling me and then when I put my contract in front of Parrish he said he wasn't giving me nothing and he doesn't need me or Kelly Black to get him any money. So he lied to me.
Q. Okay. Next?
A. The next lie is I guess to me directly I guess --
Q. Any situation in which you know that Parrish Medley lied.
A. Okay. In the public filings when Parrish Medley settled his agreement with Davi Skin he agreed that he would never sue a shareholder of Davi. I am a shareholder of Davi.
Q. Okay. Anything else?
A. There was a company of which I introduced him to in Arizona. Her name was Michelle Stuart. She had a company named Sedona Earth. Parrish was
0250
interested because he said that they weren't finished with the formulations and he needed a product. We outlined the terms. He liked her male product which was called Maneava because he thought it sounded a lot like Mondavi. We entered in. We had oral agreements of how it would take place. I sent over notes to him. I called him on the

telephone. He told me he wanted to do the deal with Sedona Earth and with Michelle Stuart.

After about two weeks of him not really responding again very belligerently on the phone he told me he's not interested. He's not doing any of this deal and that was the end of that.

The other time was I went down into San Diego and I met with another investment house, Lana Hungh. I got four different investors to come in to help raise money. All of these Parrish knew about. I told him about expenses. I told him about the time and effort. I told him what it makes us look like and he said don't worry. I'm going to take care of it. We will raise the money, blah, blah, blah. Get the people lined up. I called him, showed him a bill for all of the expenses that we had running up. When is he going to sign the contract and agree and again he told me he didn't

0251

need my money. He went up to Vancouver. He can have somebody Mancuso (phonetic) give him as much money as he wants. I said then why did you waste my time.

Q. Anything else?

A. Not that I can think of right now.

Q. So have you now told us every single instance in which you have some understanding or some basis for accusing Mr. Medley of lying?

A. Other than what he told me about he was going to stick -- what he wanted me to write on the auditor's letter and I told him I wouldn't do it.

Q. I'm sorry. I don't recall --

A. Maybe not that's not a lie. Maybe he just told me what he would do and I wouldn't agree to do it.

Q. Okay. So have you now told us about every situation in which you know of Parrish Medley to be lying?

A. That's what I can recall right now.

Q. Can you identify every single situation in which you know Parrish Medley to be a cheat?

A. Yes. Same kind of deals. I ran up bills of which he said he would pay. Also the money in Las Vegas that night. He promised me that he would

0252

pay it back. He's never paid me back that money either. He's never given me the 10,000 shares.

Q. Anything else?

A. As I sit here that's all I can recall right now.

Q. Other than your description of everything that transpired in Las Vegas on that faithful evening of the close of this transaction, do you have anything to add regarding Parrish Medley being of low moral character?

A. I think that's enough.

Q. Okay. I will mark for purposes of identification as Exhibit No. 13. It is a four-page document Bates Nos. 46 through 49.

(Deposition Exhibit 13 was marked for identification by the court reporter.)

BY MR. GUTMAN:

Q. Ms. Wallace, do you recognize this

document?
A. Yes.
Q. Is this entire document in your handwriting?
A. Yes.
Q. Is that your signature on the fourth page Bates numbered 49?
0253
A. Yes.
Q. The drawing on the fourth page the lower half of what has been copied here, do you recognize that?
A. Yes.
Q. Do you know what it is?
A. No. I told you I have art books and I draw.
Q. Do you know when this was written?
A. Around -- after the same situations I just named to you where we went out and got funders for him and we set up the Michelle Stuart deal and everything.
Q. What point of time was that?
A. You know, right now I can't think of it but it would be -- I can't think of it.
Q. Well, was this after the closing in June of 2004?
A. For sure.
Q. So even after that debacle or that situation that you described in Las Vegas you continued to try and work with Mr. Medley, did you not?
A. I tried to raise money, yes.
Q. Why were you trying to raise money?
0254
A. Because I had a vested interest. If the stock value went up and I had a one for one value I would have done very well under Mr. Medley's efforts.
Q. What was your vested interest, this stock ownership? How did that come about?
A. The loan, the promissory note, if I did the assignment and he assigned it to his investors or market makers in return I would get dollar for dollar the value of my money.
Q. This was based upon an oral agreement that you had?
A. Correct.
Q. And this is the oral agreement that was discussed in Kyleen Cane's office in June of 2004?
A. Correct.
Q. And there is absolutely not a single mention of that oral agreement in this four-page note, is there?
A. No. This is about something else.
Q. Is there a single mention of that oral agreement in any other note that you have ever written to Mr. Medley or to anybody else?
A. Well, I've told my attorney now and I think I -- I think I've yelled at Mr. Medley over
0255
it.
Q. So after June of 2004 you were working in order to try and raise money for Davi Skin; is that

your testimony?

A. Yes.

Q. And this, the first three pages of this letter generally describe the efforts that you are making in order to raise money; is that correct?

A. Yes.

Q. Now, if you look at the fourth page there is a paragraph here that states,

> "Parish you owe me the courtesy of a phone call at least to acknowledge the amount of work that is being done for a company that has given me no compensation as yet even though promised."

A. Yes.

Q. You see that?

A. Yes.

Q. What was the compensation that was promised?

A. Parrish Medley in the raising of money -- my standard fee is 10 percent of the capital raised, plus warrants, plus stock options, plus the 10,000 -- plus everything he's ever stated to me.

0256

That's the compensation he's never given to me.

Q. Well, what money did you raise?

A. I didn't raise any. He wouldn't meet with the people to finish the deal.

Q. So you were trying to raise money and the compensation agreement that you thought you had was basically for a finder's fee; correct?

A. Correct.

Q. And finder's fee consisted of 10 percent, plus warrants, plus stock options?

A. Yes.

Q. And that's your standard finder's fee?

A. Yes.

Q. And that's the standard finder's fee that you've had with how many different individuals or companies?

A. Well, going back to Stanley Young. Any time we raise money it's 10 percent with some stock and some warrants. It's in the agreement of Wallace Black.

Q. Did you ever present a copy of your standard finder's fee agreement to Davi Skin or to Mr. Medley?

A. No. We talked about it on the phone. He wouldn't let it go any further. When I insisted

0257

that's when he got belligerent.

Q. Well, you talked about it on the phone. Is that before you did all these things that you are describing in Exhibit 13?

A. When we talked about it on the phone I told Mr. Medley that's what we would charge if we raise the money. He told me to go ahead and set up the meetings. He flew from L.A. to Arizona, attended the meetings. Didn't do the follow up even though he had people that were ready to commit three million. Then he said he was going to Vancouver or something, whoever knows, someplace and he was going to get other money.

Q. Why did you agree to do the work before you had some sort of written agreement in place?

A. Because I do that. I just told you how sometimes I do work for people and I get no compensation. Because I had a vested interest in this company both as a shareholder and somebody that had a note it behooved me to try to do the best for the company.

Q. But you told me that after that closing in Las Vegas this was somebody that you couldn't imagine how you even got into business with him. So here you were continuing to trust him without a

0258

written agreement after June of 2004?

A. Excuse me. But Mr. Medley's behavior from a moral point of view is absolutely disgusting. I will never forget it.

Q. But he never paid you back the money that he owed you; right?

A. Well, then I guess you could call me a nice person that happens to trust people.

Q. So after June of 2004 you made all these efforts to try and raise money for the company; is that correct?

A. Yes.

Q. Are they all pretty much outlined in this handwritten letter, Exhibit 13?

A. Some of it. It's very general.

Q. How much time elapsed between June of 2004 and the point in time when you realized that Mr. Medley was not going to sign the compensation agreement with your company?

A. After the meetings it was probably about two and a half to three weeks that I was trying to get him to hammer it down and both Kelly and I attempted and he was so belligerent we just walked away from it.

Q. And when was that?

0259

A. I can't recall.

Q. Before the end of 2004? Sometime in 2005?

A. I think either end of 2004 or 2005. Sometime in there. I can't remember.

Q. Now, do you recall earlier in your testimony you had indicated that there was a point in time where Parrish was trying to call you after the event, the closing day in Las Vegas and you wouldn't even take his call and he had to get Kyleen Cane to call you so that you would even take his call?

A. It was I believe -- actually I should get him to read back because now I'm trying to recall all this testimony.

Q. Well, maybe you don't have to recall the testimony but maybe you can just tell us what exactly happened because there was a period of time after the closing in June of 2004 that you didn't speak to Mr. Medley; right?

A. That's correct.

Q. And you didn't want to speak to Mr. Medley?

A. That's correct.

Q. So how would you quantify that period of time?

A. I can't remember.

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Q. More than a year?
A. Maybe. Maybe just less. Maybe a little bit more. Maybe a year. I can't remember.
Q. So at what point in time are you setting up these meetings with Mr. Medley to meet with potential investors who had come up with this $3 million?
A. I don't recall.
Q. Was this in 2004?
A. I answered already. It could have been late 2004. Sometime in 2005. I don't recall.
Q. Well, when did you have the oral agreement with Mr. Medley that he was going to pay you this 10 percent finder's fee, plus stock options and warrants?
A. Before he flew to Arizona.
Q. But that would be after the deal went --
A. I don't know.
Q. -- down in Las Vegas?
A. It would be distinctly after the closing of the transaction because I could only raise money for Davi Skin once it became Davi Skin.
Q. Okay.
A. So it's distinctly after the closing.
Q. So you have no recollection whatsoever how
0261
far after? A month? Six months? A year?
A. As I sit here today I don't recall.
Q. More than a year?
A. I answered I don't recall. It could have been sometime at the end of 2004 or 2005. I don't recall.
Q. Well, I just want to see if I can break down the "it could have been" because what I want to understand is -- your microphone just dropped off.
A. Again? Sorry.
Q. What I want to understand is you had an oral agreement for this dollar for dollar thing from June of 2004.
A. Yep.
Q. Right?
A. Yep.
Q. That never got mentioned any time again between the two of you until some point much later on; correct?
A. As I stated before, I said maybe I had some phone conversations where I might give him a hard time about it. I don't recall. I think that's what I said before.
Q. Let me ask you a question, Ms. Wallace.
A. Sure.
0262
Q. If you had received an agreement from Mr. Medley during your meeting in April of this year, April of 2006 that he would have given you your dollar for dollar consideration as far as the shares in the company on that promissory note, would you have written what he asked you to write to the auditors?
A. No. No, I wouldn't have written what he asked me to write.
Q. Then what was it that you were looking for

from Mr. Medley in April of 2006?
A. If Mr. Medley had given me my two hundred and something thousand dollars I would have told the auditors that Mr. Medley gave me two hundred and something thousand dollars and I don't care who the note belongs to. As far as I'm concerned I guess it belongs to the company.
Q. So the only thing that you were interested in in April of 2006 was 100 percent of the cash that was due on that note?
A. Some kind of compensation. All the cash would have been nice. A portion would have been nice. Anything would have been nice that I got something out of this transaction.
Q. Something out of the transaction. Didn't
0263
you collect $250,000 on a company that had no revenues?
A. Mr. Gutman, I put over a million dollars into that company. When I did the reverse merger I didn't have to forgive it. I forgave most of my money. If you think as I sit here today that because I got $250,000 in the reverse merger that I am happy, no. I would take another $600,000. I would take any amount that made me whole. That's what I did. That's what I expect.
Q. What was the source of funds for that $1 million that you claim you put up into MW Medical?
A. My personal money, cash.
Q. That was money that you earned how?
A. I earn it period.
Q. From what type of business activities?
A. I've been working since I was 27 years old.
Q. Well, what I want to understand is was that money that you earned in connection with the work that you did with --
MS. AMBROSIO: Wait. This has been asked and answered. She went over earlier today all the jobs she had.
MR. GUTMAN: I just want to ask this
0264
question about the source of the monies.
Q. Is it monies -- were these monies that you earned through Claire Technology, Active Systems, Dynamic Associates and MW Medical?
MS. AMBROSIO: I'm going to object.
THE WITNESS: Mr. Gutman --
MS. AMBROSIO: Don't answer it.
THE WITNESS: I won't answer.
MR. GUTMAN: On what basis?
MS. AMBROSIO: It's not relevant.
THE WITNESS: It's my money. I answered that it was my money.
MS. AMBROSIO: No more.
MR. GUTMAN: Ms. Ambrosio, I'm sure you realize under the federal rules that relevance is not an appropriate objection at a deposition.
MS. AMBROSIO: I'm instructing my client not to answer it. You want to bring a motion --
MR. GUTMAN: On the grounds of relevance?
MS. AMBROSIO: On the grounds that it has -- she told you and it's verifiable that she put

the money in. This company has been through a bankruptcy. If you would like to look at the bankruptcy files you are more than welcome to.

MR. GUTMAN: No. What I would have liked

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to have seen were the documents that were requested and to have the witness make at least a modicum of effort to comply with her obligation --

THE WITNESS: I did.

MR. GUTMAN: -- under the code.

Excuse me, Ms. Wallace. I'm responding to your counsel now and I actually heard your testimony during the course of the day about the efforts that you made and frankly they do not comply with the obligations under the code.

So --

MS. AMBROSIO: Fine.

MR. GUTMAN: -- either we will do a motion to exclude or do a motion to compel you to produce the documents or to at least make some effort to locate them.

At this point in time I'm going to reserve my right to reopen the examination based upon the failure to produce the documents in the course of discovery that I believe the witness had an obligation to search for and at least make some sort of an effort to determine if they did exist and with that, subject to that exception and the questioning which you instructed her not to respond I'll reserve my rights in connection with that too.

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I would propose a stipulation if you are willing unless you want to go by the code, stipulation regarding the maintenance of the original transcript.

MS. AMBROSIO: You can do the stipulation on the record. That's fine.

MR. GUTMAN: Thank you.

I'll propose the following stipulation: That the court reporter can be relieved of his duties with respect to the maintenance of the original transcript. You know what, I'm rushing because the --

VIDEO OPERATOR: You are fine.

MR. GUTMAN: All right. Can we go off the record for one minute.

VIDEO OPERATOR: Sure. Going off the record. The time is 6:00.

(Recess.)

VIDEO OPERATOR: Back on the record. The time is 6:03.

MR. GUTMAN: I'll propose the following stipulation:

That the court reporter can be relieved of his obligations under the federal rules of civil procedure with respect to maintenance of the

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original transcript.

That the original transcript can be sent to the deponent through her counsel for the deponent to read, review and sign under penalty of perjury and make any changes or corrections that are necessary. In the event that there are any changes or corrections counsel will notify my office within let's say 20 days of her receipt of the transcript.

And that the original transcript shall be signed under penalty of perjury.

That counsel for the deponent assuming that we have a reciprocal arrangement can maintain custody of the original and present it upon request of any counsel or party in this action at the time of trial or for any other purpose or any other hearing.

In the event the original is not signed under penalty of perjury or otherwise is unavailable for any reason whatsoever a certified copy can be used in lieu thereof for any and all purposes.

You want me to repeat it?

MS. AMBROSIO: No. So stipulated.

VIDEO OPERATOR: This concludes the deposition of Jan Wallace, volume one. Number of tapes used was three. The original videotapes will



be retained by Merrill Legal Solutions at 20750 Ventura Boulevard, Suite 205, Woodland Hills, California 91364.

Going off the record. The time is 6:04.

(Whereupon, at the hour of 6:04 p.m., the proceedings were concluded.)

-oOo-



DECLARATION

I hereby declare I am the deponent in the within matter; that I have read the foregoing deposition and know the contents thereof, and I declare that the same is true of my knowledge except as to the matters which are therein stated upon my information or belief, and as to those matters, I believe it to be true.

I declare under the penalties of perjury of the State of California that the foregoing is true and correct.

Executed on the _____ day of __________________ 2006, at ________________________, California.

______________________________
W I T N E S S

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STATE OF CALIFORNIA )
) SS.
COUNTY OF LOS ANGELES )

I, Vance L. Jarvis, Certified Shorthand Reporter, Certificate No. 9014, for the State of California, hereby certify:

I am the deposition officer that stenographically recorded the testimony in the foregoing deposition;

Prior to being examined the deponent was first duly sworn by me;

The foregoing transcript is a true record of the testimony given;

Before completion of the deposition, review of the transcript [ ] was [ ] was not requested. If requested, any changes made by the deponent (and provided to the reporter) during the period allowed are appended hereto.

Dated________________________.

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